

ALTERNATIVES VENTURE FUND, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Alternatives Venture Fund, Inc.

We have reviewed the accompanying financial statements of Alternatives Venture Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Alternatives Venture Fund, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Sciarabba Walker & Co., LLP
Sciarabba Walker & Co., LLP

Ithaca, New York
June 9, 2023

ALTERNATIVES VENTURE FUND, INC.
STATEMENTS OF FINANCIAL POSITION

December 31,

	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	\$ 54,572	\$ 158,619
Cash - restricted	293,844	577,331
Grants receivable	-	350,000
Loans receivable, current portion, net of allowance of \$0	8,391	2,648
Prepaid expenses	14,836	-
TOTAL CURRENT ASSETS	371,643	1,088,598
NON-CURRENT ASSETS:		
Long-term prepaid expenses	8,030	-
Loans receivable, net of current portion, net of allowance of \$37,500 and \$0, respectively	17,481	13,041
TOTAL NON-CURRENT ASSETS	25,511	13,041
TOTAL ASSETS	\$ 397,154	\$ 1,101,639
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Due to AFCU	\$ 42,330	\$ 70,626
Accrued liabilities	2,709	523
Refundable advances	6,907	52,900
TOTAL CURRENT LIABILITIES	51,946	124,049
NON-CURRENT LIABILITIES:		
Due to AFCU	250,000	250,000
TOTAL NON-CURRENT LIABILITIES	250,000	250,000
NET ASSETS:		
Net assets without donor restriction:		
Board-designated	-	10,000
Undesignated	(9,681)	24,570
Net assets with donor restriction	104,889	693,020
TOTAL NET ASSETS	95,208	727,590
TOTAL LIABILITIES AND NET ASSETS	\$ 397,154	\$ 1,101,639

See accompanying notes and independent accountant's review report.

ALTERNATIVES VENTURE FUND, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31,

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
PUBLIC SUPPORT:		
Grants	\$ 318,023	\$ 171,835
Donations	4,639	23,510
Interest and dividends	2,170	490
TOTAL PUBLIC SUPPORT	324,832	195,835
NET ASSETS RELEASED FROM RESTRICTIONS	588,131	104,341
EXPENSES AND LOSSES:		
Program services	908,720	310,921
Management and general	31,059	3,559
TOTAL EXPENSES	939,779	314,480
Loss on return of funds to donors	17,435	-
TOTAL EXPENSES AND LOSSES	957,214	314,480
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(44,251)	(14,304)
NET ASSETS WITH DONOR RESTRICTIONS		
PUBLIC SUPPORT:		
Donations	-	16,297
TOTAL PUBLIC SUPPORT	-	16,297
NET ASSETS RELEASED FROM RESTRICTIONS	(588,131)	(104,341)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(588,131)	(88,044)
CHANGE IN NET ASSETS	(632,382)	(102,348)
NET ASSETS, beginning of year	727,590	829,938
NET ASSETS, end of year	\$ 95,208	\$ 727,590

See accompanying notes and independent accountant's review report.

ALTERNATIVES VENTURE FUND, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2022		
	Program Services	Management & General	Total
EXPENSES:			
Salaries and wages	\$ 30,615	\$ 19,923	\$ 50,538
Employee benefits and taxes	4,888	4,887	9,775
Professional services	45,847	4,165	50,012
Office expense	-	1,603	1,603
Software	4,618	-	4,618
Marketing	-	127	127
Regrants	638,092	-	638,092
Travel	2,437	-	2,437
Contractual	142,826	-	142,826
Insurance	364	-	364
Interest	1,533	-	1,533
Bad debt expense	37,500	-	37,500
Miscellaneous	-	354	354
TOTAL EXPENSES	\$ 908,720	\$ 31,059	\$ 939,779
	2021		
	Program Services	Management & General	Total
EXPENSES:			
Salaries and wages	\$ 22,367	\$ -	\$ 22,367
Employee benefits and taxes	1,113	-	1,113
Professional services	21,465	-	21,465
Office expense	-	3,021	3,021
Regrants	126,360	-	126,360
Contractual	139,093	-	139,093
Interest	523	-	523
Miscellaneous	-	538	538
TOTAL EXPENSES	\$ 310,921	\$ 3,559	\$ 314,480

See accompanying notes and independent accountant's review report.

ALTERNATIVES VENTURE FUND, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (632,382)	\$ (102,348)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in grants receivable	350,000	350,000
Change in prepaid expenses	(22,866)	-
Change in accrued liabilities	2,186	523
Change in due to AFCU - current	(28,296)	16,080
Change in due to AFCU - noncurrent	-	250,000
Change in refundable advances	(45,993)	52,900
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(377,351)	567,155
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances of RISE loans	(50,800)	(16,000)
Payments received on RISE loans receivable	3,117	311
Change in loan loss reserve	37,500	-
NET CASH USED IN INVESTING ACTIVITIES	(10,183)	(15,689)
 NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(387,534)	551,466
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	735,950	184,484
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year	\$ 348,416	\$ 735,950
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ -	\$ -

See accompanying notes and independent accountant's review report.

ALTERNATIVES VENTURE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - Alternatives Venture Fund, Inc. (the Organization) is a not-for-profit organization dedicated to providing community economic development through various mission-focused programs, previously in conjunction with Alternatives Federal Credit Union (AFCU). The Organization's main program is as follows:

Reimagining Inclusive Solutions for Entrepreneurs (RISE)

This program provides access to financing, combined with training and technical assistance, to low-income small business owners who are traditionally turned away from mainstream financial institutions.

The following are former programs of the Organization that were discontinued in 2022:

Individual Development Accounts (IDA)

Special savings accounts designed to assist low income people on their path toward asset ownership through matched savings and financial education. IDA's encourage and reward the savings habits of people who are trying to buy their first home, pay for college, or start/expand a small business.

Volunteer Income Tax Assistance

Free tax preparation for low income, qualified filers. Trained volunteers ensure that clients receive every tax credit they are entitled to, especially the Earned Income Tax Credit. To encourage long-term savings, clients are also eligible for a grant supported, high interest, VITA Savers Certificate.

BR MicroCapital (BRM)

The program began and is run by students in the Johnson Graduate School of Management at Cornell University. Working in partnership with Alternatives, BRM provides business and financial support for small business owners.

Bill Myers Youth Internship

A paid internship designed to provide opportunities for a high school student to do meaningful work within the credit union. Over the ten-month course of the internship, the student will work a variety of jobs, including the opportunity to manage one of the school credit union branches. This program was taken over by AFCU in 2022, as described in Note G.

Basis of Accounting - The Organization's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Income Taxes - The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

The Organization accounts for income taxes in accordance with FASB Accounting Standards Codification (ASC) 740, *Income Taxes*. FASB ASC 740-10 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For cash flow purposes, the Organization considers all unrestricted highly liquid investments with a maturity of 3 months or less from the time of purchase to be cash equivalents.

Equipment and Software - Amounts for equipment and software are generally stated on the basis of cost. Donated items have been stated at their fair market value on the date of the gift. Depreciation is computed on the straight-line method at rates calculated to depreciate the cost of the assets over their estimated useful lives which range from 3 to 4 years.

Loans Receivable - Loans receivable (Note H) are stated at the principal outstanding less allowance for loan loss. Interest is calculated based on the principal outstanding.

Management has determined a need to establish a loan loss reserve to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the risk profile of the loan. Management has provided an allowance of \$37,500 and \$0 as of December 31, 2022 and 2021, respectively. Management is in the process of developing a loan manual that will include policies for placing loans receivable on nonaccrual status, recording payments on nonaccrual receivables, resuming accrual of interest, and determining the past due or delinquency status of loans receivable.

Contributions - The Organization accounts for contributions in accordance with the recommendations of the FASB ASC 958. In accordance with FASB ASC 958, contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (this is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor

restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. As of December 31, 2022, the Organization had received conditional grants for up to \$271,730. The Organization has recognized \$104,966 of revenue from those conditional grants on the financial statements at year-end due to all conditions not yet being met. In addition, the Organization has recognized \$6,907 of refundable advance liabilities on the financial statements at year-end due to having received cash from conditional grants whose conditions were not yet met.

Functional Expenses - The costs of providing the program and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited based on time and effort and/or actual usage. The expenses that are allocated by time and effort are salaries, employee benefits, and payroll taxes.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Leases - The Organization has made an accounting policy election to not recognize lease assets and lease liabilities for leases with a term of 12 months or less unless the Organization has the ability and intent to extend the lease beyond a 12-month period.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, consist of the following:

	2022	2021
Cash and cash equivalents	\$ 54,572	\$ 158,619
Cash - restricted	293,844	577,331
Cash, cash equivalents and restricted cash as shown in the statements of cash flows	\$ 348,416	\$ 735,950

Restricted cash represents cash received with a donor-imposed restriction that limits the use of that cash to particular purposes as described in Note D. The donor-imposed restrictions expire when the funds are spent for their particular purpose. Restricted cash also includes funds from the restricted-purpose loan from AFCU (see Note G).

The following is a reconciliation of restricted cash to net assets with donor restrictions as of December 31:

	<u>2022</u>	<u>2021</u>
Cash - restricted	\$ 293,844	\$ 577,331
Grants receivable	-	350,000
Less: Cash from AFCU restricted loan	<u>(188,955)</u>	<u>(234,311)</u>
Net assets with donor restriction	<u>\$ 104,889</u>	<u>\$ 693,020</u>

NOTE C – DESIGNATED NET ASSETS

The Organization has net assets designated by the Board of Directors as follows as of December 31,

	<u>2022</u>	<u>2021</u>
Board-designated net assets - Myers Fund	\$ -	\$ 10,000
	<u>\$ -</u>	<u>\$ 10,000</u>

NOTE D – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions comprised the following as of December 31,

	<u>2022</u>	<u>2021</u>
Subject to expenditure for the following program services:		
Individual Development Accounts	\$ -	\$ 11,011
Big Red Loan Fund	-	7,419
William Myers Youth Internship	-	5,687
Tax Programs	-	4,175
Syracuse Cooperative	-	10
Student Credit Union	-	15,129
COVID Small Business Relief	5,297	5,297
BIPOC Prosperity Fund	-	11,000
Re-entry Loan Fund	-	34,542
Own the Cycle, Close the Gap	-	598,750
RISE Program	99,592	-
Total net assets with donor restrictions	<u>\$ 104,889</u>	<u>\$ 693,020</u>

NOTE E – CONCENTRATIONS

The Organization received 82% and 77% of total grant revenue from three organizations for the years ended December 31, 2022 and 2021, respectively.

Cash is maintained at one financial institution located in Upstate New York and is insured by the NCUSIF up to \$250,000. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

The Organization relies on AFCU for its operational and staffing needs as described in Note G. Approximately 19% and 45% of total expenses were reimbursements to AFCU for these costs for the years ended December 31, 2022 and 2021, respectively.

NOTE F – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions:

	<u>2022</u>	<u>2021</u>
Total current assets	\$ 371,643	\$ 1,088,598
Less: prepaid expenses	<u>14,836</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 356,807</u>	<u>\$ 1,088,598</u>

As part of the Organization’s liquidity management, it has a goal to maintain enough cash and cash equivalents on hand to cover three months of lending capital.

NOTE G – RELATED PARTY TRANSACTIONS

Under the terms of a management agreement, AFCU provided the following services to the Organization in 2021:

- Receipt, management and disbursement of funds.
- Hiring and management of staff.
- Housing of staff in AFCU facilities and use of AFCU equipment.
- Maintenance of financial records.
- Any other activities necessary for the conduct of the Organization’s business.

These contractual expenses reimbursable to AFCU for the years ended December 31, 2022 and 2021 totaled \$142,826 and \$338,400, respectively.

Through 2021 and into 2022, the Organization operated under a shared management agreement with AFCU, with AFCU’s staff supporting the Organization’s working Board of Directors in fundraising for programs that fostered small business development, with those programs administered by AFCU. In 2022, the Organization and AFCU established the current collaboration agreement (dissolving the previous management agreement) with AFCU.

In 2021, AFCU made a \$250,000 loan to the Organization. The funds are restricted to be used as loan proceeds in the RISE program. The loan has a ten-year term and an annual simple interest rate of 1%. Annual payments are due to AFCU beginning on December 31, 2022. These payments will consist of interest only for the first five years, and of principal and interest for the second five years. As of December 31, 2022, the loan matures as follows:

2023	\$	-
2024		-
2025		-
2026		-
2027		49,010
Thereafter		<u>200,990</u>
	\$	<u><u>250,000</u></u>

Interest expense of \$1,533 has been accrued for the year ended December 31, 2022.

In 2022, the Organization made an agreement with AFCU that several programs previously run by the Organization would be administered by AFCU going forward. A total of \$371,590 that had previously been restricted for use in those programs was regranted to AFCU for these purposes.

NOTE H – LOANS RECEIVABLE

Through the RISE program, the Organization extends credit to small businesses in the form of loans receivable. Loans receivable are reported net of allowances for loan losses, which were \$37,500 and \$0 as of December 31, 2022 and 2021, respectively.

Loans receivable comprised the following as of December 31:

	<u>2022</u>		<u>2021</u>		Interest Rate	Maturity Date
	Current	Noncurrent	Current	Noncurrent		
Loan 1	\$ 3,455	\$ 17,102	\$ 1,998	\$ 9,691	8%	Dec. 2027
Loan 2	1,230	2,941	650	3,350	8%	Jan. 2027
Loan 3	1,470	17,174	-	-	10%*	Jun. 2027
Loan 4	2,236	17,764	-	-	8%**	Sept. 2027
Total	<u>8,391</u>	<u>54,981</u>	<u>2,648</u>	<u>13,041</u>		
Loans receivable total		63,372		15,689		
Less: allowance for loan losses		37,500		-		
Loans receivable, net	<u>\$</u>	<u>25,872</u>	<u>\$</u>	<u>15,689</u>		

*The interest rate is 10% for the first 12 months of the loan. After 12 consecutive months of technical assistance through the RISE program, the rate will be reduced to 8% for the remainder of the life of the loan.

**The interest rate is 8% for the first 12 months of the loan. After 12 consecutive months of technical assistance through the RISE program, the rate will be reduced to 6% for the remainder of the life of the loan.

NOTE I – UNUSUAL AND INFREQUENTLY OCCURRING ITEMS

In 2022, funds totaling \$17,435 that had previously been restricted for use in programs that were discontinued by the Organization were returned to their respective donors. These transactions are reported as a loss on the Statement of Activities and Changes in Net Assets.

NOTE J – IMPACTS OF COVID-19

Due to the COVID-19 pandemic, grants and donations increased significantly. The Organization continues to closely monitor the impact of the COVID-19 pandemic on all aspects of operations. The ultimate impact of the COVID-19 pandemic on operating results, cash flows and financial condition is likely to be determined by factors which are uncertain, unpredictable and outside of the Organization's control at this time. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely impact business.

NOTE K – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

On January 1, 2022, the Organization adopted ASU 2016-02 "Leases" and all subsequent amendments to the ASU (collectively, "Topic 842"), which create recognition of assets and liabilities that arise from leases. There was no impact on the Organization's financial statements or required disclosures.

NOTE L – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 9, 2023, the date when the financial statements were available to be issued, and there are no subsequent events that require disclosure.