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2016 GOING CONCERNS

A SEVENTEEN YEAR REVIEW

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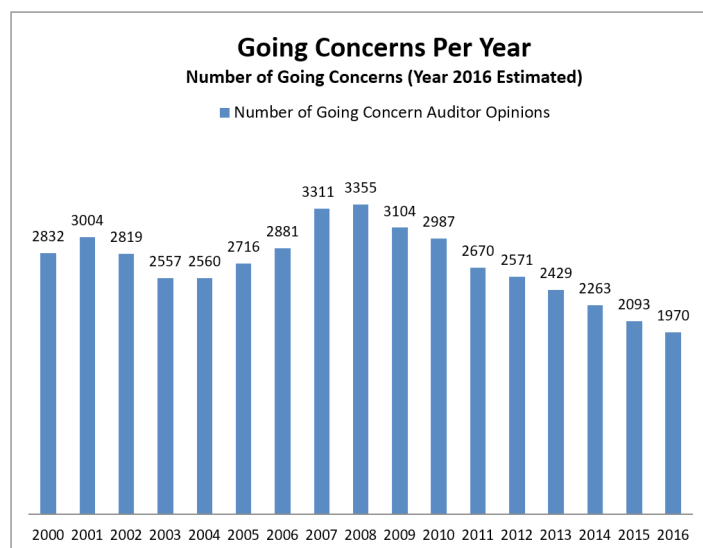
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2016 Going Concerns: A Seventeen Year Review

Introduction

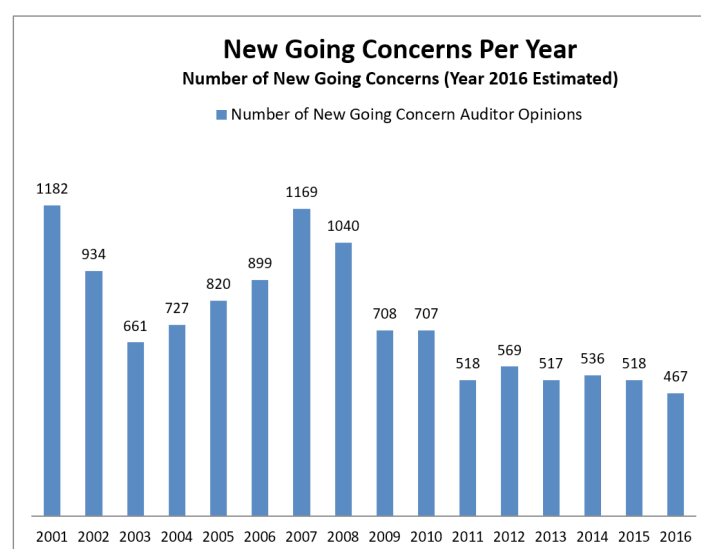
Audit Analytics reviewed the population of audit opinions filed with the Securities Exchange Commission as of October 3, 2017, to determine the number of going concerns (opinions qualified by an uncertainty regarding the going concern assumption). This analysis found that the 2008 fiscal year end experienced 3,355 going concerns, the highest number during the last 17 years. Year end 2007 came in a close second with 3,311. An Audit Analytics estimate for the 2016 year end predicts a total of 1,970 going concerns, the lowest amount during the 17 years analyzed.



Fiscal year 2008 received the highest number of going concerns followed by eight consecutive years of decreases to reach an estimated value for 2016 that is the lowest amount during the seventeen years analyzed.

Audit Analytics arrived at the 2016 estimate by identifying how many going concerns were filed for year end 2015 on or before October 3, 2016. It was determined that 93.60% of the total 2015 going concerns were filed by that day. During the corresponding time period, year end 2016 received 1,844 going concerns. If this number represents 93.60% of the total for 2016, the ultimate number will be 1,970. Therefore, the number of going concerns for 2016 year end is expected to be 123 less than the amount received for 2015. Most of 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 2,093 companies that filed a going concern in 2015 found that 177 of these companies filed with the SEC a termination of registration (or had it revoked). Moreover, these terminations do not include the additional 344 companies that left the population (went private or out of business) without filing a termination.

As shown in the graph below, 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 October 3, 2017, the SEC received 417 new going concerns for FY 2015 and this figure results in an estimated amount of 467 total new going concerns for 2016. Therefore, it appears that new going concerns will be the lowest amount in sixteen years. Indeed, the last six years have been lower than the previous ten. Moreover, it should be noted that 22.8% of the new going concerns as of October 3rd were disclosed in S-1s or F-1s and thus linked to recent IPOs, not established companies.



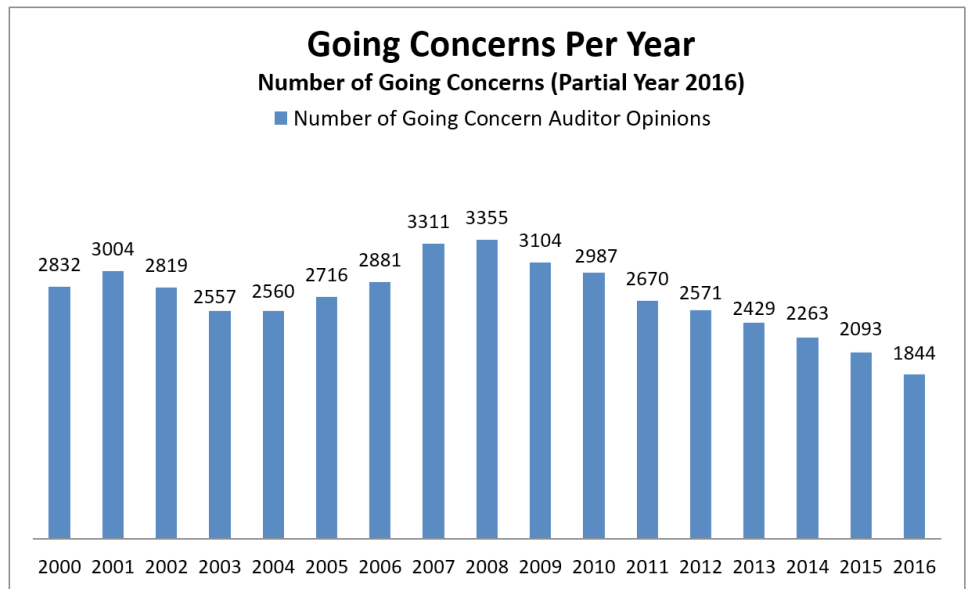
New going concerns most recently peaked in 2007, with 1,169 companies. Thereafter, the number of new going concerns decreased most years and appears to be trending to the lowest amount in sixteen years.

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 666 companies filed a going concern in 2015 but not in 2016. Of these companies, 145 filed a clean audit opinion in 2016, but 521 companies failed to file any audit opinion whatsoever. The 145 companies that subsequently filed a clean opinion represent the second lowest (tied) number of companies, from one year to the next, that improved during the sixteen years analyzed.

Executive Summary – Going Concerns 2000 to 2016

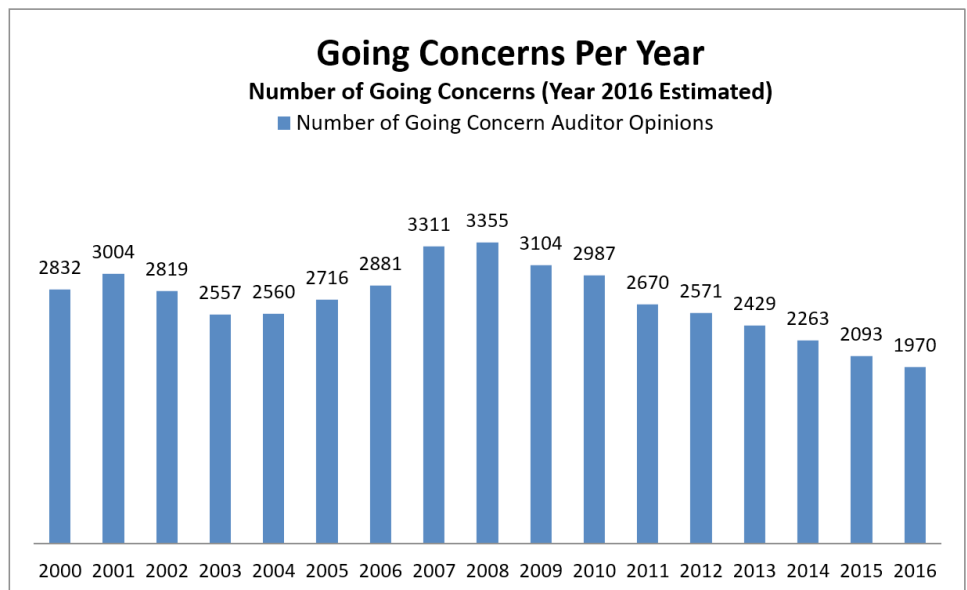
1. Fiscal year 2008 experienced the highest number of going concerns during the 17 years analyzed.

Audit Analytics reviewed the population of audit opinions qualified by an uncertainty regarding the going concern assumption. Since fiscal year 2000, the largest number of going concerns occurred in 2008 with a total of 3,355 going concern opinions. (See graph on right and on page 6: *Going Concern Totals by Year*.) The graph on the right provides a fiscal year 2016 total as of October 3, 2017, so this number is based on an incomplete year. Many foreign filers and non-accelerated U.S. filers with a fiscal year end occurring in the end of December have not yet filed an annual report with the SEC as of that date.¹ (For an estimated figure for 2016, see paragraph 2 below.)



2. The total number of going concerns in fiscal year 2016 is expected to be the lowest total during the seventeen years analyzed, but the decrease is primarily due to company attrition from the prior year's going concern population.

Under the assumption that fiscal year 2015 audit opinion numbers provide a predictive gauge for the remaining performance of 2016, it is expected that 2016 will receive a total of 1,970 going concerns. (See graph on right and table on page 10: *Going Concerns Seventeen Year Review (Year 2016 Estimated)*.) For 2016, a total of 1,844 going concerns were filed on or before October 3, 2017. During the same duration for 2015, a total of 1,959 going concerns were filed, while the entire year received 2,093. Therefore, for fiscal year 2015, 93.6% of the total going concerns were filed on or before October 3, 2016.² If the same is true for 2016, the total number of going concern opinions for 2016 is expected to reach 1,970.³ This number is the lowest figure during the seventeen years analyzed, but most of the drop is due to the disappearance of companies that filed a going concern during the prior year. An analysis of the 2,093 companies that filed a going concern for 2015 found that 177 of these companies filed a termination of registration with the SEC (or had it revoked). The drop from 2,093 to 1,970 represents a reduction of 123 companies, but this reduction is less than the 177 terminations. Moreover, these terminations do not include the additional 344 companies that left the population (went private or out of business) without filing a termination (see paragraph 6 on page 4).



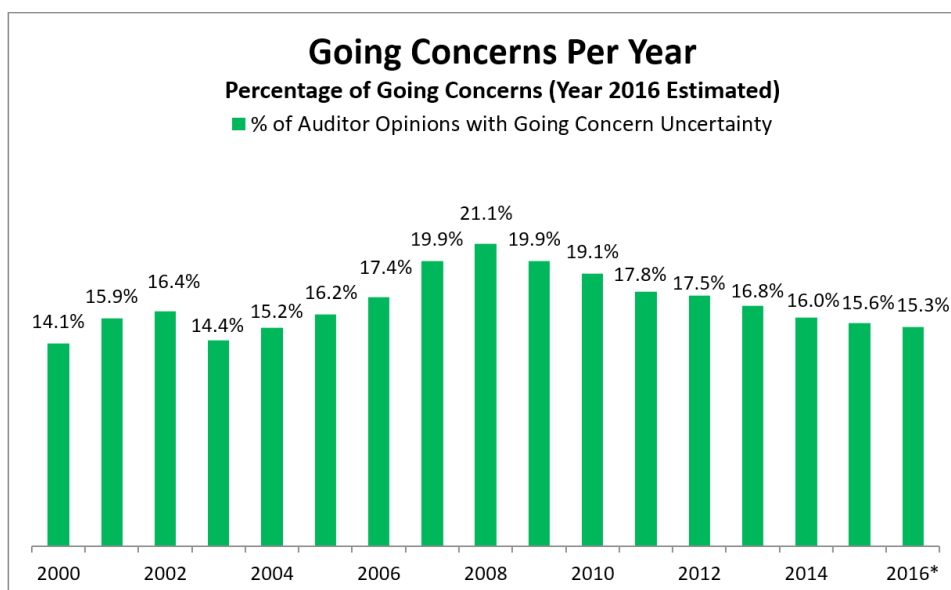
¹ By October 3, 2016, a total of 1,959 going concerns were filed for the 2015 year end, compared to 2,093 for the entire year.

² The 93.6% figure is based on the following ratio: $1,959 \div 2,093 = 0.9360$.

³ The total estimated number of going concerns expected for FYE 2016 is obtained as follows: $1,844 \div 0.9360 = 1,970$.

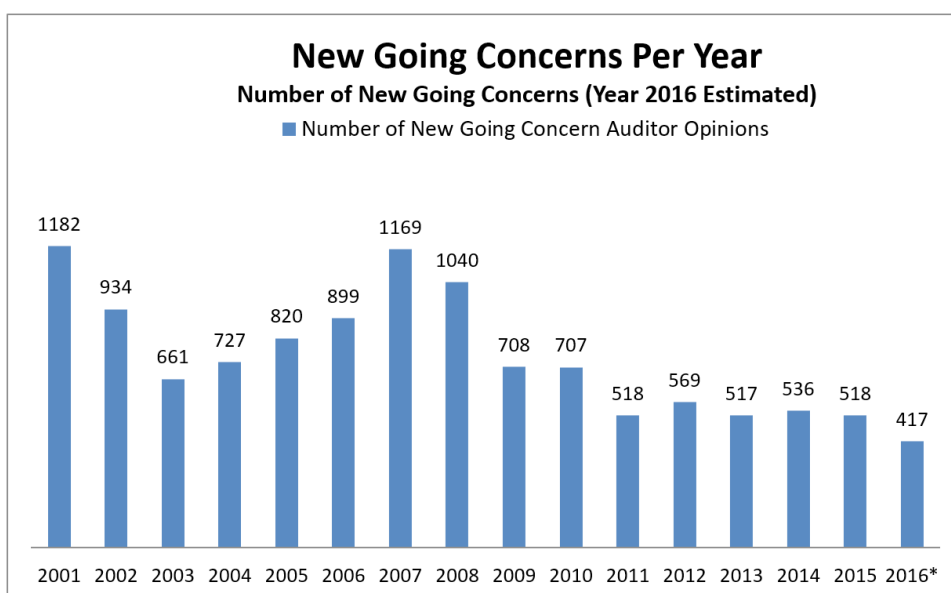
3. The total percentage of going concerns is expected to drop for the eighth year in a row.

For 2016, estimates indicate that 15.3% of audit opinions will express an uncertainty with respect to the auditor's going concern assumption. (See graph on right and table on page 10: *Going Concerns Seventeen Year Review (Year 2016 Estimated)*.) The total opinions received for 2016 on or before October 3, 2017, equaled 12,612. During the corresponding time in 2015, the SEC received 13,167 out of a total of 13,418. Therefore, on or before October 3, 2016, fiscal year 2015 received 98.13% of all the opinions received for that year.⁴ Assuming that 98.13% continues to apply, 2016 will receive a total 12,852 audit opinions.⁵ As noted above, 2016 is expected to have 1,970 going concerns, which would represent 15.3% of all opinions for the year end.⁶ This drop in percentage represents the eighth consecutive drop since the high in 2008, but the drop, as explained in the prior paragraph, is in large part due to company attrition from the prior year's population of going concerns.



4. The estimated amount of new going concerns for 2016 predicts the lowest number during the sixteen years analyzed.

The three paragraphs 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. As shown in the graph on the right, the most recent substantial peak in new going concerns occurred in 2007 with 1,168. Thereafter, there was a drop in 2008 followed by a downward trend with a minor uptick in 2012 and 2014. After the uptick in 2014, the number of new going concerns dropped to 495 in 2015 and is estimated to drop again to a value of 467 in 2016. (For calculation, see table on page 12: *New Going Concerns by Year (Year 2016 Estimated)*.) This estimated value of 467 for fiscal year 2016 is the lowest number during the sixteen years analyzed. In addition, it should be noted that 22.8% (95 of 417) of the new going concerns as of October 3rd were disclosed in S-1s or F-1s and thus linked to recent IPOs, not established companies. A new going concern linked to a recent IPO should not necessarily be viewed as a negative economic event.



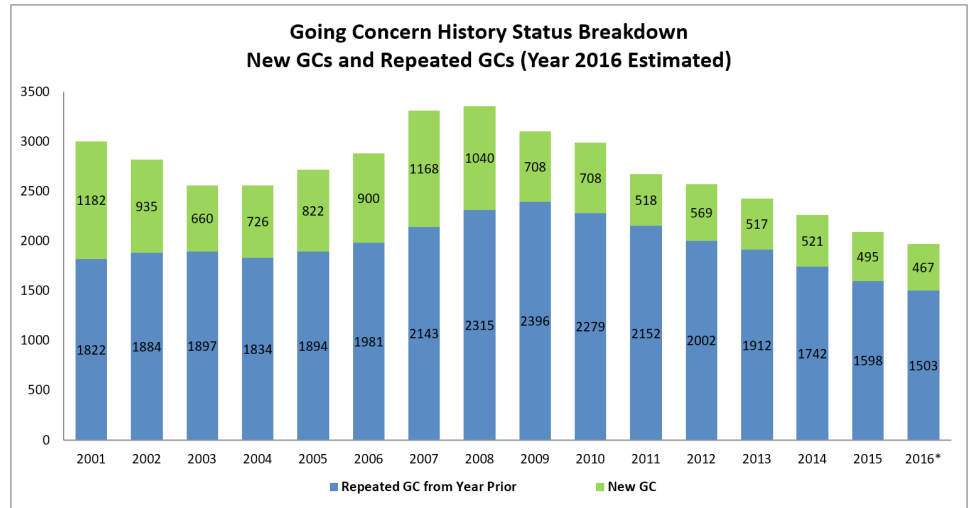
⁴ The 98.13% figure is based on the following ratio: $13,167 \div 13,418 = 0.9813$.

⁵ The total estimated number of opinions expected for year end 2015 is obtained as follows: $12,612 \div 0.9813 = 12,852$.

⁶ The 15.3% figure is based on the following ratio: $1,970 \div 12,852 = 0.1532$.

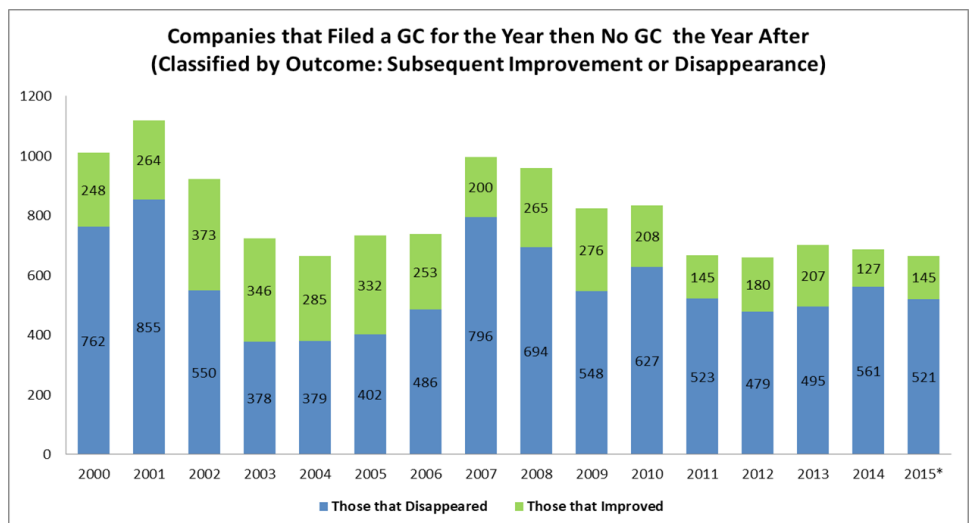
5. An analysis of repeated going concerns shows a steady seven-year decrease in number since the peak in 2009.

The prior graph provides a history of new going concern totals with an estimated value for 2016. The second graph of page 2 provides a history of total going concerns with an estimated value for 2016. The graph on the right combines both graphs by showing the total number of going concerns broken into two categories: (1) new going concerns and (2) repeated going concerns. This graph shows that since the peak value of 2,396 in 2009, the number of repeated going concerns steadily decreased for seven consecutive years to an estimated value of 1,503 repeated going concerns in 2016.



6. An analysis of companies that filed a going concern one year but not the next year shows that the number of companies that improve enough to file a subsequent clean opinion in 2016 represented the second lowest number (tied) of improved companies during the sixteen years reviewed.

The previous paragraph 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. The graph on the right shows the 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 (796 + 200) 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. (See graph on page 14: Going Concern Attrition Analysis.) The going concerns that disappeared after 2015 are noteworthy if a focus is given to the “improved” companies. Of the 666 companies that filed their last going concern in 2015, a total of 521 disappeared while only 145 filed a clean audit opinion in 2015. The 145 subsequently clean audit opinions in 2016 represents the second lowest number (tied) of “improved” companies during the sixteen years under review.⁷



⁷ These numbers were determined on October 3, 2017. Therefore, the 521 figure for 2015 is inflated because, as explained in paragraph 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.

7. A review of the going concerns for fiscal year 2016 revealed that the most common reason for apprehension regarding a company's ongoing viability is the company's operating losses.

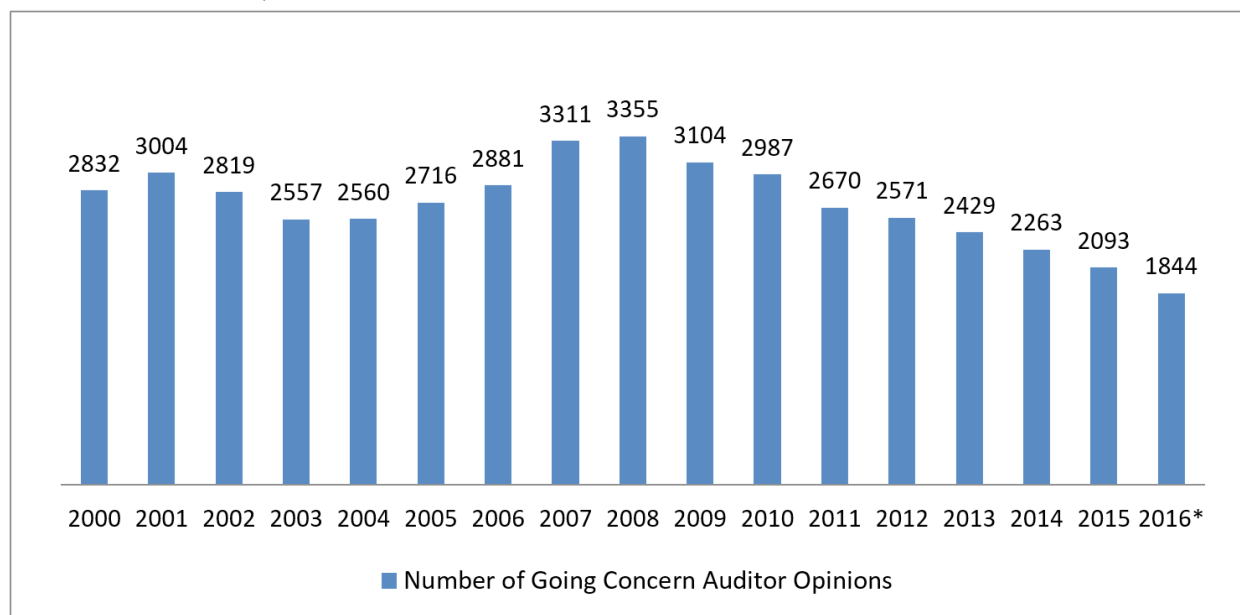
While examining going concerns, analysts reviewed audit opinions for the issues that auditors indicate undermined the going concern assumption. The Audit Analytics database contains a taxonomy (issue classification) of 40 reasons commonly given by auditors for their apprehension and, during the reviews, the analysts select one or more reasons listed. A ranking of these issues for the 2016 fiscal year end is provided on page 15 of this report and the top five issues are listed above.

As shown in the above table, a total of 1,670 going concern opinions noted operating losses. The second reason expressed by auditors was attributable to a negative cash flow from operations.

Going Concern Issue Type	Total Opinions
Net/Operating Loss (including recurring losses)	1,670
Negative cash flow from operations	753
Accumulated/retained earnings deficit	708
Working capital/current ratio deficit/inadequacy	686
Absence of significant revenues	629

GOING CONCERN TOTALS BY YEAR PARTIAL FISCAL YEAR FOR 2016

(NUMBER OF COMPANIES WITH AN AUDITOR OPINION WITH A QUALIFIED GOING CONCERN ASSUMPTION)



Notes:

1) The research is based on SEC filings as of 10/3/17.

2) The counts of Going Concerns listed above 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 Year 2016 is based on an incomplete year (SEC filings as of 10/3/17). Some foreign filers and smaller U.S. companies with a fiscal year end occurring in the end of December have not yet filed an audit opinion. As of the end of 10/3/17, the SEC has received 1,844 going concerns for FY 2016. As a comparison, the table below shows how many audit opinions and going concerns the SEC received for FY 2015 by the end of and after the corresponding date of 10/3/16. As the table indicates, the SEC received 93.60% of all going concerns on or before 10/3/16.

2015 Filings

Time Duration	Opinions		GCs	
	#	%	#	%
By End of 10/3/16	13167	98.13%	1959	93.60%
After 10/3/16	251	1.87%	134	6.40%
All	13418	100.00%	2093	100.00%

GOING CONCERNS

(BREAKDOWN BY YEAR AND ACCELERATED FILER STATUS)

Companies with an Audit Opinion with a
Qualified Going Concern Assumption

Fiscal Year	Large Accelerated Filers	Accelerated Filers	Remaining Companies		Total
			All	Small Reporting Companies (subset)	
2000	0	0	2832	0	2832
2001	0	0	3004	3	3004
2002	0	48	2771	2	2819
2003	0	40	2517	8	2557
2004	1	56	2503	8	2560
2005	2	63	2651	13	2716
2006	4	77	2800	22	2881
2007	7	85	3219	354	3311
2008	23	146	3186	1950	3355
2009	7	67	3030	2363	3104
2010	3	43	2941	2176	2987
2011	7	55	2608	2036	2670
2012	6	54	2511	1979	2571
2013	6	38	2385	1867	2429
2014	5	61	2197	1694	2263
2015	13	71	2009	1563	2093
2016 (partial)	14	79	1751	1340	1844

Notes:

1) The research is based on SEC filings as of 10/3/17.

2) The counts of Going Concerns listed above 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) The accelerated filer status of a registrant is declared by the registrant in its most recent filing requesting the status.

4) 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.")

5) 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.")

6) 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).

7) 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.)

8) Data for Year 2016 is based on an incomplete year (SEC filings as of 10/3/17). Some foreign filers and smaller U.S. companies with a fiscal year end occurring in the end of December have not yet filed an audit opinion. As of the end of 10/3/17, the SEC has received 1,844 going concerns for FY 2016. As a comparison, the table below shows how many audit opinions and going concerns the SEC received for FY 2015 by the end of and after the corresponding date of 10/3/16. As the table indicates, the SEC received 93.6% of all going concerns on or before 10/3/16.

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All	13418	100.00%	2093	100.00%

GOING CONCERNS PERCENTAGES (BREAKDOWN BY YEAR AND ACCELERATED FILER STATUS)

Going Concerns as a Percentage of Total Opinions by Year

Fiscal Year	Large Acc. Filers			Accelerated Filers			Remaining Companies						Total		
							All			Small Reporting Company (subset)					
	Going Concerns	Total Auditor Opinions	Percentage	Going Concerns	Total Auditor Opinions	Percentage	Going Concerns	Total Auditor Opinions	Percentage	Going Concerns	Total Auditor Opinions	Percentage			
2003	0	1	0.00%	40	3495	1.14%	2517	14259	17.65%	8	10	80.00%	2557	17755	14.40%
2004	1	6	16.67%	56	3672	1.53%	2503	13112	19.09%	8	10	80.00%	2560	16790	15.25%
2005	2	1325	0.15%	63	2759	2.28%	2651	12703	20.87%	13	15	86.67%	2716	16787	16.18%
2006	4	1985	0.20%	77	2287	3.37%	2800	12274	22.81%	22	27	81.48%	2881	16546	17.41%
2007	7	2042	0.34%	85	2236	3.80%	3219	12351	26.06%	354	1066	33.21%	3311	16629	19.91%
2008	23	1954	1.18%	146	2187	6.68%	3186	11751	27.11%	1950	3718	52.45%	3355	15892	21.11%
2009	7	1728	0.41%	67	1936	3.46%	3030	11923	25.41%	2363	4402	53.68%	3104	15587	19.91%
2010	3	1755	0.17%	43	1797	2.39%	2941	12127	24.25%	2176	4208	51.71%	2987	15679	19.05%
2011	7	1924	0.36%	55	1716	3.21%	2608	11372	22.93%	2036	3907	52.11%	2670	15012	17.79%
2012	6	1935	0.31%	54	1679	3.22%	2511	11053	22.72%	1979	3599	54.99%	2571	14667	17.53%
2013	6	2071	0.29%	38	1541	2.47%	2385	10831	22.02%	1867	3344	55.83%	2429	14443	16.82%
2014	5	2262	0.22%	61	1534	3.98%	2197	10372	21.18%	1694	3059	55.38%	2263	14168	15.97%
2015	13	2298	0.57%	71	1586	4.48%	2009	9534	21.07%	1563	2717	57.53%	2093	13418	15.60%
16 Partial	14	2174	0.64%	79	1549	5.10%	1751	8889	19.70%	1340	2431	55.12%	1844	12612	14.62%

Notes:

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2) The counts of Going Concerns listed above 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) The accelerated filer status of a registrant is as declared by the registrant in its most recent filing requesting the status.

4) 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.")

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GOING CONCERNS PERCENTAGES

(BREAKDOWN BY YEAR AND PRESENT MARKET STATUS)

Going Concerns Market Breakdown

Fiscal Year	Total Going Concerns	NYSE		Nasdaq		NYSE MKT (formerly AMEX)		OTHER (OTCBB + Non-Tickered)	
		Going Concerns	%	Going Concerns	%	Going Concerns	%	Going Concerns	%
2007	3311	7	0.21%	93	2.81%	31	0.94%	3180	96.04%
2008	3355	21	0.63%	135	4.02%	39	1.16%	3160	94.19%
2009	3104	15	0.48%	147	4.74%	27	0.87%	2915	93.91%
2010	2987	8	0.27%	136	4.55%	24	0.80%	2819	94.38%
2011	2670	7	0.26%	128	4.79%	20	0.75%	2515	94.19%
2012	2571	8	0.31%	163	6.34%	21	0.82%	2379	92.53%
2013	2429	8	0.33%	159	6.55%	15	0.62%	2247	92.51%
2014	2263	8	0.35%	143	6.32%	22	0.97%	2090	92.36%
2015	2093	20	0.96%	192	9.17%	36	1.72%	1845	88.15%
16 Partial	1844	22	1.19%	214	11.61%	32	1.74%	1576	85.47%

Notes:

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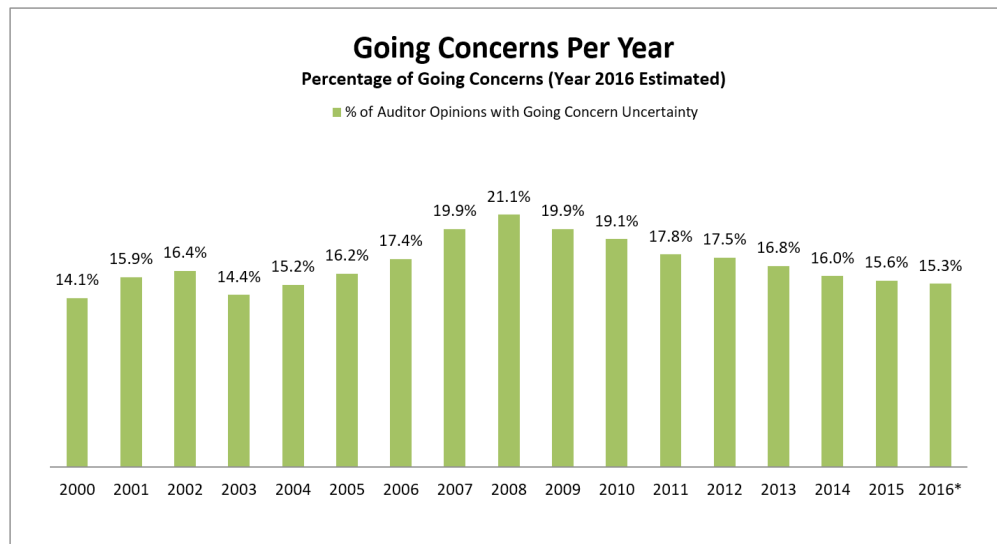
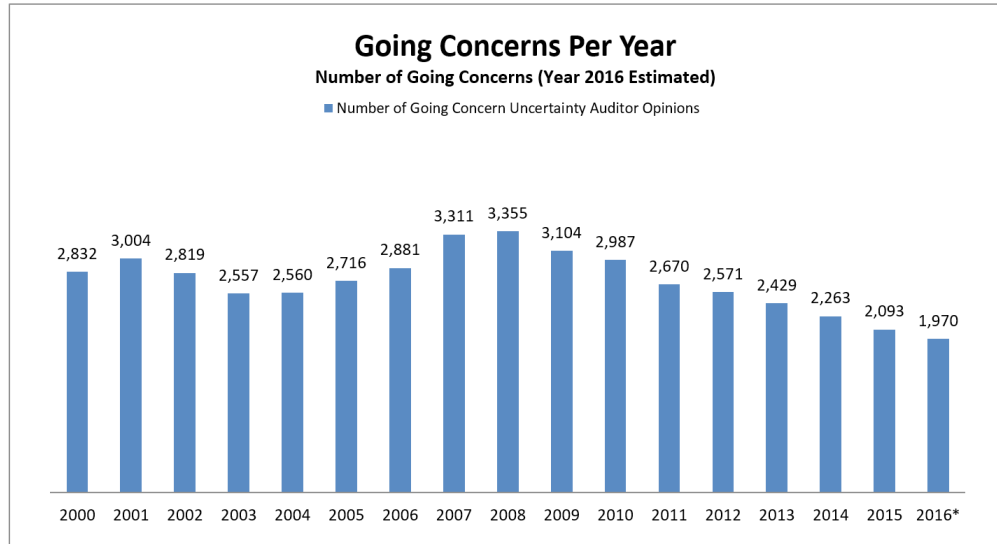
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All	13418	100.00%	2093	100.00%

4) The market designation is based on the company's status as of 10/3/17.

GOING CONCERNS SEVENTEEN YEAR REVIEW



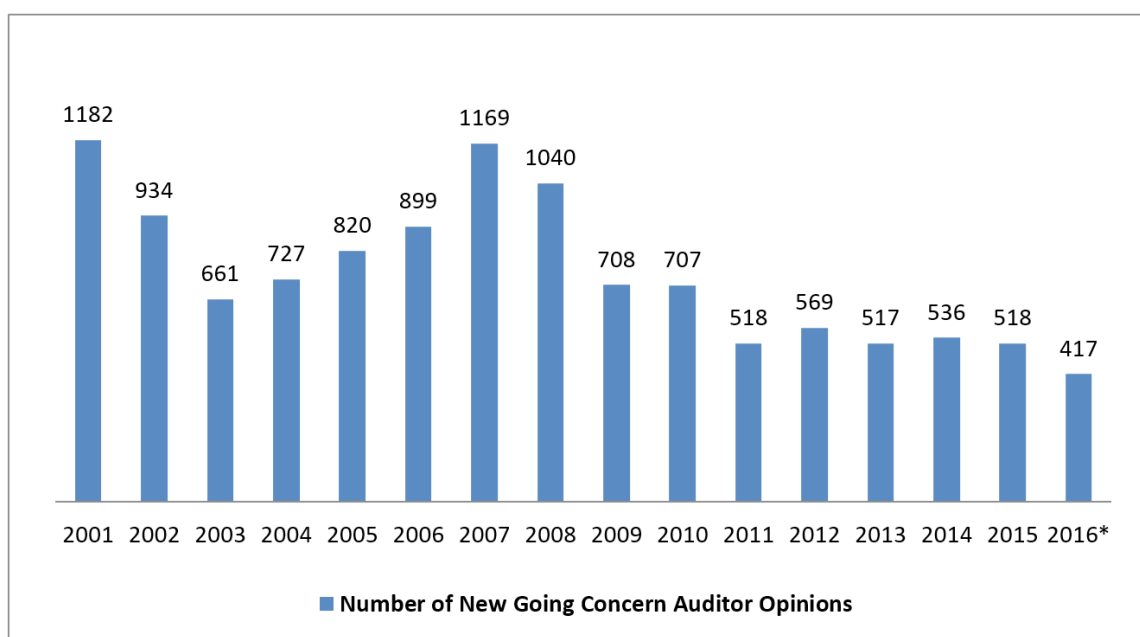
Going Concern Seventeen Year Review (Fiscal Year 2016 Estimated)																	
Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Going Concerns	2,832	3,004	2,819	2,557	2,560	2,716	2,881	3,311	3,355	3,104	2,987	2,670	2,571	2,429	2,263	2,093	1,970
Total Auditor Opinions	20,016	18,898	17,175	17,755	16,790	16,787	16,546	16,629	15,892	15,587	15,679	15,012	14,667	14,443	14,168	13,418	12,852
% of All Opinions	14.1%	15.9%	16.4%	14.4%	15.2%	16.2%	17.4%	19.9%	21.1%	19.9%	19.1%	17.8%	17.5%	16.8%	16.0%	15.6%	15.3%

Notes:

- 1) The research is based on SEC filings as of 10/3/17.
- 2) The counts of going concerns listed above 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 Year 2016 is based on an incomplete year (SEC filings as of 10/3/17). Some foreign filers and smaller U.S. companies with a fiscal year end occurring in the end of December have not yet filed an audit opinion. As of the end of 10/3/17, the SEC has received 1,844 going concerns for FY 2016. As a comparison, the table below shows how many audit opinions and going concerns the SEC received for FY 2015 by the end of and after the corresponding date of 10/3/16. As the table indicates, the SEC received 93.60% of all going concerns on or before 10/3/16.
- 4) The total number of audit opinions to be filed in 2016 is estimated as follows: The total opinions received for 2016 on or before 10/3/17 equaled 12,612 (see page 8). During corresponding time in 2015, the SEC received 13,167 out of a total of 13,418. Therefore, 2015 received 98.13% of all the opinions received for 2015 on or before 10/3/16. $[13,167 \div 13,418 = 0.9813]$. Assuming that 98.13% continues to apply, the 2016 year end will receive a total 12,852 auditor opinions. $[12,612 \div 0.9813 = 12,852]$.
- 5) The total number of going concerns to be filed in 2016 is estimated as follows: For the 2016 year end, a total of 1,844 going concerns were filed on or before 10/3/17. During the same duration in 2015, a total of 1,959 going concerns were filed, while the entire year received 2,093. Therefore, in 2015, 93.6% of the total going concerns were filed on or before 10/3/16. $[1,959 \div 2,093 = 0.9360]$. If the same is true for 2016, the total number of going concerns in 2016 is expected to reach 1,970. $[1,844 \div 0.9360 = 1,970]$.

NEW GOING CONCERNS BY YEAR

NUMBER OF GOING CONCERNS (YEAR 2016 PARTIAL)



* Fiscal year 2016 is a partial year. See note 4.

Notes:

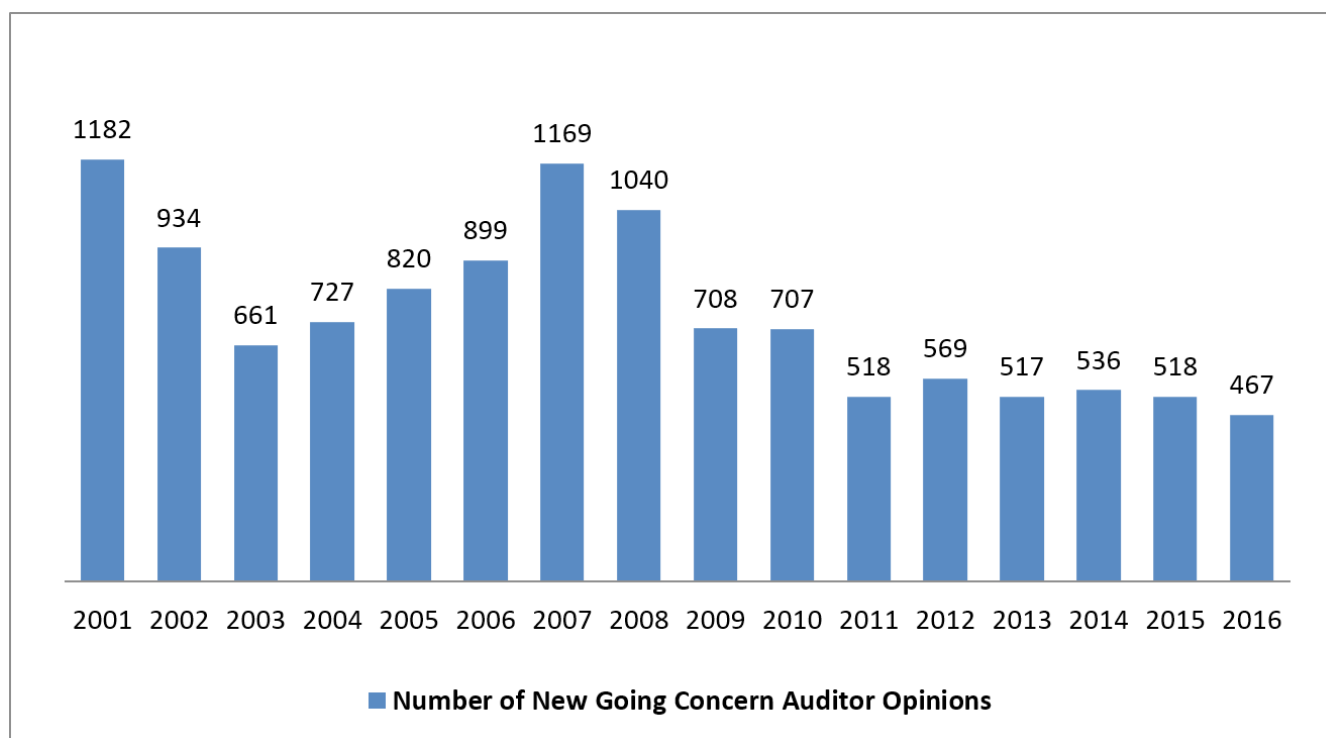
- 1) The research is based on SEC filings as of 10/3/17.
- 2) A "New Going Concern" is a going concern from a company that did not file a going concern the year prior.
- 3) The counts of Going Concerns listed above exclude non-tickered subsidiaries if the parent company also filed an auditor opinion with a going concern qualification; thus, this analysis excludes duplicate going concern opinions filed by non-tickered subsidiaries.
- 4) Data for Year 2016 is based on an incomplete year (SEC filings as of 10/3/17). Some foreign filers and smaller U.S. companies with a fiscal year end occurring in the end of December have not yet filed an audit opinion. As of the end of 10/3/17, the SEC has received 1,844 going concerns for FY 2016. As a comparison, the table below shows how many audit opinions and going concerns the SEC received for FY 2015 by the end of and after the corresponding date of 10/3/16. As the table indicates, the SEC received 93.60% of all going concerns on or before 10/3/16.

2015 Filings

Time Duration	Opinions		GCs	
	#	%	#	%
By End of 10/3/16	13167	98.13%	1959	93.60%
After 10/3/16	251	1.87%	134	6.40%
All	13418	100.00%	2093	100.00%

NEW GOING CONCERNS BY YEAR

NUMBER OF GOING CONCERNS (YEAR 2016 ESTIMATED)


Notes:

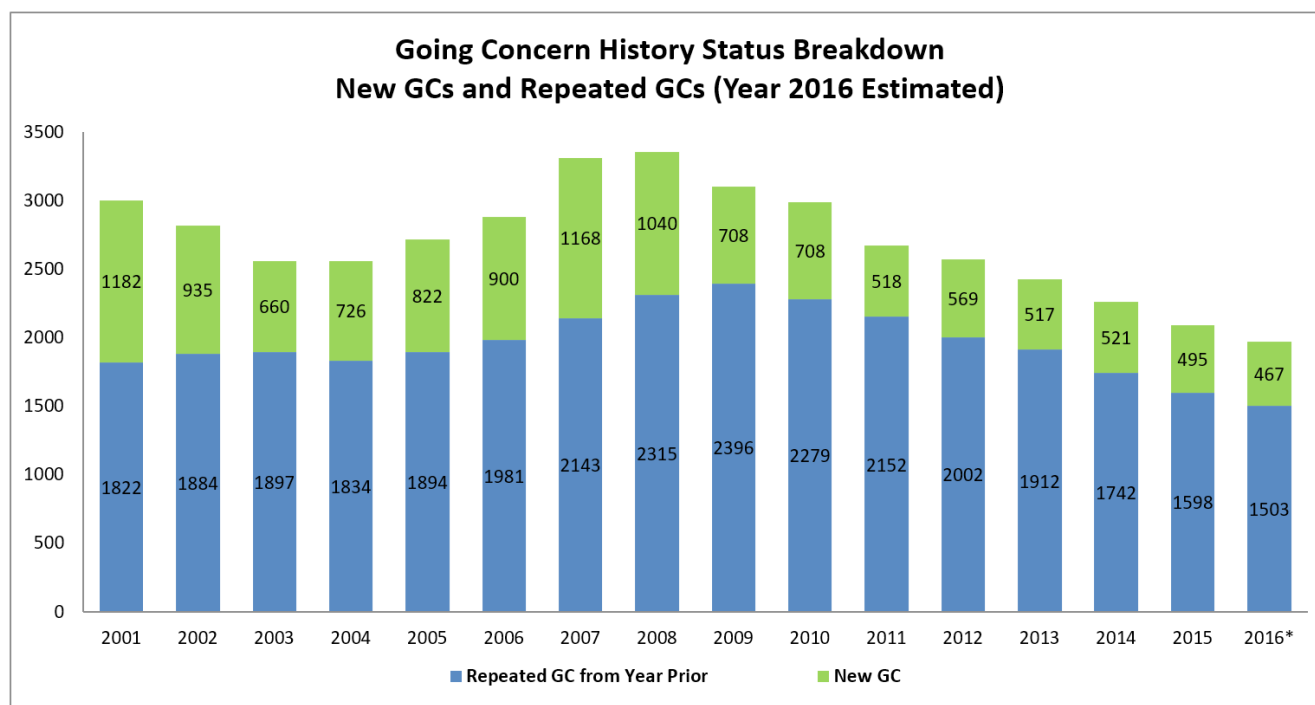
- 1) The research is based on SEC filings as of 10/3/17.
- 2) A "New Going Concern" is a going concern from a company that did not file a going concern the year prior.
- 3) The counts of Going Concerns listed above exclude non-tickered subsidiaries if the parent company also filed an auditor opinion with a going concern qualification; thus, this analysis excludes duplicate going concern opinions filed by non-tickered subsidiaries.
- 4) Data for Year 2016 is based on an incomplete year (SEC filings as of 10/3/17). Some foreign filers and smaller U.S. companies with a fiscal year end occurring in the end of December have not yet filed an audit opinion. As of the end of 10/3/17, the SEC has received 1,844 going concerns for FY 2016. As a comparison, the table below shows how many audit opinions and going concerns the SEC received for FY 2015 by the end of and after the corresponding date of 10/3/16. As the table indicates, the SEC received 93.60% of all going concerns on or before 10/3/16.

2015 Filings

Time Duration	Opinions		GCs		New GCs	
	#	%	#	%	#	%
By End of 10/3/16	13167	98.13%	1959	93.60%	463	89.38%
After 10/3/16	251	1.87%	134	6.40%	55	10.62%
All	13418	100.00%	2093	100.00%	518	100.00%

5) The total number of new going concerns to be filed in 2016 is estimated as follows: For the 2016 year end, a total of 417 new going concerns were filed on or before 10/3/17. During the same duration in 2015, as shown in the table above, a total of 463 new going concerns were filed, while the entire year received 518. Therefore, in 2015, 89.38% of the total new going concerns were filed on or before 10/3/16. $[463 \div 518 = 0.8938]$. If this ratio applies to new going concerns in 2016, the total number of new going concerns in 2016 is expected to reach 467. $[417 \div 0.8938 = 466.55]$.

GOING CONCERNS ANALYSIS: NEW AND REPEATS (ESTIMATED)



Fiscal Year	Companies that Filed Audit Opinions	Companies that Filed Going Concerns	Going Concern History Status			
			New GC		Repeated GC from Year Prior	
			#	%	#	%
2001	18898	3004	1182	39.35%	1822	60.65%
2002	17175	2819	935	33.17%	1884	66.83%
2003	17755	2557	660	25.81%	1897	74.19%
2004	16790	2560	726	28.36%	1834	71.64%
2005	16787	2716	822	30.27%	1894	69.73%
2006	16546	2881	900	31.24%	1981	68.76%
2007	16629	3311	1168	35.28%	2143	64.72%
2008	15892	3355	1040	31.00%	2315	69.00%
2009	15587	3104	708	22.81%	2396	77.19%
2010	15679	2987	708	23.70%	2279	76.30%
2011	15012	2670	518	19.40%	2152	80.60%
2012	14667	2571	569	22.13%	2002	77.87%
2013	14443	2429	517	21.28%	1912	78.72%
2014	14168	2263	521	23.02%	1742	76.98%
2015	13418	2093	495	23.65%	1598	76.35%
2016 (Estimated)	12852	1970	467	23.71%	1503	76.29%

Notes:

1) The research is based on SEC filings as of 10/3/17.

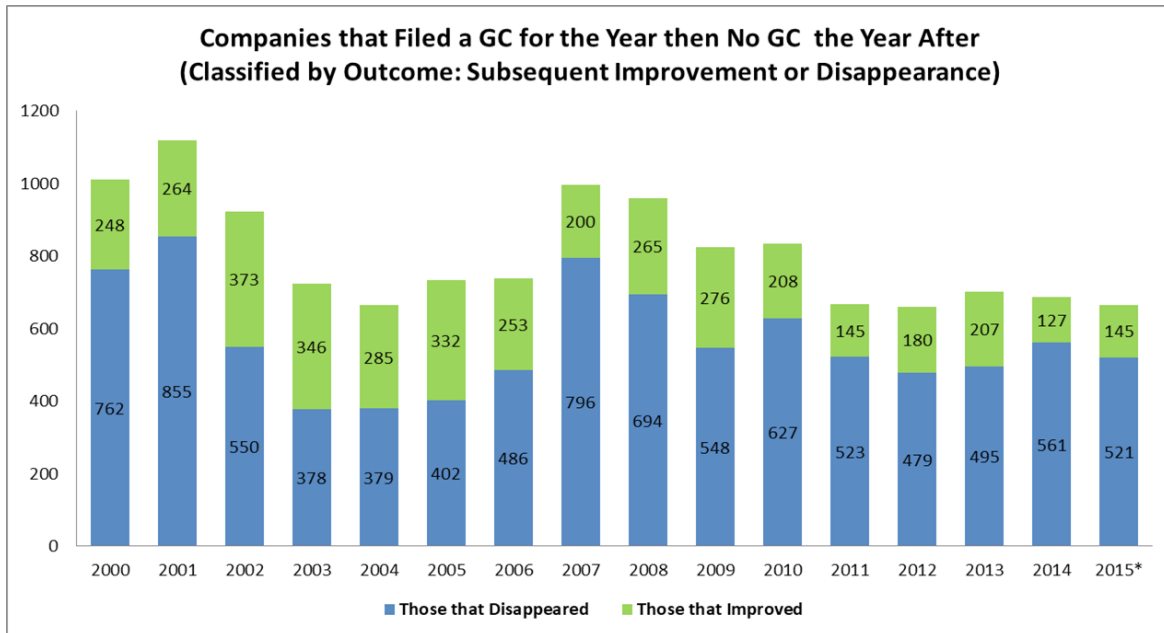
2) A "New Going Concern" is a going concern from a company that did not file a going concern the year prior.

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

4) Data for Year 2015 is based on an incomplete year (SEC filings as of 8/4/16). Some foreign filers and smaller U.S. companies with a fiscal year end occurring in the end of December have not yet filed an audit opinion. As of the end of 8/4/16, the SEC has received 2056 going concerns for FY 2015. As a comparison, the table below shows how many audit opinions and going concerns the SEC received for FY 2014 by the end of and after the corresponding date of 8/4/15. As the table indicates, the SEC received 97.64% of all going concerns on or before 8/4/15.

5) The total number of new going concerns to be filed in 2016 is estimated as 467 by using the New GC ratios shown in the table above and explained in footnote 5 on the prior page. Based on the estimated number of 1,970 total going concerns for fiscal year 2016 as shown on page 9, the estimated number of repeat going concerns is 1,503 [1970 - 467 = 1503].

GOING CONCERNS ATTRITION ANALYSIS



Fiscal Year	Companies that Filed Audit Opinions	Companies that Filed Going Concerns	Companies that Filed a GC for the Fiscal Year then No GC the Year After					
			Total		Those that Disappeared		Those that Improved	
			#	%	#	%	#	%
2000	20016	2833	1010	35.65%	762	26.90%	248	8.75%
2001	18898	3004	1119	37.25%	855	28.46%	264	8.79%
2002	17175	2820	923	32.73%	550	19.50%	373	13.23%
2003	17755	2555	724	28.34%	378	14.79%	346	13.54%
2004	16790	2558	664	25.96%	379	14.82%	285	11.14%
2005	16787	2714	734	27.04%	402	14.81%	332	12.23%
2006	16546	2882	739	25.64%	486	16.86%	253	8.78%
2007	16629	3311	996	30.08%	796	24.04%	200	6.04%
2008	15892	3354	959	28.59%	694	20.69%	265	7.90%
2009	15587	3103	824	26.55%	548	17.66%	276	8.89%
2010	15679	2988	835	27.95%	627	20.98%	208	6.96%
2011	15012	2671	668	25.01%	523	19.58%	145	5.43%
2012	14667	2570	659	25.64%	479	18.64%	180	7.00%
2013	14443	2425	702	28.95%	495	20.41%	207	8.54%
2014	14168	2425	688	28.37%	561	23.13%	127	5.24%
2015 (see fn 7)	13418	2230	666	29.87%	521	23.36%	145	6.50%

Notes:

1) The research is based on SEC filings as of 10/3/17.

2) The counts of Going Concerns listed above 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) 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.

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

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

6) The "%" is based on a denominator equal to the number of going concerns filed that year. In 2000, 35.65% of the going concerns were not repeated the next year due to a disappearance or an improvement. Therefore, 64.35% of the going concerns in 2000 were repeated in 2001.

7) Data for Year 2015 is based on an incomplete year (SEC filings as of 10/3/17). Some foreign filers and smaller U.S. companies with a fiscal year end occurring in the end of December have not yet filed an audit opinion. As of the end of 10/3/17, the SEC has received 1,844 going concerns for FY 2016. As a comparison, the table below shows how many audit opinions and going concerns the SEC received for FY 2015 by the end of and after the corresponding date of 10/3/16. As the table indicates, the SEC received 93.60% of all going concerns on or before 10/3/16. Therefore, the 666 and 521 figures for 2015 are inflated slightly because the data for 2016 is not complete (other opinions will come in for 2016 and reduce these numbers.)

ISSUES UNDERMINING GOING CONCERN ASSUMPTION

Going Concern Issue	Total Companies	Total Opinions	Relative Frequency
Net/Operating Loss (including recurring losses)	1,142	1,670	57.27%
Negative cash flow from operations	489	753	25.82%
Accumulated/retained earnings deficit	460	708	24.28%
Working capital/current ratio deficit/inadequacy	494	686	23.53%
Absence of significant revenues	354	629	21.57%
Net losses since inception	335	550	18.86%
Insufficient/Limited cash, capital or liquidity concerns	251	394	13.51%
Stockholder equity or partner capital - deficiency or decrease	229	352	12.07%
Need for additional financing to sustain operations	180	275	9.43%
Not commenced, limited or no operations	114	222	7.61%
Need for additional financing for growth or to meet business objectives	87	130	4.46%
Initial loss	48	128	4.39%
Profitability concerns	61	119	4.08%
Need for additional financing for funding obligations and/or servicing debt	83	108	3.70%
Notes Payable/Debt Maturity; Balance Due, Past-due, Default	36	57	1.95%
Development stage	27	47	1.61%
No explanation	37	43	1.47%
Debt covenants/agreements uncertain or not in compliance	38	40	1.37%
Liquidation of assets or divestitures	23	31	1.06%
Bankruptcy	16	29	0.99%
Discontinued/Disposal of Operations	25	29	0.99%
Assets - inadequate, limited, immaterial or impaired	16	27	0.93%
Related Party/Segment Issues	18	27	0.93%
Seeking or needs to combine with existing company	19	25	0.86%
Limited Performance/Credit History	15	22	0.75%
Significant contractual obligations & commitments pending	17	20	0.69%
Restructuring contingencies	7	16	0.55%
Debt is substantial	6	12	0.41%
Liabilities exceed assets	8	11	0.38%
Exploration/Pre-exploration Stage	8	9	0.31%
Litigation contingencies	7	9	0.31%
Recoverability of (natural) resources - uncertain	7	8	0.27%
Regulatory settlements, obligations and contingencies	6	8	0.27%
Decline in revenue	7	7	0.24%
Net capital deficiency	7	7	0.24%
Pending Dissolution/Contract Expiration or Termination	6	6	0.21%
No Marketable Product(s)	3	4	0.14%
Stock/share Redemption or Option Exercise Risk(s)	4	4	0.14%
Credit line reduced, unavailable or due	3	3	0.10%
Product demand or pricing - decline or limited	3	3	0.10%
Refinancing contingencies	3	3	0.10%
Compensation deferred	1	1	0.03%
No dividends	1	1	0.03%
Regulatory capital - decline or deficiency	1	1	0.03%

Notes:

1) The data above is based on 2,916 going concerns filed for fiscal year 2016 by 1,844 companies.

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

3) 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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