

**DRIVEN**  
**DETERMINED**  
**FOCUSED**  
**MOTIVATED**  
**INSPIRED**  
**STRONG**  
**CAPABLE**



COMMUNITYFIRST

COMMUNITY FIRST CREDIT UNION 2011 ANNUAL REPORT



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# BOARD OF DIRECTORS



**JEFF PIPER, CHAIR**



**WAYNE LEE, SECRETARY**



**DAVID WALKER, EXECUTIVE MEMBER**



**JIM BOWMAN, DIRECTOR**



**DOMENIC FERRONE, DIRECTOR**



**LLOYD HOTCHKISS, DIRECTOR**



**RON LAMON, DIRECTOR**



**NORM NANKERVIS, DIRECTOR**



**PATRICK PRAYSNER, DIRECTOR**



**LOUISE PROVENZANO, DIRECTOR**



**PAT RODEN, DIRECTOR**



**GANNON VAUGHAN, DIRECTOR**



**BARBARA WELIN, DIRECTOR**



# 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, Dealer Financing, and Insurances, along with providing professional advice and sound financial planning. Located in Northeastern Ontario and operating for close to 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 \$430 million we continue to grow and diversify. Member / Owners have convenient access to a surcharge-free network at over 2,300 ATMs across Canada.

## A GROWING STORY

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.*

We understand that people are challenged by time pressures, financial pressures, and the struggle to maintain a healthy balance between work and home. We are passionate about minimizing the anxiety generated from significant changes and choices in the financial services marketplace. **Financial comfort** is the result. Feeling great about financial decisions, the simplicity of the process and the excellent financial return contributes to the positive experience our members deserve.

We are here because we believe in changing the lives of our members by providing **financial opportunity**. Proud of our history and confident of our future, our story remains the same, but with a renewed sense of purpose.

# OUR PEOPLE

Gregory Peres,  
*Chief Executive Officer*

Leslie Sigouin,  
*Chief Financial Officer*

Carla Belanger,  
*Director of Human Resources*

Paul Greely,  
*Director of Sales  
& Member Service*

Debbie Sims,  
*Director of Operations*

John Zicarelli,  
*Business Services Manager*

Terry Ragnitz,  
*Wealth Management Manager,  
Investment Advisor*

Betty Rusnell,  
*Retail Sales Manager*

Glyn Heatley,  
*Information  
Technology Manager*

## **Credential Financial Strategies**

Michael R. Pigeon

Annette Duckstein,  
*Administration Manager*

Jamie McLeod,  
*Project Development Manager*

Cindy Adam,  
*Accounting Manager*

Sharron Denny,  
*Internal Audit / Risk Manager*

Laureena Clement,  
*Branch Manager,  
Bay Street Branch*

Randy Schuran,  
*Branch Manager,  
Trunk Road Branch*

Vicky Turco,  
*Marketing Manager*

Sandra Frechette,  
*Human Resources Generalist*

Rose Gioia,  
*Executive Assistant*

Allison Masters

Sherri Atkinson

Lori Babcock

Kim Barrow

Julie Battisti

Pamela Bigelow

Leslie Biggs

Jasmine Blatter

Kim Boudreau

Bobbie-Jo Brownlee

Amanda Carpenter

Patty Cavaliere

Julie Chiera

Kim Clark

Wanda Coccimiglio

Teresa Cress

Johanna Cudmore

Kelly Dawson

Renee Desrochers

Nicole Dion

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

Brenda LeClair

Roxanne Lester

Joely Maguire

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

Jane Rains

Erin Russon

Donna Sanderson

Kaija Sillanpaa

Lauren Sinibaldi

Louise Striukas

Amy Sutherland

Lyse Thayer

Paula Theriault

Lola Turner

Ingrid Voss

Kelly Warwick

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.

# REPORT TO THE MEMBERS

## YEAR IN REVIEW

As a financial co-operative, we are focused on our purpose and core values. Community First has a strong tradition of being there for our members and the communities in which we do business. Through these tough economic times we held to these core values and provided sound financial products and services to meet their needs.

### OUR PURPOSE

What does Financial Opportunity mean to you?

In 2011, we spent time asking ourselves ... **What is our purpose, cause or belief?** Why does our credit union exist and

why should anyone care? This is a fundamental question that many organizations fail to understand.

The founders of this credit union were inspired to do something bigger than them. They wanted to help their community of fellow workers with the ability to obtain a mortgage or loan as this was something they could not take for granted. We believe this cause is relevant today and are inspired by it.

We reviewed this purpose and modified it slightly but believe it still holds the same theme as our founding members intended. Our modified purpose statement is:

**We believe in changing the lives of our members by providing financial opportunity.**

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### TO ARTICULATE HOW WE VIEW "FINANCIAL OPPORTUNITY," IT MEANS THE FOLLOWING TO US:



A FAIR SHAKE



A BREAK



HOPE



CONVENIENCE



A FIGHTING CHANCE

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## “What inspires us today is the ability to create financial opportunity”

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We believe these phrases capture what differentiates us in the financial marketplace. What inspires us today is the ability to create financial opportunity: give a fair shake, a break, offer hope and convenience or simply give someone a financial **fighting chance**.

This is what motivates us and makes us relevant in an industry where all financial service providers look the same.

There is a difference with Community First and we believe this has and will continue to build loyalty with the members and community.

### **GOVERNANCE**

The Board of Directors continued to focus on improvements to its governance and oversight processes. With the release of the guidance note from the Deposit Insurance Corporation of Ontario (DICO) on Director Training and Qualifications, the Board reviewed best practices and drafted policy to ensure skill sets and

competencies on the Board of Directors not only meets, but exceeds the requirements within the industry.

At last year's Annual General Meeting, the membership passed an amendment to the By-Law to reduce the size of the Community First's Board over a three-year period. With fewer Board members, it is important to have the best skilled individuals representing your financial well-being. The process for the election of directors is comprehensive. The Nominating Committee oversees the recruitment process to ensure Community First's Board of Directors possess a broad range of skills, experiences and backgrounds. These committee members take their role seriously in recruiting those directors who possess specific areas of expertise and can act for the betterment of the credit union.

This year, all current board members completed curriculum vitae. The information was used to identify gaps in experience and determine the qualifications required to fill in those gaps. A pool of prospective candidates is also maintained and continuously updated with those who are interested in serving on our Board. Prior to the Annual

Meeting, communication bulletins are posted in the branches and on our website indicating that we are seeking nominations for our Board. Prospective candidates receive an extensive package of information. The Nominating Committee interviews all candidates and evaluates them against a set of criteria defined by the Board in advance. Our members learn about the candidates through their biographies which are posted on our website and available at the Annual Meeting. The Nominating Committee recommends to our Members those candidates who are considered best qualified to serve Community First and you the membership vote at the Annual General Meeting for the candidates you want representing the credit union.

In 2011, the Governance Committee adopted an enhanced orientation session for new directors. Feedback received from recently elected directors assisted in further enhancing this program. New Directors are provided a comprehensive orientation to familiarize them with Community First's business operations and governance processes.

The Board has approved a budget for ongoing Director training and development, including educational sessions for the Board as a whole, relevant web-based workshops and seminars and attendance at conferences for individual Directors that are relevant to Community First's business. Where possible, the Board takes advantage of complimentary training options and utilizing internal resources. The Board is developing a training plan for the balance of 2012 that will include a training session as part of each Board meeting.

In 2011, all directors were required to complete Anti-Money Laundering and Privacy training. They also received training on Enterprise Risk Management and International Financial Reporting Standards (IFRS). All four of the recently elected Board members have completed the new Credit Union Director Achievement Level A governance course and are now working on Level B. They are expected to complete this training within 24 months of being elected.

DICO's Guidance Note on Director Training and Qualifications mentioned earlier will increase the standards and expectations for all Directors effective July 1, 2012. Identified competencies and skill levels will ensure that each Director and the Board as a whole will be better positioned to meet the challenges and responsibilities ahead.

**In addition, the Board accomplished the following to improve governance practices at the Credit Union:**

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Conducted a comprehensive CEO evaluation referred to as a "360 degree feedback" that involved external partners, management and Board members.

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Completed an assessment of the Board Chair and Committee Chairs with the results communicated to each individual with suggestions to enhance their effectiveness where applicable.

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Completed a comprehensive survey of the Audit Committee members to determine knowledge and effectiveness.

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Amended the board honorarium payment process to reflect director attendance at Board meetings, committee meetings, strategic planning sessions and any other special meetings held throughout the year. The amendment has been approved and added to the Board Information Policy.

The Board of Directors is committed to meeting the highest standards of governance to ensure there continues to be prudent oversight of the Credit Union.

## **OUR ACHIEVEMENTS DURING THE YEAR**

These continue to be challenging economic times. With interest rates that continue to be at historically low levels and increases in costs that are not directly tied to revenues we generate, our financial results were lower than the previous year. Refer to the Financial Highlights section in this report for further clarification.

Going forward, we will have to ensure we drive an adequate return for the credit union to allow for future growth and development and a fair financial return to the members through the financial products and services we offer.

## **OUR PEOPLE**

There were many changes in personnel that occurred during the year. This was the result of retirements, people changing careers, and a number of internal transfers. While all of this change brings a renewed level of energy, we are also a younger employee group. This is especially true among our Member Service Representatives where we had an influx of new tellers in the latter half of the year. They are eager to learn and bring fresh, new ideas. 2011 was the first year in many where we brought on four summer students. These students gained valuable work experience and helped out immensely in various departments during peak vacation time.

## **SALES CULTURE**

To integrate the Sales Culture with our great Service Culture, an independent third party was hired to review our existing practices and assist us in developing a consistent and efficient

process throughout the entire credit union. We look forward to this implementation in 2012 which will result in a higher level of financial services to our membership.

## **LAUNCH OF THE SERVICE EXCELLENCE CENTRE**

Our implementation of a Service Excellence Centre (SEC) equips employees with the skills and knowledge to deliver an exceptional experience at every stage of the member's journey. The objective of the SEC is to achieve First Call Resolution for inbound member or non-member calls. The SEC personnel handle a large volume of calls for general information, product, service and account inquiries. Our goal is to ensure that each potential and existing member has a pleasant experience.

The SEC agents have received training in a variety of aspects of the business and are prepared to assist the caller from the onset. In future phases, the SEC agents will be scheduling appointments and processing loan applications over the phone.

## **MOBILE BANKING**

Member Direct Mobile Banking was launched in March 2011, giving our members access to and the convenience of banking on their smart phones. Functionality includes viewing account balances, performing bill payments, transferring funds, and finding an ATM.

## **BRANCH RENOVATIONS**

We are very pleased with the improved efficiencies and professional environment achieved through the renovation of the Bay Street branch location. This eight-month process has resulted in a more efficient branch layout to assist members in conducting their

day-to-day banking, a re-organization of offices for easier access to the employees that members see on a regular basis, modernized technology, updated décor and a modernized branch layout. While the branch was under some major construction, it did remain open throughout the entire process and we are proud of the high level of service and convenience that was maintained for our members. This project remained within budget while all of our goals were met. A thank you goes out to both the membership for their patience during the renovation process, and to our staff for their cooperation and hard work.

### **MEMBER CARDS REPLACED WITH CHIP ENABLED CARDS**

Security is always top of mind at Community First. By the end of 2011, all members received a new Member Card debit card with Chip technology. The use of this technology is the latest action of the financial industry to prevent lost and stolen financial information, and to secure electronic payments safely and effectively. The new Chip enabled cards are extremely difficult to copy or change, minimizing the chance of debit card fraud. Members will find that banking and transactions are easier and more convenient.

### **FINANCIAL LITERACY TOOL – YOU MATTER.CA**

In 2011 our sub site [www.youmatter.ca](http://www.youmatter.ca) was repurposed and launched out to our membership base. Youmatter.ca is an online environment dedicated to providing access to a wide array of financial tools, resources, and advice to assist in making sound financial decisions, and in turn, achieving a level of financial

comfort. Youmatter.ca's objective is not to sell products or services. Rather, it is an innovative tool developed to help simplify the complicated financial landscape. We're committed to continually updating youmatter.ca to provide sound financial advice members can always count on.

### **US DOLLAR FUNDS AVAILABLE AT OUR ATMS**

Our goal is to deliver convenience and simplicity and we have done just that with the introduction of US Currency Fund withdrawals from our ATMs for Community First members and users of the Exchange Network. US Funds can be withdrawn from your CDN Chequing and / or Savings Account 24/7. We encourage you to utilize this added function to avoid waiting in line and to receive a competitive exchange rate. Please note: US Funds will be available at our ATM located in Timmins in April 2012.

### **TAKE 5 EVENT**

On September 15, 2011, Community First hosted and sponsored a Chamber of Commerce Take 5 event to introduce our newly renovated main branch to the business community. We took advantage of this opportunity by educating the attendees on our wide range of products and services available to all, including students, business owners, and the regular consumer.

### **STRATEGIC DIRECTION**

The Board of Directors and management met in 2011 to discuss the strategic direction of the credit union. Based on those

discussions, the following five pillars were agreed upon as priorities over the next three year period:

1. Our credit union will be **PURPOSE DRIVEN**. We will be inspired in all that we do by believing in our core purpose, our core values and in how we do business;
2. Attract and retain the best **PEOPLE**. Our business is knowledge and we have very bright and passionate employees. We will improve our engagement with our people, develop competencies and accountabilities and provide a rich environment to learn, grow and become subject matter experts. This will result in a rewarding great place to work;
3. **PARTNER AND COLLABORATE** with other organizations of like interests and develop alliances or mergers to achieve above average revenue growth, earnings and value to the members;
4. **FINANCIAL PERFORMANCE** and **RISK MANAGEMENT** focus so that we continue to have a sustainable business model into the future that provides excellent products and services along with good management of risk;
5. **SOUND GOVERNANCE** practices to ensure the Board has the proper competencies to provide the proper oversight in the future and good succession planning.

Overall, your credit union had a successful year and is focused and confident in the direction we are taking. We would like to thank the Staff, Management and Board for their great work, passion and commitment to making Community First the best it can be.

## FINANCIAL PERFORMANCE - HIGHLIGHTS

During 2011 local, national, and international economies continued to face uncertainty and lower than expected growth. The continued low interest rate environment and increasing competitive pressures within the financial services industry dominated the news during the year. For Community First Credit Union, the fiscal 2011 results were defined by sound returns to our members, excellent cost control, decreased margins and the transition to International Financial Reporting Standards (IFRS).

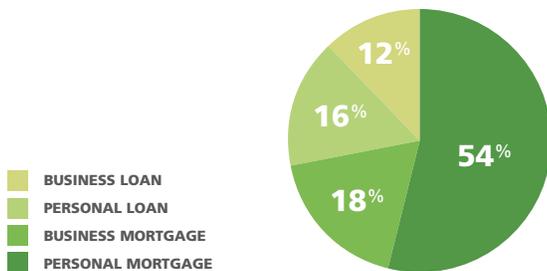
At December 31, 2011, total assets under administration increased to \$434.7M and Members' Equity was \$19.8M. The assets under administration included our financial statement assets of \$332.1M; assets managed in our wealth management area of \$95.5M; and securitized mortgages that we service of \$7.1M.

The credit union's liquidity was efficient at 9.78% 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 increased during the year as member loan growth exceeded deposit growth. Management monitors the credit union's liquidity to ensure sufficient funds are available to meet members' requirements.

At the end of 2011, \$1.4M worth of asset backed commercial paper was included in 'other assets' on the Statement of Financial Position. This commercial paper was transferred from Credit Union Central of Ontario in 2008 and acquired by ABCP LP. In 2011, these investments were transferred to CUCO Co-op to allow the credit union to utilize tax deductions in future years and ultimately receive greater distributions from these investments. While the credit union initially wrote down the investment in 2008, the value of the asset back commercial paper continues to improve. With the transition to IFRS, these investments were recorded at fair value and gains of \$375,795 (net of tax) (2010 and prior years) and \$19,687 (net of tax) (2011) were recorded through 'other comprehensive income'. The fair market value of these investments continues to increase year over year and it is anticipated that the credit union will recover in excess of the recorded value at December 31, 2011.

Total loans to members were \$288.8M at year end. Overall, credit issued to members grew by \$13.8M with the majority of this growth in mortgages and auto dealer financing loans.



Our credit portfolios are of good quality comprised mostly of mortgages that in total represent 72% 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 increased \$332,771 during the year to \$1,584,020 and is netted in the Loans to Members on the Statement of Financial Position. The increase was the result of the number of bankruptcies and consumer proposals received from members and additional allowances set aside for one business credit and two leases based on information available at year end. 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 \$7.9M to \$289.5M at December 31, 2011. Tax Free Savings Accounts increased \$4M or 49% over the previous year and continues to be a popular savings vehicle for our members.

The Term Loans utilized by the credit union increased by \$5.5M to \$20.5M as the growth in member mortgages and loans were greater than the growth in member deposits. These term borrowings are within the approved limits established in our business plans and approved by the Board of Directors.

As highlighted on the Summarized Consolidated Statement of Income and Comprehensive Income, interest revenue earned on loans and investments increased to \$14.3M and interest paid on members' deposits and term loans decreased to \$5.3M in 2011. Total revenue earned by the credit union increased by \$311,402 in the year. The revenue we earn from our loan portfolio less the sum of the interest we pay on our deposits/term loans and our provision for impaired loans represents the financial margin. This financial margin increased \$800,309 over the previous year. The increase was

attributable to growth in our assets along with a decrease in our interest expense as our members' deposited their funds in variable rate or short term deposit products that paid a lower rate of interest.

'Other revenue' decreased from the previous year by \$488,907. The decrease was attributable to a one time gain in 2010 on a foreclosed asset of \$176,000 and the year over year decline in fair value adjustments to our derivative financial instruments of \$293,000.

Non-interest expenditures increased \$586,262 or 6.1% when compared to 2010 results. The increase was mainly attributable to lease expense associated with the increase in office space for administrative offices, deposit insurance premiums, automated network costs and amortization for leaseholds. Overall, expenditures were managed within the budgets established in the business plan.

The Board of Directors declared a 2.28% dividend on Class A shares and a 2.00% dividend on Class B shares. Interest and dividends paid to the membership in 2011 totaled \$5.1M.

Net income for the year was \$574,623, a decrease of \$214,623 from the previous year.

The credit union has remained compliant with all regulatory requirements. Regulatory capital totaled \$19.6M and represents 5.9% of total assets and 10.9% of risk weighted assets. Both these ratios exceed regulatory capital levels of 4% and 8% respectively and policy limits as established by the Board of Directors.

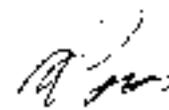
It should be noted that due to the implementation of IFRS effective January 1, 2011, the 2010 financial statements have been restated to include transitional entries. Given this, 2010 financial information presented in the 2011 Annual Report will differ from the 2010 Annual Report.

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, CA**  
Chief Executive Officer



# FINANCIAL HIGHLIGHTS<sup>1</sup>



**GROWTH IN ASSETS**  
(in millions)



**GROWTH IN ASSETS UNDER ADMINISTRATION**  
(in millions)



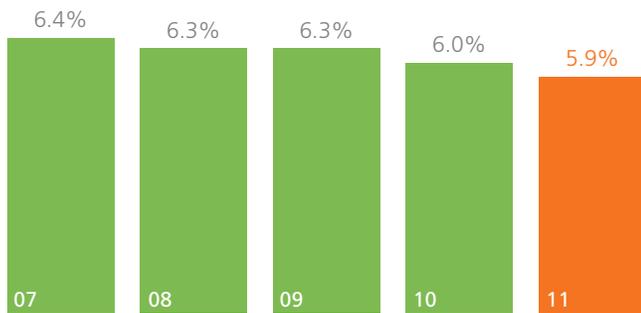
**GROWTH IN CREDIT ISSUED TO MEMBERS**  
(in millions)



**GROWTH IN MEMBER DEPOSITS**  
(in millions)

<sup>1</sup> 2007 – 2009 financial highlights have been stated according to Canadian Generally Accepted Accounting Principles (GAAP).  
2010 & 2011 financial highlights have been stated according to International Financial Reporting Standards (IFRS).

<sup>2</sup> 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)

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The information in this annual report and the accompanying summarized 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 summarized 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, 2011.

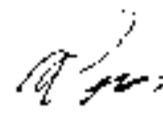
Management maintains a system of internal controls designed to provide reasonable assurance that relevant, reliable, and timely information is produced. This system provides reasonable assurance that transactions are authorized, assets are safeguarded and proper records and controls are maintained. These 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.



**Leslie Sigouin, CMA**  
Chief Financial Officer



**Gregory Peres, CA**  
Chief Executive Officer

# 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 summarized consolidated statement of financial position as at December 31, 2011, the summarized consolidated statements of income and comprehensive income, changes in members' equity, and cash flows for the year then ended, and related notes are derived from the audited consolidated financial statements of Community First Credit Union Limited as at December 31, 2011. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 6, 2012. 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 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 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 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, 2011 are a fair summary of those financial statements, in accordance with International Financial Reporting Standards.

The logo for Grant Thornton LLP, featuring the company name in a stylized, handwritten-style font.

### **Grant Thornton LLP**

Chartered Accountants  
Licensed Public Accountants

Sault Ste. Marie, Canada  
March 6, 2012

# SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

## SUMMARIZED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31	2011	2010	January 1, 2010
			(restated)
<b>Assets</b>			
Cash and investments	\$ 34,418,580	\$ 35,850,577	\$ 32,177,806
Accrued interest receivable	1,095,005	1,017,929	895,486
Loans to members, net	287,165,167	273,681,936	260,566,705
Other assets	9,402,031	8,082,061	8,336,342
	\$ 332,080,783	\$ 318,632,503	\$ 301,976,339
<b>Liabilities and Equity</b>			
Member deposits	\$ 289,472,513	\$ 281,606,566	\$ 271,122,711
Term loans	20,500,000	15,000,000	11,000,000
Liabilities to non-members and other	2,243,074	2,625,074	1,288,328
	312,215,587	299,231,640	283,411,039
Liabilities qualifying as regulatory capital	72,281	70,632	71,714
Shares (Class A & B)	3,724,585	3,774,697	3,835,403
Contributed surplus	1,315,305	1,315,305	1,315,305
Retained earnings	14,357,543	13,864,434	13,187,049
Accumulated other comprehensive income	395,482	375,795	155,829
	19,792,915	19,330,231	18,493,586
	\$ 332,080,783	\$ 318,632,503	\$ 301,976,339

## SUMMARIZED CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31	2011	2010
<b>Interest revenue</b>	\$ 14,284,600	\$ 13,659,156
<b>Interest expense</b>	5,324,191	5,716,153
	8,960,409	7,943,003
Impairment on member loans	866,162	649,065
<b>Financial Margin</b>	8,094,247	7,293,938
Other Revenue	2,726,935	3,215,842
<b>Other expenses</b>	10,821,182	10,509,780
Depreciation and amortization	790,909	685,091
Automated networks	1,160,095	993,854
General and administration	1,580,399	1,503,630
Insurance	526,519	431,454
Loan costs	95,008	84,712
Occupancy	711,856	676,759
Salaries, wages and benefits	5,259,918	5,162,942
	10,124,704	9,538,442
<b>Earnings before gain on sale of assets</b>	696,478	971,338
Gain on sale of assets	27,958	-
<b>Earnings before income taxes</b>	724,436	971,338
Income taxes	149,813	182,092
<b>Net Income for the year</b>	574,623	789,246
<b>Other comprehensive income (net of tax)</b>		
Change in unrealized gain (loss) on AFS investment	19,687	210,553
Reclassification of loss cash flow hedge to net income		9,413
<b>Total Other Comprehensive Income (Loss) for the year</b>	19,687	219,966
<b>Total Comprehensive Income (Loss) for the year</b>	\$ 594,310	\$ 1,009,212

## SUMMARIZED STATEMENT OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED DECEMBER 31	MEMBERS' SHARES	ACCUMULATED OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS	CONTRIBUTED SURPLUS	TOTAL
<b>Balance at January 1, 2010</b>	\$ 3,835,403	\$ 155,829	\$ 13,281,331	1,315,305	\$ 18,587,868
Prior period adjustment (Note 26)			(94,282)		(94,282)
<b>Revised January 1, 2010 balance</b>	3,835,403	155,829	13,187,049	1,315,305	18,493,586
Net Income			789,246		789,246
Distributions to Members					
Class A, Series 1 Shares			(86,528)		(86,528)
Class B, Series 1 Shares			(25,333)		(25,333)
Redemption of Investment Shares	(60,706)				(60,706)
Reclass loss on cash flow hedge to net income		9,413			9,413
Change in unrealized gains/(losses) on available for sale investments		210,553			210,553
<b>Balance at December 31, 2010</b>	3,774,697	375,795	13,864,434	1,315,305	19,330,231
Net Income			574,623		574,623
Distributions to Members					
Class A, Series 1 Shares			(57,183)		(57,183)
Class B, Series 1 Shares			(24,331)		(24,331)
Redemption of Investment Shares	(50,112)				(50,112)
Change in unrealized gains/(losses) on available for sale investments		19,687			19,687
<b>Balance at December 31, 2011</b>	\$ 3,724,585	\$ 395,482	\$ 14,357,543	1,315,305	\$ 19,792,915

## SUMMARIZED CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31	2011	2010
<b>Operating activities</b>		
Net Earnings	\$ 574,623	\$ 789,246
Non-cash items	675,197	1,610,220
	1,249,820	2,399,466
<b>Financing activities</b>		
Members' deposits	7,865,947	10,483,855
Proceeds on redemption of term deposits	1,000,000	-
Proceeds on redemption of liquidity reserves	1,627,822	(328,614)
Member capital accounts, net	(48,463)	(61,788)
Increase in term loans	5,500,000	4,000,000
	15,945,306	14,093,453
<b>Investing activities</b>		
Loans to members	(14,349,393)	(13,764,296)
Central 1 Class A Shares & Membership Shares	(477,226)	(345,512)
Purchase of property, equipment and intangibles	(2,070,936)	(888,103)
Other	462,588	1,684,233
	(16,434,967)	(13,313,678)
<b>(Decrease) in cash and cash equivalents</b>	760,159	3,179,241
<b>Cash and cash equivalents, beginning of year</b>	8,994,894	5,815,653
<b>Cash and cash equivalents, end of year</b>	\$ 9,755,053	\$ 8,994,894

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

Complete consolidated audited financial statements along with accompanying notes and all required disclosures are available for download at [www.communityfirst-cu.com](http://www.communityfirst-cu.com). Printed copies are also available at any Community First Credit Union branch.

# 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, comprised 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, the Deposit Insurance Corporation of Ontario, Credit Union Risk Management Services and Grant Thornton LLP, our external auditors.

Throughout 2011, 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. 2010 Audited Financial Statements
  - b. 2010 Audited Management and Union Employee Retirement Pension Plan Financial Statements
  - c. Updated corporate policies, including risk management policies relating to operations, liquidity, capital, structural risk and anti-money laundering
  - d. Internal audit reports and the annual audit plan
  - e. Deposit Insurance Corporation of Ontario On-site Verification Risk Assessment Report
  - f. Central 1 Risk & Insurance Management Services Risk Assessment Report
  - g. Financial Transactions and Reports Analysis Centre (FINTRAC) Compliance Examination Report
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), and
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.

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Respectfully submitted on behalf of the Committee,  
Jim Bowman, Chair, Norm Nankervis, Pat Roden, and David Walker.

# CREDIT COMMITTEE REPORT

2011 Loan Applications	Number Granted	Amount Granted*	Number Denied	Total Number
Personal Loans	647	\$ 12.6	103	750
Mortgage Loans	242	\$ 20.0	33	275
Commercial Loans	39	\$ 15.8	5	44
Lines of Credit	440	\$ 11.2	38	478
<b>Total</b>	<b>1,368</b>	<b>\$ 59.6</b>	<b>179</b>	<b>1,547</b>

\*In millions

	2011	2010
<b>Delinquent Loans Over 90 Days</b>	\$ 3,002,510	\$ 2,571,353
<b>Delinquent Loans Over 90 Days (# of Accounts)</b>	41	41

Respectfully submitted on behalf of the Committee,  
Domenic Ferrone, Chair, Ron Lamon, Patrick Praysner, Louise Provenzano, Barbara Welin, and Gannon Vaughan.

# COMMUNITY INVESTMENT

Community First Credit Union approaches partnerships the same way we approach everything...by asking ourselves what would be beneficial for both our members and the communities in which they live and work. We have a corporate social responsibility to the communities we serve. That's why we invest in our communities.

One of Community First's strategic pillars is partnerships. To us, this means developing partnerships with organizations that focus on the same goals we do; promoting education, families and children, and the well being of our communities to make a lasting impact. We take our contributions seriously and target our charitable donations based on quarterly and annual reviews to ensure the communities in which we operate receive the most benefit from our corporate giving.

## PARTNERSHIPS

One of the primary goals of our Community Investment Program is to improve education and financial literacy. The following partnerships developed in 2011 support this goal by providing more educational opportunities within our communities:

- Algoma University (Sault Ste. Marie) - \$50,000 contribution to assist in the growth and diversification of the University.
- Northern College (Timmins) - \$20,000 contribution in support of the Centre of Excellence for Trades and Technology and its programs.
- Sault College of Applied Arts and Technology - \$20,000 contribution towards the Inspiring Growth Capital Campaign. The campaign centers around four cornerstones aimed at inspiring growth of students, programs, campus and the community.
- Sault Ste. Marie Public Library - \$9,000 contribution for the Community Commons Training Lab project, in-kind donation to help furnish the lab, as well as financial experts to conduct 20 financial planning workshops for the public.
- White Pines Collegiate and Vocational School – Our newly renovated main branch showcases artwork created by talented senior students in the Integrated Arts and Culture Program at White Pines.

## BURSARIES AND SCHOLARSHIPS

Patrick Koski was this year's recipient of the Mildred Krmpotich Memorial Scholarship at Sault College, while Ashley MacKey of Sault Ste. Marie was the recipient of the Northern Ontario School of Medicine Bursary. Our continued support of scholarship and bursary programs help to ease the financial requirements of a student's education.

## EMPLOYEE INVOLVEMENT

Community First employees have long been committed to supporting the United Way and its dedication to improving the living conditions of countless people. Over the past five years, through the Annual United Way Payroll Deduction Program, Community First employees have donated over \$25,000 to the United Way, which is a testament to the support and commitment made by our generous staff.

In 2011, Community First and its employees participated once again in the annual RotaryFest parade with the theme "Television Memories". Our employees were thrilled to win first place in the non-professional float category for their Gilligan's Island theme.

## COMMITTED TO GIVING BACK

Community involvement has historically been one of the ways that Community First differentiates itself from other financial institutions. By remaining community based, locally owned and operated, and by offering financial backing to local initiatives, Community First has maintained a leadership role in the area of community involvement. In some instances we provide financial assistance, and for others we offer our time and services, or donate promotional items to support

an event. The following are just a few of the partnerships that benefited from our “giving back” to the community philosophy this year:

- Community First Kids Zone - Partnership with the Algoma District School Board, the Huron Superior Catholic District School Board, and the Soo Greyhounds to honour deserving students at all Soo Greyhound regular season home games.
- Back to Basics Children’s Program – Donation to continue the service that provides children with a safe place to go and enjoy a healthy snack every day.
- Bon Soo – Sponsorship to assist in the success of one of Ontario’s largest winter carnivals.
- Algoma Fall Festival – Sponsorship to bring some of the finest Canadian artists to our Northern community.

Monetary and in-kind donations were made to various organizations and events throughout the year including; Algoma Family Services Foundation’s Golf for Kids, Group Health Centre Pharmacy Golf Classic, Sault Steelworkers Christmas Skate, United Steelworkers Local 2251 Retirees, Steelworkers Golf Classic, Timmins Temiskaming Community Legal Clinic, Algoma Manor Redevelopment Fund, Algoma Residential Community Hospice (ARCH) Golf Tournament, Timmins and Area Women in Crisis, Lung Association’s Festival of Trees, Alzheimer’s Society – Ladies Night Out, Drugs and Addiction Handbook, Elettra Marconi Society, Salvation Army, Algoma Fall Festival, Sault Symphony, Don Doucet Scholarship Fund, and the No Limits Adaptive Ski Club.



**Image 1:** Louise Provenzano, member of Community First Credit Union’s Board of Directors, proudly carries our first place sign alongside our float in RotaryFest’s Community Day Parade.



**Image 2:** Cheque Presentation to Algoma University. Pictured from left to right: Jeff Piper, Chair, Board of Directors, Community First Credit Union, Brian Curran, Campaign Chair, Algoma University, Gregory Peres, CEO, Community First Credit Union and Dr. Richard Myers, President, Algoma University.



**Image 3:** Northern College accepts a contribution from Community First Credit Union. From left to right: Barbara Welin, Director, Community First Credit Union, Jeff Piper, Chair Board of Directors, Community First Credit Union, Gregory Peres, Chief Executive Officer, Community First Credit Union, Fred Gibbons, President, Northern College, Don Wyatt, Second Vice-Chair, Northern College Board of Governors, and Norm Nankervis, Director, Community First Credit Union.

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Simplicity, Convenience, and Increasing your Net Worth.**

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For more information visit us at: [www.communityfirst-cu.com](http://www.communityfirst-cu.com)

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