



Annual Report 2011

Growing Stronger *Together*

Board of Directors

John W. Kline
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Vice Chairman

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Director

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Director

Noah Seyfert
Director

Gayle Sincavage
Director

Lori Sandman
Director

A message from the Chairman of the Board

Last year remained challenging for Riverfront and also for our members as the economy continued to struggle. With a slower than expected recovery taking place, the aftermath of the recession will have effects on the credit union and the whole financial industry along with our members for the foreseeable future.

For the last three years, all financial institutions including Riverfront have struggled with how to overcome declining revenue trends and increased regulations and restrictions on income generating products and services. Weak loan demand and decreased investment opportunities, lost income streams and the cost of maintaining continuous regulatory compliances have created a struggle to maintain strong earnings.

Riverfront has purposely used a conservative approach to long term investing to position ourselves for a rising rate environment. As the Federal Reserve announced recently that this will happen later rather than sooner, our earnings are suffering because we haven't chased long term loan rates or investment rates. However, when this rate trend reverses, we are positioned to reap the benefits of higher earnings. In the meantime, the Executive Management team and the Board of Directors are exploring opportunities that will increase our market share, deepen our relationship with our members to utilize our products and services along with growth opportunities to help overcome this trend.

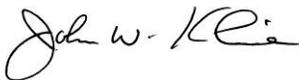
Credit unions across the nation continue to recapitalize our National Credit Union Share Insurance Fund through special assessments which have also had an impact on our bottom line. The National Credit Union Administration (NCUA) has been able to recoup some of the questionable mortgage investments made by a few Corporate Credit Unions which will allow the recapitalization phase to the fund be accomplished sooner than what was anticipated. In a climate of taxpayer bailouts, it is important to note that no taxpayer funds have been used to recapitalize this fund; credit unions alone have shared this burden.

Despite operating in an environment that has created tight margins, Riverfront remains financially strong and sound. The credit union is well capitalized, Executive Management has done an exemplary job of controlling expenses and we continue to have a sound loan underwriting and asset recovery process. All departments and associates of the credit union are doing an excellent job.

Last year's report mentioned that through regulations the environment that the board governs the credit union has changed. To further enhance the board's expertise and to uphold our fiduciary responsibilities, the board has engaged a third party consultant to further educate us through a Leadership Training Facilitation program.

The management and board of directors of the credit union will continue to work hard to meet the challenges we face. We will do this through a planning process that result in strategic initiatives that make sense and that have the best interests of our members in mind.

Our vision here at Riverfront continues to be the financial institution that you our members think of first for your financial needs. In order to do this, we must develop a lasting partnership and provide exceptional service to each of you and we expect to do this through our mission; to provide the financial products and services that meet your needs.



John W. Kline
Chairman of the Board

A message from the President/CEO

While economists tell us that the “Great Recession” is officially over, it is difficult to find tangible evidence to support their assertion. It appears likely that persistent challenges such as depressed real estate values and consumer debt levels will continue to slow the pace of the economic recovery for the next few years. In addition, there are many school districts and state and local governmental units that are facing unprecedented budget shortfalls.

Of particular concern, is the estimated \$900 billion in student loan debt that is currently outstanding. Due in part to the economic downturn, many students and/or their parents financed a substantial portion of the cost of their college education. The credit risk associated with the repayment of these loans has the potential to derail the fragile economic recovery that appears to be underway.

We are, however, beginning to see some favorable trends. The Unemployment Rate for example, while still high by historical standards, has begun to fall. Hopefully this trend will continue as the creation of new jobs, especially in the manufacturing sector, will be needed to sustain the recovery.

Riverfront has continued to grow profitably in this difficult environment. For the four years ended December 31, 2011, our asset base increased by approximately \$43 million or 38% and we maintained our excellent capital position. A credit union with a capital to asset ratio that exceeds 7% is considered to be well-capitalized by regulatory standards. Our capital to asset ratio approximated 11% at December 31, 2011.

We continue to do an outstanding job managing our cost of operations. Operating expenses, excluding the expenses associated with the mandatory contributions to the Share Insurance and Corporate Credit Union Stabilization Funds, increased by approximately 2.4%, when compared to 2010, and there were no reductions in staffing during the year.

The modest increase in operating expenses is noteworthy when considering that we added a new management position and procured additional administrative office space during the year. In addition, substantive resources were allocated to the review and implementation of the many new regulations that were enacted as a result of the financial crisis.

An independent public accounting firm that specializes in the credit union industry completes an annual audit of our financial statements. In addition, our federal regulator, the National Credit Union Administration, completed an examination of our operation during 2011. Both organizations delivered favorable reports.

We expect many of the factors that impacted our operation during the last few years to continue to present challenges in 2012. We have, however, effectively managed credit risk during the economic downturn and are well-positioned for a rising interest rate environment.

It is our intention to hire an additional management position and furnish our training center this year, which will help to position the credit union for the future. In addition, we expect to reenter the indirect lending market and several enhancements to our e-services platform are planned. We also expect to allocate additional resources to the development of the policies and procedures needed to comply with the new regulations that will become effective this year.

Our staff recognizes that there will continue to be challenges and understands the commitment it will take in the current environment to continue to grow the credit union profitably. We have a great group of individuals who work at Riverfront and I am confident they are up to the challenge!

Our Board of Directors, management team and the associates at the credit union value our members’ support. We will continue to work hard to earn your business and enhance the value proposition that we offer you in the form of convenient, affordable financial services.

On behalf of our entire organization, I would like to thank you for your continued support!



Vincent Paolini, CPA
President/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 2011 the Supervisory Committee completed the following:

- Performed surprise cash counts of tellers' cash drawers, vaults and ATM machines.
- 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, 2011 and 2010

Assets	2011	2010
Loans to members, net	\$ 49,466,787	\$ 51,570,922
Cash and cash equivalents	1,552,979	2,108,824
Interest bearing accounts	43,423,554	30,808,724
Securities available for sale	72,568,549	78,902,248
Accrued interest receivable	469,816	507,080
Property and equipment, net	759,681	749,711
NCUSIF deposit	1,475,194	1,447,923
Prepaid expenses and other assets	414,390	598,975
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Total Assets	\$ 170,130,950	\$ 166,694,407
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 Liabilities and Members' Equity		
Liabilities:		
Members' shares and savings accounts	\$ 150,273,070	\$ 146,337,821
Accounts payable and accrued expenses	494,860	606,224
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Total liabilities	\$ 150,767,930	\$ 146,944,045
Commitments and contingencies	-	-
Members' equity	19,363,020	19,750,362
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Total Liabilities and Members' Equity	\$ 170,130,950	\$ 166,694,407
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