
Colonial Farm Credit, ACA

FIRST QUARTER 2022

TABLE OF CONTENTS

Report on Internal Control Over Financial Reporting	2
Management's Discussion and Analysis of Financial Condition and Results of Operations	3
Consolidated Financial Statements	
Consolidated Balance Sheets	8
Consolidated Statements of Comprehensive Income	9
Consolidated Statements of Changes in Members' Equity	10
Notes to the Consolidated Financial Statements.....	11

CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2022 quarterly report of Colonial Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

/s/ Paul B. Franklin, Sr.
Chief Executive Officer

/s/ Diane S. Fowlkes
Chief Financial Officer

/s/ A. Kevin Monahan
Chairman of the Board

May 9, 2022

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2022. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of March 31, 2022, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2022.

/s/ A. Kevin Monahan
Chairman of the Board

/s/ Paul B. Franklin, Sr.
Chief Executive Officer

/s/ Diane S. Fowlkes
Chief Financial Officer

May 9, 2022

Management's Discussion and Analysis Of Financial Condition and Results of Operations

(Dollars in thousands)

The following commentary reviews the financial condition and results of operations of *Colonial Farm Credit, ACA* (Association) for the period ended March 31, 2022. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2021 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

COVID-19

In response to the COVID-19 pandemic, and without disruption to operations, the Association transitioned the vast majority of its employees to working remotely in mid-March 2020. The priority was, and continues to be, to ensure the health and safety of employees, while continuing to serve the mission of providing support for rural America and agriculture. As the state eased the "stay at home" restrictions, the Association began taking steps to deactivate its Business Continuity Plan. The Association targeted close of business Friday, April 1st to "sunset" the Business Continuity Plan, and given favorable conditions, resumed regular operations on Monday, April 4th.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including livestock operations such as beef cattle, horses, poultry, swine, and dairy farms and various field crops such as soybeans, peanuts, tobacco, cotton, and corn. Other predominant commodities in the portfolio are timber and rural home loans. Farm size varies, and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, has somewhat reduced the level of dependency on any single commodity.

The gross loan volume of the Association as of March 31, 2022 was \$739,782, a decrease of \$11,297, compared to \$751,079 at December 31, 2021. Net loans outstanding at March 31, 2022 were \$737,265 compared to \$748,454 at December 31, 2021. Net loans accounted for 98.0 percent of total assets at March 31, 2022, compared to 96.7 percent of total assets at December 31, 2021. The decrease in gross and net loan volume during the reporting period was due to the normal seasonal decrease in working capital loans to farmers.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, and credit administration remains satisfactory. Nonaccrual loans decreased from \$1,032 at December 31, 2021 to \$986 at March 31, 2022. This decrease was primarily the result of repayments.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2022 was \$2,517 compared to \$2,625 at December 31, 2021. The March 31, 2022 allowance for loan losses was considered by management to be adequate to cover probable losses. A reserve for undisbursed commitments on operating lines for grain producers is also maintained as a liability on the Consolidated Balance Sheet. This reserve was increased by \$27 during the quarter ended March 31, 2022. This reserve is at a conservative level and best estimate, as it recognizes both the stress in the row crop segment and the controls in place that make undisbursed commitments less risky than drawn funds.

RESULTS OF OPERATIONS

For the three months ended March 31, 2022

Net income for the three months ended March 31, 2022 totaled \$3,649, an increase of \$6 compared to \$3,643 for the same period in 2021. This increase was attributable to a decrease in noninterest expense, partially offset by a decrease in noninterest income.

Net interest income increased by \$136 for the three months ended March 31, 2022, compared to the same period in 2021. Interest income increased by \$262 primarily due to higher loan

volume. The increase in interest income from nonaccrual loans was \$3 for the three months ended March 31, 2022 compared to the same period in 2021. Total interest expense increased by \$126 due to the increase in notes payable to AgFirst.

The Association recorded a reversal of the allowance for loan losses of \$110 for the three months ended March 31, 2022 compared to \$64 for the three months ended March 31, 2021. These reversals of the allowance for loan losses were primarily due to the normal seasonal decrease in short term lines of credit.

Noninterest income for the three months ended March 31, 2022 totaled \$1,323, compared to \$1,563 for the same period of 2021, a decrease of \$240. The decrease was primarily attributable to fee income for PPP loans originated in 2021.

Noninterest expense for the three months ended March 31, 2022 totaled \$3,257, compared to \$3,329 for the same period of 2021, a decrease of \$72. The decrease was the primarily result of decreased employee benefits expenses partially offset by higher other operating expenses, including purchased services, public and member relations, and travel expense.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. There are separate notes payable for variable rate and fixed rate products. The variable rate note is utilized by the Association to fund variable rate loan advances and operating fund requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2022, was \$531,833, compared to \$556,606 at December 31, 2021. The decrease in notes payable of \$24,773 was primarily the result of decreased loan volume through March 31, 2022.

CAPITAL RESOURCES

Capital serves to support asset growth and provide protection against unexpected credit and interest rate risk and operating losses. Capital is also needed for future growth and investment in new products and services.

The Association Board of Directors establishes, adopts, and maintains a formal written capital adequacy plan to ensure that adequate capital is maintained for continued financial viability, to provide for growth necessary to meet the needs of members/borrowers, and to ensure that all stockholders are

treated equitably. There were no material changes to the capital plan for 2021, nor are any anticipated for 2022 that would affect minimum stock purchases or would have an effect on the Association's ability to retire stock and distribute earnings.

Total members' equity at March 31, 2022 increased to \$196,772 from the December 31, 2021 total of \$193,309. The increase was primarily attributable to current year's net income.

Total capital stock and participation certificates were \$5,493 on March 31, 2022 compared to \$5,699 on December 31, 2021. The decrease of \$206 was attributable to stock and participation certificates retirements.

FCA set minimum regulatory capital requirements for System banks and associations. Capital adequacy is evaluated using a number of regulatory ratios. Effective January 1, 2017, the regulatory capital requirements for System Banks and Associations were modified. The new regulations ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. New regulations replaced existing core surplus and total surplus ratios with common equity tier 1 (CET1), tier 1 capital, and total capital risk-based capital ratios. The new regulations also replaced the existing net collateral ratio with a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The current permanent capital ratio (PCR) remains in effect.

Risk-adjusted assets have been defined by FCA Regulations as the Balance Sheet assets and off-balance-sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes which generally have the effect of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were as follows:

- Inclusion of off-balance-sheet commitments less than 14 months
- Increased risk-weighting of most loans 90 days past due or in nonaccrual status

Calculation of PCR risk-adjusted assets includes the allowance for loan losses as a deduction from risk-adjusted assets. This differs from the other risk-based capital calculations.

The ratios are calculated using three-month average daily balances, in accordance with FCA regulations, as follows:

- The CET1 ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets.

- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- The total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings,

paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets.

- The tier 1 leverage ratio is tier 1 capital, divided by average assets less regulatory deductions to tier 1 capital.
- The UREE leverage ratio is unallocated retained earnings, paid-in capital, and allocated surplus not subject to revolvment less certain regulatory required deductions including the amount of allocated investments in other System institutions divided by average assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios, which were effective January 1, 2017:

Ratio	Minimum Requirement	Capital Conservation Buffer*	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of March 31, 2022
Risk-adjusted ratios:				
CET1 Capital	4.5%	2.5%	7.0%	23.62%
Tier 1 Capital	6.0%	2.5%	8.5%	23.62%
Total Capital	8.0%	2.5%	10.5%	23.97%
Permanent Capital Ratio	7.0%	0.0%	7.00%	23.77%
Non-risk-adjusted:				
Tier 1 Leverage Ratio	4.0%	1.0%	5.00%	25.49%
UREE Leverage Ratio	1.5%	0.0%	1.50%	24.73%

If the capital ratios fall below the minimum regulatory requirements, including the buffer amounts, capital distributions (equity redemptions, dividends, and patronage) and discretionary senior executive bonuses are restricted or prohibited without prior FCA approval.

REGULATORY MATTERS

On April 14, 2022, the FCA approved a final rule that amends certain regulations to address changes in accounting principles generally accepted in the United States. Such changes reflect the Current Expected Credit Losses (CECL) methodology that will replace the incurred loss methodology upon adoption. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's Tier 2 capital up to 1.25 percent of the System institution's total risk weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's Tier 2 capital. The regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. In addition, the regulation does not include an exclusion for the CECL day 1 cumulative effective adjustment from the "safe harbor" deemed prior approval provision. The final rule is effective on January 1, 2023.

On August 26, 2021, the FCA issued a proposed rule to revise its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate

(HVCRE) by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent. The proposed rule would ensure that the FCA's rule remains comparable with the capital rule of other federal banking regulatory agencies and recognizes the increased risk posed by HVCRE exposures. The public comment period ended on January 24, 2022.

Future of LIBOR

In 2017, the United Kingdom's Financial Conduct Authority (UK FCA), which regulates LIBOR, announced its intention to stop persuading or compelling the group of major banks that sustains LIBOR to submit rate quotations after 2021.

On March 5, 2021, ICE Benchmark Administration (IBA) (the entity that is responsible for calculating LIBOR) announced its intention to cease the publication of the one-week and two-month US dollar LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining US dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. On the same day, the UK FCA announced that the IBA had notified the UK FCA of its intent, among other things, to cease providing certain US dollar LIBOR settings as of June 30, 2023. In its announcement, the UK FCA confirmed that all 35 LIBOR tenors (including with

respect to US dollar LIBOR) will be discontinued or declared nonrepresentative as of either: (a) immediately after December 31, 2021 or (b) immediately after June 30, 2023.

The Association has exposure to LIBOR arising from loans made to customers, Systemwide Debt Securities issued by the Funding Corporation on the Bank's behalf, and preferred stock issued by the Bank. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the lives of the financial instruments, which could adversely affect the value of, and return on, instruments held.

The FCA has issued guidelines with similar guidance as the U.S. prudential regulators but applicable for System institutions to follow as they prepare for the expected phase-out of LIBOR. The guidelines direct each System institution to develop a LIBOR transition plan designed to provide an orderly roadmap of actions that will reduce LIBOR exposure, stop the inflow of new LIBOR volume, and adjust operating processes to implement alternative reference rates.

On December 8, 2021, the FCA issued another informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable and in any event no later than December 31, 2021. Entering into new LIBOR-referenced contracts after that date would present safety and soundness risk. The guidance also provides clarity on what the FCA considers a new LIBOR-indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.

The Association has implemented LIBOR transition plans and continues to analyze potential risks associated with the LIBOR transition, including, but not limited to, financial, market, accounting, operational, legal, tax, reputational, and compliance risks.

On July 26, 2021, the Alternative Reference Rates Committee (ARRC) announced it will recommend the CME Group's forward-looking SOFR term rates. The ARRC's formal recommendation of SOFR term rates is a major milestone and is expected to increase the volume of transactions quoted in SOFR, supporting the implementation of the transition away from LIBOR.

On October 20, 2021, the U.S. prudential regulators issued a joint statement emphasizing the expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR, reiterating that supervised institutions should, with limited exceptions, cease

entering into new contracts that use US dollar LIBOR as a reference rate as soon as practicable, but no later than December 31, 2021. They further stated that entering into new contracts, including derivatives, after that date would create safety and soundness risks. The joint statement clarified that entering into such new contracts would include an agreement that (1) creates additional LIBOR disclosure or (2) extends the term of an existing LIBOR contract, but that a draw on an existing agreement that is legally enforceable, e.g., a committed credit facility, would not be a new contract. The joint statement also provided considerations when assessing the appropriateness of alternative reference rates used in lieu of LIBOR and the regulator expectation that new or updated LIBOR contracts include strong and clearly defined fallback rates for when the initial reference rate is discontinued.

The following is a summary of outstanding variable-rate financial instruments tied to LIBOR at March 31, 2022:

<i>(dollars in thousands)</i>	Due in 2023			Total
	Due in 2022	(On or Before June 30, 2023)	Due After June 30, 2023	
Loans	\$ 3,167	\$ 28,442	\$ 1,789	\$ 33,398
Total	\$ 3,167	\$ 28,442	\$ 1,789	\$ 33,398
Note Payable to AgFirst Farm Credit Bank	\$ 2,268	\$ 20,367	\$ 1,281	\$ 23,916
Total	\$ 2,268	\$ 20,367	\$ 1,281	\$ 23,916

The LIBOR transition plan includes implementing fallback language into variable-rate financial instruments maturing after June 30, 2023 which provides the ability to move these instruments to another index if the LIBOR market is no longer viable. At March 31, 2022 less than 0.55 percent of total loans and less than 0.77 percent of Notes Payable maturing after June 30, 2023 do not contain fallback provisions.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Financial Statements, and the 2021 Annual Report to Shareholders for recently issued accounting pronouncements. Additional information is provided in the following table.

The following ASU was issued by the Financial Accounting Standards Board (FASB):

Summary of Guidance	Adoption and Potential Financial Statement Impact
<i>ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i>	
- Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management’s estimate of current expected credit losses (CECL) over the entire remaining life of the financial assets. - Changes the present incurred loss impairment guidance for loans to an expected loss model. - Modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit quality. - Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets. - Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. - Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.	- Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance. - The new guidance is expected to result in a change in allowance for credit losses due to several factors, including: - The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, - An allowance will be established for estimated credit losses on any debt securities, - The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans. - The extent of allowance change is under evaluation, but will depend upon the nature and characteristics of the financial instrument portfolios, and the macroeconomic conditions and forecasts, at the adoption date. - The guidance is expected to be adopted January 1, 2023.

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst’s annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association’s annual and quarterly reports are also available upon request free of charge by calling 1-804-746-1252, or writing Diane Fowlkes, Chief Financial Officer, Colonial Farm Credit, ACA, 7104 Mechanicsville Turnpike, Mechanicsville, VA 23111, or accessing the website, www.colonialfarmcredit.com. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Colonial Farm Credit, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2022 <i>(unaudited)</i>	December 31, 2021 <i>(audited)</i>
Assets		
Cash	\$ 135	\$ 44
Loans	739,782	751,079
Allowance for loan losses	(2,517)	(2,625)
Net loans	737,265	748,454
Loans held for sale	23	388
Accrued interest receivable	4,465	4,936
Equity investments in other Farm Credit institutions	6,213	6,151
Premises and equipment, net	1,864	1,835
Accounts receivable	1,212	11,381
Other assets	1,260	1,177
Total assets	\$ 752,437	\$ 774,366
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 531,833	\$ 556,606
Accrued interest payable	1,159	1,187
Patronage refunds payable	516	18,714
Accounts payable	479	974
Other liabilities	21,678	3,576
Total liabilities	555,665	581,057
Commitments and contingencies (Note 8)		
Members' Equity		
Capital stock and participation certificates	5,493	5,699
Unallocated retained earnings	191,600	187,951
Accumulated other comprehensive income (loss)	(321)	(341)
Total members' equity	196,772	193,309
Total liabilities and members' equity	\$ 752,437	\$ 774,366

The accompanying notes are an integral part of these consolidated financial statements.

Colonial Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

	For the Three Months Ended March 31,	
	2022	2021
<i>(dollars in thousands)</i>		
Interest Income		
Loans	\$ 8,896	\$ 8,634
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	3,418	3,292
Net interest income	5,478	5,342
Provision for (reversal of) allowance for loan losses	(110)	(64)
Net interest income after provision for (reversal of) allowance for loan losses	5,588	5,406
Noninterest Income		
Loan fees	83	407
Fees for financially related services	12	11
Lease income	60	24
Patronage refunds from other Farm Credit institutions	1,048	969
Gains (losses) on sales of rural home loans, net	94	136
Gains (losses) on sales of premises and equipment, net	46	—
Gains (losses) on other transactions	(36)	(2)
Other noninterest income	16	18
Total noninterest income	1,323	1,563
Noninterest Expense		
Salaries and employee benefits	2,307	2,493
Occupancy and equipment	122	107
Insurance Fund premiums	212	199
Purchased services	135	76
Data processing	37	66
Other operating expenses	444	388
Total noninterest expense	3,257	3,329
Income before income taxes	3,654	3,640
Provision (benefit) for income taxes	5	(3)
Net income	\$ 3,649	\$ 3,643
Other comprehensive income net of tax		
Employee benefit plans adjustments	20	22
Comprehensive income	\$ 3,669	\$ 3,665

The accompanying notes are an integral part of these consolidated financial statements.

Colonial Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	\$ 5,520	\$ 185,679	\$ (450)	\$ 190,749
Comprehensive income		3,643	22	3,665
Capital stock/participation certificates issued/(retired), net	(121)			(121)
Patronage distribution adjustment		(2)		(2)
Balance at March 31, 2021	\$ 5,399	\$ 189,320	\$ (428)	\$ 194,291
Balance at December 31, 2021	\$ 5,699	\$ 187,951	\$ (341)	\$ 193,309
Comprehensive income		3,649	20	3,669
Capital stock/participation certificates issued/(retired), net	(206)			(206)
Balance at March 31, 2022	\$ 5,493	\$ 191,600	\$ (321)	\$ 196,772

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of Colonial Farm Credit, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (collectively, the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2021, are contained in the 2021 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and

financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Accounting Standards Updates (ASUs) Issued During the Period and Applicable to the Association

The following ASU was issued by the Financial Accounting Standards Board (FASB) since the most recent year-end:

- In March 2022, the FASB issued ASU 2022-02 Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. This Update responds to feedback received during the Post Implementation Review process conducted by the FASB related to Topic 326.
 1. Troubled Debt Restructurings (TDRs) by Creditors
The amendments eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan.
 2. Vintage Disclosures—Gross Writeoffs
For public business entities, the amendments in this Update require that an entity disclose current period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost.

These amendments will be implemented in conjunction with the adoption of ASU 2016-13.

ASUs Pending Effective Date

For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- In June 2016, the FASB issued ASU 2016-13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This Update, and subsequent clarifying guidance issued, is intended to improve financial reporting by requiring timelier recording of credit losses on financial instruments. It requires an organization to measure all expected credit losses for financial assets held at the reporting date through the life of the financial instrument. Financial institutions and other organizations will use forward-looking information to estimate their credit losses. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies that are not SEC filers, it will take effect for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Evaluation of any possible effects the guidance may have on the statements of financial condition and results of operations is in progress.

Accounting Standards Effective During the Period

There were no changes in the accounting principles applied from the latest Annual Report.

Note 2 — Loans and Allowance for Loan Losses

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	March 31, 2022	December 31, 2021
Real estate mortgage	\$ 522,289	\$ 514,107
Production and intermediate-term	135,255	159,690
Loans to cooperatives	8,537	4,822
Processing and marketing	24,303	19,761
Farm-related business	5,138	4,521
Communication	739	211
Power and water/waste disposal	162	290
Rural residential real estate	40,051	44,371
International	3,308	3,306
Total loans	\$ 739,782	\$ 751,079

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present the principal balance of participation loans at periods ended:

	March 31, 2022							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 8,795	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 8,795	\$ —
Production and intermediate-term	14,706	—	4,699	—	—	—	19,405	—
Loans to cooperatives	7,433	—	1,112	—	—	—	8,545	—
Processing and marketing	19,601	—	2,680	—	—	—	22,281	—
Farm-related business	321	—	—	—	—	—	321	—
Communication	743	—	—	—	—	—	743	—
Power and water/waste disposal	167	—	—	—	—	—	167	—
International	3,311	—	—	—	—	—	3,311	—
Total	\$ 55,077	\$ —	\$ 8,491	\$ —	\$ —	\$ —	\$ 63,568	\$ —

December 31, 2021								
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 8,889	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 8,889	\$ —
Production and intermediate-term	14,526	277	4,789	—	—	—	19,315	277
Loans to cooperatives	3,851	—	982	—	—	—	4,833	—
Processing and marketing	14,904	—	2,707	—	—	—	17,611	—
Farm-related business	321	—	—	—	—	—	321	—
Communication	215	—	—	—	—	—	215	—
Power and water/waste disposal	296	—	—	—	—	—	296	—
International	3,311	—	—	—	—	—	3,311	—
Total	\$ 46,313	\$ 277	\$ 8,478	\$ —	\$ —	\$ —	\$ 54,791	\$ 277

The recorded investment in a receivable is the face amount increased or decreased by applicable accrued interest, unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	March 31, 2022	December 31, 2021		March 31, 2022	December 31, 2021
Real estate mortgage:			Communication:		
Acceptable	98.51%	98.13%	Acceptable	100.00%	100.00%
OAEM	0.95	1.31	OAEM	—	—
Substandard/doubtful/loss	0.54	0.56	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Production and intermediate-term:			Power and water/waste disposal:		
Acceptable	98.03%	96.59%	Acceptable	100.00%	100.00%
OAEM	1.53	3.05	OAEM	—	—
Substandard/doubtful/loss	0.44	0.36	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Loans to cooperatives:			Rural residential real estate:		
Acceptable	100.00%	100.00%	Acceptable	98.96%	99.02%
OAEM	—	—	OAEM	0.63	0.59
Substandard/doubtful/loss	—	—	Substandard/doubtful/loss	0.41	0.39
	100.00%	100.00%		100.00%	100.00%
Processing and marketing:			International:		
Acceptable	100.00%	100.00%	Acceptable	100.00%	100.00%
OAEM	—	—	OAEM	—	—
Substandard/doubtful/loss	—	—	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Farm-related business:			Total loans:		
Acceptable	100.00%	100.00%	Acceptable	98.53%	97.94%
OAEM	—	—	OAEM	0.99	1.58
Substandard/doubtful/loss	—	—	Substandard/doubtful/loss	0.48	0.48
	100.00%	100.00%		100.00%	100.00%

The following tables provide an aging analysis of the recorded investment of past due loans as of:

March 31, 2022						
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	
Real estate mortgage	\$ 1,802	\$ 298	\$ 2,100	\$ 523,363	\$ 525,463	
Production and intermediate-term	609	41	650	135,645	136,295	
Loans to cooperatives	—	—	—	8,543	8,543	
Processing and marketing	—	—	—	24,330	24,330	
Farm-related business	—	—	—	5,158	5,158	
Communication	—	—	—	740	740	
Power and water/waste disposal	—	—	—	162	162	
Rural residential real estate	155	—	155	40,083	40,238	
International	—	—	—	3,318	3,318	
Total	\$ 2,566	\$ 339	\$ 2,905	\$ 741,342	\$ 744,247	

	December 31, 2021				
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans
Real estate mortgage	\$ 3,800	\$ 299	\$ 4,099	\$ 513,300	\$ 517,399
Production and intermediate-term	817	45	862	160,236	161,098
Loans to cooperatives	—	—	—	4,824	4,824
Processing and marketing	—	—	—	19,781	19,781
Farm-related business	—	—	—	4,542	4,542
Communication	—	—	—	211	211
Power and water/waste disposal	—	—	—	290	290
Rural residential real estate	—	—	—	44,556	44,556
International	—	—	—	3,314	3,314
Total	\$ 4,617	\$ 344	\$ 4,961	\$ 751,054	\$ 756,015

Nonperforming assets (including related accrued interest as applicable) and related credit quality statistics at period end were as follows:

	March 31, 2022	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	\$ 587	\$ 603
Production and intermediate-term	317	344
Rural residential real estate	82	85
Total	\$ 986	\$ 1,032
Accruing restructured loans:		
Real estate mortgage	\$ 328	\$ 332
Rural residential real estate	11	15
Total	\$ 339	\$ 347
Accruing loans 90 days or more past due:		
Total	\$ —	\$ —
Total nonperforming loans	\$ 1,325	\$ 1,379
Other property owned	—	—
Total nonperforming assets	\$ 1,325	\$ 1,379
Nonaccrual loans as a percentage of total loans	0.13%	0.14%
Nonperforming assets as a percentage of total loans and other property owned	0.18%	0.18%
Nonperforming assets as a percentage of capital	0.67%	0.71%

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	March 31, 2022	December 31, 2021
Impaired nonaccrual loans:		
Current as to principal and interest	\$ 399	\$ 689
Past due	587	343
Total	\$ 986	\$ 1,032
Impaired accrual loans:		
Restructured	\$ 339	\$ 347
90 days or more past due	—	—
Total	\$ 339	\$ 347
Total impaired loans	\$ 1,325	\$ 1,379
Additional commitments to lend	\$ —	\$ —

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	March 31, 2022			Three Months Ended March 31, 2022	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans:					
With a related allowance for credit losses:					
Real estate mortgage	\$ —	\$ —	\$ —	\$ —	\$ —
Production and intermediate-term	3	23	8	4	—
Rural residential real estate	—	—	—	—	—
Total	\$ 3	\$ 23	\$ 8	\$ 4	\$ —
With no related allowance for credit losses:					
Real estate mortgage	\$ 915	\$ 1,174	\$ —	\$ 1,057	\$ 5
Production and intermediate-term	314	837	—	362	2
Rural residential real estate	93	162	—	107	1
Total	\$ 1,322	\$ 2,173	\$ —	\$ 1,526	\$ 8
Total impaired loans:					
Real estate mortgage	\$ 915	\$ 1,174	\$ —	\$ 1,057	\$ 5
Production and intermediate-term	317	860	8	366	2
Rural residential real estate	93	162	—	107	1
Total	\$ 1,325	\$ 2,196	\$ 8	\$ 1,530	\$ 8

	December 31, 2021			Year Ended December 31, 2021	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans:					
With a related allowance for credit losses:					
Real estate mortgage	\$ —	\$ —	\$ —	\$ —	\$ —
Production and intermediate-term	10	28	19	10	3
Rural residential real estate	—	—	—	—	—
Total	\$ 10	\$ 28	\$ 19	\$ 10	\$ 3
With no related allowance for credit losses:					
Real estate mortgage	\$ 935	\$ 1,195	\$ —	\$ 1,007	\$ 276
Production and intermediate-term	334	853	—	359	98
Rural residential real estate	100	167	—	108	29
Total	\$ 1,369	\$ 2,215	\$ —	\$ 1,474	\$ 403
Total impaired loans:					
Real estate mortgage	\$ 935	\$ 1,195	\$ —	\$ 1,007	\$ 276
Production and intermediate-term	344	881	19	369	101
Rural residential real estate	100	167	—	108	29
Total	\$ 1,379	\$ 2,243	\$ 19	\$ 1,484	\$ 406

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate- term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Activity related to the allowance for credit losses:								
Balance at December 31, 2021	\$ 1,783	\$ 574	\$ 101	\$ 1	\$ 1	\$ 154	\$ 11	\$ 2,625
Charge-offs	—	—	—	—	—	—	—	—
Recoveries	—	2	—	—	—	—	—	2
Provision for loan losses	(12)	(109)	27	2	—	(18)	—	(110)
Balance at March 31, 2022	\$ 1,771	\$ 467	\$ 128	\$ 3	\$ 1	\$ 136	\$ 11	\$ 2,517
Balance at December 31, 2020	\$ 1,693	\$ 623	\$ 105	\$ —	\$ 2	\$ 161	\$ 12	\$ 2,596
Charge-offs	(1)	(11)	—	—	—	—	—	(12)
Recoveries	2	4	—	—	—	—	—	6
Provision for loan losses	(4)	(73)	6	—	—	4	3	(64)
Balance at March 31, 2021	\$ 1,690	\$ 543	\$ 111	\$ —	\$ 2	\$ 165	\$ 15	\$ 2,526
Allowance on loans evaluated for impairment:								
Individually	\$ —	\$ 8	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 8
Collectively	1,771	459	128	3	1	136	11	2,509
Balance at March 31, 2022	\$ 1,771	\$ 467	\$ 128	\$ 3	\$ 1	\$ 136	\$ 11	\$ 2,517
Individually	\$ —	\$ 19	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 19
Collectively	1,783	555	101	1	1	154	11	2,606
Balance at December 31, 2021	\$ 1,783	\$ 574	\$ 101	\$ 1	\$ 1	\$ 154	\$ 11	\$ 2,625
Recorded investment in loans evaluated for impairment:								
Individually	\$ 915	\$ 317	\$ —	\$ —	\$ —	\$ 93	\$ —	\$ 1,325
Collectively	524,548	135,978	38,031	740	162	40,145	3,318	742,922
Balance at March 31, 2022	\$ 525,463	\$ 136,295	\$ 38,031	\$ 740	\$ 162	\$ 40,238	\$ 3,318	\$ 744,247
Individually	\$ 935	\$ 344	\$ —	\$ —	\$ —	\$ 100	\$ —	\$ 1,379
Collectively	516,464	160,754	29,147	211	290	44,456	3,314	754,636
Balance at December 31, 2021	\$ 517,399	\$ 161,098	\$ 29,147	\$ 211	\$ 290	\$ 44,556	\$ 3,314	\$ 756,015

*Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. There were no new TDRs that occurred during the three month periods ended March 31, 2022 and 2021.

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the periods presented. Payment default is defined as a payment that was thirty days or more past due.

The following table provides information at period end on outstanding loans restructured in troubled debt restructurings. These loans are included as impaired loans in the impaired loan table:

	Total TDRs		Nonaccrual TDRs	
	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Real estate mortgage	\$ 426	\$ 438	\$ 98	\$ 106
Production and intermediate-term	288	291	288	291
Rural residential real estate	63	69	52	54
Total loans	\$ 777	\$ 798	\$ 438	\$ 451
Additional commitments to lend	\$ —	\$ —		

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These

investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional

capital contributions to maintain its capital requirements. The Association owned 2.22 percent of the issued stock of the Bank as of March 31, 2022 net of any reciprocal investment. As of that date, the Bank's assets totaled \$39.1 billion and shareholders' equity totaled \$2.0 billion. The Bank's earnings were \$113 million for the first three months of 2022. In addition, the Association held \$518 in investments related to other Farm Credit institutions.

Note 4 — Debt

Notes payable to AgFirst Farm Credit Bank

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

Changes in Accumulated Other Comprehensive Income by Component (a)			
Three Months Ended March 31,			
	2022	2021	
Employee Benefit Plans:			
Balance at beginning of period	\$ (341)	\$ (450)	
Other comprehensive income before reclassifications	—	—	
Amounts reclassified from AOCI	20	22	
Net current period other comprehensive income	20	22	
Balance at end of period	\$ (321)	\$ (428)	

Reclassifications Out of Accumulated Other Comprehensive Income (b)			
Three Months Ended March 31,			
	2022	2021	Income Statement Line Item
Defined Benefit Pension Plans:			
Periodic pension costs	\$ (20)	\$ (22)	See Note 7.
Net amounts reclassified	\$ (20)	\$ (22)	

(a) Amounts in parentheses indicate debits to AOCI.

(b) Amounts in parentheses indicate debits to profit/loss.

Note 6 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer-quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

		March 31, 2022				
		Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
<u>Recurring Measurements</u>						
Assets:						
Assets held in trust funds		\$ 859	\$ 859	\$ –	\$ –	\$ 859
Recurring Assets		\$ 859	\$ 859	\$ –	\$ –	\$ 859
Liabilities:						
Recurring Liabilities		\$ –	\$ –	\$ –	\$ –	\$ –
<u>Nonrecurring Measurements</u>						
Assets:						
Impaired loans		\$ –	\$ –	\$ –	\$ –	\$ –
Other property owned		–	–	–	–	–
Nonrecurring Assets		\$ –	\$ –	\$ –	\$ –	\$ –
<u>Other Financial Instruments</u>						
Assets:						
Cash		\$ 135	\$ 135	\$ –	\$ –	\$ 135
Loans		737,288	–	–	715,665	715,665
Other Financial Assets		\$ 737,423	\$ 135	\$ –	\$ 715,665	\$ 715,800
Liabilities:						
Notes payable to AgFirst Farm Credit Bank		\$ 531,833	\$ –	\$ –	\$ 514,148	\$ 514,148
Other Financial Liabilities		\$ 531,833	\$ –	\$ –	\$ 514,148	\$ 514,148

		December 31, 2021				
		Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
<u>Recurring Measurements</u>						
Assets:						
Assets held in trust funds		\$ 875	\$ 875	\$ –	\$ –	\$ 875
Recurring Assets		\$ 875	\$ 875	\$ –	\$ –	\$ 875
Liabilities:						
Recurring Liabilities		\$ –	\$ –	\$ –	\$ –	\$ –
<u>Nonrecurring Measurements</u>						
Assets:						
Impaired loans		\$ –	\$ –	\$ –	\$ –	\$ –
Other property owned		–	–	–	–	–
Nonrecurring Assets		\$ –	\$ –	\$ –	\$ –	\$ –
<u>Other Financial Instruments</u>						
Assets:						
Cash		\$ 44	\$ 44	\$ –	\$ –	\$ 44
Loans		748,842	–	–	749,738	749,738
Other Financial Assets		\$ 748,886	\$ 44	\$ –	\$ 749,738	\$ 749,782
Liabilities:						
Notes payable to AgFirst Farm Credit Bank		\$ 556,606	\$ –	\$ –	\$ 555,652	\$ 555,652
Other Financial Liabilities		\$ 556,606	\$ –	\$ –	\$ 555,652	\$ 555,652

Uncertainty in Measurements of Fair Value

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the

instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other

factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

Note 7 — Employee Benefit Plans

The following is a table of retirement and other postretirement benefit expenses for the Association:

	Three Months Ended March 31,	
	2022	2021
Pension	\$ 312	\$ 594
401(k)	150	134
Other postretirement benefits	46	47
Total	\$ 508	\$ 775

Expenses in the above table are computed using allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2022.

Further details regarding employee benefit plans are contained in the 2021 Annual Report to Shareholders.

Note 8 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available.

While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is remote that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 9 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through May 9, 2022, which was the date the financial statements were issued.