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2018 GOING CONCERNS A NINETEEN YEAR REVIEW

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Introduction

Audit Analytics reviewed the population of audit opinions filed with the U.S. Securities and Exchange Commission (SEC) as of November 18, 2019, to determine the number of going concerns (opinions qualified by an uncertainty regarding the going concern assumption). As shown in *Figure 1*, this analysis found that going concerns peaked in fiscal year 2008 with a total of 3,356 going concern opinions. Thereafter, the number of going concerns decreased for ten consecutive years to an estimated total of 1,774 for fiscal year 2018. The estimated total of 1,774 going concerns is the lowest amount over the nineteen-year period analyzed.

Audit Analytics arrived at the 2018 estimate by identifying the number of going concerns that were filed for year-end 2017 on or before November 18, 2018. It was determined that 95.19% of the total 2017 going concerns were filed by that day. As of November 18, 2019, there were 1,689 going concerns opinions for year-end 2018. If this number represents 95.19% of the total for 2018, the ultimate number of going concerns will be 1,774. Therefore, the number of going concerns for fiscal year 2018 is

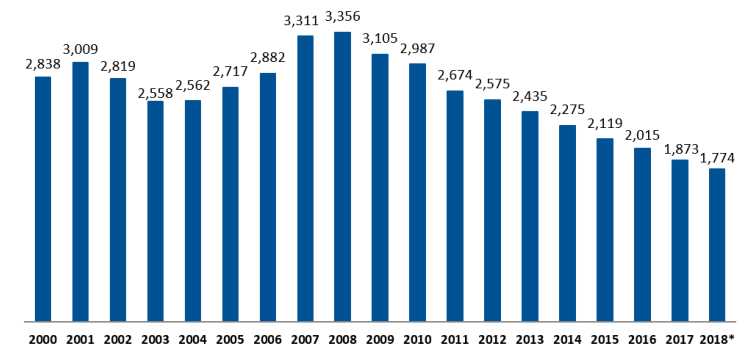
expected to be 99 less than the amount received for 2017. This decrease, however, is not due to improved company performance, but company attrition from the prior year's going concern population. An analysis of the 1,873 companies that filed a going concern in 2017 found that 177 of these companies filed a termination of registration (or had it revoked) with the SEC. Moreover, these terminations do not include the additional 241 companies that left the population (went private or out of business) without filing a termination.

As shown in *Figure 2*, new going concerns (a going concern filed without one filed the year prior) most recently peaked in 2007 and decreased most years thereafter. As of November 18, 2019, the SEC received 401 new going concerns for fiscal 2018, with an estimated amount of 440 total new going concerns for 2018. Therefore, it appears that new going concerns will be the lowest amount in eighteen years. Indeed, the last eight years have been lower than the previous ten. Moreover, it should be noted that 21.5% of the new going concerns as of November 18, 2019, were disclosed in S-1s or F-1s and, thus, linked to recent initial public offerings (IPOs). A new going concern associated with a recent IPO should not necessarily be viewed as a negative economic event.

In addition to new going concerns, Audit Analytics identified companies that filed a going concern one year but not the following year. A small number of these companies filed a subsequent clean audit opinion, but most of these companies stopped filing audit opinions altogether. For example, a total of 585 companies filed a going concern in 2017 but not in 2018. Of these companies, 167 filed a clean audit opinion in 2018, but 418 companies failed to file any audit opinion whatsoever. The 418 companies that failed to file a subsequent audit opinion in 2018 represents the second lowest number of "disappeared" companies since 2006.

Figure 1.

Number of Going Concerns per Year
(2018: Estimated)

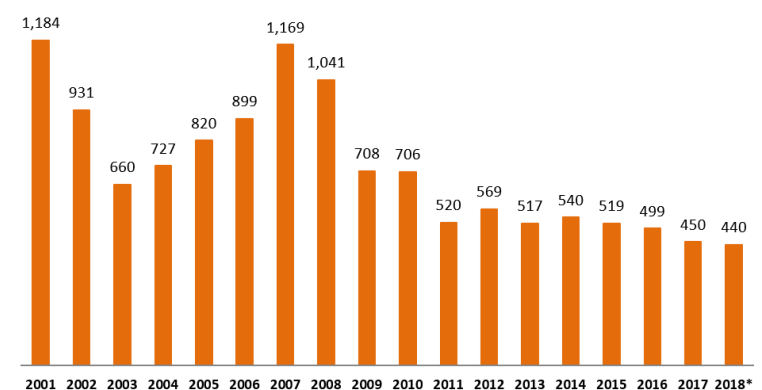


*2018 is estimated

Fiscal year 2008 received the highest number of going concerns followed by ten consecutive years of decreases to reach an estimated value for 2018 that is the lowest amount during the nineteen years analyzed.

Figure 2.

Number of New Going Concerns per Year
(2018: Estimated)



*2018 is estimated

New going concerns last peaked in 2007, with 1,169 companies. Thereafter, the number of new going concerns decreased most years and appears to be trending to the lowest amount in eighteen years.

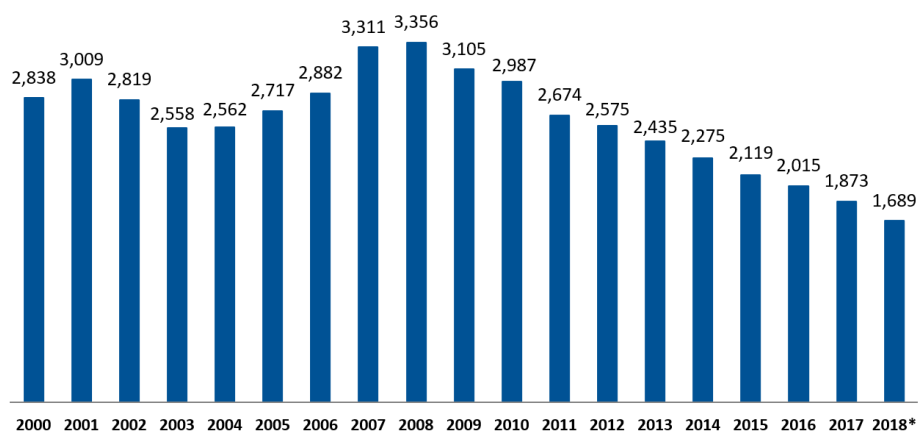
Executive Summary

1. Fiscal year 2008 experienced the highest number of going concerns over the nineteen-year period.

Figure 3.

Number of Going Concerns per Year

(2018: Partial Year)



*2018 is a partial year

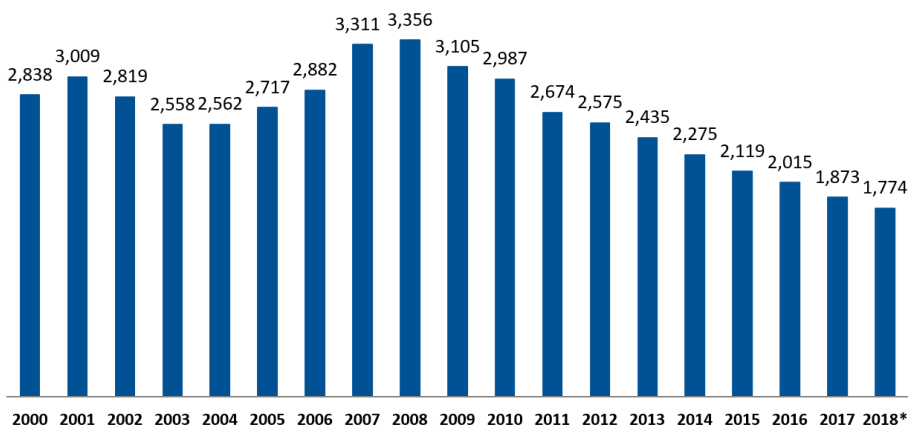
Since 2000, the largest number of going concerns occurred in 2008 with a total of 3,356 going concern opinions, followed by ten consecutive years of decline to reach a total of 1,689 in 2018. (See *Figure 3* and page 6: *Going Concern Totals per Year*.) *Figure 3* provides a fiscal year 2018 total as of November 18, 2019, so this number is based on an incomplete year. Many foreign filers and non-accelerated U.S. filers with a fiscal year end occurring at the end of December have not yet filed an annual report with the SEC as of that date. For comparison, a look at the prior year on the corresponding date shows that the SEC received 95.19% of all going concerns on or before that date.¹ (For an estimated amount for 2018, see *Figure 4*.)

2. The total number of going concerns in fiscal year 2018 is expected to be the lowest total over the nineteen-year period, but the decrease is due to company attrition from the prior year's going concern population.

Figure 4.

Number of Going Concerns per Year

(2018: Estimated)



*2018 is estimated

Under the assumption that fiscal year 2017 audit opinion numbers provide a predictive gauge for the remaining performance of 2018, it is expected that 2018 will receive a total of 1,774 going concerns. (See *Figure 4* and page 10: *Going Concerns Nineteen Year Review*.) For 2018, a total of 1,689 going concerns were filed on or before November 18, 2019. During the same period for 2017, a total of 1,783 going concerns were filed, while the entire year received 1,873. Therefore, for fiscal year 2017, 95.19% of the total going concerns were filed on or before November 18, 2018.² If the same is true for 2018, the total number of going concern opinions for 2018 is expected to reach 1,774.³ This number is the lowest amount during the nineteen years analyzed, however the drop is

due to the disappearance of companies that filed a going concern during the prior year. An analysis of the 1,873 companies that filed a going concern for 2017 found that 177 of these companies filed a termination of registration with the SEC (or had it revoked). The drop from 1,873 to 1,774 represents a reduction of 99 companies, but this reduction is less than the 177 terminations. Moreover, these terminations do not include the additional 241 companies that left the population (went private or out of business) without filing a termination. (See *Figure 8*: $418 - 177 = 241$.)

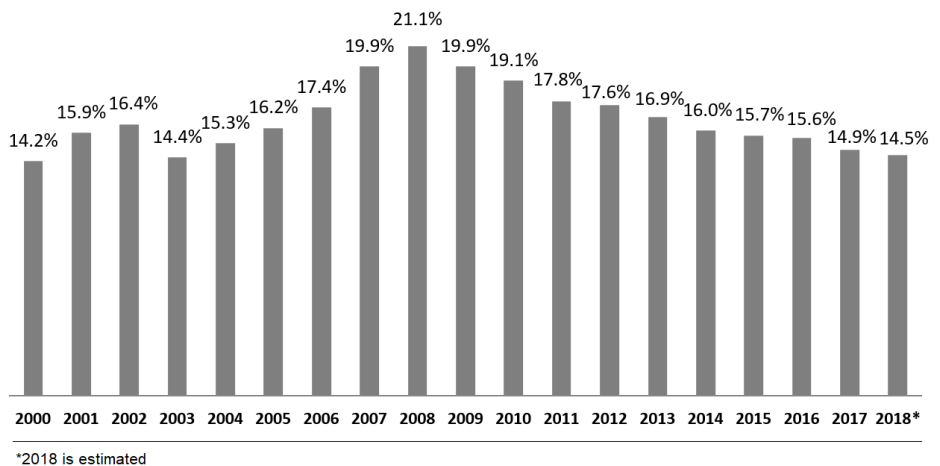
3. The total percentage of going concerns is expected to drop for the tenth year in a row.

For 2018, estimates indicate that 14.5% of audit opinions will express an uncertainty with respect to the auditor's going concern assumption. (See *Figure 5* and page 10: *Going Concerns Nineteen Year Review*.) The total opinions received for 2018 on or before November 18, 2019, equaled 12,026. During the corresponding time in 2017, the SEC received 12,418 opinions out of a total of 12,603. Therefore, fiscal year 2017 received 98.53% of all the opinions filed for that year on or before November 18, 2018.⁴ Assuming that 98.53% continues to apply, 2018 will receive a total of 12,205 audit opinions.⁵ As noted in Section 2, 2018 is expected to have 1,774 going concerns, which would represent 14.5% of all opinions for the year end.⁶ This drop in percentage represents the tenth consecutive drop since the peak in 2008, but the drop, as explained in the previous section, is due to company attrition from the prior year's population of going concerns.

Figure 5.

Percentage of Going Concerns per Year

(2018: Estimated)



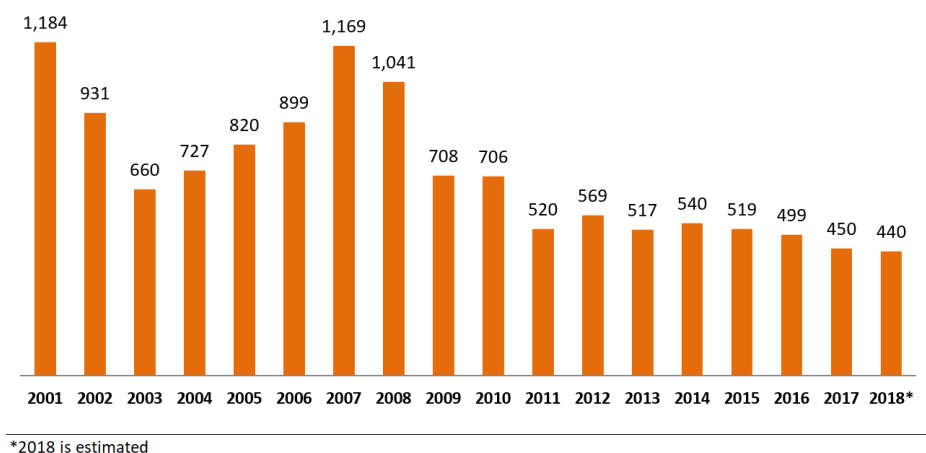
4. The estimated amount of new going concerns for 2018 predicts the lowest number during the eighteen years analyzed.

The three sections above discuss total going concern opinions. Going concern opinions can be divided into two categories: (1) companies that repeated a going concern from the prior year and (2) companies that filed a new going concern (no going concern disclosed for the prior year). A focus on new going concerns provides additional insight into audit opinion trends. The most recent substantial peak in new going concerns occurred in 2007 with 1,169. (See *Figure 6* and page 11: *New Going Concerns by Year*.) Thereafter, there were significant drops in 2008 and 2009, followed by a downward trend with minor upticks in 2012 and 2014. After the increase in 2014, the number of new going concerns dropped four consecutive years to an estimated value of 440. (For calculation, see page 12: *New Going Concerns by Year*.) This estimated value of 440 for fiscal year 2018 is the lowest number during the eighteen years analyzed. In addition, it should be noted that 21.5% (86 of 401) of the new going concerns as of November 18, 2019 were disclosed in S-1s or F-1s and thus linked to recent IPOs, not established companies. A new going concern associated with a recent IPO should not necessarily be viewed as a negative economic event.

Figure 6.

Number of New Going Concerns per Year

(2018: Estimated)

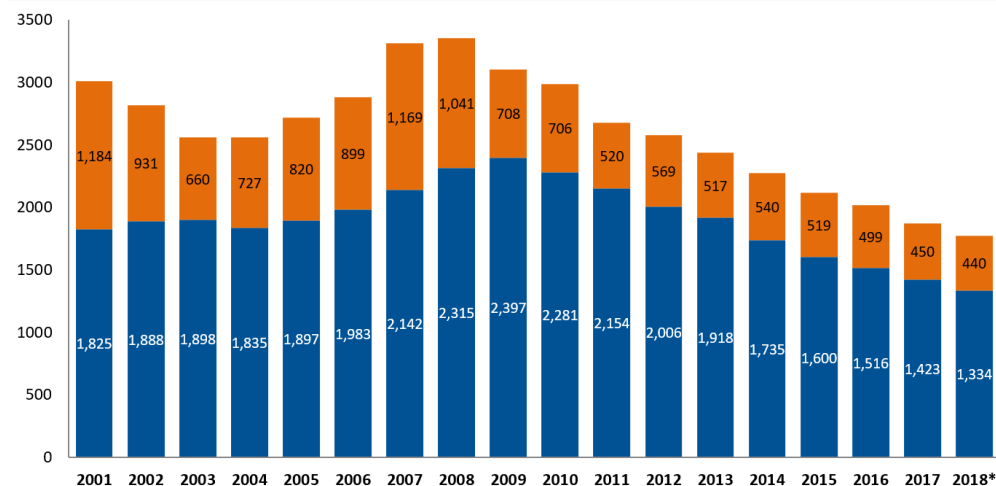


5. An analysis of repeated going concerns shows a steady nine-year decrease since the peak in 2009.

Figure 7.

Number of New and Repeated Going Concerns per Year

(2018: Estimated)



*2018 is estimated

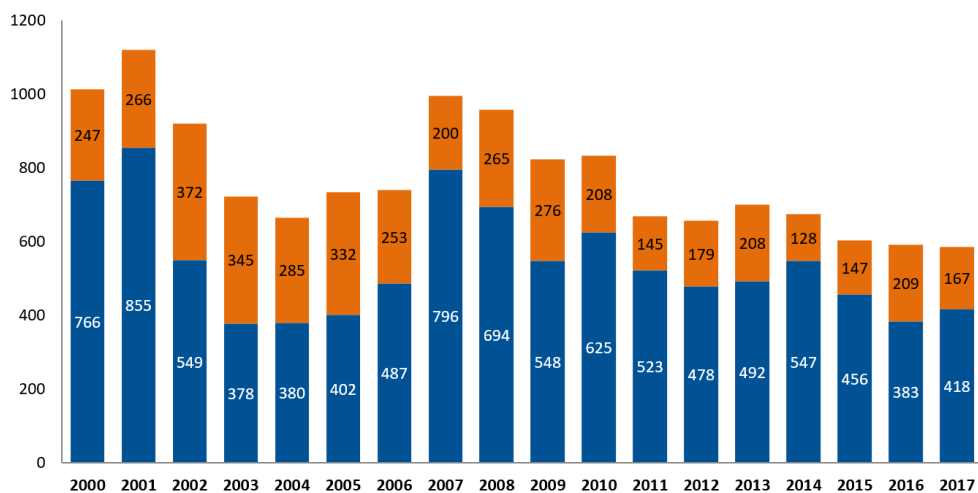
In the previous section, *Figure 6* provides a history of new going concern totals with an estimated value for 2018. *Figure 7* and page 13: *Going Concerns Analysis: New and Repeated (Estimated)* provides a history of total going concerns with an estimated value for 2018 by showing the total number of going concerns broken into two categories: (1) *new going concerns* and (2) *repeated going concerns*. *Figure 7* shows that, since the peak value of 2,397 in 2009, the number of repeated going concerns steadily decreased for nine consecutive years to an estimated value of 1,334 repeated going concerns in 2018.

6. An analysis of companies that filed a going concern one year but not the next year shows that the number of companies that disappeared (failed to file an opinion) in 2018 represented the second lowest number of such companies since the most recent peak in 2007.

Figure 8.

Number of Going Concerns that Disappeared vs. Improved

(Companies that filed a Going Concern for the fiscal year but not the following)



number of companies that filed their last going concern and quantifies the subsequent activity: (1) *filed a clean opinion* (“improved”) or (2) *failed to file an opinion* (“disappeared”). Similar to new going concerns, the number of companies that disappeared most recently peaked in 2007. In fiscal year 2007, a total of 996 companies filed a going concern without filing another in 2008. Of those companies, 200 filed a clean audit opinion in 2008, but 796 companies failed to file any audit opinion whatsoever. The going concerns that filed an opinion in 2017, but not 2018 (disappeared after 2017) totaled 585 opinions, the lowest total during the eighteen years displayed. Of those companies, 167 filed a clean audit opinion in 2018, but 418 disappeared.⁷ The 418 companies that failed to file a subsequent audit opinion in 2018 represents the second lowest number of “disappeared” companies since the peak in 2007. (See page 14: *Going Concern Attrition Analysis*.)

The previous section discussed new going concerns. A different perspective of the population trend can be achieved by focusing on the opposite dynamic: companies that disappeared. As a result, Audit Analytics identified companies that filed one or more going concerns, but then did not do so the next year (the “last going concern”). After identifying companies that filed a last going concern, Audit Analytics determined whether the absence of a subsequent going concern was because the company filed a clean audit opinion or no opinion at all. *Figure 8* shows the

7. A review of the going concerns for fiscal year 2018 revealed that the most common reason for apprehension regarding a company's ongoing viability is the company's operating losses.

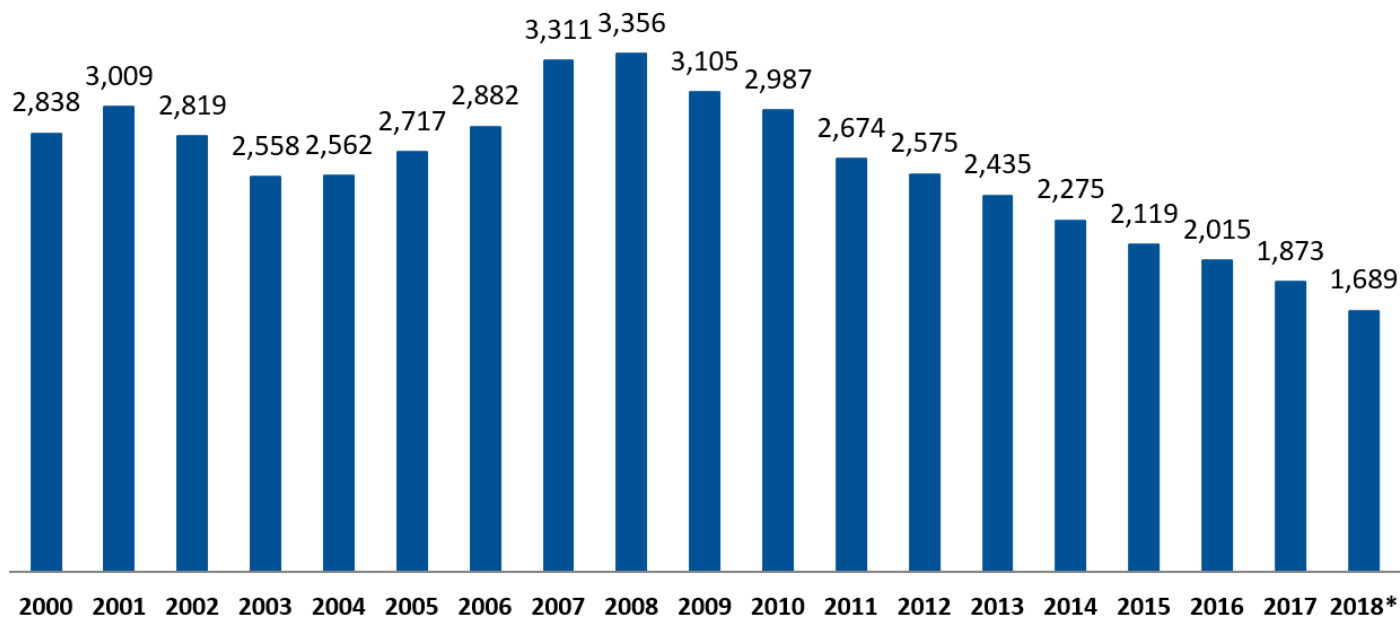
While examining going concerns, analysts reviewed audit opinions for the issues that auditors indicate undermined the going concern assumption. The Audit Analytics database contains a taxonomy of 40 reasons commonly given by auditors for their apprehension and, during the reviews, our analysts select one or more reasons listed. A ranking of these issues for the 2018 year-end is provided on page 15, with the top five issues listed in *Figure 9*. A total of 1,978 companies disclosed going concern opinions noting operating losses. The second most common reason expressed by auditors was attributed to an insufficient amount of working capital.

Figure 9.

Going Concern Issue	Total # of Companies
Net/operating loss (including recurring losses)	1,978
Working capital/current ratio deficit/inadequacy	813
Negative cash flow from operations	744
Accumulated/retained earnings deficit	729
Stockholder equity or partner capital - deficiency	536

Going Concern Totals per Year (2018: Partial Year)

Number of Companies with an Audit Opinion having a Qualified Going Concern Assumption



*2018 is a partial year

See Notes: 1, 2, and 3 on page 17.

Going Concern Totals per Year (Breakdown by Year and Filer Status)

Number of Companies with an Audit Opinion having a Qualified Going Concern Assumption

Fiscal Year	Large Accelerated Filers	Accelerated Filers	Remaining Companies		Total
			All	Smaller Reporting Companies (subset)	
2000	0	0	2,838	2	2,838
2001	0	0	3,009	3	3,009
2002	0	47	2,772	2	2,819
2003	0	40	2,518	9	2,558
2004	1	56	2,505	8	2,562
2005	2	63	2,652	13	2,717
2006	4	77	2,801	22	2,882
2007	7	85	3,219	357	3,311
2008	23	147	3,186	1,955	3,356
2009	7	67	3,031	2,365	3,105
2010	3	43	2,941	2,178	2,987
2011	7	55	2,612	2,037	2,674
2012	6	54	2,515	1,981	2,575
2013	6	37	2,392	1,875	2,435
2014	5	61	2,209	1,699	2,275
2015	13	71	2,035	1,587	2,119
2016	15	81	1,919	1,432	2,015
2017	6	70	1,797	1,269	1,873
2018*	7	103	1,579	877	1,689

*2018 is a partial year

For download date and research approach, see Footnotes: 1 and 2 on page 16.

See Notes: 4, 5, 6, 7, 8, and 9 on page 17.

Going Concerns as a Percentage of Total Opinions per Year (Breakdown by Year and Filer Status)

Going Concerns as a Percentage of Total Opinions per Year

(Breakdown by Year and Filer Status)

Companies with an Audit Opinion having a Qualified Going Concern Assumption

Fiscal Year	Large Accelerated Filers			Accelerated Filers			Remaining Companies						Total		
	Going Concerns	Total Auditor Opinions	Percentage	Going Concerns	Total Auditor Opinions	Percentage	All			Smaller Reporting Company (subset)			Going Concerns	Total Auditor Opinions	Percentage
							Going Concerns	Total Auditor Opinions	Percentage	Going Concerns	Total Auditor Opinions	Percentage			
2003	0	1	0.00%	40	3,500	1.14%	2,518	14,254	17.67%	9	11	81.82%	2,558	17,755	14.41%
2004	1	6	16.67%	56	3,674	1.52%	2,505	13,109	19.11%	8	10	80.00%	2,562	16,789	15.26%
2005	2	1,328	0.15%	63	2,760	2.28%	2,652	12,693	20.89%	13	15	86.67%	2,717	16,781	16.19%
2006	4	1,986	0.20%	77	2,289	3.36%	2,801	12,261	22.84%	22	27	81.48%	2,882	16,536	17.43%
2007	7	2,041	0.34%	85	2,240	3.79%	3,219	12,338	26.09%	357	1,074	33.24%	3,311	16,619	19.92%
2008	23	1,957	1.18%	147	2,192	6.71%	3,186	11,742	27.13%	1,955	3,727	52.46%	3,356	15,891	21.12%
2009	7	1,729	0.40%	67	1,936	3.46%	3,031	11,920	25.43%	2,365	4,405	53.69%	3,105	15,585	19.92%
2010	3	1,755	0.17%	43	1,797	2.39%	2,941	12,122	24.26%	2,178	4,211	51.72%	2,987	15,674	19.06%
2011	7	1,925	0.36%	55	1,718	3.20%	2,612	11,369	22.97%	2,037	3,907	52.14%	2,674	15,012	17.81%
2012	6	1,934	0.31%	54	1,681	3.21%	2,515	11,054	22.75%	1,981	3,600	55.03%	2,575	14,669	17.55%
2013	6	2,072	0.29%	37	1,542	2.40%	2,392	10,832	22.08%	1,875	3,348	56.00%	2,435	14,446	16.86%
2014	5	2,264	0.22%	61	1,533	3.98%	2,209	10,383	21.28%	1,699	3,062	55.49%	2,275	14,180	16.04%
2015	13	2,300	0.57%	71	1,584	4.48%	2,035	9,576	21.25%	1,587	2,740	57.92%	2,119	13,460	15.74%
2016	15	2,176	0.69%	81	1,555	5.21%	1,919	9,204	20.85%	1,432	2,522	56.78%	2,015	12,935	15.58%
2017	6	2,261	0.27%	70	1,432	4.89%	1,797	8,910	20.17%	1,269	2,313	54.86%	1,873	12,603	14.86%
2018*	7	2,921	0.24%	103	1,410	7.30%	1,579	7,695	20.52%	877	1,464	59.90%	1,689	12,026	14.04%

*2018 is a partial year

For download date and research approach, see Footnotes: 1, 2, 3, 4, 5, and 6 on page 16.

See Notes: 9 on page 17.

Going Concerns as a Percentage of Total Opinions per Year (Breakdown by Year and Present Market Status)

Going Concerns as a Percentage of Total Opinions per Year (Breakdown by Year and Present Market Status)

Companies with an Audit Opinion having a Qualified Going Concern Assumption

Fiscal Year	Total Going Concerns	NYSE		Nasdaq		NYSE MKT (formerly AMEX)		OTHER (OTCBB + Non-Tickered)	
		Going Concerns	%	Going Concerns	%	Going Concerns	%	Going Concerns	%
2007	3,311	4	0.12%	92	2.78%	31	0.94%	3,184	96.16%
2008	3,356	20	0.60%	126	3.75%	32	0.95%	3,178	94.70%
2009	3,105	13	0.42%	143	4.61%	22	0.71%	2,927	94.27%
2010	2,987	5	0.17%	135	4.52%	19	0.64%	2,828	94.68%
2011	2,674	7	0.26%	126	4.71%	17	0.64%	2,524	94.39%
2012	2,575	7	0.27%	164	6.37%	17	0.66%	2,387	92.70%
2013	2,435	6	0.25%	162	6.65%	12	0.49%	2,255	92.61%
2014	2,275	6	0.26%	151	6.64%	18	0.79%	2,100	92.31%
2015	2,119	16	0.76%	186	8.78%	34	1.60%	1,883	88.86%
2016	2,015	17	0.84%	230	11.41%	29	1.44%	1,739	86.30%
2017*	1,873	16	0.85%	268	14.31%	23	1.23%	1,566	83.61%
2018*	1,689	27	1.60%	294	17.41%	28	1.66%	1,340	79.34%

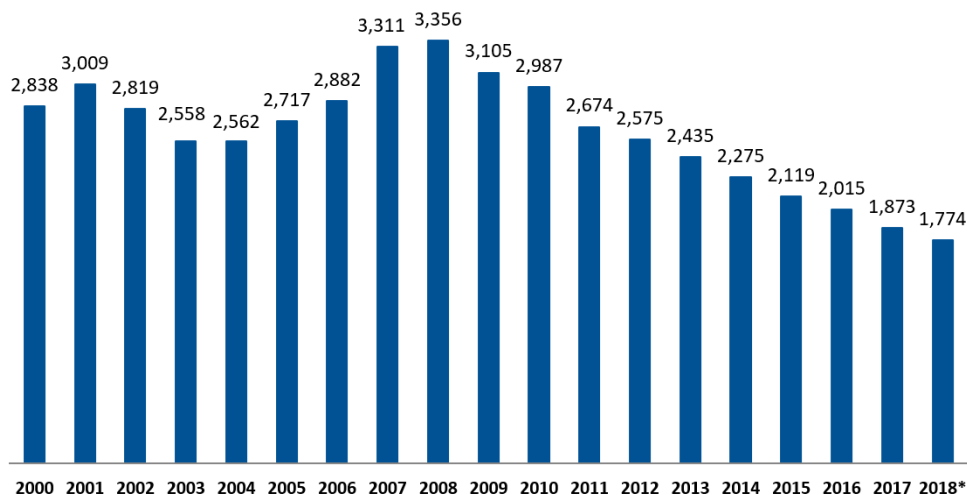
*2018 is a partial year

For download date and research approach, see Footnotes: 1 and 2 on page 16.
See Notes: 9 and 10 on page 17.

Going Concerns Nineteen Year Review

Number of Going Concerns per Year

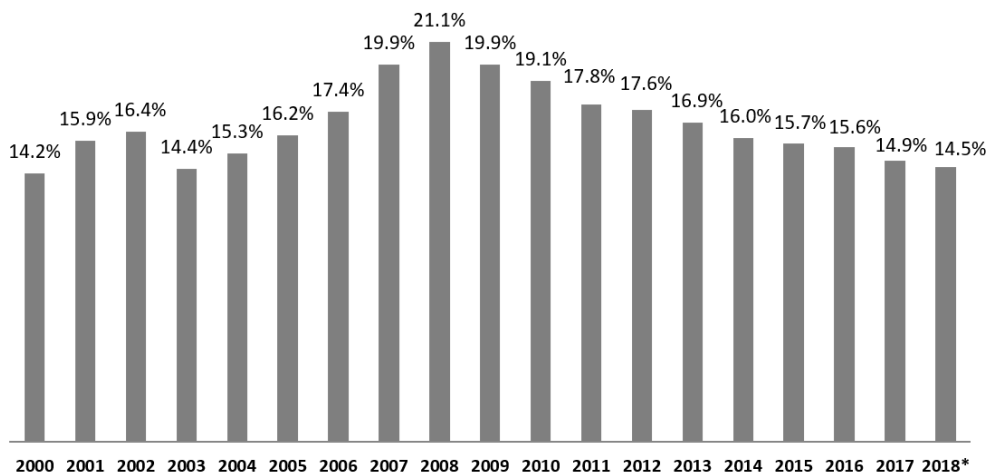
(2018: Estimated)



*2018 is estimated

Percentage of Going Concerns per Year

(2018: Estimated)



*2018 is estimated

Going Concerns Nineteen Year Review (Fiscal Year 2018 Estimated*)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018*
Going Concerns	2,838	3,009	2,819	2,558	2,562	2,717	2,882	3,311	3,356	3,105	2,987	2,674	2,575	2,435	2,275	2,119	2,015	1,873	1,774
Auditor Opinions	20,026	18,913	17,176	17,755	16,789	16,781	16,536	16,619	15,891	15,585	15,674	15,012	14,669	14,446	14,180	13,460	12,935	12,603	12,205
% of All Opinions	14.2%	15.9%	16.4%	14.4%	15.3%	16.2%	17.4%	19.9%	21.1%	19.9%	19.1%	17.8%	17.6%	16.9%	16.0%	15.7%	15.6%	14.9%	14.5%

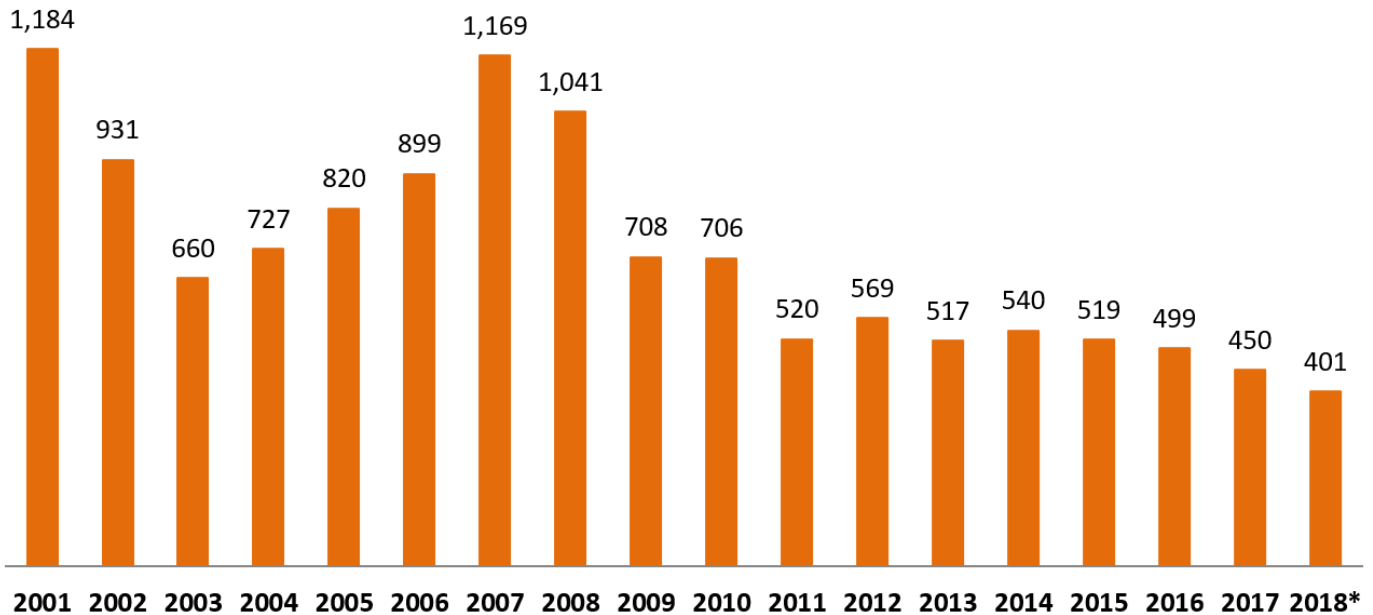
For download date and research approach, see Footnotes: 1 and 2 on page 16.

See Notes: 9, 11, and 12 on page 17.

New Going Concerns by Year

Number of New Going Concerns per Year

(2018: Partial Year)



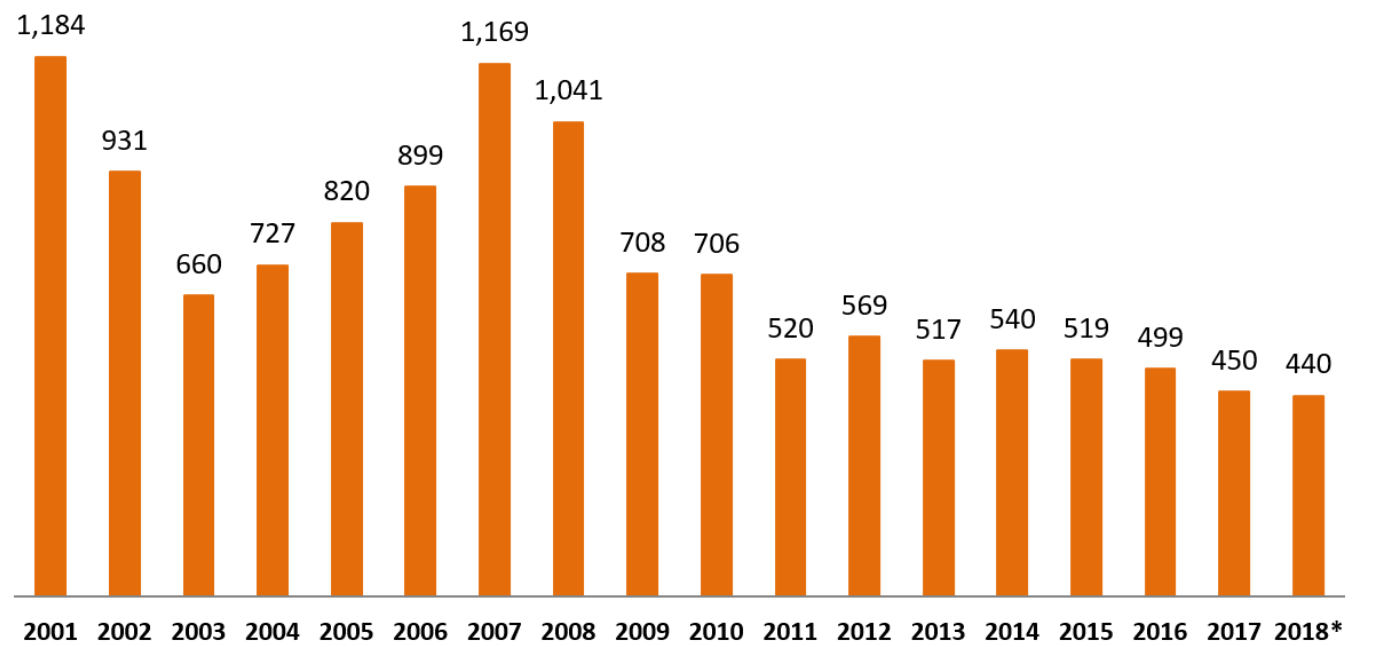
*2018 is a partial year

For download date and research approach, see Footnotes: 1 and 2 on page 16.

See Notes: 13 on page 17, and Notes: 14 on page 18.

New Going Concerns by Year

Number of New Going Concerns per Year
(2018: Estimated)



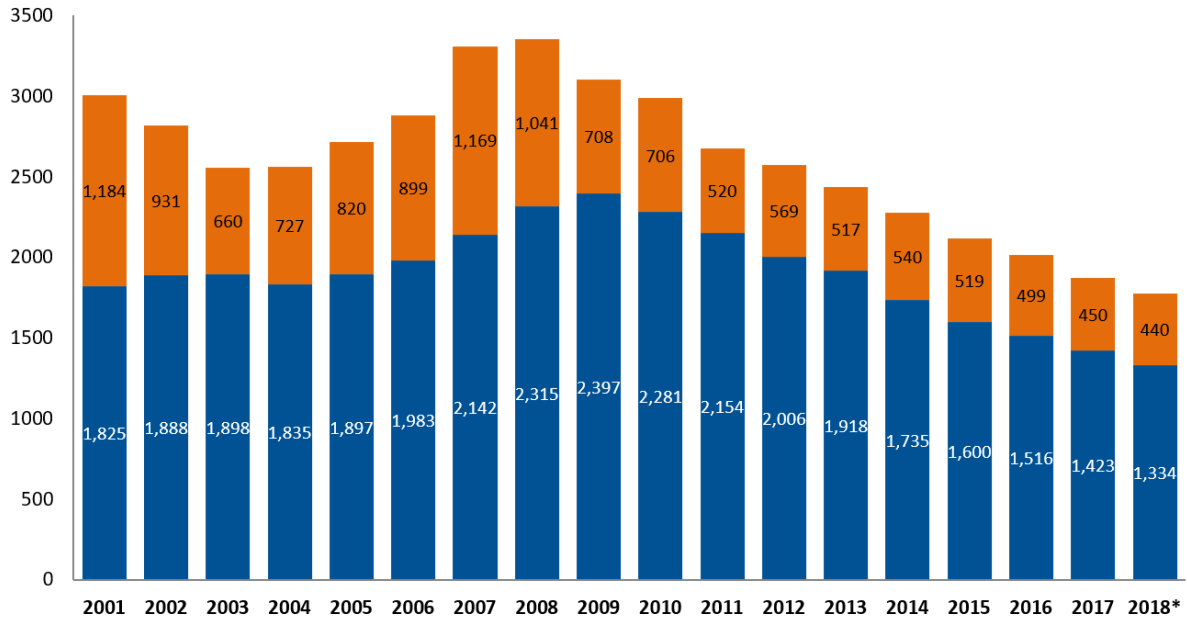
*2018 is estimated

For download date and research approach, see Footnotes: 1 and 2 on page 16.
See Notes: 13 on page 17, and Notes: 15 and 16 on page 18.

Going Concerns Analysis: New and Repeated (Estimated)

Number of New and Repeated Going Concerns per Year

(2018: Estimated)



*2018 is estimated

Fiscal Year	Companies that Filed Audit Opinions	Companies that Filed Going Concerns	Going Concern History Status			
			New GC		Repeat GC from Year Prior	
			#	%	#	%
2001	18,913	3,009	1,184	39.35%	1,825	60.65%
2002	17,176	2,819	931	33.03%	1,888	66.97%
2003	17,755	2,558	660	25.80%	1,898	74.20%
2004	16,789	2,562	727	28.38%	1,835	71.62%
2005	16,781	2,717	820	30.18%	1,897	69.82%
2006	16,536	2,882	899	31.19%	1,983	68.81%
2007	16,619	3,311	1,169	35.31%	2,142	64.69%
2008	15,891	3,356	1,041	31.02%	2,315	68.98%
2009	15,585	3,105	708	22.80%	2,397	77.20%
2010	15,674	2,987	706	23.64%	2,281	76.36%
2011	15,012	2,674	520	19.45%	2,154	80.55%
2012	14,669	2,575	569	22.10%	2,006	77.90%
2013	14,446	2,435	517	21.23%	1,918	78.77%
2014	14,180	2,275	540	23.74%	1,735	76.26%
2015	13,460	2,119	519	24.49%	1,600	75.51%
2016	12,935	2,015	499	24.76%	1,516	75.24%
2017	12,603	1,873	450	24.03%	1,423	75.97%
2018*	12,205	1,774	440	24.80%	1,334	75.20%

*2018 is estimated

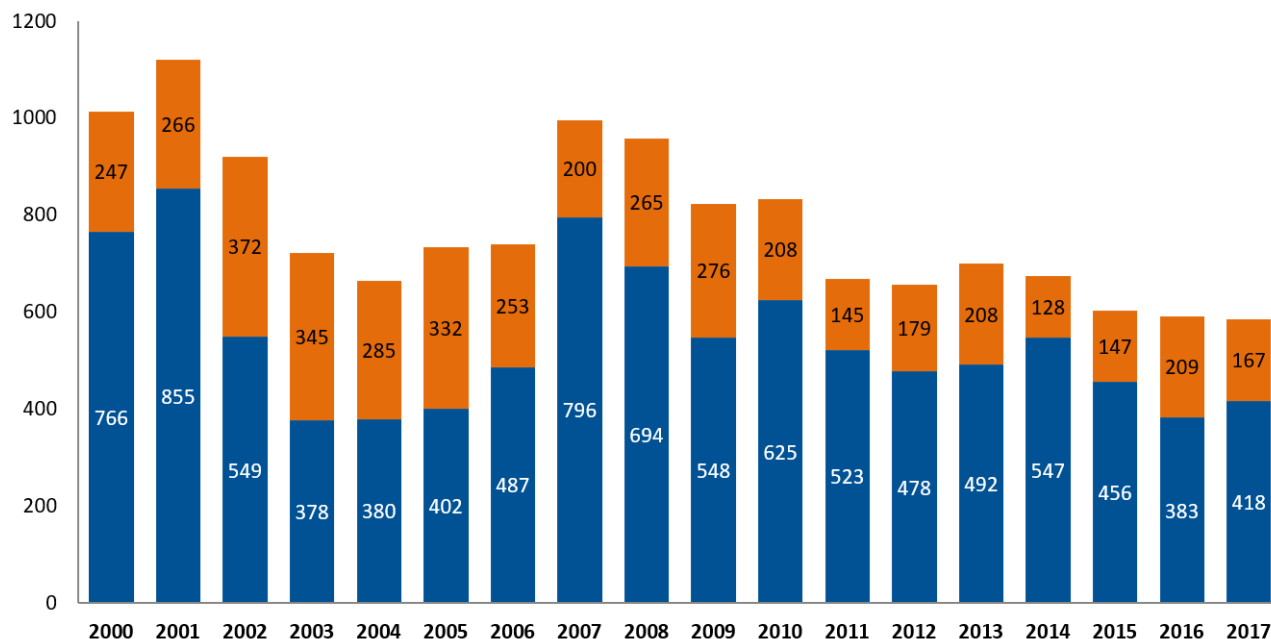
For download date and research approach, see Footnotes: 1 and 2 on page 16.

See Notes: 13 on page 17, and Notes: 15, 17, and 18 on page 18.

Going Concerns Attrition Analysis

Number of Going Concerns that Disappeared vs. Improved

(Companies that filed a Going Concern for the fiscal year but not the following)



Fiscal Year	Companies that Filed Audit Opinions	Companies that Filed Going Concerns	Companies that filed a Going Concern for the fiscal year but not the following					
			Total		Those that Disappeared		Those that Improved	
			#	%	#	%	#	%
2000	20,026	2,838	1,013	35.69%	766	26.99%	247	8.70%
2001	18,913	3,009	1,121	37.25%	855	28.41%	266	8.84%
2002	17,176	2,819	921	32.67%	549	19.47%	372	13.20%
2003	17,755	2,558	723	28.26%	378	14.78%	345	13.49%
2004	16,789	2,562	665	25.96%	380	14.83%	285	11.12%
2005	16,781	2,717	734	27.02%	402	14.80%	332	12.22%
2006	16,536	2,882	740	25.68%	487	16.90%	253	8.78%
2007	16,619	3,311	996	30.08%	796	24.04%	200	6.04%
2008	15,891	3,356	959	28.58%	694	20.68%	265	7.90%
2009	15,585	3,105	824	26.54%	548	17.65%	276	8.89%
2010	15,674	2,987	833	27.89%	625	20.92%	208	6.96%
2011	15,012	2,674	668	24.98%	523	19.56%	145	5.42%
2012	14,669	2,575	657	25.51%	478	18.56%	179	6.95%
2013	14,446	2,435	700	28.75%	492	20.21%	208	8.54%
2014	14,180	2,275	675	29.67%	547	24.04%	128	5.63%
2015	13,460	2,119	603	28.46%	456	21.52%	147	6.94%
2016	12,935	2,015	592	29.38%	383	19.01%	209	10.37%
2017 (see Note 6)	12,603	1,873	585	31.23%	418	22.32%	167	8.92%

For download date and research approach, see Footnotes: 1 and 2 on page 16.

See Notes: 19, 20, 21, 22, and 23 on page 18.

Issues Undermining Going Concern Assumption

Going Concern Issue	Total # of Companies	Total # of Opinions	Relative Frequency
Net/operating loss (including recurring losses)	1,166	1,978	62.52%
Working capital/current ratio deficit/inadequacy	433	813	25.70%
Negative cash flow from operations	418	744	23.51%
Accumulated/retained earnings deficit	413	729	23.04%
Stockholder equity or partner capital - deficiency or decrease	296	536	16.94%
Absence of significant revenues	264	488	15.42%
Insufficient/limited cash, capital or liquidity concerns	186	427	13.50%
Need for additional financing to sustain operations	223	397	12.55%
Net losses since inception	211	383	12.10%
Need for additional financing for growth or to meet business objectives	80	240	7.59%
Not commenced, limited or no operations	129	226	7.14%
Need for additional financing for funding obligations and/or servicing debt	129	209	6.61%
Profitability concerns	107	177	5.59%
Initial loss	48	164	5.18%
Notes payable/debt maturity; balance due, past-due, default	62	121	3.82%
Seeking or needs to combine with existing company	40	87	2.75%
Development stage	44	73	2.31%
Liquidation of assets or divestitures	17	41	1.30%
Debt covenants/agreements uncertain or not in compliance	29	34	1.07%
Related party/segment issues	22	29	0.92%
Liabilities exceed assets	11	27	0.85%
Debt is substantial	10	22	0.70%
Bankruptcy	20	20	0.63%
Assets – inadequate, limited, immaterial or impaired	8	16	0.51%
No marketable product(s)	6	15	0.47%
Litigation contingencies	13	14	0.44%
Discontinued/disposal of operations	5	6	0.19%
Refinancing contingencies	2	4	0.13%
Regulatory settlements, obligations and contingencies	3	4	0.13%
Restructuring contingencies	2	4	0.13%
Stock/share redemption or option exercise risk(s)	4	4	0.13%
Exploration/pre-exploration Stage	2	3	0.09%
Recoverability of (natural) resources - uncertain	2	3	0.09%
Significant contractual obligations & commitments pending	3	3	0.09%
Net capital deficiency	2	2	0.06%
Compensation deferred	1	1	0.03%
Product demand or pricing - decline or limited	1	1	0.03%
Vendor-supplier disputes or disruptions	1	1	0.03%

See Notes: 24, 25, and 26 on page 18.

Footnotes

- 1 By November 18, 2018, a total of 1,783 going concerns were filed for the 2017 year-end, compared to 1,873 for the entire year.
- 2 The 95.19% figure is based on the following ratio: $1,783 / 1,873 = 0.9519$.
- 3 The total estimated number of going concerns expected for FYE 2018 is obtained as follows: $1,689 / 0.9519 = 1,774$.
- 4 The 98.53% figure is based on the following ratio: $12,418 / 12,603 = 0.9853$.
- 5 The total estimated number of opinions expected for year end 2018 is obtained as follows: $12,026 / 0.9853 = 12,205$.
- 6 The 14.5% figure is based on the following ratio: $1,774 / 12,205 = 0.1453$.
- 7 These numbers were determined on November 18, 2019. Therefore, the 418 figure for 2017 is inflated because, as explained in Section 2 on page 2, more going concerns are expected that will decrease this figure. In the past, the number of "improved" companies increased, but only slightly.

Notes

- 1 The research is based on SEC filings as of 2019-11-18.
- 2 The counts of Going Concerns listed in the analysis exclude non-tickered subsidiaries if the parent company also filed an auditor opinion with a going concern qualification; thus, this analysis excludes duplicate going concern opinions filed by non-tickered subsidiaries.
- 3 Data for 2018 is based on an incomplete year (SEC filings as of 2019-11-18). Some foreign filers and smaller U.S. companies with a fiscal year end occurring at the end of December have not yet filed an audit opinion. As of 2019-11-18, the SEC received 1,689 going concerns for FY 2018. As a comparison, the table below shows how many audit opinions and going concerns the SEC received for FY 2017 by the end of and after the corresponding date of 2018-11-18. As the table indicates, the SEC received 95.19% of all going concerns on or before 2018-11-18.

Time Duration	2017 Filings			
	Opinions		Going Concerns	
	#	%	#	%
By 2018-11-18	12,418	98.53%	1,783	95.19%
After 2018-11-18	185	1.47%	90	4.81%
All	12,603	100.00%	1,873	100.00%

- 4 The accelerated filer status of a registrant is declared by the registrant in its most recent filing requesting the status.
- 5 The term "Large Accelerated Filer" means a registrant that had a public equity float of \$700 million or more as of the last business day of the most recently completed second fiscal quarter. (See Securities Exchange Act of 1934. Rule 12b-2, entitled "Definitions.")
- 6 The term "Accelerated Filer" means a registrant that had a public equity float of \$75 million or more but less than \$700 million, as of the last business day of the most recently completed second fiscal quarter. (See Securities Exchange Act of 1934. Rule 12b-2, entitled "Definitions.")
- 7 The category "Remaining Companies" includes the remaining population and comprises three subcategories (referred to as "All": (1) non-accelerated filers, (2) companies, such as funds & trusts, that are not required to give a designation (because they file form a 485BPOS, N-CSR, N-30D, etc.) and (3) companies that have or have not yet filed a form that requests an accelerated filer designation (filed only an S-1, SB-2, F-1, 10-12 or other registration).
- 8 The term "Smaller Reporting Company" means a registrant with a public equity float of less than \$75 million, or if the public equity float is not calculable, with annual revenues less than \$50 million in the previous year. (See SEC Release No. 33-8876, December 19, 2007.)
- 9 Data for 2018 is based on an incomplete year (SEC filings as of 2019-11-18). For comparison, in 2017, the SEC received 95.19% of all going concerns on or before 2018-11-18. For more information, see Footnote 3 on page 16.
- 10 The market designation is based on the company's status as of 2019-11-18.
- 11 The total number of audit opinions to be filed in 2018 is estimated as follows: The total opinions received for 2018 on or before 2019-11-18 equaled 12,026 (see page 8). During the corresponding time in 2017, the SEC received 12,418 out of a total of 12,603 (see table in Footnote 3 of page 16). Therefore, 2017 received 98.53% of all the opinions received for 2017 on or before 2018-11-18. $[12,418 \div 12,603 = 0.9853]$. Assuming that 98.53% continues to apply, the 2018 year end will receive a total 12,205 auditor opinions. $[12,026 \div 0.9853 = 12,205]$.
- 12 The total number of going concerns to be filed in 2018 is estimated as follows: For the 2018 year end, a total of 1,689 going concerns were filed on or before 11/18/19. During the same duration in 2017, a total of 1,783 going concerns were filed, while the entire year received 1,873 (see Footnote 3 on page 16). Therefore, in 2017, 95.19% of the total going concerns were filed on or before 2018-11-18. $[1,783 \div 1,873 = 0.9519]$. If the same is true for 2018, the total number of going concerns in 2018 is expected to reach 1,774. $[1,689 \div 0.9519 = 1,774]$.
- 13 A "New Going Concern" is a going concern from a company that did not file a going concern the year prior.

Notes

14 Data for 2018 is based on an incomplete year (SEC filings as of 2019-11-18). For comparison, in 2017, the SEC received 91.11% all new going concerns on or before 2018-11-18 (see table below). This percentage is lower than the 95.19% for going concerns in general (see Footnote 3 on page 16). Therefore, the new going concerns tend to be filed later than the overall population of going concerns.

Time Duration	2017 Filings					
	Opinions		Going Concerns		New Going Concerns	
	#	%	#	%	#	%
By 2018-11-18	12,418	98.53%	1,783	95.19%	410	91.11%
After 2018-11-18	185	1.47%	90	4.81%	40	8.89%
All	12,603	100.00%	1,873	100.00%	450	100.00%

15 Data for 2018 is based on an incomplete year (SEC filings as of 2019-11-18). For comparison, in 2017, the SEC received 91.11% all new going concerns on or before 2018-11-18. For more information, see Footnote 3 on page 16.

16 The total number of new going concerns to be filed in 2018 is estimated as follows: For the 2018 year end, a total of 401 new going concerns were filed on or before 2019-11-18. During the same duration in 2017, as shown in the table in Footnote 3 on page 16, a total of 410 new going concerns were filed, while the entire year received 450. Therefore, in 2017, 91.11% of the total new going concerns were filed on or before 2018-11-18. $[410 \div 450 = 0.9111]$. If this ratio applies to new going concerns in 2018, the total number of new going concerns in 2018 is expected to reach 440. $[401 \div 0.9111 = 440.12]$.

17 The "%" is based on a denominator equal to the number of going concerns filed that year.

18 The total number of new going concerns to be filed in 2018 is estimated as 440 by using the New Going Concern ratios explained in footnote 4 on page 16. Based on the estimated number of 1,774 total going concerns for fiscal year 2018 as shown on page 10, the estimated number of repeat going concerns is 1,334 $[1,774 - 440 = 1,334]$.

19 The designation "Those that Disappeared" indicates that the company failed to file an audit opinion the year after it filed its last going concern opinion.

20 The designation "Those that Improved" indicates that the company filed a clean audit opinion the year after it filed its last going concern opinion.

21 The graph shows, for each fiscal year, the number of companies that filed a going concern for that particular year, but not the year after. For example, fiscal year 2007 received 996 going concerns from companies that did not file a going concern in 2008. The graph also indicates that 200 companies filed a going concern in 2007 and then filed a clean audit opinion in 2008. It also shows that 796 companies filed a going concern in 2007 and then filed no audit opinion in 2008.

22 The "%" is based on a denominator equal to the number of going concerns filed that year. In 2000, 35.69% of the going concerns were not repeated the next year due to a disappearance or an improvement. Therefore, 64.31% of the going concerns in 2000 were repeated in 2001.

23 Data for 2018 is based on an incomplete year (SEC filings as of 2019-11-18). Some foreign filers and smaller U.S. companies with a fiscal year end occurring at the end of December have not yet filed an audit opinion. As of the end of 2019-11-18, the SEC received 1,689 going concerns for FY 2018. As a comparison, the table shows how many audit opinions and going concerns the SEC received for FY 2017 by the end of and after the corresponding date of 2018-11-18. As the table on page 6 indicates, the SEC received 95.19% of all going concerns on or before 2018-11-18. Therefore, the 585 and 418 figures for 2017 are inflated slightly because the data for 2018 is not complete (other opinions will come in for 2018 and reduce these numbers.)

24 The data above is based on 3,164 going concerns filed for fiscal year 2018 by 1,689 companies.

25 The title Total Opinions refers to the total number of audit opinions mentioning the given issue.

26 Relative Frequency refers to the total number of audit opinions mentioning the given issue divided by the total number of audit opinions found in this search.

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