

2014

ANNUAL REPORT



Board of Directors

John W. Kline

Chairman

Kelly Edwards

Vice Chairman

Donald Bailey

Treasurer

Ginger Thomas

Secretary

Hallie Guiseppe

Director

Noah Seyfert

Director

Gayle Sincavage

Director

Louis Tamburro

Director

Roy Towles

Director

A Message from the Chairman of the Board

In this report last year, I announced and introduced our new CEO/President, Mr. Tim McLeod. As I had stated in that report, the board of directors hired Mr. McLeod to lead the credit union in a new direction and to provide a culture change for our organization. It is hard to believe a year has gone by so quickly but within the first few weeks the new direction and culture change had started.

During the financial crisis that started in 2009 and the economic uncertainty that accompanied, Riverfront as an organization became stationary and cautious. We did not adjust to the changing financial environment and became too risk-adverse. Becoming risk adverse caused the credit union to miss out on many substantial earning opportunities and caused us to be satisfied with the status quo.

Today, through the guidance of our CEO, we have established a risk process that dictates what kind and how much risk we can take and what types of risk we can leverage to attain our organizational goals.

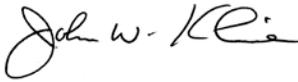
As a board and management team, we face the challenge of keeping up with the changing needs of our membership. We need to provide our members with the services they need now and not merely offer the services the way we always have or have not offered at all. This is all changing: products and services have and are being evaluated and rebuilt, new ones are being offered and many more changes are in process. However, all this comes with a price and being well capitalized is giving us the opportunity to change the way we do business, catch up to where we need to be as a financial institution and provide the needed services and products that are required to remain competitive and viable. This is what capital reserves are meant to be used for: to enhance the credit union value proposition and for the betterment of our members' financial well-being.

As our financial statement indicates, we are operating with expenses that exceed our income. Much of this is due to restructuring our organization, filling and adding positions that are needed and costs associated with new products and services, but mainly the lack of income which is due again to our previous risk adverse position and not using our income earning assets to benefit our financials through the lending process. Again, this is all changing. 2014 saw an almost 38% increase in loan volume and as loan volume and demand continue to increase, our net position will return to a more positive trend. However, this will be a long process and 2015 will most likely mirror 2014 as we continue to build on what has been achieved thus far and having much more to do.

We have weathered the worst; our opportunities are unlimited, we are financially sound and we have the capital reserves to do what is needed. We are doing a better job as a board and management staff and are allocating our resources properly and in an efficient manner. We have embraced technology finding viable ways to increase our efficiencies and ways to provide services that are convenient to the members.

Having a risk analysis process, reorganizing the staff, reevaluating and enhancing our products and services, properly allocating our resources, becoming member centric and allowing our income earning assets to work for us is the start to making us a much better organization.

The board and management will make every effort to uphold the mission and vision of this credit union and are dedicated to improving the quality of our members' financial wellbeing. We have talented people who bring the necessary skills and expertise to move Riverfront to the next level and to a much brighter future.

A handwritten signature in black ink, appearing to read "John W. Kline". The signature is fluid and cursive, with the first name "John" being the most prominent.

John W. Kline
Chairman of the Board

A Message from the President/CEO

First I would like to thank the Riverfront FCU staff for a job well done. Without an engaged staff nothing that we started over the past year could have been accomplished. Secondly, but surely not least, I want to share my appreciation for the Board of Directors and all of the credit union's volunteers. This group of people spends countless hours providing governance and oversight, insuring that the organization is moving forward and is appropriately managed. I commend both of these groups and recognize that our success starts with them.

Last year I discussed several points to look toward for the coming year. Realizing that we are already well into the new year, coupled with several operational initiatives already underway, we are moving with a full head of steam. I discussed reconnecting with our members, redeveloping the lending operation, creating operational efficiencies and empowering the staff to allow them to provide greater member service, to name a few. All done! We have made tremendous strides in creating an environment that is conducive to serving the members' needs much easier and more efficiently. We have developed new lending policies and procedures that allow us to grant more loans, especially to members that need us the most. Included in this effort was the development of a first mortgage product. This new mortgage loan product will allow our members to acquire a home with less cost and fewer obstacles to navigate. To that end, we are excited that the program is up and running and delivering the aforementioned to the membership.

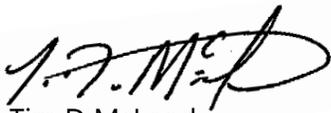
In addition to the aforementioned advantages, at the last Annual Meeting, I talked about the "buzz" amongst the staff; their eagerness to move Riverfront FCU forward and the desire to provide greater service to our members. While the buzz has settled down somewhat, their eagerness and desire has not. This great staff stands ready to deliver what is needed to provide Great Member Service. Adding to that, we are in the process of updating the lobby at the Reading branch. You will also notice that we have rearranged the member servicing areas. We have placed our high performance Financial Service Representatives (FSRs) in our new Member Contact Center, where they can readily attend to every member request. With this one change, there is no longer a need for the member to go from office to office. Now the FSR can provide every service, from opening a new member account to providing an array of loan products timely and efficiently. To accommodate this type operation, we changed to a centralized loan approval process and that department is now relocated in the back office, providing them an area where they can maximize their time and make quick effective loan decisions. The combination of these changes makes your credit union much more efficient and provides the necessary tools to provide you, the member, greater service.

With regard to these changes and many others, the Chairman mentioned that we started on this journey looking to change the status quo. Obviously we have done that and are preparing for many more changes that will positively affect the future of Riverfront FCU. Additionally, and equally

important, he discussed that it costs money to correct and add the necessary tools to provide the needed services. Always know that our members' equity (capital) is highly guarded and never used without thorough review and analysis. However, as we make alterations and continue moving in the new direction, we will continue to develop the necessary revenue to grow members' equity, making the credit union stronger.

Going forward be on the lookout for additional services, new loan products and other aspects that are in varying levels of development. Rest assured that as we move forward and continue to build onto the foundation established, we are preparing Riverfront for a very successful future. I want to leave you with two operational initiatives to look for; the first is shared branching, and the second is a comprehensive rewards program. I will not go any further than that regarding the details, but will share with you that these two initiatives alone will make your experience truly remarkable.

I want to thank you all for your support and most of all for your commitment to your credit union as we grow stronger together.

A handwritten signature in black ink, appearing to read 'T. D. McLeod', with a stylized flourish at the end.

Tim D McLeod
President/CEO

A Message from the Supervisory Committee

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 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 2014, the Supervisory Committee completed the following:

- Performed surprise cash counts of teller cash drawers, vaults and ATM machines at all branch locations
- Conversed with team members to establish open communication between staff and committee members and assess branch procedures and environment as seen from the team member perspective
- Review 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
- Met with senior management for Q&A sessions
- One member of the committee attended the OCM Supervisory Committee conference, and shared details of the conference with the committee for discussion
- Met with the auditor, from Reinsel Kuntz Leshar LLP for a Q&A session.
- Engaged Reinsel Kuntz Leshar LLP to assist the Supervisory Committee. Quarterly reports based on the agreed-upon procedures, beginning the first quarter of 2015

Current Supervisory Committee members:

Irwin Levan – Chairman

Robert Ebling, Ernie Musser, Hallie Guisepppe and Cody Johnson

Hallie Guisepppe

Supervisory Committee Member

STATEMENT OF FINANCIAL CONDITION

<i>Assets</i>	December 31,	
	2014	2013
Loans to members, net	\$ 64,387,385	\$ 46,516,412
Cash and cash equivalents	3,026,941	2,225,599
Interest bearing accounts	19,346,284	23,472,445
Securities available for sale	77,437,163	91,738,823
Accrued interest receivable	356,650	403,875
Property and equipment, net	577,481	643,143
NCUSIF deposit	1,530,546	1,530,210
Prepaid expenses and other assets	591,766	337,485
Total Assets	\$ 167,254,216	\$ 166,867,992
 <i>Liabilities and Members' Equity</i>		
Liabilities		
Members' shares and savings accounts	\$ 150,392,112	\$ 150,295,525
Accounts payable and accrued expenses	542,846	347,688
Total liabilities	150,934,958	150,643,213
Members' equity	16,319,258	16,224,779
Total Liabilities and Members' Equity	\$ 167,254,216	\$ 166,867,992