
Southwest Georgia Farm Credit, ACA
FIRST QUARTER 2022

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2022 quarterly report of Southwest Georgia 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/ Paxton W. Poitevint
President/CEO

/s/ Ryan G. Burt
Chief Financial Officer

/s/ James H. Dixon Jr.
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/ Paxton W. Poitevint
Chief Executive Officer

/s/ Ryan G. Burt
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 Southwest Georgia 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 OVERVIEW

The Association has returned to pre-pandemic working conditions.

CLIMATE CHANGE

Agricultural production is and always has been vulnerable to weather events and climate change. The USDA has recognized that the changing climate presents threats to U.S. and global agricultural production and rural communities. The impact of climate change including its effect on weather is, and will continue to be, a challenge for agricultural producers. Among the risks of climate change are:

- rising average temperatures,
- more frequent and severe storms,
- more forest fires, and
- extremes in flooding and droughts.

However, risks associated with climate change are mitigated, to some degree, by U.S. agricultural producers' ability to navigate changing industry dynamics from numerous perspectives, including trade, government policy, consumer preferences and weather. Producers regularly adopt new technologies, agronomic practices and financial strategies in response to evolving trends to ensure their competitiveness.

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, investment securities purchased, 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.

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.

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 in our region, including timber, landlords, poultry, cotton, livestock, peanuts, fruit and nut, vegetables, and dairy. Farm size varies and many of the borrowers in the region have diversified farming operations. These factors, along with the opportunities for non-farm income in the area, reduce the level of dependency on any given commodity.

ASSOCIATION BALANCE SHEET

The gross loan volume of the Association as of March 31, 2022, was \$607,221, a decrease of \$2,772 as compared to \$609,993 at December 31, 2021. Net loans outstanding at March 31, 2022, were \$602,589 as compared to \$605,371 at December 31, 2021. Net loans and investments accounted for 96.19 percent of total assets at March 31, 2022, as compared to 94.10 percent of total assets at December 31, 2021.

Total assets at March 31, 2022 were \$630,966 compared to \$647,983 at December 31, 2021, a decrease of \$17,017 or 2.63 percent. The decrease in total assets is primarily the result of the seasonal pay downs on operating lines. Continued growth in loan volume is expected this year.

Investment securities classed as held to maturity as of March 31, 2022 were \$4,342, a decrease of \$12 as compared to \$4,354 at December 31, 2021. There is an inherent risk in the extension of any type of credit. The current year (2022) continues to show satisfactory credit quality within the Association's portfolio. Loans classified under the Farm Credit Administration's Uniform Loan Classification System

as "acceptable" or "other assets especially mentioned" are 99.06 percent of total loans and accrued interest at March 31, 2022 as compared to 99.03 percent at December 31, 2021.

Nonaccrual loans as of March 31, 2022 were \$4,413, an increase of \$155 as compared to \$4,258 at December 31, 2021.

As of March 31, 2022, the association has properties classed as Other Property Owned totaling \$78. The properties consist of tangible collateral and no real estate at this time. The Association is actively marketing the properties for sale. Through March of 2022 there has been no activity to report regarding the Association Other Property Owned.

The Association maintains an allowance for loan losses at a level considered sufficient to absorb possible losses within the loan portfolio based on current and expected future conditions. The Association increases the allowance by providing a provision for loan losses in the income statement. Loan losses are recorded against and serve to decrease the allowance when management determines that any portion of a loan is uncollectible. Any subsequent recoveries are added to the allowance. The Risk Management Committee (RIMCO), which is comprised of members of the Board of Directors, senior management, and senior lending staff, meets quarterly to evaluate the adequacy of the allowance account. The evaluation considers factors which include, among many other things, loan loss experience, portfolio quality, loan portfolio composition, current agricultural production conditions, and general economic conditions.

After review, RIMCO determined the allowance account was sufficient to absorb any expected losses in the portfolio. The allowance for loan losses at March 31, 2022, was \$4,632 compared to \$4,622 as of December 31, 2021 an increase of \$10. The association has realized \$23 in recoveries, \$13 in charge-offs and there have been no provisions this year.

RESULTS OF OPERATIONS

For the three months ended March 31, 2022

At March 31, 2022, total interest income was \$6,630 an increase of \$630 as compared to \$6,000 for the same period in 2021. Of the \$6,630 in total interest income, \$66 was from investment securities and \$6,564 was from loans. The increase in total interest income primarily resulted from increases in average loan volume and the increase gained in average spread from refinances.

Interest expense was \$2,789 an increase of \$248, as compared to \$2,541 for the same period in 2021. This increase is primarily the result of the increase in average loan volume.

Non-interest income for the three months ended March 31, 2022, totaled \$2,217 an increase of \$147 as compared to

\$2,070 for the same period in 2021. The increase is primarily related to increases of \$240 in Patronage Refunds.

Non-interest expense for the three months ended March 31, 2022 totaled \$2,679, a decrease of \$25 as compared to \$2,704 for the same period in 2021. The decrease is primarily due to decreases in Gain/Loss on OPO of \$40 and a decrease of \$98 in Salary and Benefits.

Net income for the three months ended March 31, 2022, totaled \$3,379, an increase of \$554 as compared to \$2,825 for the same period in 2021.

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 funds are advanced by the Bank to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds 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 \$505,727, a decrease of \$17,245 as compared to \$522,972 at December 31, 2021. The increase is primarily the result of the growth in association loan volume. The Association has no lines of credit with third parties as of March 31, 2022.

CAPITAL RESOURCES

Total members' equity at March 31, 2022, increased \$2,167 to \$113,249 from the December 31, 2021 total of \$111,082. Total capital stock and participation certificates were \$1,584 as of March 31, 2022, which held the \$1,616 balance at December 31, 2021.

The System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. The core surplus and total surplus ratios have been replaced with common equity tier 1 (CET1), tier 1 capital, and total capital risk-based capital ratios. Regulations also include a tier 1 leverage ratio, an unallocated retained earnings equivalents (UREE) leverage ratio and the permanent capital ratio (PCR).

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

FCA sets minimum regulatory capital requirements for System banks and associations. Capital adequacy is evaluated using a number of regulatory ratios. According to the FCA regulations, each institution's permanent capital ratio is calculated by dividing permanent capital by a risk-adjusted asset base. Risk adjusted assets means the total dollar amount of the institution's assets are adjusted by an appropriate credit conversion factor as defined by regulation. For all periods represented, the Association exceeded minimum regulatory standard for all the ratios.

The following sets forth the regulatory capital ratios:

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%	1.875%	6.38%	17.34%
Tier 1 Capital	6.0%	1.875%	7.88%	17.34%
Total Capital	8.0%	1.875%	9.88%	18.25%
Permanent Capital Ratio	7.0%	0.0%	7.00%	17.53%
Non-risk-adjusted:				
Tier 1 Leverage Ratio	4.0%	1.0%	5.00%	16.19%
UREE Leverage Ratio	1.5%	0.0%	1.50%	15.93%

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.

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 1-229-246-0384 or 1-866-304-3276, writing Belinda Ott, Treasurer, Southwest Georgia Farm Credit, ACA, 305 Colquitt Highway, Bainbridge, Georgia 39817 or accessing the website, www.swgafarmcredit.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.

Southwest Georgia 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	\$ 2	\$ 2
Investments in debt securities:		
Held to maturity (fair value of \$4,788 and \$5,197, respectively)	4,342	4,354
Loans	607,221	609,993
Allowance for loan losses	(4,632)	(4,622)
Net loans	602,589	605,371
Accrued interest receivable	6,392	7,599
Equity investments in other Farm Credit institutions	12,105	11,972
Premises and equipment, net	2,847	2,929
Other property owned	78	78
Accounts receivable	2,289	15,379
Other assets	322	299
Total assets	\$ 630,966	\$ 647,983
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 505,727	\$ 522,972
Accrued interest payable	972	978
Patronage refunds payable	580	7,095
Accounts payable	253	811
Other liabilities	10,185	5,045
Total liabilities	517,717	536,901
Commitments and contingencies (Note 7)		
Members' Equity		
Capital stock and participation certificates	1,584	1,616
Retained earnings		
Allocated	9,707	9,707
Unallocated	101,958	99,759
Total members' equity	113,249	111,082
Total liabilities and members' equity	\$ 630,966	\$ 647,983

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

Southwest Georgia 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	\$ 6,564	\$ 5,932
Investments	66	68
Total interest income	6,630	6,000
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	2,789	2,541
Net interest income	3,841	3,459
Provision for loan losses	—	—
Net interest income after provision for loan losses	3,841	3,459
Noninterest Income		
Loan fees	192	265
Fees for financially related services	1	3
Patronage refunds from other Farm Credit institutions	2,017	1,777
Gains (losses) on sales of premises and equipment, net	(27)	14
Other noninterest income	34	11
Total noninterest income	2,217	2,070
Noninterest Expense		
Salaries and employee benefits	1,717	1,815
Occupancy and equipment	115	121
Insurance Fund premiums	196	176
Purchased services	197	187
Data processing	29	39
Other operating expenses	422	323
(Gains) losses on other property owned, net	3	43
Total noninterest expense	2,679	2,704
Net income	\$ 3,379	\$ 2,825
Other comprehensive income	—	—
Comprehensive income	\$ 3,379	\$ 2,825

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

Southwest Georgia Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

	Capital Stock and Participation Certificates	Retained Earnings		Total Members' Equity
		Allocated	Unallocated	
<i>(dollars in thousands)</i>				
Balance at December 31, 2020	\$ 1,567	\$ 9,707	\$ 86,923	\$ 98,197
Comprehensive income			2,825	2,825
Capital stock/participation certificates issued/(retired), net	(17)			(17)
Balance at March 31, 2021	\$ 1,550	\$ 9,707	\$ 89,748	\$ 101,005
Balance at December 31, 2021	\$ 1,616	\$ 9,707	\$ 99,759	\$ 111,082
Comprehensive income			3,379	3,379
Capital stock/participation certificates issued/(retired), net	(32)			(32)
Patronage distribution adjustment			(1,180)	(1,180)
Balance at March 31, 2022	\$ 1,584	\$ 9,707	\$ 101,958	\$ 113,249

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

Southwest Georgia Farm Credit, ACA

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 Southwest Georgia 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 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 5, *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 failure of an obligor to meet the 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	\$ 362,593	\$ 359,478
Production and intermediate-term	150,370	161,049
Loans to cooperatives	1,796	1,717
Processing and marketing	58,899	56,441
Farm-related business	22,199	21,176
Communication	3,721	2,238
Power and water/waste disposal	495	545
Rural residential real estate	2,639	2,723
International	1,934	1,933
Lease receivables	2,575	2,693
Total loans	\$ 607,221	\$ 609,993

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	\$ 32,890	\$ 105,784	\$ —	\$ —	\$ —	\$ —	\$ 32,890	\$ 105,784
Production and intermediate-term	12,000	59,419	—	—	—	—	12,000	59,419
Loans to cooperatives	1,803	—	—	—	—	—	1,803	—
Processing and marketing	17,273	115,483	52,637	—	9,833	—	79,743	115,483
Farm-related business	—	443	—	4,845	—	—	—	5,288
Communication	3,737	—	—	—	—	—	3,737	—
Power and water/waste disposal	497	—	—	—	—	—	497	—
International	1,936	—	—	—	—	—	1,936	—
Lease receivables	—	—	2,576	—	—	—	2,576	—
Total	\$ 70,136	\$ 281,129	\$ 55,213	\$ 4,845	\$ 9,833	\$ —	\$ 135,182	\$ 285,974

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	\$ 30,394	\$ 112,306	\$ —	\$ —	\$ —	\$ —	\$ 30,394	\$ 112,306
Production and intermediate-term	12,884	68,133	—	—	—	—	12,884	68,133
Loans to cooperatives	1,725	—	—	—	—	—	1,725	—
Processing and marketing	19,434	101,220	40,360	—	8,981	—	68,775	101,220
Farm-related business	—	470	—	1,021	—	—	—	1,491
Communication	2,254	—	—	—	—	—	2,254	—
Power and water/waste disposal	547	—	—	—	—	—	547	—
International	1,936	—	—	—	—	—	1,936	—
Lease receivables	—	—	2,695	—	—	—	2,695	—
Total	\$ 69,174	\$ 282,129	\$ 43,055	\$ 1,021	\$ 8,981	\$ —	\$ 121,210	\$ 283,150

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:			Power and water/waste disposal:		
Acceptable	99.27%	98.63%	Acceptable	100.00%	100.00%
OAEM	0.58	1.05	OAEM	—	—
Substandard/doubtful/loss	0.15	0.32	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Production and intermediate-term:			Rural residential real estate:		
Acceptable	98.22%	98.51%	Acceptable	91.51%	91.69%
OAEM	0.48	0.17	OAEM	—	—
Substandard/doubtful/loss	1.30	1.32	Substandard/doubtful/loss	8.49	8.31
	100.00%	100.00%		100.00%	100.00%
Loans to cooperatives:			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%
Processing and marketing:			Lease receivables:		
Acceptable	95.88%	95.67%	Acceptable	100.00%	100.00%
OAEM	—	—	OAEM	—	—
Substandard/doubtful/loss	4.12	4.33	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Farm-related business:			Total loans:		
Acceptable	97.36%	100.00%	Acceptable	98.59%	98.36%
OAEM	—	—	OAEM	0.46	0.67
Substandard/doubtful/loss	2.64	—	Substandard/doubtful/loss	0.95	0.97
	100.00%	100.00%		100.00%	100.00%
Communication:					
Acceptable	100.00%	100.00%			
OAEM	—	—			
Substandard/doubtful/loss	—	—			
	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	\$ 1,396	\$ 44	\$ 1,440	\$ 365,179	\$ 366,619
Production and intermediate-term	713	—	713	151,635	152,348
Loans to cooperatives	—	—	—	1,796	1,796
Processing and marketing	—	2,097	2,097	57,008	59,105
Farm-related business	61	—	61	22,224	22,285
Communication	—	—	—	3,723	3,723
Power and water/waste disposal	—	—	—	496	496
Rural residential real estate	70	148	218	2,428	2,646
International	—	—	—	1,936	1,936
Lease receivables	—	—	—	2,584	2,584
Total	\$ 2,240	\$ 2,289	\$ 4,529	\$ 609,009	\$ 613,538

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	\$ 752	\$ —	\$ 752	\$ 363,326	\$ 364,078
Production and intermediate-term	274	—	274	163,161	163,435
Loans to cooperatives	—	—	—	1,718	1,718
Processing and marketing	—	2,125	2,125	54,754	56,879
Farm-related business	—	—	—	21,296	21,296
Communication	—	—	—	2,238	2,238
Power and water/waste disposal	—	—	—	545	545
Rural residential real estate	150	77	227	2,504	2,731
International	—	—	—	1,935	1,935
Lease receivables	—	—	—	2,703	2,703
Total	\$ 1,176	\$ 2,202	\$ 3,378	\$ 614,180	\$ 617,558

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	\$ 287	\$ 635
Production and intermediate-term	878	1,082
Processing and marketing	2,436	2,464
Farm-related business	587	—
Rural residential real estate	225	77
Total	\$ 4,413	\$ 4,258
Accruing restructured loans:		
Real estate mortgage	\$ 1,199	\$ 1,183
Production and intermediate-term	—	—
Total	\$ 1,199	\$ 1,183
Accruing loans 90 days or more past due:		
Total	\$ —	\$ —
Total nonperforming loans	\$ 5,612	\$ 5,441
Other property owned	78	78
Total nonperforming assets	\$ 5,690	\$ 5,519
Nonaccrual loans as a percentage of total loans	0.73%	0.70%
Nonperforming assets as a percentage of total loans and other property owned	0.94%	0.90%
Nonperforming assets as a percentage of capital	5.02%	4.97%

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	\$ 1,857	\$ 1,840
Past due	2,556	2,418
Total	\$ 4,413	\$ 4,258
Impaired accrual loans:		
Restructured	\$ 1,199	\$ 1,183
90 days or more past due	—	—
Total	\$ 1,199	\$ 1,183
Total impaired loans	\$ 5,612	\$ 5,441
Additional commitments to lend	\$ 1	\$ 17

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	
Impaired loans:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	\$ 1,154	\$ 1,125	\$ 19	\$ 1,076	\$ 6
Production and intermediate-term	113	192	3	105	1
Processing and marketing	—	—	—	—	—
Farm-related business	—	—	—	—	—
Rural residential real estate	—	—	—	—	—
Total	\$ 1,267	\$ 1,317	\$ 22	\$ 1,181	\$ 7
With no related allowance for credit losses:					
Real estate mortgage	\$ 332	\$ 582	\$ —	\$ 309	\$ 2
Production and intermediate-term	765	1,484	—	713	4
Processing and marketing	2,436	2,474	—	2,271	13
Farm-related business	587	586	—	548	3
Rural residential real estate	225	244	—	209	1
Total	\$ 4,345	\$ 5,370	\$ —	\$ 4,050	\$ 23
Total impaired loans:					
Real estate mortgage	\$ 1,486	\$ 1,707	\$ 19	\$ 1,385	\$ 8
Production and intermediate-term	878	1,676	3	818	5
Processing and marketing	2,436	2,474	—	2,271	13
Farm-related business	587	586	—	548	3
Rural residential real estate	225	244	—	209	1
Total	\$ 5,612	\$ 6,687	\$ 22	\$ 5,231	\$ 30

	December 31, 2021			Year Ended December 31, 2021	
Impaired loans:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	\$ 1,137	\$ 1,125	\$ 28	\$ 798	\$ 15
Production and intermediate-term	154	233	8	108	2
Processing and marketing	—	—	—	—	—
Rural residential real estate	—	—	—	—	—
Total	\$ 1,291	\$ 1,358	\$ 36	\$ 906	\$ 17
With no related allowance for credit losses:					
Real estate mortgage	\$ 681	\$ 922	\$ —	\$ 478	\$ 9
Production and intermediate-term	928	1,655	—	652	12
Processing and marketing	2,464	2,474	—	1,730	32
Rural residential real estate	77	90	—	54	1
Total	\$ 4,150	\$ 5,141	\$ —	\$ 2,914	\$ 54
Total impaired loans:					
Real estate mortgage	\$ 1,818	\$ 2,047	\$ 28	\$ 1,276	\$ 24
Production and intermediate-term	1,082	1,888	8	760	14
Processing and marketing	2,464	2,474	—	1,730	32
Rural residential real estate	77	90	—	54	1
Total	\$ 5,441	\$ 6,499	\$ 36	\$ 3,820	\$ 71

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	Lease Receivables	Total
Activity related to the allowance for credit losses:									
Balance at December 31, 2021	\$ 2,732	\$ 1,222	\$ 593	\$ 17	\$ 4	\$ 20	\$ 14	\$ 20	\$ 4,622
Charge-offs	—	(4)	(9)	—	—	—	—	—	(13)
Recoveries	12	11	—	—	—	—	—	—	23
Provision for loan losses	29	(81)	41	11	—	—	1	(1)	—
Balance at March 31, 2022	\$ 2,773	\$ 1,148	\$ 625	\$ 28	\$ 4	\$ 20	\$ 15	\$ 19	\$ 4,632
Balance at December 31, 2020	\$ 2,903	\$ 1,407	\$ 545	\$ 36	\$ 4	\$ 34	\$ 17	\$ 13	\$ 4,959
Charge-offs	—	—	—	—	—	—	—	—	—
Recoveries	—	28	—	—	—	—	—	—	28
Provision for loan losses	129	(104)	(24)	(1)	(1)	(3)	4	—	—
Balance at March 31, 2021	\$ 3,032	\$ 1,331	\$ 521	\$ 35	\$ 3	\$ 31	\$ 21	\$ 13	\$ 4,987
Allowance on loans evaluated for impairment:									
Individually	\$ 19	\$ 3	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 22
Collectively	2,754	1,145	625	28	4	20	15	19	4,610
Balance at March 31, 2022	\$ 2,773	\$ 1,148	\$ 625	\$ 28	\$ 4	\$ 20	\$ 15	\$ 19	\$ 4,632
Individually	\$ 28	\$ 8	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 36
Collectively	2,704	1,214	593	17	4	20	14	20	4,586
Balance at December 31, 2021	\$ 2,732	\$ 1,222	\$ 593	\$ 17	\$ 4	\$ 20	\$ 14	\$ 20	\$ 4,622
Recorded investment in loans evaluated for impairment:									
Individually	\$ 1,486	\$ 878	\$ 3,023	\$ —	\$ —	\$ 225	\$ —	\$ —	\$ 5,612
Collectively	365,133	151,470	80,163	3,723	496	2,421	1,936	2,584	607,926
Balance at March 31, 2022	\$ 366,619	\$ 152,348	\$ 83,186	\$ 3,723	\$ 496	\$ 2,646	\$ 1,936	\$ 2,584	\$ 613,538
Individually	\$ 1,818	\$ 1,082	\$ 2,464	\$ —	\$ —	\$ 77	\$ —	\$ —	\$ 5,441
Collectively	362,260	162,353	77,429	2,238	545	2,654	1,935	2,703	612,117
Balance at December 31, 2021	\$ 364,078	\$ 163,435	\$ 79,893	\$ 2,238	\$ 545	\$ 2,731	\$ 1,935	\$ 2,703	\$ 617,558

*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. The following table presents additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the period presented. There were no new TDRs that occurred during the three months ended March 31, 2021.

Outstanding Recorded Investment	Three Months Ended March 31, 2022				
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Processing and marketing	\$ —	\$ 2,124	\$ —	\$ 2,124	
Rural residential real estate	—	78	—	78	
Total	\$ —	\$ 2,202	\$ —	\$ 2,202	
Post-modification:					
Processing and marketing	\$ —	\$ 2,124	\$ —	\$ 2,124	\$ —
Rural residential real estate	—	76	—	76	—
Total	\$ —	\$ 2,200	\$ —	\$ 2,200	\$ —

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	\$ 1,330	\$ 1,336	\$ 131	\$ 153
Production and intermediate-term	145	225	145	225
Processing and marketing	2,097	—	2,097	—
Rural residential real estate	76	—	76	—
Total loans	\$ 3,648	\$ 1,561	\$ 2,449	\$ 378
Additional commitments to lend	\$ —	\$ —		

Note 3 — Investments

Investments in Debt Securities

The Association's investments consist primarily of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment (MRI) program approved by the FCA. In its Conditions of Approval for the program, the FCA generally considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9, and requires System institutions to provide notification to FCA when a security becomes ineligible. Any new bonds purchased under the MRI program are approved on a case-by-case basis by FCA and may have different eligibility requirements. At March 31, 2022, the Association held no RABs whose credit quality had deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

	March 31, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	\$ 4,342	\$ 446	\$ —	\$ 4,788	6.13%

	December 31, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	\$ 4,354	\$ 843	\$ —	\$ 5,197	6.13%

A summary of contractual maturity, amortized cost, and estimated fair value of investment securities held-to-maturity follows:

	March 31, 2022		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	\$ —	\$ —	—%
After one year through five years	—	—	—
After five years through ten years	—	—	—
After ten years	4,342	4,788	6.13
Total	\$ 4,342	\$ 4,788	6.13%

All of these investments have contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified. There were no investments in a continuous unrealized loss position at March 31, 2022 or December 31, 2021.

The recording of an impairment is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

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 4.26 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 investments of \$1,169 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 — 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	
Recurring Measurements							
Assets:							
Assets held in trust funds	\$	239	239	—	—		239
Recurring Assets	\$	239	\$ 239	\$ —	\$ —	\$	239
Liabilities:							
Recurring Liabilities	\$	—	\$ —	\$ —	\$ —	\$	—
Nonrecurring Measurements							
Assets:							
Impaired loans	\$	1,245	\$ —	\$ —	\$ 1,245	\$	1,245
Other property owned		78	—	—	83		83
Nonrecurring Assets	\$	1,323	\$ —	\$ —	\$ 1,328	\$	1,328
Other Financial Instruments							
Assets:							
Cash	\$	2	\$ 2	\$ —	\$ —	\$	2
Investments in debt securities, held-to-maturity		4,342	—	—	4,788		4,788
Loans		601,344	—	—	576,200		576,200
Other Financial Assets	\$	605,688	\$ 2	\$ —	\$ 580,988	\$	580,990
Liabilities:							
Notes payable to AgFirst Farm Credit Bank	\$	505,727	\$ —	\$ —	\$ 487,462	\$	487,462
Other Financial Liabilities	\$	505,727	\$ —	\$ —	\$ 487,462	\$	487,462

		December 31, 2021					
		Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	
Recurring Measurements							
Assets:							
Assets held in trust funds	\$	230	\$ 230	\$ —	\$ —	\$	230
Recurring Assets	\$	230	\$ 230	\$ —	\$ —	\$	230
Liabilities:							
Recurring Liabilities	\$	—	\$ —	\$ —	\$ —	\$	—
Nonrecurring Measurements							
Assets:							
Impaired loans	\$	1,255	\$ —	\$ —	\$ 1,255	\$	1,255
Other property owned		78	—	—	83		83
Nonrecurring Assets	\$	1,333	\$ —	\$ —	\$ 1,338	\$	1,338
Other Financial Instruments							
Assets:							
Cash	\$	2	\$ 2	\$ —	\$ —	\$	2
Investments in debt securities, held-to-maturity		4,354	—	—	5,197		5,197
Loans		604,116	—	—	596,605		596,605
Other Financial Assets	\$	608,472	\$ 2	\$ —	\$ 601,802	\$	601,804
Liabilities:							
Notes payable to AgFirst Farm Credit Bank	\$	522,972	\$ —	\$ —	\$ 519,046	\$	519,046
Other Financial Liabilities	\$	522,972	\$ —	\$ —	\$ 519,046	\$	519,046

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.

Investments in Debt Securities

The fair values of predominantly all Level 3 investments in debt securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities. These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

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
Investments in debt securities, held-to-maturity	Discounted cash flow	Prepayment rates Risk-adjusted discount rate
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

Note 6 — 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	\$ 78	\$ 189
401(k)	145	142
Other postretirement benefits	27	33
Total	\$ 250	\$ 364

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 7 — 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 8 — 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.