THE SUMMIT FEDERAL CREDIT UNION
AND SUBSIDIARY

**Consolidated Financial Statements as of
December 31, 2021 and 2020
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

March 30, 2022

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

Opinion
We have audited the accompanying consolidated financial statements of The Summit Federal Credit Union and Subsidiary (collectively, the Credit Union), which comprise the consolidated statements of financial condition as of December 31, 2021 and 2020, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2021 and 2020, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Credit Union and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Credit Union's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bonadio & Co., LLP

THE SUMMIT FEDERAL CREDIT UNION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash on hand	$ 4,255,125	$ 4,613,214
Overnight deposits at financial institutions	13,730,285	62,523,984
Investment in certificates of deposit	16,406,000	14,895,000
Available for sale investments	159,681,085	92,669,978
Loans to members, net	959,221,252	900,843,681
Premises and equipment, net	15,317,515	15,777,041
NCUSIF deposit	10,216,139	9,324,606
Accrued pension asset	6,230,450	3,894,295
Other assets	21,810,577	21,980,500
Total assets	$ 1,206,868,428	$ 1,126,522,299
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Accrued expenses and other liabilities	$ 13,067,644	$ 13,283,672
Total liabilities excluding members' and non-members' accounts	13,067,644	13,283,672
MEMBERS' AND NON-MEMBERS' ACCOUNTS:		
Members' shares and savings accounts	818,582,766	728,475,902
Members' share certificates	246,545,074	270,644,536
Non-members' shares and certificates	21,555,243	20,669,539
Total members' and non-members' accounts	1,086,683,083	1,019,789,977
Total liabilities	1,099,750,727	1,033,073,649
MEMBERS' EQUITY:		
Regular reserve	8,750,360	8,750,360
Undivided earnings	94,897,990	82,028,068
Equity acquired in merger	10,977,543	10,977,543
Accumulated other comprehensive loss	(7,508,192)	(8,307,321)
Total members' equity	107,117,701	93,448,650
Total liabilities and members' equity	$ 1,206,868,428	$ 1,126,522,299

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, 2021 AND 2020

	2021	2020
INTEREST INCOME:		
Loans to members	$ 32,222,070	$ 34,570,415
Investments and overnight deposits	985,460	554,122
	33,207,530	35,124,537
INTEREST EXPENSE:		
Dividends on members' and non-members' shares	4,256,430	7,404,096
Interest on borrowings	258	19,933
	4,256,688	7,424,029
Net interest income before provision for loan losses	28,950,842	27,700,508
PROVISION FOR LOAN LOSSES	736,334	3,009,878
Net interest income after provision for loan losses	28,214,508	24,690,630
NON-INTEREST INCOME:		
Interchange	6,013,135	5,087,471
Fees - deposit accounts	3,665,389	3,016,735
Recovery of corporate credit union capital from NCUSIF	2,116,559	-
Fees - loans	1,396,689	1,536,560
Gain on sale of mortgages	984,080	2,364,128
Other	2,295,085	1,480,905
Total non-interest income	16,470,937	13,485,799
NON-INTEREST EXPENSE:		
Compensation and benefits	18,042,292	18,132,307
Operations	6,371,359	6,680,728
Professional and outside services	3,467,070	3,264,077
Occupancy	1,573,144	1,728,853
Marketing	1,463,327	1,097,176
Amortization of goodwill	195,792	195,792
Other	702,539	1,220,978
Total non-interest expense	31,815,523	32,319,911
NET INCOME	$ 12,869,922	$ 5,856,518

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, 2021 AND 2020

	2021	2020
NET INCOME	$ 12,869,922	$ 5,856,518
OTHER COMPREHENSIVE INCOME (LOSS):		
Gain (loss) on investment securities available for sale	(2,138,338)	34,124
Change in accrued net pension costs, gains and losses	2,937,467	(1,101,921)
Total other comprehensive income (loss)	799,129	(1,067,797)
Total comprehensive income	$ 13,669,051	$ 4,788,721

The accompanying notes are an integral part of these statements.

THE SUMMIT FEDERAL CREDIT UNION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Regular Reserve	Undivided Earnings	Equity Acquired in Merger	Accumulated Other Comprehensive Loss	Total
BALANCE, JANUARY 1, 2020	$ 8,750,360	$ 76,171,550	$ 10,977,543	$ (7,239,524)	$ 88,659,929
Net income	-	5,856,518	-	-	5,856,518
Gain on investment securities available for sale	-	-	-	34,124	34,124
Change in accrued net pension costs, gains and losses	-	-	-	(1,101,921)	(1,101,921)
BALANCE, DECEMBER 31, 2020	8,750,360	82,028,068	10,977,543	(8,307,321)	93,448,650
Net income	-	12,869,922	-	-	12,869,922
Loss on investment securities available for sale	-	-	-	(2,138,338)	(2,138,338)
Change in accrued net pension costs, gains and losses	-	-	-	2,937,467	2,937,467
BALANCE, DECEMBER 31, 2021	$ 8,750,360	$ 94,897,990	$ 10,977,543	$ (7,508,192)	$ 107,117,701

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, 2021 AND 2020

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 12,869,922	$ 5,856,518
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization of premises and equipment	1,029,340	1,171,036
Loss on disposal of premises and equipment	6,752	229,772
Amortization of mortgage servicing rights	373,472	297,750
Capitalization of mortgage servicing rights	(252,751)	(726,852)
Amortization of goodwill	195,792	195,792
Provision for loan losses	736,334	3,009,878
Net accretion of discounts and amortization of premiums on investment securities	242,078	826
Changes in:		
Other assets	(134,490)	(5,905,152)
Accrued expenses and other liabilities	(216,028)	1,209,185
Accrued pension	601,312	(7,537,353)
Net cash flow from operating activities	15,451,733	(2,198,600)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investment securities available for sale	(72,391,523)	(92,524,754)
Proceeds from sales of investment securities available for sale	3,000,000	-
Net increase in investments in certificates of deposit	(1,511,000)	(6,747,000)
Net increase in loans to members	(59,113,905)	(15,324,546)
Purchases of premises and equipment	(576,566)	(755,444)
Proceeds from sale of premises and equipment	-	58,495
Increase in NCUSIF deposit	(891,533)	(916,452)
Net (increase) decrease in capital balance at FHLB	(12,100)	900
Net cash flow from investing activities	(131,496,627)	(116,208,801)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net increase in members' shares and savings accounts	90,106,864	158,822,010
Net decrease in members' share certificates	(24,099,462)	(36,225,536)
Net increase (decrease) in non-members' shares and certificates	885,704	(103,128)
Net cash flow from financing activities	66,893,106	122,493,346
NET CHANGE IN CASH AND EQUIVALENTS	(49,151,788)	4,085,945
CASH AND EQUIVALENTS - beginning of year	67,137,198	63,051,253
CASH AND EQUIVALENTS - end of year	$ 17,985,410	$ 67,137,198

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 accordance 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.

Change in Accounting Principle
In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for defined benefit pension plans. The Summit adopted ASU 2018-14 during 2021 and applied the amendments on a retrospective basis, as required. The adoption of the ASU modified footnote disclosures but did not have a significant impact on the consolidated financial statements.

Cash and Equivalents
Cash and equivalents consist of cash and overnight deposits at financial institutions. Cash on hand includes all branch and ATM cash as well as certain items in transit between The Summit and other 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 vary in duration from overnight to three months and, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Equivalents (Continued)

Cash and equivalents, as reported on the accompanying consolidated statements of cash flows and the consolidated statements of financial condition, consisted of the following at December 31:

	2021	2020
Cash on hand	$ 4,255,125	$ 4,613,214
Overnight deposits at financial institutions	13,730,285	62,523,984
Total cash and equivalents	$ 17,985,410	$ 67,137,198

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 Available for Sale Securities**
  Securities are classified as available-for-sale when The Summit anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, the availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

  Unrealized gains and losses on securities available-for-sale are recognized as increases or decreases in other comprehensive income. Declines in the fair value of available-for-sale securities below their costs that are deemed to be other-than-temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (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 for other-than-temporary impairment is required in connection with any of its investment securities holdings at December 31, 2021 and 2020.

- **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 consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

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

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

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

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

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. 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.

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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans to Members and Allowance for Loan Losses (Continued)
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, consumer credit card, and other consumer (including automobile and home equity) 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.

In March 2020, a global pandemic was declared related to the Coronavirus Disease 2019 (COVID-19). The COVID-19 pandemic and various government responses to it created significant economic uncertainty in the United States and globally. Due to the uncertainty created by the COVID-19 pandemic, The Summit established an additional qualitative factor for its allowance calculation for the environmental impact of COVID-19 of approximately $1,250,000 and $850,000 at December 31, 2021 and 2020, respectively. This factor, while attributed to loan types as part of The Summit's provision for loan loss, is designed to address the incremental risk that the pandemic may play on all loans and is not limited to application to a specific loan type.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans to Members and Allowance for Loan Losses (Continued)
In situations where, for economic or legal reasons related to a member's financial difficulties, The Summit grants a concession for other than an insignificant period of time to the member that The Summit would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Summit strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where The Summit grants the member new terms that provide for a reduction of either interest or principal, The Summit measures any impairment on the restructuring as part of its allowance calculation.

During the year ended December 31, 2020, The Summit granted concessions to some members but did not classify the loan as a TDR. These loans were granted concessions under the specific terms of the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act requires by law that loans modified under specific terms related to the impact of the COVID-19 pandemic are not to be classified as TDRs even when they otherwise qualify as TDRs. Total loans modified in this manner but not classified as TDRs because of the provisions of the CARES Act were $31,522,513 and $42,454,446 at December 31, 2021 and 2020, respectively.

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 and improvements, furniture, fixtures and 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 furniture, fixtures and 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, The Summit 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, 2021 and 2020, management did not consider any impairment adjustment necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 and 2020 was 7.0 percent. As of December 31, 2021 and 2020, The Summit maintained a net worth ratio of 9.48 percent and 9.02 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, 2021 and 2020, 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, 2021 and 2020, The Summit does not have a liability for unrecognized tax benefits.

Comprehensive Income

GAAP requires that recognized income, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as changes in accrued pension, and changes in the fair value of available for sale securities, are reported as a change in the accumulated other comprehensive income (loss) section of the consolidated statements of members' equity.

Estimates

The preparation of consolidated financial statements in accordance 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.

Revenue Recognition

The Summit's revenue recognition policies for primary sources of revenue are as follows:

Interest Income: Interest on loans and investments is recognized over the term of the loan or investment and is calculated using the simple interest method on principal amounts outstanding. Interest income is adjusted for amortization of any premiums or discounts associated with the purchase of loans or investments. Non-refundable loan fees and related direct costs are deferred and amortized over the term of the loans against interest income.

Interchange: The Summit earns interchange fees from debit and credit cardholder transactions conducted through the VISA and other payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized and collected daily, concurrently with the transaction processing services provided to the cardholder.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)
Fees – deposit accounts: The Summit earns fees from its members' and non-members' deposit accounts for transaction-based and overdraft transfer services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, and ACH fees, are recognized at the time the transaction is executed as that is the point in time The Summit fulfills the member's request. Overdraft transfer fees are recognized at the point in time that the overdraft occurs. Fees on deposit accounts are withdrawn from the member's account at the time of the transaction.

Gain on sale of mortgages: The Summit sells certain originated mortgage loans, recognizing a gain to the extent the sale price exceeds The Summit's basis in the loan. Included in the gain on sale of mortgages is the value of loan servicing rights generated by The Summit's retention of the servicing of these mortgages.

Fees – loans: Loan fees are comprised primarily of late charges assessed to members who failed to make scheduled loan payments in accordance with the due dates defined in the loan agreement. Such fees are recognized as revenue when collected.

Other non-interest income: The Summit recognizes income from a variety of other services and activities, including loan servicing, investment services commissions, and others. Generally, such income is recognized by The Summit as services are performed.

The Summit's significant sources of revenue governed by Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, include interchange and fees - deposit accounts.

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.

3. INVESTMENT SECURITIES

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

	2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available-for-sale:				
U.S. government and agency securities	$ 161,732,120	$ -	$ (2,104,554)	$ 159,627,566
Mortgage-backed securities	53,179	340	-	53,519
Total	$ 161,785,299	$ 340	$ (2,104,554)	$ 159,681,085

3. INVESTMENT SECURITIES (Continued)

	2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available-for-sale:				
U.S. government and agency securities	$ 92,558,609	$ 33,871	$ -	$ 92,592,480
Mortgage-backed securities	77,245	253	-	77,498
Total	$ 92,635,854	$ 34,124	$ -	$ 92,669,978

The scheduled maturities of available for sale securities were as follows at December 31, 2021:

	Amortized Cost	Estimated Fair Value
Amounts maturing:		
In one year or less	$ 12,499,872	$ 12,462,194
After one year through three years	132,648,376	130,898,734
After three years through five years	16,597,015	16,279,753
After five years through ten years	18,670	18,811
After ten years	21,366	21,593
	$ 161,785,299	$ 159,681,085

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

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

3. INVESTMENT SECURITIES (CONTINUED)

Fair Value Measurements (Continued)
The following tables summarize financial assets measured at fair value on a recurring basis as of December 31, 2021 and 2020, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	Fair Value	Fair Value Measurement as of December 31, 2021		
		Level 1	Level 2	Level 3
Investments -				
Federal Home Loan Bank securities	$ 20,813,444	$ -	$ 20,813,444	$ -
Federal Farm Credit Bank securities	46,993,281	-	46,993,281	-
Federal Home Loan Mortgage Corp. securities	54,035,883	-	54,035,883	-
U.S. Treasury Note	37,784,958	-	37,784,958	-
Mortgage-backed securities	53,519	-	53,519	-
	$ 159,681,085	$ -	$ 159,681,085	$ -

	Fair Value	Fair Value Measurement as of December 31, 2020		
		Level 1	Level 2	Level 3
Investments -				
Federal Home Loan Bank securities	$ 16,369,726	$ -	$ 16,369,726	$ -
Federal Farm Credit Bank securities	20,008,394	-	20,008,394	-
Federal Home Loan Mortgage Corp. securities	45,533,101	-	45,533,101	-
U.S. Treasury Note	10,681,259	-	10,681,259	-
Mortgage-backed securities	77,498	-	77,498	-
	$ 92,669,978	$ -	$ 92,669,978	$ -

4. LOANS TO MEMBERS

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

	2021	2020
Residential mortgage	$ 181,592,423	$ 144,250,708
Home equity	129,977,394	126,573,832
Consumer automobile	573,198,697	553,430,890
Consumer credit card	29,107,625	31,288,934
Other consumer	28,223,206	29,302,820
Gross loans outstanding	942,099,345	884,847,184
Add: Net deferred loan origination costs	20,870,130	19,858,154
Less: Allowance for loan losses	(3,748,223)	(3,861,657)
	$ 959,221,252	$ 900,843,681

Credit Risk Profile

The Summit 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 Summit considers all loans for which payments are past due by 15 days or more to be delinquent. The following table presents The Summit's loan portfolio by class and credit risk profile as defined by The Summit's risk rating system as of December 31:

	2021		
	Current	Delinquent	Total
Residential mortgage	$ 178,545,752	$ 3,046,671	$ 181,592,423
Home equity	128,670,562	1,306,832	129,977,394
Consumer automobile	557,100,962	16,097,735	573,198,697
Consumer credit card	28,784,938	322,687	29,107,625
Other consumer	27,673,333	549,873	28,223,206
Gross loans outstanding	$ 920,775,547	$ 21,323,798	$ 942,099,345

	2020		
	Current	Delinquent	Total
Residential mortgage	$ 138,921,038	$ 5,329,670	$ 144,250,708
Home equity	125,376,045	1,197,787	126,573,832
Consumer automobile	538,042,347	15,388,543	553,430,890
Consumer credit card	30,753,583	535,351	31,288,934
Other consumer	28,628,770	674,050	29,302,820
Gross loans outstanding	$ 861,721,783	$ 23,125,401	$ 884,847,184

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 Summit's impaired loans, by loan portfolio class, as of December 31:

	2021	
	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 4,231,005	$ 100,000
Home equity	1,227,342	52,463
Consumer automobile	4,362,112	744,691
Consumer credit card	131,565	39,604
Other consumer	434,694	137,925
Total	$ 10,386,718	$ 1,074,683

	2020	
	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 6,233,746	$ 141,671
Home equity	1,244,514	98,675
Consumer automobile	4,451,003	930,994
Consumer credit card	114,630	73,916
Other consumer	465,187	106,848
Total	$ 12,509,080	$ 1,352,104

The Summit'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.

4. LOANS TO MEMBERS (Continued)

Loans in Non-Accrual Status

The Summit 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:

	2021	2020
Residential mortgage	$ 1,389,005	$ 3,386,055
Home equity	308,522	364,151
Consumer automobile	845,866	1,117,344
Consumer credit card	147,203	200,527
Other consumer	112,336	77,935
Total	$ 2,802,932	$ 5,146,012

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, 2021, The Summit had 262 loans classified as troubled debt restructurings with a total outstanding balance of approximately $2,400,800. Of these, 10 loans were for residential mortgages with an aggregate outstanding balance of approximately $735,000. At December 31, 2020, The Summit had 207 loans classified as troubled debt restructurings with a total outstanding balance of approximately $1,734,200. Of these, 9 loans were for residential mortgages with an aggregate outstanding balance of approximately $668,000. The Summit does not consider the effect of troubled debt restructurings to be significant to the consolidated financial statements on an overall basis.

COVID-19 Modified Loans

The United States has been operating under a state of emergency in relation to the COVID-19 Pandemic since March 13, 2020. The direct and indirect effects of the COVID-19 pandemic have resulted in a dramatic reduction in economic activity that has severely hampered the ability for businesses and consumers to meet their current repayment obligations.

The CARES Act was signed into law on March 27, 2020, which, in addition to providing financial assistance to both businesses and consumers, created a forbearance program for federally-backed mortgage loans, protects borrowers from negative credit reporting due to loan accommodations related to the national emergency, and provides financial institutions the option to temporarily suspend certain requirements under GAAP related to troubled debt restructuring for a limited period of time to account for the effects of COVID-19.

Relevant regulatory agencies have likewise issued guidance encouraging financial institutions to work prudently with borrowers who are, or may be, unable to meet their contractual payment obligations because of the effects of COVID-19. That guidance, with concurrence of the Financial Accounting Standards Board and provisions of the CARES Act, allow modifications made on a good faith basis in response to COVID-19 to borrowers who were generally current with their payments prior to any relief, to not be treated as troubled debt restructurings.

4. LOANS TO MEMBERS (Continued)

COVID-19 Modified Loans (Continued)

Modifications may include payment deferrals, fee waivers, extensions of repayment term, or other delays in payment. As of December 31, 2021, The Summit's loans receivable balance includes loans that have been granted payment deferral requests for terms from 30 days to 180 days, on 4,645 loans representing $31,522,513 of existing loan balances. At December 31, 2020, The Summit's loans receivable balance included loans that have been granted payment deferral requests for terms from 30 days to 180 days, on 2,688 loans representing $42,454,446 of existing loan balances. To the extent that such modifications meet the criteria previously described, such modifications are not expected to be classified as troubled debt restructurings.

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:

	2021							
	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	$ -	$1,093,603	$ 564,063	$ 267,900	$ 1,121,105	$ 3,046,671	$ 178,545,752	$ 181,592,423
Home equity	259,354	511,563	227,393	141,332	167,190	1,306,832	128,670,562	129,977,394
Consumer automobile	10,713,866	3,671,855	866,148	753,557	92,309	16,097,735	557,100,962	573,198,697
Consumer credit card	-	131,135	44,349	131,025	16,178	322,687	28,784,938	29,107,625
Other consumer	271,151	109,005	57,381	79,570	32,766	549,873	27,673,333	28,223,206
	$11,244,371	$5,517,161	$1,759,334	$1,373,384	$ 1,429,548	$21,323,798	$ 920,775,547	$ 942,099,345

	2020							
	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	$ -	$1,178,813	$ 764,802	$ 703,428	$ 2,682,627	$ 5,329,670	$ 138,921,038	$ 144,250,708
Home equity	311,906	508,906	12,824	244,248	119,903	1,197,787	125,376,045	126,573,832
Consumer automobile	9,890,902	3,291,654	1,088,643	790,692	326,652	15,388,543	538,042,347	553,430,890
Consumer credit card	-	211,566	123,258	156,940	43,587	535,351	30,753,583	31,288,934
Other consumer	445,299	103,027	47,789	52,963	24,972	674,050	28,628,770	29,302,820
	$10,648,107	$5,293,966	$2,037,316	$1,948,271	$ 3,197,741	$23,125,401	$ 861,721,783	$ 884,847,184

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 years ended December 31:

2021	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in allowance for loan loss:					
Beginning balance	$ 172,798	$ 506,045	$ 2,332,814	$ 850,000	$ 3,861,657
Charge-offs	-	(462,925)	(920,792)	-	(1,383,717)
Recoveries	2,141	154,500	377,308	-	533,949
Provision	(57,751)	202,562	191,523	400,000	736,334
Ending balance	$ 117,188	$ 400,182	$ 1,980,853	$ 1,250,000	$ 3,748,223
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ 100,000	$ 37,724	$ 604,410	$ -	$ 742,134
Related to loans collectively evaluated for impairment	17,188	362,458	1,376,443	-	1,756,089
Related to environmental factors and other considerations	-	-	-	1,250,000	1,250,000
Ending balance	$ 117,188	$ 400,182	$ 1,980,853	$ 1,250,000	$ 3,748,223
Loans receivable:					
December 31, 2021 balance individually evaluated for impairment	$ 4,231,005	$ 37,724	$ 4,444,531	$ -	$ 8,713,260
December 31, 2021 balance collectively evaluated for impairment	177,361,418	29,069,901	726,954,766	-	933,386,085
Ending balance	$ 181,592,423	$ 29,107,625	$ 731,399,297	$ -	$ 942,099,345

4. LOANS TO MEMBERS (Continued)

Allowance for Loan Loss and Recorded Investment in Loans to Members (Continued)

2020	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in allowance for loan loss:					
Beginning balance	$ 77,004	$ 484,056	$ 1,947,110	$ 110,000	$ 2,618,170
Charge-offs	(20,701)	(504,936)	(1,651,551)	-	(2,177,188)
Recoveries	-	102,929	307,868	-	410,797
Provision	116,495	423,996	1,729,387	740,000	3,009,878
Ending balance	$ 172,798	$ 506,045	$ 2,332,814	$ 850,000	$ 3,861,657
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ 141,671	$ 34,727	$ 933,392	$ -	$ 1,109,790
Related to loans collectively evaluated for impairment	31,127	471,318	1,399,422	-	1,901,867
Related to environmental factors and other considerations	-	-	-	850,000	850,000
Ending balance	$ 172,798	$ 506,045	$ 2,332,814	$ 850,000	$ 3,861,657
Loans receivable:					
December 31, 2020 balance individually evaluated for impairment	$ 6,233,746	$ 34,727	$ 5,145,075	$ -	$ 11,413,548
December 31, 2020 balance collectively evaluated for impairment	138,016,963	31,254,206	704,162,467	-	873,433,636
Ending balance	$ 144,250,709	$ 31,288,933	$ 709,307,542	$ -	$ 884,847,184

Loans to Directors and Officers

Included in loans to members at December 31, 2021 and 2020, are loans of $1,283,528 and $1,220,113, 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:

	2021	2020
Land	$ 6,171,987	$ 6,171,987
Buildings and improvements	17,019,131	16,917,095
Furniture, fixtures and equipment	10,105,912	9,999,566
Leasehold improvements	858,937	777,397
Deposits on fixed assets	15,000	-
	34,170,967	33,866,045
Less: Accumulated depreciation and amortization	(18,853,452)	(18,089,004)
	$ 15,317,515	$ 15,777,041

Depreciation expense was $1,029,340 and $1,171,036 for the years ended December 31, 2021 and 2020, respectively.

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 2021 and 2020, net gains resulting from the sale of originated mortgages were $731,329 and $1,637,276, respectively. Mortgage loans serviced for FNMA are not included in the accompanying consolidated statements of financial condition. The unpaid principal balance of these loans was $187,561,979 and $201,838,268 at December 31, 2021 and 2020, respectively.

For 2021 and 2020, 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 an estimated market rate and prepayment speeds based upon the consensus from the dealer survey conducted by the Bond Market Association.

For 2021 and 2020, The Summit capitalized $252,751 and $726,852 of MSR, respectively. Amortization of MSR was $373,472 and $297,750 for 2021 and 2020, respectively. The Summit amortizes MSR based upon the payments received for the serviced loans, adjusted for prepayments and charge-offs.

7. OTHER ASSETS

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

	2021	2020
Accrued interest receivable	$ 2,659,193	$ 2,641,304
Prepaid operating expenses	1,424,386	1,406,770
Alloya Corporate Credit Union capital account	921,637	921,637
Federal Home Loan Bank of NY capital account	339,400	327,300
Central Liquidity Facility capital account	2,598,196	2,410,710
Receivable related to settlement of mortgage sales	1,313,800	1,721,632
Mortgage servicing rights, net	953,812	1,074,536
Goodwill	587,375	783,167
Assets held to secure deferred compensation and split-dollar insurance arrangements	10,170,613	9,951,806
Miscellaneous	842,165	741,638
	$ 21,810,577	$ 21,980,500

8. 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:

	2021	2020
Goodwill	$ 1,957,919	$ 1,957,919
Less: Accumulated amortization	(1,370,544)	(1,174,752)
	$ 587,375	$ 783,167

Amortization expense was $195,792 in 2021 and 2020.

9. SHARE ACCOUNTS AND CERTIFICATES

At December 31, 2021, scheduled maturities of members' and non-members' share and IRA certificates were as follows:

2022	$ 202,325,887
2023	42,662,951
2024	12,763,017
2025	3,476,168
2026	786,463
Thereafter	1,402,001
	$ 263,416,487

9. SHARE ACCOUNTS AND CERTIFICATES (Continued)

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

	2021	2020
Regular shares	$ 62,957	$ 72,725
Share drafts	20,197	25,295
Money market shares	753,996	1,159,195
Certificates	3,069,569	5,584,857
IRA shares	30,193	50,372
IRA share certificates	319,518	511,652
	$ 4,256,430	$ 7,404,096

The aggregate amount of share certificate account balances in excess of $250,000 was $37,661,458 and $37,046,732 at December 31, 2021 and 2020, respectively.

Cash paid for dividends on members' and non-members' shares and certificates totaled $4,256,430 and $7,404,096 for the years ended December 31, 2021 and 2020, 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:

	2021	2020
Projected Benefit Obligation		
Balance, beginning of year	$ 29,753,944	$ 25,457,833
Service cost	1,134,710	979,306
Interest cost	842,715	861,656
Actuarial (gain)/loss	(866,283)	3,887,584
Benefits paid to participants	(611,109)	(1,432,435)
Balance, end of year	$ 30,253,977	$ 29,753,944
Plan Assets		
Fair value, beginning of year	$ 33,648,239	$ 22,916,696
Actual investment return	3,447,297	3,663,978
Employer contributions	-	8,500,000
Benefits paid to participants	(611,109)	(1,432,435)
Fair value, end of year	$ 36,484,427	$ 33,648,239
Funded status	$ 6,230,450	$ 3,894,295

10. POST-RETIREMENT BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Higher than anticipated asset gains and an increase in the discount rate used to determine benefit obligations resulted in 2021 actuarial gains.

Funded Status

Accrued pension asset of $6,230,450 and $3,894,295 was recognized in the consolidated statements of financial condition as an asset at December 31, 2021 and 2020, respectively.

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

	2021	2020
Total net loss	$ (5,403,978)	$ (8,341,445)
Prior service cost	-	-
	$ (5,403,978)	$ (8,341,445)

Weighted average assumptions used to determine benefit obligations included a discount rate of 2.95% and 2.85% for 2021 and 2020, respectively, and a rate of compensation increase of 4.00% for both 2021 and 2020.

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

	2021	2020
Discount rate	2.85%	3.40%
Expected long-term rate of investment return	5.75%	6.25%
Rate of compensation increase	4.00%	4.00%

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

10. POST-RETIREMENT BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

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

	2021	2020
Net Periodic Benefit Cost		
Service cost	$ 1,134,710	$ 979,306
Interest cost	842,715	861,656
Expected return on plan assets	(1,896,136)	(1,384,106)
Amortization of net loss	520,023	505,791
	601,312	962,647
Amounts Recognized in Other Comprehensive Income		
Net (gain)/loss	$ (2,417,444)	$ 1,607,712
Amortization of net loss	(520,023)	(505,791)
	(2,937,467)	1,101,921
Total recognized in net periodic benefit cost and other comprehensive income	$ (2,336,155)	$ 2,064,568

Total net periodic benefit cost is included in the compensation and benefits line on the accompanying consolidated statements of income. The accumulated benefit obligation of the Plan was $24,752,649 and $23,722,748 at December 31, 2021 and 2020, 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:

	2021	2020
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, 2021 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 Summit’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
	2021	
Fixed Income	$ 13,843,078	$ 13,843,078
Large U.S. Equity	11,667,601	11,667,601
International Equity	6,701,056	6,701,056
Real Estate	2,337,539	2,337,539
Small/Mid U.S. Equity	1,935,153	1,935,153
Total	$ 36,484,427	$ 36,484,427
	2020	
Fixed Income	$ 13,642,687	$ 13,642,687
Large U.S. Equity	10,577,000	10,577,000
International Equity	6,284,137	6,284,137
Small/Mid U.S. Equity	1,802,404	1,802,404
Real Estate	1,342,011	1,342,011
Total	$ 33,648,239	$ 33,648,239

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 Summit does not expect to make a contribution to the Plan in 2022.

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

2022	$ 380,000
2023	$ 400,000
2024	$ 450,000
2025	$ 500,000
2026	$ 560,000
2027 through 2031	$ 4,900,000

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 $226,380 and $245,453 for the years ended December 31, 2021 and 2020, 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.

In 2019, The Summit restructured some of its deferred compensation arrangements, converting them to split-dollar life insurance arrangements. As a result thereof, the full balance was paid in 2020 and no liability related to these arrangements existed as of December 31, 2020.

Split-Dollar Life Insurance Arrangement

In 2019, The Summit entered into a split dollar insurance loan arrangement with a senior management official that replaced an existing deferred compensation agreement due to changes in the tax law that would have negatively impacted The Summit. In 2020, The Summit entered into a similar arrangement with another senior management official. The officials own the policies. The Summit loaned an amount equal to the cumulative premiums paid and to be paid and the officials owe The Summit the amounts associated with each official's respective policy under the terms of demand promissory notes bearing interest at the Internal Revenue Service applicable federal rate at the time the arrangement was initiated.

The loans are secured by the cash surrender value of the insurance policies, and a portion of the insurance death benefit. To the extent this collateral is less than the outstanding loan balance plus accrued interest, The Summit holds a supplemental insurance policy to cover the shortfall. Therefore, The Summit records the balance of the original loans plus accrued interest. The balance of these arrangements was $8,274,615 and $8,108,008 at December 31, 2021 and 2020, respectively, and is included in other assets on the accompanying consolidated statements of financial condition.

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 $1,722,000 and $1,931,000 at December 31, 2021 and 2020, 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 $355,827 and $393,925 at December 31, 2021 and 2020, 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 $279,769 and $337,022 for 2021 and 2020, respectively. Future minimum lease payments under the terms of these operating leases are as follows:

2022	$ 255,735
2023	233,195
2024	229,878
2025	218,360
2026	198,744
	$ 1,135,912

12. FINANCING ARRANGEMENTS

Alloya Corporate Federal Credit Union

The Summit has an open secured line-of-credit agreement with Alloya bearing a variable interest rate (1.27% at December 31, 2021) that allows for up to $46,090,000 of borrowings. Amounts borrowed are collateralized by certain assets of The Summit totaling $220,512,225. These assets include available for sale securities, VISA lines of credit, net fixed assets, and certificates of deposit. No amounts were outstanding under the terms of this agreement at December 31, 2021 and 2020. Cash paid for interest was approximately $300 and $20,000 for the years ended December 31, 2021 and 2020, respectively.

Federal Home Loan Bank of New York

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 an estimated value of approximately $167,000,000. As of December 31, 2021 and 2020, The Summit had no outstanding borrowings from the FHLB.

Federal Reserve Bank of New York

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, 2021 and 2020, The Summit had not borrowed from FRB.

Central Liquidity Facility (CLF)

The Summit has a secured borrowing arrangement with CLF, a component unit of the NCUA. Under the terms of this agreement, The Summit may apply for advances from CLF, with the amount and specific terms of each advance determined at the time of each advance. This arrangement is collateralized by substantially all of The Summit's assets.

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, 2021 is as follows:

Members' unused credit card lines	$ 114,175,253
Members' unused lines of credit, excluding credit card lines	$ 127,966,566
Members' loans approved, not yet disbursed	$ 6,888,907

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

At December 31, 2021 and 2020, The Summit held 18,253 shares of VISA Class B Common Stock. The Summit is restricted from converting these shares to Class A marketable securities 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.

15. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Unrealized Gain (Loss) on Available for Sale Investments	Defined Benefit Plan	Accumulated Other Comprehensive Loss
Balance, January 1, 2020	$ -	$ (7,239,524)	$ (7,239,524)
Other comprehensive income (loss)	34,124	(1,101,921)	(1,067,797)
Balance, December 31, 2020	34,124	(8,341,445)	(8,307,321)
Other comprehensive income (loss)	(2,138,338)	2,937,467	799,129
Balance, December 31, 2021	$ (2,104,214)	$ (5,403,978)	$ (7,508,192)

Reclassifications of balances from accumulated other comprehensive loss to the consolidated statements of income were immaterial in both 2021 and 2020.

16. NCUA CHARGES

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 2021 or 2020.

17. RECOVERY OF CORPORATE CREDIT UNION CAPITAL

In 2009, the NCUA conserved several corporate federal credit unions, including a corporate credit union in which The Summit was a member. At that time, The Summit wrote-down the recorded value of its capital account to zero and recorded a loss.

During fiscal 2021, the NCUSIF issued payments to credit unions that had been members of some of these conserved corporate credit unions at the time the corporate credit unions were conserved. These payments were derived from the residual value of those corporate credit unions' conserved assets, and were paid to credit unions in 2021 as a return of capital. The Summit received $2,116,559 as a return of capital related to its former membership in Members United Corporate Federal Credit Union during the year ended December 31, 2021.

18. SIGNIFICANT CREDIT RISK CONCENTRATIONS

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

At December 31, 2021 and 2020, substantially all of The Summit's loan portfolio involves borrowers and, where applicable, collateral, in the State of New York.

19. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 30, 2022, which is the date the consolidated financial statements were available to be issued.