Moody's
INVESTORS SERVICE

Rating Update: Moody's affirms YMCA of Greater New York's Baa1; outlook stable

Global Credit Research - 10 Jul 2014

$82M rated debt

YMCA OF GREATER NEW YORK, NY
Not-for-Profit Organizations--Foundations, Museums, Other (excludes Health Care & Higher Education)

Opinion

NEW YORK, July 10, 2014 --Moody's Investors Service has affirmed its Baa1 rating on the YMCA of Greater New York's combined total of $82.3 million of Series 2006 bonds issued through the New York City Industrial Development Authority and Series 2012 bonds issued through the Build NYC Resource Corporation. The outlook is stable.

SUMMARY RATING RATIONALE

The Baa1 rating and stable outlook reflect the YMCA of Greater New York's (YMCA of GNY or the organization) well-established brand reputation and critical role as a community service partner throughout the five New York City boroughs overseen by a strong management team. The YMCA has seen steady utilization growth, increasingly diverse operations relative to other YMCA's, and good philanthropic support. In addition, the YMCA of GNY has multiple real estate holdings of substantial value that are not reflected in the organization's financial statements. The rating also incorporates relatively weak financial reserves that provide narrow cushions to both debt and operating expenses.

STRENGTHS

*The YMCA of Greater New York enjoys a well-established reputation and service niche in the highly populated New York City metropolitan area, with memberships and programs that serve over 500,000 adults and youth across its 22 branches, one summer camp, and 110 program sites in the five-borough region. The YMCA of GNY is the largest YMCA in the nation.

*Multiple revenue streams from membership dues, program fees and residence programs, along with good gift support, provide income diversity. The average fiscal year (FY) 2011-13 operating margin was 2.1%, with a FY 2013 operating cash flow margin of 12.1% providing 2.4 times average debt service coverage.

*The organization has substantial real estate holdings that had an insured building and equipment replacement value as of June 31, 2014 of over $650 million (compared to the $195 million net property and equipment, including land, on the YMCA's balance sheet), which are not reflected in Moody's calculations of financial resources, but which could be liquidated over time in the event of credit stress.

*A strong, stable senior management team provides central reporting, monitoring and budgetary guidance to branches and programs, and has an ongoing comprehensive enterprise risk management program.

*All outstanding debt of $83.0 million is fixed rate, with no near term additional debt plans. Both lines of credit outstanding in FY 2012 have been refinanced with fixed rate debt or repaid in full with cash.

CHALLENGES

*Financial resources and liquidity are low relative to peers and are unlikely to grow substantially from operations due to the organization's mission to be an economically competitive option for members and program participants, including residential and hospitality services.

*Monthly liquidity of $45.8 million translates to 113 days monthly days cash on hand, well below the Baa-median of 300 days.
Harm to the YMCA’s reputation and brand due to adverse events at the YMCA of Greater NY or other YMCA’s would likely negatively pressure operations and philanthropic efforts. This is mitigated by guidelines laid out by the YMCA of the USA and by the organization’s robust training and tracking protocols.

DETAILED CREDIT DISCUSSION / RECENT DEVELOPMENTS

Though the YMCA of GNY competes with other fitness clubs and community centers, their long-term brand recognition and reputation for family and youth-oriented recreation serves a critical need in the metro area and will continue to attract users over the long term. Management maintains strong enterprise risk management practices and oversight procedures to help provide safe environments for users and staff. Total membership, noted through unit counts, rose 3.8% from FY 2011-13 to 77,707 units, with a corresponding 5.6% increase in membership revenue. Through May 2014 (5 months), total units of 86,722 are up 7.5% over the same period in FY 2013; the new branches at Coney Island and Rockaway account for the majority of the growth.

The YMCA will maintain its balanced fiscal performance due to management’s strong oversight and monitoring of branch operations, with adherence to budget goals driven by ongoing financial training and incentives. Diversification of revenues and expense flexibility helps mitigate the negative impact of economic downturns. The organization recorded $163.6 million in revenue in FY 2013 that was well diversified among membership and program fees (59%), residential services (18%), grants and contracts (14%), and gifts and other (9%). Residential services account for the 1,640 rooms offered to self-pay visitors or transitioning individuals supported with City of New York agency funding. The YMCA’s critical service to the community is demonstrated by Federal, State of New York, and City of New York grants. Funds from the city and the state alone comprised roughly $18 million of operating revenues and are directed to both programs and capital improvements. Based on FY 2014 results through May, the YMCA’s bottom line is tracking ahead of budget, but slightly lower than the same period in FY 2013. Cash flow will be more than sufficient to meet debt service requirements.

Philanthropic activity remains central to the YMCA’s mission as a means to sponsor youth, fitness and healthy eating counseling, and education-related scholarships. Annual gift revenue over the FY 2011-13 period averaged a healthy $10.6 million annually.

The YMCA of GNY has been able to grow its facilities and membership through partnerships with private developers and the City of New York. Two facilities were added in Coney Island and the Rockaways over the last two years, as the YMCA has benefitted from City of New York policies that encourage developers to include a community amenity, such as a park or recreation facility, in new projects. The Coney Island facility is part of the Coney Island Commons, a new mixed used community. The facility was built by the developer and the YMCA is leasing it for a 40-year period for $2.2 million, paid in advance. The second facility in Rockaway was developer financed and built, opened in early 2014, and ownership is expected to be transferred to the YMCA in December 2014.

LEGAL SECURITY: The Series 2006 and 2012 bonds are unconditional general obligations of the YMCA of GNY. The two series of bonds are further secured by individual debt service reserve funds. The bonds are subject to financial covenants. Both are subject to a debt service coverage covenant, though the calculation methods differ: the Series 2006 bonds have a 1.25 times debt service coverage test (FY 2013 actual of 4.18 times) and the Series 2012 bonds have a 1.15 times debt service coverage test (actual of 3.54 times). The Series 2006 bonds also require that total net assets are not less than 30% of total liabilities and net assets (actual of 60%) and there is a negative covenant with respect to pledge of endowment or board designated funds.

DEBT STRUCTURE: Both the Series 2006 and 2012 are fixed rated bonds.

DEBT-RELATED DERIVATIVES: None.

Outlook

The stable outlook reflects the expectation of balanced cash flow margins to amply meet debt service coverage due to strong management oversight of operations, combined with no near term debt plans.

WHAT COULD MAKE THE RATING GO UP

The YMCA’s rating could go up with substantial growth in financial resources, sustained balanced financial operations to meet debt service coverage, and limited additional debt.

WHAT COULD MAKE THE RATING GO DOWN
The rating could down as a result of sustained negative operations; event risk to brand or reputation that adversely impacts memberships, programs, hospitality or fundraising; decreased support from local, state or federal sources; and weakened financial leverage.

KEY INDICATORS (FY 2013 financial data)

Total membership units: 77,707 (includes family, individual and other memberships)
Total Cash and Investments: $74.2 million
Total Direct Debt: $83.0 million
Expendable Financial Resources to Direct Debt: 0.31 times
Expendable Financial Resources to Operations: 0.16 times
Monthly Days Cash on Hand: 113 days
Operating Revenue: $163.6 million
Operating Cash Flow Margin: 12.1%
Three-Year Average Debt Service Coverage: 2.4 times
Reliance on Membership Revenue (% of Moody's Adjusted Operating Revenue): 59.2%

RATED DEBT

New York City Industrial Development Authority - Series 2006: rated Baa1
Build NYC Resource Corporation - Series 2012: rated Baa1

RATING METHODOLOGY

The principal methodology used in this rating was Not-for-Profit Organizations (other than Healthcare and Education) published in March 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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