2017 Annual Report

Dream in Color

Your Future, Your Way

the SUMMIT
FEDERAL CREDIT UNION

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A Message
from the CEO & Board Chair

For our entire history, we at The Summit focused on the future. Since The Summit's founding in 1941, our Board of Directors and Management Team have acted strategically to build a strong credit union that can thrive for years to come. This foresight enables us to offer the best products, services and delivery methods to fit the demands of an ever-changing world; it lets us help our members plan for and reach their individual financial goals, as well as make sure their day-to-day experiences are the absolute best. Supporting our communities is another way in which we work toward a brighter today and tomorrow.

To a great number of people, the most important facet of our service is convenience. To others, person-to-person interaction is most important. We know that to be a top flight provider of financial services, we need to excel at both. We pride ourselves on being locally grown and locally committed, and yet we are far more than local. With our mobile app and online capabilities, along with our nationwide network of shared branching and surcharge free ATMs, The Summit is ready to assist wherever we are needed.

While many simple transactions are now easily accommodated by technology, personal discussions with our members are still critical. These discussions take time and knowledge. They might involve major financial decisions, such as larger loans or investments. We may need to help members understand new technologies, and we take great care to teach people the proper steps to protect themselves from identity theft and fraud.

More than the bricks in our buildings or the pages of our website, our people are who we are, and as the amount of training necessary for our employees increases, the more we invest in their education. Summit employees go above and beyond what others in the financial services industry do to ensure the friendliest and most knowledgeable interactions with members. We are extremely proud of our newest facilities in North Syracuse and Cortland, both of which replaced outdated branches; but we are more proud of the people who work at each and provide the excellent service for which we are known.

To earn our members' business and trust, we cannot be good, we have to be great. As we constantly improve, we remain committed to our members and their needs, as well as our communities, to make the future stronger than ever.

Michael S. Vadala
President & CEO

Thomas B. Quirk

Thomas Quirk
Chairman of the Board of Directors

Community

Locally Grown, Locally Committed

Community service is a calling here at The Summit. That's because we believe that strong neighborhoods help create a bright future for our members. We continually partner with organizations that work toward improving life for residents in and around Buffalo, Cortland, Rochester, Seneca Falls and Syracuse. It's an important part of our dedication to members across our region.

The Summit supported numerous organizations in 2017, including:

13 Thirty Cancer Connect
Al Sigl Center
ALS Association of Upstate New York
Carol M. Baldwin Breast Cancer Research Fund
Causewave Community Partners
City of Rochester Public Market
Cortland Crush
Buffalo-Niagara American Heart Association
Brockway Truck Preservation Association
Food Bank of Western New York
Highland Hospital
Hillside Work-Scholarship Connection
Ibero-American Action League
Jim and Juli Boeheim Foundation
Kenmore Village Improvement Society
Literacy New York
ROCovery Fitness
Ronald McDonald House
Seneca County House of Concern
Seneca Falls Rotary
Seneca County Chamber of Commerce
Town of Camillus
Villa of Hope
Willow Center

6,500
Hours our staff spent volunteering

202
Charities and organizations we participated in through volunteer service

EMPLOYEE VOLUNTEERING

It's just part of who we are. Employees in every region contribute their own time to volunteering in our communities. We think it makes perfect sense. Summit employees are known for their friendly, helpful attitude; it's only natural that this spirit of giving continues outside our doors.

Putting Values into Action

The Summit's commitment to our cities and towns extends far beyond mere words. We actively participate in hands-on efforts to support our communities, including

- Selling wristbands good for two-for-one tastings as the Title Sponsor of The Summit Federal Credit Union Taste of Syracuse. Proceeds went directly to the Carol M. Baldwin Breast Cancer Research Fund.
- Volunteering at the Food Bank of Western New York and providing over 17,000 meals to people living in underserved Buffalo-area neighborhoods.
- Matching caller funds on air during the Rochester Ronald McDonald House radio telethon.
- Creating a balloon sculpture to encourage donations to 13Thirty Cancer Connect, an organization serving teens and young adults with cancer.
- Raising awareness of heart disease by hosting a valentine-themed photo contest at The Summit Federal Credit Union Wine and Chocolate Festival in Buffalo.

We are proud to reinforce the philanthropic pursuits of our member companies, including:

Arc of Onondaga County
Cortland County Community Action Program (CAPCO)
CWA Local 1170
Heritage Christian Services
Independent Health Association
LeMoyne College
Rochester Community Robotics
Rochester Regional Health Foundation
Syracuse University
YMCA of Greater Rochester
Young Women's College Prep

FINANCIAL EDUCATION

530
adults to whom we provided financial education

2000
hours of financial counseling provided to both members and non-members.

COMMUNITY SUPPORT

139
Community and charitable organizations we supported

177
Community and charitable events we sponsored

Products and Services

For Today, Tomorrow and Beyond

Each person at The Summit is united by a single goal: to improve our members' lives. While our staff is known for friendly, professional interactions each day, we are equally committed to assisting members in planning for the future. The Summit's products and services ensure that we can serve members in every phase of their lives, because at the crux of *our* single goal is helping members reach *their* goals.

Debit with Checking

Checking accounts are a cornerstone of our product suite. With cash back and the added security of EMV chip technology, Visa® debit cards with rewards remained a popular checking option in 2017. Mobile banking, online account access and 24-hour ATMs satisfied today's requirements for convenient and easy checking.

Mortgage and Home Equity

In 2017, we further spread the word of the quality and value of The Summit's mortgages and home equity loans, each with competitive rates and no surprises or hidden costs. Our First Home Club ushered first-time homebuyers through the process of saving for and purchasing a home, and numerous other members received expert advice and service from The Summit's Mortgage Team.

Credit Cards

A year after their debut, members earned cash, points redeemable for travel, gift cards and merchandise with our Visa Signature Card. The Summit's premier credit cards, cash back, enhanced rewards, and identity theft protection, continued to appeal to a wide range of members.

Investments

The Summit's Retirement & Investment Services team continued to help members create strong financial plans to prepare for future needs. In partnership with CUNA Brokerage Services, Inc., The Summit made available a full line of investment options and retirement solutions services.

Savings

Members received competitive rates and convenient account access with their Savings, Money Market accounts and Share Certificates.

Affordable Loans

Over 200 auto dealerships in Western and Central New York let buyers take advantage of Summit Express℠ Auto Loans in 2017. The Summit also offered members competitive rates and affordable monthly payments on personal, home improvement, recreational vehicle, consolidation and college loans.

Youth Accounts

Geared toward our youngest members, The Summit's youth programs include Safari Club, Forward Bound and Start Smart accounts.

Convenience and Accessibility

Each year, people conduct more and more transactions electronically, especially using mobile devices. In 2017, access to The Summit's financial services was quick and convenient through our free Online Bill Payment, E-Statements, E-Newsletters, Online Loan Applications and Quik Tran Teller-by-Phone. Members also used free Mobile Banking with Mobile Check Deposit, Apple Pay and Popmoney. The Summit's mobile app let users conduct transactions anytime, anywhere. And members could take advantage of a vast national network of partner ATMs as well as over 5,000 CO-OP Shared Branches.

Additional Member Benefits

The Summit continued to give members free and confidential financial education and counseling through the BALANCE Financial Fitness program, and also made the TruStage auto and homeowners insurance program available.

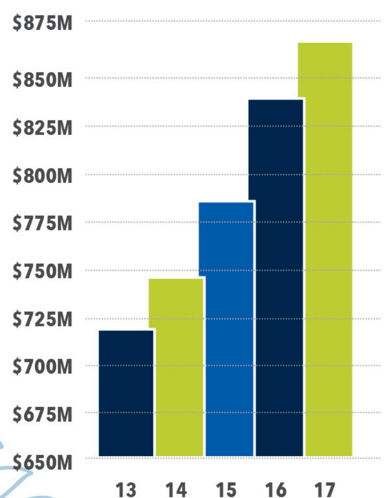
Creating a Bright Future

As the world and our industry undergo constant change, The Summit's dedication to the financial well-being of our members remains steadfast. By anticipating our members' needs in the years ahead, we maintain the relevance of our products, services and technology. Strategic planning reinforces our growth and financial performance, which allows us to deliver the best value. Members can trust that we are looking to the future, and doing what's required to make it bright.

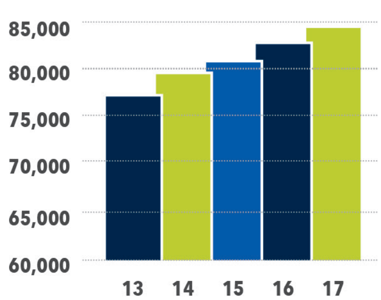
Financials

SUMMIT STATS AT A GLANCE

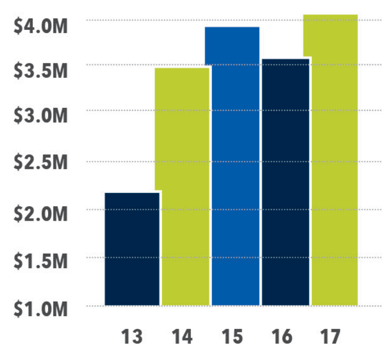
Total Assets in Millions



Total Members



Net Income in Millions



Prepared by
Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT March 19, 2018

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, 2017 and 2016, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2017 and 2016, 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.

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The Summit Federal Credit Union and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

December 31, 2017 and 2016

ASSETS	2017	2016
Cash and equivalents	$ 4,767,416	$ 4,602,938
Overnight deposits at financial institutions	4,166,705	18,684,096
Investment in certificates of deposit	3,676,000	9,494,000
Investment securities held to maturity	5,025,334	8,121,965
Loans to members, net	810,181,097	761,796,537
Premises and equipment, net	18,043,309	18,861,697
NCUSIF deposit	7,547,233	7,017,078
Goodwill	1,370,543	1,566,335
Other assets	8,787,635	7,909,033
TOTAL ASSETS	**$ 863,565,272**	**$ 838,053,679**

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES:	2017	2016
Accrued expenses and other liabilities	$ 15,218,361	$ 13,343,269
Accrued pension	4,678,862	3,458,316
Borrowings	4,270,000	-
Total liabilities excluding members' and non-members' accounts	**24,167,223**	**16,801,585**
MEMBERS' AND NON-MEMBERS' ACCOUNTS		
Members' shares and savings accounts	532,367,115	511,922,518
Members' share certificates	203,742,988	201,416,085
Non-members' shares and certificates	23,777,488	32,233,091
Total members' and non-members' accounts	**759,887,591**	**745,571,694**
Total liabilities	**784,054,814**	**762,373,279**
MEMBERS' EQUITY		
Regular reserve	8,750,360	8,750,360
Undivided earnings	64,368,377	60,271,518
Equity acquired in merger	10,977,543	10,977,543
Accumulated other comprehensive loss	(4,585,822)	(4,319,021)
Total members' equity	**79,510,458**	**75,680,400**
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 863,565,272**	**$ 838,053,679**

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, 2017 and 2016

	2017	2016
INTEREST INCOME		
Loans to members	$ 28,309,133	$ 25,271,860
Investments	397,692	478,580
	28,706,825	**25,750,440**
INTEREST EXPENSE		
Dividends on members' and non-members' shares	4,202,727	3,322,358
Interest on borrowings	42,540	14,323
	4,245,267	**3,336,681**
Net interest income before provision for loan losses	**24,461,558**	**22,413,759**
PROVISION FOR LOAN LOSSES	2,068,039	2,017,015
Net interest income after provision for loan losses	**22,393,519**	**20,396,744**
NON-INTEREST INCOME		
Fees and other	6,629,019	6,445,136
Interchange	4,319,930	4,072,534
Total non-interest income	**10,948,949**	**10,517,670**
NON-INTEREST EXPENSE		
Compensation and benefits	16,152,970	14,657,012
Operations	6,506,536	6,518,622
Professional and outside services	2,945,884	2,800,029
Occupancy	1,457,762	1,327,171
Marketing	1,121,680	1,119,203
Amortization of goodwill	195,792	195,792
Other	864,985	709,708
Total non-interest expense	**29,245,609**	**27,327,537**
NET INCOME	**$ 4,096,859**	**$ 3,586,877**

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, 2017 and 2016

NET INCOME	$ 4,096,859	$ 3,586,877
OTHER COMPREHENSIVE INCOME (LOSS):		
Change in unrealized gain on deferred compensation plan investments	82,799	27,678
Change in accrued net pension costs, gains and losses	(349,600)	(855,697)
Total other comprehensive loss	**(266,801)**	**(828,019)**
TOTAL COMPREHENSIVE INCOME	**$ 3,830,058**	**$ 2,758,858**

The Summit Federal Credit Union and Subsidiary

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

For the Years Ended December 31, 2017 and 2016

	Regular Reserve	Undivided Earnings	Equity Acquired in Merger	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, JANUARY 1, 2016	**$ 8,750,360**	**$ 56,684,641**	**$ 10,977,543**	**$ (3,491,002)**	**$ 72,921,542**
Net income	-	3,586,877	-	-	3,586,877
Change in unrealized gain on deferred compensation plan investments	-	-	-	27,678	27,678
Change in accrued net pension costs, gains and losses	-	-	-	(855,697)	(855,697)
BALANCE, DECEMBER 31, 2016	**8,750,360**	**60,271,518**	**10,977,543**	**(4,319,021)**	**75,680,400**
Net income	-	4,096,859	-	-	4,096,859
Change in unrealized gain on deferred compensation plan investments	-	-	-	82,799	82,799
Change in accrued net pension costs, gains and losses	-	-	-	(349,600)	(349,600)
BALANCE, DECEMBER 31, 2017	**$ 8,750,360**	**$ 64,368,377**	**$ 10,977,543**	**$ (4,585,822)**	**$ 79,510,458**

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, 2017 and 2016

CASH FLOW FROM OPERATING ACTIVITIES

CASH FLOW FROM OPERATING ACTIVITIES	2017	2016
Net Income	$4,096,859	$ 3,586,877
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization of premises and equipment	1,261,915	1,308,329
Amortization of mortgage servicing rights	240,179	308,803
Capitalization of mortgage servicing rights	(243,716)	(118,015)
Amortization of goodwill	195,792	195,792
Provision for loan losses	2,068,039	2,017,015
Net accretion of discounts and amortization of premiums on investment securities	96,631	431,246
Loss on disposition of premises and equipment	-	4,562
Changes in:		
Other assets	(251,044)	5,392,508
Accrued expenses and other liabilities	1,875,092	351,805
Accrued pension	870,946	(2,145,822)
Net cash flow from operating activities	**10,210,693**	**11,333,100**

CASH FLOW FROM INVESTING ACTIVITIES

Proceeds from maturities of investment securities held to maturity	3,000,000	15,500,000
Net decrease in investments in certificates of deposit	5,818,000	8,498,000
Net increase in loans to members	(50,452,599)	(74,772,742)
Purchases of premises and equipment	(1,020,449)	(976,189)
Increase in NCUSIF deposit	(530,155)	(564,931)
Net decrease (increase) in capital balance at FHLB	35,700	(9,100)
Net cash flow from investing activities	**(43,149,503)**	**(52,324,962)**

CASH FLOW FROM FINANCING ACTIVITIES

Net decrease in borrowings	4,270,000	(4,300,000)
Net increase in members' shares and savings accounts	20,444,597	34,038,851
Net increase in members' share certificates	2,326,903	25,865,443
Net increase (decrease) in non-members' shares and certificates	(8,455,603)	61,111
Net cash flow from financing activities	**18,585,897**	**55,665,405**
NET CHANGE IN CASH AND EQUIVALENTS	**(14,352,913)**	**14,673,543**
CASH AND EQUIVALENTS - beginning of year	**23,287,034**	**8,613,491**
CASH AND EQUIVALENTS - end of year	**$ 8,934,121**	**$ 23,287,034**

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 practice 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. 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 investments is computed using the effective interest rate 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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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' ability 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 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 if conditions differ from those assumptions used by The Summit 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.

In 2016, The Summit's allowance for loan loss calculation methodology was modified to encompass the remaining loans acquired as part of The Summit's merger with Syracuse Federal Credit Union in 2010. These loans had been recorded at fair value at the time of acquisition. As of December 31, 2016, the balance of these acquired loans had reduced to the point where the difference between fair value and amortized cost was immaterial. Therefore, the remaining balance of these loans was incorporated into The Summit's traditional loan balances and allowance for loan loss calculation. This change had an immaterial impact on reported net loans to members at December 31, 2017 and 2016.

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, 2017 and 2016, management did not consider any impairment adjustment necessary.

In addition to the amount held on deposit with the NCUSIF, The Summit may be required to pay an insurance premium or receive a refund based on its total insured members' shares, as determined by the NCUA Board. These premiums provide insurance on members' deposit accounts up to $250,000 per member. No such premiums or refunds were assessed in 2017 or 2016.

GOODWILL

Goodwill represents the excess of the acquisition price over fair value of net assets acquired through mergers. The Summit has 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)

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, 2017 and 2016, 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.

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, 2017 and 2016 was 7.0 percent. As of December 31, 2017 and 2016, The Summit maintained a net worth ratio of 9.72 percent and 9.52 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, 2017 and 2016, respectively. Based on this, The Summit is not considered "complex" under the NCUA's regulatory framework.

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

ADVERTISING COSTS

Advertising costs are charged to expense as incurred.

INCOME TAXES

The Summit is exempt, from federal and state income taxes as a federally chartered credit union organized under Revenue Code Section 501(c)(1). As of December 31, 2017 and 2016, The Summit does not have a liability for unrecognized tax benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2016 financial statements to conform to the current year presentation.

3. INVESTMENT SECURITIES

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

2017

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 5,025,334	$ -	$ (367)	$5,024,967

2016

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 8,121,965	$ 38,148	$ (777)	$ 8,159,336

All held to maturity securities are scheduled to mature in 2018.

3. INVESTMENT SECURITIES (Continued)

Substantially all of the gross unrealized losses on The Summit's 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.

Certain financial assets and financial liabilities are measured at fair value on a non-recurring 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 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 was as follows at December 31:

	2017	**2016**
Residential mortgage	$ 131,377,996	$ 135,548,581
Home equity	132,236,321	130,310,727
Consumer automobile	460,195,639	409,851,571
Consumer credit card	30,911,343	29,763,126
Other consumer	39,515,220	42,148,805
Gross loans outstanding	**794,236,519**	**747,622,810**
Add: Net deferred loan origination costs	18,585,108	16,640,102
Less: Allowance for loan losses	(2,640,530)	(2,466,375)
	$ 810,181,097	**$ 761,796,537**

4. LOANS TO MEMBERS (Continued)

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:

	2017		
	Current	**Delinquent**	**Total**
Residential mortgage	$ 129,128,105	$ 2,249,861	$ 131,377,966
Home equity	130,631,212	1,605,109	132,236,321
Consumer automobile	444,876,874	15,318,765	460,195,639
Consumer credit card	30,370,337	541,006	30,911,343
Other consumer	38,412,244	1,103,006	39,515,250
Gross loans outstanding	**$ 773,418,772**	**$ 20,817,747**	**$794,236,519**

	2016		
	Current	**Delinquent**	**Total**
Residential mortgage	$ 133,415,322	$ 2,133,259	$ 135,548,581
Home equity	128,560,097	1,750,630	130,310,727
Consumer automobile	398,797,891	11,053,680	409,851,571
Consumer credit card	29,347,204	415,922	29,763,126
Other consumer	41,254,678	894,127	42,148,805
Gross loans outstanding	**$ 731,375,192**	**$ 16,247,618**	**$ 747,622,810**

4. LOANS TO MEMBERS (Continued)

IMPAIRED LOANS

The Summit classifies as impaired loans in the following groups: 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:

2017

	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 3,330,086	$ 62,500
Home equity	1,687,010	53,681
Consumer automobile	11,359,084	620,362
Consumer credit card	158,786	124,857
Other consumer	1,154,300	191,718
Total	**$17,689,266**	**$ 1,053,118**

2016

	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 3,423,631	$ 62,500
Home equity	1,760,300	149,048
Consumer automobile	10,606,684	561,359
Consumer credit card	136,930	102,266
Other consumer	1,136,728	147,665
Total	**$ 17,064,273**	**$ 1,022,838**

The Credit Union's practice is to record a specific allowance on all impaired loans. 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:

	2017	2016
Residential mortgage	$ 436,864	$ 424,226
Home equity	296,264	385,473
Consumer automobile	602,328	589,264
Consumer credit card	238,244	201,003
Other consumer	199,965	258,772
Total	**$ 1,773,665**	**$ 1,858,738**

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, 2017, The Summit had 185 loans classified as troubled debt restructurings with a total outstanding balance of approximately $1,765,000. Of these, 8 loans are for residential mortgages with an aggregate outstanding balance of approximately $635,000. At December 31, 2016, The Summit had 171 loans classified as troubled debt restructurings with a total outstanding balance of approximately $1,719,000. Of these, 8 loans are for residential mortgages with an aggregate outstanding balance of approximately $647,000. The Summit does not consider the effect of troubled debt restructurings to be significant to the financial statements on an overall basis.

AGING OF PAST-DUE LOANS TO MEMBERS

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

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

2017

	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	$ -	$ 1,710,143	$ 102,854	$ 338,108	$ 98,756	$ 2,249,861	$129,128,105	$ 131,377,966
Home equity	360,139	937,159	11,547	25,906	270,358	1,605,109	130,631,212	132,236,321
Consumer automobile	9,379,802	4,732,748	603,887	466,041	136,287	15,318,765	444,876,874	460,195,639
Consumer credit card	-	252,553	50,209	170,013	68,231	541,006	30,370,337	30,911,343
Other consumer	558,626	264,404	80,011	117,519	82,446	1,103,006	38,412,244	39,515,250
	$ 10,298,567	**$ 7,897,007**	**$ 848,508**	**$ 1,117,587**	**$ 656,078**	**$ 20,817,747**	**$ 773,418,772**	**$ 794,236,519**

2016

	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	$ -	$ 1,348,036	$ 360,997	$ 321,355	$ 102,871	$ 2,133,259	$ 133,415,322	$ 135,548,581
Home equity	518,600	808,086	38,471	86,849	298,624	1,750,630	128,560,097	130,310,727
Consumer automobile	7,016,336	3,064,451	383,629	420,844	168,420	11,053,680	398,797,891	409,851,571
Consumer credit card	-	137,969	76,950	136,286	64,717	415,922	29,347,204	29,763,126
Other consumer	423,529	142,041	69,785	146,980	111,792	894,127	41,254,678	42,148,805
	$ 7,958,465	**$ 5,500,583**	**$ 929,832**	**$ 1,112,314**	**$ 746,424**	**$ 16,247,618**	**$ 731,375,192**	**$ 747,622,810**

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:

2017

	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in allowance for loan loss:					
Beginning balance	$ 94,779	$ 437,626	$1,683,970	$ 250,000	$ 2,466,375
Charge-offs	-	(399,106)	(1,807,473)	-	(2,206,579)
Recoveries	-	80,051	232,644	-	312,695
Provision	(7,757)	401,285	1,774,511	(100,000)	2,068,039
Ending balance	**$ 87,022**	**$ 519,856**	**$ 1,883,652**	**$ 150,000**	**$ 2,640,530**
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ -	$ 48,143	$572,069	$ -	$ 620,212
Related to loans collectively evaluated for impairment	24,522	471,713	1,311,583	-	1,807,818
Related to environmental factors and other considerations	-	-	-	150,000	150,000
Related to troubled debt restructurings	62,500	-	-	-	62,500
Ending balance	**$ 87,022**	**$ 519,856**	**$1,883,652**	**$ 150,000**	**$ 2,640,530**
Loans receivable:					
December 31, 2017 balance individually evaluated for impairment	$ 3,330,086	$ 48,143	$ 5,503,737	$ -	$ 8,881,966
December 31, 2017 balance collectively evaluated for impairment	128,047,910	30,863,200	626,443,443	-	785,354,553
Ending balance	**$ 131,377,996**	**$ 30,911,343**	**$ 631,947,180**	**$ -**	**$ 794,236,519**

4. LOANS TO MEMBERS (Continued)

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

2016

	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in allowance for loan loss:					
Beginning balance	$ 108,312	$ 323,970	$ 1,320,313	$ 50,000	$ 1,802,595
Charge-offs	(49,870)	(427,854)	(1,450,346)	-	(1,928,070)
Recoveries	-	104,386	270,449	-	374,835
Provision	36,337	437,124	1,543,554	-	2,017,015
Merged loan reserve adjustment	-	-	-	200,000	200,000
Ending balance	**$ 94,779**	**$ 437,626**	**$ 1,683,970**	**$ 250,000**	**$ 2,466,375**
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ -	$ 28,883	$ 566,999	$ -	$ 595,882
Related to loans collectively evaluated for impairment	32,279	408,743	1,116,971	-	1,557,993
Related to environmental factors and other considerations	-	-	-	250,000	250,000
Related to troubled debt restructurings	62,500	-	-	-	62,500
Ending balance	**$ 94,779**	**$ 437,626**	**$ 1,683,970**	**$ 250,000**	**$ 2,466,375**
Loans receivable:					
December 31, 2016 balance individually evaluated for impairment	$ 3,263,909	$ 28,883	$ 4,084,531	$ -	$ 7,377,323
December 31, 2016 balance collectively evaluated for impairment	132,284,672	29,734,243	578,226,572	-	740,245,487
Ending balance	**$ 135,548,581**	**$ 29,763,126**	**$ 582,311,103**	**$ -**	**$ 747,622,810**

LOANS TO DIRECTORS AND OFFICERS

Included in loans to members at December 31, 2017 and 2016, are loans of $1,424,253 and $1,534,670, 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:

	2017	2016
Land	$ 6,171,987	$ 6,372,020
Buildings and improvements	16,794,566	17,430,534
Furniture, fixtures and equipment	9,658,729	9,080,556
Leasehold improvements	1,316,172	882,126
Construction in progress	14,520	105,200
	33,955,974	33,870,436
Less: Accumulated depreciation and amortization	**(15,912,665)**	**(15,008,739)**
	$ 18,043,309	**$ 18,861,697**

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 2017 and 2016, net gains resulting from the sale of originated mortgages were $284,915 and $194,403, respectively. Mortgage loans serviced for FNMA are not included in the accompanying statement of financial condition. The unpaid principal balance of these loans was $180,710,511 and $176,536,944 at December 31, 2017 and 2016, respectively.

For 2017 and 2016, 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 7.50 percent and 7.25 percent rate of return at December 31, 2017 and 2016, respectively, and a prepayment speed based upon the consensus from the dealer survey conducted by the Bond Market Association.

For 2017 and 2016, The Summit capitalized $243,716 and $118,015 of MSR, respectively. Amortization of MSR was $240,179 and $308,803 for 2017 and 2016, 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. The Summit elected to amortize goodwill on the straight line basis over ten years starting in 2015. The gross carrying amounts of goodwill and accumulated amortization were as follows for the year ended December 31:

	2017	2016
Goodwill	$ 1,957,919	$ 1,957,919
Less: Accumulated amortization	(587,376)	(391,584)
	$1,370,543	**$ 1,566,335**

Amortization expense was $195,792 in 2017 and 2016.

8. OTHER ASSETS

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

	2017	2016
Accrued interest receivable	$2,305,022	$ 2,072,169
Prepaid operating expenses	997,505	771,686
Alloya Corporate Credit Union capital account	921,637	921,637
Receivable related to settlement of mortgage sales	842,925	931,318
Mortgage servicing rights, net	699,317	695,780
Miscellaneous	3,021,229	2,516,443
	$ 8,787,635	$ 7,909,033

9. SHARE ACCOUNTS AND CERTIFICATES

At December 31, 2017, scheduled maturities of members' and non-members' share and IRA certificates were as follows:

2018	$ 161,317,693
2019	44,213,341
2020	10,441,506
2021	5,978,531
2022	948,417
Thereafter	300,297
	$ 223,199,785

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

	2017	2016
Regular shares	$ 76,249	$ 73,318
Share drafts	15,468	14,255
Money market shares	923,726	519,271
Share certificates	2,802,955	2,384,775
IRA shares	55,450	31,561
IRA share certificates	328,879	299,178
	$ 4,202,727	$ 3,322,358

The aggregate amount of share certificate account balances in excess of $250,000 was $14,669,417 and $13,550,466 at December 31, 2017 and 2016, respectively.

Cash paid for dividends on members' and non-members' shares and certificates totaled $4,202,727 and $3,322,358 for the years ended December 31, 2017 and 2016, 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:

	2017	2016
Projected Benefit Obligation		
Balance, beginning of year	$ 17,059,969	$ 14,965,497
Service cost	701,358	695,750
Interest cost	738,629	707,536
Actuarial loss	1,826,432	894,970
Benefits paid to participants	(201,238)	(203,784)
Balance, end of year	**$ 20,125,150**	**$ 17,059,969**

	2017	2016
Plan Assets		
Fair value, beginning of year	$ 13,601,653	$ 10,217,056
Actual investment return	2,045,873	588,381
Employer contributions	-	3,000,000
Benefits paid	(201,238)	(203,784)
Fair value, end of year	**$ 15,446,288**	**$ 13,601,653**
Funded status	**$ (4,678,862)**	**$ (3,458,316)**

FUNDED STATUS

Accrued pension liability of $4,678,862 and $3,458,316 was recognized in the statement of financial condition as a liability at December 31, 2017 and 2016, respectively.

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

	2017	2016
Total net loss	$ (4,678,151)	$ (4,290,344)
Prior service cost	(60,734)	(98,941)
	$ (4,738,885)	**$ (4,389,285)**

Weighted average assumptions used to determine benefit obligations included a discount rate of 3.75% and 4.35% for 2017 and 2016, respectively, and a rate of compensation increase of 3.5% for both 2017 and 2016.

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

	2017	2016
Discount rate	4.35%	4.75%
Expected long-term rate of investment return	6.75%	7.25%
Rate of compensation increase	3.50%	3.50%

10. POST-RETIREMENT BENEFIT PLANS (Continued)

DEFINED BENEFIT PENSION PLAN (Continued)

TThe 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:

	2017	2016
Net Periodic Benefit Cost:		
Service cost	$ 701,358	$ 695,750
Interest cost	738,629	707,536
Expected return on plan assets	(875,612)	(724,160)
Amortization of net loss	268,364	136,459
Amortization of prior service cost	38,207	38,593
	870,946	**854,178**
Amounts Recognized in Other Comprehensive Income:		
Net loss	$ 656,171	$ 1,030,749
Amortization of net loss	(268,364)	(136,459)
Amortization of prior service cost	(38,207)	(38,593)
	349,600	**855,697**
Total recognized in net periodic benefit cost and other comprehensive income	**$ 1,220,546**	**$ 1,709,875**

The accumulated benefit obligation of the Plan was $16,692,997 and $13,823,113 at December 31, 2017 and 2016, 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:

	2017	2016
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, 2017 were 56% equity securities, 38% 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
2017		
Fixed Income	$ 5,893,382	$ 5,893,382
Large U.S. Equity	4,981,174	4,981,174
International Equity	2,478,040	2,478,040
Small/Mid U.S. Equity	888,042	888,042
Real Estate	900,598	900,598
Balanced/Asset Allocation	305,052	305,052
Total	**$15,446,288**	**$15,446,288**
2016		
Fixed Income	$ 5,469,103	$ 5,469,103
Large U.S. Equity	4,455,073	4,455,073
International Equity	1,775,161	1,775,161
Small/Mid U.S. Equity	811,187	811,187
Real Estate	815,998	815,998
Balanced/Asset Allocation	275,131	275,131
Total	**$ 13,601,653**	**$ 13,601,653**

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 2018.

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

2018	$200,000
2019	$ 240,000
2020	$ 270,000
2021	$ 340,000
2022	$ 430,000
2023 through 2027	$3,240,000

DEFINED CONTRIBUTION PLAN

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 $180,288 and $193,554 for the years ended December 31, 2017 and 2016, respectively.

10. POST-RETIREMENT BENEFIT PLANS (Continued)

DEFERRED COMPENSATION AGREEMENTS

The Summit has established deferred compensation agreements with certain employees. Under the terms of these agreements, specified amounts will be paid to those employees in the future if they remain employed at The Summit through specific dates. These amounts are forfeited if employment terminates under certain circumstances prior to the date specified in each employee's agreement. The total amount that could be paid in the future if all employees maintain employment for the duration of the agreements is approximately $3,100,000. The Summit has accrued for this potential liability ratably over the terms of the agreements. As of December 31, 2017 and 2016, approximately $2,018,000 and $1,950,000, 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 $2,547,000 and $2,750,000 at December 31, 2017 and 2016, 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 $498,566 and $530,458 at December 31, 2017 and 2016, 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 rental and renewal options. Rental expense included in operating expense was $187,239 and $116,331 for 2017 and 2016, respectively. Future minimum lease payments under the terms of these operating leases are as follows:

2018	$ 310,314
2019	293,484
2020	282,626
2021	256,141
2022	182,346
Thereafter	552,218
	$ 1,877,129

12. FINANCING ARRANGEMENTS

The Summit has an open secured line-of-credit agreement with Alloya bearing a variable interest rate (1.85% at December 31, 2017) that allows for up to $46,090,000 of borrowings. Amounts borrowed are collateralized by certain assets of The Summit totaling $57,830,458. The Summit had a balance of $4,270,000 outstanding under the terms of this agreement at December 31, 2017. No amounts were outstanding under the terms of this agreement at December 31, 2016. Cash paid for interest was approximately $43,000 and $14,000 for the years ended December 31, 2017 and 2016, 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. Amounts borrowed are collateralized by portfolio mortgages held by The Summit with estimated value of approximately $101,000,000. As of December 31, 2017 and 2016, 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, 2017 and 2016, The Summit 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, 2017 is as follows:

Members' unused credit card lines	$ 95,690,108
Members' unused lines of credit, excluding credit card lines	$ 91,375,722
Members' loans approved, not yet disbursed	$ 4,544,859

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. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Unrealized Gain on Deferred Compensation Plan Investments	Defined Benefit Plan	Accumulated Other Comprehensive Loss
Balance, January 1, 2016	$42,586	$(3,533,588)	$ (3,491,002)
Other comprehensive income (loss)	27,678	(855,697)	(828,019)
Balance, December 31, 2016	70,264	(4,389,285)	(4,319,021)
Other comprehensive income (loss)	82,799	(349,600)	(266,801)
Balance, December 31, 2017	**$ 153,063**	**$ (4,738,885)**	**(4,585,822)**

Reclassifications of balances from accumulated other comprehensive income to the statement of income were immaterial in both 2017 and 2016.

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

At December 31, 2017 and 2016, The Summit held 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.

16. 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. This loan was to be repaid in part, by assessments collected from credit unions, including The Summit.

The Stabilization Fund repaid this loan in 2017. The NCUA has indicated that no further assessments will be required to the Stabilization Fund. Subsequent to year-end, a formal plan to close the Stabilization Fund and refund a portion of its remaining balance to credit unions was approved by the NCUA. No amount has been recorded in the accompanying financial statements related to this anticipated refund.

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 2017 or 2016.

17. 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, 2017 and 2016, substantially all of The Summit's loan portfolio involves borrowers and, where applicable, collateral, in the State of New York.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 19, 2018, 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.

Thomas B. Quirk, *Chairman*
Augustin Melendez, *Vice Chair*
Kofi Appiah Okyere, *Treasurer*
Chris Modesti, *Secretary*

DIRECTORS

Elizabeth Dudman
Gerald Gebauer
Richard Murphy
William Reifsteck
Clarence "Chip" Turner
Daryl Wolf
Sarah Sorensen

ASSOCIATE BOARD MEMBER

Kate Sweeney

DIRECTOR EMERITUS

Joseph E. Thyroff

Top Row: Kate Sweeney, Joseph Thyroff, Richard Murphy, William Reifsteck, Mike Vadala, Elizabeth Dudman, Clarence Turner, Sarah Sorensen, Daryl Wolf

Bottom Row: Thomas Quirk, Chris Modesti, Kofi Appiah Okyere, Augustin Melendez, Gerald Gebauer

2017 COMMITTEES

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Tom Quirk
Augie Melendez
Kofi Appiah Okyere
Chris Modesti

SUPERVISORY
Bill Schafer
John Pusloskie
Kate Sweeney
Kelly McCormick-Sullivan
Mollene Benison

NOMINATING
John Striebich
Sarah Clark
Dave Semrau

INVESTMENT
Richard Murphy
Kofi Appiah Okyere
Chris Modesti
Chip Turner
Leanne McGuinness
Karen Lamy

PENSION
Daryl Wolf
Augie Melendez
Mike Vadala
Joe Thyroff
Laurie Wiest*
Laurie Baker*
Leanne McGuinness*
Karen Lamy*

BOARD GOVERNANCE
Bill Reifsteck
Tom Quirk
Jerry Gebauer
Betty Dudman
Laurie Baker
Mike Vadala

POLICY
Sarah Sorensen
Richard Murphy
Joe Thyroff

MEMBERSHIP
Chip Turner

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
877 Route 13
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
(Access limited to employees only)

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
Rochester, NY 14617

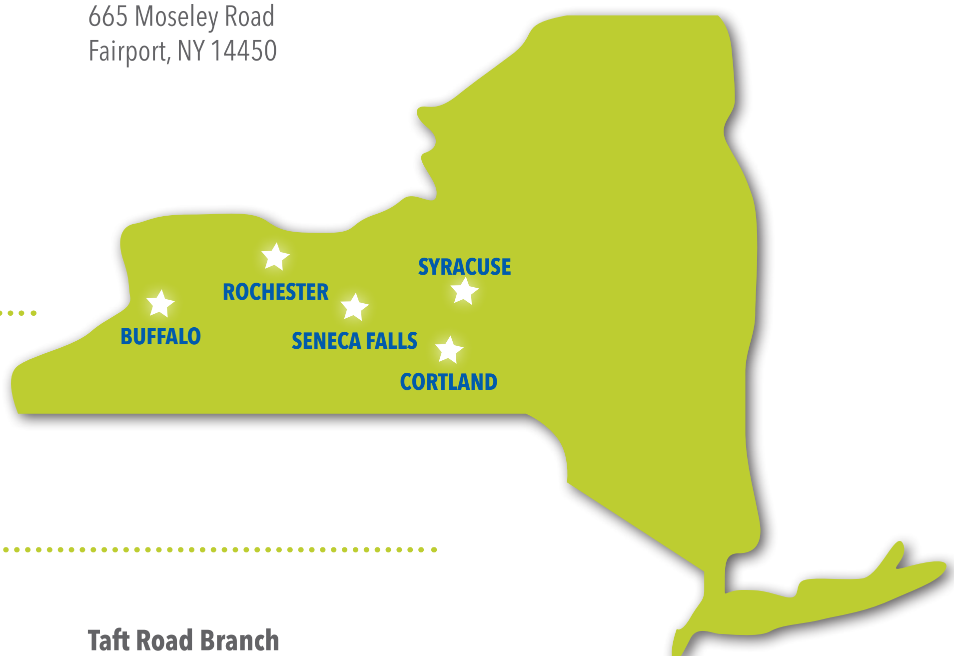
Main/Winton Branch
2315 East Main Street
Rochester, NY 14609

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

Camillus Branch
130 Township Boulevard
Camillus, NY 13031

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

Taft Road Branch
5201 West Taft Road
Syracuse, NY 13212

the SUMMIT FEDERAL CREDIT UNION

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