A photograph of a rock climber in a red jacket and blue pants scaling a large, textured rock face. The climber is positioned on the left side of the frame. A green graphic element, consisting of a horizontal bar with a pointed right end, is overlaid on the right side of the image. The background shows a clear sky and the top of a green evergreen tree.

STRENGTHENING OUR DIRECTION



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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. Located in Northeastern Ontario and operating for over 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 \$468 million we continue to grow and diversify. Member / owners have convenient access to a surcharge-free network at over 2,400 ATMs across Canada.

Community First offers a full range of financial products and services for personal and business banking including:

Accounts	Lines of Credit	Investments
Mortgages	Debit Cards	Merchant Services
Loans	Credit Cards	Insurance

Along with providing professional advice and sound financial planning.

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:



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 for our members generated from 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 completely aligned to provide simplicity and convenience;
3	Our co-operative business model is unique in that each member/customer is also the owner/shareholder.

Feeling great about decisions they will make, the simplicity of our processes, and the excellent financial return, contributes to the positive experience that our members deserve.

OUR PEOPLE

Gregory Peres	Chief Executive Officer*	Sherri Atkinson	Nita Garofalo	Lisa Mulligan
Debbie Sims	Chief Executive Officer – Interim*	Lori Babcock	Wendy Gennings	Leigh-Anne O'Brien
Leslie Sigouin	Acting Chief Financial Officer	Kim Barrow	Penny Glover	Chris Oliver
Jamie McLeod	Chief Information Officer	Julie Battisti	Erin Greene	Terri Palumbo
Paul Greely	Director of Sales & Member Service	Linda Bernier	Karen Grenke	Dana Perreault
Kim LaCarte	Director of Human Resources	Pamela Bigelow	Loredana Guzzo	Pamela Perrier
Rose Gioia	Executive Assistant	Leslie Biggs	Debbie Johns	Terry Ragnitz
Cindy Adam	Compliance & Risk Manager	Kim Boudreau	Angel Kelly-Rizzo	Jane Rains
Laureena Clement	Branch Manager, Bay Street Branch	Bobbi-Jo Brownlee	Joanne Kinnunen	Erin Russon
Sandra Frechette	Human Resources Generalist	Amanda Carpenter	MaryAnn Labancz-Vye	Donna Sanderson
Stacey Fuselli	Administration Manager	Patty Cavaliere	Susan Lamothe	Kaija Sillanpaa
Jessica Hardy	Branch Manager, Cedar Street Branch	Julie Chiera	Stacey Lampe	Lauren Sinibaldi
Glyn Heatley	Information Technology Manager	Kim Clark	Jennifer Landers	Joanna Snell
Craig Hunter	Business Applications Manager	Wanda Coccimiglio	Brandon Lawrence	Louise Striukas
Kaitlyn Malboeuf	Internal Auditor	Teresa Cress	Roxanne Lester	Paula Theriault
Betty Rusnell	Credit Manager	Johanna Cudmore	Joely Maguire	Ingrid Voss
Randy Schuran	Branch Manager, Trunk Road Branch	Kelly Dawson	Kevin Markkula	Kelly Warwick
Vicky Turco	Marketing Manager	Kaaren DiPasquale	Diana Mazzuca	
John Zicarelli	Business Services Manager	Wendy Elliott	Kirsti Medaglia	
		Manuela Febbraro	Vicki Milano-Lee	
		Cindy Fizzell	Suzanne Morin	
		Credential Financial Strategies - Michael R. Pigeon		

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.

*Gregory Peres, Chief Executive Officer until January 31, 2014. Debbie Sims, Chief Executive Officer - Interim as of February 1, 2014.

BOARD OF DIRECTORS



From left to right:

Jeff Piper, Chair David Walker, Vice Chair Wayne Lee, Secretary Lloyd Hotchkiss, Executive Member

Directors

Jim Bowman Domenic Ferrone Brent Lamming Ron Lamon
Norm Nankervis Mary Ellen Szadkowski Gannon Vaughan Barbara Welin

REPORT TO THE MEMBERS

We are pleased to report to the membership the activity and success we had at Community First this year.

During 2013 the Board, Management and staff focused on ensuring we were building our great credit union for the future. At Community First, we pride ourselves in putting everything we do behind our **purpose** of providing **financial opportunity** to our members and communities that we interact and have relationships with.

GOVERNANCE

The year ending December 31, 2013 has presented a number of challenges and opportunities for Community First and your Board of Directors.

The economic climate and financial marketplace, while improving from recent years, has continued to present challenges and obstacles. Developing new or amended products to meet consumer needs, working with smaller margins and increasing costs, curtailing expenses, competing for greater member wallet share, ensuring we have the depth to meet changes in personnel throughout the organization and at the senior management and Board level, meeting liquidity and capital requirements, and facing increased regulatory requirements, are all concerns that we continue to address.

There are changes this year within the Senior Management team that resulted in short term gaps in some key positions. As a result of our work over the years to develop a strong organizational structure we are able to ensure that Community First continues to offer our normal high level of service to the members. We also view this as an opportunity to continue the strategic path that we have set with renewed vigor and enthusiasm. Change should be viewed as an opportunity, whether it is with a new employee filling the potential gap or a chance for a current employee to demonstrate their abilities. Either way we are confident that we will address our needs and attract the most qualified individuals to provide the necessary leadership.

At the Annual General Meeting (AGM) in April, we will see at least three new members on the Board of Directors as a result of retirements of current Board members. The nominating committee will seek individuals that will enhance the strengths of our current Board. Our risk and responsibilities as a director continue to increase as do the time and effort commitments. We will be seeking individuals with Board and / or professional experience that can immediately meet or exceed the challenges of overseeing a financial services organization.

This past year, we continued our development of current Board members through training provided by both external and internal sources. We also had the opportunity to send representatives to the World Credit Union Conference held in Ottawa, ON. We were able to meet, network and learn from Credit Union leaders from around the world. We were also able to further develop and build current and new relationships with other Canadian Credit Unions that may result in future strategic partnerships and alliances. The intent is that this will enable us to improve our service and / or delivery methods and possibly reduce expenses and increase revenues.

Finally, your Board of Directors will continue to oversee the Credit Union and provide the necessary stewardship that is required and expected of us.

OPERATIONAL OVERVIEW

We concentrated on a number of areas of the business that were directed at providing professional financial advice to the members, increasing the members access to our products and services and improving efficiency. The key initiatives were:

Consultative Sales and Advisory Training

During the year we delivered in-depth sales and advisory training for all member facing employees of the credit union that work within our retail banking and wealth management business lines. Our approach to providing professional financial advice to you is centered on:

- a) Our employees possessing strong financial knowledge of our products and the products in the financial industry,
- b) Having great listening skills and asking the right questions,
- c) Providing solutions to meet our members financial goals, and
- d) Asking for a call to action.

This level of training was not a one-time event and has been built into our ongoing commitment to employees and the members of making us trusted professional advisors. This is directly in line with our purpose of improving the lives of our members by providing **financial opportunity**.

Operational Efficiencies

We continued our journey of building the breadth of services that our Service Excellence Center (SEC) was handling with a goal of providing first call resolution for all inbound calls from members. Our employees in the SEC received world class training on our products, on the processes within the banking system and best of class training on how to respond to and document the

questions we were answering and the issues we were solving for our members. We are pleased to report that by year end we were resolving member issues and answering member questions on the very first call 90% of the time. This not only provides great services for the membership, but improves our efficiency and frees up the focus of our professional advisors to consult with their members.

Convenient Access

While the credit union continues to pride itself on great personal services, we also know that we need to continue investing in technology and providing product and services that you can access when it is convenient for you. During the year we made the following enhancements to our electronic delivery of services:

- | | |
|---|--|
| 1 | Our Mobile Banking App was launched for iPhone®, iPad®, and iPod Touch®, to allow members access to their banking information quickly and easily; |
| 2 | Enhancement of our Internet Banking platform, with a feature entitled AccountPlus™ that allows members to view up to date fair market values of their investment portfolios with Credential Securities Inc., Credential Asset Management Inc., and Credential Direct. Thus providing a complete online consolidated view of a members Community First accounts and Credential® investment accounts all on one display. |
| 3 | Upgrades to our Automated Teller Machines (ATMs) to provide ATM Mini Statements and full electronic processing of bill payments at our ATMs, which provided faster processing of your bills with your bill vendors. |

We will continue to invest in new services and delivery channels to make your experience with Community First as convenient and accessible as possible.

People

We conducted an Employee Engagement and Satisfaction Survey in the later part of 2012 and were very pleased at the participation level and feedback we received. During the year, we worked on improving communication and accountability and were very pleased to see an increase in our scoring in 2013. Both the Credit Union and membership value the hard work and passion our employees bring to their jobs every day and we want to keep focused on making our environment an empowering and inspiring place to work.

Enhancing our Branding

Community First became part of a significant provincial collaboration centered on enhancing awareness of the value of doing business with a Credit Union. The term "Cooperative Banking" was launched and is in line with our values and value proposition. This is a long term commitment and we will be aligning our branding and marketing with this provincial initiative.

STRATEGIC DIRECTION

Board and management met in the fall to discuss the challenges and opportunities that face the Credit Union and the industry we operate in. The challenges continued to be low interest rates which have kept interest margins flat and increased regulatory requirements that continues to add cost but no offsetting revenues. Overall, our business model must evolve to minimize cost increases, seek out new revenue streams and grow the membership base.

Our strategy going forward will continue to be focused on five pillars that we believe will drive the credit union to its vision. These pillars are:

Purpose Driven

We have a purpose of improving the lives of our members by providing financial opportunity. It was relevant 66 years ago when our Credit Union was founded and we believe it is still relevant today. It is at the core of our reason for existing and properly focused, will benefit every person or business that interacts with us.

People

Our employees are by far our most valuable asset. We are in a knowledge sharing business and because of that we must attract and retain the best talent possible. To do that, we continually invest to provide an empowering, inspiring place to work.

Partnerships / Collaboration

As our industry consolidates and finds innovative ways to grow, we to at Community First must look at partnerships and mergers as a strategic opportunity to grow, be innovative, and to create a business model that is efficient and financial strong long term. After our review of the external environment, the Board and management agreed that we need to seek out the right strategic merger. It is in the best interests of the membership and Community First. We are not interested in a takeover style merger, but one that looks at the strengths of all parties and brings those strengths forward into a new entity. This may take some time therefore we will continue to focus on our "internal" plan of building a more efficient credit union and identify opportunities to grow organically. If a merger does materialize, we will come back to the membership for your approval.

Financial / Risk Management

We continue to make financial and risk decisions that are within a prudent based model. Overall, we are not risk takers as we are stewards of your money. However, we must continue to seek out new revenues and find more efficient means of delivering our products and services. We have always adopted technology as an enabler to leverage the business and this will be more crucial into the future. Risk management and having the processes to manage liquidity and capital levels will be critical in the years ahead.

Governance

Your Board of Directors are the oversight of the operations of your credit union. They approve the direction your Credit Union will take and will hold management accountable to meet the objectives identified in the business plans. Recruiting and ensuring the right skills and experience are at the board level is the key strategic focus moving forward.

A further outcome of our strategic planning session was to review our brand and value proposition. We came away agreeing that our value and differentiator in the marketplace centres on three themes:

- 1) Financial Comfort
- 2) Community Ties, and
- 3) Reward Member Loyalty

We believe these remain relevant today, and when combined are a real differentiator in the marketplace. Management will be reviewing and implementing how we communicate and bring to life these differentiators so that we are seen as a great place to do business by more people.

FINANCIAL PERFORMANCE HIGHLIGHTS

Inflation in Canada remained below the 2% target rate set by the Bank of Canada and as a result interest rates continued to remain at all-time historical lows. While this is good for the homebuyer or anyone borrowing money, it is a much different situation for those that rely on interest rates for investment income. This low interest rate environment along with competitive markets meant that our financial margins remained low and our pension plans required additional funding which resulted in our earnings for the year to be below plan. From a growth perspective, Community First overall had an excellent year for both loan and asset growth.

Effective January 1, 2013 new accounting pronouncements came into effect changing how we accounted for Employee Benefits, specifically our defined benefit pension plans. The impact of this change was significant because accumulated actuarial gains and losses are now required to be recognized immediately into other comprehensive income. The impact of this was to decrease our regulatory capital below Board approved levels. While we planned for this event as best we could, due to the uncertain handling of this change until late 2012, we were left with regulatory capital below what was acceptable to the Credit Union. As a result, we determined that it would be prudent to raise capital through an investment share offering. We launched our share offering in October and closed the shares in January 2014. We were successful in raising \$4.6 million in capital which increases our regulatory capital to greater than 6% which is above Board policy and within a prudent level.

From a growth perspective, Community First had a very successful year. Our loan growth outpaced our deposit growth requiring the Credit Union to sell mortgages at

year end to maintain prudent liquidity levels. Overall, loans to members grew by \$27.8 million or 9.50% prior to the mortgage sale. This growth was the highest in a five year period and was invested in high quality business and personal mortgages. While loan growth was very good, this was mainly financed through increased borrowing with Central 1.

Balance Sheet

At December 31, 2013, total assets under administration increased to \$468 million and members' equity was \$18.8 million. The assets under administration included our financial statement assets of \$349.6 million; assets managed through our Credential wealth management platform of \$114 million; and securitized and transferred mortgages that we service of \$4.4 million. The credit union's liquidity was efficient at 8.22% of assets and included cash and investments of highest credit quality with Central 1.

During the year, loans to members grew by \$19.1 million or 6.53% and members' deposits increased by \$6.6 million or 2.1%. We continue to experience loan growth exceeding deposit growth due mainly to the low interest rate environment and members transferring their investment from our deposit products to our Credential wealth management products.

The allowance for impaired loans decreased by \$196,886 during the year to \$701,932 and is netted in the loans to members on the Summary Consolidated Statement of Financial Position. The decrease was the result of a continued decrease in bankruptcies experienced and no significant impairments in our business portfolio. Overall, the credit union's loan impairments and delinquencies are within an acceptable industry average.

As a result of our loan growth exceeding our members' deposits, term loans utilized by the credit union increased by \$5.9 million to \$16.9 million. These term borrowings are within the approved limits established in our business plans and approved by the Board of Directors.

Our pension plan liabilities improved during the year as a result of an increase in long-term bond interest rates and improved investment returns on the pension plan assets. These changes resulted in the funded status of the plan improving by \$3.0 million. While this improvement was positive for the financial position of the Credit Union in the year, our defined benefit pension plans and their accounting treatment impact our earnings and regulatory capital significantly and are subject to large adjustments that could be either positive or negative. Our required deficiency and solvency funding remains high which is why we changed our pension plans effective January 1, 2012 for all new employees to a defined contribution plan. Over time, this will stabilize our pension costs for the Credit Union.

Statement of Income

Interest revenue remained consistent with the prior year, at \$14 million, even though loan volumes were at a historical high level. This was the result of higher interest personal loans being paid down and new volumes added primarily in lower rate mortgages and home equity lines of credit.

Cost of financing declined by \$638,352 to \$4.9 million as the continuing low interest rate environment resulted in member deposits renewing at lower interest rates. While we paid out less interest to our membership, this was the result of lower market rates. We continue to offer above market rates to members on average to ensure we retain and grow our deposits.

Overall, our interest margin increased \$624,808 to \$9.1 million as a result of the impact of growth and pricing of renewed loans and deposits.

Other revenue declined from the previous year by \$138,723 due to lower wealth management fees and less mortgage interest penalties.

Overall, operating expenses increased by \$369,268 to \$11.2 million which represented a 3.40% increase. The majority of the increase was in salaries, wages and benefits as a result of increased pension costs and accruing vacation at year end. Operating expenses were within budgets established by the Board for the year.

Net income before taxes and dividends increased to \$441,474, an increase of \$87,889 over 2012.

Overall, Community First operated within all regulatory requirements.

In closing, we want to thank our Board of Directors, management and employees for their focus, belief in our purpose as a Credit Union and relentless dedication to serving the membership.

And to you the members, for continuing to entrust us with giving you sound financial advice.

Respectfully submitted,



A handwritten signature in black ink, appearing to read "Jeff Piper".

Jeff Piper,
Chair, Board of Directors



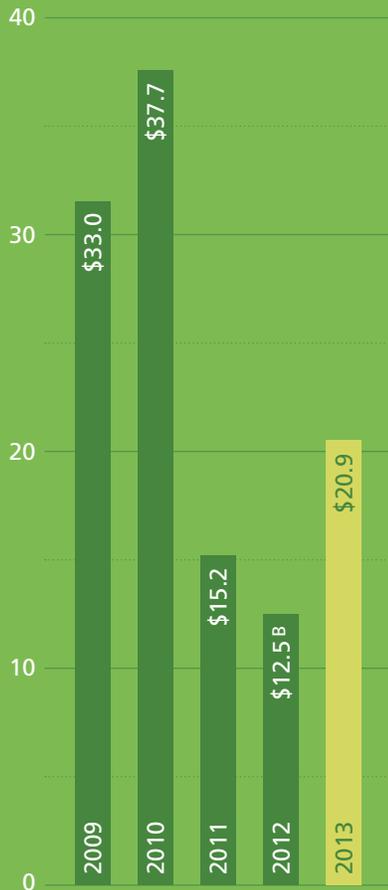
A handwritten signature in black ink, appearing to read "Gregory Peres".

Gregory Peres, CPA, CA
Chief Executive Officer*

*Gregory Peres, Chief Executive Officer until January 31, 2014. Debbie Sims, Chief Executive Officer - Interim as of February 1, 2014.

FINANCIAL HIGHLIGHTS^A

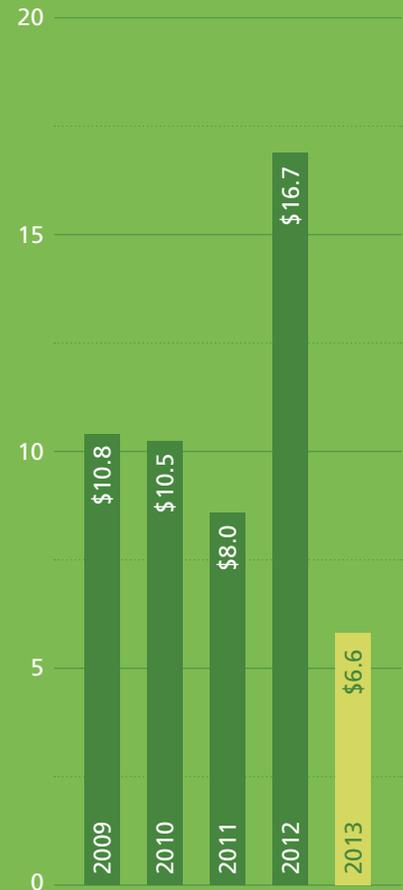
GROWTH IN ASSETS UNDER ADMINISTRATION
(in millions)



GROWTH IN CREDIT ISSUED TO MEMBERS
(in millions)



GROWTH IN MEMBER DEPOSITS
(in millions)



^A 2009 financial highlights have been stated according to Canadian Generally Accepted Accounting Principles (GAAP). 2010 - 2013 financial highlights have been stated according to International Financial Reporting Standards (IFRS).

^B 2012 results have been restated to reflect the revised International Accounting Standard (IAS)19 Employee Benefits.

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

^D In the year 2013, \$8.7 million worth of mortgages were sold under Central 1's Mortgage Loan Sale Agreement.

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. The summary financial information has been extracted from the audited financial statements by management.

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, 2013.

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 external 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, KPMG LLP, Licensed Public Accountants, have the responsibility of auditing the financial statements in accordance with Canadian generally accepted auditing standards and expressing their opinion. Complete audited financial statements are available to members on our website or by request from the office of the Chief Financial Officer.



Leslie Sigouin, CMA
Acting Chief Financial Officer



Gregory Peres, CPA, CA
Chief Executive Officer

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS ^{NOTE 1}

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION*

As at December 31	2013	2012
Assets		
Cash and investments	\$ 31,070,084	\$ 37,013,183
Accrued interest receivable	730,296	889,642
Loans to members, net	311,713,184	292,363,607
Other assets	6,049,128	6,318,153
	<u>\$ 349,562,692</u>	<u>\$ 336,584,585</u>
Liabilities and Members' Equity		
Member deposits	\$ 312,305,601	\$ 305,666,783
Term loans	16,900,000	11,000,000
Liabilities to non-members and other	1,493,119	3,932,243
Membership shares	68,116	70,178
	<u>330,766,836</u>	<u>320,669,204</u>
Shares (Class A & B)	3,617,605	3,671,153
Contributed surplus	1,315,305	1,315,305
Retained earnings	11,640,952	11,361,531
Accumulated other comprehensive income (loss)	2,221,994	(432,608)
	<u>18,795,856</u>	<u>15,915,381</u>
	<u>\$ 349,562,692</u>	<u>\$ 336,584,585</u>

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.

The summary financial information has been extracted from the audited financial statements by management. Complete audited financial statements are available to members on our website www.communityfirst-cu.com or by request from the office of the Chief Financial Officer.

*2012 results have been restated to reflect the revised International Accounting Standard (IAS) 19 Employee Benefits. The Credit Union adopted this standard on a retrospective basis on January 1, 2013 thus requiring changes to our fiscal 2012 results.

SUMMARY CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME*

Year Ended December 31	2013	2012
Interest revenue	\$ 14,009,837	\$ 14,023,381
Interest expense (cost of financing)	4,886,976	5,525,328
	9,122,861	8,498,053
Impairment on member loans	422,571	393,643
Net interest income after provision for impairment	8,700,290	8,104,410
Other revenue	2,978,170	3,116,893
	11,678,460	11,221,303
Operating expenses		
Depreciation and amortization	978,393	930,895
Automated networks	1,233,232	1,130,151
General and administration	1,609,074	1,707,127
Insurance	430,659	466,885
Loan costs	97,132	93,179
Occupancy	804,545	718,197
Salaries, wages and benefits	6,083,951	5,821,284
	11,236,986	10,867,718
Income before income taxes	441,474	353,585
Income taxes	64,620	(7,387)
Net income for the year	376,854	360,972
Other comprehensive income (net of income tax)		
Change in fair value of available for sale (AFS) investment	71,775	407,469
Defined benefit plan actuarial gain (loss)	2,582,827	(1,235,559)
Total other comprehensive income (loss) for the year	2,654,602	(828,090)
Total comprehensive income (loss) for the year	\$ 3,031,456	\$ (467,118)

*2012 results have been restated to reflect the revised International Accounting Standard (IAS) 19 Employee Benefits. The Credit Union adopted this standard on a retrospective basis on January 1, 2013 thus requiring changes to our fiscal 2012 results.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY*

	Members' Shares	Accumulated Other Comprehensive Income	Retained Earnings	Contributed Surplus	Total
Balance at January 1, 2012	\$ 3,724,585	\$ 395,482	\$ 14,357,543	\$ 1,315,305	\$ 19,792,915
Net income	-	-	360,972	-	360,972
IAS 19 pension adjustment	-	-	(3,274,290)	-	(3,274,290)
Distributions to members	-	-	(82,694)	-	(82,694)
Redemption of shares	(53,432)	-	-	-	(53,432)
Defined benefit plan actuarial loss net of tax	-	(1,235,559)	-	-	(1,235,559)
Change in fair value of AFS investments, net of tax	-	407,469	-	-	407,469
Balance at December 31, 2012	3,671,153	(432,608)	11,361,531	1,315,305	15,915,381
Net income	-	-	376,854	-	376,854
Distributions to members	-	-	(97,433)	-	(97,433)
Redemption of shares	(53,548)	-	-	-	(53,548)
Defined benefit plan actuarial gain net of tax	-	2,582,827	-	-	2,582,827
Change in fair value of AFS investments, net of tax	-	71,775	-	-	71,775
Balance at December 31, 2013	\$ 3,617,605	\$ 2,221,994	\$ 11,640,952	\$ 1,315,305	\$ 18,795,856

*2012 results have been restated to reflect the revised International Accounting Standard (IAS) 19 Employee Benefits. The Credit Union adopted this standard on a retrospective basis on January 1, 2013 thus requiring changes to our fiscal 2012 results.

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS*

Year Ended December 31	2013	2012
Cash flows from operating activities		
Net income	\$ 376,854	\$ 360,972
Adjustments for:		
Change in non-cash items		
Net interest income	(9,122,861)	(8,498,053)
Provision for impaired loans	422,571	393,643
Provision for income tax	64,620	47,034
Depreciation of property and equipment	792,121	747,724
Amortization of intangibles	186,272	183,171
Net change in derivative financial instruments	20,663	(60,972)
	<u>(7,259,760)</u>	<u>(6,826,481)</u>
Change in other assets		
Decrease in prepaids and other assets	24,685	207,861
Increase in pension liability	(165,342)	(186,275)
Changes in accounts payable and accrued liabilities	(87,212)	(330,215)
	<u>(227,869)</u>	<u>(308,629)</u>
Change in member activities (net):		
Changes in member loans	(19,772,148)	(5,592,083)
Changes in member deposits	6,582,168	16,656,796
	<u>(13,189,980)</u>	<u>(11,064,713)</u>
Cash flows related to interest, dividends and income taxes:		
Interest received on member loans	13,750,109	13,767,705
Interest received on investments	419,074	461,039
Interest paid on member deposits	(4,506,195)	(5,685,612)
Distributions to members	(97,433)	(82,694)
Taxes paid	188,728	-
Interest paid on external borrowings	(324,131)	(302,242)
	<u>9,430,152</u>	<u>8,158,196</u>
	<u>(11,247,457)</u>	<u>12,087,799</u>
Cash flows from financing activities:		
Purchase of liquidity reverses (net)	(1,279,448)	(2,041)
Member capital accounts (net)	(55,610)	(55,535)
Proceeds from (repayment of) term loans (net)	5,900,000	(9,500,000)
	<u>4,564,942</u>	<u>(9,557,576)</u>
Cash flows from investing activities:		
Distributions received from CUCO Co-op	468,075	264,975
Proceeds on redemption (purchase) of Central 1 Shares	(8,643)	23,929
Purchase of intangibles	(45,840)	(29,511)
Additions to property and equipment	(579,133)	(392,619)
	<u>(165,541)</u>	<u>(133,226)</u>
Net (decrease) increase in cash and cash equivalents	(6,848,056)	2,396,997
Cash and cash equivalents, beginning of year	12,152,050	9,755,053
Cash and cash equivalents, end of year	\$ 5,303,994	\$ 12,152,050

*2012 results have been restated to reflect the revised International Accounting Standard (IAS) 19 Employee Benefits. The Credit Union adopted this standard on a retrospective basis on January 1, 2013 thus requiring changes to our fiscal 2012 results.

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, compliance and KPMG, our external auditors.

Throughout 2013, 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. 2012 Audited Financial Statements; b. 2012 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, enterprise risk management 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.

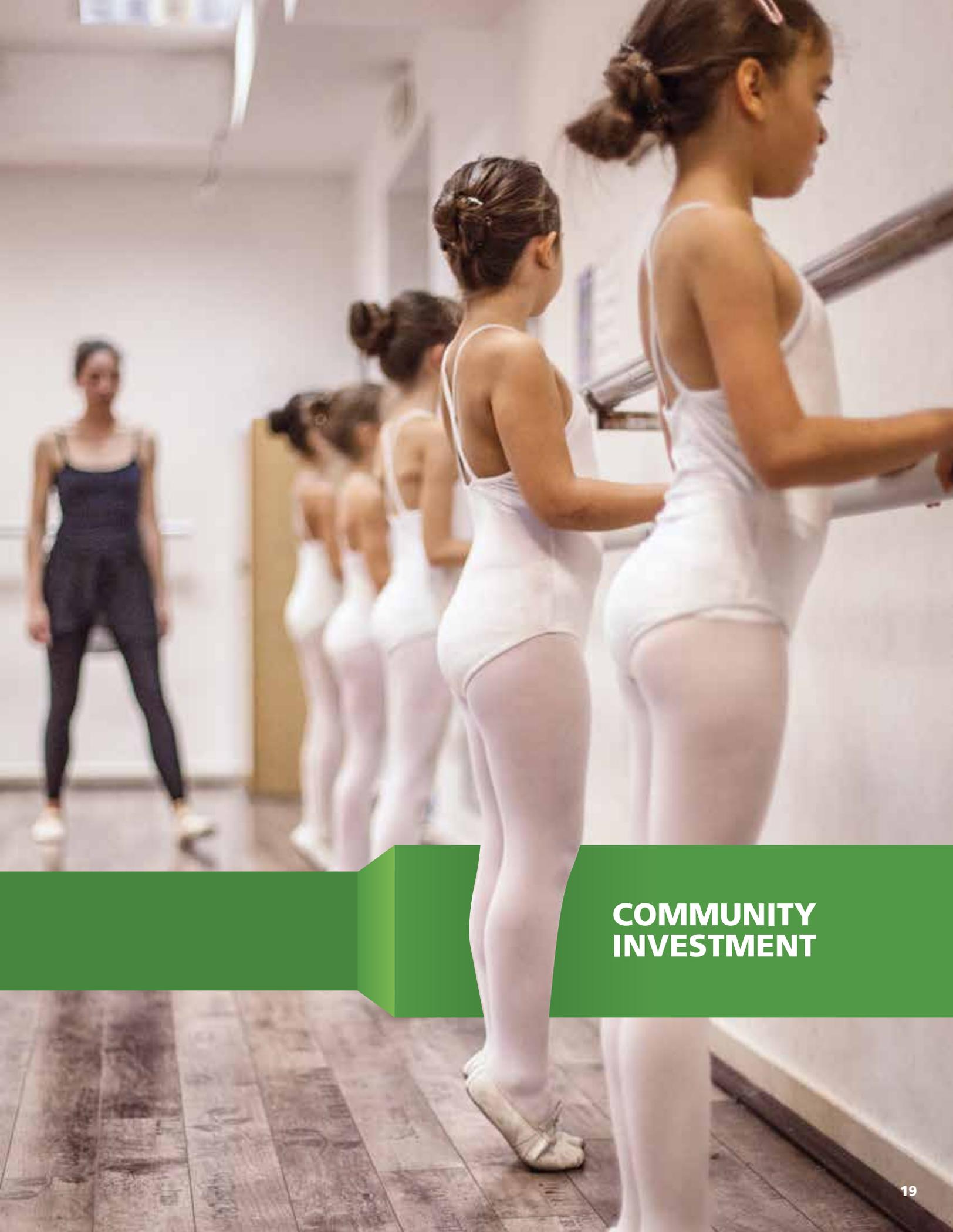
There are no significant recommendations made by the Audit Committee that have not been either implemented or are in the process of being implemented. There are no issues the committee believes should be reported and no matters that would require disclosure pursuant to the Act or the Regulations.

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

CREDIT COMMITTEE REPORT

2013 LOAN APPLICATIONS	NUMBER GRANTED	AMOUNT GRANTED*	NUMBER DENIED	TOTAL NUMBER
Personal Loans	419	\$7.0	101	520
Mortgage Loans	285	\$29.7	41	326
Commercial Loans	30	\$27.2	3	33
Lines of Credit	481	\$12.6	37	518
Total	1,215	\$76.5	182	1,397
*in millions			2013	2012
Delinquent Loans Over 90 Days			\$1,594,344	\$ 1,715,829
Delinquent Loans Over 90 Days (# of Accounts)			32	30

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



**COMMUNITY
INVESTMENT**

WE BELIEVE IN GIVING BACK

WE BELIEVE there's no better place to invest than in the communities we serve. Community is at the heart of our credit union. It's the cornerstone we were founded on. It's what we built our philosophy around. It's even in our name. That's why, every year, we put a portion of our profits back into the communities we serve through charitable initiatives and donations towards health, education, culture and youth programs. We believe we can make a difference—just take a look at some of the highlights from 2013.



WE BELIEVE in the Younger Generation

Every year, the Community First Kids Zone recognizes five elementary students at all Soo Greyhounds regular season home games for their contributions at school. The students are rewarded with free tickets to the game and are brought down to the ice during intermission to celebrate their achievements. Since we established the Kids Zone in 2010, Community First has honoured a total of 682 students!

WE BELIEVE in Helping Families

In November of 2013, Community First adopted a family from the Women in Crisis Centre. A mother caring for three children needed warm coats, boots and clothing for the cold winter season. Not only were we able to supply the family with these necessities, but thanks to the generosity of our team, we were able to provide a very special Christmas for this family.





WE BELIEVE in a Helping Hand

This past holiday season, Community First sponsored Algoma's Festival of Trees to help raise funds for The Ontario Lung Association. The event featured an array of special events, children's activities, a charity auction and even a visit from Santa Claus himself. It was a great way for the community to get together and have fun—and it was all for a good cause!



WE BELIEVE in Supporting Communities

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. In 2013, we were proud to be able to exceed the minimum 1% donation required for this designation.



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

Or stop in at the nearest branch:

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Sault Ste. Marie, Ontario
Canada P6A 1W7

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Fax: (705) 946-2363

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Sault Ste. Marie, Ontario
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146 Cedar Street South

Timmins, Ontario
Canada P4N 2G8

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