

The Institute for Senior Professionals  
Northwest Florida State College

A Project for the

Young Men's Christian Association of Florida's Emerald Coast, Inc.

30 April 2013

(ISP logo)

## Disclaimer

Data contained in this report was obtained by the ISP YMCA project team members in February and April of 2013 from the review of internal documents presented to us by the YMCA of Florida's Emerald Coast, Inc. and from interviews with its personnel. This report is an analysis of data received and reflects a snapshot in time. Northwest Florida State College bears no responsibility for the accuracy or currency of the data presented.

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## Executive Summary

Dialog between the Young Men's Christian Association of Florida's Emerald Coast, Inc (YMCA) and the Institute for Senior Professionals (ISP), Northwest Florida State College, began in February 2013 to define an ISP project to assist the YMCA in resolution of critical operating issues. Unable to readily agree on a project definition, discussions continued into March that allowed the ISP to gain a broader perspective of the issues facing the YMCA. On 19 March, the ISP Directors approved a project to assist with a financial analysis of the operations of the YMCA accompanied by recommendations to improve the financial health and management of the organization.

The 4 branches of the YMCA are located in Fort Walton Beach (FWB), Niceville, Crestview and Destin. The Child Care ~~business~~ **operation**, at present integrated into the FWB branch, will soon be separated into a separate line of business. There are 11 full time employees and approximately 90-130 part time employees, depending on the season, employed at all YMCA branches and at the Metro Office.

The YMCA is controlled and supported by a board of 12 members, referred to in this report as the Metro Board. Each branch has a local board, the membership of which varies, and the chairperson of each local board and one other branch representative from each local board serve on the Metro Board. The YMCA has a subordinate agreement with the YMCA of America (Y USA), which provides management and training guidance.

The ISP team began its work with a request for relevant information such as IRS Form 990's, organizational charts and audit reports (Appendix D) followed by 9 interviews of branch managers, senior staff and Board members. All of the interviews were "not for attribution". Throughout this intense investigative period of over 20 meetings and interviews during 6 weeks, cooperation at all levels of the YMCA was excellent. The ISP study team concluded its data acquisition and evaluation on 30 April.

While the intention of the ISP team was to produce a financial analysis of operations, conditions revealed during the team's initial investigation made this an unrealistic objective. It was determined that existing debt and cash positions as of 28 September 2012 " .... raise substantial doubt about its (YMCA's) ability to continue as a going concern." The ISP team found that although monthly revenues cover expenses (not including total debt servicing) at present, existing debt of almost \$5.5 million has continued to rise at the rate of approximately \$7000 per month. With no realistic debt management plan in place or being formulated, no capital contribution plan in place and other prevailing management issues, the ISP team elected to pursue a broader financial and management analysis of the YMCA operation.

The ISP team found the branch management staff (which included a Senior VP of Operations) to be innovative, intelligent and aggressive. They ALL displayed an extraordinary dedication to the YMCA. The ISP found that branch management staff view performance growth goals to be an imposition rather than a contract and that they are not compensated for performance. Some believe that business expansion can only occur with capital investment or with the acquisition of additional staff. ALL seem frustrated with the lack of individual management freedom.

The ISP team found that branch management staff members believe that the center of management control within the YMCA resides in the Senior VP of Finance. This, they believe, is not healthy for the organization, a view held by some Board members. The ISP team was not able to assess the historical reasons for the coalescing of control within the Finance Department but the continued fragile financial position of the YMCA may be a contributing factor, The ISP team found extraordinary, dysfunctional tension between the Finance Department and other elements of the YMCA. The ISP team also found it disturbing that the YMCA ~~tolerates~~ continues the employment of the sister of the Senior VP of Finance, working within the Finance Department and reporting to the VP (her sister). This violates current YMCA policy guidelines.

The ISP recommends that:

- the YMCA undertake an internal financial audit ASAP.
- a formal evaluation and training program be established for all full time and some part time employees, including all who interface with the public; formal training be given to the Metro Board and the branch board members.
- the issue of employment of the sister of the Senior VP of Finance within the Finance Department be resolved. Even if a waiver is produced to validate a management decision for this seeming violation of policy, the optics of such an arrangement give an appearance of impropriety.
- branch management personnel be given more management and budgetary control of their branches.
- additional avenues of discussion and coordination be identified between the Board members and staff.
- the Bylaws be realigned with current operations.
- the 2011 Board decision not to pursue Chapter 11 bankruptcy be revisited in order to determine if bankruptcy is a viable option for debt management.

## Project Description

In February 2013, Institute for Senior Professionals (ISP) directors began a dialog with the Young Men's Christian Association of Florida's Emerald Coast, **Inc.** (YMCA). Leadership at the YMCA was attempting to clarify a situation in which the ISP might assist with resolution.

After an initial meeting between YMCA and ISP members on 13 February, the ISP received a 1 March email request from Michael Rojas, President and CEO of the YMCA, for the ISP to prepare a business plan for the Niceville branch of the YMCA which must be relocated soon (Appendix A). As this request was very restricted, additional clarification with a broader look at the entire YMCA operation was requested. On 9 March, the ISP received an email request from Colleen Mahn, Chair, YMCA Board of Directors, ~~that~~ **which** provided additional information (Appendix B)

In that email, Ms. Mahn described the considerable financial issues of the entire YMCA *writ large*. She alluded to the need for a multi-layered ISP project, while remaining focused on the YMCA's most critical issue, the movement of the Niceville branch. While further clarification of the task remained incomplete, the additional information allowed the project to move forward and a proposed project was presented to the ISP Directors for approval on 19 March.

The ISP project approved was to assist with financial analysis of the operations of the YMCA of Florida's Emerald Coast, **Inc.**, accompanied by recommendations to improve the financial health and management of the organization. Any future ISP activities in support of the YMCA ~~of Florida's Emerald Coast~~ beyond that approved will be based on an additional request to the ISP by the YMCA. ISP project team members were: Don Bohler; Eileen Arpke; Dick Harp; Dick Schoditsch; Barbara Wall; and Loyal Weaver.

At the initial organization meeting, the consensus of the ISP team was to proceed with a request for relevant information, followed by an initial meeting with YMCA leadership and interviews with key members of the organization. Refinement of project goals would be made as the analysis proceeded. On 2 April the ISP team met with YMCA leadership at YMCA headquarters for introductions and to accept requested data.

The YMCA is organized in 4 branches supported by a Board, senior staff and a number of staff members, both full time and part time. (Appendix C), There are presently 12 Metro Board members (Appendix D), 11 permanent employees and between 90-130 employees, depending on the season. Interviews with staff and Metro Board members began on 8 April and continued through 30 April. All branch managers [Sarah Traver (Crestview), Rudy Wright (Niceville), Betty Armour (also Senior VP for Operations, Fort Walton Beach), Lisa Parchment (Destin)]; Robin Neese (Child Care), Colleen Mahn; Michael Rojas; Allan Stearns, Metro Board Member at Large and former Chair, Metro Board; John Openshaw, Treasurer, Metro Board Member and Chair, Niceville Brancy; and Pam Farris, Senior VP of Finance were interviewed. All interviews were “not for attribution” and are not included in this report. During this time additional data demands were made on the YMCA and complied with. **Cooperation was excellent.**

Intending to make a financial analysis of the YMCA, the ISP team did not proceed far in this direction without discovering that the organization’s most recent audit challenged the YMCA’s viability as a going concern. From this and other fundamental management issues that were revealed during the interviews, the team elected to proceed with a broader, top-level analysis of the entire YMCA organization.

## Findings

What follows are findings as adjudged by the ISP project team based on interviews and review of data.

### Debt Management

The ISP team found what is already recognized from within and without the YMCA – that the YMCA is buried under a mountain of crushing debt. It affects the internal perception of the YMCA, that the Metro Board is incompetent to deal with debt management, and from without, that the YMCA is unable to pay its creditors and may hinder its ability to attract contributions and further extensions of credit. And, although revenues currently cover operations, the accrual of additional debt from the Beach Community Bank loan continues. Bankruptcy, briefly considered in 2011, is not a viable option being presently considered. **Although the YMCA did retain a bankruptcy attorney and seek his advice on whether a Chapter 11 Bankruptcy filing was appropriate, the ISP team found no written memoranda or letters from the attorney detailing the reason(s) for his advice not to file. Chapter 11 is a form of corporate financial reorganization which allows companies to continue operations while they develop a financial repayment plan under the protection of the Bankruptcy Court. The debtor and creditors work with the Bankruptcy Court to fashion a repayment schedule for the creditors. Complicating factors to filing include the Kelly reverter clause, the agreement with the City of Destin and, ultimately, the public perception of a YMCA filing for bankruptcy.** The ISP found that the YMCA has no plan for debt management other than a vague idea to find willing and wealthy donors. The Independent Auditor's Report 2011 of Warren, Averett, O'Sullivan, Creel, dated 28 September 2012 states that the "... YMCA is in default on its \$3.4 million construction note payable ..... does not have an operating cash reserve and its cash position at 31 December 2011 is less than one month of operating expenses. These conditions raise substantial doubt about its ability to continue as a going concern." While these remarks refer principally to the Destin construction debt, there are at present **numerous** Accounts Payable being thinly serviced.

### Management Boards

The Metro Board is considered by branch management and other staff members to be divided, dysfunctional and not functioning in a collegial manner. The Metro Board must be engaged in creating and pursuing the organization's vision and it is not. It should be engaged in marketing the YMCA and raising funds and it is not. Although Metro Board meetings were recently relaxed to allow more branch manager participation, more opportunities for conversation between the Metro Board and the branch managers must be identified and pursued. The ISP team found debilitating tension between Metro



Board members and some senior staff. Local boards are viewed in a much more favorable light although the ISP found that some appeared to pursue local issues with more vigor than others. The ISP team found that the YMCA Bylaws, potentially a great asset to YMCA management, were not being followed and needed to be amended.

### Financial Management

The YMCA financial management authority resides primarily in the position of the Senior VP of Finance. Over the years, she appears to have functioned *en gros* without specific direction of the CEO and the Board. It does not appear that she has been tasked to produce either short or long-range budget forecasts or financial projections. The ISP team did not find evidence that she has produced any such documents on her own initiative. Financial reports to the Board have been lengthy and detailed, but appear to have been accepted at face value without the Board asking the vital questions of: "Where are we today, what do the projections say for the next 6 to 12 months and what is necessary to become solvent?" Perhaps due to the YMCA's precarious financial situation, the ISP team found that the Senior VP of Finance exercises an extraordinary amount of detailed control which she believes to be necessary. As a result, the VP follows a demanding work schedule with little to no time off. Even with the planned installation of an ADP payroll system and upgrades to the Daxko financial management system, the ISP finds reason to be concerned about demanding work protocol. There have been no budget analysis reports to the branches since January 2013 due to the lack of staff time. The ISP also is concerned that the VP's sister works in the Finance Department and reports directly to her, a conflict with the current YMCA policy. The ISP team could find no evidence of a waiver or waiver discussion for this situation.

### Personnel Management

The ISP team found branch management personnel at the YMCA to be innovative, aggressive and dedicated. They, however, feel that they have little to no input into the performance goals that are set for their organizations. They also feel underappreciated or inadequately compensated for their management expertise – a sign of management inattention. Only recently did they have an active input in establishing their budget. The concept of the necessary sharing of revenues at the Metro level to compensate for other shortfalls is not generally supported. The ISP found no evidence of written, formal annual evaluations and that no one interviewed had a copy of their job description or the job descriptions of their employees. There appeared to be no formal training plan in place.

## Operations

The YMCA has 11 full time employees and approximately 90-130 part time employees, depending on the season. The FWB branch is profitable and functions in a traditional YMCA model, offering a panoply of activities (fitness, youth sports, swimming, child care and summer youth programs) to a diverse population. Its facilities are dated and crowded, however, and need to be expanded and upgraded to meet the competition. The Child Care ~~line of business~~ **operation**, presently being separated from the FWB branch, has suffered during the past several years from inconsistent management. Although showing recent signs of weakening, this line of business has tremendous potential for growth under the management of a new supervisor.

Crestview is profitable and offers a wide range of activities, including fitness, **an innovative way of providing** swimming lessons in season and youth sports programs. A partnership with Central Baptist Church to support indoor sports programs and summer camps has huge potential for business growth.

Niceville does not fit into a traditional YMCA niche. There are many youth programs offered by the city, local churches and private leagues with which it competes for clientele. The pool is its only unique feature, but the ISP team was unable to determine what percentage of members joined because of the pool and, consequently, how many will drop their membership if the Niceville facility moves to another location without an indoor pool. There is significant private gym competition in Niceville and Bluewater Bay, but it remains questionable if the current Niceville facility could compete even at a new location. It is possible that the Niceville YMCA will be able to manage a local fitness center in the near future, but it is not clear what its operations will be between 30 June and 31 December 2012, when it must vacate the Palm Plaza location.

The Destin facility is a Gordian knot. Much of the debt carried by **the** YMCA was incurred using 2005-2009 pledges as guarantee for a \$3.4M loan in 2008 to construct pool facilities. The pledges failed to materialize in total but the pool facilities did. Unfortunately, they were constructed prior to the building of any YMCA fitness or activity facilities and there is little customer base for their use. Unique and impressive, the pool facilities operate all year long with limited usage and the ISP team was unable to determine the monthly/annual fixed overhead. Because of the legal arrangements with the Kelly Foundation reversion clause, the City of Destin's agreement to continue operation for the next four years and the extraordinary, unserviced debt incurred by the

facility's construction, (which increases by approximately \$7000 per month), the Destin facility continues to drag the entire YMCA operation deeper into debt.

## Recommendations

1. Given the small number of personnel in the senior-middle management structure, the need for efficiency and to push management tasks to the lowest level possible, the ISP team recommends the YMCA conduct an internal audit of its financial procedures ASAP.
2. The Metro Board and branch boards must be revitalized and receive training as to their duties and responsibilities.
3. The By-Laws must be updated and adopted to reflect current operations.
4. The Metro Board membership should be expanded to include a cadre of concerned citizens with varied skills and contacts.
5. The CEO should be tasked to produce a short-term and a long-term financial plan geared toward solvency of the entire organization. The CEO should also be tasked to simplify the number of discounts available to the YMCA members. Every attempt should be made to simplify management procedures.
6. The Senior VP ~~for~~ of Finance executes a myriad number of diverse tasks, many consistent with those expected of a bookkeeper. She should function more as a CFO.
7. The direct supervision by the Senior VP of Finance of her sister should be resolved. Even if a waiver is produced to validate a management decision for this seeming violation of financial policy, the public optics of such an arrangement give the appearance of impropriety.
8. A personal evaluation and training plan for all full time and some part time employees must be adopted. Maximum use should be made of Y USA's training materials and personnel.
9. Expand as soon as practical and with aggressive Metro Board support, the scope of the Child Care program.

10. It is not clear that the Daxko financial management software presently being used by the Finance Department is adequately robust for total financial system integration and reporting requirements. It should be evaluated and replaced if appropriate.
11. Re-evaluate the conditions that forestall a Destin branch closure and if a sound financial plan cannot be implemented soon, reconsider Chapter 11 bankruptcy.

## Conclusion

It is encouraging to note that the YMCA has recently taken action to increase the openness of its Metro Board meetings to the branch managers. This improvement in communication can only help improve the management process. The YMCA is also **to be** congratulated for its current program to automate its payroll function. This will help unload the congestion and reduce the burden that occurs regularly in the Finance Department.

The ISP team members would like to thank the YMCA Metro Board and staff members for their excellent cooperation. Data requests were received and filled without hesitation; interviews were scheduled and conducted in a willing and helpful manner. Additional data requests or clarifications were made by email or telephone and were promptly handled. We could not have asked for a better response.

Finally, the ISP team would like to comment on the extraordinary dedication to the YMCA displayed by everyone with whom we met. We wish them the best as they move forward to continue to provide Christian-based services to the community.

## Appendixes

## Appendix A

March 1, 2013

Institute for Senior Professionals  
Northwest Florida State College  
100 College Boulevard  
Niceville, FL 32578-1295

Senior Professional Board,

My name is Michael Rojas, the President/CEO of the YMCA of Florida's Emerald Coast. Prior to accepting my current position with the YMCA I worked 11 years with The Salvation Army; most recently leading their operations in Jackson, Mississippi. I was thrilled when I was presented with the opportunity to work with the YMCA because it has a Christ based mission with a desire to provide quality programs that meet the needs of our community. The YMCA is for youth development, healthy living and social responsibility. Our vision is to provide the highest quality programs and services for children and families throughout the Emerald Coast while never turning away anyone due to inability to pay. Being new to the community I have been seeking out partners who will come alongside the YMCA to help us realize our vision. After hearing about the ISP and reading about some of the work you have done in our community, I believe ISP is a perfect fit our needs.

The YMCA of Florida's Emerald Coast has been serving this community for 51 years but recent financial struggles have made it difficult to sustain operations at the level we would like. To make matters worse, we have just been informed that we may be forced to vacate the facility we currently lease in Niceville due to rising lease rates. I believe this is the area where the ISP could provide assistance.

The YMCA is requesting ISP to develop a Business Plan for our Niceville Family YMCA operation. This plan would assess the feasibility of remaining in our current location, details to relocate to a new location in Niceville, and a strategic plan that will ensure Niceville's financial

sustainability. If this challenge is acceptable to the ISP group, please contact me at your earliest convenience to discuss our needs in detail.

I look forward to hearing from you.

Sincerely,  
Michael Rojas  
President/CEO

## Appendix B

March 8, 2013

Dear Institute for Senior Professionals Board,

The YMCA of Florida's Emerald Coast began in Fort Walton Beach in 1962 and has grown to 5 branches, located in Fort Walton Beach, Crestview, Destin and Niceville along with a Before and After School Child Care branch.

February 25, 2013 the Niceville branch landlord, Ruckel Properties, informed the Y an increase in rent will go into effect June 30, 2013. This increase is beyond our financial means and has resulted in a crisis for the survival of the branch. March 8, 2013 the Y requested an extension of the current lease until December 31, 2013, with a 90 day notice to vacate leased property clause, for either party. This will allow time to put together a relocation plan as the Niceville Y family wants to continue their presence in the community. This is not the only YMCA challenge, but it is the most critical.

As a not-for-profit 501(c) 3 the YMCA cannot afford to hire professional services. The expertise of ISP would make all the difference in the world with contributions from Legal, Banking, Marketing, Non-Profit, Real Estate, Business owner and Community leaders to assist the Y staff and board team. The following is a summary of each branch for 2013:

- The Niceville branch employs 28 people with a membership of over 750 units, with a projected income of \$383,000 and expenses \$397,000, to include a projected operating pool loss of \$27,900. Repayments for a capital improvement loan for \$137,000 and unpaid rent debt for \$34,000 will continue to be a burden.

- The Destin Aquatics Center is projected to lose over \$70,000 in operating costs. A \$4.4 million dollar loan has a budgeted payment of \$10,000 which is a struggle for the association to meet each month.
- The Fort Walton Beach branch has a projected deficit of \$185,000.
- The Crestview branch has a projected surplus of \$32,000.
- Child Care branches have a projected surplus of \$220,000 but have realized a downturn in their participation so far this year.
- The Association has outstanding Aged Payable's due to vendors for over \$150,000 and repayment is not addressed in our 2013 budget.
- The association deficit is projected to be approximately \$25,000. To make up the deficit a \$3.00 per membership increase will go into effect June 1, 2013.

After the Niceville relocation and repayment plan is complete, the association will focus on increasing Child Care participation and profits; reduce the Fort Walton Beach's projected losses; retire the Destin debt and turn the branch into a profit center; address the outstanding Aged Payables, and create a 5 Year Association Wide Business Plan.

Note:

Ruckel Properties originally leased the building in 2006 for approximately \$10,000 a month. When the Y could not meet the rent payments in full the late Mr. Walt Ruckel reduced rents to \$5,000 per month, and then to the current rent \$2750 per month. Rent at \$5000 a month was still too high and the Y was unable to fully meet the payments a debt of over \$72,975 was accumulated. Mr. Walt Ruckel forgave \$37,975 in late rent payments which left the Y with a current outstanding past due balance of \$35,000. The Y is indebted to the Ruckel family for their past generosity.

I sincerely hope this multi layered project is acceptable to ISP and will take it in its entirety, or a portion.

Very Respectfully,

Colleen Mahn  
Chairman, Board of Directors



YMCA of Florida's Emerald Coast, Inc.  
850.398.7525

## Appendix C

### YMCA OF FLORIDA'S EMERALD COAST, INC. ~ ORGANIZATIONAL CHART

Fort Walton Family YMCA Crestview Family YMCA Niceville Family YMCA Destin YMCA  
Aquatic Center

Betty Armour

Sr. Vice President-Operations/

Branch Director

Sarah Traver

Branch Director

Rudy Wright

Branch Director

Lisa Parchment

Facility Coordinator

Christy Wagon, Program Coordinator

Robin Neese, Child Care Coordinator

Paula Darby, Membership Coordinator

Kaitlyn Rowe, Aquatic Coordinator

Jim Frazier, Sr. Program Assistant

*Programs & Services Support Staff*

Austin Schmidt, Membership Coor.

Jennifer Reece, Kids Zone Coordinator

*Programs & Services Support Staff*

Gloria Overfield, Fitness Coordinator

Nancy Young, Membership Coordinator

*Programs & Service Support Staff Programs & Services Support Staff*

*C:\Documents and Settings\pfarris.YMCA\Desktop\Pam's Files\Association Documents\ECYMCA Organizational Chart - 05062013.wpd*

Emerald Coast YMCA Board of Directors

Colleen Mahn, Chairperson

Michael Rojas, President/CEO

Pam Farris

Senior Vice President of Finance

Emerald Coast YMCA Finance Department

Mary Worth, Accounting Assistant-A/P & PR  
Amanda Williams, Accounting Assistant-A/R  
*Vacant*, Child Care Child Care Assistant

## Appendix D

### Metro Board Members

Colleen Mahn – Chair

Allan Stearns – Immediate Past Chair

Chuck Shoff – Past Chair

John Openshaw – Treasurer

Gary Heapy

Pat Madden

Gail Waller

Ann Teel Hatcher

Tom Miesen

Monte Landingham

Fern Bembow

Sid Saunders

## Appendix E

### Requested Data

1. Articles of Incorporation
2. Last Annual Report to Florida State or copy of Certification Letter showing paid up legal status to operate in Florida.
3. Last 5 years Form 990's.
4. Last 5 years Annual Audits.
5. Copies of all active loan contracts.
6. Copies of all active lease contracts.
7. Copies of all active bank statements.
8. Complete Administrative Wiring Diagram.
9. Current budget status of all active financial operating centers within the Wiring Diagram.
10. Information on any accounts receivable (i.e. pledges/estates) not included in any data above.
11. Information on any liabilities (gentleman agreements/promises) not included in any data above.
12. Current Strategic, Marketing and Business plans
13. Bylaws
14. Total debt and debt management