CLEAR **VISION.**
CLEAR **RESULTS.**

2015 *Annual Report*

the SUMMIT FEDERAL CREDIT UNION

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A Message from the CEO & Board Chair

Clear Vision, Clear Results is a particularly apt theme for our 2015 Annual Report as it describes The Summit's strategy and direction for the next several years. Our Board of Directors and Senior Management Team have decided with a definitive focus how we will deliver financial services to our members in an industry and a world that are ever-evolving.

Our aim is to be as relevant as ever. By surveying members and having face-to-face conversations, we determined what is most important and used most often. In response, we are implementing a set of clear strategies, concentrating on those areas that our members value the most, while still providing the services that complement these areas. Additionally, The Summit will be present and accessible wherever our members are and however they prefer –in person, over the phone or through the newest technology.

We are always cognizant that trust is the foundation on which we build relationships with the members and communities we serve. Trust is a small word but it carries a great deal of depth and commitment; it is also something that must be earned. We realize that in this period of rapid change, trust is vitally important. As your credit union, we will show our members respect as we provide services honestly and transparently while delivering great value, so that we may continue to earn that trust.

We are excited about our Clear Vision and know that all of us will appreciate the Clear Results.

Michael S. Vadala
President & CEO

Thomas Quirk
Chairman of the Board of Directors

Community

The Summit Federal Credit Union continues to give back to the communities we serve in Buffalo, Cortland, Rochester, Seneca Falls and Syracuse.

In 2015, we invested time, talent and monetary resources to a variety of charities and community organizations.

Providing support to further strengthen these communities is vitally important to the growth of our organization and to our membership.

COMMUNITY INVOLVEMENT

143
Community and charitable organizations we supported

117
Community and charitable events we sponsored

In 2015, we continued to support many organizations and added new ones…

- American Heart Association
- Bivona Child Advocacy
- Catholic Family Center
- Causewave Community Partners
- First Tee of Syracuse
- Food Bank of Western NY
- Golisano Children's Hospital
- Hillside Work Scholarship Connection
- Ibero American Action League
- Juvenile Diabetes Association
- March of Dimes
- Melissa's Living Legacy
- Mercier Literacy for Children
- National Center for Missing and Exploited Children
- Rochester Public Market
- Serenity House
- Theta Omicron Scholarship Foundation
- United Way
- Villa of Hope
- Writers and Books
- Young Entrepreneurs Academy

VOLUNTEER OPPORTUNITIES

145
Community and charitable events we participated in through volunteer service

8,000
Hours our staff spent volunteering

We continued to serve as champions of philanthropic efforts through Buffalo, Cortland, Rochester, Seneca Falls and Syracuse. Here are just a few examples of causes we were involved with in 2015:

- We continued to support the annual Lights on the Lake in Syracuse as the Monday night sponsor.
- We donated over 10,000 meals to the Food Bank of Western New York.
- We provided financial resources to the City of Rochester to help address graduation rate challenges with initiatives to curb absenteeism and drive mentoring for at-risk students.
- We provided funding for the inaugural Toyota Danielle Downey Classic golf tournament. This event raised money for the Hillside Work Scholarship Connection.

FINANCIAL EDUCATION

125
Students to whom we provided financial education

>400
Adults to whom we provided financial education

Our member companies are extremely involved in the community and we proudly support their efforts as well. This includes but is not limited to:

Cortland Medical Center
CWA Local 1170
Heritage Christian Services
Highland Hospital Foundation
Home Instead Senior Care
LeMoyne College
MCC Foundation
Onondaga County
Rochester Regional Health Foundation
St. Ann's Foundation
Summit Education Resources
SUNY Cortland
Syracuse Police
Syracuse University
YMCA of Greater Rochester
Young Women's College Prep

Products & Services

We are dedicated to providing our members with personable and professional service. Whether you visit one of our conveniently located branches, make a call to our service and support center, speak with one of our retirement and investment services or insurance partners, we are here to help you achieve financial wellness.

DEBIT WITH CHECKING

Our checking account options include a Visa® debit card with cash back rewards, online access to your accounts, mobile banking and 24 hour ATM access. The Visa® debit card provides you access to your money anytime, anywhere with the added security of EMV chip technology.

MORTGAGE AND HOME EQUITY

We offer great rates on mortgages and home equity loans/lines of credit with no surprises and no hidden costs. Our friendly experts will help you navigate the process from beginning to end.

CREDIT CARDS

Our Visa® credit cards have no annual fee, no balance transfer fee and an affordable rate that ensures your monthly payment fits your budget. Choose the card that's right for you. Our rate card options are perfect if you plan to carry a balance or want to build credit. Or, our rewards card option will reward you with points for each purchase you make that you can use for deals on travel, electronics, gift cards and more. Plus all our credit cards have the added security of EMV chip technology.

AFFORDABLE LOANS

We offer auto loans including Summit Express℠ Auto Loans at over 200 dealerships in Western and Central NY. We also offer personal, home improvement, recreational vehicle, consolidation and college loans with competitive rates and affordable monthly payments.

INVESTMENTS

The Summit Retirement & Investment Services offers a full line of investment options and retirement solutions. We can help you at any stage. It's never too early or too late to save for retirement.

SAVINGS

We offer competitive rates on Savings, Money Market accounts and Share Certificates.

YOUTH ACCOUNTS

Our youth account products include Start Smart, Safari Club and Forward Bound youth accounts.

CONVENIENCE AND ACCESSIBILITY

Your money and financial information are at your fingertips through free Online Bill Payment, E-Statements, E-Newsletters and Online Loan Applications as well as Quik Tran Teller-by-Phone service. Also, take advantage of free Mobile Banking with Mobile Check Deposit, Apple Pay and Popmoney. Plus, you can seamlessly conduct your Summit transactions nationally through over 5,000 CO-OP Shared Branches.

ADDITIONAL MEMBER BENEFITS

We offer Auto and Homeowners Insurance through the TruStage® program as well as the BALANCE℠ Financial Fitness program that provides a free and confidential financial education and counseling service.

Looking Forward

At The Summit, we are focused on placing the interest of the membership first in all that we do and are committed to helping our members improve their financial lives. We look ahead to 2016 with a renewed sense of clarity and direction to offer our members financial products, services and technology that they want and need now and in the future. We are excited to continue to strengthen long term relationships with our members and be there for every phase of their lives in this ever-changing world.

Financials

Prepared by

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT March 18, 2016

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, 2015 and 2014, 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 United 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 audits 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.

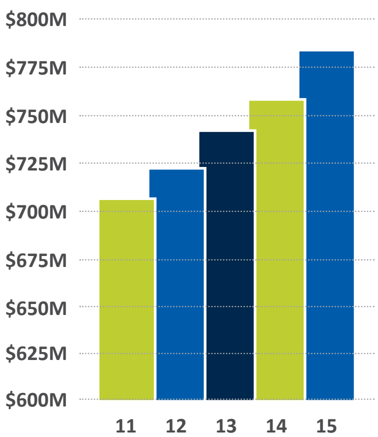
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

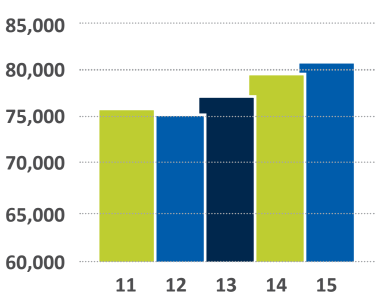
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Summit Federal Credit Union and Subsidiary as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bonadio + Co. LLP

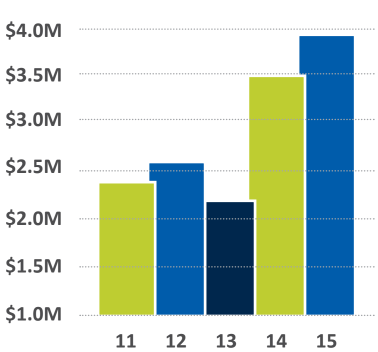
Total Assets in Millions



Total Members



Net Income in Millions



CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

December 31, 2015 and 2014

ASSETS	2015	2014
Cash and equivalents	$ 5,873,678	$ 6,921,426
Overnight deposits at financial institutions	2,739,813	4,007,558
Investment in certificates of deposit	17,992,000	31,329,000
Investment securities available for sale	5,856,738	14,230,718
Investment securities held to maturity	24,053,211	39,129,038
Loans to members, less allowance for loan losses of $1,802,595 and $1,721,309, respectively	689,040,810	613,974,951
Premises and equipment, net	19,198,399	18,584,080
NCUSIF deposit	6,452,147	6,206,023
Goodwill	1,762,127	1,957,919
Other assets	7,598,813	7,325,157
TOTAL ASSETS	**$ 780,567,736**	**$ 743,665,870**

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES:	2015	2014
Accrued expenses and other liabilities	$ 12,991,464	$ 12,402,842
Accrued pension expense	4,748,441	3,213,558
Borrowings	4,300,000	22,875,000
Total liabilities excluding members' accounts	**22,039,905**	**38,491,400**
MEMBERS' AND NON-MEMBERS' ACCOUNTS		
Members' shares and savings accounts	477,883,667	456,511,080
Members' share certificates	175,550,642	146,262,004
Non-members' shares and certificates	32,171,980	32,497,327
Total members' and non-members' accounts	**685,606,289**	**635,270,411**
Total liabilities	**707,646,194**	**673,761,811**
MEMBERS' EQUITY		
Regular reserve	8,750,360	8,750,360
Undivided earnings	56,684,641	52,816,375
Equity acquired in merger	10,977,543	10,977,543
Accumulated other comprehensive loss	(3,491,002)	(2,640,219)
Total members' equity	**72,921,542**	**69,904,059**
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 780,567,736**	**$ 743,665,870**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2015 and 2014

	2015	2014
INTEREST INCOME		
Loans to members	$ 24,262,299	$ 22,769,139
Investments	581,800	946,254
	24,844,099	23,715,393
INTEREST EXPENSE		
Dividends on members' and non-members' shares	2,634,393	2,270,165
Interest on borrowings	99,855	76,609
	2,734,248	2,346,774
Net interest income before provision for loan losses	**22,109,851**	**21,368,619**
PROVISION FOR LOAN LOSSES	1,525,170	1,096,255
Net interest income after provision for loan losses	**20,584,681**	**20,272,364**
NON-INTEREST INCOME		
Fees and other	6,724,370	6,839,240
Interchange	3,851,185	3,685,575
Total non-interest income	**10,575,555**	**10,524,815**
NON-INTEREST EXPENSE		
Compensation and benefits	14,915,615	15,073,816
Operations	5,893,911	6,019,699
Professional and outside services	2,999,130	2,837,239
Occupancy	1,524,810	1,609,833
Marketing	1,049,362	1,056,729
Amortization of goodwill	195,792	-
Other	713,350	722,649
Total non-interest expense	**27,291,970**	**27,319,965**
NET INCOME	**$ 3,868,266**	**$ 3,477,214**

The accompanying notes are an integral part of these statements.

The Summit Federal Credit Union and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2015 and 2014

	2015	2014
NET INCOME	$ 3,868,266	$ 3,477,214
OTHER COMPREHENSIVE INCOME (LOSS):		
Change in unrealized loss on investment securities available for sale	74,024	57,629
Change in unrealized gain on deferred compensation plan investments	(22,858)	10,607
Change in accrued pension	(901,949)	(539,388)
Total other comprehensive loss	**(850,783)**	**(471,152)**
TOTAL COMPREHENSIVE INCOME	**$ 3,017,483**	**$ 3,006,062**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

For the Years Ended December 31, 2015 and 2014

	Regular Reserve	Undivided Earnings	Equity Acquired in Merger	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, JANUARY 1, 2014	**$ 8,750,360**	**$ 49,339,161**	**$ 10,977,543**	**$ (2,169,067)**	**$ 66,897,997**
Net income	-	3,477,214	-	-	3,477,214
Change in unrealized gain on deferred compensation plan investments	-	-	-	10,607	10,607
Change in unrealized loss on investment securities available for sale	-	-	-	57,629	57,629
Change in accrued pension	-	-	-	(539,388)	(539,388)
BALANCE, DECEMBER 31, 2014	**8,750,360**	**52,816,375**	**10,977,543**	**(2,640,219)**	**69,904,059**
Net income	-	3,868,266	-	-	3,868,266
Change in unrealized gain on deferred compensation plan investments	-	-	-	(22,858)	(22,858)
Change in unrealized loss on investment securities available for sale	-	-	-	74,024	74,024
Change in accrued pension	-	-	-	(901,949)	(901,949)
BALANCE, DECEMBER 31, 2015	**$ 8,750,360**	**$ 56,684,641**	**$ 10,977,543**	**$ (3,491,002)**	**$ 72,921,542**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the Years Ended December 31, 2015 and 2014

CASH FLOW FROM OPERATING ACTIVITIES

	2015	2014
Net Income	$ 3,868,266	$ 3,477,214
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization of premises and equipment	1,254,528	1,320,879
Amortization of mortgage servicing rights	328,403	328,248
Capitalization of mortgage servicing rights	(291,033)	(189,141)
Amortization of goodwill	195,792	-
Provision for loan losses	1,525,170	1,096,255
Net accretion of discounts and amortization of premiums on investment securities	969,872	1,356,196
Loss on disposition of premises and equipment	2,626	16,046
Changes in:		
Other assets	(300,926)	(79,708)
Accrued expenses and other liabilities	588,622	1,926,963
Accrued pension	632,934	639,984
Net cash flow from operating activities	**8,774,254**	**9,892,936**

CASH FLOW FROM INVESTING ACTIVITIES

	2015	2014
Proceeds from sales and maturities of investment securities available for sale	8,031,101	8,825,326
Proceeds from maturities of investment securities held to maturity	14,500,000	37,500,000
Net decrease in investments in certificates of deposit	13,337,000	10,048,000
Net increase in loans to members	(76,591,029)	(82,595,940)
Purchases of premises and equipment	(1,871,473)	(1,832,439)
Proceeds from sale of premises and equipment	-	959,529
Decrease (increase) in NCUSIF deposit	(246,124)	54,417
Net decrease (increase) in capital balance at FHLB	(10,100)	74,500
Net cash flow from investing activities	**(42,850,625)**	**(26,966,607)**

CASH FLOW FROM FINANCING ACTIVITIES

	2015	2014
Borrowings, net	(18,575,000)	9,875,000
Net increase in members’ shares and savings accounts	21,372,587	8,004,142
Net increase (decrease) in members’ share certificates	29,288,638	(4,214,725)
Net increase (decrease) in non-members’ shares and certificates	(325,347)	4,197,985
Net cash flow from financing activities	**31,760,878**	**17,862,402**
NET CHANGE IN CASH AND EQUIVALENTS	**(2,315,493)**	**788,731**
CASH AND EQUIVALENTS - beginning of year	**10,928,984**	**10,140,253**
CASH AND EQUIVALENTS - end of year	**$ 8,613,491**	**$ 10,928,984**

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, Alloya 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 (loss).

  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 recorded on the trade date and are determined using the specific identification method.

- **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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
INVESTMENTS (Continued)

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. To the extent that management believes the remaining fair value adjustment exceeds expected credit losses, the remaining fair value adjustment is reduced as an increase in interest income.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
LOANS TO MEMBERS AND ALLOWANCE FOR LOAN LOSSES (Continued)

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, the value of any collateral pledged on the loan, 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 2015 or 2014.

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, 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, 2015 and 2014, 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.

GOODWILL

Goodwill represents the excess of the acquisition price over fair value of net assets acquired through mergers. During 2015, The Summit elected early adoption of FASB Accounting Standards Update (ASU) No. 2014-02, Intangibles – Goodwill and Other (Topic 350). In connection therewith, The Summit elected to amortize goodwill on a straight-line basis over ten years and test goodwill for impairment only upon the occurrence of a triggering event. When events or circumstances indicate that goodwill may be impaired, goodwill is tested for impairment at the reporting unit level. Impairment, if any, will be recognized for the difference between the fair value of the unit and its carrying amount and will be limited to the carrying amount of goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
GOODWILL (Continued)

Prior to adoption of ASU 2014-02, goodwill was not amortized, and The Summit tested goodwill annually for impairment as well as when an event or circumstance indicated impairment may have occurred. Changes resulting from the adoption of ASU 2014-02 were made prospectively during the year of adoption and therefore had no effect on the financial position or results of operations for the year ended December 31, 2014. In 2015, the impact of the change in accounting principle was that $195,792 in amortization expense was recognized in non-interest expense.

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, 2015 and 2014, 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.

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 requirement to be considered adequately capitalized at December 31, 2015 and 2014 was 7.0 percent. As of December 31, 2015 and 2014, The Summit maintained a net worth ratio of 9.77 percent and 9.73 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, 2015 and 2014, respectively. Based on this, The Summit is not considered "complex" under the NCUA's regulatory framework.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
MEMBERS' EQUITY (Continued)

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, 2015 and 2014, 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.

3. INVESTMENT SECURITIES

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

2015

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 5,552,420	$ 575	$ (2,839)	$ 5,550,156
Residential mortgage-backed securities	303,178	3,760	(356)	306,582
	$ 5,855,598	$ 4,335	$ (3,195)	$ 5,856,738

2014

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 13,945,145	$ -	$ (78,671)	$ 13,866,474
Residential mortgage-backed securities	358,457	6,352	(565)	364,244
	$ 14,303,602	$ 6,352	$ (79,236)	$ 14,230,718

3. INVESTMENT SECURITIES (Continued)

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

2015

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	**$ 24,053,211**	**$ 31,662**	**$ (47,983)**	**$ 24,036,890**

2014

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	**$39,129,038**	**$ 3,750**	**$ (90,081)**	**$ 39,042,707**

The scheduled maturities of held to maturity and available for sale securities were as follows at December 31, 2015:

	Securities Held to Maturity		Securities Available for Sale	
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Due in one year or less	$ 12,243,712	$ 12,214,380	$ 3,052,420	$ 3,049,581
Due from one to five years	11,809,499	11,822,510	2,510,678	2,511,976
Due from five to ten years	-	-	133,247	133,037
Due after ten years	-	-	159,253	162,144
	$ 24,053,211	**$ 24,036,890**	**$ 5,855,598**	**$ 5,856,738**

Substantially all of the gross unrealized losses on The Summit's available-for-sale and held-to-maturity investments shown above are for securities that have been in an unrealized 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.

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.

3. INVESTMENT SECURITIES (Continued)

The following table summarizes financial assets measured at fair value on a recurring basis as of December 31, 2015 and 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

2015

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Federal Home Loan Bank securities	$ -	$ 3,049,581	$ -	$ 3,049,581
Federal Home Loan Mortgage Corp. securities	-	2,500,575	-	2,500,575
Residential mortgage-backed securities	-	306,582	-	306,582
	$ -	**$ 5,856,738**	**$ -**	**$ 5,856,738**

2014

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Federal Home Loan Bank securities	$ -	$ 3,091,554	$ -	$ 3,091,554
Federal Home Loan Mortgage Corp. securities	-	10,774,920	-	10,774,920
Residential mortgage-backed securities	-	364,244	-	364,244
	$ -	**$ 14,230,718**	**$ -**	**$ 14,230,718**

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 securities held to maturity, 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:

	2015	2014
Residential mortgage	$ 115,356,580	$ 118,370,641
Home equity	130,027,348	122,131,221
Consumer automobile	359,389,230	293,373,721
Consumer credit card	29,309,815	29,692,823
Other consumer	43,548,197	43,596,692
Gross loans outstanding	**677,631,170**	**607,165,098**
Add: Net deferred loan origination costs	13,661,955	10,206,907
Less: Fair market value adjustment for merged loans	(449,720)	(1,675,745)
Less: Allowance for loan losses	(1,802,595)	(1,721,309)
	$ 689,040,810	**$ 613,974,951**

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:

2015

	Current	Delinquent	Total
Residential mortgage	$ 113,264,540	$ 2,092,040	$ 115,356,580
Home equity	128,560,485	1,466,863	130,027,348
Consumer automobile	352,560,864	6,828,366	359,389,230
Consumer credit card	28,944,779	365,036	29,309,815
Other consumer	42,648,304	899,893	43,548,197
Gross loans outstanding	**$ 665,978,972**	**$ 11,652,198**	**$ 677,631,170**

2014

	Current	Delinquent	Total
Residential mortgage	$ 116,206,458	$ 2,164,183	$ 118,370,641
Home equity	120,906,550	1,224,671	122,131,221
Consumer automobile	288,095,780	5,277,941	293,373,721
Consumer credit card	29,036,748	656,075	29,692,823
Other consumer	42,878,512	718,180	43,596,692
Gross loans outstanding	**$ 597,124,048**	**$ 10,041,050**	**$ 607,165,098**

4. LOANS TO MEMBERS (Continued)

IMPAIRED LOANS

The Summit classifies as impaired all loans which have been previously modified, loans to members who are in bankruptcy, 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.

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

2015

	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 2,933,423	$ 60,000
Home equity	1,477,916	61,885
Consumer automobile	9,216,322	546,152
Consumer credit card	96,342	63,556
Other consumer	1,038,582	138,190
Total	**$ 14,762,585**	**$ 869,783**

2014

	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 3,424,716	$ 45,000
Home equity	1,512,408	19,412
Consumer automobile	9,060,500	384,271
Consumer credit card	123,868	138,651
Other consumer	908,155	110,796
Total	**$ 15,029,647**	**$ 698,130**

The Credit Union's practice is to record a 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 nonaccrual 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:

	2015	2014
Residential mortgage	$ 287,406	$ 164,957
Home equity	261,640	351,970
Consumer automobile	396,895	422,000
Consumer credit card	133,776	169,214
Other consumer	320,414	135,701
Total	**$ 1,400,131**	**$ 1,243,842**

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.

4. LOANS TO MEMBERS (Continued)

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, 2015, The Summit had 140 loans classified as troubled debt restructurings with a total outstanding balance of approximately $1,385,000. Of these, 5 loans are for residential mortgages with an aggregate outstanding balance of approximately $487,000. At December 31, 2014, The Summit had 139 loans classified as troubled debt restructurings with a total outstanding balance of approximately $1,336,000. Of these, 5 loans were for residential mortgages with an aggregate outstanding balance of approximately $494,000. 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 beginning 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:

2015

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	$ -	$1,567,466	$ 237,168	$ 287,406	$ -	$ 2,092,040	$ 113,264,540	$ 115,356,580
Home equity	457,411	687,692	60,120	45,044	216,596	1,466,863	128,560,485	130,027,348
Consumer automobile	4,821,269	1,475,778	134,424	249,321	147,574	6,828,366	352,560,864	359,389,230
Consumer credit card	-	145,595	85,665	97,095	36,681	365,036	28,944,779	29,309,815
Other consumer	358,355	137,754	83,370	280,296	40,118	899,893	42,648,304	43,548,197
	$ 5,637,035	**$ 4,014,285**	**$ 600,747**	**$ 959,162**	**$ 440,969**	**$ 11,652,198**	**$ 665,978,972**	**$ 677,631,170**

2014

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	$ -	$1,906,264	$ 92,962	$ 84,119	$ 80,838	$ 2,164,183	$ 116,206,458	$ 118,370,641
Home equity	384,450	443,727	44,524	286,672	65,298	1,224,671	120,906,550	122,131,221
Consumer automobile	3,091,212	1,455,998	308,731	290,385	131,615	5,277,941	288,095,780	293,373,721
Consumer credit card	-	358,892	127,969	128,446	40,768	656,075	29,036,748	29,692,823
Other consumer	411,371	104,656	66,452	98,484	37,217	718,180	42,878,512	43,596,692
	$3,887,033	**$4,269,537**	**$ 640,638**	**$ 888,106**	**$ 355,736**	**$ 10,041,050**	**$ 597,124,048**	**$ 607,165,098**

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:

2015

	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in allowance for loan loss:					
Beginning balance	$ 61,304	$ 572,443	$ 1,037,562	$ 50,000	$ 1,721,309
Charge-offs	(12,853)	(399,047)	(1,455,459)	-	(1,867,359)
Recoveries	1,648	118,881	302,946	-	423,475
Provision	58,213	31,693	1,435,264	-	1,525,170
Ending balance	**$ 108,312**	**$ 323,970**	**$ 1,320,313**	**$ 50,000**	**$ 1,802,595**
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ -	$ 18,678	$ 505,267	$ -	$ 523,945
Related to loans collectively evaluated for impairment	58,312	305,292	815,046	-	1,178,650
Related to environmental factors and other considerations	-	-	-	50,000	50,000
Related to troubled debt restructurings	50,000	-	-	-	50,000
Ending balance	**$ 108,312**	**$ 323,970**	**$ 1,320,313**	**$ 50,000**	**$ 1,802,595**
Loans receivable:					
December 31, 2015 balance individually evaluated for impairment	$ 2,933,423	$ 18,678	$ 3,064,271	$ -	$ 6,016,372
December 31, 2015 balance collectively evaluated for impairment	112,423,157	29,291,137	529,900,504	-	671,614,798
Ending balance	**$ 115,356,580**	**$ 29,309,815**	**$ 523,964,775**	**$ -**	**$ 677,631,170**

4. LOANS TO MEMBERS (Continued)

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

2014

	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in allowance for loan loss:					
Beginning balance	$ 41,998	$ 498,266	$ 1,027,120	$ 125,000	$ 1,692,384
Charge-offs	(19,652)	(486,040)	(967,526)	-	(1,473,218)
Recoveries	1,711	117,404	286,773	-	405,888
Provision	37,247	442,813	691,195	(75,000)	1,096,255
Ending balance	**$ 61,304**	**$ 572,443**	**$ 1,037,562**	**$ 50,000**	**$ 1,721,309**
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ -	$ 45,244	$ 318,441	$ -	$ 363,685
Related to loans collectively evaluated for impairment	16,304	527,199	719,121	-	1,262,624
Related to environmental factors and other considerations	-	-	-	50,000	50,000
Related to troubled debt restructurings	45,000	-	-	-	45,000
Ending balance	**$ 61,304**	**$ 572,443**	**$ 1,037,562**	**$ 50,000**	**$ 1,721,309**
Loans receivable:					
December 31, 2014 balance individually evaluated for impairment	$ 3,424,716	$ 45,244	$ 2,649,625	$ -	$ 6,119,585
December 31, 2014 balance collectively evaluated for impairment	114,945,925	29,647,579	456,452,009	-	601,045,513
Ending balance	**$ 118,370,641**	**$ 29,692,823**	**$ 459,101,634**	**$ -**	**$ 607,165,098**

LOANS TO DIRECTORS AND OFFICERS

Included in loans to members at December 31, 2015 and 2014, are loans of $1,694,795 and $1,748,851, respectively, to directors and officers of The Summit.

5. PREMISES AND EQUIPMENT

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

	2015	2014
Land	$ 6,372,020	$ 5,767,008
Buildings and improvements	15,903,583	15,409,523
Furniture, fixtures and equipment	9,124,753	8,960,160
Leasehold improvements	458,570	458,570
Construction in progress	1,714,106	1,319,410
	33,573,032	31,914,671
Less: Accumulated depreciation and amortization	**(14,374,633)**	**(13,330,591)**
	$ 19,198,399	**$ 18,584,080**

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 certain originated mortgages to the Federal National Mortgage Association (FNMA), while retaining the rights to service these mortgages for its members. During 2015 and 2014, net gains resulting from the sale of originated mortgages were $444,392 and $296,023, respectively. Mortgage loans serviced for FNMA are not included in the accompanying statement of financial condition. The unpaid principal balance of these loans was $193,008,220 and $189,933,037 at December 31, 2015 and 2014, respectively.

For 2015 and 2014, 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 percent rate of return and a prepayment speed based upon the consensus from the dealer survey conducted by the Bond Market Association.

For 2015 and 2014, The Summit capitalized $291,033 and $189,141 of MSR, respectively. Amortization of MSR was $328,403 and $328,248 for 2015 and 2014, respectively. The Summit amortizes MSR based upon the payments received for the serviced loans, adjusted for prepayments and charge-offs.

7. GOODWILL

The Summit's goodwill resulted from its merger with Syracuse Federal Credit Union in 2010. Goodwill recorded at the time of the merger was $1,957,919. In 2015, The Summit elected to amortize goodwill on the straight line basis over ten years. The gross carrying amounts of goodwill and accumulated amortization were as follows for the year ended December 31, 2015:

Goodwill	$ 1,957,919
Less: Accumulated amortization	(195,792)
	$ 1,762,127

Amortization expense was $195,792 in 2015.

8. OTHER ASSETS

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

	2015	2014
Accrued interest receivable	$ 1,931,433	$ 1,960,524
Mortgage servicing rights, net	886,567	923,937
Alloya Corporate Credit Union capital account	921,637	921,637
Prepaid operating expenses	872,298	817,561
Deferred compensation annuity	560,963	590,142
Receivable related to settlement of mortgage sales	785,671	476,000
Prepaid bond insurance	317,158	388,487
Capital balance at Federal Home Loan Bank	360,300	350,200
Advances for VISA clearing	217,700	217,200
CUSO investments	159,570	82,357
Miscellaneous	585,516	516,112
	$ 7,598,813	$ 7,325,157

9. SHARE ACCOUNTS AND CERTIFICATES

At December 31, 2015, scheduled maturities of members' and non-members' share and IRA certificates are as follows:

2016	$ 153,031,618
2017	34,053,689
2018	10,188,284
2019	4,129,582
2020	1,088,994
Thereafter	627,820
	$ 203,119,987

Dividend expense on members' and non-members' accounts is summarized as follows for the years ended December 31:

	2015	2014
Regular shares	$ 69,038	$ 66,385
Share drafts	13,664	13,504
Money market shares	501,176	578,723
Share certificates	1,784,775	1,337,774
IRA shares	31,577	37,099
IRA share certificates	234,163	236,680
	$ 2,634,393	$ 2,270,165

The aggregate amount of share certificate account balances in excess of $250,000 was $11,277,823 and $6,264,761 at December 31, 2015 and 2014, respectively.

Cash paid for dividends on members' and non-members' shares and certificates totaled $2,634,393 and $2,270,165 for the years ended December 31, 2015 and 2014, 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:

	2015	2014
Projected Benefit Obligation		
Balance, beginning of year	$ 13,653,046	$ 12,052,047
Service cost	657,893	638,148
Interest cost	577,279	630,291
Actuarial loss	204,356	422,487
Benefits paid to participants	(127,077)	(89,927)
Balance, end of year	**$ 14,965,497**	**$ 13,653,046**

	2015	2014
Plan Assets		
Fair value, beginning of year	$ 10,439,488	$ 10,017,862
Actual investment return	(95,355)	511,553
Benefits paid	(127,077)	(89,927)
Fair value, end of year	**$ 10,217,056**	**$ 10,439,488**
Funded status	**$ (4,748,441)**	**$ (3,213,558)**

FUNDED STATUS

Accrued pension liability of $4,748,441 and $3,213,558 was recognized in the statement of financial condition as a liability at December 31, 2015 and 2014, 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:

	2015	2014
Total net loss	$ (3,396,054)	$ (2,455,512)
Prior service cost	(137,534)	(176,127)
	$ (3,533,588)	**$ (2,631,639)**

Weighted average assumptions used to determine benefit obligations included a discount rate of 4.75% and 4.25% for 2015 and 2014, respectively, and a rate of compensation increase of 3.5% for both 2015 and 2014.

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

	2015	2014
Discount rate	4.25%	5.25%
Expected long-term rate of investment return	7.25%	7.50%
Rate of compensation increase	3.50%	5.00%

10. POST-RETIREMENT BENEFIT PLANS (Continued)

DEFINED BENEFIT PENSION PLAN (Continued)

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.

Components of net periodic benefit cost and other amounts recognized in other comprehensive income are as follows:

	2015	2014
Net Periodic Benefit Cost:		
Service cost	$ 657,893	$ 638,147
Interest cost	577,279	630,291
Expected return on plan assets	(716,858)	(713,769)
Amortization of net loss	76,026	46,722
Amortization of prior service cost	38,593	38,593
	632,933	639,984
Amounts Recognized in Other Comprehensive Income:		
Net loss	$ 1,016,568	$ 624,703
Amortization of net loss	(76,026)	(46,722)
Amortization of prior service cost	(38,593)	(38,593)
	901,949	539,388
Total recognized in net periodic benefit cost and other comprehensive income	**$ 1,534,882**	**$ 1,179,372**

The accumulated benefit obligation of the Plan was $11,283,378 and $10,489,540 at December 31, 2015 and 2014, 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:

	2015	2014
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, 2015 were 55% equity securities, 39% debt securities, and 6% real estate.

10. 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
2015		
Fixed Income	$ 3,977,189	$ 3,977,189
Large U.S. Equity	3,197,046	3,197,046
International	1,181,303	1,181,303
Small/Mid U.S. Equity	788,252	788,252
Real Estate	622,311	622,311
Balanced/Asset Allocation	450,955	450,955
Total	**$ 10,217,056**	**$ 10,217,056**
2014		
Fixed Income	$ 4,192,614	$ 4,192,614
Large U.S. Equity	3,121,453	3,121,453
International	1,266,945	1,266,945
Small/Mid U.S. Equity	807,135	807,135
Real Estate	535,752	535,752
Balanced/Asset Allocation	515,589	515,589
Total	**$ 10,439,488**	**$ 10,439,488**

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 2016.

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

2016	$ 140,000
2017	$ 140,000
2018	$ 190,000
2019	$ 200,000
2020	$ 220,000
2021 through 2025	$ 2,500,000

10. POST-RETIREMENT BENEFIT PLANS (Continued)

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 $194,632 and $181,717 for the years ended December 31, 2015 and 2014, respectively.

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, 2015 and 2014, approximately $1,642,000 and $1,334,000, 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 $2,951,000 and $3,163,000 at December 31, 2015 and 2014, 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 $560,963 and $590,142 at December 31, 2015 and 2014, respectively.

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 $272,369 and $279,850 for 2015 and 2014, respectively. Future minimum lease payments under the terms of these operating leases are as follows:

2016	$ 198,279
2017	105,251
2018	85,940
2019	74,352
2020	62,388
Thereafter	270,000
	$ 796,210

12. LINE-OF-CREDIT

The Summit has an open secured line-of-credit agreement with Alloya Corporate Credit Union bearing a variable interest rate (0.85% at December 31, 2015) that allows for up to $46,090,000 of borrowings. Amounts borrowed are collateralized by certain assets of The Summit totaling $65,611,879. The Summit had a balance of $4,300,000 and $22,875,000 outstanding under the terms of this agreement at December 31, 2015 and 2014, respectively. Cash paid for interest was approximately $100,000 and $77,000 for the years ended December 31, 2015 and 2014, respectively.

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, 2015 and 2014, the Credit Union had no outstanding borrowings from the FHLB.

The Summit has an agreement with the Federal Reserve Bank of New York (FRB), to borrow at FRB'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. As of December 31, 2015 and 2014, the credit union had not borrowed from FRB.

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 non-performance 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, 2015 is as follows:

Members' unused credit card lines	$ 69,498,544
Members' unused lines of credit, excluding credit card lines	$ 79,454,790
Members' loans approved, not yet disbursed	$ 10,181,432

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.

14. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

OVERNIGHT DEPOSITS AT FINANCIAL INSTITUTIONS

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

INVESTMENTS

The Credit Union values investments based on the methods described previously.

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.

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):

	2015		2014	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash and equivalents	$ 5,874	$ 5,874	$ 6,921	$ 6,921
Overnight deposits at financial institutions	$ 2,740	$ 2,740	$ 4,008	$ 4,008
Investment in certificates of deposit	$ 17,992	$ 17,957	$ 31,329	$ 31,398
Investment in securities available for sale	$ 5,857	$ 5,857	$ 14,231	$ 14,231
Investment in securities held to maturity	$ 24,053	$ 24,037	$ 39,129	$ 39,043
Loans to members	$ 689,041	$ 691,523	$ 613,975	$ 621,909
Members' shares and savings accounts	$ 477,884	$ 478,272	$ 456,511	$ 456,976
Members' share certificates	$ 175,551	$ 175,578	$ 146,262	$ 146,240
Nonmembers' shares and certificates	$ 32,172	$ 32,170	$ 32,498	$ 32,485

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	Defined Benefit Plan	Accumulated Other Comprehensive (Loss)
Balance, January 1, 2014	$ (130,513)	$ 53,697	$ (2,092,251)	$ (2,169,067)
Other comprehensive income (loss)	57,629	10,607	(539,388)	(471,152)
Balance, December 31, 2014	(72,884)	64,304	(2,631,639)	(2,640,219)
Other comprehensive income (loss)	74,024	(22,858)	(901,949)	(850,783)
Balance, December 31, 2015	**$ 1,140**	**$ 41,446**	**$ (3,533,588)**	**$ (3,491,002)**

Reclassifications of balances from accumulated other comprehensive income to the statement of income were immaterial in both 2015 and 2014.

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

At December 31, 2015 and 2014, 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. As of December 31, 2015, the NCUA has indicated that further assessments may not be necessary; however, the possibility of assessments remains if circumstances change. The timing and amount of the assessments to which the Credit Union will be subject in the future is unknown at this time.

NCUSIF

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

The Credit Union was not required to pay assessments in 2015 or 2014.

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, 2015 and 2014, substantially all of The Summit's loan portfolio involves borrowers and, where applicable, collateral, in the State of New York.

19. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 18, 2016, which is the date the consolidated financial statements were available to be issued.

Our Board of Directors

Our Board of Directors is a diverse team of volunteers who live and work throughout New York State from Buffalo to Syracuse and everywhere in between. They are lawyers, professors, agency presidents and community members. They provide knowledge and leadership to keep us focused on our members and our mission.

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Augustin Melendez, *Vice Chair*

Sarah Sorensen, *Vice Chair*

Kofi Appiah Okyere, *Treasurer*

Chris Modesti, *Secretary*

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Gerald K. Gebauer

Richard W. Murphy

William A. Reifsteck

Chip Turner

Daryl Wolf

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Charles J. Faggiano

Edward A. Szpila

Joseph E. Thyroff

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Mike Vadala*

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John Striebich
Sarah Clark
Dave Semrau
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Chip Turner
Barb Rothfuss*

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Augie Melendez
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Leanne McGuinness*
Laurie Baker*
Karen Lamy*
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Kofi Appiah Okyere
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Kate Sweeney
Jeffrey Keogh
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Karen Lamy*

POLICY

Sarah Sorensen
Richard Murphy
Joseph Thyroff
Karen Lamy*

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Tom Quirk
Betty Dudman
Gerald Gebauer
Mike Vadala*
Laurie Baker*

Bolded is Committee Chair
** Not a voting committee member*

Branch Locations

BUFFALO

Clarence Branch
5641 Transit Road
East Amherst, NY 14051

Delaware/Hertel Branch
2290 Delaware Avenue
Buffalo, NY 14216

CORTLAND

Cortland Branch
143 Main Street
Cortland, NY 13045

SUNY Cortland Branch
Neubig Hall
15 Neubig Road
Cortland, NY 13045

ROCHESTER

Brighton Branch
1660 Monroe Avenue
Brighton, NY 14618

Excellus Blue Cross/Blue Shield
165 Court Street
Rochester, NY 14647

Greece Branch
Canal Ponds Business Park
100 Marina Drive
Greece, NY 14626

Henrietta Branch
2087 East Henrietta Road
Henrietta, NY 14623

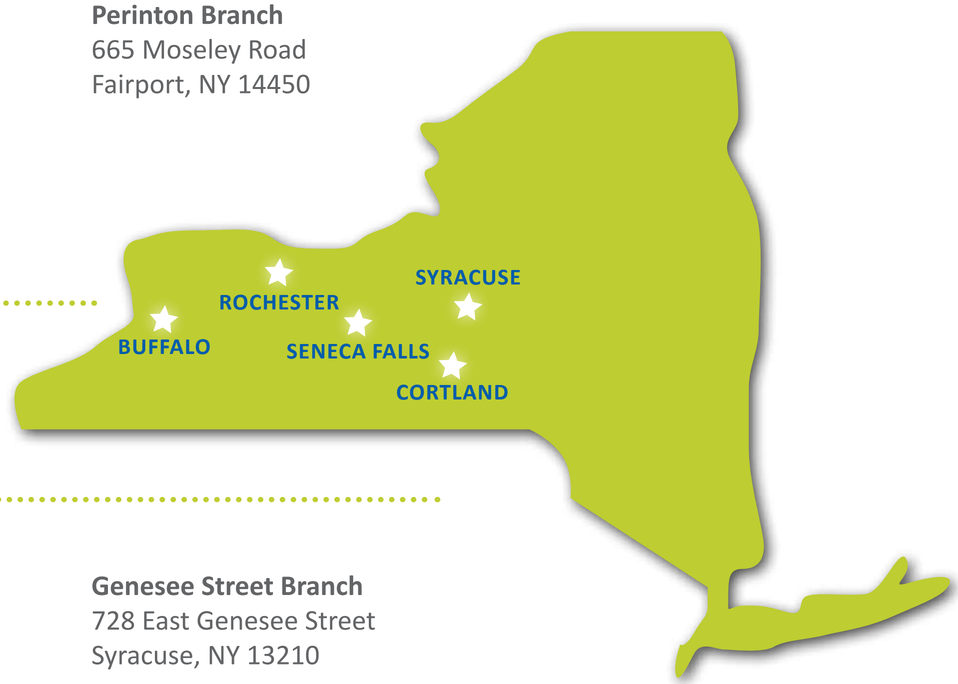
Hilton Branch
41 Hovey Square
Hilton, NY 14468

Irondequoit Branch
2121 Hudson Avenue
Irondequoit, NY 14617

Main/Winton Branch
2315 East Main Street
Rochester, NY 14609

Penfield Branch
2146 Penfield Road
Penfield, NY 14526

Perinton Branch
665 Moseley Road
Fairport, NY 14450



SENECA FALLS

Seneca Falls Branch
123 Fall Street
Seneca Falls, NY 13148

SYRACUSE

Cicero Branch
6091 Route 31
Cicero, NY 13039

Erie Boulevard Branch
1400 Erie Boulevard East
Syracuse, NY 13210

Genesee Street Branch
728 East Genesee Street
Syracuse, NY 13210

Liverpool Branch
4336 Wetzel Road
Liverpool, NY 13090

the SUMMIT FEDERAL CREDIT UNION

2015 *Annual Report*

The Summit Federal Credit Union is an Equal Housing Lender and is federally insured by the National Credit Union Administration.