



Annual Report 2009

Growing Stronger Together

Board of Directors

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Chairman

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Vice Chairman

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Michael J. Pantaleo
Secretary

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Director

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Director

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Director

Lynden Miller
Director

Timothy Murray
Director



A message from the Chairman of the Board

Despite the uncertainty with the current economy and an uncertainty that seems likely to continue for some time; your credit union remains strong.

The public's confidence in the nation's banking system is a golden opportunity for Riverfront and all other credit unions. Riverfront is in a great position financially to take advantage of this window of opportunity to capture and gain a greater share of the financial market place by offering to those who are not members the value and benefits that are shared by many.

Credit unions as a whole are receiving high endorsements from national television personalities and the print and web media. Attention is being generated to the value credit unions are providing to the consumer and for their trustworthiness in looking out for the best interests of their members.

The 2008 meltdown of the financial industry has passed but the effects will be lasting. Congress has passed and will be passing additional regulations that we have had to and will have to comply with to avoid a repeat of this disaster. Regulations such as the change in the Truth-in-Savings Act, Credit Card Act, revisions to Regulation CC which regulates the availability of funds for checks drawn on non-local institutions and regulations that pertain to disclosures for property secured loans are just some to which we have had to comply with. These regulations are meant to protect our members but will also have an effect on our bottom line.

The credit union industry was not immune from this disaster as a few corporate credit unions got caught up in the mortgage bubble burst and have had losses. The credit union movement decided to take care of their own which means additional assessments will need to be made to replenish the National Credit Union Share Insurance Fund.

Despite the loss of revenue streams such as the Federal Student Loan Program which the government has taken over, the additional regulations and the corporate stabilization expenses we pledge to work hard to maintain the financial position that we have today.

I am proud to report that the financial state of Riverfront is strong and sound. 2009 again was financially a terrific year despite the difficulty with the economy. We have managed our costs while providing superior service to our members. We also were again able to declare for our members an Extra Ordinary Bonus Dividend and Interest Rebate. Not many credit unions are able to give back to their members such a bonus and rebate and is an indication of the sound financial position that we are in year after year. This strong financial position and sound business practices have again been confirmed by our outside auditing firm and through examinations by the NCUA.

Despite the economic climate and uncertainties that we faced, Riverfront had a year of substantial loan growth, delinquencies remained low, expenses were controlled, savings growth was strong and we had a healthy growth in assets. We also continue to support the communities that we serve. The staff and management of the credit union with support from the board participate in many worthy fund raising events giving of their time and financial support.

The board will continue to work with management to grow our membership, assets, and earnings and capture additional market share. We will seize this moment of opportunity to make Riverfront a stronger more viable financial institution that will benefit all of our members.

A handwritten signature in black ink that reads "John W. Kline". The signature is written in a cursive, flowing style.

John W. Kline
Chairman of the Board



A message from the President/CEO

At this time last year, I felt that 2008 was the most challenging year for the financial services industry since the Great Depression. Things certainly didn't get any easier in 2009. The Federal Deposit Insurance Corporation closed 140 banks last year and has closed an additional 64 during the first four months of 2010. The estimated cost to the Deposit Insurance Fund is staggering.

The credit union industry has not been immune to the challenges facing the financial sector. During March 2009, the Board of Directors (Board) of the National Credit Union Administration took the unprecedented action of placing U. S. Central Federal Credit Union (U. S. Central) into conservatorship. The Board also required each federally insured credit union to make an additional contribution to the National Credit Union Share Insurance Fund to compensate for certain investment losses that were incurred by U. S. Central and several other corporate credit unions.

Amid what will likely be considered the worst financial crisis in U. S. history, Riverfront had another excellent year. Our asset base increased by approximately 20% and our capital to asset ratio approximated 11% as of December 31, 2009. A credit union with a capital to asset ratio that exceeds 7% is considered to be well-capitalized by regulatory standards.

Our consumer loan portfolio increased by more than 7% during 2009 and we continue to effectively manage the risks that are inherent in our lending operation. We have always funded the Allowance for Loan Losses appropriately to ensure that there are adequate reserves available for any losses that are incurred.

In addition, we are not holding any securities, which by their nature, have a high level of risk in our investment portfolio. The fair value of Riverfront's portfolio exceeded its carrying value by approximately \$1.3 million or 1.8% at December 31, 2009. As of that date, the unrealized gain on our portfolio was three times the gain of a comparably sized portfolio for our peer group, which is defined as federally insured credit unions with an asset base between \$100 and \$500 million.

In December 2008, we opened our third branch in Bern Township to better serve our members at the St. Joseph Medical Center and consumers in this segment of our market. The branch has been well received and deposits and loans originated at the branch continue to increase steadily.

For the third consecutive year, we issued an interest refund and bonus dividend, which returned approximately \$160,000 to our members. Members of record on December 31, 2009, received a bonus dividend equal to 3% of the dividends they received from the credit union during 2009 and an interest refund equal to 3% of the interest they paid to the credit union on their home-equity, automobile and personal loans. Tax-favored accounts such as an IRA or Educational Savings Account were also eligible for the bonus dividend. This program has returned \$525,000 to our membership during the last three years and is our way of thanking them for their continued use of our products and services.

During the last two years, federal regulatory agencies have issued or amended a number of regulations that are intended to provide additional protection to the consumer. We have committed significant resources to ensure that Riverfront is compliant with these new standards.

While the economic recovery appears to be progressing slowly, there are certain fundamental issues such as consumer debt levels and residential real estate values that will continue to adversely affect the financial sector for the foreseeable future. Our staff recognizes these challenges and understands the commitment it will take to continue to grow the credit union profitably.

Our Board of Directors, management team and all of the associates at the credit union deeply appreciate our members' support and will continue to work hard to enhance the value proposition that we offer to them in the form of convenient, affordable financial services. On behalf of our entire organization, I would like to thank you for your continued support, which enables us to "Grow Stronger Together."

Vincent Paolini, CPA
President and CEO



A message from the Supervisory Committee Chairman

The role of the Supervisory Committee is an important one and is similar in many respects to the role of an internal auditor. We serve to protect the interests of our members. We assume the responsibility for ensuring that a quality system of checks and balances is maintained. Our committee consists of five members and one associate member appointed annually by the Board of Directors.

The committee's primary duties and responsibilities include:

- Engaging an independent auditing firm to complete an annual audit of the credit union's financial statements.
- Monitoring regulatory compliance.
- Ensuring that the credit union's directors and staff fulfill their fiduciary responsibility.

In 2009 the Supervisory Committee completed the following:

- Performed surprise cash counts.
- Reviewed file maintenance and teller short/over reports.
- Reviewed loan files for compliance with internal and regulatory policies.
- Verified the accuracy of bank statement reconcilements.
- Reviewed expense accounts for employee and volunteer education, travel and conferences.

Irwin G. Levan
Supervisory Committee Chairperson

Statements of Financial Condition

December 31, 2009 and 2008

| ASSETS | 2009 | 2008 |
|--|------------------------------|------------------------------|
| Loans to members, net | \$ 52,271,191 | \$ 49,085,537 |
| Cash and cash equivalents | 2,096,844 | 2,992,100 |
| Interest bearing accounts | 31,465,535 | 10,300,905 |
| Securities available for sale | 74,144,227 | 64,811,124 |
| Securities held to maturity | - | 6,262,000 |
| Accrued interest receivable | 577,922 | 784,461 |
| Property and equipment, net | 823,452 | 911,511 |
| NCUSIF deposit | 1,323,773 | 1,135,635 |
| Prepaid expenses and other assets | <u>484,921</u> | <u>550,918</u> |
| | <u>\$ 163,187,865</u> | <u>\$ 136,834,191</u> |
| LIABILITIES AND MEMBERS' EQUITY | | |
| Liabilities: | | |
| Members' shares & savings accounts | \$ 143,257,025 | \$ 116,930,831 |
| Accounts payable & accrued expenses | <u>695,126</u> | <u>719,629</u> |
| Total liabilities | 143,952,151 | 117,650,460 |
| Commitments and contingencies | - | - |
| Members' equity | <u>19,235,714</u> | <u>19,183,731</u> |
| | <u>\$ 163,187,865</u> | <u>\$ 136,834,191</u> |