THE SUMMIT FEDERAL CREDIT UNION AND SUBSIDIARY

Consolidated Financial Statements as of December 31, 2023 and 2022 Together with Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

April 3, 2024

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, 2023 and 2022, 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, 2023 and 2022, 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.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Credit Union adopted Accounting Standards Codification Section 326, *Financial Instruments – Credit Losses*, as of January 1, 2023. Our opinion is not modified with respect to this matter.

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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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 consolidated 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, 2023 AND 2022
(In thousands)

	2023	2022
ASSETS		
Cash on hand	$ 4,227	$ 4,101
Overnight deposits at financial institutions	37,127	4,915
Investment in certificates of deposit	7,696	15,151
Available for sale investments, at fair value	51,211	152,183
Loans to members, net of allowance for credit losses of $5,819 at December 31, 2023 and allowance for loan losses of $4,310 at December 31, 2022	1,122,861	1,057,923
Premises and equipment, net	14,824	15,465
NCUSIF deposit	10,540	10,288
Accrued pension asset	10,540	8,742
Other assets	24,852	24,835
Total assets	$ 1,283,878	$ 1,293,603
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Accrued expenses and other liabilities	$ 17,724	$ 17,467
Borrowings	-	50,925
Total liabilities excluding members' and non-members' accounts	17,724	68,392
MEMBERS' AND NON-MEMBERS' ACCOUNTS:		
Members' shares and savings accounts	697,100	799,386
Members' share certificates	405,777	283,963
Non-members' shares and certificates	29,995	27,786
Total members' and non-members' accounts	1,132,872	1,111,135
Total liabilities	1,150,596	1,179,527
MEMBERS' EQUITY:		
Regular reserve	8,750	8,750
Undivided earnings	115,832	106,016
Equity acquired in merger	10,978	10,978
Accumulated other comprehensive loss	(2,278)	(11,668)
Total members' equity	133,282	114,076
Total liabilities and members' equity	$ 1,283,878	$ 1,293,603

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, 2023 AND 2022
(In thousands)

	2023	2022
INTEREST INCOME:		
Loans to members	$ 50,470	$ 35,874
Investments and overnight deposits	1,447	1,055
	51,917	36,929
INTEREST EXPENSE:		
Dividends on members' and non-members' accounts	16,776	4,774
Interest on borrowings	2,469	1,061
	19,245	5,835
Net interest income before provision for credit and loan losses	32,672	31,094
PROVISION FOR CREDIT LOSSES	1,762	-
PROVISION FOR LOAN LOSSES	-	1,275
Net interest income after provision for credit and loan losses	30,910	29,819
NON-INTEREST INCOME (LOSS):		
Interchange	5,947	6,034
Fees - deposit accounts	3,898	4,110
Recovery of corporate credit union capital	-	654
Fees - loans	1,650	1,469
Gain on sale of mortgages	374	588
Gain on sale of VISA shares	5,043	-
Net realized losses from sale of available for sale investments	(3,235)	-
Other	1,691	1,084
Total non-interest income	15,368	13,939
NON-INTEREST EXPENSE:		
Compensation and benefits	19,618	17,799
Operations	7,460	6,708
Professional and outside services	3,828	3,860
Occupancy	1,542	1,645
Marketing	1,764	1,631
Other	1,117	997
Total non-interest expense	35,329	32,640
NET INCOME	$ 10,949	$ 11,118

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, 2023 AND 2022
(In thousands)

	2023	2022
NET INCOME	$ 10,949	$ 11,118
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized gain (loss) on available for sale investments	4,389	(6,916)
Reclassification adjustment for net realized losses on available for sale investments included in income	3,235	-
Change in accrued net pension costs, gains and losses	1,766	2,756
Total other comprehensive income (loss)	9,390	(4,160)
Total comprehensive income	$ 20,339	$ 6,958

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, 2023 AND 2022
(In thousands)

	Regular Reserve	Undivided Earnings	Equity Acquired in Merger	Accumulated Other Comprehensive Loss	Total
BALANCE, JANUARY 1, 2022	$ 8,750	$ 94,898	$ 10,978	$ (7,508)	$ 107,118
Net income	-	11,118	-	-	11,118
Unrealized loss on available for sale investments	-	-	-	(6,916)	(6,916)
Change in accrued net pension costs, gains and losses	-	-	-	2,756	2,756
BALANCE, DECEMBER 31, 2022	8,750	106,016	10,978	(11,668)	114,076
Net income	-	10,949	-	-	10,949
Initial effect of adoption of Accounting Standards Codification Section 326	-	(1,133)	-	-	(1,133)
Unrealized gain on available for sale investments	-	-	-	4,389	4,389
Reclassification adjustment for net realized losses on available for sale investments included in income	-	-	-	3,235	3,235
Change in accrued net pension costs, gains and losses	-	-	-	1,766	1,766
BALANCE, DECEMBER 31, 2023	$ 8,750	$ 115,832	$ 10,978	$ (2,278)	$ 133,282

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, 2023 AND 2022
(In thousands)

	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 10,949	$ 11,118
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization of premises and equipment	1,263	1,083
Amortization of mortgage servicing rights	267	281
Capitalization of mortgage servicing rights	(207)	(259)
Amortization of goodwill	196	196
Provision for credit losses	1,762	-
Provision for loan losses	-	1,275
Net accretion of discounts and amortization of premiums on investment securities	574	561
Gain on sale of VISA shares	(5,043)	-
Changes in:		
Other assets	(2,069)	(296)
Accrued expenses and other liabilities	257	3,304
Accrued pension asset	(32)	245
Net cash flow from operating activities	7,917	17,508
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of available for sale investments	108,022	20
Purchases of certificates of deposit	-	(2,576)
Proceeds from sales and maturities of certificates of deposit	7,455	3,831
Proceeds from sale of VISA shares	5,043	-
Net increase in loans to members	(67,833)	(99,977)
Purchases of premises and equipment	(622)	(1,231)
Increase in NCUSIF deposit	(252)	(71)
Net decrease (increase) in capital balance at FHLB	1,796	(1,851)
Net cash flow from investing activities	53,609	(101,855)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net increase (decrease) in borrowings	(50,925)	50,925
Net decrease in members' shares and savings accounts	(102,286)	(19,196)
Net increase in members' share certificates	121,814	37,418
Net increase in non-members' shares and certificates	2,209	6,231
Net cash flow from financing activities	(29,188)	75,378
NET CHANGE IN CASH AND EQUIVALENTS	32,338	(8,969)
CASH AND EQUIVALENTS - beginning of year	9,016	17,985
CASH AND EQUIVALENTS - end of year	$ 41,354	$ 9,016

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.

Adoption of New Accounting Standard

On January 1, 2023, The Summit adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loans receivable, as well as off-balance sheet credit exposures (loan commitments and other similar instruments). In addition, ASC 326 made changes to accounting for available for sale debt securities.

The Summit adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning on or after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Summit recorded a net decrease to members' equity (undivided earnings) of approximately $1,133 as of January 1, 2023 for the cumulative effect of adopting ASC 326.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard (Continued)

The following table illustrates the impact of ASC 326:

	January 1, 2023		
	As Reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Gross loans receivable	$ 1,038,351	$ 1,038,351	$ -
Net deferred loan origination costs	23,882	23,882	-
Allowance for credit loss/loan loss	(5,443)	(4,310)	(1,133)
Loans receivable, net	$ 1,056,790	$ 1,057,923	$ (1,133)

In addition, CECL made changes to the accounting for available for sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities if management does not intend to sell and does not believe that it is more likely than not they will be required to sell.

The Summit adopted ASC 326 using the prospective transition approach with respect to investments in debt securities and had no debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. The adoption of this ASU and the related amendments will not have a material impact to The Summit's available for sale debt securities portfolio.

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 Federal 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.

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:

	2023	2022
Cash on hand	$ 4,227	$ 4,101
Overnight deposits at financial institutions	37,127	4,915
Total cash and equivalents	$ 41,354	$ 9,016

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) of either the NCUA or Federal Deposit Insurance Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

- **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 carried at fair value, with unrealized holding gains and losses reported in other comprehensive income. Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are generally amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

  For available for sale debt securities, management performs an analysis of the investment portfolio to evaluate securities currently in an unrealized loss position for potential credit-related impairment. If The Summit intends to sell a security, or does not have the intent and ability to hold a security before recovering the amortized cost, the entirety of the unrealized loss is immediately recorded in earnings. For the remaining securities, an analysis is performed to determine if any portion of the unrealized loss recorded relates to credit impairment. If credit related impairment exists, the amount is recorded through the allowance for credit losses and related provision. This review includes indicators such as changes in credit rating, delinquency, bankruptcy or other significant news event impacting the issuer.

  Losses are charged against the allowance for credit losses and written off when management believes an available for sale security is confirmed to be uncollectible.

  Declines in the fair value of available for sale securities below their costs that are deemed to be related to the credit deterioration of the issuer are reflected in earnings as realized losses. In estimating credit 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 credit impairment is required in connection with any of its investment securities holdings at December 31, 2023 and 2022.

- **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.

Fair Value Measurements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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

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

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

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost, net of the allowance for credit loss. Amortized cost is the principal balance outstanding, net of deferred loan origination costs and fees, and the allowance for credit losses. Accrued interest receivable totaled $4,091 at December 31, 2023 and was reported in other assets on the consolidated statement of financial condition and is excluded from the estimate of credit losses. Interest income is accrued on loans' unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

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.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis, until qualifying for return to accrual. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses – Loans

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans (Continued)

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term, as well as for changes in environmental conditions, such as changes in unemployment rates, collateral values, changes in underwriting criteria, or other relevant factors.

The allowance for credit losses is measured on a collective pool basis for receivables that have similar risk characteristics. The Summit has identified the following portfolio segments and measures the allowance for credit losses using the following methods:

Loan Portfolio Segment (Classes)	Allowance for Credit Loss Estimation Method
Real estate secured loans (HELOC, mortgage, real estate)	Discounted cash flow
Indirect and direct automobile (new, used, balloon auto)	Advanced vintage and discounted cash flow
Other consumer loans (VISA, student loans, recreational vehicle)	Advanced vintage and discounted cash flow

The advanced vintage method estimates the allowance for credit loss based on the percentage of the pool balance expected to not be collected. This estimate is rooted on historical loss experience for each loan class. The advanced vintage method applies a unique loss rate to each vintage group in the active portfolio, recognizing that the loss rate on seasoned loans is often not the same as the loss rate on newer loans and that the level of seasoning in a portfolio can change over time.

The discounted cash flow method estimates the allowance for credit loss based on projected future cash flows, including probabilities of default, and calculating the present value of those cash flows. That present value is compared to the outstanding loan balance to arrive at expected credit losses. When the discounted cash flow method is used to determine the allowance for credit losses, management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

The allowance is increased by provisions charged to expense. Loans are charged against the allowance for credit losses when management believes the collectability of principal is unlikely.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Loans (Continued)
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.

Non-accrual and Past Due Loans
Loans are considered past due if the required principal and interest payments have not been received within 15 days of the payment due date.

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. 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.

When future collectability of the recorded loan balance is expected, interest income may be recognized on a cash basis. In the case where a non-accrual loan had been partially charged off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Cash interest receipts in excess of that amount are recorded as recoveries to allowance for loan losses until prior charge-offs have been fully recovered.

Modifications for Debtors Experiencing Financial Difficulty
The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Summit uses a probability of default/loss given default model or advance vintage model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, The Summit modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses. In some cases, The Summit will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

Off-Balance Sheet Credit Related Financial Instruments
In the ordinary course of business, The Summit has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 improvement, whichever is shorter.

Leases

The Summit determines if an arrangement is a lease at inception. Right-of-use ("ROU") assets represent The Summit's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease may include renewal and termination options, which are included in the lease term when The Summit is reasonably certain to exercise these options.

For all underlying classes of assets, The Summit has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that The Summit is reasonably certain to exercise. The Summit recognizes fixed short-term lease cost on a straight-line basis over the lease term and variable lease cost in the period in which the obligation is incurred.

The Summit elected for all classes of underlying assets to use the risk-free rate as the discount rate if the implicit rate in the lease contract is not readily determinable.

The Summit elected for all classes of underlying assets to not separate the lease and non-lease components of a contract and to account for both as a single lease component.

Variable lease costs paid to or on behalf of the lessor, consisting of maintenance, taxes, and insurance, are excluded from the measurement of the ROU asset and lease liability and are expensed in the period incurred.

In evaluating contracts to determine if they qualify as a lease, The Summit considers factors such as if The Summit obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

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, 2023 and 2022, management did not consider any impairment adjustment necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Real Estate Owned
Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at estimated liquidation value, including consideration of estimated costs to sell, at the date of foreclosure and are included within other assets.

Costs relating to development and improvement of property are capitalized, whereas costs relating to holding property are charged to expense. Valuations are periodically performed by management and an allowance for losses is established by means of a charge to operations if the carrying value of the property exceeds fair value less estimated costs to sell.

Members' Share Accounts
Members' shares are subordinated to all other liabilities of The Summit upon liquidation. Interest on members' shares and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by The Summit. Interest rates on members' share accounts are set by the management and the Board of The Summit, based on an evaluation of current and future market conditions. Dividends on members' share accounts are paid monthly and are charged against income when paid.

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. Additionally, 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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)
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 assessed. When such fees are determined to be uncollectible, fee income is reduced by the uncollectible amount.

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 ASC 606, *Revenue from Contracts with Customers*, include interchange and fees - deposit accounts.

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 costs, gains and losses, 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.

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 Internal Revenue Code Section 501(c)(1). As of December 31, 2023 and 2022, The Summit does not have a liability for unrecognized tax benefits.

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.

Reclassifications
Certain reclassifications have been made to the 2022 financial statements to conform with the current year's presentation.

3. INVESTMENT SECURITIES

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

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available for sale:				
U.S. government and agency securities	$ 52,583	$ -	$ (1,397)	$ 51,186
Mortgage-backed securities	25	-	-	25
Total	$ 52,608	$ -	$ (1,397)	$ 51,211

3. INVESTMENT SECURITIES (Continued)

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available for sale:				
U.S. government and agency securities	$ 161,171	$ -	$ (9,020)	$ 152,151
Mortgage-backed securities	33	-	(1)	32
Total	$ 161,204	$ -	$ (9,021)	$ 152,183

The scheduled maturities of available for sale securities were as follows at December 31, 2023:

	Amortized Cost	Estimated Fair Value
Amounts maturing:		
In one year or less	$ 40,115	$ 39,632
After one year through three years	12,468	11,554
After three years through five years	2	2
After five years through ten years	23	23
After ten years	-	-
	$ 52,608	$ 51,211

Securities in Unrealized Loss Position

All of The Summit's investments were in a loss position for more than twelve months at December 31, 2023.

The following table shows the gross unrealized losses and fair value of investments, aggregated by investment category and length of time that securities were in continuous unrealized loss positions, at December 31, 2022:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available for sale:						
U.S. government and agency securities	$ -	$ -	$ 152,151	$ (9,020)	$ 152,151	$ (9,020)
Mortgage-backed securities	29	(1)	3	-	32	(1)
	$ 29	$ (1)	$ 152,154	$ (9,020)	$ 152,183	$ (9,021)

The Summit has determined that no allowance for credit risk was required for its investment securities at December 31, 2023. The difference between amortized cost and fair value relates primarily to changes in the interest rate environment and is not indicative of credit deterioration warranting an allowance for credit loss. The issuers continue to make timely principal and interest payments on the related securities. The fair value is expected to recover as these securities approach maturity.

3. INVESTMENT SECURITIES (Continued)

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.

The following tables summarize financial assets measured at fair value on a recurring basis as of December 31, 2023 and 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

		Fair Value Measurement as of December 31, 2023		
	Fair Value	Level 1	Level 2	Level 3
Investments -				
Federal Home Loan Bank securities	$ 14,576	$ -	$ 14,576	$ -
Federal Farm Credit Bank securities	14,849	-	14,849	-
Federal Home Loan Mortgage Corp. securities	4,933	-	4,933	-
U.S. Treasury Notes	16,828	-	16,828	-
Mortgage-backed securities	25	-	25	-
	$ 51,211	$ -	$ 51,211	$ -

		Fair Value Measurement as of December 31, 2022		
	Fair Value	Level 1	Level 2	Level 3
Investments -				
Federal Home Loan Bank securities	$ 19,443	$ -	$ 19,443	$ -
Federal Farm Credit Bank securities	44,871	-	44,871	-
Federal Home Loan Mortgage Corp. securities	51,733	-	51,733	-
U.S. Treasury Notes	36,104	-	36,104	-
Mortgage-backed securities	32	-	32	-
	$ 152,183	$ -	$ 152,183	$ -

Accrued Interest

The Summit records accrued interest on available for sale securities as accrued interest receivable. Accrued interest on available for sale securities was approximately $162 and $248 as of December 31, 2023 and 2022, respectively.

4. LOANS TO MEMBERS

Portfolio Composition

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

	2023	2022
Real estate secured loans	$ 313,286	$ 314,831
Indirect and direct automobile	732,473	664,616
Other consumer loans	58,604	58,904
Gross loans outstanding	1,104,363	1,038,351
Add: Net deferred loan origination costs	24,317	23,882
Less: Allowance for credit losses	(5,819)	(4,310)
	$ 1,122,861	$ 1,057,923

Portfolio Composition as of December 31, 2022

The Summit classified its loan portfolio into the following categories for the purposes of calculating the allowance for loan loss and making disclosures as of December 31, 2022 and for the year then ended:

	2022
Residential mortgage	$ 170,785
Home equity	144,168
Consumer automobile	664,634
Consumer credit card	30,139
Other consumer	28,625
Gross loans outstanding	1,038,351
Add: Net deferred loan origination costs	23,882
Less: Allowance for credit losses	(4,310)
	$ 1,057,923

Loans in Non-Accrual Status

Loans in non-accrual status totaled $1,931 and $2,520 at December 31, 2023 and 2022, respectively. The Summit considers the overall impact of loans in non-accrual status to be immaterial to its overall consolidated financial statements.

Loan Modifications Due to Borrower Financial Difficulties

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, 2023, The Summit had 259 loans that had been modified due to financial difficulties experienced by the borrower with a total outstanding balance of approximately $2,447. Of these, 10 loans were for residential mortgages with an aggregate outstanding balance of approximately $649. At December 31, 2022, The Summit had 270 loans modified due to financial difficulties experienced by the borrower with a total outstanding balance of approximately $2,587. Of these, 10 loans were for residential mortgages with an aggregate outstanding balance of approximately $716. The Summit does not consider the effect of loans modified due to financial difficulties to be significant to the consolidated financial statements on an overall basis.

4. LOANS TO MEMBERS (Continued)

Aging of Past-Due Loans to Members - 2023

The performance and credit quality of the loan portfolio is monitored, in part, by analyzing the age of the loans to members as determined by the length of time a recorded 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 classes of the loan portfolio summarized by the past-due status as of December 31, 2023:

	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
Real estate secured	$ 544	$ 2,918	$ 503	$ 508	$ 144	$ 4,617	$ 308,669	$ 313,286
Indirect and direct auto	19,249	7,179	736	513	205	27,882	704,591	732,473
Other consumer	679	632	216	409	151	2,087	56,517	58,604
	$ 20,472	$ 10,729	$ 1,455	$ 1,430	$ 500	$ 34,586	$ 1,069,777	$ 1,104,363

Aging of Past-Due Loans to Members - 2022

The following table presents the past-due status of each class of loan, summarized by the length of time that loans were past-due, as of December 31, 2022:

	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	$ -	$ 1,924	$ 410	$ 605	$ 360	$ 3,299	$ 167,486	$ 170,785
Home equity	265	1,317	220	228	122	2,152	142,016	144,168
Consumer automobile	17,294	5,523	618	648	84	24,167	640,467	664,634
Consumer credit card	-	279	114	244	83	720	29,419	30,139
Other consumer	690	122	13	75	69	969	27,656	28,625
	$ 18,249	$ 9,165	$ 1,375	$ 1,800	$ 718	$ 31,307	$ 1,007,044	$ 1,038,351

Allowance for Credit Losses - 2023

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2023:

	Real Estate and Consumer Loans	Consumer Credit Card	Unallocated	Total
Balance - January 1, 2023, prior to adoption of ASC 326	$ 2,326	$ 734	$ 1,250	$ 4,310
Impact of adoption of ASC 326	535	598	-	1,133
Balance - January 1, 2023, after adoption of ASC 326	$ 2,861	$ 1,332	$ 1,250	$ 5,443

4. LOANS TO MEMBERS (Continued)

Allowance for Credit Losses – 2023 (Continued)

	Real Estate Secured	Indirect and Direct Automobile	Other Consumer Loans	Total
Balance - January 1, 2023, after adoption of ASC 326	$ 206	$ 3,337	$ 1,900	$ 5,443
Provision for credit losses	5	719	1,038	1,762
Loans charged off	-	(715)	(1,031)	(1,746)
Recoveries of loans previously charged off	-	144	216	360
Balance - December 31, 2023	$ 211	$ 3,485	$ 2,123	$ 5,819

As a result of the adoption of ASC 326, the Summit restructured the loan portfolio segments used to determine the allowance for credit losses, therefore, certain information related to the allowance segments and the corresponding impact of ASC 326 on January 1, 2023, as presented previously, agrees in total but not by loan segment.

Allowance for Loan Loss and Recorded Investment in Loans to Members - 2022

The following tables present the activity in the allowance for loan loss and related information about the loan portfolio for the year ended December 31, 2022:

	Residential Mortgage	Consumer Credit Card	Other Consumer (Including Automobile and Home Equity)	Unallocated	Total
Changes in allowance for loan loss:					
Beginning balance	$ 117	$ 400	$ 1,981	$ 1,250	$ 3,748
Charge-offs	-	(449)	(679)	-	(1,128)
Recoveries	-	139	276	-	415
Provision	(4)	644	635	-	1,275
Ending balance	$ 113	$ 734	$ 2,213	$ 1,250	$ 4,310
Components of ending balance in allowance for loan loss:					
Related to loans individually evaluated for impairment	$ 100	$ 35	$ 964	$ -	$ 1,099
Related to loans collectively evaluated for impairment	13	699	1,249	-	1,961
Related to environmental factors and other considerations	-	-	-	1,250	1,250
Ending balance	$ 113	$ 734	$ 2,213	$ 1,250	$ 4,310
Loans receivable:					
December 31, 2022 balance individually evaluated for impairment	$ 4,270	$ 35	$ 6,172	$ -	$ 10,477
December 31, 2022 balance collectively evaluated for impairment	166,515	30,104	831,255	-	1,027,874
Ending balance	$ 170,785	$ 30,139	$ 837,427	$ -	$ 1,038,351

4. LOANS TO MEMBERS (Continued)

Impaired Loans as of December 31, 2022
The following table presents information on The Summit's loans identified as impaired, by loan portfolio class, as of December 31, 2022:

	2022	
	Unpaid Principal Balance	Related Allowance
Residential mortgage	$ 4,270	$ 100
Home equity	1,900	22
Consumer automobile	5,791	1,234
Consumer credit card	178	127
Other consumer	289	74
Total	$ 12,428	$ 1,557

Prior to the adoption of ASC 326, The Summit's practice was to record a specific allowance on all impaired loans. The average recorded investment in impaired loans approximated the year-end balance above. Interest income was recognized on impaired loans if collection was considered likely and the loan was less than 90 days delinquent.

Loans to Directors and Officers
Included in loans to members at December 31, 2023 and 2022, are loans of $1,270 and $1,266, 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:

	2023	2022
Land	$ 6,172	$ 6,172
Buildings and improvements	17,767	17,311
Furniture, fixtures and equipment	11,137	10,934
Leasehold improvements	948	938
Deposits on fixed assets	-	47
	36,024	35,402
Less: Accumulated depreciation and amortization	(21,200)	(19,937)
	$ 14,824	$ 15,465

Depreciation and amortization expense was $1,263 and $1,083 for the years ended December 31, 2023 and 2022, 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 2023 and 2022, net gains resulting from the sale of originated mortgages were $167 and $329, 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 $184,865 and $188,365 at December 31, 2023 and 2022, respectively.

For 2023 and 2022, 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 2023 and 2022, The Summit capitalized $207 and $259 of MSR, respectively. Amortization of MSR was $267 and $281 for 2023 and 2022, respectively. The Summit amortizes MSR based upon the payments received for the serviced loans, adjusted for prepayments and charge-offs.

The servicing fee for mortgages is contractually set at 0.25% of the amount of the mortgages serviced. Servicing fee income for the years ended December 31, 2023 and 2022 was $465 and $467, respectively. Servicing fee income is reported in other income on the consolidated statements of income.

7. OTHER ASSETS

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

	2023	2022
Accrued interest receivable	$ 4,091	$ 3,312
Prepaid operating expenses	1,674	1,609
Alloya Corporate Federal Credit Union capital account	1,522	1,522
Federal Home Loan Bank of NY capital account	394	2,190
Central Liquidity Facility capital account	3,131	2,902
Mortgage servicing rights, net	871	932
Assets held to secure deferred compensation and split-dollar insurance arrangements	10,460	10,063
Miscellaneous	2,709	2,305
	$ 24,852	$ 24,835

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 $1,958. 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:

	2023	2022
Goodwill	$ 1,958	$ 1,958
Less: Accumulated amortization	(1,762)	(1,566)
	$ 196	$ 392

Amortization expense was $196 in 2023 and 2022.

9. SHARE ACCOUNTS AND CERTIFICATES

At December 31, 2023, scheduled maturities of members' and non-members' accounts were as follows:

No contractual maturity	$ 701,696
2024	379,245
2025	23,311
2026	3,484
2027	1,769
2028	22,626
Thereafter	741
	$ 1,132,872

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

	2023	2022
Regular shares	$ 88	$ 96
Share drafts	88	47
Money market shares	3,777	1,558
Certificates	11,853	2,774
IRA shares	137	52
IRA share certificates	833	247
	$ 16,776	$ 4,774

The aggregate amount of share certificate account balances in excess of $250 was $64,232 and $54,955 at December 31, 2023 and 2022, respectively.

Cash paid for dividends on members' and non-members' shares and certificates totaled $16,776 and $4,774 for the years ended December 31, 2023 and 2022, respectively.

10. LEASES

The Summit leases equipment and office space for branch locations under various lease agreements. Certain lease agreements have terms which include escalating rental payments and multiple renewal options.

The components of total lease cost for the years ended December 31 were as follows:

	2023	2022
Operating lease cost	$ 193	$ 192
Short-term lease cost	76	16
Variable lease cost	40	41
	$ 309	$ 249

Supplemental cash flow information related to leases were as follows for the years ended December 31:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 191	$ 191
ROU assets obtained in exchange for operating lease liabilities	$ -	$ 1,095

Other information related to leases were as follows as of December 31:

	2023	2022
Weighted-average remaining lease term for operating leases	4.3 years	5.2 years
Weighted-average discount rate for operating leases	1.33%	1.32%

The following summarizes the lease line items as recorded in other assets and accrued expenses and other liabilities, respectively, in the consolidated statement of financial condition as of December 31:

	2023	2022
Operating lease ROU assets	$ 735	$ 915
Operating lease liabilities	$ 732	$ 911

10. LEASES (Continued)

Maturities of operating lease liabilities as of December 31, 2023 were as follows:

2024	$ 191
2025	192
2026	195
2027	81
2028	49
Thereafter	45
Total lease payments	753
Less: Interest	(21)
Total lease liabilities	$ 732

11. 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:

	2023	2022
Projected Benefit Obligation		
Balance, beginning of year	$ 21,096	$ 30,254
Service cost	682	1,132
Interest cost	1,087	887
Actuarial (gain) loss	300	(10,310)
Benefits paid to participants	(699)	(867)
Balance, end of year	$ 22,466	$ 21,096
Plan Assets		
Fair value, beginning of year	$ 29,838	$ 36,484
Actual investment return	3,867	(5,779)
Benefits paid to participants	(699)	(867)
Fair value, end of year	$ 33,006	$ 29,838
Funded status	$ 10,540	$ 8,742

The 2022 actuarial gains were generated as a result of an increase in the discount rate used to determine the Plan's benefit obligation.

Funded Status
Accrued pension asset of $10,540 and $8,742 was recognized in the consolidated statements of financial condition as an asset at December 31, 2023 and 2022, respectively.

11. POST-RETIREMENT BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

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:

	2023	2022
Total net loss	$ (881)	$ (2,647)

Weighted average assumptions used to determine benefit obligations included a discount rate of 5.20% and a rate of compensation increase of 4.00% for both 2023 and 2022.

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

	2023	2022
Discount rate	5.20%	2.95%
Expected long-term rate of investment return	6.50%	5.75%
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.

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

	2023	2022
Net Periodic Benefit Cost		
Service cost	$ 682	$ 1,132
Interest cost	1,087	887
Expected return on plan assets	(1,800)	(1,959)
Amortization of net loss	-	185
	(31)	245
Amounts Recognized in Other Comprehensive Income		
Net loss	(1,766)	(2,571)
Amortization of net loss	-	(185)
	(1,766)	(2,756)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (1,797)	$ (2,511)

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 $18,775 and $17,565 at December 31, 2023 and 2022, respectively.

11. POST-RETIREMENT BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

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

	2023	2022
Equity securities	52%	52%
Debt securities	40%	40%
Real estate	8%	8%
	100%	100%

The actual asset allocations for the Plan as of December 31, 2023 were 54% equity securities, 39% debt securities, and 7% real estate. The actual asset allocations for the Plan as of December 31, 2022 were 54% equity securities, 38% debt securities, and 8% 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 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
	2023	
Fixed Income	$ 12,906	$ 12,906
Large U.S. Equity	10,920	10,920
International Equity	5,179	5,179
Real Estate	2,129	2,129
Small/Mid U.S. Equity	1,872	1,872
Total	$ 33,006	$ 33,006
	2022	
Fixed Income	$ 11,347	$ 11,347
Large U.S. Equity	9,617	9,617
International Equity	4,765	4,765
Real Estate	2,384	2,384
Small/Mid U.S. Equity	1,725	1,725
Total	$ 29,838	$ 29,838

11. POST-RETIREMENT BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

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 2024.

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

2024	$	440
2025	$	490
2026	$	520
2027	$	610
2028	$	780
2029 through 2033	$	6,220

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 $247 and $220 for the years ended December 31, 2023 and 2022, 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. Amounts related to these agreements at December 31, 2023 and 2022 were $1,567 and $1,302, respectively.

Split-Dollar Life Insurance Arrangement

The Summit has 2 split dollar insurance loan arrangements with senior management officials. 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 $8,619 and $8,445 at December 31, 2023 and 2022, respectively, and is included in other assets on the accompanying consolidated statements of financial condition.

11. POST-RETIREMENT BENEFIT PLANS (Continued)

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 $1,299 and $1,511 at December 31, 2023 and 2022, 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 $274 and $316 at December 31, 2023 and 2022, respectively.

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 (6.96% and 5.95% at December 31, 2023 and 2022, respectively) that allows for up to $76,082 of borrowings at December 31, 2023 and 2022. Amounts borrowed are collateralized by certain assets of The Summit totaling $103,574 and $212,939 at December 31, 2023 and 2022, respectively. These assets include available for sale securities, outstanding VISA loan balances, net fixed assets, and certificates of deposit. There were no outstanding amounts under the terms of this agreement at December 31, 2023. Outstanding amounts under the terms of this agreement were $10,925 at December 31, 2022.

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. The Summit has a secured borrowing arrangement with FHLB. Amounts borrowed are collateralized by portfolio mortgages held by The Summit with an estimated value of approximately $145,000 and $154,000 as of December 31, 2023 and 2022, respectively. As of December 31, 2023, The Summit had no outstanding balance from the FHLB. As of December 31, 2022, The Summit had an outstanding balance of $40,000 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, 2023 and 2022, 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.

Cash Paid for Interest

Cash paid for interest under all agreements listed above was approximately $2,469 and $1,061 for the years ended December 31, 2023 and 2022, respectively.

12. FINANCING ARRANGEMENTS (Continued)

Terms and Maturities

The following table sets forth the terms of borrowings as of December 31:

Advancing Lender	Advance Date	Maturity Date	Interest Rate	2023	2022
Alloya	No contractual maturity		6.96%	$ -	$ 10,925
FHLB	11/02/22	02/02/23	4.46%	-	5,000
FHLB	11/02/22	04/03/23	4.76%	-	10,000
FHLB	11/10/22	02/10/23	4.48%	-	10,000
FHLB	12/12/22	03/13/23	4.76%	-	15,000
				$ -	$ 50,925

13. MEMBERS' EQUITY

The Summit is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on The Summit's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, The Summit must meet specific capital criteria that involve quantitative measures of The Summit's assets, liabilities, and certain off-balance sheet items as calculated under GAAP. The Summit's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

On January 1, 2022, the NCUA's Capital Adequacy Standards became effective. Under these standards, credit unions with total assets greater than $500 million are considered complex and must either adopt the new risk-based capital (RBC) ratio measurement of risk-based equity to risk-weighted assets or, if certain qualifying criteria are met, complex credit unions are eligible to opt into the complex credit union leverage ratio (CCULR) framework, as described in Code of Federal Regulations (CFR) Section 702.104(d). The Summit elected to opt into the CCULR framework.

Management believes, as of December 31, 2023 and 2022, that The Summit meets all capital adequacy requirements to which it is subject.

As of December 31, 2023 and 2022, The Summit was categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" The Summit must maintain a minimum net worth ratio of 7% of assets. In addition, because The Summit opted into the CCULR framework, it must also maintain a minimum ratio of 9% or greater to be considered "well capitalized." The CCULR framework also requires that The Summit's total off-balance sheet exposures cannot exceed 25% of total assets and that ratios related to trading assets and liabilities and intangible assets as a percent of total assets be maintained at certain levels. These requirements and The Summit's ratios at December 31, 2023 and 2022 are included in the table below. There are no conditions or events since that notification that management believes have changed The Summit's category.

13. MEMBERS' EQUITY (Continued)

For the years ended December 31, 2023 and 2022, The Summit used the quarter-end balance option, as permitted by regulation, to arrive at total assets for the calculation.

The Summit's actual capital amounts and ratios as of December 31, 2023 and 2022 are presented in the following tables:

	Actual		To be Well Capitalized Under Prompt Corrective Action Provision		To Satisfy Criteria of CCULR Election	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2023						
Net worth ratio	$ 136,184	10.60%	$ 89,930	>= 7%	$ 115,625	>= 9%
Off balance sheet exposure	$ 133,224	10.37%	n/a	n/a	$ 320,970	<= 25%
Trading assets and liabilities	$ -	-%	n/a	n/a	$ 64,194	<= 5%
Intangible assets	$ 196	0.01%	n/a	n/a	$ 25,678	<= 2%

	Actual		To be Well Capitalized Under Prompt Corrective Action Provision		To Satisfy Criteria of CCULR Election	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2022						
Net worth ratio	$ 125,609	9.70%	$ 90,664	>= 7%	$ 116,568	>= 9%
Off balance sheet exposure	$ 126,589	9.77%	n/a	n/a	$ 323,401	<= 25%
Trading assets and liabilities	$ -	-%	n/a	n/a	$ 64,680	<= 5%
Intangible assets	$ 392	0.03%	n/a	n/a	$ 25,872	<= 2%

14. 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.

14. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (Continued)

A summary of the contract or notional amounts of The Summit's commitments at December 31, 2023 is as follows:

Members' unused credit card lines	$	123,317
Members' unused lines of credit, excluding credit card lines	$	144,918
Members' loans approved, not yet disbursed	$	7,142

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.

The Summit has evaluated the expected credit risk associated with unfunded loan commitments and undrawn lines of credit and recorded an allowance for credit loss related to these financial instruments totaling $10 at December 31, 2023.

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

At December 31, 2022, The Summit held 18,253 shares of VISA, Inc. (VISA) Class B restricted common stock. These shares were to be converted to Class A unrestricted common stock upon the resolution of certain VISA legal matters. The Summit was not a party to these legal matters.

Prior to conversion, the restrictions on these Class B shares limited the circumstances under which the shares could be sold. In 2023, The Summit sold all of the VISA Class B shares it held previously in a manner compliant with these restrictions. The Summit had valued these shares at zero, which is equal to the cost basis of their equity interest in VISA at the time the shares were acquired. Because The Summit's basis in these shares was zero, the proceeds from the 2023 sale, approximately $5,043, were recognized as a gain.

16. 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, 2022	$ (2,105)	$ (5,403)	$ (7,508)
Other comprehensive income (loss)	(6,916)	2,756	(4,160)
Balance, December 31, 2022	(9,021)	(2,647)	(11,668)
Other comprehensive income before reclassifications	4,389	1,766	6,155
Amounts reclassified from accumulated other comprehensive loss	3,235	-	3,235
Balance, December 31, 2023	$ (1,397)	$ (881)	$ (2,278)

Unrealized gains and losses on available for sale investments were reclassed to realized gains and losses on sale of securities in the amount of $3,235 for the year ended December 31, 2023. Reclassifications of balances from accumulated other comprehensive loss to the consolidated statement of income were immaterial in 2022.

17. 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 2023 or 2022.

18. 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 2022, 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 2022 as a return of capital. The Summit received $654 as a return of capital related to its former membership in Members United Corporate Federal Credit Union during the year ended December 31, 2022. No payment was received during the year ended December 31, 2023.

19. 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, 2023 and 2022, substantially all of The Summit's loan portfolio involves borrowers and, where applicable, collateral, in the State of New York.

20. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 3, 2024, which is the date the consolidated financial statements were available to be issued.