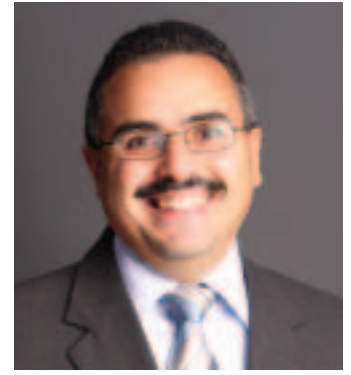


A hand is shown in the lower-left foreground, holding a dark, jagged, and textured rock fragment. The background is a soft-focus landscape featuring a body of water with ripples at the top, and a field of green plants with small purple flowers in the middle ground. The overall scene is bright and natural.

The Ripple Effect. See The Return.



Daniel Betancourt
President and Chief Executive Officer



Robert Torres, Esquire
Chair, Board of Directors

Dear Friends,

Seeing the return is not always easy. To look at a city block of vacant houses and storefronts and envision a better future for residents and visitors takes imagination, pioneering, perseverance and long-term commitment. But it can and must be done. Sometimes all that is needed is that first targeted toss. After all, a ripple effect is a spreading series of influences and results caused by a single action.

At Community First Fund, our targeted financing is starting and growing businesses, creating affordable housing and expanding community facilities. Since our founding in 1992, we have made nearly 700 loans totaling more than \$22 million dollars. This translates into job creation that is lasting, quality homes for affordable prices, sustainable community service programs for low-income neighborhoods, and restored downtowns that are attractive and enduring.

We continue to grow with our clients. This past year, we expanded our SBA-approved lending capabilities, adding the SBA Express, Community Express, and Patriot Express programs; these designations will increase our flexibility and timeliness with client needs. Through our \$2 million Business Opportunities Fund, which we created

with the Pennsylvania Departments of General Services and Community and Economic Development, we are providing much needed financing for minority- and women-owned businesses, two of our core constituents. As we embark on these new initiatives, we are confident that we will continue to add programs as the needs arise.

For the second year in a row, we were nominated for the prestigious Wachovia NEXT Awards for Opportunity Finance. We were chosen as a Finalist this year for our innovative Small Cities Strategy and its ability to be replicated on a national scale.

Through our Small Cities Strategy, we are witnessing transformation in our downtowns and neighborhoods. Entrepreneurs are purchasing their business properties, encouraging a sense of permanent ownership. Real estate developers are renovating distressed streets, bringing in retail, commercial, and residential tenants to buildings once vacant upstairs. Our communities are experiencing optimism and prosperity.

As our partners, you are the idealists who are making things happen. Thank you for your commitment to seeing the return!



THE RIPPLE EFFECT:

It starts with a need. A desire to achieve.

A dream to be independent.

To build something that will last.

Something that will be remembered.

You know you can do it. All you need is a little help.

Someone that will believe in you.

Teach you what you don't know.

Help you get there.

SEE THE RETURN.



Dreams and Idealists

Dreams can be personal and yet universal. We dream of a better life, for ourselves, our communities, and certainly for our future generations. We dream of accomplishment. We dream of new experiences. At Community First Fund, we are dreamers too. We dream about economic justice and strong communities. Attainable prosperity for everyone. Most of all we believe in IDEALISTS.

Community First Fund invests in entrepreneurs who dream of transforming their downtown districts. In small cities where business districts traditionally shut down at 5 pm, we are working to repopulate these downtowns and encourage upper-floor living. Gene Aleci, owner of Community Design Works, Inc., is a long range planner who envisions a revitalized downtown for Lancaster City. Our commercial real estate financing of \$765,000 enabled Gene to purchase two deteriorating buildings on a city block that hasn't seen new growth in years. Once renovations are complete, Gene will relocate his architectural and planning firm to these buildings, as well as rent space to a young

graphic design and communications firm. "Community First's financing enabled good things; now I can continue that ripple effect by helping out another business," says Gene. In a few years, Community Design Works will have space for new restaurant and retail tenants, as well as condominiums upstairs. Dreamers like Gene are breathing new life into our small cities.

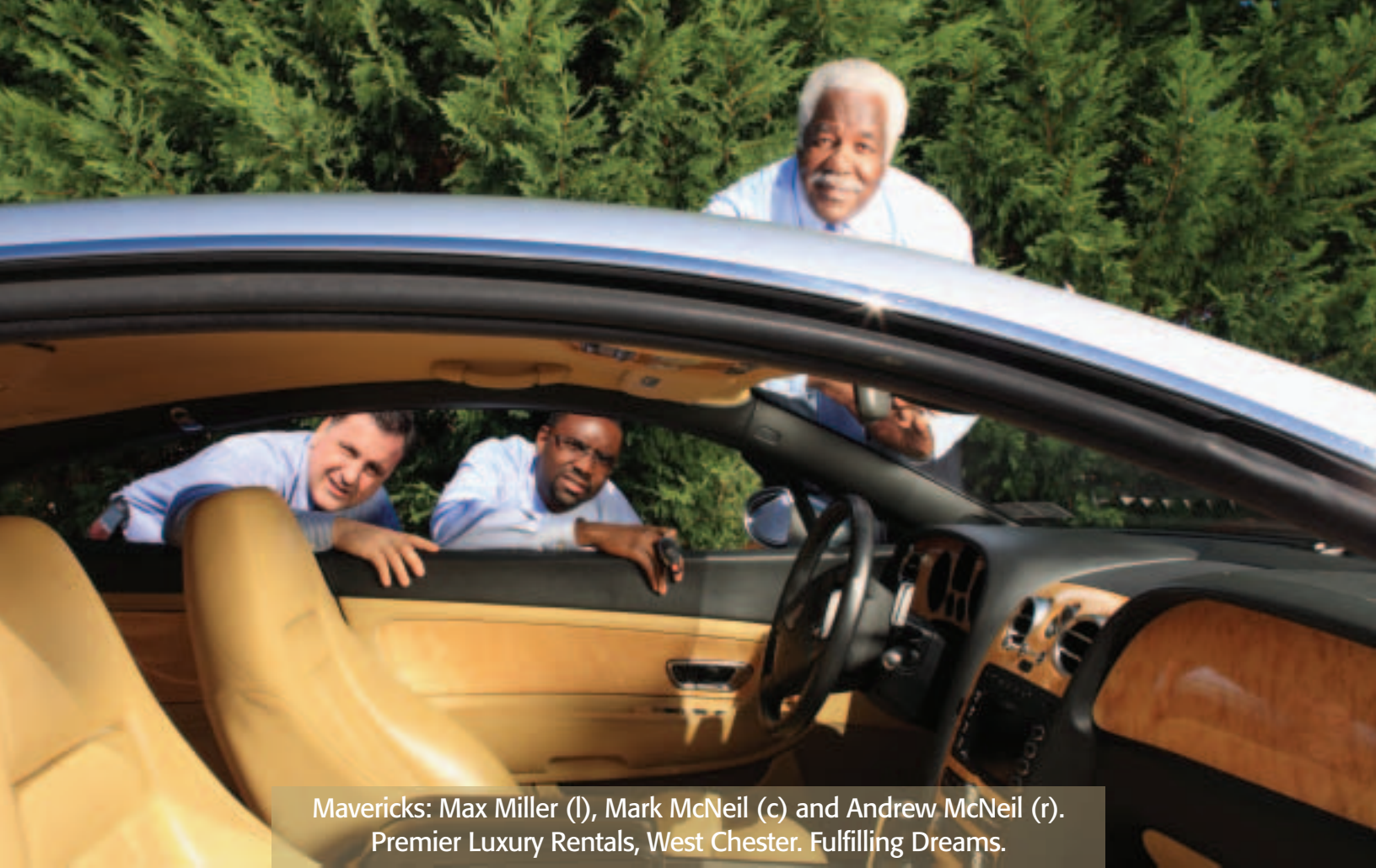
The Ripple Effect.



See The Return.



Innovator: Gene Aleci. Community Design Works, Inc., Lancaster. Fulfilling Dreams.



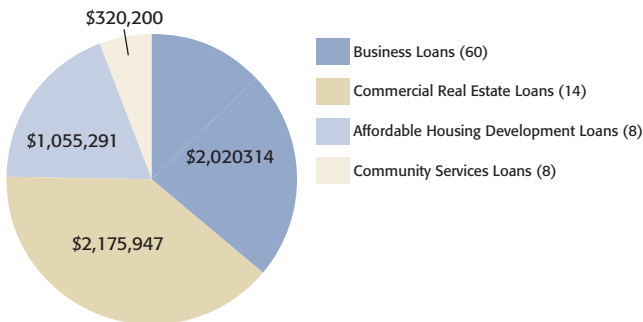
Mavericks: Max Miller (l), Mark McNeil (c) and Andrew McNeil (r).
Premier Luxury Rentals, West Chester. Fulfilling Dreams.

Since our founding, Community First has believed in a comprehensive mission. We work to build strong and sustainable communities by supporting businesses and organizations that proactively reduce the concentration of poverty in small cities. How is this accomplished? Increasing availability of affordable hous-

ing. Strengthening access to community services. Providing people with the ability to earn a livelihood. Supporting wealth building opportunities for under-served populations.

Premier Luxury Rentals caters to the greater Philadelphia region by providing quality service to each and every client. Community First's cumulative small business financing of \$200,000 enabled Max Miller and Andrew McNeil to expand their business inventory as demand for their services grew. Their business created ten new jobs, ultimately providing wealth building opportunities for individuals in the area.

FY 2008 Loans by Type



The Ripple Effect.



See The Return.

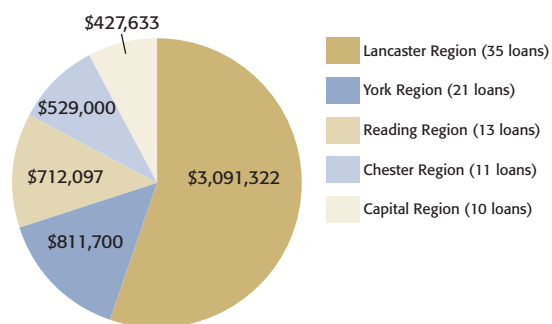


Creator: Leah Margerum. This Little Piggy, Lancaster. Fulfilling Dreams.

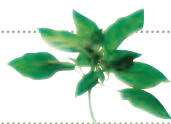
One of the dramatic ways that neighborhoods see sustainable revitalization is through ownership of residential and commercial real estate. Our business lenders encourage entrepreneurs to purchase the property where their enterprise is located when the timing for expansion is right. Leah Margerum, a mother of two with another on the way, began This Little Piggy a year ago. She provides healthy alternatives for infants and children through her all-organic products. Serving schools and the general public through both local markets and wholesale, Leah took a giant step of expansion by purchasing a building with commercial kitchen space to support her business. Throughout the course of her business' growth, Leah received

working capital of \$19,000 from Community First Fund and returned for \$120,000 in commercial real estate financing to aid in the purchase of her current building. Now Leah is marketing some of the space to other culinary entrepreneurs in the Lancaster area.

FY 2008 Loans by Region



The Ripple Effect.



See The Return.



Trail Blazer: Walter L. Randall. Split Your Wig Barber Shop & Salon, York. Making Progress.

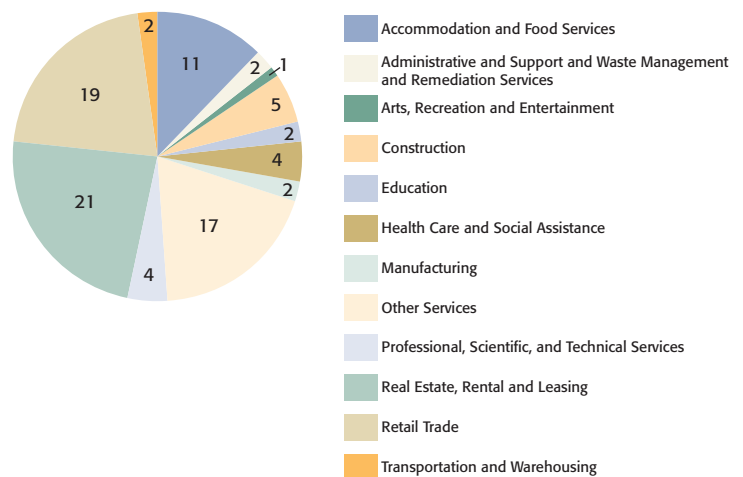


Progress and Pacesetters

By moving forward, we believe progress is attainable. For some of our clients, progress is getting the door open—actually starting and opening a business. For some of our more experienced clients, progress means owning their business property, expanding their services, and receiving public recognition for their achievements. In fiscal year 2008, Community First Fund was able to help nine clients purchase the property where their business is located. Many clients rent out additional space to subsidize their income. These steps of expansion lead to an increased sense of ownership, promoting permanence in neighborhoods and business districts. We salute these entrepreneurs who are achieving sustainable progress.

Walter Randall has been committed to his neighborhood for years. He first opened a barber shop in downtown York City, and then proceeded to purchase the entire property. Walter now rents out the upper floors at affordable rates, and has since discovered his knack for housing rehabilitation. Community First Fund's cumulative financing of \$114,156 not only helped Walter's barber shop business but also enabled him to purchase and renovate four additional properties in the neighborhood. Like Walter, we believe that the availability of affordable rental housing is sustainable progress.

FY 2008 Number of Loans by Industry



The Ripple Effect.



See The Return.



Optimists: Miguel and Carmen Ferrer.
Caribbean Bakery, Steelton. Making Progress.

We have always been committed to small business entrepreneurs. As the needs of our clients shift and expand, we grow with them. Miguel Ferrer, originally from Puerto Rico, received \$60,000 in financing from Community First to jumpstart his trucking company. Since then, Miguel used his entrepreneurial talents to pursue another love: baking. As principal of the Caribbean Bakery, Miguel distributes his breads and pastries to local stores, and is in the process of renovating the front area for general retail. Miguel notes that the daily support

of his family members has aided in this business' success. Our financing of \$85,000 was used to purchase the property, acquire additional kitchen equipment and make cosmetic improvements to the building. Small businesses like the Caribbean Bakery are integral to retaining resident buying power within neighborhoods.

The Ripple Effect.



See The Return.



Advocate: Caroline Baker. T.J. Baker Funeral Home, Reading. Making Progress.

Caroline Baker is also committed to the needs of her neighborhood. As owner of T. J. Baker Funeral Home, Caroline took over the business following the passing of her late husband, Trussie, a man well known and respected in the community. Community First Fund maintains a long standing relationship with the Bakers; since 2002, we have provided \$152,000 in cumulative financing to meet the needs of their business expansion. As the only African American funeral home in the greater Reading area, Caroline’s business supports families through attentive and caring services, providing stability in the neighborhood.

Promoting Livelihood

FY 2008	
Number of Jobs Created or Retained:	382
Number of Housing Units Created:	47
Number of People Attending Training Courses:	193

The Ripple Effect.



See The Return.



Hope and Visionaries

Hope is the belief that the desirable is possible. It is the belief in people's potential. That's why Community First Fund is committed to seeing beyond the here and now, by taking steps to increase our comprehensive lending strategy to match our clients' potential. We are witnessing the fruition of our long standing pledge to enable economic growth in central Pennsylvania, through partnerships with governmental, for-profit and non-profit entities. These partnerships are integral to reducing the concentration of poverty in our small cities and increasing wealth building opportunities.

It's more than the work of Community First Fund that is bringing hope to fruition. Our clients are also committed to instilling hope and potential in future generations. As one of our long-standing clients, the Spanish American Civic Association (SACA) is dedicated to providing community services in traditionally blighted neighborhoods of Lancaster City. Since 2003, we have partnered with SACA to provide cumulative financing of \$1,288,381 through multiple projects. The Family and Student Center, a project financed in part by Community First, provides additional classroom space for SACA's

educational programs during and after the school day. Their most recent project, the Conestoga River Plaza, will transform 5.7 acres for mixed-use development. Plans include a large scale grocery store, several retail stores and restaurants, and 10–15 affordable town homes. Visionary planning like this ensures that our communities are sustainable for years to come.

The Ripple Effect.



See The Return.



Pioneers: SACA/SACA Development Corporation, Lancaster. Facilitating Hope.



Strength and Sustainability

During fiscal year 2008, Community First Fund preserved its strong financial position. Assets grew by 22%, to over \$14.7 million. The increase was due to the growth in loans receivable to \$10.0 million, an increase of \$2.6 million over the prior year. The growth in lending is attributed mainly to Community First Fund's expanding portfolio in commercial real estate and larger small business loans. At the same time, Community First maintains its commitment to microlending for small and start-up entrepreneurs with 45 loans totaling over \$726,000. While increasing its loan portfolio, Community First Fund continues to maintain low loan losses at 1.4% compared to 1.6% in the prior fiscal year.

Net Assets also grew to \$4.6 million. This equity level allows adequate resources for Community First Fund's continued growth. Organizational revenues increased to \$3.1 million, with contributions and grants increasing by over \$400,000 to \$2.1 million and earned income (interest and fees) increasing by more than 22% to \$903,890. This increase in earned income provides Community First Fund a high degree of self-sufficiency and allows the organization to maintain the delivery of loan products and other services. Total Financing Capital grew by 26% to \$12.3 million, while Operating Liquidity Ratio and Current Ratio were 2.9 and 2.33, respectively, which continue to exceed the industry averages.

The Ripple Effect.

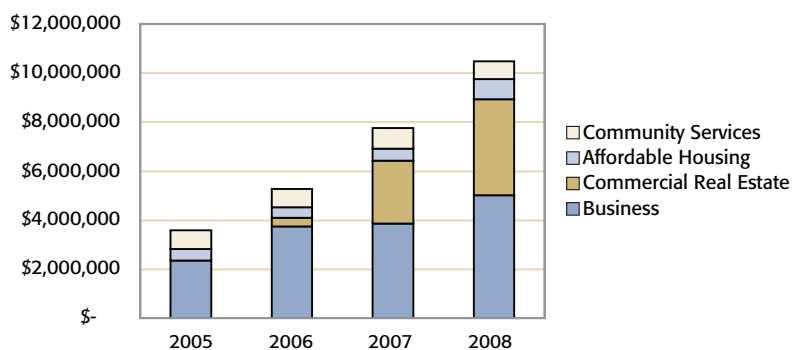


See The Return.

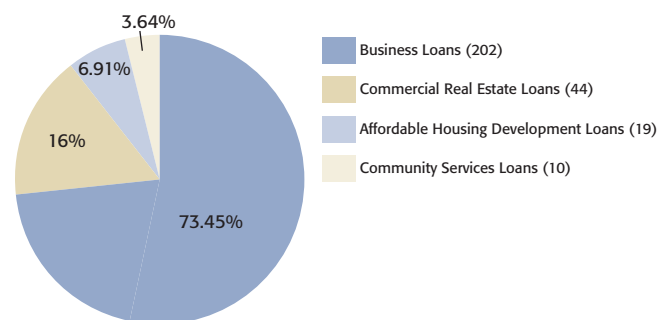
Financial Statement

FINANCIAL POSITION DATA	As of June 30		
	2008	2007	2006
ASSETS			
Cash	\$2,402,202	\$2,487,456	\$2,109,322
Loans Receivable (Net)	\$10,046,290	\$7,446,143	\$5,036,053
Property and equipment	\$835,678	\$862,752	\$930,426
Other Assets	\$1,462,682	\$1,317,508	\$1,079,114
Total Assets	\$14,746,852	\$12,113,859	\$9,154,915
LIABILITIES AND NET ASSETS			
LIABILITIES			
Notes Payable	\$8,808,692	\$6,349,666	\$3,972,994
Other Liabilities and Deferred Revenue	\$1,336,048	\$1,281,878	\$863,835
Total Liabilities	\$10,144,740	\$7,631,544	\$4,836,829
NET ASSETS			
Unrestricted	\$4,177,370	\$4,070,857	\$3,700,167
Temporarily Restricted	\$150,000	\$150,000	\$369,220
Permanently Restricted	\$274,742	\$261,458	\$248,699
Total Net Assets	\$4,602,112	\$4,482,315	\$4,318,086
Total Liabilities and Net Assets	\$14,746,852	\$12,113,859	\$9,154,915
ACTIVITIES DATA			
REVENUE AND SUPPORT			
Contributions and Grants	\$2,098,443	\$1,684,541	\$1,549,403
Interest and Fees	\$903,890	\$743,026	\$458,261
Other Income	\$49,997	\$24,703	\$30,740
Total Income	\$3,052,330	\$2,452,270	\$2,038,404
EXPENSES			
Program	\$2,508,352	\$1,950,669	\$1,466,178
General and Administrative	\$231,226	\$198,221	\$173,183
Fundraising	\$192,955	\$139,151	\$98,673
Total Expenses	\$2,932,533	\$2,288,041	\$1,738,034
CHANGE IN NET ASSETS	\$119,797	\$164,229	\$300,370

Total Portfolio by Dollar Amount of Loans



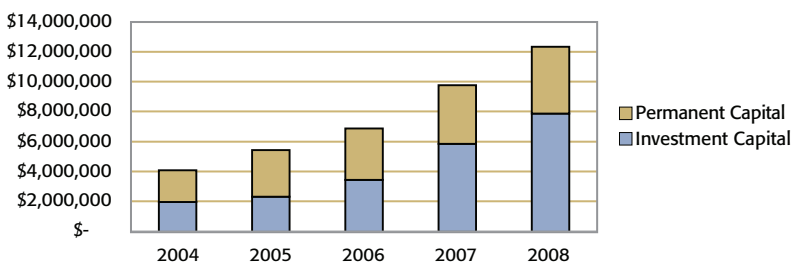
Total Portfolio by Number of Loans



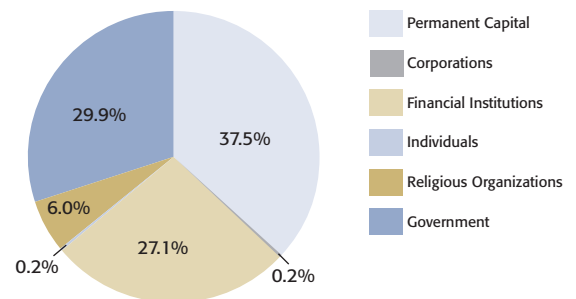
2008 Highlights

- Community First Fund was named a Semi Finalist for the prestigious Wachovia NEXT Awards for Opportunity Finance in 2007, funded through OFN by The Wachovia Foundation and The John D. and Catherine T. MacArthur Foundation. Building on our strengths, we were named a Finalist in 2008.
- Community First Fund received its first New Markets Tax Credit investment for \$1 million from Sovereign Bank.
- Community First Fund partnered with the Pennsylvania Departments of General Services and Community and Economic Development, to administer the brand new \$2 million Business Opportunities Fund. This program is designed to provide loans and technical assistance to minority- and women-owned businesses in our 13 county service area.
- President and CEO Daniel Betancourt testified before Congress, arguing for preservation of the SBA Microloan Program. Said Dan, "It is a cost-effective program that has been very successful at creating and retaining jobs in communities throughout the country."
- As part of our Small Cities Strategy and as an SBA-approved lender, we are now making loans through the SBA Express, Community Express, and Patriot Express programs. These designations increase our flexibility and timeliness, ultimately promoting our clients' long-term business goals.
- Joan Brodhead, Director of the Women's Business Center at Community First Fund received the 2008 Eastern Pennsylvania SBA Women in Business Champion of the Year Award.
- Daniel Betancourt received the K.L. Shirk Award for Community Service from the Urban League of Lancaster County.
- Marilyn Hedge, Board Member of Community First and Vice President of Susquehanna Bank, received the Pennsylvania's 50 Best Women in Business Award from the Central Penn Business Journal.

Financing Capital Growth



Financing Capital by Source (Cumulative)



The Ripple Effect.



See The Return.

Catalysts

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Nancy S. Keel, *AmeriCorps VISTA Member*
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Frederic J. Knerr, *Senior Associate, Loan Administration*
Nicola J. Miragliuolo, *AmeriCorps VISTA Member*
Kenneth J. Olson, *Business Consultant*
Benjamin Parra, *Controller*
Michelle Ramos, *Associate, Loan Administration*
Kristie L. Smith, *AmeriCorps VISTA Member*
Miriam Soto, *Director of Training; Business Lender and Counselor, Lancaster Region*
Genny L. Stein, *Senior Associate, Accounting*
Douglas J. Weiser, *Director of Business Lending and Counseling, Capital Region*

Champions

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Christ Church United Church of Christ
County of Lancaster
Reverend William H. and Jane Daniels
First Energy Foundation
Sandra M. and Richard A. Fluck
Foundation of the York County
Chamber of Commerce
Catherine and Paul Gregory
T. Jerome Holleran
John F. Horrigan
J.C. Ehrlich Co., Inc.
The James Hale Steinman Foundation
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Lancaster County Housing and
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Linda Lestz, Stemgas Publishing Co.
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Raymond Neag
Opportunity Finance Network
PA Commission on Crime and
Delinquency, Weed and Seed
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PA Department of Community and
Economic Development
PNC Bank
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Rotary Club of Lancaster

Ingrid and Edmund Ruoff
Sovereign Bank
Amanda and Scott Spencer
Susquehanna Bank
Sweet Street Desserts
Team Pennsylvania Foundation
U.S. Department of Agriculture
U.S. Department of Health and
Human Service, Office of
Community Services
U.S. Treasury Department, Community
Development Financial Institutions
Fund
Barbara and Solomon Wank
Wyomissing Foundation



INVESTORS (CUMULATIVE)

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Anne and David Bushnell
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Citizens Bank
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of the Incarnate Word
Episcopal Diocese of Central PA
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Franciscan Sisters of Mary
Fulton Bank
Molly S. and Alex Henderson
Cynthia A. and John W. Irwin
Edward and Cabell Klady

Lancaster Newspapers, Inc.
Erika E. and Max A. Lauffer
M&T Bank
Mellon Bank
Opportunity Finance Network
PA Department of Community and
Economic Development's
Pennsylvania Community
Development Bank
PNC Bank
Protestant Episcopal Church of USA
Seton Enablement Fund, Sisters of
Charity

Sisters of St. Francis of Philadelphia
Sovereign Bank
Susquehanna Bank
Reverend J. Kenneth and Marilyn
Trauger
John P. Treier, Jr.
U.S. Department of Agriculture
U.S. Small Business Administration
Wachovia Regional Community
Development Corporation
Reverend Charlotte Whiting

The Ripple Effect.



See The Return.

DONATIONS AND OPERATIONAL GRANTS
(7.1.07–6.30.08)

Eugene Aleci
Louis J. Appell
Armstrong Foundation
Mary Anne Bacas
Bank of America Charitable Foundation
Barley Snyder LLC
Louise K. and Robert Barnett
Belco Community Credit Union
Leslie H. Benoliel
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Chester County Department of Community
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Citizens Bank Foundation
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Corporation for National and Community
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Annalisa Crannell
Reverend William H. and Jane Daniels
Martin A. Darocha
Dauphin County Department of Community
Development
Anne Wallace- and Joseph DiGarbo
Wallace Dunlap
Economic Development Company of Lancaster County
E.T. Electric, LLC
Sandra M. and Richard A. Fluck
Franklin and Marshall College
Fulton Bank
Donna Glover
Leon B. Glover, Jr.
Greater Berks Development Fund
Peter A. Greenfield
S. Dale High
Housing Development Corporation/HDC3
The John Frederick Steinman Foundation
Lancaster Chamber of Commerce
and Industry
Lancaster County Community Foundation
Lancaster County Housing and
Redevelopment Authority
Erika E. and Max A. Lauffer
Craig E. and Amanda B. Lehman
The M&T Charitable Foundation
Carolyn Wheeler Maxey
Michael J. Meck
Meeder Development Corporation
National Penn Bank
Carolyn S. Nunan
PA Commission on Crime and Delinquency,
Weed and Seed Program
PA Department of Community and Economic
Development
PNC Bank
Carline Rameau
Reinsel Kuntz Leshar
Gerald Robinson
SACA Development Corporation
Sovereign Bank
Sterling Financial Foundation
Sweet Street Desserts
Resse, Pugh, Samley, Wagenseller & Mecum
Reverend J. Kenneth and Marilyn Trauger
U.S. Small Business Administration
Wachovia Regional Foundation
Barbara and Solomon Wank
Phyllis and William Whitesell
York County Economic Development Corporation



Community First Fund™
capital powering prosperity

www.commfirstfund.org