



October 13, 2016

Do You Know Your Institution's CFI Score?

AUDIT, HIGHER EDUCATION

BY PATRICK KERNS

The Composite Financial Index (CFI) is intended to assist institutions in understanding the affordability of their strategies and used to monitor the financial results of the institution's strategic initiatives. The institution is best served if the CFI is calculated over an established time period. This gives a more accurate picture of overall financial health.

The CFI was developed more than 35 years ago to provide a consistent and comparable measurement of an institution's liquidity, strategic usage of financial resources, asset performance and an understanding as to whether the institution is living within its available resources. The score, which is measured on a ten-point scale, is derived from an institution's financial statements using weighted and measured strength factors. Generally, a CFI score of a three in each quadrant is deemed to be the low benchmark. A combined CFI score of three equates to the following:

- Primary Reserve – more than 140 days of resources available to fund operations
- Viability – available assets at least 1.25 times total debt owed
- Return on Net Assets – 6% return on combined financial and nonfinancial assets
- Net Income – 2% net surplus to increase reserves

The CFI provides more weight to those ratios which are derived from the statement of financial position, since the strength, or lack thereof, can directly impact an institution's ability to investment in new revenues streams, programs or facilities.

For 2016, many institutions saw their CFI score challenged by a multitude of factors, including the performance of the stock market, a lack of growth in net tuition revenue, and in the management of expenses, in particular for salaries and healthcare costs and the need to invest in their facilities. Part of the challenge for many institutions, is the careful balancing and maintaining appropriate reserves and utilizing them to allow the institution to continue to grow and carry out its mission.

The CFI can be a great resource to provide your institution's key stakeholders with an unbiased view of an institution's historical trends and how they compare with competitors and peers.

Schneider Downs has experienced advisors who can help your institution calculate its CFI as well as analyze the results. [Please contact us with questions](#) and [visit our higher education page](#) to see a full listing of our service offerings.

Parts of this article are courtesy of *the: "Ratio Analysis in Higher Education Measuring Past Performance to Chart Future Direction," 1999, Fourth Edition.*

You've heard our thoughts... We'd like to hear yours

The Schneider Downs Our Thoughts On blog exists to create a dialogue on issues that are important to organizations and individuals. While we enjoy sharing our ideas and insights, we're especially interested in what you may have to say. If you have a question or a comment about this article – or any article from the Our Thoughts On blog – we hope you'll share it with us. After all, a dialogue is an exchange of ideas, and we'd like to hear from you. Email us at contactSD@schneiderdowns.com.

Material discussed is meant for informational purposes only, and it is not to be construed as investment, tax, or legal advice. Please note that individual situations can vary. Therefore, this information should be relied upon when coordinated with individual professional advice.

© 2024 Schneider Downs. All rights-reserved. All content on this site is property of Schneider Downs unless otherwise noted and should not be used without [written permission](#).