2010 ANNUAL REPORT

Vision and Values...

70 YEARS STRONG

the SUMMIT FEDERAL CREDIT UNION

We're Here For You

The Summit Federal Credit Union

2010 Annual Report

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Member Since: 1993

President/CEO & Board Chair Message

Michael Vadala, President/CEO &
Thomas Quirk, Chairman of the Board

2010... Another Strong Year

The Summit has entitled this year's annual report "Vision and Values… 70 Years Strong." We are both proud to share a comprehensive look back at some of the highlights of the past year while spotlighting some of the key moments that have contributed to The Summit's continued success as a safe, sound and thriving financial cooperative.

In order for us to be successful, we continued to expand our visionary thinking for the long term good of the credit union while maintaining traditional credit union values to do the right thing for members at all times. We are here to improve our members' lives, and with this in mind, we have thrived for 70 years, even while other financial institutions suffered.

> As we stand today, we are well on our way to reaching if not exceeding our credit union wide goals for growth, financial stability, member satisfaction and employee satisfaction.

As we continue to build on the successes achieved in 2010, we also have many exciting things to look forward to in 2011, not the least of which will be the celebration of our 70th Anniversary as a credit union. That's quite a milestone. We've sure come a long, long way since the early days of The Rochester Telephone Federal Credit Union which formed in July 1941 and operated out of a small office inside the Triangle Building in downtown Rochester. As you may know, our original charter only allowed us to serve the employees of the Rochester Telephone Company, yet today, we serve over 500 member companies all across the Western and Central NY region.

2010 was the third year of our current 4-Year Strategic Plan. As we stand today, we are well on our way to reaching if not exceeding our credit union wide goals for growth, financial stability, member satisfaction and employee satisfaction. All of these achievements have a direct and positive effect on members and your future, and we'll continue to update you on our progress.

We also launched The Summit's Facebook page in late spring of last year and continue to receive overwhelmingly positive feedback from the nearly 900 people who "Like" us and communicate with us on a regular basis. It's a great way for the credit union to hold contests and receive feedback, so keep the messages coming and tell a friend about it. Check us out by clicking on the Facebook icon right on the home page of our website, www.summitfcu.org.

Year End Results

Despite the difficult employment picture and continued sluggish economy in Upstate NY, the credit union had a very solid financial year posting a strong Net Worth ratio of 9.87% which is considered well capitalized by our governing body the National Credit Union Administration (NCUA). With the continuing turmoil in the broader financial markets, we were cited as performing at a very high level, weathering the economic storm in great shape. This is welcome news for members and we are very proud of this achievement.

> We will never lose sight of our credit union's fundamental mission - providing affordable products and services to members at every stage of their financial lives.

The Summit showed significant growth during the year including overall membership which increased by nearly 18,000 members to a total of 78,383, and Assets which rose nearly $135 Million to more than $624 Million at year end. This increased size and scale has given us the resources to provide even more benefits and convenience to members than ever before. But rest assured no matter what our size, we will never lose sight of our credit union's fundamental mission… providing affordable products and services to individual members and families at every stage in their financial lives.

New Locations and Staff Additions

During the course of the year, we added just over 50 new employees to our roster, most as a result of our merger with the Syracuse Federal Credit Union in January, 2010. In addition, The Summit remained a leader in Mortgage lending, and the mortgage department was extremely busy over the past 12 months. This was another area of significant growth, and we added more people there to improve service and to help handle the increased volume of applications.

> The Summit ended the year with 18 branches in Western and Central NY covering the Buffalo, Rochester, Seneca Falls, Syracuse and Cortland markets.

From a branch perspective, we also welcomed seven new Central NY locations to our network following the Syracuse FCU merger. These locations in Syracuse and Cortland have been busy during the past year, so we expanded the hours of operation to better serve members in that region. With the addition of these branches, The Summit ended the year with 18 branches in Western and Central NY covering the Buffalo, Rochester, Seneca Falls, Syracuse and Cortland markets. In a further effort to enhance member convenience, we strategically

added dozens of new ATM's for members to use, many through our newest partnership with the "Sharenet" ATM network. These ATM's are primarily located in Central NY with some recent additions in the Buffalo area as well.

Finally, we have worked very hard to bring over 100 new member companies into the credit union fold in the past year exposing our brand and what we stand for to hundreds of employees at those places of business. Credit union membership is a great no-cost employee benefit for these companies and we are thrilled at the opportunity to tell our story to prospective new members at these organizations.

Members are the reason we exist as a financial institution and we pride ourselves on delivering the highest levels of service to help members at every stage in their lives.

A BIG Thank You
Any time the credit union has gone through a period of rapid growth like we've seen this year, we have counted heavily on our employees to make the transition seamless for members. After all, members are the reason we exist as a financial institution and we pride ourselves on delivering the highest levels of service to help members at every stage of their lives. With that said, we wanted to personally thank all of our employees for their hard work and dedication throughout the year.

Over the past several months, many of our staff members were newly integrated into The Summit's organization through mergers. In many cases these employees had long histories of service, and great relationships with the members. Although the learning and training period was long and difficult, they have embraced their new roles at The Summit. They have worked hard to deliver excellent service to the members they have known for a long time, and that joined us through these mergers. It meant a lot to our new members to continue to work with the employees that they already knew, and we understand that wholeheartedly.

Thanks also to all the employees from the Rochester and Buffalo areas who conducted and took part in our training initiatives. Our 'branch buddies' spent several weeks working with Syracuse and Cortland employees to make sure they were comfortable in their jobs. It was a total team effort and the end results were very positive, not only for all of our staff, but especially for members.

A Great Start In 2011
As you know by now, we successfully launched our brand new website in late January of this year. The new site has received rave reviews from our members, many of whom are pictured on each page of the website and throughout this report. We're proud to feature such a wide cross-section of our membership, which reinforces that we serve a very diverse population including members of all ages and life stages, plus people with varying interests, hobbies and occupations.

In March of 2011, we opened a brand new Summit branch in the City of Rochester, located at 2315 East Main Street near Winton Road. This branch will increase convenience for members in that area of the city and the surrounding neighborhoods as well. With 9 of our branches now located in underserved areas within our markets, it underscores our commitment to bring affordable products and services to members who need them the most.

In summary, we are poised to build on our successes, and we have a very bright future ahead.

On the product and service front, we just rolled out our new Member Benefits Program. This program replaced the previous Relationship Pricing Program which was in existence for the past 12 years. The program is designed to reward members who participate more fully in the credit union. We've also kept virtually all of the fee exemptions that were in place before, and even added more. It was never a goal of this program to charge fees, but rather to enhance and build relationships. We've also added a variety of great new benefits at every level based on your monthly combined balances of savings, loan, VISA and even mortgage balances. Additionally, we will also conduct research on a variety of potential new products to determine how they might benefit members and complement our existing offerings. These new product and services may include mobile banking, some new checking account options, Health Savings Accounts (HSA's) and more.

In Summary
It has been a terrific year at your credit union, and we wanted to close this message by thanking our volunteers and especially our members for being a part of The Summit over the years. We are incredibly proud and fortunate to be leading a credit union that is forward thinking, financially sound, delivers top-notch member service and stays true to traditional credit union values. In summary, we are poised to build on our successes, and we have a very bright future ahead.

Thomas B. Quirk

Michael S. Vadala
President & CEO

Thomas Quirk
Chairman of the Board of Directors

Jimmy Jim, & Jonathan
Members Since: 1987 & 2007

Community Involvement

Strong Commitment to our Communities

The Summit has had a long and well documented 70 year legacy of enriching our communities through charitable contributions, employee volunteer efforts and support for worthy causes. This year was no exception and we also became actively involved in some new endeavors through our presence in the Syracuse and Cortland markets following the merger of Syracuse FCU. In addition to our own efforts, we also joined together with fellow credit unions in the Western and Central NY regions to collectively support charitable events through sponsorships and other donations of time, resources and talent.

Strong Support in the Community

Hunters Hope Every Step Walk
The Summit continued to lead the effort in partnership with other Western NY credit unions to support this signature event. For the past 3 years we have provided volunteers and walk teams, plus we have worked cooperatively to plan and coordinate the entire event, solicit sponsors and provide monetary contributions.

PJ RoundUp
The credit union continued to host this important Fall event in partnership with the Girl Scouts collecting thousands of articles of warm clothing and footwear to benefit women and children in shelters and other protective facilities. This past year, we further expanded our reach covering all of our markets in Western and Central NY.

First Tee Program
The Summit was a major sponsor in a long-standing Syracuse area fundraising event benefiting the First Tee Program which helps kids in underserved areas of the City of Syracuse. We heavily supported their “Master’s Friday” event which raised thousands of dollars for this worthwhile cause.

Police Charities
The Summit remained strongly committed to supporting police related charities begun by the Syracuse FCU. This year we participated in many event sponsorships, hosted police ceremonies at no cost in our Genesee Street branch auditorium, and sold memorial bricks at all branches that will be placed at the Foreman Park Memorial across the street from our branch in downtown Syracuse.

Summit Safety Days
We engaged in many activities at our branches in the past year geared towards child safety by hosting kid fingerprinting sessions and even fire safety demonstrations.

Strong Support for Financial Education

Adult Financial Education Seminars
Our mission of financial education for members and non-members continued with dozens of financial education seminars at our member companies in all markets on the topics of Money Management, Credit, Preventing Fraud and Identity Theft, Home Buying and more.

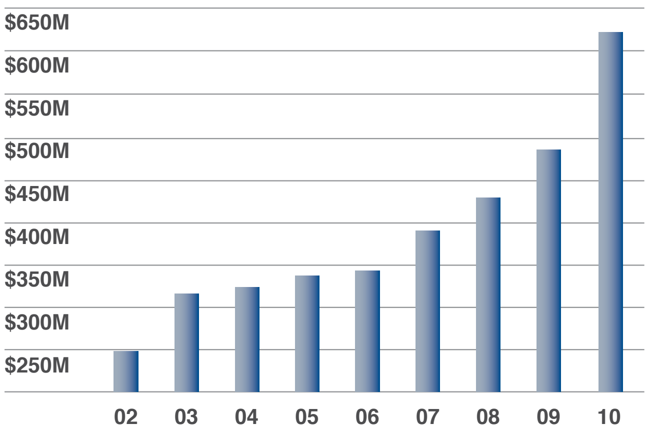
Youth Financial Literacy
The Summit was proud to partner with many school districts in our regions during 2010 to conduct educational seminars for their students. In addition to teaching the fundamentals of saving and sensible spending, we also set up special savings accounts for kids and their families to put their money into action.

Independent Auditor's Report

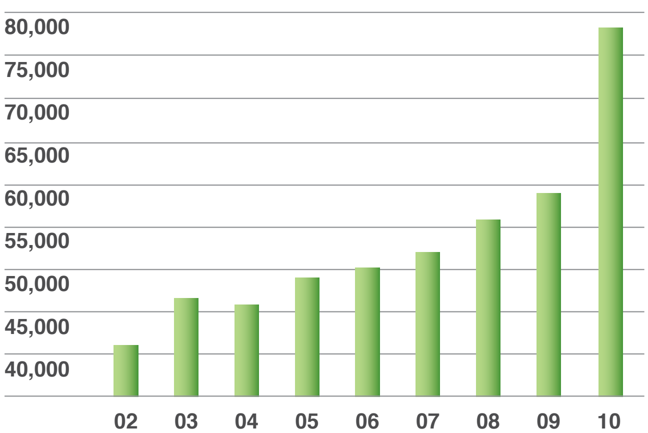
Prepared by Bonadio & Co., LLP

Patricia
Member Since: 2010

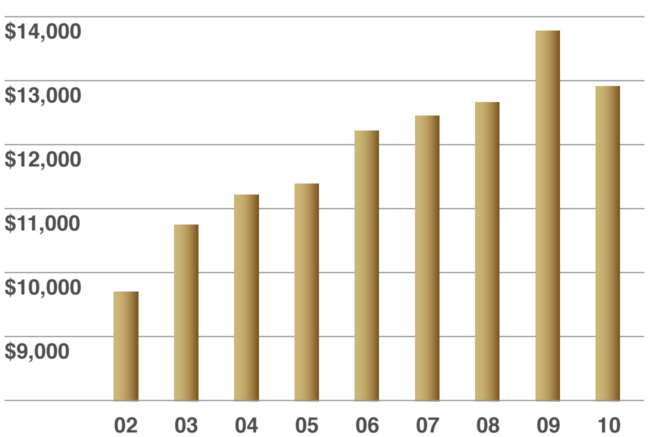
Total Assets



Total Members



Average Relationship/Member



Bonadio & Co., LLP
Certified Public Accountants

April 8, 2011

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

We have audited the accompanying consolidated statements of financial condition of The Summit Federal Credit Union and Subsidiary as of December 31, 2010 and 2009 and the related consolidated statements of income, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Bonadio & Co. LLP

The Summit Federal Credit Union and Subsidiary

Consolidated Statements of Financial Condition

As of December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and equivalents	$6,821,603	$3,591,089
Overnight deposits at financial institutions	29,630,433	27,423,476
Investment in certificates of deposit	30,556,968	35,230,731
Investment securities available for sale	42,597,345	11,427,079
Investment securities held to maturity	52,309,821	8,676,551
Loans to members, less allowance for loan losses of $1,581,130 and $1,313,557, respectively	425,650,704	380,175,691
Premises and equipment, net	18,000,271	14,790,306
NCUSIF deposit	5,427,415	4,166,685
Intangible assets	4,790,833	206,196
Other assets	8,643,002	3,819,182
Total assets	$624,428,395	$489,506,986
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Accrued expenses and other liabilities	$10,451,189	$4,251,406
Accrued pension expense	1,595,010	2,186,316
Total liabilities excluding members' accounts	12,046,199	6,437,722
MEMBERS' AND NON-MEMBERS' ACCOUNTS:		
Members' shares and savings accounts	366,192,241	256,986,160
Members' share certificates	175,838,176	163,333,385
Non-members' shares and certificates	9,203,723	15,545,841
Total members' and non-members' accounts	551,234,140	435,865,386
Total liabilities	563,280,339	442,303,108
MEMBERS' EQUITY:		
Regular reserve	8,750,360	8,750,360
Undivided earnings	42,292,310	38,888,630
Equity acquired in merger	10,750,000	1,250,000
Accumulated other comprehensive loss	(644,614)	(1,685,112)
Total members' equity	61,148,056	47,203,878
Total liabilities and members' equity	$624,428,395	$489,506,986

The accompanying notes are an integral part of these statements.

The Summit Federal Credit Union and Subsidiary

Consolidated Statements of Income

For the Years Ended December 31, 2010 and 2009

	2010	2009
INTEREST INCOME:		
Loans to members	$24,822,057	$21,338,766
Investments	2,013,393	1,409,984
	26,835,450	22,748,750
DIVIDENDS ON MEMBERS' AND NON-MEMBERS' SHARES	5,419,374	7,391,773
Net interest income before provision for loan losses	21,416,076	15,356,977
PROVISION FOR LOAN LOSSES	1,423,119	1,706,872
Net interest income after provision for loan losses	19,992,957	13,650,105
NON-INTEREST INCOME:		
Fees and other	6,854,575	4,853,671
Interchange	2,893,245	1,990,748
Reinstatement of NCUSIF deposit	-	2,354,339
Total non-interest income	9,747,820	9,198,758
NON-INTEREST EXPENSE:		
Compensation and benefits	13,077,437	8,910,522
Operations	5,532,073	4,210,581
Professional and outside services	2,287,184	1,914,983
Share Insurance	1,400,646	609,305
Occupancy	1,309,143	1,124,769
Amortization of intangible assets	912,766	2,358
Marketing	901,809	821,066
Write-down of capital shares in corporate credit unions	-	2,177,977
Other	916,039	487,464
Total non-interest expense	26,337,097	20,259,025
NET INCOME	$3,403,680	$2,589,838

The accompanying notes are an integral part of these statements.

Consolidated Statements of Members' Equity

For the Years Ended December 31, 2010 and 2009

	Regular Reserve	Undivided Earnings	Equity Acquired in Merger	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income (Loss)
BALANCE, JANUARY 1, 2009	$8,750,360	$36,298,792	$-	$(2,330,000)	$42,719,152	
Comprehensive income -						
Net income	-	2,589,838	-	-	2,589,838	$2,589,838
Equity acquired in merger	-	-	1,250,000	-	1,250,000	-
Change in unrealized gain (loss) on deferred compensation plan investments	-	-	-	4,871	4,871	4,871
Change in unrealized gain (loss) on investment securities available for sale	-	-	-	(179,201)	(179,201)	(179,201)
Change in accrued pension	-	-	-	819,218	819,218	819,218
Comprehensive income - 2009						$3,234,726
BALANCE, DECEMBER 31, 2009	8,750,360	38,888,630	1,250,000	(1,685,112)	47,203,878	
Comprehensive income -						
Net income	-	3,403,680	-	-	3,403,680	$3,403,680
Equity acquired in merger	-	-	9,500,000	-	9,500,000	-
Change in unrealized gain (loss) on deferred compensation plan investments	-	-	-	5,339	5,339	5,339
Change in unrealized gain (loss) on investment securities available for sale	-	-	-	315,058	315,058	315,058
Change in accrued pension	-	-	-	720,101	720,101	720,101
Comprehensive income - 2010						$4,444,178
BALANCE, DECEMBER 31, 2010	$8,750,360	$42,292,310	$10,750,000	$(644,614)	$61,148,056	

The accompanying notes are an integral part of these statements.

The Summit Federal Credit Union and Subsidiary

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$3,403,680	$2,589,838
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization of premises and equipment	1,379,643	1,057,849
Amortization of mortgage servicing rights	213,891	135,135
Capitalization of mortgage servicing rights	(663,166)	(415,421)
Amortization of intangible assets	912,766	2,358
Provision for loan losses	1,423,119	1,706,872
Reinstatement of NCUSIF deposit	-	(2,354,339)
Net accretion of discounts and amortization of premiums in investment securities	219,159	365,428
Loss on disposition of premises and equipment	7,354	4,293
Write-off of capital shares of corporate credit unions	-	2,177,977
Changes in:		
Other assets	(3,259,014)	910,755
Accrued expenses and other liabilities	212,958	(529,033)
Accrued pension expense	134,134	326,379
Net cash flow from operating activities	3,984,524	5,978,091
CASH FLOW FROM INVESTING ACTIVITIES:		
Net (increase) decrease in investment securities available for sale, excluding non-cash merger activity	(30,984,039)	7,601,449
Net (increase) decrease in investments held to maturity, excluding non-cash merger activity	(43,723,598)	9,000,000
Net decrease (increase) in investments in certificates of deposit, excluding non-cash merger activity	19,419,685	(24,485,731)
Cash and equivalents received as part of mergers (Note 3)	39,015,625	1,727,000
Net decrease (increase) in loans to members, excluding non-cash merger activity	31,116,774	(19,402,292)
Purchases of premises and equipment	(1,599,042)	(4,612,961)
Increase in NCUSIF deposit, excluding non-cash merger activity	(51,767)	(745,578)
Net increase in capital balance at FHLB	(7,400)	(20,400)
Net cash flow from investing activities	13,186,238	(30,938,513)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net decrease in line-of-credit	-	(858,886)
Net increase in members' shares and savings accounts	22,137,457	29,732,088
Net (decrease) increase in members' share certificates	(27,528,630)	14,855,762
Net (decrease) increase in non-members' shares and certificates	(6,342,118)	5,729,618
Net cash flow from financing activities	(11,733,291)	49,458,582
NET CHANGE IN CASH AND EQUIVALENTS	5,437,471	24,498,160
CASH AND EQUIVALENTS - beginning of year	31,014,565	6,516,405
CASH AND EQUIVALENTS - end of year	$36,452,036	$31,014,565

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

1. THE ORGANIZATION

The Summit Federal Credit Union (The Summit) was established to offer low-cost, 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.

Effective January 1, 2010, The Summit merged with Syracuse Federal Credit Union (Syracuse) under the terms of a merger agreement. Effective October 1, 2009, The Summit merged with Kenton Federal Credit Union (Kenton) under the terms of a merger agreement. These mergers were accounted for under the "acquisition" method of accounting as required under generally accepted accounting principals. On the respective merger dates, the assets, liabilities, equity, and member relationships of Kenton and Syracuse transferred to The Summit, and Kenton and Syracuse ceased to exist.

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 accounting principles of The Summit conform to accounting principles generally accepted in the United States 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 inter-company 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 as well as 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.

Investments

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

- **Overnight Deposits at Financial Institutions**
  Overnight deposits are held at corporate credit unions and The Federal Home Loan Bank (FHLB) and are recorded at cost which approximates fair value. These investments include cash and equivalents varying in duration from overnight to three months held at Members United Bridge Corporate Federal Credit Union (Members United). The NCUA currently insures all deposits at Members United, except capital share accounts, with no maximum insurance limit. This unlimited insurance will expire on December 31, 2012, unless extended by the NCUA. Overnight deposits at FHLB 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 FHLB.

- **Investments in Certificates of Deposit**
  Investments in certificates of deposit are recorded at cost and have maturities of up to four 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.

  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

- **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**
  Generally accepted accounting principles establish 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:

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

  2. 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.

  3. 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 though 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 or more 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.

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.

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 19 for discussion of the Stabilization Fund. The NCUA has informed insured credit unions that assessments will be made annually through 2016 to fund the payments required on the Stabilization Fund's obligations. The timing and amount of the assessments are 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 the Kenton and Syracuse mergers in fiscal 2009 and 2010, respectively, 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 deposits 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. The Summit determined that there is no impairment loss required to be recognized as of December 31, 2010 and 2009.

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, 2010 and 2009, 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 fair value 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 expensed.

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' Share Accounts 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 balance sheet. 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, 2010 and 2009 was 7.0 percent. As of December 31, 2010 and 2009, The Summit maintained a net worth ratio of 9.87 percent and 9.93 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, 2010 and 2009, 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.

Income Taxes

The Summit is exempt, by statute, from federal and state income taxes as a 501(c)(1) organization. As of December 31, 2010 and 2009, the Summit does not have a liability for unrecognized tax benefits.

Comprehensive Income

Accounting principles generally accepted in the United States require 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 financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification

Certain amounts have been reclassified from the 2009 financial statements to conform to the current year presentation.

3. MERGERS

Syracuse Federal Credit Union

Effective January 1, 2010, The Summit assumed the assets, liabilities, and operations of Syracuse under the terms of a merger agreement. This merger agreement was approved by the affirmative vote of Syracuse's members and written communication from the NCUA. On December 31, 2009, Syracuse operated seven branch locations in Syracuse, Cortland, Liverpool, and Cicero, New York, maintained numerous ATM locations around central New York State, and had approximately 21,000 members. The Summit entered into this merger agreement for the primary purposes of expanding the financial services available to Syracuse's members and expanding The Summit's market presence in the greater Syracuse, New York area.

Kenton Federal Credit Union

Effective October 1, 2009, The Summit assumed the assets, liabilities, and operations of Kenton under the terms of a merger agreement. This merger agreement was approved by the affirmative vote of Kenton's members and written communication from the NCUA. On September 30, 2009, Kenton operated one location in Tonawanda, New York, and had approximately 3,200 members. The Summit entered into this merger agreement for the primary purposes of expanding the financial services available to Kenton's members and expanding The Summit's market presence in the greater Buffalo, New York area.

Assets, Liabilities, and Equity Acquired

The Summit recognized the following assets, liabilities, and equity, at fair value, in its financial statements on the date of each merger (000):

	Syracuse January 1, 2010	Kenton October 1, 2009
ASSETS:		
Cash	$ 3,740	$478
Overnight deposits at financial institutions	35,275	1,249
Investments	14,746	4,012
Capital shares of corporate credit unions	-	55
Loans to members	78,015	6,043
NCUSIF deposit	1,209	107
Premises and equipment	2,998	274
Goodwill	1,958	173
Core deposit intangible	3,540	35
Other assets	1,108	35
Total assets	$142,589	$12,461
LIABILITIES:		
Accrued expenses	$5,987	$139
Members' shares and savings accounts	87,069	6,288
Members' share certificates	40,033	4,784
Total liabilities	133,089	11,211
MEMBERS' EQUITY	9,500	1,250
Total liabilities and equity	$142,589	$12,461

Consideration

There was no consideration provided by The Summit related to these transactions, other than the assumption of the acquired credit unions' liabilities.

Goodwill

The goodwill of $1,958,000 and $173,000, respectively, arising from the acquisitions consisted largely of the synergies and economies of scale expected from combining the operations of The Summit and the acquired credit unions.

Fair Value Considerations

The fair value of the acquired credit unions was estimated by applying the comparable transactions approach and a discounted cash flows method. This fair value measurement is based on significant inputs that are not observable in the active market and thus represents a Level 3 measurement as described in Note 2. Key assumptions include a discount rate of 15%, a terminal value based on terminal earnings before depreciation and amortization, and financial multiples of entities deemed to be similar to acquired credit unions. Information on comparable transactions was derived from publicly available information on transactions involving other types of financial institutions since insufficient information was available for comparable credit union acquisitions. Management believes that this information was appropriate for use in its evaluation of acquired credit unions.

4. INVESTMENT SECURITIES

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

	2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$41,333,491	$545,424	$ -	$ 41,878,915
Residential mortgage-backed securities	706,242	13,527	(1,339)	718,430
	$42,039,733	$558,951	$(1,339)	$ 42,597,345

	2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 9,664,491	$ 221,754	$ -	$ 9,886,245
Residential mortgage-backed securities	1,520,034	24,308	(3,508)	1,540,834
	$11,184,525	$246,062	$(3,508)	$ 11,427,079

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

	2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$52,309,821	$665,058	$ -	$52,974,879

	2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$8,676,551	$152,505	$ -	$8,829,056

The scheduled maturities of held to maturity and available for sale securities were as follows at December 31, 2010:

	Securities Held to Maturity		Securities Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$5,581,151	$5,612,470	$10,550,636	$10,620,170
Due from one to five years	46,728,670	47,362,409	30,818,009	31,295,721
Due from five to ten years	-	-	103,274	110,442
Due after ten years	-	-	567,814	571,012
	$52,309,821	$52,974,879	$42,039,733	$42,597,345

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.

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 and financial liabilities measured at fair value on a recurring basis as of December 31, 2010 and 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	2010			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Federal Home Loan Bank securities	$ -	$ 22,502,375	$ -	$ 22,502,375
Federal Home Loan Mortgage Corp. securities	-	19,376,540	-	19,376,540
Residential mortgage-backed securities	-	718,430	-	718,430
	$ -	$ 42,597,345	$ -	$ 42,597,345

	2009			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Federal Home Loan Bank securities	$ -	$ 7,247,970	$ -	$ 7,247,970
Federal Home Loan Mortgage Corp. securities	-	2,638,275	-	2,638,275
Residential mortgage-backed securities	-	1,540,834	-	1,540,834
	$ -	$ 11,427,079	$ -	$ 11,427,079

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. No material adjustments to fair value have been made to these instruments after initial recognition in 2010 or 2009.

5. LOANS TO MEMBERS

The composition of loans to members is as follows at December 31:

	2010	2009
Automobile	$ 204,906,369	$ 212,895,054
Real estate	172,296,859	131,830,212
Unsecured lines-of-credit	27,261,316	20,004,632
Other unsecured	13,490,141	9,713,068
Other	4,817,917	1,397,093
Net deferred loan origination costs	4,459,232	5,649,189
	427,231,834	381,489,248
Less: Allowance for loan losses	(1,581,130)	(1,313,557)
	$ 425,650,704	$ 380,175,691

Loans on which the accrual of interest has been discontinued or reduced amounted to $668,380 and $661,741 at December 31, 2010 and 2009, respectively. If interest on these loans had been accrued, such income would have approximated $54,000 and $42,000 for 2010 and 2009, respectively.

Included in the loans to members at December 31, 2010 and 2009, are loans of $3,079,645 and $2,026,800, respectively, to directors and officers of The Summit.

A summary of the activity in the allowance for loan losses was as follows for the year ended December 31:

	2010	2009
Balance at beginning of year	$ 1,313,557	$ 1,243,625
Provision for loan losses	1,423,119	1,706,872
Loan recoveries	408,957	329,766
Loans charged-off, other than loans assumed in mergers	(1,564,503)	(1,966,706)
Balance at end of year	$ 1,581,130	$ 1,313,557

6. PREMISES AND EQUIPMENT

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

	2010	2009
Land	$4,943,169	$4,200,113
Buildings and improvements	13,913,819	10,807,665
Furniture, fixtures and equipment	7,434,959	6,838,063
Leasehold improvements	456,013	446,773
	26,747,960	22,292,614
Less: Accumulated depreciation and amortization	(8,747,689)	(7,502,308)
	$18,000,271	$14,790,306

7. 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 2010 and 2009, net gains resulting from the sale of originated mortgages were $564,230 and $143,464, 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 $138,122,158 and $83,856,662 at December 31, 2010 and 2009, respectively.

For 2010 and 2009, the fair value of the mortgage servicing rights (MSR) was $1,150,109 and $635,419, respectively, which exceeded recorded amounts. The fair value was determined by calculating the net present value of the estimated income stream associated with the MSR over the term of the loan. The estimated net income stream is discounted using a 7.86 percent rate of return and a prepayment speed based upon the consensus from the dealer survey conducted by the Bond Market Association.

For 2010 and 2009, The Summit capitalized $663,166 and $415,421 of MSR, respectively. Amortization of MSR was $213,891 and $135,135 for 2010 and 2009, respectively. The Summit amortizes MSR based upon the payments received for the serviced loans, adjusted for prepayments and charge-offs.

8. INVESTMENT IN CREDIT UNION AUTO FINANCE, LLC

Effective January 1, 2009, The Summit became the sole owner of Credit Union Auto Finance, LLC (CUAF), a credit union service organization that processes indirect auto loan applications for The Summit and other credit unions. The Summit accounts for this investment as a consolidated subsidiary in 2010 and 2009. All intercompany transactions are eliminated.

9.INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31:

	2010	2009
Goodwill	$2,131,473	$173,554
Core deposit intangible	2,659,360	32,642
	$4,790,833	$206,196

The gross carrying amount of The Summit's core deposit intangible was $3,574,484 and $35,000, and accumulated amortization related to these assets was $915,124 and $2,358 at December 31, 2010 and 2009, respectively. Amortization expense related to these assets was $912,766 and $2,358 at December 31, 2010 and 2009, respectively.

Amortization expense on The Summit's core deposit intangible is expected to be recorded in future years as follows:

2011	$912,766
2012	912,766
2013	833,828
	$2,659,360

10. OTHER ASSETS

	2010	2009
Accrued interest receivable	$2,381,433	$1,774,969
Receivable related to settlement of mortgage sales	1,598,425	207,400
Mortgage servicing rights	974,014	524,739
Prepaid operating expenses	717,993	497,903
Deferred compensation annuity	694,709	-
Other real estate owned	645,841	7,000
Deposit on fixed assets	575,911	88,380
Capital balance at Federal Home Loan Bank	266,800	259,400
Prepaid bond insurance	228,521	677
Advances for VISA clearing	209,000	161,300
Investment in PSCU	120,472	149,612
Miscellaneous	229,883	147,802
	$8,643,002	$3,819,182

11.SHARE ACCOUNTS AND CERTIFICATES

At December 31, 2010, scheduled maturities of share and IRA certificates are as follows:

2011	$121,500,356
2012	35,536,720
2013	11,116,588
2014	11,388,386
2015	1,735,839
Thereafter	710,369
	$181,988,258

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

	2010	2009.
Regular shares	$191,771	$134,400
Share drafts	20,176	32,312
Money market shares	1,295,822	1,651,595
Share certificates	2,885,947	4,295,209
IRA shares	80,559	75,307
IRA share certificates	945,099	1,202,950
	$5,419,374	$7,391,773

The aggregate amount of member share account balances in excess of $100,000 was $129,429,703 and $104,293,356 at December 31, 2010 and 2009, respectively.

Cash paid for dividends on members' and non-members' shares and certificates totaled approximately $5,420,000 and $7,392,000 for the years ended December 31, 2010 and 2009, respectively.

12.POST-RETIREMENT BENEFIT PLANS

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:

	2010	2009
Projected Benefit Obligation		
Balance, beginning of year	$6,974,383	$6,458,747
Service cost	337,071	311,566
Interest cost	417,773	370,688
Actuarial (gain) loss	(342,085)	(145,155)
Benefits paid to participants	(122,808)	(21,463)
Balance, end of year	$7,264,334	$6,974,383
Plan Assets		
Fair value, beginning of year	$4,788,067	$3,774,721
Actual investment return	635,645	794,809
Employer contributions	368,420	240,000
Benefits paid	(122,808)	(21,463)
Fair value, end of year	$5,669,324	$4,788,067
Funded Status	$(1,595,010)	$(2,186,316)

Accrued pension cost of $1,595,010 and $2,186,316 was recognized in the statement of financial condition as a liability at December 31, 2010 and 2009, 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:

	2010	2009
Total net loss	$(872,142)	$(1,553,650)
Prior service cost	(330,499)	(369,092)
	$(1,202,641)	$(1,922,742)

Weighted average assumptions used to determine benefit obligations included a discount rate of 6% and a rate of compensation increase of 5% for both 2010 and 2009.

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

	2010	2009
Discount rate	6.00%	5.75%
Expected long-term rate of investment return	8.00%	8.00%
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.

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

	2010	2009
Net Periodic Benefit Cost:		
Service cost	$337,071	$311,566
Interest cost	417,773	370,688
Expected return on plan assets	(353,000)	(269,118)
Amortization of net (gain)/loss	56,778	109,779
Amortization of prior service cost	38,593	38,593
	497,215	561,508
Amounts Recognized in Other Comprehensive Income:		
Net (gain) loss	$(624,730)	$(670,846)
Amortization of net loss	(56,778)	(109,779)
Amortization of prior service cost	(38,593)	(38,593)
	(720,101)	(819,218)
Total recognized in net periodic benefit cost and other comprehensive income	$(222,886)	$(257,710)

The accumulated benefit obligation of the Plan was $4,489,819 and $3,995,176 at December 31, 2010 and 2009, respectively.

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

	2010	2009
Equity securities	60%	60%
Debt securities	35%	35%
Real estate	5%	5%
	100%	100%

The asset allocations for the Plan as of December 31, 2010 were 62% equity securities, 34% debt securities, and 4% real estate.

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 Company's pension plan assets are held in pooled separate accounts and the fair value, by asset category, are as follows at December 31, 2010:

Asset Category	Significant Other Observable Inputs (Level 2)	Total
Pooled separate accounts	$ 5,669,324	$5,669,324

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 actuarially determined minimum contribution to the Plan for 2011 is approximately $348,500.

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

2011	$39,000
2012	$43,000
2013	$56,000
2014	$56,000
2015	$83,000
2016 - 2020	$810,000

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 $161,499 and $122,577 for the years ended December 31, 2010 and 2009, respectively.

Deferred Compensation Agreements
In 2010, The Summit 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, 2010, approximately $230,000 was included in accrued expenses and other liabilities in the accompanying balance sheet related to these agreements.

Deferred Compensation Arrangements Assumed in Merger
As part of the Syracuse merger, 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 totals approximately $4,000,000 at December 31, 2010, and is included in accrued expenses and other liabilities in the accompanying balance sheet. 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 $694,709.

13. COMMITMENTS

Leases
The Summit leases 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 $232,842 and $397,229 for 2010 and 2009, respectively. Future minimum lease payments under the terms of these operating leases are as follows:

2011	$253,532
2012	250,680
2013	248,938
2014	239,620
2015	239,782
Thereafter	2,129,428
	$3,361,980

14. LINE-OF-CREDIT

The Summit has a $30,000,000 secured line-of-credit agreement with Members United bearing a variable interest rate (3.75% at December 31, 2010). Amounts borrowed are collateralized by certain assets of The Summit. As of December 31, 2010 and 2009, there was no balance outstanding under the terms of this agreement.

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, 2010 and 2009, the Credit Union had not borrowed from the FHLB.

15. 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, 2010 is as follows:

Members' unused credit card lines	$70,156,037
Members' unused lines of credit, excluding credit card lines	$56,297,734
Members' loans approved, not yet disbursed	$14,300,170

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.

16. 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 Cash Equivalents
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.

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):

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and equivalents	$6,822	$6,822	$3,591	$3,591
Overnight deposits at financial institutions	$29,630	$29,630	$27,423	$27,423
Investment in certificates of deposit	$30,557	$30,851	$35,231	$35,210
Investment in securities available for sale	$42,597	$42,597	$11,427	$11,427
Investment in securities held to maturity	$52,310	$52,975	$8,677	$8,829
Loans to members	$425,651	$429,269	$380,176	$383,353
Members' shares and savings accounts	$366,192	$366,630	$256,986	$259,445
Members' share certificates	$175,838	$177,350	$163,333	$165,588
Nonmembers' shares and certificates	$9,204	$9,269	$15,546	$13,368

17. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss was comprised of the following at December 31:

	2010	2009
Unrealized gain (loss) on deferred compensation plan investments	$415	$(4,924)
Unrealized gain (loss) on investment securities available for sale	557,612	242,554
Change in accrued pension	(1,202,641)	(1,922,742)
	$(644,614)	$(1,685,112)

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

In 2007, The Summit, as a member of Visa, U.S.A., Inc. (Visa U.S.A.), received shares of restricted stock in Visa, Inc. (Visa) as a result of its participation in the global restructuring of Visa U.S.A., Visa Canada Association, and Visa International Service Association in preparation for an initial public offering

In 2008, VISA issued stock as an initial public offering. As an equity member of VISA prior to the public offering, The Summit received shares of VISA Class B Common Stock. These shares are restricted subject to the disposition of certain legal matters to which VISA is a party. As these matters are settled, the Summit's number of restricted shares held may decrease.

At December 31, 2010 and 2009, 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. The Summit has valued these shares at zero, which is equal to the cost basis of their equity interest in VISA prior to the initial public offering.

19. CORPORATE CREDIT UNION STABILIZATION PLAN

On January 28, 2009, the Board of the National Credit Union Administration (NCUA) approved a series of actions designed to support and improve the liquidity of the corporate credit union system. These actions, broadly referred to as the "Corporate Stabilization Plan" (the Plan) included providing a temporary guarantee on all shares at corporate credit unions, and announcement of a planned premium assessment to natural-person federal credit unions to bring the NCUSIF asset balance to an amount equal to 1.3% of insured deposits.

In March 2009, the NCUA allocated $5.9 billion of the NCUSIF's assets to fund the Plan. At that time, the NCUA notified credit unions that, as a result of this allocation, each credit unions' deposit in the NCUSIF should be reduced by an amount equal to 69% of 1% of December 31, 2008 insured deposits (based on $100,000 per depositor insured level). The decrease in value of the NCUSIF deposit was related to the deterioration in the financial position of corporate credit unions in 2008. Therefore, The Summit recorded the reduction of the value of the deposit, or $2,354,339, as an expense in the year ended December 31, 2008.

In May 2009, the "Helping Families Save Their Homes Act of 2009" (the Act) included provisions that significantly changed the NCUA's approach to the Plan. The Act authorized the NCUA to create a Temporary Corporate Credit Union Stabilization Fund (the Stabilization Fund), increased the NCUA's borrowing authority, and expanded the NCUA's authority to act to stabilize the corporate credit union system and the NCUIF.

In June 2009, the NCUA established the Stabilization Fund and the Stabilization Fund assumed obligations from the NCUSIF totaling $5.9 billion. As a result of these actions, the NCUSIF was recapitalized and all insured credit unions were informed that their NCUSIF deposit was fully restored and refundable. The Summit recorded an increase in the value of the deposit of $2,354,339, as income in the year ended December 31, 2009. This is included in non-interest income in the accompanying statement of income for the year ended December 31, 2009.

The Stabilization Fund was capitalized by a loan from the U.S. Treasury. This loan was initially to be repaid over seven years through 2016. In 2010, the terms of this loan were extended to 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 is unknown at this time.

20. 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, 2010 and 2009, substantially all of The Summit's loan portfolio is based in the State of New York.

21. SUBSEQUENT EVENT

Subsequent events have been evaluated through April 4, 2011, which is the date the financial statements were available to be issued.

Strong Member Benefits

The Right Mix of Products and Service for Every Life Stage

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Great Rates on Mortgages, Home Equity Loans/Lines of Credit, and Personal Loans

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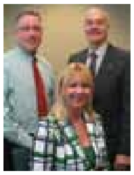

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Summit Express℠ Auto Loans at over 150 dealers in Western and Central NY

American Express Travelers Cheques and Gift Cheques, Certified Checks, Money Orders, Group Accident Insurance, Notary Public Services and VISA® Gift Cards

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FREE Online Financial Education Seminars

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

Board of Directors

Leadership and Vision for the Future

(Back row from left) Jeffrey W. Peters, Director Emeritus; Kofi Appiah Okyere; Augustin Melendez, Treasurer; Gerald K. Gebauer; Edward A. Szpila; William A. Reifsteck, Secretary; Michael S. Vadala, Summit President and CEO; Chip Turner; Joseph E. Thyroff (Front row from left) Thomas B. Quirk, Chairman; Elizabeth A. Dudman; Evangeline Petrarca; Sarah Sorensen, Vice Chair; Charles J. Faggiano; Not pictured: Richard W. Murphy

Committees

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Tom Quirk, Sarah Sorensen, Augie Melendez, Bill Reifsteck

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Investment
Richard Murphy, Tom Quirk, Dave Edmunds, Karen Lamy, Leanne McGuinness

Membership
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Nominating
Jim Beauchamp, Mary Carroll, John Striebich, Randy Saltzman

Pension
Joe Thyroff, Jeff Peters, Mike Vadala

Policy
Sarah Sorensen, Joe Thyroff, Karen Lamy

Supervisory
Chris Modesti, Bill Schafer, Sandra Mayfield, Daryl Wolf

Awards & Honors

Credit Union Association of New York

2010 Hall of Fame Award, John Bryson
2009 Hall of Fame Award, Paul Infantino
2006 Ralph W. Hillman Marketing Award,
Shared Branching Cooperative Campaign
2006 Volunteer of the Year Award, Bill Reifsteck
2005 Desjardins Youth Financial Literacy Award

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Greece

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Henrietta

41 Hovey Square
Hilton

2121 Hudson Ave.
Irondequoit

2146 Penfield Rd.
Penfield

Seneca Falls

123 Fall St.
Seneca Falls

Syracuse

6091 Route 31
Cicero

Civic Center
(lower lobby)
421 Montgomery St.
Syracuse

1400 Erie Blvd. E.
Syracuse

525 Federal Building
Syracuse

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