



COMPASS

COMPREHENSIVE ASSET MANAGEMENT
powered by Club Benchmarking



Introducing COMPASS - Powered by Club Benchmarking

Tired of triaging capital investments year after year? Tired of the worn out furniture and fixtures or the 1980's or 1990's look in your clubhouse? Tired of the potholes or decrepit car park? Wondering where the money is going to come from to replace the irrigation system, docks or sea wall? There is an answer. The answer is COMPASS; a comprehensive asset management framework comprising a state-of-the-art, application-specific capital planning software platform backed by Club Benchmarking's proven capital planning process and the support and expertise of our team.

The COMPASS asset management framework provides dynamic capital planning that will drive the sustainable financial outcome necessary to proactively meet your club's capital needs, year-in and year-out. COMPASS places sustainable financial success in the hands of every club.

The Existing Reactive Patchwork	COMPASS
Episodic Asset evaluations (aka reserve studies) and capital projections are separate, sporadic and event driven.	Continuous Systematic, perpetual approach to capital planning provides consistently accurate insight that supports day-to-day management and governance.
Static Outputs are fixed, static snapshots that quickly become obsolete.	Dynamic Powerful user-friendly platform allows changes to be input as they occur.
Segregated Functions Insight is fragmented and inaccurate with capital plans existing in a spreadsheet, the reserve study in a separate binder or spreadsheet and the fixed asset register in a third application or spreadsheet.	Integrated Solution Capital planning and comprehensive asset tracking integrated into a single database and reporting engine. Asset adds and disposals, changes in planning assumptions (i.e. membership models, entrance fees or capital fees) flow through planning, asset tracking and replacement costs. COMPASS integrates all functions to ensure continuity, accuracy and changes that flow through.
Reactive Reserve study, capital plan update, asset disposal/addition, depreciation register updates happen "when we have the time and/or money." Detached, episodic events.	Proactive Seamlessly evolving view of capital requirements and funding, asset register, membership modeling, projected capital needs and resources allows management and board/finance committee to stay focused and on assuring the necessary capital is being generated consistently over time, even through inevitable leadership transitions. A perpetual, integrated process.



COMPASS: The “Why” is in the Research

Everything Club Benchmarking does is grounded in data. We are on a journey to find the fact-based explanation of the private club business and financial model. Not the financial model we, or anyone else, think exists. The one that *actually* exists. While most of a club's money flows through the profit + loss account, that money is consumed year-in and year-out delivering services and facilities to the membership. It does not drive the financial outcome. It is capital income and the never-ending need for capital investment that produce the financial outcome.

Financial difficulty in private clubs manifests as deferred investment in property, plant, and equipment (PP&E). Historically, capital planning has been primarily reactive, meaning it happens in episodes as opposed to a proactive, ongoing process. Capital planning may happen when a new project is under consideration, when an expensive asset finally stops working or when a new treasurer takes their seat. But experience shows that approach is episodic and is not consistent over time.

Analysis of data from more than 1,000 clubs indicates 75% of clubs are not generating the capital necessary to meet their future capital needs. The balance sheets of those clubs (the balance sheet being the definitive accounting of financial outcomes over time), coupled with our experience conducting capital reserve studies for more than 700 clubs and intimate work to develop a funded forward-looking capital plan for 150 clubs, reveal the following:

- Overall, clubs do a poor job of capital planning. Capital planning is mostly reactive, leading to inadequate and inconsistent capital income that fosters problematic, “zombie” debt, reactive levies, and significant deferred investment.
- While many clubs have developed a capital plan, our experience indicates needs are typically underestimated and sources are overestimated.
- Capital planning is usually approached as an “event.” One may be created to get a project done and then shelved once the project is approved. Or a new treasurer or finance committee member creates their version of a capital forecast as they start their tenure that fades away when they exit to be replaced by another approach with the new treasurer or committee.
- The fixed asset register of the average club is at best, messy and often incomplete and inaccurate.

Discovery of the mission-critical nature of capital planning coupled with experience evaluating physical assets and developing capital plans motivated us to develop COMPASS - a transformative approach to capital planning designed specifically for private clubs. COMPASS is grounded in data and real-world experience. COMPASS will make a profound difference for every club – including yours. Set your club on the data-driven path to a sustainable and compelling future with a comprehensive, dynamic capital planning program.



What is COMPASS?

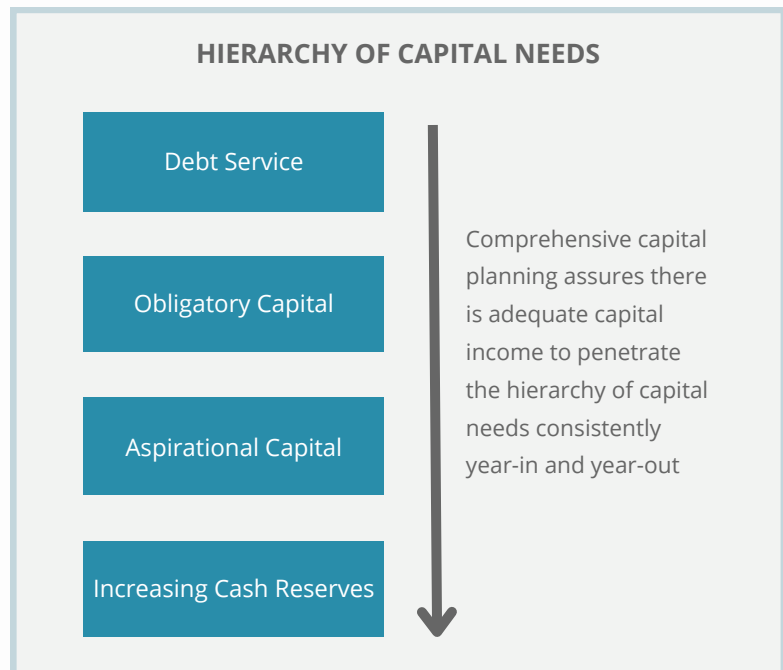
Whether you are a club management professional or a member of the board or finance committee, it is likely you have lived the reality of having too little capital. It isn't a stretch to say that clubs put more time into triaging capital investment decisions during the annual budget cycle than they put into planning to assure adequate capital is always available. The shortfall of capital in the private club can be, and is, a vicious circle.

COMPASS is the solution to the widespread problem of inadequate capital. It is a cloud-based, application-specific, software platform accompanied by a proven process designed to allow every club to address capital planning as the never-ending, mission-critical business process that it is. Great business software applications are rooted in correct business processes. COMPASS is just that. So, let's start by understanding the details of a proper capital planning process for private clubs.

What is Proper Capital Planning?

Proper capital planning is comprehensive and accurate. It must be a continuous process rather than an "event" in order to keep up with ongoing depreciation of property, plant and equipment and never-ending need for aspirational investments that meet evolving expectations of the next generation of members.

Club Benchmarking defines Obligatory Capital as ongoing investments to repair and replace existing assets. Aspirational Capital is investment in new facilities to meet the needs of new members.





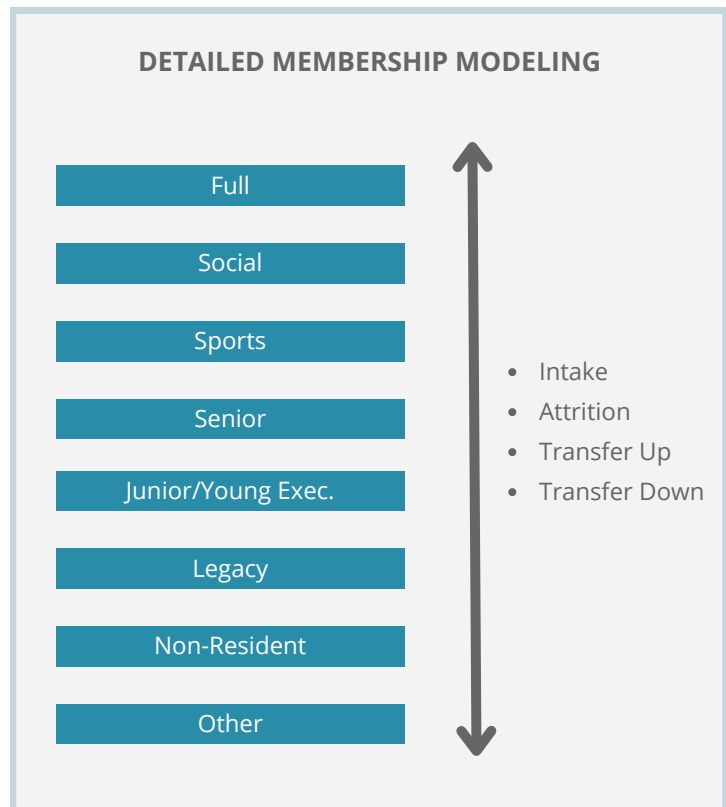
A Proper Capital Planning Process

A comprehensive capital planning process goes beyond considering Obligatory and Aspirational needs to include projected debt service payments (both interest and principle) and detailed membership modeling to quantify intake and attrition and year-by-year member counts. Proper capital planning ensures each club can consistently meet the hierarchy of capital needs year-in and year-out.

Establishing debt service needs requires an easy-to-use software engine that can develop amortization projections to match exactly those of the club's funding source. Most private club loans have complexities such as interest only periods, draw schedules, balloon payments and additional principal schedules. Spreadsheet forecasting does not usually provide this level of detail, and it may not precisely tie to specific dates on which club's change their fees. COMPASS was built for the way that private clubs manage cash flow.

Establishing Obligatory Capital needs requires a complete database of every single capitalized asset in the club, identified with its projected end-of-useful-life, its current replacement cost, the expected inflation of the replacement cost over time, its original service life date, and the department responsible for managing the asset. We refer to this as the asset register, useful life and replacement cost database. It must be developed with in relation to your club's specific requirements i.e., geographic location, how the asset is used and maintained and member expectations for quality.

The typical practice of using depreciation expense as a place holder for obligatory capital needs is not adequate. Depreciation reflects historical acquisition cost, and does not include fully depreciated assets still in use. Thus depreciation expense understates obligatory needs. Using placeholders rather than diligence is a weakness in the traditional "off the cuff" approach. Placeholders are used because it is nearly impossible to create a spreadsheet that has the algorithms and relationships necessary to support the diligent approach required. We know, because we spent years trying. The application-specific power of COMPASS is the correct approach.





A Proper Capital Planning Process

Aspirational Capital needs tie directly to a club's vision – the statement of exactly what services and amenities will be offered to meet the ever-changing needs of an evolving society and new members expected to join five to seven years down the road. The lack of budgeting for necessary evolution befalls too many private clubs and results in foregoing aspirational investment with the inevitable result of creeping irrelevance.

Proper capital planning requires diligent and detailed modeling of membership intake and attrition to quantify the projected entrance fee and capital fees, all of which require an accurate projection of member counts year-by-year for the planning horizon. Precise membership modeling is complicated, requiring significant attention to detail and robust software. Past industry practice typically results in one simple estimate of aggregate entrance fee income because the tools have not been readily available to manage a category by category approach... until COMPASS.

Our extensive experience in capital planning has clarified the factors inherent in improper or poor capital planning: Underestimated projections of obligatory capital needs, a hesitance to use professionals versed in evaluating PP&E with access to accurate replacement cost data, lack of vision that leads to ambiguity about aspirational capital needs, and weak membership modeling projections due to lack of proper tools.



Powerful Software. Proven Process.

COMPASS is a software platform and a well-defined capital planning process supported by the Club Benchmarking team of asset management specialists. We work with you to dynamically maintain your capital plan so that you always have an accurate, up-to-date forward-looking capital plan. No more reserve studies in a binder gathering dust on a bookshelf, no more spreadsheets that come and go with treasurers or finance committee members. COMPASS is a dynamic process integrated with the software and support that keeps your club in control of capital planning and asset management, forever. Each component of a proper capital planning process relates to a specific software function in COMPASS.



OBLIGATORY CAPITAL NEEDS

Year-by-year amount of projected obligatory needs. The obligatory asset database is populated by the Club Benchmarking Asset Evaluation Team after an onsite visit, resulting in an inventory of every capitalized asset, its projected end-of-useful-life, current replacement cost, and the projected inflation of the replacement cost over time. The COMPASS solution includes the Club Benchmarking Asset Evaluation Team working with your club to update monthly asset adds and disposals, assuring the database is always accurate. The monthly updates flow into the forward-looking obligatory needs in the capital plan to assure a consistently accurate view. Data management services also include quarterly updates to account for inflation and changes to pricing from major vendors.



ASPIRATIONAL CAPITAL NEEDS

This function allows each projected aspirational project to be identified by name and quantified, so the aspirational needs in the plan always tie to your club's future vision, in your own language. Any number of aspirational projects can be uniquely identified by name and amount and tied to a given year in the capital plan.



DEBT SERVICE NEEDS

The debt-service function includes the ability to input loan amount and interest rate and automatically calculate the amortization table by payment period (monthly). The payments automatically carry into the cash flow model with changes flowing through automatically. The function allows for input of additional principal payments beyond those required by the amortization if you aim to pay debt down faster than required. Amortization tables can also be uploaded from a properly formatted excel spreadsheet. Any number of loans can be input and named, assuring detailed accuracy that ties exactly to your club's circumstances.



ASSESSMENT MODULE

A comprehensive assessment modeling function allows for identification and naming of possible assessments in either a bottom-up or top-down manner. Top down means the total amount required is automatically spread over the various categories based on proration relative to operating fees by category. Bottom-up function allows for specifying an assessment amount for a given category that then automatically carries through the remaining categories and tallies the total amount raised. The function allows for payment up front or payment over time with an interest rate. Payment over time versus payment up front can be uniquely defined for each member category. Possible attrition related to the assessment is also easily modeled category by category.



MEMBERSHIP MODELING FUNCTION

All membership classes can be defined using your club's own labeling. Classes can be grouped into categories (i.e., multiple golf classes with a maximum number of golfers in the golf category). Caps can be established for both classes and categories. Operating and capital fees can be established for each class. Membership modeling flows through membership count calculations, entrance fee income projections, capital fees income projections and assessment projections. Make a change in the membership model and instantly see the impact on the projected cash flow reporting.



ENTRANCE FEE FUNCTION

Initiation fees can be specified by class. They can be modeled as pay up front or paid over time by class. Payments over time can be associated with an interest rate. Entrance fee income carries through to the cash flow forecast automatically in conjunction with the initiation fee specifications and the specified membership assumptions by class. Refundable equity may also be modeled.



PROFIT + LOSS FUNCTION

A powerful function enables modeling of the profit + loss ledger looking forward. Current year operating revenue and expenses can be input as the baseline, with separate increases projected annually for subscription revenue, non-subscription revenue and expenses. This allows for a quantified operating result for each year in the model that automatically carries through the available capital calculations. Proper capital planning necessitates modeling the operating result as surpluses contribute and deficits reduce available capital projections.



REPORTING AND ANALYSIS

COMPASS features cutting-edge reporting and analysis via integrated Microsoft PowerBI, one of the world's most powerful business intelligence tools.



How Does the COMPASS Program Work?

COMPASS is a deliberate and thoughtful integration of capital planning and asset management (and eventually accounting functions) into one database and one software platform. It is designed around a proven capital planning process created and continuously refined by Club Benchmarking. COMPASS delivers application specific software to do the essential work of calculating, analyzing and reporting necessary to turn capital planning and asset management into the perpetual process they are.

A METHODOICAL, DILIGENT, DATA-DRIVEN APPROACH

Dwight Eisenhower has been credited with various versions of the quote “plans are worthless, but planning is essential.” We embrace a form of that perspective in relation to our COMPASS program; models may not always be perfect, but the process of modeling is mission critical.

COMPASS delivers meeting-ready reports through its integrated PowerBI engine

The Club Benchmarking approach begins with creating a bottom up, comprehensive view of your club’s forward looking capital needs and resources that we define as the Base Case. Our recommendation is a ten-year modeling horizon but the software does support longer or shorter horizons. We have done this work with clubs of all sorts, in many various geographic locations and from a range of positions on our red, yellow, and green bucket spectrum of financial health. We know from this experience that the process of capital planning is the same across the industry. It does not vary by location, by size, by club type or quality. Every club can, and must, work diligently to quantify projected sources and uses of capital looking forward.

The main purpose of the Base Case is to establish the “as is” case. Of the 150 clubs we have developed a Base Case for thus far, only one was found to have the projected resources to meet their projected needs. The remainder did not. That means for more than 99% of the clubs beginning comprehensive capital planning, simply creating a Base Case was eye-opening. The funding gaps are often significant. Clearly, that data supports the conclusion that clubs have much room for improvement in forward-looking capital planning.

As we have established, the purpose of capital planning is to shift from a reactive funding approach to a proactive one. Once the gap is identified that shift has begun. After quantifying the gap, the COMPASS facilitation team and the club’s planning team can shift their focus towards ideas that can help close the gap. That thinking leads to the concept of “turning various knobs.”

The most typical realization is that more capital income is required to meet the needs. The purpose of the process is to stop “kicking the can down the road” and start generating the capital necessary to meet the needs versus continually triaging needs and allowing deferred investment to pile up over time. Naturally, decisions regarding slight shifts in timing and sequencing of needs can be made, but the knob to avoid turning is the “we don’t need to do that investment” knob.



How Does the COMPASS Program Work?

The COMPASS approach draws on Club Benchmarking insight that the best practice for funding obligatory capital is on a “pay as you go” basis by members obligated to cover their consumption of assets (depreciation) recurring capital dues. The best practice for funding aspirational capital is through initiation fees from incoming members as they will enjoy more of that aspirational investment over time than more tenured members who have a shorter time horizon. Very logical, very rational and from our experience, an approach that makes sense to the average member.

The COMPASS software platform was designed to allow the creation of what we term “strategies.” Each strategy is a model of an alternative approach to “zeroing in,” through iterations, on the most logical alternative to close the funding gap. The process and software platform allow for effective consideration of the various strategies resulting in a diligent process that leaves no stone unturned. When the time comes for members to understand the chosen approach, it is clear to them that the approach was not haphazard or rushed. In the end, diligence and data carry the day.

Every aspect of the modeling and decision making can be easily analyzed and communicated via the power of graphical reporting and analysis flowing out of the Microsoft PowerBI engine that is integrated into the COMPASS software platform. Once the accepted model is approved by the modeling team, communication to the board, committees, management team and members at large begins. All the models that were considered are stored for future reference, while the chosen model becomes the basis for the club’s forward-looking plans.

At the close of the year, the chosen plan is updated, a tenth year is added to the end, and the cycle begins anew. It is a perpetual process, with all the historical and ongoing data stored for continuity across time and churns in leadership. The power of the technology and process is that the planning never ends, the process never ends, the data is always relevant and directly tied to the never-ending need for capital investment that was the inspiration for COMPASS.

Contact Information



James Burns CCM

Director
Club Benchmarking EMEA
+353 87 327 5977
jburns@clubbenchmarking.com



John McCormack CCM FCCA

Director
Club Benchmarking EMEA
+353 87 9122 395
jmccormack@clubbenchmarking.com



COMPASS

COMPREHENSIVE ASSET MANAGEMENT



clubbenchmarking.eu