

**Financial Viability Risk Assessment**

For the year ended June 30, 2022

“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 the school should have a medium or low risk. The auditor must use a minimum financial viability risk of medium for new and continuing schools that provided surety bonds for the new school financial requirement, if they are still required to meet the requirement for 2021-22. See Appendix A for a list of these schools.

|  |  |
| --- | --- |
| **Continuing Schools Financial Audit & New School Surety Bond Risk** (Obtain from the Financial Audit Reserve Balance Schedule). The financial audit reserve balance schedule includes a determination of risk based on the following for continuing schools. Insert the risk identified in the reserve balance schedule to the right.  | {High,Medium,Low, or N/A} |
| The risks that are considered for continuing schools in the assessment above are the following:High Risk Required:* The June 30, 2021 financial audit opinion has an emphasis of matter or note regarding the entity’s ability to continue as a going concern

Minimum of Medium Risk required; High Risk should be considered:* Schools that provided a surety bond in 2021-22 for the new school financial requirements. This is applicable for new schools in 2021-22 and continuing Choice program schools that have a continued requirement. See Appendix A for the list of schools that have a 2021-22 bond for this reason.
* Any of the following are identified in the financial audit for the year ended June 30, 2021:
	+ The net assets (assets less liabilities) on the Statement of Financial Position are negative for the year ended June 30, 2021\*
	+ Current assets on the Statement of Financial Position are less than current liabilities for the year ended June 30, 2021 \*
	+ The change in net assets on the June 30, 2021 and June 30, 2020 Statement of Activities are negative $25,000 or less for both years
 |

If high risk was identified on the Financial Audit Reserve Balance Schedule, no additional assessment is required. If medium risk is identified, consider if there are any “High Risk required” or “Minimum of Medium Risk required; High Risk should be considered” in the financial audit (as described above) or below that would result in a high risk being required for the school. The risk assessment completed by the auditor to determine if any of the factors below exist and the required risk should include:

1. A summary review of the financial position of the school on the June 30, 2021 financial audit including the net asset position, cash balance, availability of funding, and other key financial indicators.
2. A review of the 2020-21’s Fiscal & Internal Control Practices Report (FICPR) 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 information below and any risk factors identified in 1-6, as well as the financial audit/new school surety bond risk above. Be sure to include consideration of whether or not more than the minimum required risk should be used based on the factors identified.

|  |  |  |
| --- | --- | --- |
| **Risk Level** | **Indicators** | **Factors Identified for School** |
| **High Risk required** | * Any past dues to government agencies in the June 30, 2021 financial audit Statement of Financial Position or as of the date of the FICPR testing for the 2021-22 school year that cumulatively exceed $50,000 (even if a repayment plan exists)
* Current surety bond requirement due to a school not being financially viable
* 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 unless the DWD determined the school did not owe the amount or the employee withdrew the claim, including any identified on the 2020-21 FICPR
* The 2020-21 FICPR indicated any of the following and the amount remained unpaid as of the 2020-21 FICPR 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 failed to make payments to vendors within 90 days or per written agreement (unless due to litigation)
 |  |
| **Minimum of Medium Risk required; High Risk should be considered** | * Schools that provided a surety bond in 2021-22 for the new school financial requirements. This is applicable for new schools in 2021-22 and continuing Choice program schools that have a continued requirement. See Appendix A for the list of schools that have a 2021-22 bond for this reason.
* Any past dues to government agencies in the June 30, 2021 financial audit Statement of Financial Position or as of the date of the FICPR testing for the 2021-22 school year (even if a repayment plan exists)
* 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 2020-21 FICPR indicated any of the following (even if paid by the 2020-21 FICPR 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 failed to make payments to vendors within 90 days or per written agreement (unless due to litigation)
* Failure of the private school to make payments to the department as required on a timely basis

Note: Consider if high risk should be used based on the financial audit factors identified in the June 30, 2021 financial audit that are included on the first page of this checklist. |  |

|  |  |  |
| --- | --- | --- |
| **Risk Level** | **Indicators** | **Factors Identified for School** |
| **Medium Risk should be considered** | * 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 June 30, 2021 financial audit
* The change in net assets on the June 30, 2021 Statement of Activities in the June 30, 2021 financial audit is negative
 |  |
| **Indicators of Low Risk** | * Any of the following are identified in the financial audit for the year ended June 30, 2021:
	+ Assets on the Statement of Financial Position are greater than liabilities
	+ Current assets on the Statement of Financial Position are greater than current liabilities
* Cash available to pay balances or availability of line of credit
* Historically the school has paid employees, vendors, landlords, government agencies, etc. as required
 |  |

\* The liability related to a Paycheck Protection Program loan may be excluded from the liabilities if the auditor determines it is probable that the amount will be forgiven or it has been forgiven after year end.

**Appendix A**

**Schools with a 2021-22 New School Bond Requirement**

The following is a list of the new and continuing schools that provided surety bonds for the new school financial requirement that are still required to meet the requirement for 2021-22. The financial viability risk for these schools must be at least medium.

|  |  |
| --- | --- |
| All Saints Grade School - DenmarkAquinas Academy - Menomonee FallsAssumption of the Blessed Virgin Mary SchoolBader Hillel High, Inc.Chesterton Academy of Milwaukee, Inc.Christ Child AcademyChrist Lutheran School - Big BendCoulee Christian SchoolCrown of Life Christian Academy - Fort AtkinsonFirst Evangelical Lutheran School - ElkhornHoly Cross Lutheran School - MadisonHoly Family School - BrillionHoly Spirit Catholic School - AppletonHoly Trinity School - CascoHolyland Catholic School - MaloneKenosha Lutheran AcademyMost Precious Blood Parish Catholic SchoolMount Calvary Lutheran School - WaukeshaNorthland Lutheran High SchoolPilgrim Evangelical Lutheran School - Menomonee FallsPleasant Ridge Waldorf SchoolPrairie Hill Waldorf SchoolRiverview Lutheran School | Saint Augustine School - HartfordSaint Clare Catholic SchoolSaint Elizabeth Ann Seton Catholic SchoolSaint Francis de Sales Grade School - SpoonerSaint John Ev Lutheran School - WaterlooSaint John Evangelical Lutheran School - WrightstownSaint John Grade School - Little ChuteSaint John Lutheran School - PeshtigoSaint John Sacred Heart School - SherwoodSaint John Saint James Lutheran School - ReedsvilleSaint John XXIII Catholic School - Port WashingtonSaint John's Ev. Lutheran School - SpartaSaint Johns Lutheran School - MukwonagoSaint John's Lutheran School - NewburgSaint Mary Catholic School - HilbertSaint Mary of the Immaculate ConceptionSaint Mary School - AlgomaSaint Nicholas Catholic SchoolSaint Paul's Lutheran School - East TroySaint Paul's Lutheran School - Fort AtkinsonSaint Paul's Lutheran School - Howards GroveSaint Peter's School - East TroySaint Rose Saint Mary's SchoolSaint Stephen Lutheran SchoolStar of Bethlehem Evangelical Lutheran SchoolStevens Point Christian AcademyTrinity Lutheran School - MarinetteTrinity Lutheran School - WaukeshaTrinity St. Luke's Lutheran School - WatertownWestside Christian SchoolZion Lutheran School - Hartland |