**Financial Viability Risk Assessment**

For the year ended June 30, 2020

“Financially viable” or “financial viability” is defined in Wis. Admin. Codes PI 35.02 (11) and PI 48.02 (11) as “the ability of the school to pay for goods and services, make debt service payments, and pay other obligations as they become due.” As a result, the risk assessment is based on the risk that the school will not be able to pay their bills as they come due. In order to determine what risk should be used, the auditor should determine if any of the “high risk required” scenarios exist for the school. If so, the financial viability risk must be high risk. If not, proceed to determine if any of the “minimum of medium risk required; high risk should be considered” scenarios exist. If so, a minimum of a medium risk must be used and the auditor must consider if a high risk should be used. If not, consider the medium risk indicators to determine if any of the remaining schools should have a medium or low risk.

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| **Indicators of Low Risk** | **Medium Risk should be considered** | **Minimum of Medium Risk required; High Risk should be considered** | | **High Risk required** | |
| * Assets on the Statement of Financial Position are greater than liabilities on the prior year financial audit * Current assets on the Statement of Financial Position are greater than current liabilities on the prior year financial audit * Cash available to pay balances or availability of line of credit * Historically the school has paid employees, vendors, landlords, government agencies, etc as required | * Outstanding payroll balance exceeding $100,000 (that does not relate to payroll or deferred compensation due at a future date) * The school was in litigation related to outstanding balances to vendors, landlords, or employees currently or as of the last financial audit * The change in net assets on the Statement of Activities in the prior year financial audit is negative | | * Any past dues to government agencies as of the prior year financial audit or as of the date of testing (even if a repayment plan exists) * Assets on the Statement of Financial Position are less than liabilities on the prior year financial audit * Current assets on the Statement of Financial Position are less than current liabilities on the prior year financial audit * The change in net assets on the June 30, 2019 and June 30, 2018 Statement of Activities are negative $25,000 or less for both years * Audit reports required by federal, state and local government agencies contain questioned costs or compliance findings that may affect the school’s ability to continue * The prior year Fiscal & Internal Control Practices report indicated that the school failed to make payments to vendors within 90 days or per written agreement (unless due to litigation) * The prior year Fiscal & Internal Control Practices report indicated any of the following (even if paid by the report date):   + The school did not pay employees as required by the written agreement or alternative document that specified their compensation, if applicable   + The school did not pay employees at least once every 31 days * Failure of the private school to make payments to the department as required on a timely basis * The school provided a surety bond rather than a budget to meet the new school financial requirements and the requirement to provide the surety bond has not been removed by the DPI | | * Any past dues to government agencies as of the prior year financial audit or as of the date of testing that cumulatively exceed $50,000 (even if a repayment plan exists) * Current surety bond requirement due to a school not being financially viable * Prior year financial audit opinion has an emphasis of matter or footnote regarding the entity’s ability to continue as a going concern * DPI received calls from employees indicating they were not being paid on time * DPI received phone calls that vendors/landlords are not getting paid timely * The school’s budget and statement of cash flows show the school has inadequate revenues and other financial resources to fund current operations * The school had any DWD wage claims in the past year, including any identified on the prior year Fiscal & Internal Control Practices report * The prior year Fiscal & Internal Control Practices report indicated any of the following and the amount remained unpaid as of the report date:   + The school did not pay employees as required by the written agreement or alternative document that specified their compensation, if applicable   + The school did not pay employees at least once every 31 days |

The risk assessment completed by the auditor to determine if any of the factors above exist and the required risk should include:

1. A summary review of the financial position of the school as of the last financial audit including the net asset position, cash balance, availability of funding, and other key financial indicators.
2. A review of the prior year’s Fiscal & Internal Control Practices Report and any areas of non-compliance.
3. Any information provided by DPI about past dues to vendors, employees, or other financial related concerns.
4. Any information that comes to the auditor’s attention regarding past dues with government agencies, vendors, or employees.
5. The expected budget and projected cash flow for the school year.
6. Any other information that may impact the ability of the school to pay for goods and services, make debt service payments, and pay other obligations as they become due.

Determine the minimum required risk and what risk level should be used based on the matrix and any risk factors identified in 1-6. Be sure to include consideration of whether or not more than the minimum required risk should be used based on both the matrix above and the factors identified.