

Implications of the CFI

The scores listed in Figure 10.1 do not have absolute precision; rather, they are indicators of ranges of financial health that can be markers of overall institutional well-being when combined with nonfinancial indicators. This would be consistent with the fact that there are a large number of variables that can impact an institution and influence the results of these ratios. An example would be if the measurement dates for the ratios, and ultimately the CFI, are in a period of extreme volatility, then the resulting measure may not be reflective of the current state of the institution. We would encourage institutions that are experiencing high volatility to consider recalculating these measures on a weighted or rolling-average basis.

However, the ranges do have enough precision to be indicators of financial health, and the CFI as well as its trend line, over a period of time, can be the single most important measure of the institution’s financial health. Stated graphically in Figure 10.1, this scoring system may look like the following:

FIGURE 10.1: SCALE FOR CHARTING CFI PERFORMANCE

