

The path to Financial Comfort

Choosing the right path to Financial Comfort

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Our Story

About Community First Credit Union

Community First Credit Union Limited is a full service credit union open to everyone living in the province of Ontario. Community First offers a full range of financial products and services for personal and business banking including: Accounts, Mortgages, Loans, Lines of Credit, Debit Cards, Credit Cards, Investments, Merchant Services, and Insurance, along with providing professional advice and sound

financial planning. Located in Northeastern Ontario and operating for 65 years, Community First has two branch locations in Sault Ste. Marie, and one branch location in Timmins. With assets under administration in excess of \$440 million we continue to grow and diversify. Member / owners have convenient access to a surcharge-free network at over 2,400 ATMs across Canada.

Having a Purpose in Business

From the very beginning the founders of this credit union had an innate sense about the power of having a purpose in business, a purpose beyond making money.

So it began when twenty people came together to provide financial opportunity to their community of fellow workers. The ability to obtain a mortgage or loan was something they could not take for granted.

More than half a century has passed since December 1948 when this visionary group built our company's foundation on guiding principles: Member Focus; Respect, Integrity, and Trust; Financial Soundness; Human

Resources Development; Choice of Access; and Community Ties.

These principles established our culture. Throughout the years, this foundation has remained and these basic values have led us on a path of growth and success. As our vision and membership base expanded a need to change our name occurred:

From serving Algoma Steel workers and their families as the Algoma Steel Workers' Credit Union in 1948; to serving the entire Algoma District as ASCU Community Credit Union in 1981; to serving the Province of Ontario as Community First Credit Union in 2005; to merging with Timmins Regional Credit Union in 2006.

Our Purpose

In everything we do, we believe in improving the lives of our members by providing **Financial Opportunity**.

Our Mission Statement

We are passionate about minimizing anxiety generated by significant changes and choices in the financial services market.

Financial Comfort is the result of our value proposition where:

1. Trusted, professional advice is the foundation of our relationship;
2. Outstanding design creates processes, products and services that are aligned to provide simplicity and convenience; and
3. Our Co-operative business model is unique in that each member / customer is also the owner / shareholder.

Feeling great about decisions, the simplicity of the process and the excellent financial return all contributes to the positive experience our members deserve.

Showing our members the way to Financial Comfort

Our People

Gregory Peres, Chief Executive Officer
Peter Ritchie, Chief Financial Officer
Debbie Sims, Director of Operations
Paul Greely, Director of Sales & Member Service
Jamie McLeod, Chief Information Officer
Rose Gioia, Executive Assistant
Cindy Adam, Accounting Manager
Sharron Cameron, Compliance & Risk Manager
Laureena Clement, Branch Manager, Bay Street Branch

Sandra Frechette, Human Resources Generalist
Jessica Hardy, Branch Manager, Cedar Street Branch
Glyn Heatley, Information Technology Manager
Craig Hunter, Business Applications Manager
Betty Rusnell, Credit Manager
Randy Schuran, Branch Manager, Trunk Road Branch
Vicky Turco, Marketing Manager
Michael Verdecchia, Financial & Wealth Services Manager
John Ziccarelli, Business Services Manager

Sherri Atkinson
Lori Babcock
Kim Barrow
Julie Battisti
Linda Bernier
Pamela Bigelow
Leslie Biggs
Jasmine Blatter
Kim Boudreau
Bobbi-Jo Brownlee
Amanda Carpenter
Patty Cavaliere
Julie Chiera
Kim Clark
Wanda Coccimiglio
Teresa Cress

Johanna Cudmore
Patricia Curtis
Kelly Dawson
Kaaren DiPasquale
Wendy Elliott
Manuela Febbraro
Cindy Fizzell
Stacey Fuselli
Nita Garofalo
Wendy Gennings
Penny Glover
Erin Greene
Karen Grenke
Loredana Guzzo
Debbie Johns
Angel Kelly-Rizzo

Joanne Kinnunen
MaryAnn Labancz-Vye
Susan Lamothe
Stacey Lampe
Brandon Lawrence
Roxanne Lester
Joely Maguire
Kevin Markkula
Diana Mazzuca
Kirsti Medaglia
Vicki Milano-Lee
Suzanne Morin
Lisa Mulligan
Jennifer Nikoruk
Leigh-Anne O'Brien
Chris Oliver

Terri Palumbo
Dana Perreault
Pamela Perrier
Terry Ragnitz
Jane Rains
Erin Russon
Donna Sanderson
Leslie Sigouin
Kaija Sillanpaa
Lauren Sinibaldi
Louise Striukas
Amy Sutherland
Lyse Thayer
Paula Theriault
Ingrid Voss
Kelly Warwick

Credential Financial Strategies Michael R. Pigeon, Allison Masters

Credential Financial Strategies Inc. is a member company under Credential Financial Inc. offering financial planning, life insurance and investments to members of credit unions and their communities.

Board of Directors



1



2



3



4



5



6



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8



9



10



11



12



13

- 1. Jeff Piper, *Chair*
- 2. David Walker, *Vice Chair*
- 3. Wayne Lee, *Secretary*
- 4. Lloyd Hotchkiss, *Executive Member*

- 5. Jim Bowman
- 6. Domenic Ferrone
- 7. Brent Lamming

- 8. Ron Lamon
- 9. Norm Nankervis
- 10. Louise Provenzano

- 11. Mary Ellen Szadkowski
- 12. Gannon Vaughan
- 13. Barbara Welin

Report to the Members

Our vision to be a leader in the financial services industry, focused on providing our members and communities with financial opportunity, was at the core of what we achieved in 2012. The products and services we offered throughout the year allowed members to purchase houses, consolidate debt, or invest in tax efficient products such as Tax Free Savings Accounts.

We are proud of our history at Community First and are pleased that we lived our vision and purpose during 2012. Through our work in the community and interaction with our member / owners we truly inspired and gave financial opportunity to hundreds of families and community organizations.

We are proud of Northern Ontario and the people that work and live in our communities. Every employee at Community First is focused on sharing our ability to improve lives and make dealing with finances as comforting as possible.

Governance

The Board of Directors is responsible for the strategic oversight, business direction, and supervision of management's goals for Community First Credit Union. In acting in the best interests of the credit union and its members, the Board's actions adhere to the standards set out in the Credit Unions and Caisses Populaires Act, 1994, the Standards of Sound Business Practice, and other applicable legislation.

Beginning in April of 2013, the Board will be comprised of 12 Directors. Collectively, the Board is capable of fulfilling its role and represents a variety of experience, competence, and knowledge. We will continue to review our needs and recruit future qualified Directors to ensure we are able to meet the standards set by our Board and the Regulators, and to maintain diversity amongst our Board members.

The Board is committed to ensuring that ongoing education is a priority in order to maintain a current and effective Board. The Board is in the process of establishing education requirements and encourages Directors to participate in a variety of training opportunities as well as participation in specific accredited Director education programs.

One of the goals of the Board of Directors is to provide the best governance possible for Community First Credit Union. Through the work of the Governance Committee the Board approved the implementation of the Director Training and Qualifications Policy. This policy was developed in conjunction with the Deposit Insurance Corporation of Ontario's (DICO) policy development guide for director training, as well as qualifications and information obtained from various course providers.

The policy introduces nine director competencies, minimum director competency requirements, time frames to achieve specific competency levels, director assessments, as well as training and personal development requirements. In 2012, current Directors completed a self-assessment to determine their competency level. This is being used to develop a training plan for each Director and the Board as a whole. The Nominating Committee has also embedded the nine competencies into the candidate assessment process, providing a link between Board needs and candidate recruitment.

The on-going process will allow us to recruit and develop highly skilled, qualified Directors to provide direction and guidance to support the credit union and our members in the future.

The credit union landscape continues to change both in Ontario and throughout Canada. Our objective is to be prepared to meet the service needs of our members while being competitive in the financial services industry.

What we Accomplished during the Year

Going into 2012 we had a business plan that focused on five pillars that Management and the Board determined were the most important in order to provide the best service possible to the membership. Within each of these, there were a number of initiatives and goals established that aligned with our vision and mission for the credit union. These pillars are:

- 1) **Purpose Driven** – At the core of all that we do, there is a purpose as to why we exist as a credit union that inspires each and every one of us at Community First. This purpose of “providing financial opportunity” is member focused and empowers all employees to think out of the box and develop innovative solutions for our members’ financial needs. Our goals were to elevate this belief within the organization, build our sales culture on top of a great service culture, and ensure support systems and processes are in place to maintain this sales culture.
- 2) **People** – You hear it over and over that people are our best assets. We know this and work very hard at making Community First a great place to work where all employees

Highlights of the Year

The following services were added or enhanced to improve service to the membership:

New statements – A newly designed statement was launched in November 2012 that was easier to access electronically and provided information in a visually more appealing way. The statements are available two business days after month-end allowing members more timely access to their financial information.

Launch of the Service Excellence Centre (SEC) – Our SEC was opened in March 2012. Its main purpose is to answer inbound calls from our members. Our goal is to answer your question on that very first call. We call this “first call resolution” and believe this provides great efficient service. Not only do we respond to our members’ needs quickly, we are tracking the types of calls that are inbound and use this information to improve our service delivery to the membership.

ATMs dispense U.S. Funds – All six of our ATMs will now dispense US dollars to our members at a very competitive exchange rate without any surcharges. This is a great convenience as this feature is available 24 hours a day.



At the core of all that we do, there is a purpose as to why we exist as a credit union that inspires each and every one of us at Community First.



feel empowered and inspired. Our culture and goal is to attract and retain the best people, provide a rich environment to learn and become subject matter experts, and ensure we understand our accountabilities.

- 3) **Partnerships and Collaboration** – As the financial landscape continues to change at a rapid pace, we have to think about our business model differently into the future. Growth and sustainability are challenging in today’s environment and we must look to align with other credit unions of similar values and strategic vision to achieve growth and long term sustainability.
- 4) **Financial and Risk Management** – While we want to give as much to the membership as possible, there is the reality of managing our economy at Community First. We need to focus on operating our credit union at a level of profitability for sustainable growth, while at the same time understand and manage our risk in order to be responsible stewards of the assets we have been entrusted with.
- 5) **Sound Governance Practices** – Ensuring our credit union has a Board that is knowledgeable and whose competencies support the strategic direction of the credit union. With this focus, the Board worked on building on their competencies and succession planning.

e-Transfer launched – INTERAC® e-Transfer was launched in November 2012, providing our members with a convenient cost-effective way of transferring funds using their e-mail address or mobile phone number.

Cheque Images available via Internet Banking – As of June 2012, members are able to view images of their cheques on our Internet Banking site at the time they clear their account. This is a value-added, complementary service to our members.

Free Wireless Wi-Fi Offered – In 2012 we installed wireless internet access in all of our branch locations for use by our members. Now when you visit a branch, you have the ability to access your accounts online or simply visit and surf the net.

Strategic Direction

The Board and management met in 2012 for our annual strategic planning session. Overall, the direction that was established in the prior year was confirmed and the Board approved moving forward on that basis. Our five pillars of **purpose driven, people, partner and collaborate, financial performance and risk management, and sound governance** are the focus of our strategic plan moving forward.

In 2013, we will be reviewing our business model and determining a framework for future growth. We will continue to grow organically by building financial relationships with our members through a consultative sales process whereby we are proactive in our delivery and have the ability to recommend next best products for our members. By providing products and services that meet the needs of our members and that are competitively priced, we feel there is a moderate level of growth that can be achieved. This organic growth alone will not be sufficient. In order to achieve the desired level of growth, we will be developing a framework in 2013 that will look at investment opportunities outside of the cities of Timmins and Sault Ste. Marie.

In addition to these investments, we will find ways to transform our credit union to sustain itself for the next 50 years. This will be accomplished by embracing new technologies and investment opportunities that will increase our size and improve our efficiencies.

Internally we are adjusting our organization to change how we deal with the new realities of our industry, namely:

- 1) Cost containment;
- 2) Utilizing technology to align our delivery channels to member needs in an efficient and convenient way;
- 3) Competing in a marketplace that is highly commoditized; and
- 4) Improving the knowledge and professionalism of our employees through continued training and education.

In closing, we want to thank our Board of Directors, management team, and employees for their continued support and dedication to making Community First a leader in the communities that we serve. Over the course of 2012, we moved ahead in many key areas relating to member service, financial strength, community building, employee growth, and innovation. Going forward, we promise to put our values to work every day and share our advice and profits in the communities we serve.

Financial Performance – Highlights

The year continued to see volatility in the financial markets and a low interest rate environment. Countries around the world continued to have difficulty managing their debt and building any sort of confidence. At home, these events kept interest rates down and pricing for loans and deposits was very competitive. Interest rates will continue to remain at historical low levels, pricing of our products will be competitive, and all of this will keep our interest margins very lean into the foreseeable future. With these realities we continually must look for ways to provide the most efficient services to our members and continue to transform our business model to reduce waste, improve turnaround time, get it right the first time and provide the best economic value possible to our members.

2012 was a challenging year from a financial performance point of view. While we achieved many successes, our growth and bottom line were below plan.

Our assets under administration approached \$450 million at year end, a gain of \$15 million.

During the year, mortgages grew by 6.1% and deposits grew by 5.8%.

We attracted more business owners during the year - we now serve in excess of 1,200 business owners.

At December 31, 2012, total assets under administration increased to \$449.7 million and members' equity was \$20.4 million. The assets under administration included our financial statement assets of \$339.1 million; assets managed in our wealth management area of \$105.4 million; and securitized mortgages that we service of \$5.2 million.

The credit union's liquidity was efficient at 10.3% of assets and included cash and investments of highest credit quality with Central 1. To manage our liquidity levels, the credit union's term loans from Central 1 decreased during the year as member deposit growth exceeded loan growth. Management monitors the credit union's liquidity to ensure sufficient funds are available to meet members' requirements.

Total loans to members were \$293.3 million at year end. Overall, credit issued to members grew by \$4.5 million with the majority of this growth in personal mortgages. This growth was below our historical levels due to the decline in volumes from our dealer financing business line and the increase in the dollar amount of pay downs experienced in our mortgage portfolios. Our credit portfolios are of good quality, comprised mostly of mortgages that in total represent 76% of our entire loan portfolio. These mortgage loans are secured by first mortgages on residential property or business properties located in Ontario.

The allowance for impaired loans decreased by \$685,202 during the year to \$898,818 and is netted in the loans to members on the Summary Consolidated Statement of Financial Position. The decrease was the result of a decrease in bankruptcies experienced and no significant impairments in our commercial portfolio. Overall, the credit union's loan impairments and delinquencies are within an acceptable industry average.

Member deposits, including accrued interest owed to members grew by \$16.2 million to \$305.7 million at December 31, 2012. This was excellent growth for the credit union as we experienced growth in all portfolios within our assets under administration. We continued our strong focus in helping families find their financial opportunity by opening and contributing to the Tax Free Savings Account. As a result of this, our TFSA portfolios increased \$4.9 million or 39% over the previous year and continues to be a popular savings vehicle for our members.

As a result of our deposit growth, term loans utilized by the credit union decreased by \$9.5 million to \$11.0 million. These term borrowings are within the approved limits established in our business plans and approved by the Board of Directors.

As is highlighted on the Summary Consolidated Statement of Income and Comprehensive Income, interest revenue earned

on loans and investments decreased to \$14.0 million. This decrease was the result of lower interest rates and competitive pricing of mortgages. Interest paid on members' deposits and term loans increased to \$5.5 million as a result of higher deposit balances. Overall, our financial margin remained flat. Other revenue increased from the previous year by \$389,958. Combined financial margin and other revenue earned by the credit union increased by \$400,121 in the year.

Non-interest expenditures increased \$743,014 or 7.3% when compared to the 2011 results. The increase was mainly attributable to increase in pension costs and depreciation and amortization. Overall, expenditures were managed within the budgets established in the business plan.

The Board of Directors declared a 2.37% dividend on Class A shares and a 2.00% dividend on Class B shares. Interest and dividends paid to the membership in 2012 totaled \$5.3 million.

Net income for the year was \$360,972, a decrease of \$213,651 from the previous year.

The credit union has remained compliant with all regulatory requirements. Regulatory capital totaled \$20.7 million and represented 6.1% of total assets and 11.4% of risk weighted assets. Both these ratios exceeded regulatory capital levels of 4% and 8% respectively, and policy limits as established by the Board of Directors.

In summary, your credit union had a successful year financially even though our results were lower when compared with the prior year. A low interest rate environment and strong competitive environment continued to put pressure on our financial margin. During the year, your credit union offered competitive rates on loans and deposits and focused on giving as much value as possible to the membership. Going forward, we will balance value to the members and profitability to the credit union to ensure we have a strong sustainable financial cooperative for the years to come.

Respectfully submitted



Jeff Piper
Chair, Board of Directors



Gregory Peres, CPA, CA
Chief Executive Officer



In 2012,
we had an
increase in
**Member
Deposits**
which grew by

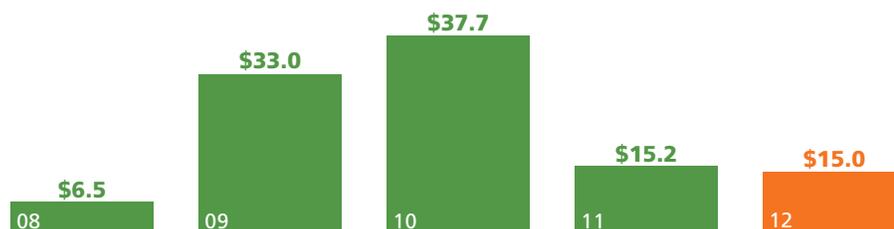
**\$16.7
MILLION**



Financial Highlights¹

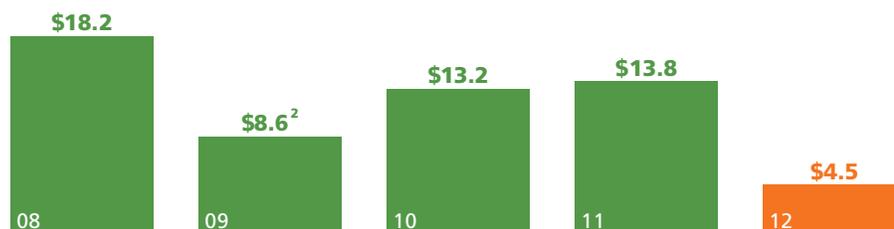
Growth in Assets Under Administration

(in millions)



Growth in Credit Issued to Members

(in millions)



Growth in Member Deposits

(in millions)

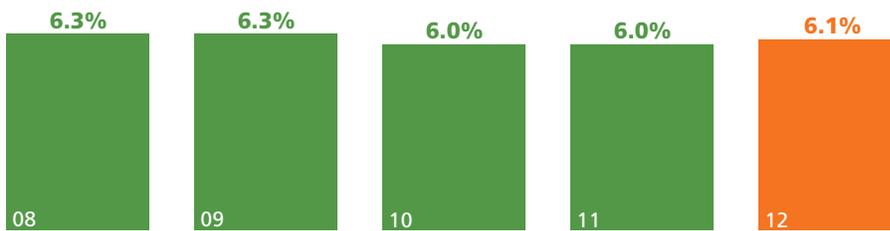


¹ 2008 & 2009 financial highlights have been stated according to Canadian Generally Accepted Accounting Principles (GAAP). 2010 - 2012 financial highlights have been stated according to International Financial Reporting Standards (IFRS).

² In the year 2009, \$10 million worth of mortgages were securitized.

Regulatory Capital

(% of assets)



Earnings Before Income Taxes

(in millions)



Interest and Dividends Paid to Members

(in millions)



Interest and dividends paid to the membership in 2012 totaled

\$5.3
MILLION

Management's Responsibility for Financial Information

The information in this annual report and the accompanying summary financial statements are the responsibility of Management and has been approved by the Board of Directors.

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the credit union in accordance with International Financial Reporting Standards. When required, the financial statements include estimates based on Management's best knowledge. The summary financial statements presented in the annual report are derived from the complete consolidated financial statements of Community First Credit Union Limited for the year ending December 31, 2012.

Management maintains a system of internal controls designed to provide reasonable assurance that relevant, reliable, and timely information is produced. This system provides reasonable assurance that transactions are authorized, assets are safeguarded and proper records and controls are maintained. These controls are reviewed by internal and external auditors and results are reported directly to the Audit Committee.

The auditors have full and free access to, and meet periodically with the Audit Committee to discuss all matters concerning the nature and execution of their mandate, particularly with respect to the accuracy of financial information provided by Community First Credit Union and the reliability of internal controls.

The independent auditors appointed by the general meeting of the members, Grant Thornton LLP, Chartered Accountants, have the responsibility of auditing the financial statements in accordance with Canadian generally accepted auditing standards and expressing their opinion. Grant Thornton's Independent Auditor's Report is contained within the annual report.



Peter Ritchie, CPA, CA, CBV
Chief Financial Officer



Gregory Peres, CPA, CA
Chief Executive Officer

Our
TFSA
portfolios increased
\$4.9 million
or **39%** over
the previous year
and continues to
be a popular
savings vehicle for
our members.

Report of the Independent Auditor on the Summary Financial Statements

To the Members of Community First Credit Union Limited:

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at December 31, 2012, the summary consolidated statements of income and comprehensive income, changes in members' equity and cash flows for the year then ended, are derived from the audited consolidated financial statements of Community First Credit Union Limited as at December 31, 2012. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 15, 2013. Those consolidated financial statements, and the summary consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Community First Credit Union Limited.

Management's responsibility for the summary consolidated financial statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements on the basis described in Note 1.

Auditors' responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Community First Credit Union Limited for the year ended December 31, 2012 are a fair summary of those consolidated financial statements, on the basis described in Note 1.

Grant Thornton LLP

Sault Ste. Marie, Canada
March 15, 2013

Chartered Accountants
Licensed Public Accountants

In 2012,
our Assets Under
Administration
approached
\$450 MILLION
at year end,
a gain of

\$15
MILLION

The credit union's
liquidity was
efficient at

10.3%

of **assets**

Summary Consolidated Financial Statements

Summary Consolidated Statement of Financial Position

As at December 31	2012	2011
Assets		
Cash and investments	\$ 37,013,183	\$ 34,418,580
Accrued interest receivable	889,642	1,095,005
Loans to members, net	292,363,607	287,165,167
Other assets	8,815,896	9,402,031
	<u>\$ 339,082,328</u>	<u>\$ 332,080,783</u>
Liabilities and Equity		
Member deposits	\$ 305,666,783	\$ 289,472,513
Term loans	11,000,000	20,500,000
Liabilities to non-members and other	1,920,137	2,243,074
Membership shares	70,178	72,281
	<u>318,657,098</u>	<u>312,287,868</u>
Shares (Class A & B)	3,671,153	3,724,585
Contributed surplus	1,315,305	1,315,305
Retained earnings	14,635,821	14,357,543
Accumulated other comprehensive income	802,951	395,482
	<u>20,425,230</u>	<u>19,792,915</u>
	<u>\$ 339,082,328</u>	<u>\$ 332,080,783</u>

Summary Consolidated Statement of Income and Comprehensive Income

Year Ended December 31	2012	2011
Interest revenue	\$ 14,023,381	\$ 14,284,600
Interest expense	5,525,328	5,324,191
	8,498,053	8,960,409
Impairment on member loans	393,643	866,162
Financial margin	8,104,410	8,094,247
Other revenue	3,116,893	2,726,935
	11,221,303	10,821,182
Other expenses		
Depreciation and amortization	930,895	790,909
Automated networks	1,130,151	1,160,095
General and administration	1,707,127	1,580,399
Insurance	466,885	526,519
Loan costs	93,179	95,008
Occupancy	718,197	711,856
Salaries, wages and benefits	5,821,284	5,259,918
	10,867,718	10,124,704
Earnings before gain on sale of assets	353,585	696,478
Gain on sale of assets	-	27,958
Earnings before income taxes	353,585	724,436
Income taxes	(7,387)	149,813
Net income for the year	360,972	574,623
Other comprehensive income (net of tax)		
Change in unrealized gain (loss) on AFS investment	407,469	19,687
Total other comprehensive income for the year	407,469	19,687
Total comprehensive income for the year	\$ 768,441	\$ 594,310

Summary Consolidated Statement of Changes in Members' Equity

Year Ended December 31	Members' Shares	Accumulated Other Comprehensive Income	Retained Earnings	Contributed Surplus	Total
Balance at January 1, 2011	\$ 3,774,697	\$ 375,795	\$ 13,864,434	\$ 1,315,305	\$ 19,330,231
Net Income			574,623		574,623
Distributions to Members			(81,514)		(81,514)
Redemption of Shares	(50,112)				(50,112)
Change in unrealized gains/(loses) on available for sale investments		19,687			19,687
Balance at December 31, 2011	3,724,585	395,482	14,357,543	1,315,305	19,792,915
Net Income			360,972		360,972
Distributions to Members			(82,694)		(82,694)
Redemption of Shares	(53,432)				(53,432)
Change in unrealized gains/(loses) on available for sale investments		407,469			407,469
Balance at December 31, 2012	\$ 3,671,153	\$ 802,951	\$ 14,635,821	\$ 1,315,305	\$ 20,425,230

Our credit portfolios are comprised mostly of mortgages that in total represent **76%** of our entire loan portfolio.

Summary Consolidated Statement of Cash Flows

Year Ended December 31	2012	2011
Operating activities		
Net earnings	\$ 360,972	\$ 574,623
Non-cash items	1,207,334	756,711
Distribution to members	(82,694)	(81,514)
	<u>1,485,612</u>	<u>1,249,820</u>
Financing activities		
Members' deposits	16,194,270	7,865,947
Proceeds on redemption of term deposits	-	1,000,000
Proceeds on redemption of liquidity reserves	(2,041)	1,627,822
Member capital accounts, net	(55,535)	(48,463)
Increase in term loans	(9,500,000)	5,500,000
	<u>6,636,694</u>	<u>15,945,306</u>
Investing activities		
Loans to members	(5,592,083)	(14,349,393)
Central 1 Class A Shares & Membership Shares	23,929	(477,226)
Purchase of property, equipment and intangibles	(422,130)	(2,070,936)
Other	264,975	462,588
	<u>(5,725,309)</u>	<u>(16,434,967)</u>
Increase in cash and cash equivalents	2,396,997	760,159
Cash and cash equivalents, beginning of year	9,755,053	8,994,894
Cash and cash equivalents, end of year	\$ 12,152,050	\$ 9,755,053

Basis of presentation (Note 1) Management is responsible for the preparation of the summary consolidated financial statements. The summary consolidated financial statements presented include the summary consolidated statement of financial position and the summary consolidated statements of income and comprehensive income, changes in members' equity and cash flows. The summary consolidated financial statements do not include any other schedules, the summary of significant accounting policies or notes to the financial statements. The summary consolidated statement of financial position and summary consolidated statements of income and comprehensive income, changes in members' equity and cash flows are presented in a similar format to the audited consolidated financial statements except that some line items have been presented together and the note referencing has been removed.

In addition, a copy of the full consolidated financial statements is available for download at www.communityfirst-cu.com and to any member, upon request, at any branch of the credit union.

In 2012, the Board of Directors declared a

2.37%

dividend on Class A shares and a

2.00%

dividend on Class B shares

Audit Committee Report

Community First's Audit Committee was formed pursuant to Section 125 of the Credit Unions and Caisses Populaires Act, 1994 (Ontario) ("Act"). The committee, composed of Board of Director members, has oversight responsibility for the credit union's financial reporting, risk management, internal/external audit, ethics, legal and compliance requirements. A written terms of reference prescribes the committee's objectives, responsibilities and accountabilities. The committee met throughout the year to receive reports from management, internal audit and Grant Thornton LLP, our external auditors.

Throughout 2012, the Audit Committee adhered to its work plan which stipulates due diligence and governance activities. The committee, which meets at minimum quarterly, performed the following key functions on behalf of the credit union members:

1. Reviewed and approved

- a. 2011 Audited Financial Statements;
- b. 2011 Audited Management and Union Employee Retirement Pension Plan Financial Statements;
- c. Updated corporate policies, including policies relating to market risk, structural risk, inactive, dormant and unclaimed credit and proceeds of crime (money laundering) and terrorist financing; and
- d. Internal audit reports and the annual audit plan.

2. Completed an Audit Committee performance evaluation.

3. Evaluated financial forecasts and performance indicators.

4. Oversaw updates related to the scope and impact of International Financial Reporting Standards (IFRS).

5. Assessed representations as provided by Management, confirming that the operations of the credit union are being managed in accordance with the Deposit Insurance Corporation of Ontario (DICO) Standards of Sound Business and Financial Practices as outlined in DICO By-law No. 5.

The Audit Committee oversight activities were performed to ensure proper safeguarding of the credit union's assets and adherence to policies. Based on its reviews and findings, the Audit Committee made recommendations to the Board of Directors and Senior Management, and followed up to ensure that the recommendations were considered and implemented, as appropriate.

The Audit Committee is pleased to report to the members that the committee is functioning in accordance with the Act. Through the full co-operation and support of management, it continues to play an effective role in assuring the quality of financial reporting, risk management, internal / external audit, ethics, legal and compliance requirements, thus, enhancing overall operational control of the credit union.

There are no significant recommendations made by the Audit Committee that have not been either implemented or are in the process of being implemented. There are no issues the committee believes should be reported and no matters that would require disclosure pursuant to the Act or the Regulations.

Respectfully submitted on behalf of the Committee,
Jim Bowman, Chair, Brent Lamming, Louise Provenzano, Gannon Vaughan, and David Walker.

Credit Committee Report

2012 Loan Applications	Number Granted	Amount Granted*	Number Denied	Total Number
Personal Loans	401	\$7.1	106	507
Mortgage Loans	214	\$24.4	34	248
Commercial Loans	33	\$14.7	3	36
Lines of Credit	388	\$10.0	32	420
Total	1,036	\$56.2	175	1,211

*in millions

	2012	2011
Delinquent Loans Over 90 Days	\$ 1,715,829	\$ 3,002,510
Delinquent Loans Over 90 Days (# of Accounts)	30	41

Respectfully submitted on behalf of the Committee,
Domenic Ferrone, Chair, Ron Lamon, Norm Nankervis, Mary Ellen Szadkowski, Barbara Welin

We attracted more business owners during 2012. We now serve in excess of 1,200 business owners.

Community Investment

Don't actions speak louder than words?

Here at Community First - we know they do. After all, we have been in the business of putting both our members and the communities we serve **first** for 65 years. And, we have seen the benefits of community support first hand.

As a member-owned, local credit union, we have a distinguished history of supporting community economic development, providing dedicated volunteerism, community sponsorships, scholarships, bursaries, and a wide range of charitable giving. This commitment to sustaining strong communities is at the core of the credit union difference.

Key community partnerships in 2012 included the following organizations:

- Algoma Fall Festival
- Algoma Family Services Foundation
- Alzheimer Society
- Algoma Residential Community Hospice
- Algoma University
- Community First Kids Zone Partnership with the Algoma District School Board, Huron Superior Catholic District School Board, École Notre-Dame du Sault, and the Soo Greyhounds
- Fire Safety Timmins
- Northern College
- Sault College of Applied Arts and Technology
- Sault Major Hockey Association
- Temiskaming Community Legal Clinic
- The Lung Association Festival of Trees
- The Sault Symphony

Did you know Community First is an Imagine Canada Caring Company?

As a result of our commitment to our Community Investment Program, The Canadian Centre for Philanthropy's Imagine Program has designated Community First as a Caring Company. At Community First, we exceed Imagine Canada's required minimum 1% donation of pre-tax earnings to non-profit organizations. In fact, we make an annual commitment to contribute a **minimum of 3%** of pre-tax earnings back into the communities we serve.



Image 1 - Students from Holy Cross Catholic School enjoy a Soo Greyhound game on behalf of Community First. The Community First Kids Zone recognizes five students at all Soo Greyhound regular season home games for their contributions and achievements at school. In 2012, 172 students were honoured in the Community First Kids Zone.



Image 2 - Representatives from Community First visit the Sault Area Hospital Pediatric Unit to donate a flock of plush toys. "Ozzie" is the latest credit union collectible. (Left to right): Gisele Anderson, Manager of Maternal / Child Program, patient Hunter Berto, RNs Carol Campbell and Barb Ritchie and Community First staff, Bobbi-Jo Brownlee and Chris Oliver.



Image 3 - "Winter Glisten" - Community First Credit Union's submission in this year's Lung Association Festival of Trees made the top ten in the People's Choice Category. (Left to right): Community First employees Stacey Fuselli and Lauren Sinibaldi.

At Community First, our actions stand behind our words. Now, that's different!

Community First provided support for numerous organizations and their fundraising activities in 2012 through financial support, the donation of goods-in-kind, as well as volunteerism. Here are some of the highlights:

- Donation of stuffed animals to the Pediatric Unit of the Sault Area Hospital
- Donation of water bottles to the Dance Northern Ontario Summer Camp
- Donation of lunch bags for children of low-income families
- Staff team entry in the Run for the Cure
- Staff team entry in the Terry Fox Run
- Drug Safety Magazine in local schools
- Hospital Activity Book for Children
- Don Doucet Scholarship Fund - Memorial Golf Tournament
- Timmins and Kirkland Lake District - Mine Rescue Golf Tournament
- Timmins Symphony Orchestra
- Timmins Oldtimer Benefit Hockey Game
- United Steelworkers Christmas Skate

Working towards Financial Comfort; Simplicity, Convenience, and Increasing your Net Worth.

At Community First, You Matter.

For more information visit us at: www.communityfirst-cu.com

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