2018 Annual Report

Living Life in Full Color

Fulfilling your Financial Journey

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A Message
from the CEO & Board Chair

As the financial industry changes, The Summit Federal Credit Union has remained true to our mission to make our members' lives better. This requires consistency and evolution at the same time– staying focused on our members' needs while anticipating and adapting to new industry norms. By combining exceptional care for members with implementation of new technologies and programs, we continue to excel at what we do. Additionally, our service extends beyond financial needs at The Summit; we believe that supporting the communities of our members and employees is essential to our mission.

In differentiating ourselves from other financial institutions, we asked ourselves what we do well and what we need to do better to address our members' most fundamental financial needs: access to funds, convenient spending, and real estate and transportation loans. We have worked to improve our products and delivery methods, and to recruit and train our exceptional staff so that the very best people deliver the right products and services, through the right delivery systems, with the highest degree of integrity and care.

The results are nothing short of amazing. To address members' control over their funds as well as methods for spending, we added more checking accounts and improved our debit card programs. Our debit cards offer rewards, and for those who prefer to use credit cards, we have enhanced those programs to include cards with generous rewards and cards with low rates that save our members hundreds of dollars in interest costs. Our members took advantage of real estate and auto lending at record levels. Due in large part to these initiatives, 2018 was The Summit's best year in recent memory.

In the true spirit of a cooperative, The Summit listened to the needs of the members, provided solutions to what the members wanted and benefitted along with those members. We are proud and delighted to report that amid a great deal of growth into multiple markets, The Summit has continued to operate for the good of the members who own us.

Michael S. Vadala
President & CEO

Thomas B. Quirk

Thomas Quirk
Chairman of the Board of Directors

Community

Actively Supporting our Neighborhoods

At The Summit, we believe that strengthening our communities is an important component of our mission to improve our members' lives. We devote time, people and monetary resources to support organizations that make a positive impact in our neighborhoods. Far from being an obligatory pursuit, community service is part of who we are. Indeed, our employees, known for their helpful assistance to members every day, spend a significant amount of their own time volunteering.

In 2018, The Summit supported such organizations as:

- Brockway Museum
- Buffalo Niagara American Heart Association
- Causewave Community Partners
- Clarence Chamber of Commerce
- Center for the Arts in Homer
- City of Rochester Public Market
- Clear Path for Veterans
- Cortlandville Fire Department
- Food Bank of Western New York
- Foodlink
- Genesee Country Village and Museum
- Honor Flight Rochester
- March of Dimes
- Mary Cariola Children's Center
- National Center for Missing and Exploited Children
- North Winton Village Association
- Ronald McDonald House
- Seneca County Sheriffs
- United Way
- Vera House
- Villa of Hope
- Wilmot Cancer Institute
- Women's Foundation of Genesee Valley

EMPLOYEE VOLUNTEERING

7000

Hours our staff spent volunteering

200

Charities and organizations we participated in through volunteer service

Our employees put the "giving" into our annual Thanksgiving celebration, donating over $1,400 to Rochester's Willow Domestic Violence Center.

More than just a theory to hang on a wall,

our dedication to members' cities and towns is substantiated with action. In 2018, these hands-on activities included:

- Planning and executing the first ROC the Taste Festival, which provided substantial support to Honor Flight Rochester and Wilmot Cancer Institute
- Educating high schoolers about personal finance with the Mad City Money simulation game
- Soliciting the donation of over 22,000 meals for the Food Bank of Western New York
- Helping to plan and run the Danielle Downey Credit Union Classic, an LPGA Symetra Tour golf tournament that supports the Pluta Cancer Center while perpetuating Rochester's place as a hub for ladies' golf
- Hosting the Syracuse Wine & Chocolate Festival, including a photo station that featured a rescue dog to raise awareness for the Second Chance Canine Adoption Center in Jamesville, outside Syracuse
- Running a "Guess the Ingredients" game at the Rochester Public Market and making a donation to the winner's chosen charity

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

CWA Local 1170
City of Cortland
Community Place of Greater Rochester
Cortland County
Henrietta Public Library
Hilton Central School District
Ibero American Action League
Independent Health
LeMoyne College
Onondaga County
Seneca County
Syracuse Police
Syracuse University
Town of Camillus
Town of Cicero/Clay
Trillium Health
UR Medicine Home Care/ Visiting Nurse Service

FINANCIAL EDUCATION

2500
adults to whom we provided financial education

3000
hours of financial counseling provided to both members and non-members

COMMUNITY SUPPORT

165
Community and charitable organizations we supported

145
Community and charitable events we sponsored

Products and Services

The Cornerstones of a Strong Framework

From managing everyday finances to reaching future goals, our products and services are built to support our members in every phase of their lives.

Debit Cards with Checking

With cash back and the added security of EMV chip technology, Summit Visa® Debit Cards enhance the convenience and accessibility of our popular checking accounts. MyRewards™ Platinum or Gold Debit Cards let cardholders earn points redeemable for items ranging from gift cards to merchandise to cash, and cardholders who use their Debit Card with Purchase Rewards earn cash back every time they shop.

Credit Cards with Rewards

Individuals across our region take advantage of The Summit's premier credit cards with affordable low rates, rewards and perks. Cardholders choose from our low-rate Summit Visa Gold card, our Summit Visa Platinum with rewards points, or The Summit's Visa Signature Card with points redeemable for cash, travel, gift cards or merchandise.

Mortgage and Home Equity

The Summit's mortgage team offers expert advice and loan origination with our mortgages and home equity loans, each with competitive rates and no hidden costs. Our First Home Club escorts new homebuyers through the process of saving for and purchasing a home for the first time.

Auto and Personal Loans

Summit Express™ Auto Loans are available to car buyers at over 300 auto dealerships in Western and Central New York. The Summit also offers competitive rates and affordable monthly payments on personal loans.

Wealth Management

In collaboration with CUNA Brokerage Services, Inc., The Summit makes available a full line of investment options and retirement products and services. The Summit Retirement & Investment Services advisors help individuals make the right financial decisions for the future.

Savings

The Summit's Primary and Club Savings Accounts, Money Market Accounts and Share Certificates address a variety of savings needs and offer competitive dividends.

Youth Accounts

Our youngest members start on a path of financial literacy and responsibility with a youth account from The Summit. Our Safari Club and Forward Bound accounts, geared toward younger children, include incentives to save and budget, while customized Start Smart accounts help teens and young adults transition to financial independence.

Nationwide Convenience and Accessibility

With ease and convenience at the forefront of what members require from us, the way in which we deliver financial services is evolving at a rapid pace. Members conveniently access money and information virtually anytime and anywhere with The Summit's state-of-the-art technology and systems, including Mobile Banking with Mobile Check Deposit, and Online Bill Payment, E-Statements and Loan Applications. Members also have access to a vast national network of partner ATMs and over 5,000 CO-OP Shared Branches℠.

Account Security

The safety and protection of our members' financial activities is job one at The Summit. We use the latest security systems and procedural safeguards to shield accounts from any unauthorized access, and we diligently monitor accounts for any suspicious activity. Plus, as an additional monitoring step, our automated notification system lets members set up account and transactional alerts that quickly update them of account or card activity.

Additional Member Benefits

The Summit makes available the TruStage™ program of auto and home insurance at discounted rates for members. Benefits include 24/7 claims service, fast appraisals and guaranteed repairs. Home policyholders enjoy hassle-free replacement of personal items and temporary housing assistance.

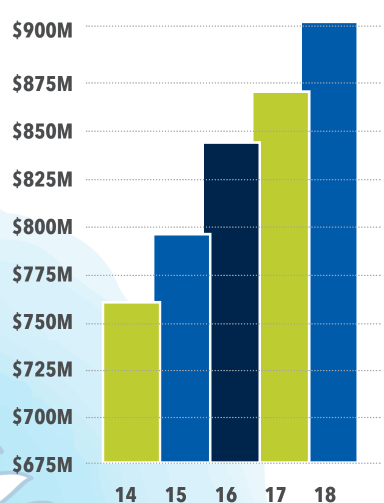
Framing the Future, Today

It takes a deft hand to sketch out the future in the midst of constant change. It requires not only the fortitude and foresight to construct definitive outlines, but also the flexibility to allow for adjustment. Anticipating members' needs ensures that our suite of products and services remains relevant. Strategic planning positions us for financial performance and growth, which lets us provide the very best value to our members. It's a balancing act, but by staying rooted to the financial wellness of our members, we remain a source of sound judgment, stability and trust.

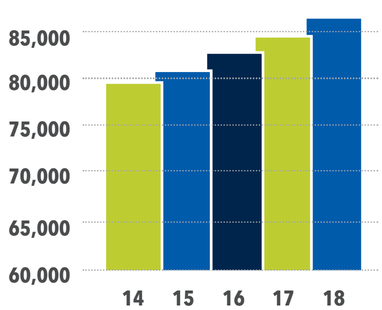
Financials

SUMMIT STATS AT A GLANCE

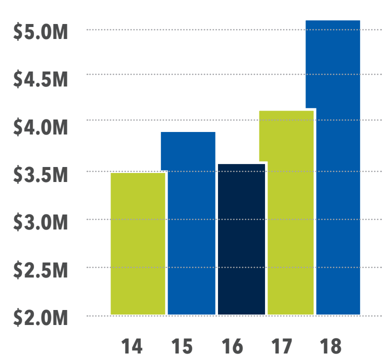
Total Assets in Millions



Total Members



Net Income in Millions



Prepared by
Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT March 18, 2019

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, 2018 and 2017, 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 consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Summit Federal Credit Union and Subsidiary as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bonadio & Co., LLP

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The Summit Federal Credit Union and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

December 31, 2018 and 2017

ASSETS	2018	2017
Cash and equivalents	$4,487,006	$4,767,416
Overnight deposits at financial institutions	9,344,933	4,166,705
Investment in certificates of deposit	3,473,000	3,676,000
Investment securities held to maturity	-	5,025,334
Loans to members, net	849,587,970	810,181,097
Premises and equipment, net	17,168,237	18,043,309
NCUSIF deposit	7,703,043	7,547,233
Goodwill	1,174,751	1,370,543
Other assets	8,812,184	8,787,635
TOTAL ASSETS	**$901,751,124**	**$863,565,272**

LIABILITIES AND MEMBERS' EQUITY

	2018	2017
LIABILITIES:		
Accrued expenses and other liabilities	$15,712,877	$ 15,218,361
Accrued pension	5,872,884	4,678,862
Borrowings	-	4,270,000
Total liabilities excluding members' and non-members' accounts	**21,585,761**	**24,167,223**
MEMBERS' AND NON-MEMBERS' ACCOUNTS		
Members' shares and savings accounts	540,899,539	532,367,115
Members' share certificates	233,600,346	203,742,988
Non-members' shares and certificates	21,413,267	23,777,488
Total members' and non-members' accounts	**795,913,152**	**759,887,591**
Total liabilities	**817,498,913**	**784,054,814**
MEMBERS' EQUITY		
Regular reserve	8,750,360	8,750,360
Undivided earnings	69,533,667	64,368,377
Equity acquired in merger	10,977,543	10,977,543
Accumulated other comprehensive loss	(5,009,359)	(4,585,822)
Total members' equity	**84,252,211**	**79,510,458**
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$901,751,124**	**$863,565,272**

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, 2018 and 2017

INTEREST INCOME	2018	2017
Loans to members	$31,622,948	$ 28,309,133
Investments	327,466	397,692
	31,950,414	**28,706,825**
INTEREST EXPENSE		
Dividends on members' and non-members' shares	5,714,925	4,202,727
Interest on borrowings	63,306	42,540
	5,778,231	**4,245,267**
Net interest income before provision for loan losses	**26,172,183**	**24,461,558**
PROVISION FOR LOAN LOSSES	1,963,824	2,068,039
Net interest income after provision for loan losses	**24,208,359**	**22,393,519**
NON-INTEREST INCOME		
Fees and other	6,631,158	6,629,019
Interchange	4,722,251	4,319,930
NCUSIF stabilization refund	517,792	-
Total non-interest income	**11,871,201**	**10,948,949**
NON-INTEREST EXPENSE		
Compensation and benefits	17,027,493	16,152,970
Operations	6,642,562	6,506,536
Professional and outside services	3,043,943	2,945,884
Occupancy	1,593,509	1,457,762
Marketing	1,469,347	1,121,680
Amortization of goodwill	195,792	195,792
Other	941,624	864,985
Total non-interest expense	**30,914,270**	**29,245,609**
NET INCOME	**$5,165,290**	**$ 4,096,859**

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, 2018 and 2017

	2018	2017
NET INCOME	$5,165,290	$ 4,096,859
OTHER COMPREHENSIVE INCOME (LOSS):		
Change in unrealized gain on deferred compensation plan investments	(132,369)	82,799
Change in accrued net pension costs, gains and losses	(291,168)	(349,600)
Total other comprehensive loss	**(423,537)**	**(266,801)**
TOTAL COMPREHENSIVE INCOME	**$4,741,753**	**$ 3,830,058**

The Summit Federal Credit Union and Subsidiary

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

For the years ended December 31, 2018 and 2017

	Regular Reserve	Undivided Earnings	Equity Acquired in Merger	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, JANUARY 1, 2017	**$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**
Net income	-	5,165,290	-	-	5,165,290
Change in unrealized gain on deferred compensation plan investments	-	-	-	(132,369)	(132,369)
Change in accrued net pension costs, gains and losses	-	-	-	(291,168)	(291,168)
BALANCE, DECEMBER 31, 2018	**$8,750,360**	**$69,533,667**	**$10,977,543**	**$(5,009,359)**	**$84,252,211**

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, 2018 and 2017

CASH FLOW FROM OPERATING ACTIVITIES

	2018	2017
Net Income	$5,165,290	$4,096,859
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization of premises and equipment	1,275,173	1,261,915
Amortization of mortgage servicing rights	212,966	240,179
Capitalization of mortgage servicing rights	(170,944)	(243,716)
Amortization of goodwill	195,792	195,792
Provision for loan losses	1,963,824	2,068,039
Net accretion of discounts and amortization of premiums on investment securities	25,334	96,631
Changes in:		
Other assets	(201,940)	(251,044)
Accrued expenses and other liabilities	494,516	1,875,092
Accrued pension	902,854	870,946
Net cash flow from operating activities	**9,862,865**	**10,210,693**

CASH FLOW FROM INVESTING ACTIVITIES

	2018	2017
Proceeds from maturities of investment securities held to maturity	5,000,000	3,000,000
Net decrease in investments in certificates of deposit	203,000	5,818,000
Net increase in loans to members	(41,370,697)	(50,452,599)
Purchases of premises and equipment	(400,101)	(1,020,449)
Increase in NCUSIF deposit	(155,810)	(530,155)
Net decrease in capital balance at FHLB	3,000	35,700
Net cash flow from investing activities	**(36,720,608)**	**(43,149,503)**

CASH FLOW FROM FINANCING ACTIVITIES

	2018	2017
Net (decrease) increase in borrowings	(4,270,000)	4,270,000
Net increase in members' shares and savings accounts	8,532,424	20,444,597
Net increase in members' share certificates	29,857,358	2,326,903
Net decrease in non-members' shares and certificates	(2,364,221)	(8,455,603)
Net cash flow from financing activities	**31,755,561**	**18,585,897**
NET CHANGE IN CASH AND EQUIVALENTS	**4,897,818**	**(14,352,913)**
CASH AND EQUIVALENTS - beginning of year	**8,934,121**	**23,287,034**
CASH AND EQUIVALENTS - end of year	**$13,831,939**	**$ 8,934,121**

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 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.

- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, consumer credit cards and other consumer loans.

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

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

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 and 2017, 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. See Note 16.

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.

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, 2018 and 2017, 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, 2018 and 2017 was 7.0 percent. As of December 31, 2018 and 2017, The Summit maintained a net worth ratio of 9.88 percent and 9.72 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, 2018 and 2017, 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, 2018 and 2017, 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 Summit had no held to maturity securities at December 31, 2018. The amortized cost and estimated fair value of investment securities held to maturity were as follows at December 31, 2017:

2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency securities	$ 5,025,334	$ -	$ (367)	$5,024,967

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

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 determined that no write-down was required in connection with the investment securities noted above at December 31, 2017.

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:	2018	2017
Residential mortgage	$126,427,530	$131,377,996
Home equity	135,234,724	132,236,321
Consumer automobile	502,645,734	460,195,639
Consumer credit card	32,764,558	30,911,343
Other consumer	35,314,244	39,515,220
Gross loans outstanding	**832,386,790**	**794,236,519**
Add: Net deferred loan origination costs	19,882,169	18,585,108
Less: Allowance for loan losses	(2,680,989)	(2,640,530)
	$849,587,970	$810,181,097

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:

2018

	Current	Delinquent	Total
Residential mortgage	$124,342,765	$2,084,765	$126,427,530
Home equity	133,366,701	1,868,023	135,234,724
Consumer automobile	486,685,311	15,960,423	502,645,734
Consumer credit card	32,111,606	652,952	32,764,558
Other consumer	34,198,735	1,115,509	35,314,244
Gross loans outstanding	**$810,705,118**	**$ 21,681,672**	**$832,386,790**

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**

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:

2018

	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 3,113,572	$ 72,500
Home equity	1,510,845	7,099
Consumer automobile	4,081,815	754,996
Consumer credit card	87,982	55,764
Other consumer	580,700	164,286
Total	**$9,374,914**	**$ 1,054,645**

2017

	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 3,330,086	$ 62,500
Home equity	1,687,010	53,681
Consumer automobile	4,332,128	620,362
Consumer credit card	158,786	124,857
Other consumer	572,631	191,718
Total	**$ 10,080,641**	**$ 1,053,118**

4. LOANS TO MEMBERS (Continued)

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 non-accrual status until the member makes payments sufficient to reduce their delinquent status to less than 90 days. The following table presents loan balances in non-accrual status by loan class as of December 31:

	2018	2017
Residential mortgage	$708,460	$ 436,864
Home equity	221,113	296,264
Consumer automobile	717,787	602,328
Consumer credit card	215,149	238,244
Other consumer	233,088	199,965
Total	**$ 2,095,597**	**$ 1,773,665**

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

LOAN MODIFICATIONS AND TROUBLED DEBT RESTRUCTURINGS

The Summit's practice is to restructure or modify loans only in cases where such changes create a more-likely-than-not possibility of ultimate collection. At December 31, 2018, The Summit had 201 loans classified as troubled debt restructurings with a total outstanding balance of approximately $1,775,000. Of these, 8 loans were for residential mortgages with an aggregate outstanding balance of approximately $625,000. 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 were for residential mortgages with an aggregate outstanding balance of approximately $635,000. 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:

2018

	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	$ -	$1,006,220	$ 370,085	$ 272,820	$ 435,640	$2,084,765	$ 124,342,765	$126,427,530
Home equity	642,076	881,660	123,174	78,823	142,290	1,868,023	133,366,701	135,234,724
Consumer automobile	10,462,992	4,231,029	548,615	487,592	230,195	15,960,423	486,685,311	502,645,734
Consumer credit card	-	324,377	113,426	183,817	31,332	652,952	32,111,606	32,764,558
Other consumer	636,528	170,465	75,428	167,199	65,889	1,115,509	34,198,735	35,314,244
	$11,741,596	**$6,613,751**	**$1,230,728**	**$1,190,251**	**$ 905,346**	**$ 21,681,672**	**$ 810,705,118**	**$ 832,386,790**

4. LOANS TO MEMBERS (Continued)

AGING OF PAST-DUE LOANS TO MEMBERS (CONTINTUED)

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**

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:

2018

Changes in allowance for loan loss:	**Residential Mortgage**	**Consumer Credit Card**	**Other Consumer (Including Automobile and Home Equity)**	**Unallocated**	**Total**
Beginning balance	$ 87,022	$ 519,856	$ 1,883,652	$ 150,000	$ 2,640,530
Charge-offs	(87,432)	(463,431)	(1,668,307)	-	(2,219,170)
Recoveries	-	77,353	218,452	-	295,805
Provision	164,674	425,773	1,398,377	(25,000)	1,963,824
Ending balance	**$ 164,264**	**$ 559,551**	**$ 1,832,174**	**$ 125,000**	**$ 2,680,989**
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ -	$ 16,378	$ 638,925	$ -	$ 655,303
Related to loans collectively evaluated for impairment	91,764	543,173	1,193,249	-	1,828,186
Related to environmental factors and other considerations	-	-	-	125,000	125,000
Related to troubled debt restructurings	72,500	-	-	-	72,500
Ending balance	**$ 164,264**	**$ 559,551**	**$ 1,832,174**	**$ 125,000**	**$ 2,680,989**
Loans receivable:					
December 31, 2016 balance individually evaluated for impairment	$ 2,774,331	$ 16,378	$ 5,402,719	$ -	$8,193,428
December 31, 2016 balance collectively evaluated for impairment	123,653,199	32,748,180	667,791,983	-	824,193,362
Ending balance	**$ 126,427,530**	**$ 32,764,558**	**$ 673,194,702**	**$ -**	**$ 832,386,790**

4. LOANS TO MEMBERS (Continued)

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

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**

LOANS TO DIRECTORS AND OFFICERS

Included in loans to members at December 31, 2018 and 2017, are loans of $1,653,917 and $1,424,253, 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:

	2018	2017
Land	$ 6,171,987	$ 6,171,987
Buildings and improvements	16,853,215	16,794,566
Furniture, fixtures and equipment	9,458,083	9,658,729
Leasehold improvements	1,338,146	1,316,172
Construction in progress	46,229	14,520
Less: Accumulated depreciation and amortization	**(16,699,423)**	**(15,912,665)**
	$ 17,168,237	**$ 18,043,309**

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 2018 and 2017, net gains resulting from the sale of originated mortgages were $227,503 and $284,915, respectively. Mortgage loans serviced for FNMA are not included in the accompanying statement of financial condition. The unpaid principal balance of these loans was $176,993,605 and $180,710,511 at December 31, 2018 and 2017, respectively.

For 2018 and 2017, 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 8.75 percent and 7.50 percent rate of return at December 31, 2018 and 2017, respectively, and a prepayment speed based upon the consensus from the dealer survey conducted by the Bond Market Association.

For 2018 and 2017, The Summit capitalized $170,944 and $243,716 of MSR, respectively. Amortization of MSR was $212,966 and $240,179 for 2018 and 2017, 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 years ended December 31:

	2018	2017
Goodwill	$ 1,957,919	$ 1,957,919
Less: Accumulated amortization	(783,168)	(587,376)
	$ 1,174,751	**$1,370,543**

Amortization expense was $195,792 in 2018 and 2017.

8. OTHER ASSETS

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

	2018	2017
Accrued interest receivable	$2,425,348	$2,305,022
Prepaid operating expenses	1,021,383	997,505
Alloya Corporate Credit Union capital account	921,637	921,637
Receivable related to settlement of mortgage sales	867,150	842,925
Mortgage servicing rights, net	657,296	699,317
Miscellaneous	2,919,370	3,021,229
	$ 8,812,184	**$ 8,787,635**

9. SHARE ACCOUNTS AND CERTIFICATES

At December 31, 2018, scheduled maturities of members' and non-members' share and IRA certificates were as follows:

2019	$199,552,295
2020	35,438,561
2021	10,005,466
2022	4,589,381
2023	752,724
Thereafter	419,818
	$250,758,245

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

	2018	2017
Regular shares	$115,168	$ 76,249
Share drafts	25,917	15,468
Money market shares	1,684,298	923,726
Share certificates	3,425,761	2,802,955
IRA shares	88,134	55,450
IRA share certificates	375,647	328,879
	$5,714,925	$ 4,202,727

The aggregate amount of share certificate account balances in excess of $250,000 was $27,937,277 and $14,669,417 at December 31, 2018 and 2017, respectively.

Cash paid for dividends on members' and non-members' shares and certificates totaled $5,714,925 and $4,202,727 for the years ended December 31, 2018 and 2017, 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:

Projected Benefit Obligation	2018	2017
Balance, beginning of year	$20,125,150	$17,059,969
Service cost	791,028	701,358
Interest cost	750,943	738,629
Actuarial loss	(1,153,685)	1,826,432
Benefits paid to participants	(477,911)	(201,238)
Balance, end of year	**$20,035,525**	**$20,125,150**

Plan Assets	2018	2017
Fair value, beginning of year	$15,466,288	$13,601,653
Actual investment return	(805,736)	2,045,873
Employer contributions	-	-
Benefits paid	(477,911)	(201,238)
Fair value, end of year	**$14,162,641**	**$15,446,288**
Funded status	**$(5,872,884)**	**$(4,678,862)**

10. POST-RETIREMENT BENEFIT PLANS (Continued)

FUNDED STATUS

Accrued pension liability of $5,872,884 and $4,678,862 was recognized in the statement of financial condition as a liability at December 31, 2018 and 2017, 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:

	2018	2017
Total net loss	$(5,006,118)	$(4,678,151)
Prior service cost	(23,935)	(60,734)
	$(5,030,053)	**$(4,738,885)**

Weighted average assumptions used to determine benefit obligations included a discount rate of 4.25% and 3.75% for 2018 and 2017, respectively, and a rate of compensation increase of 3.5% for both 2018 and 2017.

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

	2018	2017
Discount rate	3.75%	4.35%
Expected long-term rate of investment return	6.50%	6.75%
Rate of compensation increase	3.50%	3.50%

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:

	2018	2017
Net Periodic Benefit Cost:		
Service cost	$791,028	$701,358
Interest cost	750,943	738,629
Expected return on plan assets	(956,510)	(875,612)
Amortization of net loss	280,593	268,364
Amortization of prior service cost	36,799	38,207
	902,853	**870,946**
Amounts Recognized in Other Comprehensive Income:		
Net loss	$608,560	$656,171
Amortization of net loss	(280,593)	(268,364)
Amortization of prior service cost	(36,799)	(38,207)
	291,168	**349,600**
Total recognized in net periodic benefit cost and other comprehensive income	**$1,194,021**	**$ 1,220,546**

The accumulated benefit obligation of the Plan was $16,363,419 and $16,692,997 at December 31, 2018 and 2017, respectively.

10. POST-RETIREMENT BENEFIT PLANS (Continued)
FUNDED STATUS (Continued)

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:

	2018	2017
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, 2018 were 53% equity securities, 41% debt securities, and 6% 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 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
2018		
Fixed Income	$ 5,733,832	$5,733,832
Large U.S. Equity	4,249,281	4,249,281
International Equity	2,286,688	2,286,688
Small/Mid U.S. Equity	711,199	711,199
Real Estate	893,627	893,627
Balanced/Asset Allocation	288,014	288,014
Total	**$ 14,162,641**	**$ 14,162,641**
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**

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 2019. Pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2019	$210,000
2020	$ 240,000
2021	$ 310,000
2022	$ 410,000
2023	$ 470,000
2024 through 2027	$3,710,000

10. POST-RETIREMENT BENEFIT PLANS (Continued)

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 $204,526 and $180,288 for the years ended December 31, 2018 and 2017, respectively.

DEFERRED COMPENSATION AGREEMENTS

The Summit has established deferred compensation agreements with certain employees. Under the terms of these agreements, specified amounts will be paid to those employees in the future if they remain employed at The Summit through specific dates. These amounts are forfeited if employment terminates under certain circumstances prior to the date specified in each employee's agreement. The total amount that could be paid in the future if all employees maintain employment for the duration of the agreements is approximately $3,100,000. The Summit has accrued for this potential liability ratably over the terms of the agreements. As of December 31, 2018 and 2017, approximately $2,327,000 and $2,018,000, 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 $2,343,000 and $2,547,000 at December 31, 2018 and 2017, 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 $465,224 and $498,566 at December 31, 2018 and 2017, 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 $264,385 and $187,239 for 2018 and 2017, respectively. Future minimum lease payments under the terms of these operating leases are as follows:

2019	$321,986
2020	304,016
2021	277,896
2022	204,130
2023	186,827
Thereafter	371,951
	$ 1,666,806

12. FINANCING ARRANGEMENTS

The Summit has an open secured line-of-credit agreement with Alloya bearing a variable interest rate (2.85% at December 31, 2018) that allows for up to $46,090,000 of borrowings. Amounts borrowed are collateralized by certain assets of The Summit totaling $49,880,522. No amounts were outstanding under the terms of this agreement at December 31, 2018. The Summit had a balance of $4,270,000 outstanding under the terms of this agreement at December 31, 2017. Cash paid for interest was approximately $63,000 and $43,000 for the years ended December 31, 2018 and 2017, 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 $96,000,000. As of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018 is as follows:

Members' unused credit card lines	$ 106,722,173
Members' unused lines of credit, excluding credit card lines	$ 97,896,100
Members' loans approved, not yet disbursed	$ 5,327,375

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, 2017	$70,264	$(4,389,285)	$(4,319,021)
Other comprehensive income (loss)	82,799	(349,600)	(266,801)
Balance, December 31, 2017	153,063	(4,738,885)	(4,585,822)
Other comprehensive income (loss)	(132,369)	(291,168)	(423,537)
Balance, December 31, 2018	**$ 20,694**	**$ (5,030,053)**	**$ (5,009,359)**

Reclassifications of balances from accumulated other comprehensive income to the statement of income were immaterial in both 2018 and 2017.

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

At December 31, 2018 and 2017, 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 repaid in 2018.

During 2018, the Stabilization Fund was rolled into the NCUSIF, accompanied by a distribution of excess funding from the NCUSIF to credit unions. The Summit received a distribution of approximately $518,000 from the NCUSIF during 2018, which is recorded in non-interest income in the accompanying 2018 statement of income.

NCUSIF

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

The Summit was not required to pay assessments in 2018 or 2017.

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, 2018 and 2017, 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 18, 2019, 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
William Reifsteck
Clarence "Chip" Turner
Daryl Wolf
Sarah Sorensen
Kate Sweeney

DIRECTOR EMERITUS

Richard Murphy

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

2018 COMMITTEES

EXECUTIVE
Tom Quirk
Augie Melendez
Kofi Appiah Okyere
Chris Modesti

SUPERVISORY
Bill Schafer
John Pusloskie
Mollene Benison
Meghan Dailey

NOMINATING
Sarah Clark
Kelly McCormick
Joe Thyroff

INVESTMENT
Kofi Appiah Okyere
Kate Sweeney
Chip Turner
Leanne McGuinness
Karen Lamy

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

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

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

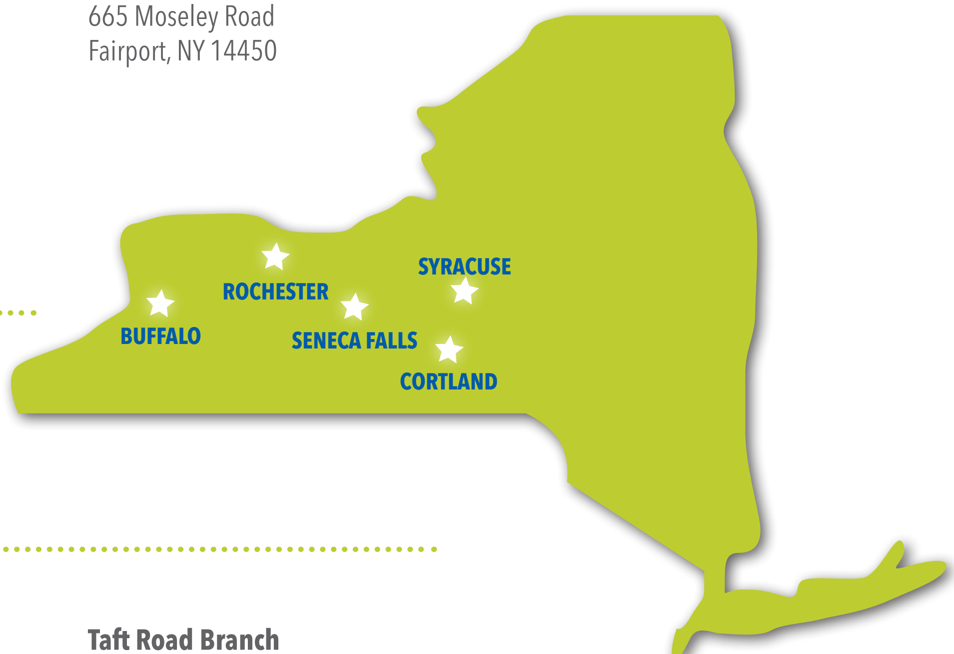
Hilton Branch
41 Hovey Square
Hilton, NY 14468

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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