
FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 12 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): November 17, 2022

Summit State Bank

(Exact Name of Registrant as Specified in Charter)

California
(State of Other Jurisdiction
Of Incorporation)

32203
(FDIC
Certificate Number)

94-2878925
(I.R. S. Employer
Identification No.)

500 Bicentennial Way
Santa Rosa, CA
(Address of Principal Executive Offices)

95403
(Zip Code)

Registrant's Telephone Number, Including Area Code, 707-568-6000

(Former Name or Former Address, if Changes Since Last Report)

Check the Appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging Growth Company

If an emerging growth company, indicate my check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|-------------------|---|
| Common Stock | SSBI | NASDAQ Global Market |

Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.

The Audit Committee of the Board of Directors (the “Audit Committee”) and management of Summit State Bank (the “Bank”), in consultation with the Bank’s independent registered public accounting firm, Moss Adams LLP, determined that the statement of cash flows in the Bank’s previously issued financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2021 and its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2022 and June 30, 2022 (the “Affected Financial Statements”) (and the prior year comparable periods in those financial statements) incorrectly classified “Proceeds from sales of loans other than loans originated for resale” within “cash flows from operating activities” instead of the proper classification within “cash flows from investing activities”.

As a result, on November 17, 2022, the Audit Committee, in consultation with management, determined that the Statement of Cash Flows within the Affected Financial Statements should no longer be relied upon. Other sections of the Affected Financial Statements are unaffected, including the Balance Sheets, Statements of Income, Statements of Comprehensive Income, and Statements of Changes in Shareholders Equity.

Accordingly, the Bank plans to amend and restate the Affected Financial Statements. The Bank intends to file an amended Annual Report on Form 10-K for the year ended December 31, 2021 and amended Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2022 and June 30, 2022 to present the restated Affected Financial Statements and related disclosures as soon as practicable.

As restated, the Affected Financial Statements will classify “Proceeds from sales of loans other than loans originated for resale” within “cash flows from investing activities” in the current statement of cash flows, rather than within the “cash flows from operating activities”, impacting the reported cash flows as follows:

| | <u>Original</u> | <u>Adjustment</u> | <u>Corrected</u> |
|---|-----------------|-------------------|------------------|
| | (in thousands) | | |
| June 30, 2022 Form 10-Q | | | |
| <u>Six months ended June 30, 2022:</u> | | | |
| Net cash flows from operating activities | \$ 56,564 | \$ (52,557) | \$ 4,007 |
| Net cash used in investing activities | (77,469) | 52,557 | (24,912) |
| <u>Six months ended June 30, 2021</u> | | | |
| Net cash flows from operating activities | 21,639 | (19,968) | 1,671 |
| Net cash used in investing activities | (27,523) | 19,968 | (7,555) |
| March 31, 2022 Form 10-Q | | | |
| <u>Three months ended March 31, 2022</u> | | | |
| Net cash flows from operating activities | 22,565 | (21,317) | 1,248 |
| Net cash (used in) provided by investing activities | (16,889) | 21,317 | 4,428 |
| <u>Three months ended March 31, 2021</u> | | | |
| Net cash flows from operating activities | 8,069 | (4,980) | 3,089 |
| Net cash used in investing activities | (12,273) | 4,980 | (7,293) |
| December 31, 2021 Form 10-K | | | |
| <u>Year ended December 31, 2021</u> | | | |
| Net cash flows from operating activities | 52,024 | (44,550) | 7,474 |
| Net cash (used in) provided by investing activities | (119,500) | 44,550 | (74,950) |
| <u>Year ended December 31, 2020</u> | | | |
| Net cash flows from operating activities | 35,656 | (31,924) | 3,732 |
| Net cash used in investing activities | (200,574) | 31,924 | (168,650) |
| <u>Year ended December 31, 2019</u> | | | |
| Net cash flows from operating activities | 24,459 | (20,323) | 4,136 |
| Net cash used in investing activities | (72,264) | 20,323 | (51,941) |

Net cash from financing activities and net change in cash and cash equivalents were not affected in any period.

While misclassified, the amount of “Proceeds from sales of loans other than loans originated for resale” was not affected for any period and remains unchanged. The misclassification had no effect on the Statements of Income, Balance Sheets or Statements of Changes in Shareholders Equity’s included in the Affected Financial Statements. There was no effect on loans sold, total loans, the allowance for credit losses, total assets, total capital, regulatory capital ratios, net interest income, net interest margin, net income to shareholders, basic or diluted earnings per share, return on average assets, net income, return on average equity, the efficiency ratio, asset quality ratios or any other key performance metric, included in the Affected Financial Statements or that the Bank routinely discusses with analysts and investors.

In connection with the restatement, management has determined that a material weakness existed in the Bank's internal control over financial reporting solely with respect to the misclassification of cash flows associated with the Bank’s line item “Proceeds from sales of loans other than loans originated for resale” within operating activities instead of the proper classification within investing activities. As a result, the Bank’s Chief Executive Officer and Chief Financial Officer have concluded that the Bank's disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2021, and the Bank’s management has concluded that its internal control over financial reporting was not effective as of December 31, 2021. The Bank's plan to remediate the material

weakness will be described in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2022 and the amended filings.

The Audit Committee has discussed the matters disclosed in this report with Moss Adams LLP.

This Current Report on Form 8-K may contain "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Statements preceded by, followed by, or that include the words "may," "could," "should," "will," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," or similar expressions generally indicate a forward-looking statement. These forward-looking statements involve risks and uncertainties that are subject to change based on various important factors (some of which, in whole or in part, are beyond the Bank's control). These risks and uncertainties include, but are not limited to, the risk that additional information may arise during the course of the Bank's ongoing accounting review that would require the Bank to make additional adjustments or revisions or to restate further the financial statements and other financial data for the periods reported in the Affected Financial Statements and/or additional historical periods, and the time required to complete the amended Annual Report on Form 10-K and amended Quarterly Reports on Form 10-Q. All forward-looking statements and information set forth herein are based on management's current beliefs and assumptions as of the date hereof and speak only as of the date they are made. For a more complete discussion of the assumptions, risks and uncertainties related to our business, you are encouraged to review the Bank's filings with the FDIC, including the risk factors included in the Bank's Annual Report on Form 10-K for the year ended December 31, 2021. The Bank does not undertake to update any forward-looking statement whether written or oral.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Dated: November 18, 2022

SUMMIT STATE BANK

By: /S/ Camille Kazarian
Camille Kazarian
*Executive Vice President
and Chief Financial Officer
(Duly Authorized Officer)*