



Rise and Shine

Alternatives Federal Credit Union
Annual Report 2016

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We are a mission-driven, non-profit community development organization. We are a cooperative financial institution founded in 1979. We don't have stock holders; we have member-owners. Alternatives provides the full range of everything you might need in a financial institution, transaction accounts, loans, technology that allows you to bank from anywhere. It's how we do our work that's different. We focus on local people. Our service is friendly and personal. Our offerings are fair, honest, and responsible.

—Liz Hudson, Director of Development for Alternatives Impact



Where Good Things Happen

President's Report

Alison Christie

Alternatives Federal Credit Union is fundamentally different from banks. We believe our strengths are derived from our difference. First and foremost, Alternatives is a cooperative, meaning it is owned and controlled by its members for their benefit. Unlike for-profit banks, member-owners of Alternatives elect the board of directors. All account holders have the opportunity to participate in this important democratic process. In 2016, three new Directors (Dan Apfel, Ariana Blossom, and Kenneth McLaurin) joined the board. In 2017, we look forward to a competitive election that will bring more new members an opportunity to bring ideas and guide their credit union.

As a Community Development Credit Union (CDCU), Alternatives is different even from other credit unions by virtue of its mission to serve underserved people and communities. We believe that when banking services are offered to consumers who are often marginalized by lack of access to financial services, it is done most effectively when the institution itself is owned and controlled by those same low-income people.

Alternatives' Board of Directors meets monthly to represent the interests of members in a strong, secure and impactful institution that capably serves members and the community. Directors serve on at least two committees, covering a wide-ranging scope of areas including Finance, Human Resources, Loan Policy, Community Impact and Evaluation, and Member Service. Over the past year, board members invested substantial amounts of time to ensure that credit union services meet the needs of the community. We are proud to say that we are succeeding in this regard. Not only does Alternatives have more members, deposits, and loans than ever before, we believe we are positioned to make an even greater impact in the years ahead. To that end, the board is gearing up for a new strategic planning process that will help to define the future direction of our credit union.

The choice of where we do business and spend our money remains one of

our most powerful tools of self-determination. When you join and utilize Alternatives, you are making a powerful statement in support of a more just and inclusive economy. Thank you for the privilege of serving you.

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, 2016. 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 performed internal audits and conducted a review of practices and procedures throughout the year with the assistance of an employee.

In order 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.

Committee members

Richard Lansdowne
Chair

Kenny Christianson
Bill Goodman

Melissa Pollack
Staff Liaison

CEO Report

Tristram Coffin

At a time when many underserved communities feel increasingly isolated and vulnerable, and sources of support for low-income people are under pressure, Alternatives stands proudly as a defender of economic access.

In contrast to other institutions that lack the will and skill to meet the needs of people at all levels of economic security, our mission gives us a built-in focus; we exist to serve the underserved. We know why we're here. We provide opportunities for access to a first home, small business, or just to build savings for an emergency. We advocate for a living wage to reaffirm the dignity of work. Most of all, we provide rungs on the ladder that members climb toward their vision of a brighter financial future. Lower income members find that our products and services provide features that are uniquely created to meet your needs. Members of higher income choose us because of the benefit we offer to the community, as well as the simple, friendly service experience we provide. Regardless of your income or financial challenges, we thank you for choosing Alternatives.

In 2017, Alternatives exceeded two significant milestones, reaching the 10,000 member mark and growing assets to more than \$100 million. As described in the Treasurer's Report, Alternatives increased its net income and grew loans by more than 11%. We also assisted more than 3,000 with free volunteer tax preparation, introduced young people to saving by maintaining branches in all Ithaca elementary schools, provided small business support to 169 distinct micro-entrepreneurs, and offered free financial counseling to more than 500 people.

The theme of our report is Rise and Shine. Looking forward, we can see the early dawn rays of a new economic movement, fueled by the renewal of time-tested commitments to community well-being and expanded capacity through technology and helpful staff. Individually, members are taking the initiative to use tools provided by our credit union build their financial capability in unique and creative ways. By joining hands across divisions of income,

culture, age and ethnicity, as depositors and borrowers, together we are helping to reshape our local economy and make our world a more virtuous place.

In 2017, Alternatives will be introducing several service enhancements including an improved and better website experience to support a growing membership. We will also begin a new cycle of longer-range planning to determine how best to build on our recent accomplishments. As a member-owned financial institution, we will continue to keep your interests at the forefront of our efforts.

On behalf of the entire staff at Alternatives, thank you for the opportunity to serve you. We hope that the stories of success and transformation in these pages that are the product of financial empowerment are inspiring.

Treasurer's Report **Jim Fravil**

In 2016, Alternatives continued its trajectory of healthy, manageable growth. For the first time, assets topped the \$100 million mark, finishing the year at \$101.1 million. Our loan portfolio grew at a rate of over 11% to reach \$73 million. The bulk of this growth came in mortgage lending.

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 48 first time homebuyers not only generate interest income to sustain Alternatives, but 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 continually seeks to return value to members and the communities we serve in any way possible.

Nonetheless, we must also maintain a profitable bottom line to continue to remain financially sound today and into the future. Your credit union finished the year with a return on average assets of just under .60% and net income of \$591,000, sufficient to maintain a well capitalized position. Our overall capital/asset ratio

was reduced to 8.26%, as Alternatives took advantage of an opportunity to redeem a capital investment from the US Treasury before maturity, which added over \$180,000 to our 2016 bottom line. We expect to replace this capital with new money that will provide enhanced flexibility.

Looking forward, we project profitable net income for the next two years as we realize grant income, and continued positive earnings from there as we continue to grow our assets and loans at the long term rate at which they have increased in recent years. While Alternatives will adapt to an uncertain funding environment as necessary to meet demand from our community, we will continue to seek grants and additional sources of finance, including individual donations made to Alternatives Impact. We encourage you to support Alternatives so that we may continue to make an impact in our community.

Alternatives Board of Directors

Alison Christie
President

Kenny Christianson
Vice President

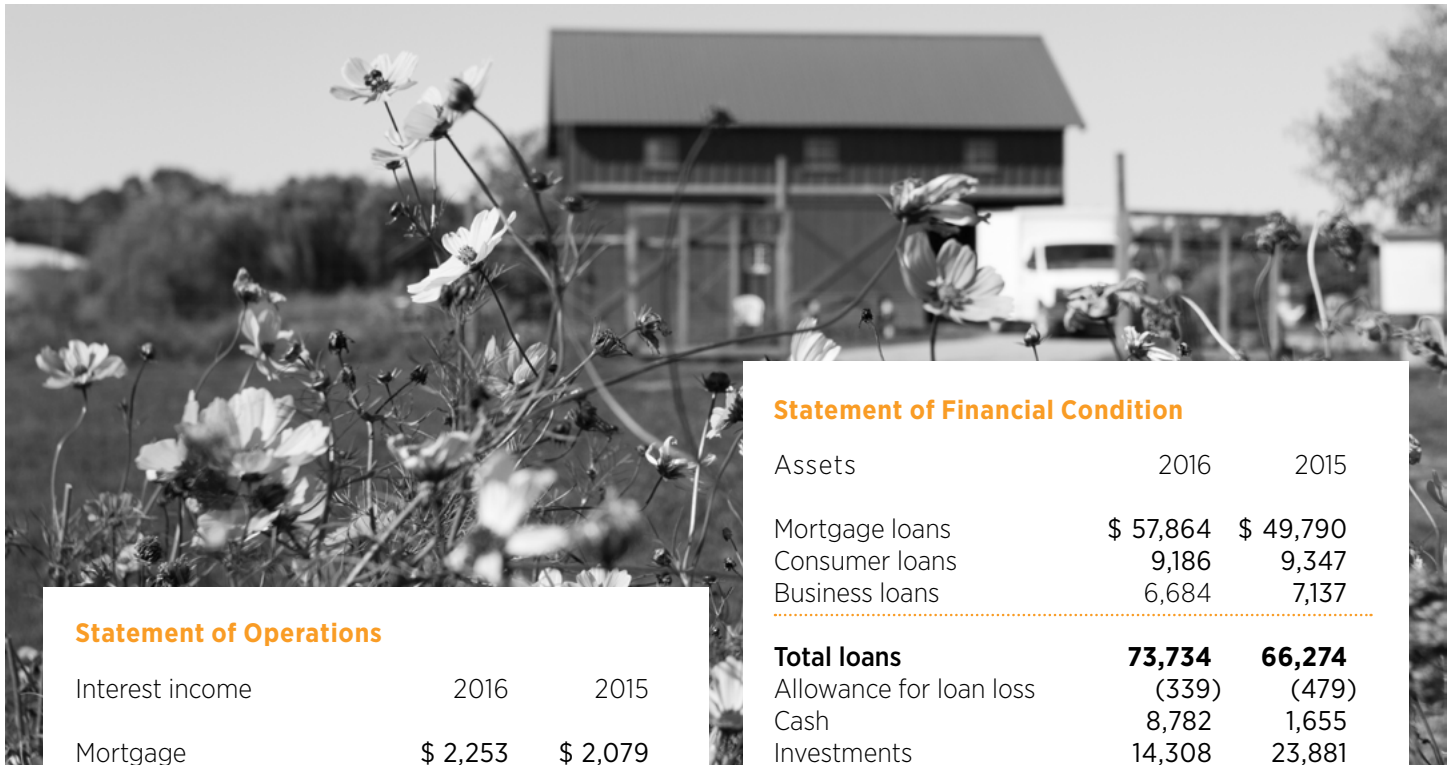
Jim Fravil
Treasurer

Kenneth McLaurin
Secretary

Dan Apfel
Ariana Blossom
Diane Cohen
Brian DeYoung
Gvozden Dokic
Yvette Rubio
Leonardo Vargas-Mendez



Members Nia and her sons Lochlan, 7; Rohan, 10; and Eamon, 13 are moving into their new home with the support and tools provided by Alternatives Community Programs and Mortgage departments (top left). Business and personal members Bonni and Ryan Georgia run Native Exotics with the help of our Business CENTS Program (left). Lisa Ferguson created her dream business, Laughing Goat Fiber Farm, with support and loans from the Alternatives Business Services Department (above).



Statement of Operations

	2016	2015
Interest income		
Mortgage	\$ 2,253	\$ 2,079
Consumer	776	810
Business	409	402
Investments	243	210
Total interest income	3,681	3,501

Interest expense

Member shares and savings	205	213
Interest on borrowings	145	138
Total interest expense	350	351

Net interest income

Loan loss provision	116	120
Net income after provision	3,215	3,030
Operating expenses	(5,186)	(4,499)
Other operating income	2,562	1,939

Net income

	\$ 591	\$ 470
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Statement of Financial Condition

Assets	2016	2015
Mortgage loans	\$ 57,864	\$ 49,790
Consumer loans	9,186	9,347
Business loans	6,684	7,137
Total loans	73,734	66,274
Allowance for loan loss	(339)	(479)
Cash	8,782	1,655
Investments	14,308	23,881
Fixed assets	2,670	2,744
Other assets	1,979	1,003

Total assets

	\$ 101,134	\$ 95,078
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Liabilities and member equity

Liabilities	\$ 3,423	\$ 1,598
Checking	30,133	27,823
Regular savings	40,414	35,390
Certificates	10,913	11,657
Retirement savings	7,901	8,274

Total deposits

	89,361	83,144
Secondary capital	1,600	4,194
Capital	6,750	6,142

Total liabilities and equity

	\$ 101,134	\$ 95,078
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Capital ratio

	8.26%	10.87%
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