

**DETERMINANTS OF GOING CONCERN AUDIT OPINIONS
IN NONPROFIT ORGANIZATIONS**

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ABSTRACT: This study investigates determinants of going concern audit opinions in the nonprofit sector using a sample of 405 nonprofit organizations (NPOs) that received initial going concern audit reports (GCARs). In the for-profit sector, auditors issue a GCAR based on the likelihood that a firm will go bankrupt. The low bankruptcy rate of NPOs leads auditors to make different GCAR decisions. I find that the likelihood of a GCAR increases when an NPO has financial distress combined with: (1) a low operating reserve ratio; (2) reductions in program service revenues in which program service revenues constitute a significant proportion of revenues; or (3) internal control exceptions and material noncompliance with laws, regulations, and contracts. Furthermore, auditors' GCAR decisions seem to become more sensitive to risk factors after the passage of Sarbanes-Oxley Act (SOX). These findings further the understanding of auditors' going concern decisions in NPOs.

Keywords: Going concern audit report; nonprofit audit; financial distress; internal control; noncompliance.

Data availability: Data used in this study are from public sources.