

2012

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# ANNUAL REPORT



# Board of Directors

John W. Kline

**Chairman**

Noah Seyfert

**Vice Chairman**

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**Treasurer**

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Donald Bailey

**Director**

Kelly Edwards

**Director**

# A Message from the Chairman of the Board

One of the biggest challenges we face today is balancing the demand for anytime/anywhere service with a continuing need for the branch environment. Our goal is to provide a mix of services and technology interfaces that appeal to our members and prospective members across all generations.

We recognize that to stay viable to our members and to attract new members, we must provide mortgages, insurances, investments, mobile and other online services and we must do these while maintaining the high level of service that our members expect of us now.

We must embrace technologies to enhance our member relationships and provide new services that also enhance the credit union value for our members and at the same time improve our operational efficiencies.

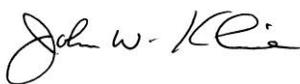
This past fall the board and management embarked in a new strategic planning process setting priorities for the next three plus years that will allow us to provide the above mentioned. We are refocusing on how we deliver our credit union mission, vision and core values through our strategic process.

The priorities are:

- To improve our technology that allows members to more easily access information and services/products through self-delivery channels.
- To promote an aggressive business development and marketing strategies to expand and diversify products and service offerings that meets the needs of our members.
- To increase our financial strength.
- To evaluate our branch structure to ensure we are ideally located to ensure easy and convenient access for our members and potential members.
- To embrace a steady growth plan; an initiative to have and maintain positive loan and membership growths.

2012 was not a stellar year for earnings due to a combination many things: low loan demand, the Federal Reserve Board continuing to keep interest rates historically low, costs associated with continuous new regulations which will be one of the biggest challenges which affects our entire industry and continued assessments to replenish the credit union corporate stabilization fund. Fortunately, Riverfront is a well-capitalized financial institution and is able to absorb this environment that we continue to experience. According to the National Credit Union Association (NCUA), a well-capitalized credit union is to have a minimum net worth of 7%, at years end our net worth was 10.6%. We also continued with a conservative approach with long term investments. This approach restricts our returns today but will have us in a positive position for a rising rate environment. Despite our low earnings performance for the year, we received a clean audit from our outside accounting affirming the soundness of the credit union.

Recent surveys conducted by third party groups continuously show that credit unions come out ahead of other financial institutions as most trusted and we return value to our members in the form of lower loan rates, higher returns on savings and fewer or lower or no fees. Through our strategic priorities and with a dedicated board and management staff, we intend to gain and keep that trust and provide real value to our members.



John W. Kline  
Chairman of the Board

# A Message from the President/CEO

The financial services industry continues to evolve. The ever changing regulatory environment; increased competition from nontraditional providers, especially in the payment systems arena; and technology are among the forces that continue to transform the industry. Change continues to be the only constant.

In order to facilitate the credit union's continued profitable growth in this "sea of change," Riverfront's Board of Directors and executive management team has identified five "strategic priorities." These strategic priorities represent broadly defined objectives that the Credit Union will seek to accomplish in achieving its Mission. As such, they represent the foundation of Riverfront's Strategic Plan.

Using the strategic priorities that were identified and other relevant information, executive management developed a Strategic Plan, which will be used to guide the credit union's development during the next three years.

The Plan includes several research initiatives that are intended to gather relevant information from a variety of sources and perspectives. This information will help us make more informed decisions relative to the subject matter. Of particular interest is the paradigm shift that appears imminent in the payment systems cycle. It appears prudent for us to determine the effect, to the extent possible, that changes of this nature will have on consumer behavior patterns and current revenue streams before allocating resources to the design and implementation of new products and services.

Despite the ongoing challenges facing the credit union movement and financial services industry in general, Riverfront's financial condition continues to be excellent. The Credit Union's capital to asset ratio at December 31, 2012, approximated 11%. A credit union with a 7% capital to asset ratio is considered to be well capitalized by regulatory standards.

Our management team continues to do an exceptional job managing our cost of operations. On a year-over-year basis, operating expenses, excluding the Provision for Loan Losses and the assessments mandated by the National Credit Union Administration (NCUA), increased by approximately 2.40%. We will continue to explore ways in which we can create operational efficiencies.

Riverfront's independent public accounting firm completed an audit of our internal financial statements as of and for the year ended December 31, 2012. There were no proposed adjustments to our internal financial statements and we received an unqualified opinion.

Our expectations for 2013 can generally be classified as cautiously optimistic. Tepid consumer loan demand, exceptionally low interest rates, the burdensome regulatory environment, and the painfully slow economic recovery are expected to continue to present challenges in the industry. Our staff understands the commitment it will take to continue to grow the credit union profitably in this environment. We have a great group of individuals who work at Riverfront and I know they are up to the challenge!

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/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 four members 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 2012 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

# STATEMENT OF FINANCIAL CONDITION

<i>Assets</i>	December 31,	
	2012	2011
Loans to members, net	\$ 48,737,295	\$ 49,466,787
Cash and cash equivalents	2,242,758	1,552,979
Interest bearing accounts	51,990,272	43,423,554
Securities available for sale	64,871,995	72,568,549
Accrued interest receivable	286,530	469,816
Property and equipment, net	780,133	759,681
NCUSIF deposit	1,518,448	1,475,194
Prepaid expenses and other assets	329,777	414,390
<b>Total Assets</b>	<b>\$ 170,757,208</b>	<b>\$ 170,130,950</b>
 <i>Liabilities and Members' Equity</i>		
<b>Liabilities</b>		
Members' shares and savings accounts	\$ 151,821,345	\$ 150,273,070
Accounts payable and accrued expenses	373,867	494,860
<b>Total liabilities</b>	<b>152,195,212</b>	<b>150,767,930</b>
<b>Commitments and contingencies</b>	-	-
<b>Members' equity</b>	18,561,996	19,363,020
<b>Total Liabilities and Members' Equity</b>	<b>\$ 170,757,208</b>	<b>\$ 170,130,950</b>