



PRESIDENT'S REPORT

Alison Christie

"Impossible is just a word thrown around by small men who find it easier to live in the world they've been given than to explore the power they have to change it. Impossible is not a fact. It's an opinion. Impossible is not a declaration. It's a dare. Impossible is potential. Impossible is temporary. Impossible is nothing."

These are the words of Muhammad Ali. I like to think that these words would have been heartily echoed by Alternatives founder Bill Myers when the "credit union in a shoebox" was established 39 years ago. Bill didn't have a desire to start another conventional bank; rather he wanted to change the world for underserved communities through innovative financial services. A credit union was the cooperative and democratic form for such an impossible endeavor. Thus was born the audacious impossibility that is Alternatives, a certified Community Development Credit Union.

Alternatives had a successful year in 2017. We experienced moderate growth in the traditional financial metrics of assets, loans, and membership. We earned \$506,000 in net profit and are well-capitalized according to our regulators' standards. We do not take our achievements for granted; they represent the diligent efforts of our dedicated team to meet the essential financial needs of our diverse membership in an increasingly complex and competitive financial marketplace.

Since our inception, Alternatives has differentiated our organization through our deep commitment to social responsibility. During 2017, we used our resources to change our world and community in positive ways.

Areas of our impact include:

Community investment We are keeping assets local and growing local assets. In 2017 our Free Tax Preparation Program returned \$5,523,044 with 2,770 returns filed. Last year Alternatives did 38 mortgages for first-time homebuyers—23 were First Home Club (FHC) Individual Development Account (IDA) participants. During the year, 35 new participants opened FHC accounts. In addition to the 35 FHC accounts opened, 13 members opened Asset IDA accounts and began to save to start or expand a business, or to enroll in an educational program. Our Business CENTS Program provided 299 technical assistance sessions to local member business owners.

Sustainability We continue to partner with members, local businesses and the community for a greener tomorrow. We have significantly expanded our lending for energy efficiency loans, including solar installations and solar farms. Since 1991, we have offered discounted loan rates for fuel-efficient vehicles.

Member empowerment We are walking alongside you, our members, at every step along The Credit Path® as you navigate your financial ups, downs, and ongoing, daily needs. We are helping you with free financial counseling—562 sessions in 2017, educational classes, credit-repair, and products like our Back on Track Loan or SkipPayment. We invested in your financial success.

Economic democracy We believe that gross economic disparity is not healthy for our world or community. Since 1990, our Student Credit Union has expanded into 11 branches and aspires to help all youth in Tompkins County to develop a savings habit.

Alternatives is committed to outreach to the “unbanked” in our community, and in 2017 we welcomed 116 new members who previously had no relationship with a financial institution. We offer loans at special rates for women and minority-owned businesses. Since 1994 we have pioneered the Living Wage in Tompkins Community and update it biennially.

Alternatives offers a full suite of traditional financial products like other financial institutions. Unlike most financial institutions, Alternatives—through effort, innovation, and expense—uses its resources to have a positive social impact on our world and community. With the energetic and committed support of our loyal members and the dedication and talent of our staff, the impossible is possible. Impossibly, Alternatives is possible.

**Individual Development Accounts are matched savings programs for purchasing a home, starting or expanding a business, or pursuing an education.*

SUPERVISORY COMMITTEE

Richard Lansdowne

The Supervisory Committee is made up of volunteer members appointed by the Board of Directors of Alternatives in accordance with the Federal Credit Union Act to help ensure the safety and soundness of the operations and activities of your credit union. The committee evaluates the financial operation of the credit union as well as management procedures and practices to safeguard member assets and serve the community. To carry out these responsibilities, the committee retained Sciarabba Walker & Co., LLP to perform required annual audits for the year ending December 31, 2017. The auditors issued an opinion that the reports of Alternative's financial performance are fairly presented and comply with generally accepted accounting principles. Also, the committee retained Sciarabba

Walker quarterly to perform additional reviews and procedures for the purposes of monitoring internal controls in conjunction with procedures carried out by Melissa Pollack, Alternatives Director of Compliance.

To represent membership, the committee should be aware of your concerns. You may contact our regulator, the National Credit Union Association (NCUA) or the Supervisory Committee at supervisory@alternatives.org. Your inquiry will be addressed in an impartial and confidential manner.

CEO REPORT

Eric Levine

Alternatives enjoyed a very successful 2017, with increased net interest income, assets, and core capital. Likewise, Alternatives increased its capacity to deliver its mission with significant impact, remaining the only local financial institution with extensive Community Programs. These non-profit programs consistently provide the community with free financial and credit counseling, financial education and coaching, technical assistance for small businesses, and asset building programs with grant-matched savings. Since 2003, our volunteer Free Tax Preparation Program has prepared more than 24,000 tax returns and returned more than \$44 million in refunds to taxpayers who support our local economy. Our Student Credit Union not only teaches kids the value of a savings habit but demonstrates it by providing high-interest savings accounts for college.

At the forefront of economic justice, Alternatives completed its biennial Living Wage Study and increased its staff minimum wage to the living wage of \$13.90 per hour (\$15.11 for employers who do not offer health insurance). Alternatives is the only financial institution certified as a Living Wage Employer by the Tompkins County Workers' Center.

Alternatives continues to empower the community with non-predatory lending programs which provide inclusive access to credit and capital. To further support such lending, Alternatives was awarded \$686,500 by the CDFI Fund

to develop a car loan program for the underserved, in partnership with local not-for-profits. Our focus will be on people who need automobiles but may not qualify for traditional financing, for reasons such as re-entering the workforce or insufficient work history for a credit application.

The NCUA provided a \$23,000 grant to help us develop an exciting and innovative partnership with Planned Parenthood of the Southern Finger Lakes, for loan and financial support services related to the transgender community. Alternatives is a welcoming place for this underserved community, where one can open an account with their most recent identification, apply to finance aspects of their transition, and take advantage of our financial education workshops.

Alternatives also grew its innovative Energy Efficiency/Solar consumer loan portfolio, with an affordable extended 15-year term and low-interest rate, which is partially subsidized by the installer. We closed 115 of these loans totaling nearly \$1.5 million in 2017, and we were the first to provide individual borrower financing for one of the first solar farms in the United States.

Our volunteer Board of Directors approved substantial investments to enhance member experience and service to the community. The newly developed website provides simple and secure mobile access and the ability to open accounts remotely. The Board approved several new hires including a second Business Consultant Trainer to provide more technical assistance to entrepreneurs, two additional Member Experience Associates for enhanced member service, a third Consumer Loan Officer to provide more convenient access to credit, a Social Media Specialist to deliver communications across various digital channels, and a new position to support both loan servicing and collections, for greater quality control and communication with members. Fittingly, the collections department was renamed the "Solutions" Department, because our collectors work with our members to help them get back on track, with trust and mutual respect.

Exciting new community sponsorships in 2017 include: (1) the Beverly J Martin Elementary School, (2) The Sophie Fund to support mental health education and awareness for young people, and (3) the summer Thursday evening Farmer's Market (visit our booth!).

Alternatives remained committed to the latest technologies and conveniences of digital banking, with a focus on data security. Our 2017 annual Information Technology third-party audit produced a 150-page report covering 120 audit controls, resulting in a single recommendation.

2017 provided a solid foundation to kick off 2018 with strategic planning, growth, and innovation. We look forward to continuing to partner with our membership and the local community to provide responsible financial services along every step of The Credit Path® while promoting economic justice. We appreciate the support our members provide in many forms including deposits, debit card swipes, borrowing, and donations to Alternatives Impact, an affiliated 501(C)(3) not-for-profit which partially supports our Community Programs. Thank you for your commitment to Alternatives and the mission to build wealth and create economic opportunity for underserved people and communities.

TREASURER'S REPORT

Jim Fravil

In 2017, Alternatives continued to record healthy, manageable growth. Assets grew, finishing the year at \$103.7 million. Our loan portfolio grew to reach \$76.3 million. Growth came from all three areas of lending: consumer, business, and mortgage.

For Alternatives, lending is not only the key driver of our credit union's income; it is the manifestation of our mission to build wealth and create economic opportunity for underserved people and communities. Loans to 38 first time homebuyers (including 23 First Home Club participants) not only generate interest income to sustain Alternatives, they also help provide our community with greater stability and become a source of wealth for the families who

live in them. As a not-for-profit institution, Alternatives seeks to return value to members and the communities we serve in any way possible.

To succeed in our mission of community reinvestment, we must also maintain a profitable bottom line to remain financially sound today and into the future. Your credit union finished the year with a return on average assets of just under .50% and net income of \$506,000, sufficient to maintain a well-capitalized position. Our overall capital/asset ratio increased to 8.32%.

The Credit Union is working on a strategic plan that focuses on member engagement to obtain membership, loan and asset growth. Alternatives will adapt to an uncertain funding environment while we build on positive net income and seek grants and additional sources of finance, including individual donations made to Alternatives Impact, to meet demand from our community for our Community Programs. We encourage you to support Alternatives so that we may continue to make an impact in our community.

2017 BOARD OF DIRECTORS

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STATEMENT OF FINANCIAL CONDITION

Assets	2017	2016
Mortgage loans	\$ 58,792	\$ 57,864
Consumer loans	10,413	9,186
Business loans	7,122	6,684
Total loans	76,327	73,734
Allowance for loan loss	(458)	(339)
Cash	13,370	8,782
Investments	10,128	14,308
Fixed assets	2,564	2,670
Other assets	1,790	1,979
Total assets	\$ 103,721	\$ 101,134
Liabilities and member equity		
Liabilities	\$ 2,762	\$ 3,423
Checking	30,662	30,133
Regular savings	43,607	40,414
Certificates	10,417	10,913
Retirement savings	7,640	7,901
Total deposits	92,326	89,361
Secondary capital	1,400	1,600
Capital	7,233	6,750
Total liabilities and equity	\$ 103,721	\$ 101,134
Capital ratio	8.32%	8.26%

STATEMENT OF OPERATIONS

	2017	2016
Interest income		
Mortgage	\$ 2,468	\$ 2,253
Consumer	775	776
Business	380	409
Investments	242	243
Total interest income	3,865	3,681
Interest expense		
Member shares and savings	181	205
Interest on borrowings	101	145
Total interest expense	282	350
Net interest income	3,583	3,331
Loan loss provision	281	116
Net income after provision	3,302	3,215
Operating expenses	(5,142)	(5,186)
Other operating income	2,346	2,562
Net income	\$ 506	\$ 591

*All figures are listed in thousands of dollars, e.g. \$506 = \$506,000

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