



Alternatives
FEDERAL CREDIT UNION

ANNUAL
REPORT
2019



OUR MISSION

To build wealth and create economic opportunity for underserved people and communities.





OUR VISION

We are leading an economic movement to create thriving, empowered communities with financial freedom for everyone.

AFCU by the numbers

In 2019...

658

1:1 financial
counseling
appointments

23

first-time
homebuyers

474

1:1 business
development
appointments

\$25+ mil

in loans

\$1+ mil

start-up business loans

\$1.35 mil

MWBE loans

2

new Student
Credit Union
branches

76

business
loans

19

jobs
created

\$5.2+ mil

in tax returns to
local community

2,819

Free Tax Prep clients

157

jobs retained

FROM THE CEO, ERIC LEVINE



Thomas Hoebbel Photography~Video

Alternatives Federal Credit Union had a very proud and successful year in 2019. We celebrated our 40th anniversary, capped off by an engaging Annual Meeting celebration last June, which included a keynote speech by Alternatives' founder and longtime innovative leader, Bill Myers. That same year also marked the 25-year anniversary of the Alternatives Living Wage Study – which has led to the Tompkins County Workers' Center certifying 126 Living Wage Employers in Tompkins County.

We took the living wage initiative even further in 2019, and created a model to help mitigate income inequality by equitably changing the compensation structure for Alternatives' staff, whereby lower paid staff receive higher annual wage percentage increases than higher paid staff, as well as equitable adjustments to our staff 401(k) retirement plan, so that contributions are not based entirely on a percentage of each staff person's income.

Alternatives loan staff exceeded ambitious lending goals, and they should be duly commended. We loaned \$25,178,570 in the local community (a 9.6% increase over 2018). This included putting first time homebuyers into 23 homes. In business lending, we closed 76 loans, which is a 16% increase over 2018. These business loans helped create 19 new jobs and helped retain an estimated 157 jobs in the community.

We loaned over \$1 Million to startup businesses, creating 12 new jobs. Over \$900k of this money allocated to new startups went to Minority or Women Owned Business Enterprises (MWBE's). Lending to MWBE's totaled 41 loans for \$1.35 Million. That comprised 54% of all business loans and 41% of business loan dollars lent. We were proud to launch the TransAction loan, a financial empowerment program for the transgender and non-binary communities.

(CEO Letter cont'd next page)



Alternatives Federal Credit Union also provided impactful counseling and consulting services in 2019. This included 658 consumer counseling 1:1 appointments, most of which were for Financial and/or Credit Counseling. These were offered for the first time via video conference as an option, to expand the reach of services and reduce carbon footprint.

Our Business CENTS/Business Services staff held 474 1:1 consultations, 56% of which were with female business owners, and 23% of which were conducted with minority business owners. We were delighted to partner with Gladys Brangman, Principal and Founder of Business Leaders of Colors (BLOC), to implement expanded and Saturday consulting services, among other vital coaching experiences for members. Additionally, 2019 was a big year for our Free Tax Preparation in Tompkins and Cortland Counties. We served 2,819 clients for a total of \$5,292,595 refunds. Of that, \$2,026,509 Earned Income Tax Credit dollars were brought into our communities. Since its inception in 2003, Alternatives has prepared 30,317 free returns, for \$54,790,319 in refunds.



We expanded service by opening two new Student Credit Union branches in Trumansburg, in addition to the 11 pre-existing branches we have in the Ithaca City School District. Alternatives also improved its delivery of member service, eliminating an outsourced call center in favor of in-branch staffing. We were proud to reduce the \$20 one-time membership fee to \$2, to remove a potential obstacles to membership for people with low and moderate incomes. Furthermore, we launched our Kasasa rewards program to provide significant benefits to active debit card users.

To help our members feel comfortable with our convenient digital offerings, we launched "Tech Tuesday" information and 1:1 in-person and online training sessions, with extensive social media support for these efforts. To better assist members in need, 21 staff members became certified basic financial counselors.

(CEO Letter cont'd next page)



FROM BOARD CHAIR, ASHLEY CAKE

It has been my pleasure to serve on the Board of Directors for the past three years. At Alternatives, I've been able to tie my deep passion for social responsibility, small business advocacy, and engaged citizenship to serving as Board Chair for not just a credit union, but a sustainable, and socially-just **movement**. AFCU is part of an economic justice movement that will continue to grow and build, as we look toward how we can be not just strong stewards for economic and social justice, but how we can continue to be a haven for those who need us most. My commitment to building wealth among low-income folks and families will not end. I look forward to being an engaged member and lifelong supporter of this place for years to come.

Warmly,
Ashley Cake, Board Chair





FEATURING CHRIS CAIN, CHIEF EXPERIENCE OFFICER (CXO)

In 2019, AFCU created a new position, Chief Experience Officer (CXO) and filled it with Chris Cain, who has deep experience in advising start-up businesses, community building, nonprofit leadership, inclusive outreach, and financial services. Chris is also on the Board of the Start Up Champions Network (SCN). "As the Chief Experience Officer, I head up the marketing department, development department (fundraising), and community programs (like financial literacy classes, free tax prep, small business development education). What that means is I help raise money to launch innovative initiatives that help people out of poverty and then tell the world about it. Alternatives has been fighting for economic justice since 1979, as a model credit union on a national level. We believe that true financial inclusion and empowerment is a fundamental right. Therefore, we create programs designed to close the gap and remove barriers to financial stability and success. We have small business loans that look at character, rather than credit based lending. We look at your business strategy and non-monetary connections within your community."



CELEBRATING CAROL CHERNIKOFF, RETIRED CHIEF LENDING OFFICER

A surprise parade for Carol Chernikoff was held at the end of May 2020, lasting more than three hours with more than 60 community friends honoring her devotion to Alternatives Federal Credit Union, in a career spanning more than three decades. Although Carol retired in 2020, after over three decades of devoted service! We couldn't let this annual report be printed without sharing just a few touching quotes from those she inspired most.

On the following page are some of the countless samples of the Testimonials collected by Bea Nellenback, Mortgage Loan Specialist and Outreach Coordinator at AFCU on behalf of Carol Chernikoff:

CELEBRATING CAROL CHERNIKOFF, RETIRED CHIEF LENDING OFFICER

One thing I love about Carol is...

how she seems to know everyone, and not just know “of” them, but REALLY knows them. This is because Carol cares about people, and loves to connect with people. She is the most generous with her praise and compliments for others. Always taking time to make sure that people feel appreciated and valued for who they are, and for the work they do...her unwavering dedication to making the world a better place!

her big heart, she truly cares about people & has empathy for whatever you may be suffering through in life...her love of children, babies, and dogs. In the early days – oh so long ago – the kids would get up on the teller counter and jump into her arms. The dogs would get their noses up to the edge for a dog treat.

her attention and support of her staff. her tireless commitment to her community. she is a joy to be around, has the heart of a saint, and is everyone she meets new best friend. Alternatives is what it is because so much of Carol’s heart, wisdom, and passion are the building blocks used to construct it.

her handwritten notes and kind attention when my mom died...it was so appreciated. The way she has increased the visibility of women in finance for so many years. Pioneer work is never easy...**and countless other messages like these!**

TREASURER'S REPORT, JIM FRAVIL

Alternatives Federal Credit Union continued to record healthy, manageable growth in 2019. Assets grew, finishing the year at \$115.5 million. Our loan portfolio grew to reach \$96.2 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 traditionally underserved people and communities. Our Mortgage lending not only generates interest income to sustain Alternatives, but also helps provide our community with greater stability and becomes a source of wealth for the families who live in the homes.

In 2019, we have expanded our auto lending to provide working families affordable transportation. Alternatives continues to grow our small business lending giving small business owners an opportunity to be their own bosses and employee many in the local community. As a not-for-profit institution, Alternatives seeks to return value to members and the communities we serve in any way possible. To succeed with 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 .11% and net income of \$126,808, sufficient to maintain a well-capitalized position. Our overall capital/asset ratio is 7.92%. Utilizing our strategic plan for growth, the credit union focused on member engagement and community outreach and obtained growth in membership, loans and deposits during 2019. AFCU builds on our community reputation of economic education for youth, adults and businesses.

(Treasurer's Report, cont'd on the next page)



As we continue to adapt to an uncertain funding environment, we will 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.

Yours truly,

Jim Fravil, Treasurer for the Board of Directors





SUPERVISORY COMMITTEE CHAIR'S REPORT: 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, 2019.

The auditors issued an opinion that the reports of Alternatives' financial performance are fairly presented and comply with generally accepted accounting principles. In addition, the Committee performed internal audits and conducted 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:

supervisory@alternatives.org and your inquiry will be addressed in an impartial and confidential manner. Thank you.

Sincerely,
Richard Lansdowne
Supervisory Committee Chair



CELEBRATING 20 YEARS OF COMMUNITY PROGRAMS

THE COMMUNITY PROGRAMS TEAM AT AFCU



Karl Graham,
Chief of
Community Development



Kathleen Clark,
Director of
Business Development



Brendan Wilbur,
Community Programs
Manager



Brian Zapf,
Community Tax
Program Director



Joe Cummins,
Community Development
Educator



Kim Ritter,
Financial Empowerment
Specialist

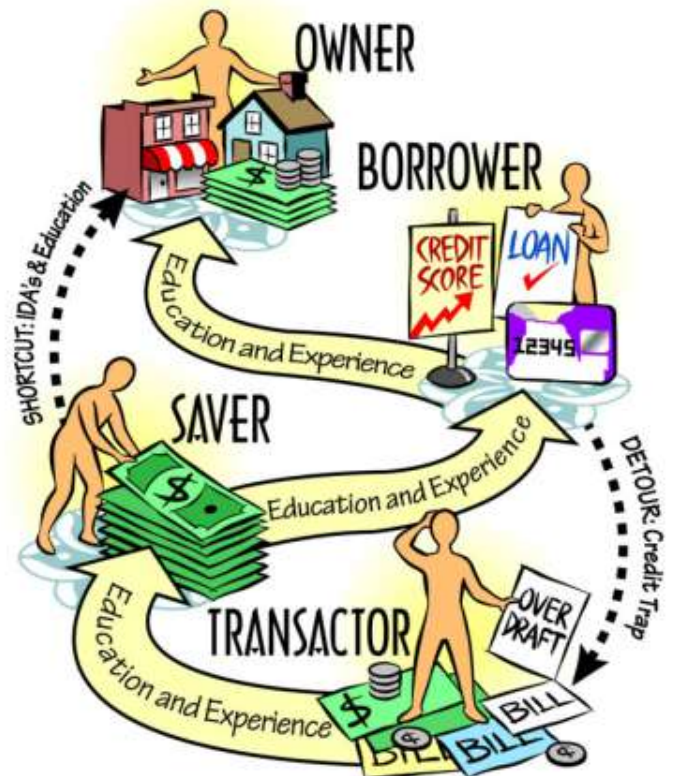


CELEBRATING 20 YEARS OF COMMUNITY PROGRAMS

Community Programs are at the heart of Alternatives' mission and vision.

Alternatives is a Community Development Credit Union (CDCU), a credit union with a mission of serving populations with limited access to safe financial services.

Mirroring The Credit Path, our programs are designed to assist people from our community in taking steps to improve their financial knowledge and security, from transacting to saving, to credit building, to owning assets they can pass on to future generations.



Community Programs by the numbers

From 1999 to 2019...

4,000+
financial
counseling
appointments

700+
Money Wise
graduates

6,000+
business
development
sessions

\$54.7 mil
in tax returns to
local community

30,317
Free Tax Prep clients

\$4.9 mil
estimated client savings
on tax prep fees

10
Student Credit
Union branches

1,434
Student Credit
Union accounts

\$1.26 mil
Student Credit
Union savings

MONEY WISE: MEMBER SPOTLIGHT



“Money Wise was great because they gave us the tools that weren’t really taught about in school. It’s a great place because you have this really diverse community and all these strangers coming together in a room who know different aspects of Ithaca and are really helpful to each other. It was really only positive.”

- Bridget Conlon,
MoneyWise graduate

LENDING TESTIMONIALS



“Alternatives invests in individuals, as well as small businesses like ours, in a way that many other banks do not. We appreciate AFCU's continued investment in our local community and are grateful to have access to a financial institution with values that match our own.”

- Alexis Zaharis Grimm,
owner, Grayhaven Motel



LENDING TESTIMONIALS



"I choose Alternatives Federal Credit union because they were very helpful with all of my questions and also efficient with all of their responses. I was looking into many other banks at the same time, but Alternatives took my request very seriously even though all my financials were not ready at the time. Alternatives gave me a great sense of ease when I was purchasing not just a building, but a restaurant as well. They are great supports of local business through good and bad times."

- Orlando Rodriguez (above, next to our CEO)
owner and chef, GRAFT wine + cider bar



FINANCIAL OVERVIEW

Statement of Financial Condition

(numbers in thousands, e.g. \$1 = \$1,000)

Assets	2019	2018
Mortgage loans	\$ 67,297	\$ 64,300
Consumer loans	18,665	15,403
Business loans	10,230	9,025
Total loans	96,192	88,728
Allowance for loan loss	(514)	(528)
Cash	10,176	7,592
Investments	3,875	9,208
Fixed assets	3,626	2,524
Other assets	2,131	1,923
Total assets	\$ 115,486	\$109,447
Liabilities and member equity		
Liabilities	\$ 3,016	\$ 2,908
Checking	33,023	31,397
Regular savings	47,270	45,517
Certificates	14,443	12,668
Retirement savings	8,582	7,996
Total deposits	103,318	97,578
Secondary capital	1,180	1,140
Capital	7,972	7,821
Total liabilities and equity	\$ 115,486	\$ 109,447
Capital Ratio	7.92%	8.19%

FINANCIAL OVERVIEW

Statement of Operations

Interest Income	2019	2018
Mortgage	\$ 2,781	\$ 2,489
Consumer	1,202	1,063
Business	572	492
Investments	240	281
Total Interest Income	4,795	4,325

Interest Expense

Member shares and Savings	363	195
Interest on borrowings	103	101
Total interest expense	466	296
Net interest income	4,329	4,029

Loan loss provision	263	222
Net income after provision	4,066	3,807
Operating expenses	(6,067)	(5,837)
Other operating income	2,128	2,632
Net income	\$ 127	\$ 602





**"SERVING THE LOCAL COMMUNITY
SINCE 1979"**

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2019 Alternatives Federal Credit Union, Ithaca, NY

