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Ratings

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Young Men's Christian Assn. of Greater New York; Non-Profit Organizations

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Long Term Rating	BBB/Stable	Affirmed

Credit Highlights

- S&P Global Ratings affirmed its 'BBB' rating on Young Men's Christian Assn. (YMCA) of Greater New York's outstanding general obligation (GO) bonds.
- The outlook is stable.

Security

YMCA's fiscal year ends in December, and therefore we do not currently have fiscal 2023 audited financials available and are using fiscal 2022 for the basis of our analysis. As of fiscal 2022, YMCA's total debt was approximately $144.6 million, comprising $139.8 million of bonds and operating and finance leases totaling $4.8 million. All bonds are an unsecured GO of the YMCA. We note the series 2021 bonds have a total debt service payment of about $62 million in fiscal 2026, which we have smoothed given our belief in YMCA's market access as well as a credible plan to address the bullet. Maximum annual debt service when smoothed is $7.1 million, equivalent to a 4.07% MADS burden.

Credit overview

The rating reflects our opinion of YMCA's long history of strong relationships with New York City communities, diverse revenue base, and high-quality management. The rating also reflects our opinion of the trend of demand growth across memberships, programs, and residence programs since the low point of the pandemic . Additionally, it reflects our opinion that cash and investments, while down from peak levels in fiscal 2021, are still sufficient for the rating category and adequate compared to pre-pandemic levels. We also understand that YMCA has set aside $16 million as of late 2023 to address the $62 million bullet maturity coming due in 2026, and that monthly contributions of $150,000 are made to the bond maturity fund.

The rating also reflects our view of YMCA's:

- Established brand with strong community ties and diverse programming;
- Continued demand growth, with growth across memberships and programs, and residential programs in each year since the pandemic; and
- Relatively diverse revenue base, with operating revenues comprising residential programs (25%), government contracts (31%), and membership and program fees (36%).

Somewhat offsetting factors are what we consider YMCA's:

- $62 million bullet maturity associated with its series 2021 bonds that is coming due in fiscal 2026, though there are plans to address the bullet;

- Modestly negative operating performance in fiscal 2022, with a $6.1 million operating loss, though fiscal 2023 is anticipated to end with an operating surplus; and
- Ongoing capital needs related to building and facilities renewal.

YMCA is a community-service organization to empower youth, improve health, and strengthen community. Founded in 1852, the New York City YMCA is one of the largest in existence and operates branches and community centers throughout the five boroughs. YMCA also operates transitional housing and guestroom programs, along with a counseling center. Its programming promotes youth development, healthy living, social responsibility, and community collaboration.

Environmental, social, and governance

We have evaluated the YMCA's environmental, social, and governance (ESG) factors relative to its enterprise and financial risk profiles and view them as neutral within our credit analysis.

Outlook

The stable outlook reflects our expectation that demand will continue to grow but will remain below pre-pandemic levels. We also expect the balance sheet will remain adequate for the rating category, and that the $62 million bullet will be adequately addressed in 2026. The outlook also reflects our view that operating performance will be near break even.

Downside scenario

We could lower the rating if operating results or financial resources were to materially weaken from current levels, or if YMCA were to issue additional significant debt without commensurate growth in financial resources. We would also view a drop in demand as a pressuring credit factor.

Upside scenario

We could consider a positive rating action if YMCA were to demonstrate increased operational stability, a continued trend of material membership growth, and improved financial resources, as well as supporting any additional debt with commensurate growth in resources. Continued growth in the bullet maturity fund would also be viewed favorably.

Credit Opinion

Enterprise Profile

Memberships and programming

Memberships and programs made up the largest share of operating revenue, at about 36% in fiscal 2022, and have continued their trend of demand growth following the pandemic. There were 69,194 members at YMCA of Greater New York in 2023, up from 57,762 in 2022, and 49,691 in 2021. Total membership dues and program fees were $58.7 million in fiscal 2023, $40.4 million in fiscal 2022, and $34.4 million in fiscal 2021. The trend of membership and program growth is favorable, and we anticipate further growth at a slower rate as the YMCA returns to normal operations.

All YMCA locations are open as of 2023; during the worst of the pandemic, facilities were closed and gradually began reopening in a limited capacity. We understand that traditional offerings, including exercise programs, swimming, dance classes, and summer camps, have all returned, and that day-to-day operations are normal.

Residential programs

YMCA maintains a residence program that includes transitional housing, guestrooms, and community-room rentals; these programs accounted for about 25% of total operating revenues during fiscal 2022. Demand for these revenues has grown over the last several years and is now slightly above pre-pandemic levels. Total residence program-related revenues in fiscal 2022 totaled $40.5 million, compared to $32.2 million in fiscal 2021 and $23.6 million in fiscal 2020. As of November 2023, occupancy for transitional housing programs and guest rooms was 93.1% and 76.2%, respectively, improved from 89.8% and 73.4% in 2022. The average daily rate for transitional housing and guest rooms was $68.05 and $116.44, respectively, improved from $65.83 and $99.96 in the prior year. We view the improved occupancy and average daily rate as evidence that demand is returning to the YMCA.

Government contracts and contributions

YMCA has long-standing government contracts with New York City and other agencies; these contracts continued their trend of growth and constituted 31% of fiscal 2022 operating revenues. As of fiscal 2022, government contracts totaled $50.9 million, up from $49.9 million in fiscal 2021 and $30.1 million in fiscal 2020. Although this revenue source is relatively flat year over year, we view the rebound from the low point of the pandemic favorably, and note that YMCA anticipates around $59 million in government grants and contracts in fiscal 2023, which we view favorably.

Management

Sharon Greenberger, who has been president since July 2015, leads YMCA's management, and the senior management team is relatively stable. Management operates according to a 2018-2025 strategic plan known as "Thriving New Yorkers, Stronger Communities."

Management budgets conservatively on a multiyear basis. Each branch budgets according to the chief financial officer's guidelines. In addition to YMCA's 36-member board of directors, each branch has a board of managers that pursues specific program, membership, and fiscal objectives in line with overall organizational plans. We do not expect near-term changes to senior leadership aside from normal board rotation.

Financial Profile

Operating performance

YMCA budgets conservatively and has historically generated near breakeven operations on a generally accepted accounting principles (GAAP) basis. YMCA ended fiscal 2022 with a $6.1 million unrestricted operating deficit. The deficit was driven in part by increased hiring to meet the substantial demand growth during fiscal 2022. Salaries and related expenses totaled $86.9 million in fiscal 2022, compared to $61.5 million in the prior year, though we note operating revenues also grew rapidly, including membership revenue. We view the small deficit as only modestly pressuring but would view a further trend of full-accrual operating deficits negatively.

YMCA's fiscal year-end is Dec. 31, and as of unaudited November 2023 management is projecting an operating surplus of around $24.4 million before interest and depreciation, driven by further improvements in government contracts, and increased membership and program revenues. Management expects operating expenses to increase, but believes increases should be more moderate as the rate of demand growth has slowed.

Fundraising

YMCA is a good fundraiser and raised about $8.4 million in contributions in fiscal 2022, $8.3 million of which was cash or other financial assets. Aside from a stellar fiscal 2021, which saw a substantial private gift, contributions have remained in line with the recent past. We expect fundraising to be stable during the outlook period as the post-pandemic world continues to normalize. We understand there is some potential for a fundraising campaign over the next year; the details of the campaign, including goal and duration, have yet to be decided, but would likely include some fundraising for the Flushing Commons and River Ring YMCA.

Financial resources

We consider YMCA's financial resource ratios sufficient for the category. At Dec. 31, 2022, YMCA had approximately $292.8 million of total net assets, including $176.0 million of undesignated net assets.

Cash and investments in fiscal 2022 totaled $133.2 million, which equaled an adequate 76% of operating expenses and 92% of debt, down from $141.9 million in fiscal 2021. Management attributes the decline to generally weak market returns in fiscal 2022 following stellar results in fiscal 2021. We understand that as of unaudited November 2023, cash and investments totaled about $145.4 million, equivalent to about 100% of debt.

As of Sept. 30, 2023, YMCA's collective investment market value was $93.6 million, including $69.2 million in the general endowment and board designated funds. This portion has strong liquidity, with 67.7% in equities, 26.9% in fixed income, and 5.4% in cash and other investments. We understand that during fiscal 2023, management started the process of choosing another advisor to the investment committee, and plans to change its trustee bank. We understand holdings will be liquidated and reinvested early this year. The only major departure from the current asset allocation is that YMCA plans to invest some of its resources into private equity. We view the changes as neutral, and would view further growth in YMCA's resource base favorably.

Debt and contingent liabilities

See the beginning of this report for a summary of YMCA's debt.

The series 2021 bonds are structured as a five-year bullet. We understand that management has currently set aside $16 million to address this bullet, with plans to contribute about $150,000 monthly toward a bullet maturity fund. Management's plans currently anticipate paying half of the approximately $62 million bullet with its bullet maturity fund and refinancing the remainder. The Y is also exploring the use of real estate assets to reduce the size of the bullet payment due in 2026. Given the Y's strong brand recognition and role in New York, we believe access to refinancing is likely. However, credit risk remains given the amount of the bullet relative to financial resources.

While management's repayment plan does not anticipate the use of internal reserves, we note that the use of internal resources could severely weaken the institution's available resources to levels no longer consistent with the current rating.

Pensions

YMCA's defined-benefit plan terminated on Dec. 31, 2018. It currently participates in a defined-contribution plan, the YMCA Retirement Fund Retirement Plan, which is a not-for-profit, tax-exempt pension fund incorporated in New York State and organized and operated to provide retirement and other benefits for YMCA employees nationwide. YMCA operates the plan as a church pension plan. Total contributions were roughly $3.3 million and $1.1 million in fiscal years 2022 and 2021, respectively. We consider retirement costs manageable.

Facilities and capital plans

Management is continually exploring opportunities to replace and renovate older units and adjust to metropolitan area demographic shifts. In our view, capital needs remain significant. YMCA partially meets its renewal, replacement, and expansion needs through partnerships with private developers, New York City, and New York State to build new facilities and upgrade existing branches. YMCA's ability to leverage partnerships to meet development needs is a credit strength, in our view. If it needs significantly more debt, however, this could stress already thin resource ratios, in our view.

We understand that YMCA is working on the creation of the Flushing Commons YMCA in partnership with a developer in New York City. This will be a 62,000-square-foot facility and will be constructed from 2025 through 2028. The Flushing Commons Y will be located at the base of a newly constructed residential building. The YMCA will be delivered as a commercial condominium with core and shell buildout. The Y is responsible for design and construction of fit-out. The developer contributed about $24 million toward the project, and New York City about $5 million. Management anticipates YMCA costs for the fit-out are about $30 million, of which YMCA has reserved or paid about $4 million. The remainder will be financed through the sale of the current Flushing location, valued between $60 million-$70 million; no debt financing will be used. After fit-out, the remaining funds from the sale of the Flushing location will be used to fund the River Ring expansion.

YMCA partnered with a developer in New York City regarding the creation of a new 50,000-square-foot YMCA on 3.2-acre site on the Williamsburg waterfront. The YMCA would be delivered as a commercial condominium with a core and shell fit-out. Construction is expected start in 2026 with completion in 2029 as part of a public-private partnership. The project would be financed with fundraising, as well as by funds left over from the sale of the Flushing site. There are no plans to debt-finance this site.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of January 26, 2024)		
Young Men's Christian Association of Greater New York GO bnds ser 2020 due 08/01/2042		
Long Term Rating	BBB/Stable	Affirmed

Ratings Detail (As Of January 26, 2024) (cont.)		
Build NYC Resource Corp, New York		
Young Men's Christian Association of Greater New York, New York		
Build NYC Resource Corp (YMCA of Greater New York) Non-Profit		
Long Term Rating	BBB/Stable	Affirmed