

Rating Action: Moody's assigns Baa2 to YMCA of Greater New York's Series 2021 bonds, revises outlook to stable

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New York, July 01, 2021 -- Moody's Investors Service has assigned a Baa2 to the YMCA of Greater New York's approximately \$62.6 million Taxable Bonds, Series 2021, and has revised the outlook to stable from negative. Concurrently, Moody's affirmed the Baa2 rating on parity debt. The YMCA had \$141 million of outstanding debt as of fiscal 2020 (December 31 fiscal year end).

RATINGS RATIONALE

Revision of the outlook to stable from negative is based on the YMCA's better-than-anticipated fiscal 2020 operating performance with good prospects for improved operating performance in fiscal 2021 as the YMCA's varied offerings resume or are adapted to suit changing community needs. Use of reserves and a line of credit to support operations was fairly limited, and generally steady financial reserve levels are expected through fiscal 2021. A significant \$18 million gift will offset long-planned use of reserves for two new Bronx branches, which will open in 2021, and full repayment of a line of credit drawdown. Refinancing of debt through the planned issuance will provide debt service relief until February 2023, adding additional flexibility as operations adapt and resume.

The assignment and affirmation of the Baa2 further favorably incorporates the YMCA's very good brand and critical role as a community service partner throughout New York City's five boroughs, supporting very good strategic positioning. The organization took drastic measures to cut expenses and is in the process of evaluating and restarting operations, with some shifts in use of facilities, incorporated into good financial strategy. Strength of management and governance, demonstrated by ongoing adaptability, is a key driver of the return to a stable outlook. Operating performance is expected to return to prior generally breakeven levels, with solid operating cash flow. While financial reserves are relatively weak relative to both debt and operations, the YMCA also has considerable real estate assets with greater market value than reflected in its financial statements. Proposed debt adds some debt structure and liquidity risk due to a planned \$65 million bullet in fiscal 2026. While the YMCA will continue to evaluate options for managing the bullet maturity, options include use of proceeds from potential real estate sales as well as potential use of reserves or additional debt refinancing. Other credit challenges include the limited likelihood of substantial growth in liquidity due to the organization's mission and enterprise risk should the YMCA brand be adversely impacted.

RATING OUTLOOK

The stable outlook is based on Moody's expectations that operating performance will return to generally balanced operations and that reserves will remain steady.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Sustained and consistent move to stronger operating surpluses
- Material growth in flexible reserves providing additional cushion relative to debt and operations

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Material use of financial reserves to support operations
- Decreased support from local, state or federal sources
- Heightened financial leverage

LEGAL SECURITY

Bonds are an unconditional general obligation of the YMCA of Greater New York. With the proposed refunding, the Series 2015 debt service reserve will be released, and there will no longer be a debt service coverage test of 1.15x. While the YMCA did not meet the covenant in fiscal 2020, violation of the covenant is

not an event of default as long as the YMCA undertakes a plan to improve performance.

USE OF PROCEEDS

Proceeds of the Series 2021 Bonds will be used to defease and refund Build NYC Resource Corporation Revenue Bonds (YMCA of Greater New York Project), Series 2015; to pay debt service to and including February 1, 2023 on the Series 2021, Series 2020 and Series 2018 bonds; and to cover costs of issuance.

PROFILE

The Young Men's Christian Association of Greater New York is a not-for-profit community service organization that was originally established in 1852. The organization is the largest YMCA system in the US and is spread across the five boroughs of New York City, providing health and fitness, youth services, and residence facilities.

METHODOLOGY

The principal methodology used in these ratings was Nonprofit Organizations (Other Than Healthcare and Higher Education) published in May 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1160889 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288435 .

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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