The Summit Federal Credit Union

A Box of possibilities

the SUMMIT FEDERAL CREDIT UNION

2013 Annual Report

> We cannot live for ourselves alone. Our lives are connected by a thousand invisible threads, and along these sympathetic fibers, our actions run as causes and return to us as results.
>
> \- Herman Melville

the SUMMIT FEDERAL CREDIT UNION

BUILDING BLOCKS TO A SOLID FOUNDATION

through our people, products and services

IMAGINE

Imagine the possibilities that we will unlock as we take flight in an era of sweeping changes as to how people do their banking.

At The Summit Federal Credit Union, what were traditionally long teller lines in branches that were very transaction oriented are much shorter now that technology is helping to make routine financial business so much easier to do. Many of our members have learned that they can do several simple transactions without ever coming into a branch. We think this is a great development for The Summit as it will make the personal interaction with our members more meaningful, and more critical - and that is our inherent strength. Branches are increasingly being seen as a place for purposeful dialogue between members and knowledgeable, friendly and caring employees. We believe that the responsibility of The Summit in this new era will be to help our members save time on simple transactions and provide resources to help our members make better financial decisions.

At The Summit, we have dramatically increased the number of electronic services that we offer. Our members can now take advantage of these when they are on the run using a computer, tablet or smartphone. If you have not yet tried these services we encourage you to do so. They are easy to use and we know you will love the convenience of banking on the go. We have also introduced mobile check deposit and online bill payment – which our members are using in great numbers.

The days of wondering when you were going to find the time to get to the branch, an ATM or shared facility to make a deposit are becoming a thing of the past. Now, you are able to deposit a check simply by taking a picture of it.

And, writing checks and paying bills through the mail is no longer necessary. Paying bills online has become a regular activity for so many of our members now that they can access the online bill payment application. Simply enter vendor information and set up payments to be withdrawn once, monthly or in the future. Then any time you want to pay a specific vendor, you can refer to an alphabetized list which is managed by you. Once you click on the vendor, you are able to adjust the payment by entering an amount as well as the day that you would like the payment made. The calendar feature gives you an estimate of when the vendor will receive the payment, based on when you choose to have it sent. The time you save, as well as the money that you save on checks, envelopes and stamps makes this a great efficient service that we know you will enjoy if you don't already!

We believe that the many new technologies that are being introduced in the banking industry, soon will be commonplace in branches, workplaces, homes and on the go. We know that today we are only scratching the surface even though our new service offerings already have thousands of users every day.

We also know that paired along with technology, our people will make the difference in our member's experience at The Summit. We are investing more resources everyday into training and developing employees so that they can better serve you. Allowing our employees to spend more time helping you with your credit, talking about investments, mortgages, home equity loans, car buying and setting up your accounts will be a great benefit to you. We are very excited to take our service to a whole new level and imagine the possibilities of the future.

Michael S. Vadala
President & CEO

Thomas B. Quirk
Thomas Quirk
Chairman of the Board of Directors

what we can do
imagine

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COMMITTED

GIVE
SERVE
VOLUNTEER

OUR EMPLOYEE COMMUNITY INVOLVEMENT

At The Summit Federal Credit Union, we believe that building a solid foundation today will strengthen the tomorrow of the communities we serve. From investing in young minds to investing in medical research, we are more than just a financial institution, we are a supporter of the future.

In the past year, we invested in the students of the Young Entrepreneurs Academy so they could bring their business ideas to life. We provided education materials for the elementary students in Brighton, teaching them the importance of learning to save and spend money wisely. Additionally, we helped imagine a world free of breast cancer by taking part in the Susan G. Komen Race for the Cure.

Last year we dreamt of our possibilities and achieved so much. This year we continue to imagine what we can do to strengthen the foundation of our community.

BUFFALO • ROCHESTER • SENECA FALLS • SYRACUSE • CORTLAND

VOLUNTEER

- American Heart Association
- American Red Cross
- Bivona Child Advocacy
- Boy Scouts of America Seneca Waterways
- Brighton Boosters
- Catholic Family Center
- Chili Soccer Club
- First Tee of Syracuse
- Gates Metro Soccer
- Greece Rotary Foundation
- Golisano Children's Hospital
- Hunters Hope
- Hilton Baseball
- March of Dimes
- Melissa's Living Legacy
- Mercier Literacy
- Muscular Dystrophy Association
- National Center for Missing and Exploited Children
- North Winton Arts Festival
- Serenity House
- Scottsville Athletic Association
- Theta Omicron Scholarship Foundation
- Volunteers of America
- Villa of Hope
- Wilson Commencement Park
- Walk like M.A.D.D.

BUILDING A SOLID FOUNDATION ...

THROUGH COMMUNITY

GIVE

Education/ Financial Literacy Program

At The Summit, we strive to help our members and our community gain a new perspective through our selection of products and services and the benefits that we deliver every day. Education is a critical element in helping our members and community unlock their financial possibilities. We continue to be committed to growing financial literacy within our communities, member companies and members by offering engaging and informative programs. In the past year alone we have:

- Continued our commitment to providing affordable products and services to low and moderate income members in the City of Buffalo, City of Geneva, Town of Henrietta, City of Rochester, City of Syracuse, City of Tonawanda, Town of Amherst, Town of Tonawanda and Cortland County.
- Held over fifty education seminars targeting teens, adults and seniors.
- Distributed over 1,500 Safari Adventure Kits to the Brighton Central School district elementary schools for children in grades Kindergarten through fifth grade.
- Partnered with the MEMBERS Financial Services Program to offer Retirement and Investment Services educational seminars.
- Supported the Young Entrepreneurs Academy by serving on the investor panel and investing in their business ideas.

SERVE

The Summit's Group Involvement

We continued to serve as a supporter of philanthropic efforts and local member companies through Buffalo, Cortland, Rochester, Seneca Falls and Syracuse. We believe this effort is a part of the foundation of who we are as an organization. Here are just some of the causes we were involved with in 2013:

- Coordinated teams for the 2013 Corporate Challenge in Rochester, Buffalo and Syracuse, as well as a team for the Carol M Baldwin Breast Cancer Research Fund event at Syracuse University and a team for the Juvenile Diabetes Walk for a Cure.
- Extended our relationship with the Rochester Public Market which attracts over 2.4 million visitors annually and serves a large population of underserved members of the community.
  - Supported the Market's cookbook with tastings on the first Saturday of every month.
  - Displayed our logo on the Market Trolley which transported thousands of shoppers from parking lots to the market.
  - Participated as the lead sponsor at the annual "Artist Row," a large scale event that spotlights the work of local artists. We provided an oversized canvas and allowed individuals to express themselves artistically. The canvas was later displayed in the lobby of the Main/ Winton branch.
- Made a donation of 50 hotel rooms in Webster, New York so that firefighters from all over the country could attend funerals for the fireman killed in the line of duty on Christmas Eve 2012.
- Participated in activities at over 30 Chambers of Commerce across Rochester, Syracuse and Buffalo.
- Held numerouse Child Safety Days where the local Police and Fire Departments gave presentations on fire and car safety and representatives from the National Center for Missing and Exploited Children fingerprinted children.
- Partnered with the Syracuse Police department for the Annual Shop with a Cop event that allowed disadvantaged children to shop for holiday gifts for their families.
- Served as the presenting sponsor for The First Tee Master's Charity Event.
- Sponsored the annual Lights on The Lake in Syracuse.

Rochester - United Way Day of Caring

Buffalo - Summit Educational Services Walk

Syracuse - Zip, Zest Fest

SERVE

- Worked with Syracuse University on the development of the Connective Corridor and helped organize a Zip, Zest Fest day.
- Served as a major contributor to Brighton Your Wardrobe a clothing cupboard with the mission to provide clothing to individuals, families and children attending or living within the Brighton School District who are in need.
- Participated in Summer Reading programs for the Irondequoit Public Library and supported the fundraising efforts of Stepping Stones Learning Center.
- Sponsored the Children's Concert Series/Dog Days of Kenmore.
- Donated to The Food Bank of Western New York.
- Sponsored Catholic Family Center's annual Empty Bowls event as well as their annual golf tournament.
- Sponsored the Kid's Corner at the Annual Apple Festival in Hilton New York and participated in and made a donation to the Hilton Fireman's Association Open House.
- Sponsored the YMCA Fitness Frenzy to benefit the Invest In Youth Campaign and participated the YWCA, Empowering Women's Luncheon.

GIVE
SERVE
VOLUNTEER
COMMITTED

Our Board of Directors

Our Board of Directors is a diverse team comprised of volunteers from practicing lawyers to tennis pros. They live and work throughout the state from Buffalo to Syracuse and everywhere in between. Our volunteers provide valuable insight and knowledge that continues to guide us into the future.

BACK ROW (from left to right): Jeffrey W. Peters, Director Emeritus; Edward A. Szpila, Director Emeritus; Chris Modesti, Director; Chip Turner, Director; Michael S. Vadala, President and CEO; Elizabeth A. Dudman, Director; Daryl Wolf, Director; Gerald K. Gebauer, Director; FRONT ROW (from left to right): Kofi Appiah Okyere, Treasurer; Sarah Sorensen, Vice Chair; Thomas B. Quirk, Chairman; Augustin Melendez, Vice Chair; William A. Reifsteck, Secretary; NOT PICTURED: Richard W. Murphy, Director; Joseph E. Thyroff, Director Emeritus; Charles J. Faggiano, Director Emeritus; Angie Petrarca, Director Emeritus.

Committees

Executive
Tom Quirk
Augustin Melendez
Kofi Appiah Okyere
William Reifsteck
Sarah Sorensen
Mike Vadala

Nominating
John Striebich
Sarah Clark
Dave Semrau
Cheryl Pohlman
Mike Vadala

Membership
Charles Faggiano
Chip Turner
Barb Rothfuss

Pension
Jeffrey Peters
Augustin Melendez
Joseph Thyroff
Daryl Wolf
Mike Vadala
Leanne McGuinness
Laurie Baker
Karen Lamy
Laurie Wiest

Investment
Richard Murphy
Kofi Appiah Okyere
Chris Modesti
Karen Lamy
Leanne McGuinness

Supervisory
Bill Schafer
Sandra Mayfield
John Pusloskie
Kate Sweeney
Jeffrey Keogh
Pat Fahrer
Karen Lamy
Leanne McGuinness

Policy
Sarah Sorensen
Joseph Thyroff
Richard Murphy
Karen Lamy

Board Governance
Bill Reifsteck
Tom Quirk
Betty Dudman
Gerald Gebauer
Mike Vadala
Laurie Baker

Bolded is Committee Chair

Prepared by Bonadio & Co., LLP

Independent Auditor's Report

March 24, 2014

Bonadio & Co., LLP
Certified Public Accountants

To the Supervisory Committee and Board of Directors of The Summit Federal Credit Union:

We have audited the accompanying consolidated financial statements of The Summit Federal Credit Union and Subsidiary (the Credit Union), which comprise the consolidated statements of financial condition as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the Unites States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

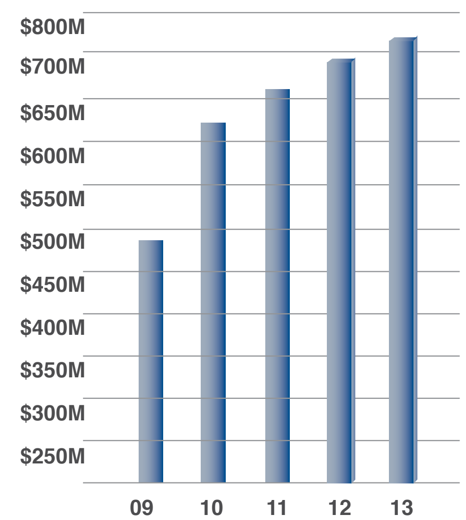
Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Summit Federal Credit Union and Subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

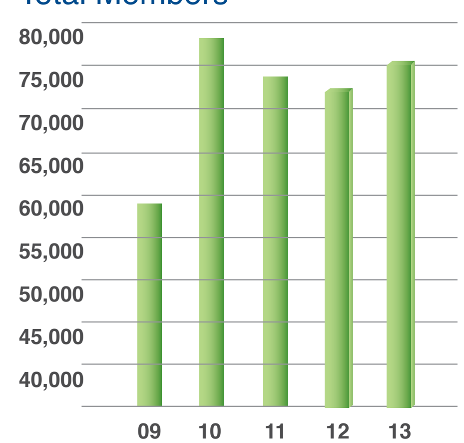
Pittsford, New York

Bonadio + Co. LLP

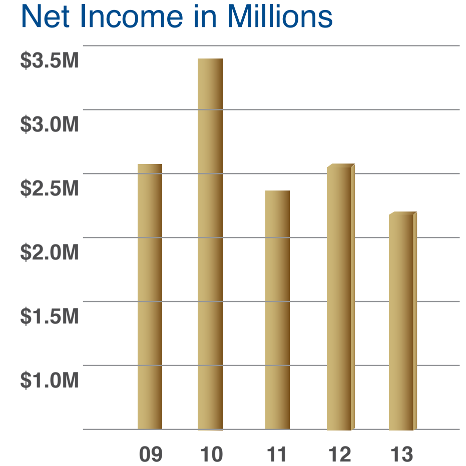
Total Assets in Millions



Total Members



Net Income in Millions



Consolidated Statements of Financial Condition

As of December 31, 2013 and 2012

ASSETS	2013	2012
Cash and equivalents	$6,541,154	$6,758,313
Overnight deposits at financial institutions	3,599,099	59,386,798
Investment in certificates of deposit	41,377,000	35,093,685
Investment securities available for sale	23,350,052	32,376,343
Investment securities held to maturity	77,622,990	58,039,081
Loans to members, less allowance for loan losses of $1,692,384 and $1,683,677, respectively	532,475,266	466,264,928
Premises and equipment, net	19,009,607	18,044,502
NCUSIF deposit	6,260,440	6,007,163
Intangible assets	1,957,919	2,964,577
Other assets	7,497,544	8,274,309
Total assets	**$719,691,071**	**$693,209,699**

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES:		
Accrued expenses and other liabilities	$10,475,879	$11,578,478
Accrued pension expense	2,034,186	4,198,607
Borrowings	13,000,000	-
Total liabilities excluding members' accounts	**25,510,065**	**15,777,085**
MEMBERS' AND NON-MEMBERS' ACCOUNTS:		
Members' shares and savings accounts	448,506,938	424,915,191
Members' share certificates	150,476,729	163,625,557
Non-members' shares and certificates	28,299,342	25,729,325
Total members' and non-members' accounts	**627,283,009**	**614,270,073**
Total liabilities	**652,793,074**	**630,047,158**
MEMBERS' EQUITY:		
Regular reserve	8,750,360	8,750,360
Undivided earnings	49,339,16	47,216,746
Equity acquired in merger	10,977,543	10,977,543
Accumulated other comprehensive loss	(2,169,067)	(3,782,108)
Total members' equity	**66,897,997**	**63,162,541**
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$719,691,071**	**$693,209,699**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

As of December 31, 2013 and 2012

	2013	2012
INTEREST INCOME		
Loans to members	$21,525,068	$21,926,682
Investments	1,658,582	1,945,240
	23,183,650	23,871,922
INTEREST EXPENSE		
Dividends on members' and non-members' shares	2,914,977	3,551,985
Interest on borrowings	26,075	201
	2,941,052	3,552,186
Net interest income before provision for loan losses	20,242,598	20,319,736
PROVISION FOR LOAN LOSSES	895,535	980,970
Net interest income after provision for loan losses	19,347,063	19,338,766
NON-INTEREST INCOME		
Fees and other	7,260,361	8,236,583
Interchange	3,503,929	3,391,957
Total non-interest income	10,764,290	11,628,540
NON-INTEREST EXPENSE		
Compensation and benefits	14,232,953	14,856,293
Operations	6,266,955	6,054,281
Professional and outside services	2,671,781	2,770,622
Occupancy	1,503,566	1,424,927
Amortization of intangible assets	1,006,659	913,127
Marketing	966,794	992,292
NCUA charges	500,835	570,680
Other	839,395	793,715
Total non-interest expense	27,988,938	28,375,937
NET INCOME	$2,122,415	$2,591,369

Consolidated Statements Of Comprehensive Income

As of December 31, 2013 and 2012

	2013	2012
NET INCOME	$2,122,415	$2,591,369
OTHER COMPREHENSIVE INCOME (LOSS):		
Change in unrealized loss on investment securities available for sale	(502,810)	(287,919)
Change in unrealized gain on deferred compensation plan investments	40,434	15,733
Change in accrued pension	2,075,417	(736,856)
Total other comprehensive income (loss)	1,613,041	(1,009,042)
TOTAL COMPREHENSIVE INCOME	$3,735,456	$1,582,327

Consolidated Statements Of Members' Equity

As of December 31, 2013 and 2012

	Regular Reserve	Undivided Earnings	Equity Aquired in Merger	Accumulated Other Comrehensive Income (Loss)	Total
BALANCE, JANUARY 1, 2012	$8,750,360	$44,625,377	$10,977,543	($2,773,066)	$61,580,214
Net income	-	2,591,369	-	-	2,591,369
Equity acquired in merger	-	-	-	-	-
Change in unrealized gain on deferred compensation plan investments	-	-	-	15,733	15,733
Change in unrealized loss on investment securities available for sale	-	-	-	(287,919)	(287,919)
Change in accrued pension	-	-	-	(736,856)	(736,856)
BALANCE, DECEMBER 31, 2012	8,750,360	47,216,746	10,977,543	(3,782,108)	63,162,541
Net income	-	2,122,415	-	-	2,122,415
Change in unrealized gain on deferred compensation plan investments	-	-	-	40,434	40,434
Change in unrealized loss on investment securities available for sale	-	-	-	(502,810)	(502,810)
Change in accrued pension	-	-	-	2,075,417	2,075,417
BALANCE, DECEMBER 31, 2013	$8,750,360	$49,339,161	$10,977,543	($2,169,067)	$66,897,997

Consolidated Statements of Cash Flows

As of December 31, 2013 and 2012

CASH FLOW FROM OPERATING ACTIVITIES:	2013	2012
NET INCOME	$2,122,415	$2,591,369
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization of premises and equipment	1,524,261	1,583,726
Amortization of mortgage servicing rights	400,239	391,054
Capitalization of mortgage servicing rights	(353,082)	(470,579)
Amortization of intangible assets	1,006,659	913,127
Provision for loan losses	895,535	980,970
Net accretion of discounts and amortization of premiums on investment securities	1,121,653	1,876,884
Loss on disposition of premises and equipment	3,024	4,169
Changes in:		
Other assets	772,307	240,265
Accrued expenses and other liabilities	(1,102,599)	(1,305,003)
Accrued pension expense	(89,004)	(773,508)
Net cash flow from operating activities	**6,301,408**	**6,032,474**
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investment securities available for sale	(14,387,490)	-
Proceeds from sales and maturities of investment securities available for sale	22,913,661	10,357,453
Purchases of investment securities held to maturity	(41,854,301)	(1,750,000)
Proceeds from maturities of investment securities held to maturity	21,186,483	15,950,000
Net increase in investments in certificates of deposit	(6,283,315)	(7,477,000)
Net increase in loans to members	(67,105,873)	(35,061,184)
Purchases of premises and equipment	(2,492,390)	(1,359,872)
Increase in NCUSIF deposit	(253,277)	(417,985)
Net increase in capital balance at FHLB	(42,700)	(35,900)
Net cash flow from investing activities	**(88,319,202)**	**(19,794,488)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings, net	13,000,000	-
Net increase in members' shares and savings accounts	23,591,747	37,916,468
Net decrease in members' share certificates	(13,148,828)	(13,482,290)
Net increase in non-members' shares and certificates	2,570,017	5,151,558
Net cash flow from financing activities	**26,012,936**	**29,585,736**
NET CHANGE IN CASH AND EQUIVALENTS	**(56,004,858)**	**15,823,722**
CASH AND EQUIVALENTS - beginning of year	**66,145,111**	**50,321,389**
CASH AND EQUIVALENTS - end of year	**$10,140,253**	**$66,145,11**

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATION

The Summit Federal Credit Union (The Summit) was established to offer affordable, high quality financial products and services to its members. The Summit is headquartered in Rochester, New York and has branch locations in and around the Greater Rochester, Buffalo and Syracuse, New York areas.

The Summit's wholly-owned subsidiary, Credit Union Auto Finance (CUAF), is a credit union service organization that provides services related to the origination of indirect auto loans to credit unions in Western New York State.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION
The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) and National Credit Union Administration (NCUA) regulations.

BASIS OF CONSOLIDATION
The accompanying consolidated financial statements include the accounts of The Summit and CUAF. All significant intercompany balances and transactions have been eliminated in consolidation.

CASH AND EQUIVALENTS
Cash and equivalents include all highly liquid investments with an original maturity of three months or less, including overnight deposits at financial institutions which, at times, may exceed federally insured limits. The Summit has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and equivalents.

OVERNIGHT DEPOSITS AT FINANCIAL INSTITUTIONS
Overnight deposits are held at the Federal Reserve Bank of New York, a corporate credit union, and The Federal Home Loan Bank (FHLB) and are recorded at cost which approximates fair value. Overnight deposits at these institutions consist of cash and cash equivalents varying in duration from overnight to three months which, at times, may exceed federally insured limits. The Summit has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to its overnight deposits at financial institutions.

INVESTMENTS
The Summit's significant accounting policies related to investments are as follows:

- **Investments in Certificates of Deposit**
  Investments in certificates of deposit are recorded at cost and have remaining maturities of up to three years. The Summit's policy is to purchase certificates that are within the insured limits ($250,000) of either the NCUA or Federal Deposit Insurance Corporation.

- **Investments in Debt Securities**
  Investments in debt securities which are classified as held to maturity are stated at amortized cost when management has the positive intent and ability to hold such securities to maturity. Investments in debt securities which are classified as available for sale and have readily determinable fair values are stated at estimated fair value. Unrealized gains or losses related to investment securities available for sale are excluded from income and included as a change in other comprehensive income.

  Interest income includes interest earned on investment securities and the respective amortization of premium or accretion of discount. Amortization or accretion for held to maturity and available for sale investments is computed using the effective interest rate method. Gains and losses from sales of securities are determined using the specific identification method.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Investment Risk**
  The Summit invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could affect the amounts reported in the accompanying financial statements.

- **Fair Value Measurements**
  GAAP establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs, as follows:

  - **Level 1 Inputs -** Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

  - **Level 2 Inputs -** Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

  - **Level 3 Inputs -** Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

LOANS TO MEMBERS AND ALLOWANCE FOR LOAN LOSSES
Loans originated by The Summit are stated at the amount of unpaid principal, reduced by an allowance for loan losses. For substantially all loans, interest is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. The allowance for loan losses is increased through a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). Loans are charged against the allowance when management believes collection is doubtful. Management's periodic evaluation of the adequacy of the allowance is based on The Summit's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' abilities to repay, estimated value of any underlying collateral, and current economic conditions.

Loans acquired through merger are initially recorded at estimated fair value. The difference between the fair value and the unpaid principal amount is adjusted through either interest income or the provision for loan losses based on The Summit's experience with each loan. Loans acquired through merger are evaluated in terms of the adequacy of the allowance in a similar manner to loans originated by The Summit. To the extent that management believes credit losses may be incurred beyond the remaining fair value adjustment for a particular loan, additional charges against the allowance are recorded.

The accrual of interest is discontinued on a loan when the loan becomes 90 days past due and management believes, based on collection efforts, that the borrower's financial condition is such that the collection of interest is doubtful. Uncollectible interest previously accrued is charged off or an allowance is established by means of a charge to interest income. Income is subsequently recognized only to the extent cash payments are received until the loan is no longer 90 days or more past due, at which time the loan is returned to accrual status.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual term of the loan.

The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
LOANS TO MEMBERS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Because all identified losses are immediately charged off, no portion of the allowance for loan losses is restricted to any individual loan or groups of loans, and the entire allowance is available to absorb any and all loan losses.

The Summit considers three segments of its loan portfolio in its allowance determination: residential mortgages, other consumer loans and consumer credit cards.

The allowance consists of specific and general components. Specific allowances are established for impaired loans. A loan is considered impaired when current information and events indicate that, in management's judgment, it is probable that The Summit will be unable to collect scheduled payments required under the terms of the loan contract. Factors considered in determining impairment include payment delinquency status, communication with the borrower, the reasons for the delay in payment, the borrower's past performance, the existence of a guarantor and the likelihood of the guarantor satisfying the obligation, and other factors specific to each loan.

The residential mortgage, other consumer (including automobile and home equity), and consumer credit card loan segments consist of large groups of homogeneous loans that are evaluated for impairment collectively.

General allowances are established by applying an estimated loss percentage to loans that are not considered impaired. Loss percentages are established based on historical loss experience on each class of loan, and may be adjusted for qualitative factors, such as changes in loan underwriting policy, the introduction of new loan products, changes in economic conditions, and other factors.

Management evaluates currently available information to establish the allowance; however, actual future loss experience may differ from that allowed for if conditions differ from those assumptions used by the Credit Union in establishing the allowance.

The Summit's policies dictate guidelines for determining when a loan is to be charged off. All charge-offs are approved by The Summit's senior management and the Board of Directors. Real estate secured loans are generally charged-off when a determination is made that the borrower will be unable to pay and any collateral will not be adequate to repay the loan when liquidated. Consumer loans, whether collateralized or not, are generally charged off when the loan becomes 180 days delinquent or when The Summit believes the loans to be a total loss.

There were no changes to The Summit's policy or methodology utilized to establish the allowance for loan loss in 2013 or 2012.

PREMISES AND EQUIPMENT
Buildings, office equipment and leasehold improvements are recorded at cost, for purchased items, and at fair value at the date of acquisition for items acquired as part of a merger, less accumulated depreciation and amortization. Buildings and office equipment are depreciated over useful lives ranging from three to forty years using the straight-line method. Leasehold improvements are amortized using the straight-line method over the period of the lease or the estimated life of the property, whichever is shorter.

NATIONAL CREDIT UNION SHARE INSURANCE FUND (NCUSIF) DEPOSIT
NCUA regulations require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to The Summit if its insurance coverage was terminated, it converted to insurance coverage from another source, or the operations of the fund were transferred from the NCUA Board. Premiums are assessed annually by the NCUSIF to the extent that The Summit's total insured deposits increase,

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
NATIONAL CREDIT UNION SHARE INSURANCE FUND (NCUSIF) DEPOSIT (CONTINUED)

or at the discretion of NCUSIF management. The NCUSIF deposit is required to be reviewed for impairment, including consideration of the refundability of the deposit. At December 31, 2013 and 2012, management did not consider any impairment adjustment necessary.

In addition to the amount held on deposit with the NCUSIF, The Summit is required to pay an annual insurance premium based on its total insured members' shares, unless the payment is waived or reduced by the NCUA Board. These premiums provide insurance on members' deposit accounts up to $250,000 per member.

TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND
The NCUA established the Temporary Corporate Credit Union Stabilization Fund (the Stabilization Fund) in 2009. See Note 17 for discussion of the Stabilization Fund. The NCUA has informed insured credit unions that assessments will be made annually through 2021 to fund the payments required on the Stabilization Fund's obligations. The timing and amount of the assessments are determined at the discretion of the NCUA. The Summit's policy is to record these assessments to expense annually as notification of payment requirements is received.

INTANGIBLE ASSETS
In connection with mergers in prior years, The Summit recognized certain core deposit intangible assets related to customer relationships. These assets are being amortized over a weighted-average useful life of 47 months. The core deposit intangible is evaluated each reporting period in order to determine whether events and circumstances warrant a revision to the remaining amortization period. If it is determined that a revision is warranted, the remaining carrying amount is amortized prospectively over the revised remaining useful life. The Summit has evaluated its intangible assets and determined that no revisions are necessary.

Goodwill represents the residual value of the merged entity at the date of merger in excess of the fair value of the identifiable assets less liabilities. Goodwill is tested annually for impairment. In 2013, The Summit recognized an impairment loss related to the goodwill recorded in conjunction with a merger completed in 2009. See Note 7. No impairment loss was recognized in 2012.

MORTGAGE SERVICING RIGHTS
Mortgage servicing rights assets, included with other assets, are established each time The Summit undertakes an obligation to service mortgage loans for the Federal National Mortgage Association (FNMA). For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on relative fair value. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, ancillary income, prepayment speeds and default rates and losses. Servicing assets are amortized in proportion to, and over the period of, estimated net servicing revenues. For purposes of measuring impairment, the assets are stratified based on the original term and interest rate of the underlying loans. The amount of impairment recognized is the amount by which the capitalized mortgage servicing assets for a stratum exceed their fair value. As of December 31, 2013 and 2012, no such impairment was recorded.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as non-interest income when earned.

OTHER REAL ESTATE OWNED
Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at estimated liquidation value, including consideration of estimated costs to sell, at the date of foreclosure and are included within other assets.

Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
OTHER REAL ESTATE OWNED (CONTINUED)

Costs relating to development and improvement of property are capitalized, whereas costs relating to holding property are charged to expense. Valuations are periodically performed by management and an allowance for losses is established by means of a charge to operations if the carrying value of the property exceeds fair value less estimated costs to sell.

MEMBERS' AND NON-MEMBERS' SHARES AND CERTIFICATES
Members' and non-members' shares are subordinated to all other liabilities of The Summit upon liquidation. Dividends on share accounts are based on available earnings at the end of a dividend period and are not guaranteed by The Summit. Dividend rates on share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions. Dividend rates on members' and non-members' share certificates, money market and checking accounts are set by management based on current market conditions. Dividends on members' and non-members' share accounts and share certificates are charged as an expense.

PENSION PLAN
The Summit has a non-contributory defined benefit pension plan covering substantially all of its employees. The Summit's policy is to fund at least the minimum amount required under the Employee Retirement Income Security Act of 1974 (ERISA).

MEMBERS' EQUITY
The Summit is required by NCUA regulations to maintain a net worth ratio based on the risk deemed inherent in its statement of financial condition. Credit unions which do not meet the risk based net worth requirements will be subject to prompt corrective supervisory action by the NCUA. The NCUA's net worth requirements to be considered adequately capitalized at December 31, 2013 and 2012 was 7.0 percent. As of December 31, 2013 and 2012, The Summit maintained a net worth ratio of 9.57 percent and 9.63 percent, respectively, and was considered well capitalized. The Summit is also subject to a Risk Based Net Worth Requirement (RBNWR), which determines whether The Summit will be considered "complex" under the NCUA's regulatory framework. The Summit's RBNWR ratio was below 6 percent for the years ended December 31, 2013 and 2012, respectively. Based on this, The Summit is not considered "complex" under the NCUA's regulatory framework.

The Summit is required by regulation to maintain a reserve. This regular reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of dividends.

ADVERTISING COSTS
Advertising costs are charged to expense as incurred.

INCOME TAXES
The Summit is exempt, by statute, from federal and state income taxes as a 501(c)(1) organization. As of December 31, 2013 and 2012, the Summit does not have a liability for unrecognized tax benefits.

COMPREHENSIVE INCOME
GAAP requires that recognized income, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and deferred compensation plan investments, as well as changes in accrued pension, are reported as a change in the accumulated other comprehensive income (loss) section of the statements of members' equity.

ESTIMATES
The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

RECLASSIFICATIONS
Certain reclassifications have been made to the 2012 consolidated financial statements to conform to the current year presentation.

Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012

3. INVESTMENT SECURITIES

The amortized cost and fair value of investment securities available for sale are as follows at December 31:

	2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 23,055,806	$ -	$(138,393)	$ 22,917,413
Residential mortgage-backed securities	424,759	7,880	-	432,639
	$23,480,565	$7,880	$(138,393)	$23,350,052

	2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 31,506,396	$ 360,853	$ -	$ 31,867,249
Residential mortgage-backed securities	497,650	11,444	-	509,094
	$ 32,004,046	$ 372,297	$ -	$ 32,376,34

Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012

3. INVESTMENT SECURITIES (CONTINUED)

The amortized cost and estimated fair value of investment securities held to maturity are as follows at December 31:

	2013			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. government and agency securities	$77,622,990	$ -	$(108,668)	$ 77,514,322

	2012			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. government and agency securities	$58,039,081	$ 736,918	$ -	$58,775,999

The scheduled maturities of held to maturity and available for sale securities were as follows at December 31, 2013:

	Securities Held to Maturity		**Securities Available for Sale**	
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Due in one year or less	$35,254,050	$35,428,002	$7,100,610	$7,166,054
Due from one to five years	42,368,940	42,086,320	15,976,064	15,773,175
Due from five to ten years	-	-	204,165	206,061
Due after ten years	-	-	199,726	204,762
	$ 77,622,990	$ 77,514,322	$ 23,480,565	$ 23,350,052

The Summit has no material investments that have been in a loss position for more than twelve months.

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of The Summit to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Management does not believe that a write-down is required in connection with the investment securities noted above.

Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012

INVESTMENT SECURITIES (CONTINUED)

Financial assets and financial liabilities measured at fair value on a recurring basis include the following:

Securities Available for Sale
Residential mortgage backed securities and U.S. government and agency securities are reported at fair value utilizing Level 2 inputs. For these securities, The Summit obtains fair value measurements from an independent pricing service. Based on information received from the pricing service, inputs used by the pricing service include, in order of priority, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. The appraisals that result from these inputs do not necessarily reflect net results obtainable in the event of actual liquidation.

The following table summarizes financial assets measured at fair value on a recurring basis as of December 31, 2013 and 2012, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	2013			
	Level 1 Inputs	**Level 2 Inputs**	**Level 3 Inputs**	**Total Fair Value**
Federal Home Loan Bank Securities	$ -	$5,690,134	$ -	$5,690,134
Federal Home Loan Mortgage Corp. securities	-	17,227,279	-	17,227,279
Residential mortgage-backed securities	-	432,639	-	432,639
	$ -	$ 23,350,052	$ -	$ 23,350,052

	2012			
	Level 1 Inputs	**Level 2 Inputs**	**Level 3 Inputs**	**Total Fair Value**
Federal Home Loan Bank Securities	$	$10,861,803	$	$10,861,803
Federal Home Loan Mortgage Corp. securities	-	21,005,446	-	21,005,446
Residential mortgage-backed securities	-	509,094	-	509,094
	$ -	$ 32,376,343	$ -	$ 32,376,343

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. Financial assets and liabilities subject to fair value adjustments on a non-recurring basis include other real estate owned, mortgage servicing rights, intangible assets, loans to members and assets and liabilities acquired through merger.

4. LOANS TO MEMBERS

THE COMPOSITION OF LOANS TO MEMBERS IS AS FOLLOWS AT DECEMBER 31:

	2013	2012
Residential mortgage	$ 120,232,600	$ 107,006,376
Home equity	114,089,323	106,769,263
Consumer automobile	226,695,496	189,316,975
Consumer credit card	28,525,045	28,400,928
Other consumer	40,305,444	35,445,606
Gross loans outstanding	**529,847,908**	**466,939,148**
Add: Net deferred loan origination costs	7,355,309	5,431,682
Less: Fair market value adjustment for merged loans	(3,035,567)	(4,422,225)
Less: Allowance for loan losses	(1,692,384)	(1,683,677)
	$ 532,475,266	$ 466,264,928

Credit Risk Profile
The Credit Union evaluates carried loans utilizing a credit risk profile that incorporates a number of elements of the borrower's performance, including information on each loan's status as current or delinquent. The Credit Union considers all loans for which payments are past due by 15 days or more to be delinquent. The following table presents the Credit Union's loan portfolio by class and credit risk profile as defined by the Credit Union's risk rating system as of December 31, 2013:

	Current	Delinquent	Total
Residential mortgage	$ 118,840,653	$ 1,391,947	$ 120,232,600
Home equity	112,994,887	1,094,436	114,089,323
Consumer automobile	222,734,605	3,960,891	226,695,496
Consumer credit card	27,934,815	590,230	28,525,045
Other consumer	39,583,220	722,224	40,305,444
Gross loans outstanding	$522,088,180	$7,759,728	$529,847,908

The following table presents the Credit Union's loan portfolio by class and credit risk profile as defined by the Credit Union's risk rating system as of December 31, 2012:

	Current	Delinquent	Total
Residential mortgage	$ 105,762,969	$ 1,243,407	$ 107,006,376
Home equity	105,720,624	1,048,639	106,769,263
Consumer automobile	186,223,699	3,093,276	189,316,975
Consumer credit car	27,577,632	823,296	28,400,928
Other consumer	34,859,107	586,499	35,445,606
Gross loans outstanding	$460,144,031	$6,795,117	$466,939,148

Impaired Loans
The Summit classifies as impaired all loans which have been previously modified, bankrupt loans, loans delinquent for one to five months with an outstanding principal balance of at least $25,000 and all loans delinquent for more than six months.

4. LOANS TO MEMBERS (CONTINUED)

IMPAIRED LOANS (CONTINUED)
The following tables present information on the Credit Union's impaired loans, by loan portfolio class, as of December 31:

	2013	
	Unpaid Principal Balance	**Related Allowance**
Residential mortgage	$ 2,355,266	$ 25,000
Home equity	1,283,731	45,078
Consumer automobile	8,686,400	476,688
Consumer credit card	145,847	109,253
Other consumer	1,143,083	87,772
Total	**$ 13,614,327**	**$743,791**

	2012	
	Unpaid Principal Balance	**Related Allowance**
Residential mortgage	$1,560,336	$15,000
Home equity	1,210,914	71,938
Consumer automobile	8,320,017	407,072
Consumer credit card	104,137	54,047
Other consumer	762,918	103,520
Total	**$11,958,322**	**$651,577**

The Credit Union's practice is to record at least a small specific allowance on all impaired loans, and, therefore, there are no impaired loans without an allowance recorded. The average recorded investment in impaired loans approximates the year-end balance above. Interest income is recognized on impaired loans if collection is considered likely and the loan is less than 90 days delinquent.

Loans in Non-Accrual Status
The Credit Union discontinues the accrual of interest on loans when loans are delinquent by 90 days or more and management believes, based on collection efforts, that the borrower's financial condition is such that the collection of interest is doubtful. Loans remain in non-accrual status until the member makes payments sufficient to reduce their delinquent status to less than 90 days. The following table presents loan balances in non-accrual status by loan class as of December 31:

	2013	2012
Residential mortgage	$ 160,614	$ 185,790
Home equity	214,263	333,368
Consumer automobile	279,936	356,729
Consumer credit card	255,019	171,168
Other consumer	125,209	99,567
Total	**$1,035,041**	**$1,146,622**

4. LOANS TO MEMBERS (CONTINUED)

LOANS IN NON-ACCRUAL STATUS (CONTINUED)

Payments received on loans in non-accrual status are applied to interest, fees, and then loan principal until such time as the loan is made current.

LOAN MODIFICATIONS AND TROUBLED DEBT RESTRUCTURINGS

The Summit's practice is to restructure or modify loans only in cases where such changes create a more-likely-than-not possibility of ultimate collection. At December 31, 2013, The Summit had 117 loans classified as troubled debt restructurings with a total outstanding balance of approximately $972,000. Of these, 3 contracts are for residential mortgages with an aggregate outstanding balance of approximately $253,000. At December 31, 2012, The Summit had 90 loans classified as troubled debt restructurings with a total outstanding balance of approximately $653,000. Of these, 3 contracts were for residential mortgages with an aggregate outstanding balance of approximately $127,000. The Summit does not consider the effect of troubled debt restructurings to be significant to the financial statements on an overall basis.

AGING OF PAST-DUE LOANS TO MEMBERS

An important element of The Summit's evaluation of the loan portfolio's performance and credit quality is the age of loans to members as measured by the length of time that a required payment is past-due. The Summit initiates communication with the borrower when a payment is past-due by as little as 15 days.

The following table presents the past-due status of each class of loan, summarized by the length of time that loans are past-due, as of December 31, 2013:

	Length of Time Past-Due							
	15-27 Days Past Due	28-56 Days Past Due	57-88 Days Past Due	89-179 Days Past Due	Greater than 179 Days Past Due	Total Delinquent	Current	Total Loans to Members
Residential mortgage	$	$1,118,361	$112,972	$72,781	$87,833	$1,391,947	$118,840,653	$120,232,600
Home equity	362,807	312,145	205,221	173,272	40,991	1,094,436	112,994,887	114,089,323
Consumer automobile	2,326,433	1,078,981	275,541	177,601	102,335	3,960,891	222,734,605	226,695,496
Consumer credit card		249,051	86,160	183,784	71,235	590,230	27,934,815	28,525,045
Other consumer	385,903	162,673	48,439	110,729	14,480	722,224	39,583,220	40,305,444
	$3,075,143	$2,921,211	$728,333	$718,167	$316,874	$7,759,728	$522,088,180	$529,847,908

4. LOANS TO MEMBERS (CONTINUED)

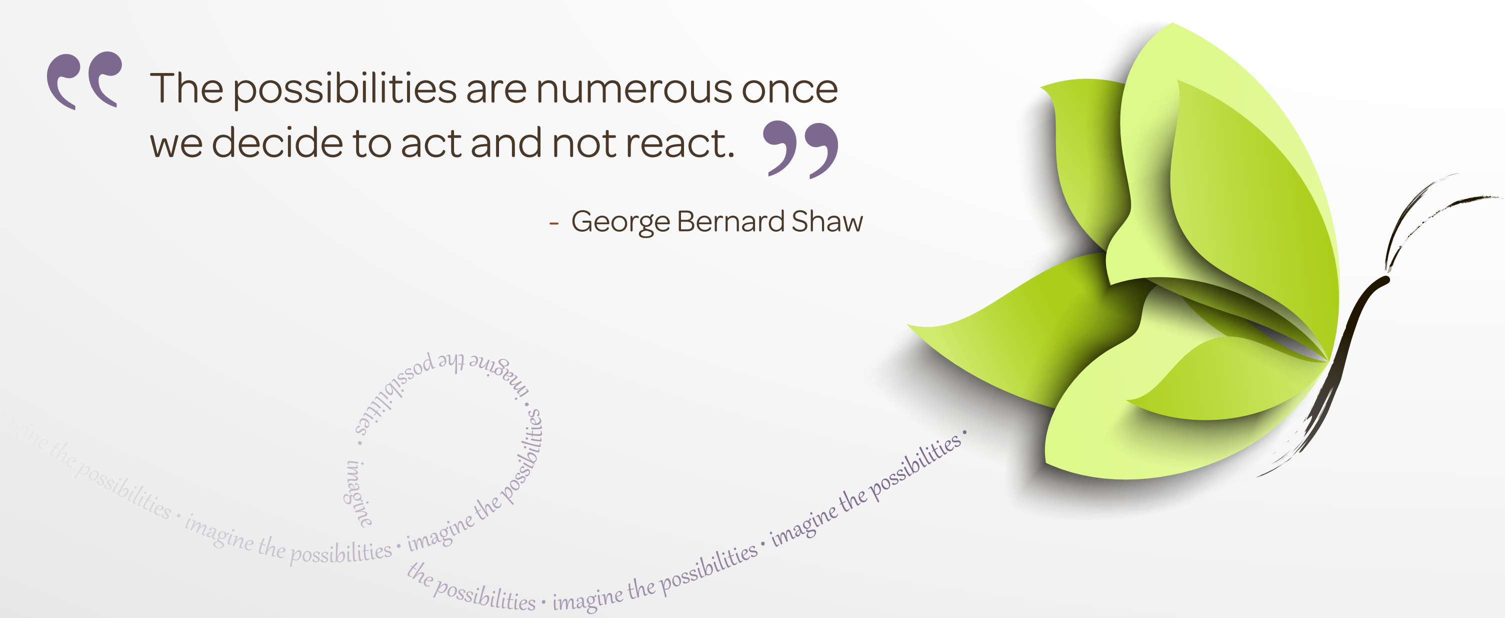
AGING OF PAST-DUE LOANS TO MEMBERS (CONTINUED)

The following table presents the past-due status of each class of loan, summarized by the length of time that loans are past-due, as of December 31, 2012:

	Length of Time Past-Due							
	15-27 Days Past Due	28-56 Days Past Due	57-88 Days Past Due	89-179 Days Past Due	Greater than 179 Days Past Due	Total Delinquent	Current	Total Loans to Members
Residential mortgage	$ -	$863,786	$193,831	$97,957	$87,833	$1,243,407	$105,762,969	$107,006,376
Home equity	353,796	313,606	47,869	171,397	161,971	1,048,639	105,720,624	106,769,263
Consumer automobile	1,646,233	740,480	349,834	242,481	114,248	3,093,276	186,223,699	189,316,975
Consumer credit card	-	515,486	136,642	144,401	26,767	823,296	27,577,632	28,400,928
Other consumer	297,710	137,427	51,795	82,153	17,414	586,499	34,859,107	35,445,606
	$2,297,739	$2,570,785	$779,971	$738,389	$408,233	$6,795,117	$460,144,031	$466,939,148

"The possibilities are numerous once we decide to act and not react."

- George Bernard Shaw



Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012

4. LOANS TO MEMBERS (CONTINUED)

Allowance for Loan Loss and Recorded Investment in Loans to Members

Activity in the allowance for loan loss, by portfolio segment, was as follows for the year ended December 31, 2013:

	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in allowance for loan loss:					
Beginning balance	$42,004	$527,095	$939,578	$175,000	$1,683,677
Charge-offs	-	(101,813)	(1,221,259)	-	(1,323,072)
Recoveries	1,225	23,897	411,122	-	436,244
Provision	(1,231)	49,087	897,679	(50,000)	895,535
Ending balance	$41,998	$498,266	$1,027,120	$125,000	$1,692,384
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ -	$28,869	$392,625	$ -	$421,494
Related to loans collectively evaluated for impairment	16,998	469,397	634,495	-	1,120,890
Related to environmental factors and other considerations	-	-	-	125,000	125,000
Related to troubled debt restructurings	25,000	-	-	-	25,000
Ending balance	$41,998	$498,266	$1,027,120	$125,000	$1,692,384
Loans receivable:					
December 31, 2013 balance individually evaluated for impairment	$2,355,266	$28,869	$2,202,969	$ -	$4,587,104
December 31, 2013 balance collectively evaluated for impairment	117,877,334	28,496,176	378,887,294	-	525,260,804
Ending balance	$120,232,600	$28,525,045	$381,090,263	$ -	$529,847,908

Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012

4. LOANS TO MEMBERS (CONTINUED)

ALLOWANCE FOR LOAN LOSS AND RECORDED INVESTMENT IN LOANS TO MEMBERS (CONTINUED)

Activity in the allowance for loan loss, by portfolio segment, was as follows for the year ended December 31, 2012:

	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in allowance for loan loss:					
Beginning balance	$53,549	$471,645	$927,288	$200,000	$1,652,482
Charge-offs	(131,838)	(493,082)	(824,373)	-	(1,449,293
Recoveries	24,489	143,386	331,643	-	499,518
Provision	95,804	405,146	505,020	(25,000)	980,970
Ending balance	$42,004	$527,095	$939,578	$175,000	$1,683,677
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ -	$16,119	$411,025	$ -	$427,144
Related to loans collectively evaluated for impairment	27,004	499,814	357,048	-	883,866
Related to environmental factors and other considerations	-	-	-	175,000	175,000
Related to troubled debt restructurings	15,000	11,162	94,049	-	120,211
Related to loan modifications	-	-	77,456	-	77,456
Ending balance	$42,004	$527,095	$939,578	$175,000	$1,683,677
Loans receivable:					
December 31, 2012 balance individually evaluated for impairment	$1,560,336	$77,371	$2,548,233	$ -	$4,185,940
December 31, 2012 balance collectively evaluated for impairment	105,446,040	28,323,557	328,983,611	-	462,753,208
Ending balance	$107,006,376	$28,400,928	$331,531,844	$ -	$ 466,939,148

Included in loans to members at December 31, 2013 and 2012, are loans of $1,865,910 and $2,098,571, respectively, to directors and officers of The Summit.

Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012

5. PREMISES AND EQUIPMENT

Premises and equipment, net of accumulated depreciation and amortization, consisted of the following at December 31:

	2013	2012
Land	$6,035,031	$6,035,031
Buildings and improvements	16,343,692	14,718,644
Furniture, fixtures and equipment	8,615,043	8,211,742
Leasehold improvements	463,530	463,530
	31,457,296	29,428,947
Less: Accumulated depreciation and amortization	(12,447,689)	(11,384,445)
	$19,009,607	$18,044,502

6. MORTGAGE SERVICING RIGHTS

In order to ensure the availability of a broad range of mortgage products for its members at the lowest possible cost, The Summit periodically sells originated mortgages, primarily to the Federal National Mortgage Association (FNMA), while retaining the rights to service these mortgages for its members. During 2013 and 2012, net gains resulting from the sale of originated mortgages were $456,187 and $1,329,291, respectively. Mortgage loans serviced for the FNMA are not included in the accompanying statement of financial condition. The unpaid principal balance of these loans was $191,155,054 and $182,951,647 at December 31, 2013 and 2012, respectively.

For 2013 and 2012, the estimated fair value of mortgage servicing rights (MSR) exceeded recorded amounts. The fair value was determined by calculating the net present value of the estimated income stream associated with MSR over the term of the loan. The estimated net income stream is discounted using a 7.5 percent rate of return and a prepayment speed based upon the consensus from the dealer survey conducted by the Bond Market Association.

For 2013 and 2012, The Summit capitalized $353,082 and $470,579 of MSR, respectively. Amortization of MSR was $400,239 and $391,054 for 2013 and 2012, respectively. The Summit amortizes MSR based upon the payments received for the serviced loans, adjusted for prepayments and charge-offs.

THE SUMMIT FEDERAL CREDIT UNION AND SUBSIDIARY

Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012

7. INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31:

	2013	2012
Goodwill	$1,957,919	$2,131,473
Core deposit intangible	-	833,104
	$1,957,919	$2,964,577

The Summit's core deposit intangible became fully amortized during 2013. The gross carrying amount was $3,574,484 and accumulated amortization related to these assets was $2,741,380 at December 31, 2012. Amortization expense related to these intangible assets was $833,104 and $913,127 at December 31, 2013 and 2012, respectively.

The Summit's goodwill intangible was written down by $173,554 in 2013 as a result of an impairment loss recognized related to the goodwill originally recorded as part of the merger with Kenton Federal Credit Union in 2009. This write-down represents the full amount of goodwill originally recorded with that merger transaction. This impairment loss is recorded as part of amortization of intangible assets in the accompanying statement of financial condition for 2013.

8. OTHER ASSETS

The components of other assets were as follows at December 31:

	2013	2012
Accrued interest receivable	$2,246,244	$2,267,898
Mortgage servicing rights, net	1,063,045	1,110,201
Alloya Corporate Credit Union capital account	921,637	921,637
Prepaid operating expenses	837,741	738,575
Deferred compensation annuity	618,052	644,748
Capital balance at Federal Home Loan Bank	424,700	382,000
Prepaid bond insurance	257,285	224,050
Advances for VISA clearing	206,400	205,900
Assets held for sale	175,000	219,993
Receivable related to settlement of mortgage sales	144,000	859,464
Investment in PSCU	86,145	89,932
Other real estate owned	69,300	102,400
Deposit on fixed assets	38,488	187,942
Miscellaneous	409,507	319,569
	$7,497,544	$8,274,309

Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012

9. SHARE ACCOUNTS AND CERTIFICATES

At December 31, 2013, scheduled maturities of members' and non-members' share and IRA certificates are as follows:

2014	$114,998,376
2015	34,365,797
2016	17,643,855
2017	5,633,666
2018	1,262,214
Thereafter	688,218
	$174,592,126

Dividend expense on members' and non-members' accounts is summarized as follows at December 31:

	2013	2012
Regular shares	$121,946	$118,884
Share drafts	19,529	20,213
Money market shares	702,748	809,301
Share certificates	1,705,305	2,046,347
IRA shares	48,262	54,404
IRA share certificates	317,187	502,836
	$2,914,977	$3,551,985

The aggregate amount of share certificate account balances in excess of $100,000 was $61,456,280 and $61,424,582 at December 31, 2013 and 2012, respectively.

Cash paid for dividends on members' and non-members' shares and certificates totaled approximately $2,915,000 and $3,552,000 for the years ended December 31, 2013 and 2012, respectively.

10. POST-RETIREMENT BENEFIT PLANS

Defined Benefit Pension Plan
The Summit has a non-contributory defined benefit pension plan (the Plan) covering substantially all employees.

The following sets forth information regarding the Plan at the valuation date of December 31:

	2013	2012
Projected Benefit Obligation		
Balance, beginning of year	$12,189,828	$9,890,585
Service cost	670,426	575,194
Interest cost	576,951	518,127
Actuarial (gain)/loss	(1,189,900)	1,247,478
Benefits paid to participants	(195,258)	(41,556)
Balance, end of year	$12,052,047	$12,189,828

Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012

POST-RETIREMENT BENEFIT PLANS (CONTINUED)
DEFINED BENEFIT PENSION PLAN (CONTINUED)

	2013	2012
Plan Assets		
Fair value, beginning of year	$7,991,221	$5,655,326
Actual investment return	1,221,898	733,268
Employer contributions	1,000,000	1,644,183
Benefits paid	(195,258)	(41,556)
Fair value, end of year	$10,017,861	$7,991,221
Funded status	($2,034,186)	($4,198,607)

Funded Status
Accrued pension liability of $2,034,186 and $4,198,607 was recognized in the statement of financial condition as a liability at December 31, 2013 and 2012, respectively.

Amounts recognized in the statements of members' equity as components of accumulated other comprehensive income are as follows for the year ended December 31:

	2013	2012
Total net loss	($1,877,531)	($3,914,355)
Prior service cost	(214,720)	(253,313)
	($2,092,251)	($4,167,668)

Weighted average assumptions used to determine benefit obligations included a discount rate of 5.25% and 4.75% for 2013 and 2012, respectively, and a rate of compensation increase of 5% for both 2013 and 2012.

Weighted average assumptions used to determine net periodic benefit cost are as follows as of December 31:

	2013	2012
Discount rate	4.75%	5.25%
Expected long-term rate of investment return	7.50%	7.50%
Rate of compensation increase	5.00%	5.00%

The expected long-term rate of investment return assumption was developed by analyzing historical returns of multiple asset classes to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on the overall rates and the target asset allocation of the Plan.

POST-RETIREMENT BENEFIT PLANS (CONTINUED)

DEFINED BENEFIT PENSION PLAN (CONTINUED)
Components of net periodic benefit cost and other amounts recognized in other comprehensive income are as follows:

	2013	2012
Net Periodic Benefit Cost:		
Service cost	$670,426	$575,194
Interest cost	576,951	518,127
Expected return on plan assets	(563,858)	(410,120)
Amortization of net (gain)/loss	188,884	148,881
Amortization of prior service cost	38,593	38,593
	910,996	870,675
Amounts Recognized in Other Comprehensive Income:		
Net (gain) loss	$(1,847,940)	$924,330
Amortization of net loss	(188,884)	(148,881)
Amortization of prior service cost	(38,593)	(38,593)
	(2,075,417)	736,856
Total recognized in net periodic benefit cost and other rehensive income	**($1,164,421)**	**$1,607,531**

The accumulated benefit obligation of the Plan was $7,748,120 and $7,642,793 at December 31, 2013 and 2012, respectively.

Plan assets consist of insurance company separate accounts. The Plan's investment target allocation calls for a weighted-average asset allocation for the Plan by asset category as follows:

	2013	2012
Equity securities	50%	50%
Debt securities	40%	40%
Real estate	10%	10%
	100%	100%

The actual asset allocations for the Plan as of December 31, 2013 were 55% equity securities, 40% debt securities, and 5% real estate.

POST-RETIREMENT BENEFIT PLANS (CONTINUED)

DEFINED BENEFIT PENSION PLAN (CONTINUED)
The investment strategy of the Plan is to build an efficient, well-diversified portfolio based on a long-term, strategic outlook of the investment markets. The investment markets outlook utilizes both historical based and forward-looking return forecasts to establish future return expectations for various asset classes. These return expectations are used to develop a core asset allocation based on the specific needs of the Plan. The core asset allocation utilizes multiple investment managers in order to maximize the Plan's return while minimizing risk. The Credit Union's pension plan assets are held in pooled separate accounts and the fair value, by asset category, are as follows at December 31:

Asset Category	Significant Other Observable Inputs (Level 2)	Total
2013		
Pooled separate accounts	$10,017,861	$10,017,861
2012		
Pooled separate accounts	$7,991,221	$7,991,221

The Plan's pooled separate accounts are valued utilizing level 2 inputs that consist primarily of information on the underlying assets held in the pooled separate accounts provided by the Plan's third-party investment manager.

The Credit Union does not expect to make a contribution to the plan in 2014.

Pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2014	$93,000
2015	$120,000
2016	$130,000
2017	$130,000
2018	$180,000
2019 through 2023	$1,760,000

DEFINED CONTRIBUTION PLAN
In addition, The Summit sponsors a defined contribution plan that covers substantially all employees who meet certain age and service requirements. The Summit matches 50 percent of participant contributions up to four percent of a participant's base compensation. The Summit's matching contributions, which are invested in participant-directed accounts, were $182,357 and $179,422 for the years ended December 31, 2013 and 2012, respectively.

POST-RETIREMENT BENEFIT PLANS (CONTINUED)

DEFERRED COMPENSATION AGREEMENTS
The Summit has established deferred compensation agreements with certain employees. Under the terms of these agreements, specified amounts will be paid to those employees in the future if they remain employed at The Summit through specific dates. These amounts are forfeited if employment terminates under certain circumstances prior to the date specified in each employee's agreement. The total amount that could be paid in the future if all employees maintain employment for the duration of the agreements is approximately $3,100,000. The Summit has accrued for this potential liability ratably over the terms of the agreements. As of December 31, 2013 and 2012, approximately $1,026,000 and $848,000, respectively, was included in accrued expenses and other liabilities in the accompanying consolidated statement of financial condition related to these agreements.

DEFERRED COMPENSATION ARRANGEMENTS ASSUMED IN MERGER
As part of the 2010 merger with Syracuse Federal Credit Union (Syracuse), The Summit assumed several deferred compensation arrangements with former Syracuse employees. These individuals were never Summit employees, but were employed by Syracuse before the merger date. The Summit's liability under the terms of these arrangements totaled approximately $3,374,000 and $3,580,000 at December 31, 2013 and 2012, respectively, and is included in accrued expenses and other liabilities in the accompanying consolidated statements of financial condition. The liability will be paid out to those former Syracuse employees through 2029. A portion of this liability is funded by an annuity. The annuity asset is recorded as part of other assets in the amount of $618,052.

11. COMMITMENTS

LEASES
The Summit leases equipment and office space for branch locations under various long-term lease agreements. These agreements have terms which include escalating rents and renewal options. Rental expense included in operating expense was $281,091 and $280,876 for 2013 and 2012, respectively. Future minimum lease payments under the terms of these operating leases are as follows:

2014	$340,893
2015	312,622
2016	273,457
2017	246,042
2018	228,730
Thereafter	1,478,000
	$2,879,744

12. LINE-OF-CREDIT

The Summit has a $27,650,000 secured line-of-credit agreement with Alloya bearing a variable interest rate (0.97% at December 31, 2013). Amounts borrowed are collateralized by certain assets of The Summit. As of December 31, 2013, Summit had a balance of $13,000,000 outstanding under the terms of this agreement. There were no balances outstanding as of December 31, 2012. Cash paid for interest was approximately $26,000 and $200 for the years ended December 31, 2013 and 2012, respectively.

Notes to Consolidated Financial Statements
As of December 31, 2013 and 2012

LINE-OF-CREDIT (CONTINUED)

The Summit is a member of the Federal Home Loan Bank of New York (FHLB), which was formed to assist member financial institutions in meeting liquidity needs for mortgage lending purposes. Membership is obtained through investment in shares of FHLB stock as determined by a statutory formula. As of December 31, 2013 and 2012, the Credit Union had not borrowed from the FHLB.

13. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

To meet the financing needs of its members, The Summit offers lines-of-credit and credit cards. The unused amounts on these lines of credit and credit cards, along with approved but undisbursed loans, subject The Summit to varying degrees of credit and interest rate risk in excess of that recognized on the balance sheet. Credit risk is the possibility that The Summit may incur losses because the borrower fails to perform according to the terms of the credit agreement. Interest rate risk is the possibility that The Summit may incur losses due to changes in interest rates that may result in a decrease in the market value of a financial instrument.

The Summit's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual or notional amount of the commitments. The Summit uses the same credit policies in making commitments as it does for on-balance sheet instruments.

A summary of the contract or notional amounts of The Summit's commitments at December 31, 2013 is as follows:

Members' unused credit card lines	$59,901,683
Members' unused lines of credit, excluding credit card lines	$71,968,406
Members' loans approved, not yet disbursed	$9,083,991

Commitments to extend loans and unused member lines of credit are agreements to lend to members providing there are no violations of any conditions established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Summit evaluates each member's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by The Summit, upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held, if any, varies but typically includes residential homes and automobiles.

Credit card commitments are unsecured agreements to extend credit. Such commitments are reviewed periodically, at which time commitments may be maintained or canceled depending on management's evaluation of the member's credit worthiness and other considerations. Since many commitments are never drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements.

14. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Equivalents
For those short-term instruments, the carrying amount represents an estimate of fair value.

Overnight Deposits at Financial Institutions
For those short-term instruments, the carrying amount represents an estimate of fair value.

Loans to Members
The fair value of loans to members is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. In 2013, The Summit revalued the loans acquired in the 2010 merger with Syracuse Federal Credit Union, which resulted in an increase in the recorded value of these financial instruments of approximately $1,200,000.

Share Accounts and Certificates
The fair value of member and non-member share accounts is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates is estimated by discounting the future cash flows using the rates currently offered for certificates of similar remaining maturities.

The estimated fair values of The Summit's financial instruments are as follows at December 31 (stated in 000's):

	2013		2012	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash and equivalents	$6,541	$6,541	$6,758	$6,758
Overnight deposits at financial institutions	$3,599	$3,599	$59,387	$59,387
Investment in certificates of deposit	$41,377	$41,476	$35,094	$35,199
Investment in securities available for sale	$23,350	$23,350	$32,376	$32,376
Investment in securities held to maturity	$77,623	$77,514	$58,039	$58,776
Loans to members	$532,475	$538,307	$466,265	$476,788
Members' shares and savings accounts	$448,507	$448,770	$424,915	$425,118
Members' share certificates	$150,477	$150,862	$163,626	$164,988
Nonmembers' shares and certificates	$28,299	$28,370	$25,729	$25,912

THE SUMMIT FEDERAL CREDIT UNION AND SUBSIDIARY
Notes to Consolidated Financial Statements
As of December 31, 2013 and 2012

15. ACCUMULATED OTHER COMPREHENSIVE LOSS

The balance and changes in the components of accumulated other comprehensive loss were as follows:

	Unrealized Gain (Loss) on Available-For-Sale Securities	**Unrealized Gain (Loss) on Deferred Compensation Plan Investments**	**Define Benefit Plan**	**Accumulated Other Comprehensive (Loss)**
Balance, January 1, 2012	$660,216	($2,470)	($3,430,812)	($2,773,066)
Other comprehensive income (loss)	(287,919)	15,733	(736,856)	(1,009,042)
Balance, December 31, 2012	372,297	13,263	(4,167,668)	(3,782,108)
Other comprehensive income (loss)	(502,810)	40,434	2,075,417	1,613,041
Balance, December 31, 2013	($130,513)	$53,697	($2,092,251)	($2,169,067)

16. EQUITY INTEREST IN VISA, U.S.A, INC.

At December 31, 2013 and 2012, The Summit holds 18,253 shares of VISA Class B Common Stock. The Summit is restricted from selling these shares until certain VISA legal matters are resolved. The Summit is not a party to these legal matters. Upon resolution of these legal matters, The Summit's shares will be convertible to marketable Class A common shares. The Summit has valued these shares at zero, which is equal to the cost basis of their equity interest in VISA. The Summit cannot predict when the restrictions on these shares will be released or what the value of these shares might be at that time.

17. NCUA CHARGES

CORPORATE CREDIT UNION STABILIZATION FUND
In 2009, the Board of the NCUA approved a series of actions designed to support and improve the liquidity of the corporate credit union system. These actions included the establishment of the Corporate Credit Union Stabilization Fund (the Stabilization Fund), which was capitalized by a loan from the U.S. Treasury. The terms of this loan establish a repayment period through June 2021. Cash requirements for these loan payments will be satisfied, at least in part, through annual assessments to natural person credit unions, including The Summit. The timing and amount of the assessments to which The Summit will be subject in the future is unknown at this time.

NCUSIF
The Credit Union is subject to additional assessments related to the NCUSIF. These assessments are determined on an annual basis at the discretion of the NCUA.

ASSESSMENTS
The Credit Union paid total assessments of $500,835 and $570,680 in 2013 and 2012, respectively, all of which were related to the Stabilization Fund.

Notes to Consolidated Financial Statements

As of December 31, 2013 and 2012

18. SIGNIFICANT CREDIT RISK CONCENTRATIONS

The Summit has identified certain credit risk concentrations in relation to its financial instruments. A credit risk concentration is defined as a significant credit exposure to an individual or a group engaged in similar activities or affected similarly by economic conditions.

At December 31, 2013 and 2012, substantially all of The Summit's loan portfolio involves borrowers and, where applicable, collateral, in the State of New York.

19. SUBSEQUENT EVENTS

Subsequent to year-end, The Summit signed an agreement with the Federal Reserve Bank of New York (the Fed), to borrow at the Fed's discount window. The terms of this line of credit call for the pledging of The Summit's indirect auto loan portfolio as collateral security for any and all amounts borrowed by The Summit.

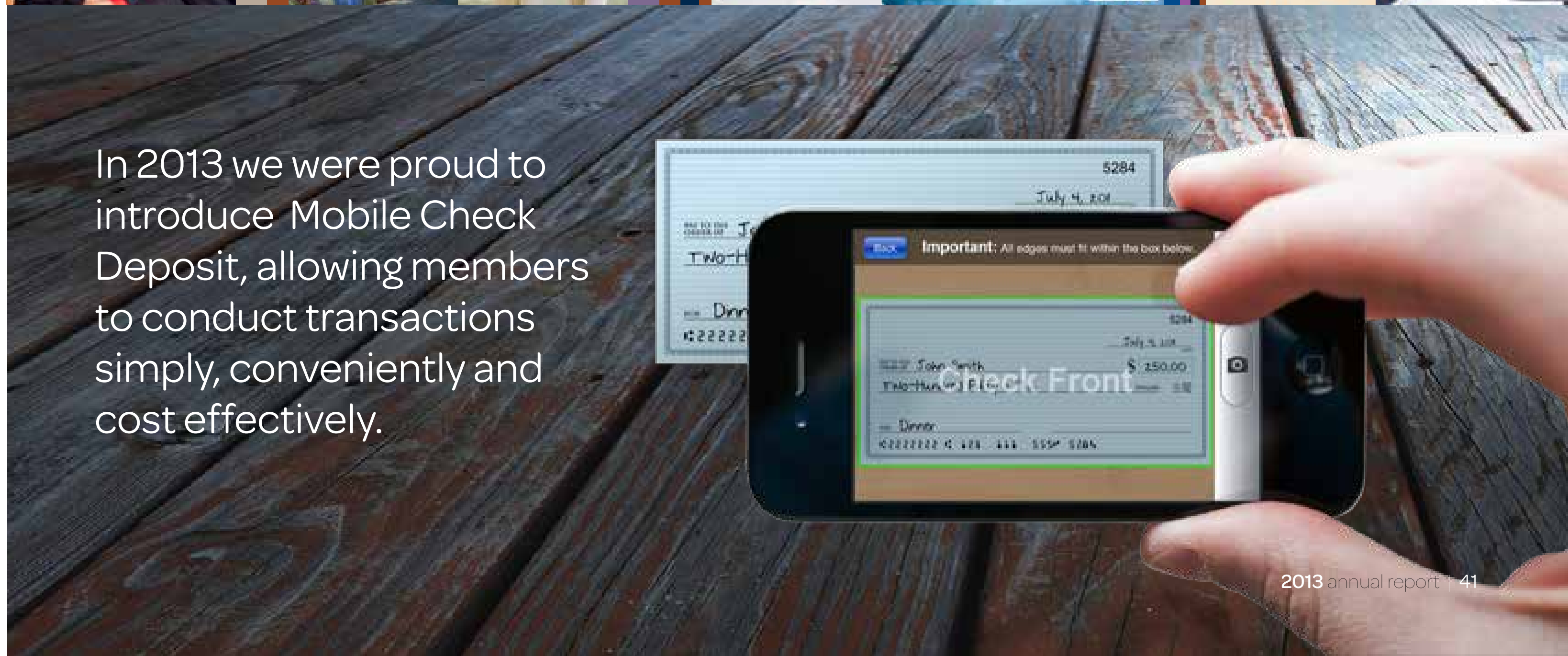
Subsequent events have been evaluated through March 24, 2014, which is the date the consolidated financial statements were available to be issued.

Our Products and Services

Our core objective at The Summit Federal Credit Union is to create strong, sustainable relationships with our members. We strive to achieve this through our selection of products and services and the benefits that we deliver everyday. Our partnership with our members enables them to transform possibilities into reality through every life phase. Whether it's a scholarship for a high school graduate on their way to college or the first credit card to establish credit, our goal is to provide the financial solutions to enable our young members start off financially confident and secure.

- Friendly, Personal, Attentive, knowledgeable Member Service
- Checking and Direct Deposit
- Competitive Rates on Savings, Money Market Accounts, and Share Certificates
- Great Rates on Mortgages, Home Equity Loans/Lines of Credit, Personal Loans and more
- VISA® Credit Cards: Platinum with Rewards, Contactless Platinum with Rewards, Gold, and Classic
- Full Line of Investment Options including Retirement Planning, IRAs and Insurance through our MEMBERS Financial Services Division
- FREE Online Bill Payment, E-Statements, E-Newsletters, and Online Loan Applications plus Quik Tran Teller-by-Phone
- Mobile Banking — It's finances at your fingertips
- Summit Express℠ Auto Loans at nearly 200 dealers in Western and Central NY
- VISA® Gift Cards, American Express Travelers Cheques and Gift Cheques, Official Checks, Money Orders, Group Accident Insurance and Notary Public Services
- Foreign Currency Exchange for members who travel abroad
- BALANCE Financial Fitness Program – A FREE and confidential financial education and counseling service
- FREE Online Financial Education Seminars on a range of topics
- Start Smart - A customized package for teens and twenty-somethings to get them on the road to financial independence
- Scholarship Programs for college-bound high school seniors

creating strong, sustainable relationships



Looking Ahead

We are constantly looking for ways we can better serve our members. Last year we opened our doors to the Perinton community in our new branch location and we look forward to continuing to grow our reach in that community.

As we look ahead to the future we are confident that we have built a solid foundation that will allow us to continue to imagine the possibilities of a bright tomorrow. Our members, employees and volunteers who devote their time to achieving our vision at The Summit Federal Credit Union make us proud to be a part of the communities that we serve.

moving forward

Branch Locations

We realize that in today's day and age, we need to deliver intuitive services and branch locations that empower members to conduct transactions simply, conveniently and cost effectively.

Buffalo
Clarence Branch
5641 Transit Rd.
Clarence, NY 14051

Delaware/Hertel Branch
Delaware Commons Plaza
2290 Delaware Ave.
North Buffalo, NY 14216

Rochester
Brighton Branch
1660 Monroe Ave.
Brighton, NY 14618

Excellus Blue Cross/Blue Shield
165 Court St.
Rochester, NY 14647

Greece Branch
Canal Ponds Business Park
100 Marina Dr.
Greece, NY14626

Henrietta Branch
Southtown Plaza
3333 West Henrietta Rd.
Henrietta, NY 14623

Hilton Branch
41 Hovey Square
Hilton, NY 14468

Irondequoit Branch
2121 Hudson Ave.
Irondequoit, NY 14617

Main/Winton Branch
2315 East Main St.
Rochester, NY 14609

Penfield Branch
2146 Penfield Rd.
Penfield, NY 14626

Perinton Branch
665 Moseley Road
Fairport, NY 14450

Seneca Falls
Seneca Falls Branch
123 Fall St.
Seneca Falls, NY 13148

Syracuse
Cicero Branch
6091 Route 31
Cicero, NY 13039

Civic Center Branch
(lower lobby)
421 Montgomery St.
Syracuse, NY 13202

Erie Boulevard Branch
1400 Erie Blvd. E.
Syracuse, NY 13210

Genesee Street Branch
728 East Genesee St.
Syracuse, NY 13210

Liverpool Branch
4336 Wetzel Rd.
Liverpool, NY 13090

Cortland
Cortland Branch
143 Main St.
Cortland, NY 13045

SUNY Cortland Branch
Neubig Hall
Cortland, NY 13045

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