

2009 ANNUAL REPORT

socially responsible

FRIENDLY

COMFORTABLE



REAL reliable

Community

Where Good Things Happen

Alternatives
FEDERAL CREDIT UNION

CEO REPORT

Over the past year the fallout from a historic banking crisis has rippled across the economy, creating a challenging environment for credit unions and their members. Throughout our community, people have had to cope with greater economic uncertainty. Throughout the country, the number of bank and credit union failures soared, and bank lending volume dropped to a forty year low. During a time of retrenchment for banks and credit unions, Alternatives has gone against the grain by maintaining our lending standards and continuing our commitment to making loans for those who may not be welcomed by other institutions.



In 2009, our volume of new mortgage and business loans was three times greater than 2007 levels. Our rates of default and on-time payments have improved dramatically, and the Credit Union is in a stronger financial position than before. The Credit Union's assets grew by nearly fifteen percent in 2009, while our loan portfolio grew by nearly twelve percent. Of course, we are not isolated from the challenging business climate. Though our profit goals are very modest compared with those of banks, we must nonetheless generate income in order to remain well capitalized. Therefore, Alternatives has worked creatively for ways to increase income and reduce expense, while remaining true to its community development mission.

However, our financial metrics are only the beginning of the story. Participation in classroom financial education programs increased, and more people than ever used services like free tax preparation and matched savings in IDA accounts. Our financial and education services complement one another to provide everyone with the opportunity to become better off financially. The unique combination of products, services, members, volunteers and staff at Alternatives make this a place where good things happen.

Given the publicized excesses of competing banks, the advantage of banking locally could not be any clearer. Alternatives is a bastion of community, with an important role to play in our local economy by supporting strong small businesses and providing

access to a stable local housing market. The money you keep at Alternatives is recycled into the community in the form of unique and competitively priced home mortgage, business and consumer loan programs that help a wide variety of people. In the current economic climate, we are especially committed to growing our community development programs, such as Individual Development Accounts with matched savings, Student Credit Union, Free Tax Preparation, and Business CENTS. When you use the services of a bank, that bank is organized to benefit its stockholders. When you bank at Alternatives, your membership enables us to offer financial solutions specifically designed for our community, including those of modest means.

In 2010, we will work toward improving our efficiency and developing our infrastructure so that we can deliver more value to you, our members, in the form of increased convenience, access to personalized advice and information, and stronger systems that provide superior service to more people. While the environment will be predictably challenging, you can count on Alternatives to maintain focus on its core mission of providing education and capital to underserved people and communities. While we accomplished a lot in 2009, much more is possible.

To increase our impact we need your help. If you have accounts elsewhere, bring them here! If you like our service, tell your friends! Alternatives has been built on the engagement and enthusiasm of its members. We appreciate the opportunity to continue serving you, and strengthen our community in the process.

— Tristram Coffin, CEO



Board member Shannon Higgins meets with Yvette Rubio and Tristram Coffin

PRESIDENT'S REPORT

I heard it for weeks leading up to the end of 2009: "I'm glad this year is over." Heads nodded in agreement and commiseration. And yet, I found myself becoming hopeful. It was certainly one of the most challenging years I've ever faced as a board member; but at the same time I knew this was also a time of enormous opportunity. As large, global banking systems struggled to survive, the silver lining emerged for our small community development credit union. In the same spirit that is motivating some people to buy locally (think Local First Ithaca and the Farmer's Market), many have begun to see the wisdom of banking locally.

Famous futurist Faith Popcorn calls 2010 the "Year of LoCo" — Local Cocooning. In her organization's research of cultural trends, it was found that six in ten people express fundamental distrust of major corporations. This, she proclaims, is the year for grassroots finance, where we shall see the growth of smaller banks designed to provide more intimate and meaningful relationships with the local members of that bank. The good news is that Alternatives is already there. We are and always have been grassroots finance. We are and always have been local. Our money stays local and our "shareholders" — our members — are local.

The Board is made up of local people who are deeply committed to the community and to our members. Throughout the challenges of 2009, the Board remained steadfast to maintain the mission. When making very difficult decisions on how to survive the loss of revenues resulting from the economic meltdown, we tried to make these decisions in light of that mission, our members and their needs.

Additionally, the Board made a commitment to continue to develop itself in order to better support the mission. In the Fall of 2009, we conducted a board self-assessment and invited the Alternatives staff to provide us with feedback. Our Governance Committee is working on our plan to address that feedback now. We have been restructuring our Board Policy Manual to strengthen the Board members' oversight responsibilities. On our agenda is a long-term plan to increase the diversity representation of our Board to ensure that we are hearing all our members' voices.

The Board relies on you, our member, to keep us in check. Over this past year, I've received e-mails from members who expressed concern over some of our decisions. We encourage you to keep speaking to us, to continue to voice your opinions about our decisions. Demand accountability from the Board. Besides sending us your thoughts in e-mails, there are other ways to be heard: Every June, you have the right to vote for your Board members. You may even consider serving on the Board yourself, or serve on a committee. We also conduct member satisfaction surveys throughout the year, both in the lobby and online.

The important thing to always remember is that this is your Credit Union.

— Yvette Rubio, President of the Board of Directors



STATEMENT OF FINANCIAL CONDITION

As of December 31 (all figures in thousands of dollars)

ASSETS	2009	2008
Mortgage Loans	\$ 27,149	\$ 23,663
Consumer Loans	7,896	8,664
Business Loans	4,066	2,355
TOTAL LOANS	39,111	34,682
Allowance for Loan Loss	(379)	(316)
Cash	808	489
Investments	20,421	17,018
Fixed Assets	2,850	2,971
Other Assets	1,035	891
TOTAL ASSETS	\$ 63,846	\$ 55,735
LIABILITIES AND MEMBER EQUITY		
Liabilities	\$ 1,287	\$ 1,215
Checking	18,055	14,056
Regular Savings	22,441	20,200
Certificates	10,236	10,589
Retirement Savings	6,208	5,677
TOTAL DEPOSITS	56,940	50,522
Secondary Capital	1,997	1,843
Capital	3,622	2,155
TOTAL LIABILITIES AND EQUITY	\$ 63,846	\$ 55,735
Capital Ratio	8.80%	7.17%

STATEMENT OF OPERATIONS

For the year ended December 31 (all figures in thousands of dollars)

INTEREST INCOME	2009	2008
Mortgage	\$ 1,580	\$ 1,442
Consumer	780	852
Business	192	230
Investments	309	521
Total Interest Income	2,861	3,045
INTEREST EXPENSE		
Member Shares and Savings	553	647
Interest on Borrowings	138	167
Total Interest Expense	691	814
NET INTEREST INCOME	2,170	2,231
LOAN LOSS PROVISION	129	184
NET INCOME AFTER PROVISION	2,041	2,047
OPERATING EXPENSES	(4,176)	(3,333)
OTHER OPERATING INCOME	3,602	1,578
NET INCOME	\$ 1,467	\$ 292

TREASURER'S REPORT

Despite challenging conditions, Alternatives had perhaps its best year to date, growing stronger financially at a time when many credit unions are struggling to remain in business. Assets grew from \$55.7 million to more than \$63 million. Most significantly, our loan portfolio grew by over \$4.5 million.



While our lending activity increased, asset quality improved, as loan delinquency rates were cut in half. The Board made many strategic choices, such as transitioning our credit card program to a third party specializing in serving credit union members, which provided income to support our operations and position us for long term sustainability. We will continue to work toward financial stability, however we will do so within the confines of our mission to help and serve people of modest means.

Grants to help support our community development programs, such as Business CENTS and the Free Tax Preparation Program, make up an important part of our income statement. Our stronger financial position has made Alternatives a more viable recipient for grant funding, allowing us to maintain our funding base at a time where many donors are cutting back. In 2009, we were one of a select group of credit unions to receive a \$2 million award from the Treasury Department's CDFI program, which provides capital and technical assistance to financial institutions serving the underserved. This important investment in Alternatives will provide a solid capital position that will allow us to maintain our current growth rate, and fund service enhancements to return more value to the community.

While your Board works to preserve our capital, trends in the economy and the current financial environment pose a threat to all credit unions. Alternatives is but one small part of a nationwide credit union system that exists to provide liquidity and stability for its members. Unfortunately, other entities within this system have seen their capital depleted by investments in mortgage-backed securities. While we did nothing to create the problem, as a cooperative movement, all credit unions are required to be part of the solution. In 2009, collateral damage from this crisis cost Alternatives over \$400,000, and we will have some continued assessments going forward. In spite of this, Alternatives strengthened its balance sheet. For this we have to thank our dedicated staff, our funders, but most particularly you, our members, for your continued support of our unique community-centered financial cooperative.

— Kenny Christianson, Treasurer, Board of Directors

SUPERVISORY REPORT

Members: Chris Strebel (Chairman), Bill Goodman, Dori Gottschalk-Fielding, with Amy Smith lending staff support.

Your Supervisory Committee is appointed by the Board of Directors in accordance with the Federal Credit Union Act, and ensures the safety and soundness of the operations and activities of Alternatives. The committee has the responsibility to review and evaluate the financial operations of the Credit Union, and that management's practices and procedures safeguard members' assets. In that regard, Alternatives adopted a new vendor due diligence and oversight policy this past year to make sure information and assets of our members and employees are secure and properly safeguarded.

To assist in carrying out its responsibilities, the committee retained the services of a CPA firm (Mengel, Metzger, Barr & Co. LLP) to perform the required annual audits for the year ending December 31, 2009. Results show Alternatives remains a sound financial institution.

In order to effectively serve as your representative, the Committee must be kept aware of your concerns. You may contact the National Credit Union Administration (NCUA) or the Supervisory Committee directly (supervisory@alternatives.org) and your concern will be addressed in an impartial and confidential manner.

Many thanks to David Gallahan for his many years of service.



COMMUNITY IMPACT

Alternatives has long been recognized as a leader in innovative community development services. The programs we offer have a substantial impact not just on the individuals and families served but on the whole community. One clear example is the Free Tax Preparation program. This service brought almost \$2.8 million in federal and state returns into the community in 2009.

Other programs do not have such an obvious community impact. Individual matched savings accounts or financial counseling obviously benefit the individual. The community benefit is long term. Each individual helped to achieve their financial goals becomes a stronger link in the chain of individuals who make up the community. Our community development goal is to strengthen as many “links in the chain” as possible.

Each year, we look to expand the impact of our financial and community services and programs. We know that we are serving only a fraction of the people who need our services. We are a relatively small financial institution with a service area covering Tompkins and its six contiguous counties. Our challenge is to maximize the number of people served given our current capacity.

One tool we use to measure impact is to annually develop measurable goals. These metrics assist us in assessing our community impact. These metrics can be found in the accompanying chart. Additionally, here are other community development service goals achieved during 2009:



Brian Zapf, Director of the Free Tax Preparation Program, meets with a client



Business CENTS Director Leslie Ackerman teaches a class

Sustainability

- In partnership with the Lehman Alternative Community School and the City of Ithaca Forester, we purchased 100 pecan trees that are schedule to be planted in 2010.
- By focusing on reducing our use of electricity, we were able to save 26,800 kWh (kilowatt hours) for a savings of \$8,993 from the previous year.
- We continued and expanded our support of local economic sustainability efforts: the Local Lovers Holiday Challenge and our lobby Holiday Market saw increased participation. This year, we added a Thanksgiving Holiday Market for our business members.

Partnerships

- Three new Free Tax Preparation sites were opened: Dryden Town Hall, the Brooktondale Community Center and Appel Commons on Cornell University's North Campus. Our site at Catholic Charities continued operations.
- Alternatives opened a new ATM site at the Dryden Community Café.
- Staff participated on panels examining economic conditions for several organizations: The Tompkins County Workers Center, The Tompkins County Democratic Committee, the Sixteenth Annual Conference on Depression, and our own annual meeting.
- Staff members served as volunteers for 35 community organizations.

ALTERNATIVE PROGRAMS AND SERVICES

	2009	2008
STUDENT CREDIT UNION		
Total Number of Deposits	\$1,189,667	\$1,165,125
CONSUMER LOANS		
Total Amount Loaned	\$5,183,518*	\$6,058,973
<small>*Number reflects transfer of credit card portfolio to TMGFS/Atira</small>		
Delinquency Rate	0.88%	1.88%
Active Debit Cards	6,643	6,046
HOME LOANS		
Total Amount Loaned	\$12,774,552	\$8,329,697
BUSINESS LOANS		
Total Amount Loaned	\$1,910,380	\$1,352,336
MEMBER SERVICE		
Number of New Members Previously Considered “Unbanked”	221	302
INDIVIDUAL DEVELOPMENT ACCOUNTS		
Total Amount Saved by All Participants	\$152,964	\$152,457
FREE TAX PREPARATION		
Earned Income Tax Credit Earned	\$1,282,197	\$1,105,217
Total Federal & State Tax Returns	\$2,761,107	\$2,097,586
FINANCIAL COUNSELING APPOINTMENTS		
	382	270



Member Service Representative Rebekah Scott serves a member



Rubi Noe and Robin Cochell, Member Service Specialists, at the reception desk



STUDENTS LEARN HOW TO SPEND, SAVE AND SHARE

On a Tuesday afternoon, students in the Cornell Cooperative Extension's directed SIFE (Students with Interrupted Formal Education) program at Belle Sherman Elementary School can be found hard at work learning about money and getting hands-on banking experience depositing money into their Alternatives Student Credit Union accounts. The students, all refugees from Burma, range in age from 2nd to 5th grade.

Alternatives has partnered with the Cornell Cooperative Extension's Urban 4-H program and Belle Sherman Elementary School to provide a new experiential financial education program entitled S3: Spend, Save, Share. The S3 program helps students build financial skills through hands-on entrepreneurial activity, as well as structured lessons in money management and finance. The goal of the S3 program is to empower students to make smart spending, saving and sharing decisions.

These budding entrepreneurs designed and sold holiday greeting cards through Alternatives' Holiday Market. As profits came in, the group had to decide together how they wanted to distribute their earnings. The students decided they would share half of their earnings (over \$70) with the SPCA of Tompkins County, and would save the remainder in their Alternatives' Student Credit Union accounts.

The students were invited to visit the SPCA to present their donation and to get a first-hand view of how the agency will use their gift. Students learned about the SPCA's activities – including how families are matched with animals, and the importance of the SPCA's spay and neuter program. The highlight of the day was a trip to the cat rooms where the children were able to pet and play with some very friendly feline friends!

Other S3 groups are actively spending, saving and sharing at Belle Sherman, and plans are in the works to expand to Beverly J. Martin Elementary School in 2010. We are very proud of the students' hard work and generosity!



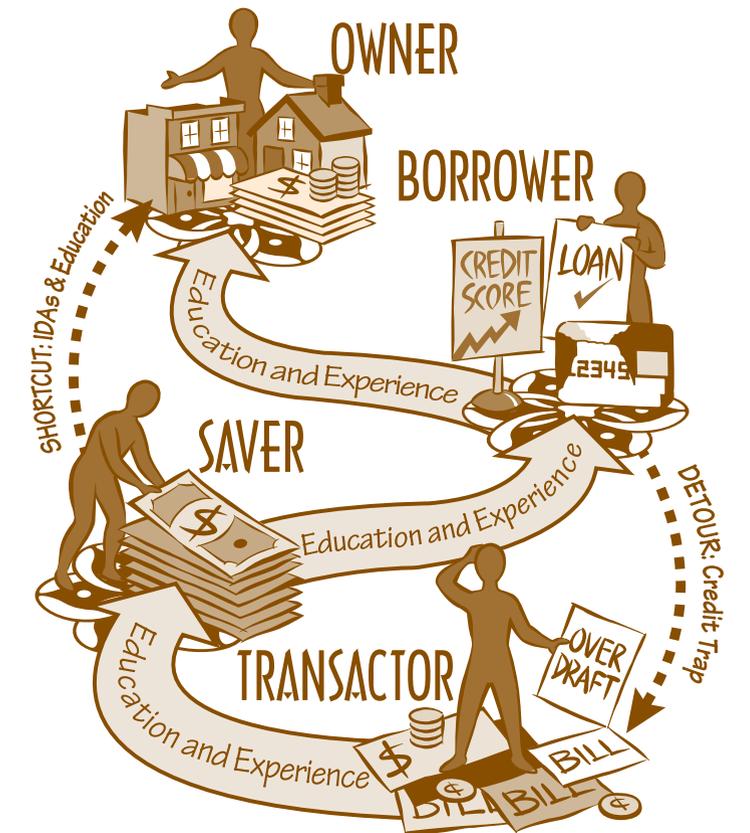
THE TEST OF TIME: MEMBERS WHO HAVE GROWN WITH ALTERNATIVES

Barbara Brazill has been a member of Alternatives for nearly 30 years – as long as Alternatives has been in operation. "I remember when it was that little place on the second floor on State Street," Barbara recalls fondly. "It's like the Credit Union and I grew up together."

Together over the years, Barbara and her partner Don Ruff have come to Alternatives for every financial need they had: student loans, business needs, and a variety of mortgages – including a unique financing program for owner built homes.

Alternatives has been passed down to second and third generations of their family: Barbara's son, Jesse, has been a lifelong member, and Jesse's six year-old son recently opened a Student Credit Union account at his elementary school in Caroline.

"I always know I can count on Alternatives," Barbara says. "It really does feel like it's MY credit union."



Moving Along the Credit Path



DONORS AND FUNDERS

The programs and success stories you've read about in this report would not be possible without the generous support of our donors and funders.

The individuals, foundations, corporations and government agencies that provide grants and program-related investments (low-interest deposits and loans) to Alternatives Federal Credit Union and the Alternatives Venture Fund help us expand our efforts to promote community economic development.

On behalf of our members, staff, volunteers and community, we are truly grateful to our new and continuing funders for their support of our community development mission in 2009. Thank you to each of the following:

Government:

CDFI Fund of the US Treasury Department, Empire State Development Corporation, Ithaca Urban Renewal Agency, National Credit Union Administration, New York State Office of Temporary and Disability Assistance, New York State Vocational and Educational Services for Individuals with Disabilities (VESID), Tompkins County Department of Social Services, Tompkins County Planning Department, Tompkins County Legislature, Tompkins County Workforce Development, Town of Dryden, US Department of Health and Human Services, US Small Business Administration, US Department of Housing and Urban Development (HUD).

Private:

Bank of America, Citizens Bank, Community Development Trust, Community Foundation of Tompkins County—Women's Fund and Strebel Fund for Community Enrichment, Federal Home Loan Bank of New York, HSBC Bank USA N.A.—Community Development Department, Opportunity Finance Network, National Federation of Community Development Credit Unions (NFCDCU), New York Credit Union Foundation, Park Foundation, Peworchik & Associates, Strebel & Strebel CPA, Sunshine Lady Foundation, Tompkins County Friends of Alternatives, Tompkins Trust Company, UAW Local 2300, United Way of Tompkins County.

Non-Member Deposits:

Non-member depositors make large deposits, often at below market interest rates, to support our lending and other initiatives.

ACCORD, Albina Community Bank, Bank of America, Ben & Jerry's Foundation, Calvert Social Investment Foundation, Calvert Social Investment Fund, Catholic Charities of Tompkins and Tioga Counties, Charter One Community Development Corporation, Empire State Development, First Unitarian Society of Ithaca, HSBC Bank, International Bank of Chicago, Ithaca Housing Authority/Three Pillar Foundation, Neighborhood National Bank, New Alternatives Fund, NFCDCU, O.P. & W.E. Edwards Foundation, Parnassus Fund, Premier Bank, PSCU Financial Services, Self-Help Credit Union, Sisters of Charity BVM, Sisters of the Holy Cross, Cooperative FCU, Tompkins County Department of Social Services, Unitarian Universalist Association, United Nations FCU.

For more information about how you or your organization can support Alternatives' work, and about tax-deductible donations through the Alternatives Venture Fund, contact Deirdre Silverman, Director of Community Programs, at 607-216-3416, or dsilverman@alternatives.org.



Deirdre Silverman
Director of Community Programs

MARY ZIEGLER: 25 YEARS

Two thousand and nine marks Mary Ziegler's 25th anniversary at Alternatives – and what an indelible mark she's made! She was first attracted to Alternatives because, "it was a position with a progressive organization where growth, opportunity and sensitivity to social, political, and economic justice are core objectives."

Staff affectionately refer to her as our Encyclopedia. She has amassed her encyclopedic knowledge while holding just about every position at the Credit Union. Starting in 1984 as a teller, Mary has been Consumer Loan Officer, Director of Consumer Lending, Director of Lending, Collections Manager and Risk Manager. She coordinated interns, managed Community Partnership Lending and was a business and mortgage loan officer. Mary even had her hand in fundraising.

Her accomplishments are too numerous to list, but to name just a few:

- Mary set up our debit card program in 1987, one of the first local financial institutions to have one. In 2008, Mary both initiated and implemented changing the debit card to "live time" transactions.
- In 1997 she was integral in promoting Community Partnership Lending, a program she takes great pride in because of its benefit to the community.
- Mary secured funding for our Flexible Mortgage and for Minority and Women Loans from Empire State Development Corp.
- Mary navigated the complicated process of becoming an SBA lender.
- Recently, Mary was instrumental in bringing our delinquency rate down.

Mary says, "I have a great crew. I like the people I work with and I like the place – real, down to earth, friendly, comfortable. I love the organization for its direction."

"I appreciate Mary for being a great supervisor, mentor and a great person. She has a good heart and really cares about people she works with... All her unique qualities make this work environment more enjoyable."

– A Co-Worker

"Mary always knows the answer. She has a great way of imparting information with care and clarity."

– A Co-Worker



"It is so gratifying to deal with a financial institution with a real human face that cares. Mary, you exemplify the meaning of community and caring."

– A Member

One staff member pretty much summed it up:

"Quarter of a century at Alternatives and still young at heart! I have great respect and appreciation for her."

DARE WE WISH FOR 25 MORE?



OUR VISION

To increase our impact and become the financial hub of a more prosperous community, with a strong local and national reputation for exceptional member service, competitive deposit and loan products, high employee morale and innovative outreach and education programs. We will be the "head and heart" credit union, combining intelligent business practices with an unwavering commitment to our mission, building on our tradition of innovation in solving pressing local economic concerns.

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Where Good Things Happen

OUR MISSION: To build wealth and create economic opportunity for under-served people and communities.



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