Farm Credit of Northwest Florida, ACA

FIRST QUARTER 2022

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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2022 quarterly report of Farm Credit of Northwest Florida, 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.

John R. Gregory
Chief Executive Officer

John P. Mottice
Chief Financial Officer

Cindy S. Eade
Chairperson of the Board

May 9, 2022

Farm Credit of Northwest Florida, ACA

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.

John R. Gregory
Chief Executive Officer

John P. Mottice
Chief Financial Officer

May 9, 2022

Farm Credit of Northwest Florida, ACA

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 Farm Credit of Northwest Florida, ACA (the Association) for the period ending 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.

COVID-19 OVERVIEW

The Association returned to pre-pandemic working conditions during the second quarter of 2021 and continues to serve the mission of providing support for rural America and agriculture while ensuring the health and safety of employees and customers.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for the 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 forestry, row crops, livestock, peanuts, horticulture, dairies and rural homes. 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, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of March 31, 2022, was $318,066, a decrease of $547 or 0.17 percent as compared to $318,613 at December 31, 2021. Net loans outstanding (gross loans net of the allowance for loan losses) as of March 31, 2022, were $313,240, a decrease of $405 or 0.13 percent as compared to $313,645 at December 31, 2021. Net loans accounted for 97.54 percent of total assets as of March 31, 2022, as compared to 95.91 percent of total assets at December 31, 2021. The decrease in loan volume was due primarily to decreases in participation loans purchased and nonaccrual loans, partially offset by an increase in net originated loans.

Portfolio credit quality increased during the first three months of 2022. Loans classified under the Farm Credit Administration's Uniform Loan Classification System as "acceptable" or "other assets especially mentioned" were 97.70 percent of total loans and accrued interest as of March 31, 2022, as compared to 97.62 percent at December 31, 2021.

Nonaccrual loans were $233 as of March 31, 2022, a decrease of $218 or 48.34 percent as compared to $451 at December 31, 2021. The decrease reflects collections on multiple loans and the charge-off of one loan.

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. The Association's Risk Management Committee, which is comprised of senior management and a member of the Board of Directors, evaluates the adequacy of the allowance on a quarterly basis. The evaluation considers factors which include, but are not limited to, loan loss experience, portfolio quality, loan portfolio composition, commodity prices, agricultural production conditions, and general economic conditions.

The allowance for loan losses as of March 31, 2022, was $4,826, a decrease of $142 or 2.86% as compared to $4,968 at December 31, 2021. Activity during the first three months of 2022 reflected recoveries of $1, charge-offs of $143 and no provision for or reversal of the allowance. The allowance for loan losses as of March 31, 2022, was considered by management to be adequate to cover probable and estimable losses inherent in the loan portfolio. The allowance represented 1.52 percent of gross loan volume as of March 31, 2022.

Other property owned was $0 as of March 31, 2022, a decrease of $45 compared to $45 at December 31, 2021. During the first three months of 2022, activity included the sale of equipment.

Accounts receivable were $822 as of March 31, 2022, a decrease of $4,745 or 85.23 percent as compared to $5,567 at December 31, 2021. Accounts receivable consist of general receivables as well as patronage receivables from AgFirst Farm Credit Bank (AgFirst or the Bank) and other Farm Credit System institutions. The decrease was due primarily to the fact that patronage receivables at December 31, 2021, included four quarters of accrued patronage as well as special patronage from AgFirst, as compared to one quarter of accrued patronage at March 31, 2022.

RESULTS OF OPERATIONS

For the three months ending March 31, 2022

Net income for the three months ending March 31, 2022, totaled $1,257, an increase of $145 or 13.04 percent as compared to net income of $1,112 for the same period in 2021. Components of the increase in net income are discussed further in the following paragraphs.

Interest income for the three months ending March 31, 2022, was $3,544, an increase of $64 or 1.84 percent as compared to $3,480 for the same period in 2021. The increase was due primarily to higher average loans outstanding and increased interest income on nonaccrual loans, partially offset by lower average interest rates.

Interest expense for the three months ending March 31, 2022, was $1,299, an increase of $46 or 3.67 percent as compared to $1,253 for the same period in 2021. The increase was due primarily to higher average balances on the Association's notes payable to AgFirst and reduced earnings on loanable funds, partially offset by lower interest rates.

Net interest income before provision (or reversal) for loan losses for the three months ending March 31, 2022, was $2,245, an increase of $18 or 0.81 percent as compared to $2,227 for the same period in 2021. The increase was due primarily to higher average loans outstanding and increased income on nonaccrual loans, partially offset by lower average net interest spread and reduced earnings on loanable funds.

There was no provision for or reversal of the allowance for loan losses for the three months ending March 31, 2022, and March 31, 2021.

Noninterest income for the three months ending March 31, 2022, totaled $822, an increase of $168 or 25.69 percent as compared to $654 for the same period in 2021. The increase was due to higher patronage refunds, gains on sales of rural home loans, gains on sales of premises and equipment, loan fees, and other noninterest income, partially offset by reduced fees for financially related services and gains on other transactions.

Noninterest expense for the three months ending March 31, 2022, totaled $1,806 an increase of $37 or 2.09 percent as compared to $1,769 for the same period in 2021. The increase was due to higher salaries and employee benefits, Insurance Fund premiums, data processing, and other operating expenses, partially offset by reduced occupancy and equipment expenses, purchased services, and higher gains on other property owned.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst through the General Financing Agreement (GFA). The GFA 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.

Notes payable to AgFirst as of March 31, 2022, were $224,458, a decrease of $6,518 or 2.82 percent as compared to $230,976 at December 31, 2021. The decrease was primarily the result of decreased loan volume and an increase in the loanable funds credit. The Association had no lines of credit with third parties as of March 31, 2022.

CAPITAL RESOURCES

Total members' equity as of March 31, 2022, was $87,387, an increase of $920 or 1.06 percent as compared to $86,467 at December 31, 2021. Total capital stock and participation certificates were $1,404 as of March 31, 2022, an increase of $11 or 0.79 percent as compared to $1,393 at December 31, 2021.

FCA regulations require all Farm Credit institutions to maintain minimum capital ratios. Effective January 1, 2017, the regulatory capital requirements for Farm Credit 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 core surplus and total surplus ratios with common equity tier 1 (CET1) capital, tier 1 capital and total capital risk-based capital ratios. The new regulations also include a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The permanent capital ratio remains in effect.

As of March 31, 2022, the Association was in compliance with all minimum regulatory capital ratios.

The following table sets forth the minimum regulatory capital ratios and the Association's capital ratios as of March 31, 2022:

Ratio	Minimum Requirement	Capital Conservation Buffer*	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of March 31, 2022
Risk-adjusted ratios:				
CET1 Capital Ratio	4.5%	2.5%	7.0%	26.17%
Tier 1 Capital Ratio	6.0%	2.5%	8.5%	26.17%
Total Capital Ratio	8.0%	2.5%	10.5%	27.42%
Permanent Capital Ratio	7.0%	0.0%	7.0%	26.58%
Non risk-adjusted:				
Tier 1 Leverage Ratio	4.0%	1.0%	5.0%	27.15%
UREE Leverage Ratio	1.5%	0.0%	1.5%	26.70%

** The capital conservation buffers were phased in over a 3 year period and became fully effective January 1, 2020, with the exception of the tier 1 leverage ratio, which became fully effective January 1, 2017.*

If the capital ratios fall below 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 (London Interbank Offered Rate), 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 and Systemwide Debt Securities that are issued by the Funding Corporation on the Bank's and Association's behalf. 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.

The following is a summary of Association variable-rate financial instruments with LIBOR exposure at March 31, 2022:

(dollars in thousands)	Due in 2022	Due in 2023 And Thereafter	Total
Loans	$ 309	$ 12,484	$ 12,793
Total Assets	$ 309	$ 12,484	$ 12,793
Note Payable to AgFirst Farm Credit Bank	$ 217	$ 8,751	$ 8,968
Total Liabilities	$ 217	$ 8,751	$ 8,968

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, 25.94 percent of loans maturing after June 30, 2023 do not contain fallback language.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Consolidated 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
ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	
• 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: 1. 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, 2. An allowance will be established for estimated credit losses on any debt securities, 3. 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 850-526-4910 ext. 118, or writing John Mottice, Chief Financial Officer, Farm Credit of Northwest Florida, ACA, P.O. Box 7000, Marianna, FL 32447, or accessing the website, *www.farmcredit-fl.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.

Farm Credit of Northwest Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)		March 31, 2022		December 31, 2021
		(unaudited)		*(audited)*
Assets				
Loans	**$**	**318,066**	$	318,613
Allowance for loan losses		**(4,826)**		(4,968)
Net loans		**313,240**		313,645
Loans held for sale		**26**		503
Accrued interest receivable		**2,033**		2,386
Equity investments in other Farm Credit institutions		**2,972**		2,932
Premises and equipment, net		**1,835**		1,834
Other property owned		**—**		45
Accounts receivable		**822**		5,567
Other assets		**198**		102
Total assets	**$**	**321,126**	$	327,014
Liabilities				
Notes payable to AgFirst Farm Credit Bank	**$**	**224,458**	$	230,976
Accrued interest payable		**483**		494
Patronage refunds payable		**412**		6,410
Accounts payable		**376**		510
Advanced conditional payments		**29**		144
Other liabilities		**7,981**		2,013
Total liabilities		**233,739**		240,547
Commitments and contingencies (Note 7)				
Members' Equity				
Capital stock and participation certificates		**1,404**		1,393
Retained earnings				
Allocated		**36,420**		36,420
Unallocated		**49,563**		48,654
Total members' equity		**87,387**		86,467
Total liabilities and members' equity	**$**	**321,126**	$	327,014

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

Farm Credit of Northwest Florida, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the Three Months Ended March 31, 2022	2021
Interest Income		
Loans	**$ 3,542**	$ 3,472
Other	**2**	8
Total interest income	**3,544**	3,480
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	**1,299**	1,253
Total interest expense	**1,299**	1,253
Net interest income	**2,245**	2,227
Provision for loan losses	**—**	—
Net interest income after provision for loan losses	**2,245**	2,227
Noninterest Income		
Loan fees	**21**	18
Fees for financially related services	**—**	5
Patronage refunds from other Farm Credit institutions	**616**	536
Gains (losses) on sales of rural home loans, net	**133**	69
Gains (losses) on sales of premises and equipment, net	**24**	—
Gains (losses) on other transactions	**9**	13
Other noninterest income	**19**	13
Total noninterest income	**822**	654
Noninterest Expense		
Salaries and employee benefits	**1,283**	1,242
Occupancy and equipment	**56**	62
Insurance Fund premiums	**84**	81
Purchased services	**117**	149
Data processing	**44**	34
Other operating expenses	**241**	202
(Gains) losses on other property owned, net	**(19)**	(1)
Total noninterest expense	**1,806**	1,769
Income before income taxes	**1,261**	1,112
Provision for income taxes	**4**	—
Net income	**$ 1,257**	$ 1,112
Other comprehensive income	**—**	—
Comprehensive income	**$ 1,257**	$ 1,112

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

Farm Credit of Northwest Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings: Allocated	Retained Earnings: Unallocated	Total Members' Equity
Balance at December 31, 2020	$ 1,274	$ 36,420	$ 46,945	$ 84,639
Comprehensive income			1,112	1,112
Capital stock/participation certificates issued/(retired), net	18			18
Balance at March 31, 2021	$ 1,292	$ 36,420	$ 48,057	$ 85,769
Balance at December 31, 2021	**$ 1,393**	**$ 36,420**	**$ 48,654**	**$ 86,467**
Comprehensive income			**1,257**	**1,257**
Capital stock/participation certificates issued/(retired), net	**11**			**11**
Patronage distribution adjustment			**(348)**	**(348)**
Balance at March 31, 2022	**$ 1,404**	**$ 36,420**	**$ 49,563**	**$ 87,387**

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

Farm Credit of Northwest Florida, 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 Farm Credit of Northwest Florida, 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 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 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	$ 230,744	$ 224,981
Production and intermediate-term	56,116	61,990
Loans to cooperatives	1,726	1,594
Processing and marketing	7,415	8,278
Farm-related business	5,278	5,446
Rural residential real estate	15,743	15,280
International	1,044	1,044
Total loans	$ 318,066	$ 318,613

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	$ 15,284	$ 53,627	$ –	$ 5,276	$ –	$ –	$ 15,284	$ 58,903
Production and intermediate-term	4,696	12,901	13	420	–	–	4,709	13,321
Loans to cooperatives	1,729	–	–	–	–	–	1,729	–
Processing and marketing	7,230	–	–	–	–	–	7,230	–
Farm-related business	264	–	–	–	–	–	264	–
International	1,045	–	–	–	–	–	1,045	–
Total	$ 30,248	$ 66,528	$ 13	$ 5,696	$ –	$ –	$ 30,261	$ 72,224

	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	$ 16,195	$ 54,913	$ –	$ 5,276	$ 143	$ –	$ 16,338	$ 60,189
Production and intermediate-term	4,884	12,659	12	421	–	–	4,896	13,080
Loans to cooperatives	1,597	–	–	–	–	–	1,597	–
Processing and marketing	8,097	–	–	–	–	–	8,097	–
Farm-related business	264	–	–	–	–	–	264	–
International	1,045	–	–	–	–	–	1,045	–
Total	$ 32,082	$ 67,572	$ 12	$ 5,697	$ 143	$ –	$ 32,237	$ 73,269

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
Real estate mortgage:		
Acceptable	96.34%	95.58%
OAEM	0.93	1.51
Substandard/doubtful/loss	2.73	2.91
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	98.00%	97.47%
OAEM	0.29	0.94
Substandard/doubtful/loss	1.71	1.59
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	March 31, 2022	December 31, 2021
Farm-related business:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	99.60%	99.56%
OAEM	–	–
Substandard/doubtful/loss	0.40	0.44
	100.00%	100.00%
International:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Total loans:		
Acceptable	96.97%	96.37%
OAEM	0.73	1.25
Substandard/doubtful/loss	2.30	2.38
	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	$ 308	$ –	$ 308	$ 232,054	$ 232,362
Production and intermediate-term	149	15	164	56,272	56,436
Loans to cooperatives	–	–	–	1,727	1,727
Processing and marketing	–	–	–	7,430	7,430
Farm-related business	–	–	–	5,294	5,294
Rural residential real estate	200	–	200	15,605	15,805
International	–	–	–	1,045	1,045
Total	$ 657	$ 15	$ 672	$ 319,427	$ 320,099

	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	$ 189	$ 143	$ 332	$ 226,461	$ 226,793
Production and intermediate-term	114	1	115	62,390	62,505
Loans to cooperatives	–	–	–	1,595	1,595
Processing and marketing	–	–	–	8,295	8,295
Farm-related business	–	–	–	5,461	5,461
Rural residential real estate	–	–	–	15,305	15,305
International	–	–	–	1,045	1,045
Total	$ 303	$ 144	$ 447	$ 320,552	$ 320,999

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	$ 166	$ 329
Production and intermediate-term	41	94
Rural residential real estate	26	28
Total	$ 233	$ 451
Accruing restructured loans:		
Real estate mortgage	$ 1,374	$ 1,530
Production and intermediate-term	150	123
Total	$ 1,524	$ 1,653
Accruing loans 90 days or more past due:		
Production and intermediate-term	$ 13	$ –
Total	$ 13	$ –
Total nonperforming loans	$ 1,770	$ 2,104
Other property owned	–	45
Total nonperforming assets	$ 1,770	$ 2,149
Nonaccrual loans as a percentage of total loans	0.07%	0.14%
Nonperforming assets as a percentage of total loans and other property owned	0.56%	0.67%
Nonperforming assets as a percentage of capital	2.03%	2.49%

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	$ 171	$ 244
Past due	62	207
Total	$ 233	$ 451
Impaired accrual loans:		
Restructured	$ 1,524	$ 1,653
90 days or more past due	13	–
Total	$ 1,537	$ 1,653
Total impaired loans	$ 1,770	$ 2,104
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	
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:					
Production and intermediate-term	$ 29	$ 29	$ 9	$ 33	$ 1
Total	$ 29	$ 29	$ 9	$ 33	$ 1
With no related allowance for credit losses:					
Real estate mortgage	$ 1,540	$ 1,614	$ –	$ 1,732	$ 34
Production and intermediate-term	175	215	–	197	4
Rural residential real estate	26	70	–	29	1
Total	$ 1,741	$ 1,899	$ –	$ 1,958	$ 39
Total impaired loans:					
Real estate mortgage	$ 1,540	$ 1,614	$ –	$ 1,732	$ 34
Production and intermediate-term	204	244	9	230	5
Rural residential real estate	26	70	–	29	1
Total	$ 1,770	$ 1,928	$ 9	$ 1,991	$ 40

Impaired loans:	December 31, 2021 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2021 Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ 143	$ 193	$ 11	$ 182	$ 14
Production and intermediate-term	24	30	6	31	3
Total	$ 167	$ 223	$ 17	$ 213	$ 17
With no related allowance for credit losses:					
Real estate mortgage	$ 1,716	$ 1,781	$ –	$ 2,186	$ 170
Production and intermediate-term	193	230	–	246	19
Rural residential real estate	28	70	–	36	3
Total	$ 1,937	$ 2,081	$ –	$ 2,468	$ 192
Total impaired loans:					
Real estate mortgage	$ 1,859	$ 1,974	$ 11	$ 2,368	$ 184
Production and intermediate-term	217	260	6	277	22
Rural residential real estate	28	70	–	36	3
Total	$ 2,104	$ 2,304	$ 17	$ 2,681	$ 209

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*	Rural Residential Real Estate	International	Total
Activity related to the allowance for credit losses:						
Balance at December 31, 2021	$ 3,504	$ 971	$ 239	$ 238	$ 16	$ 4,968
Charge-offs	(143)	–	–	–	–	(143)
Recoveries	–	1	–	–	–	1
Provision for loan losses	139	(120)	(20)	1	–	–
Balance at March 31, 2022	$ 3,500	$ 852	$ 219	$ 239	$ 16	$ 4,826
Balance at December 31, 2020	$ 3,561	$ 948	$ 235	$ 151	$ 17	$ 4,912
Charge-offs	–	(17)	–	–	–	(17)
Recoveries	147	6	–	–	–	153
Provision for loan losses	(56)	31	9	15	1	–
Balance at March 31, 2021	$ 3,652	$ 968	$ 244	$ 166	$ 18	$ 5,048
Allowance on loans evaluated for impairment:						
Individually	$ –	$ 9	$ –	$ –	$ –	$ 9
Collectively	3,500	843	219	239	16	4,817
Balance at March 31, 2022	$ 3,500	$ 852	$ 219	$ 239	$ 16	$ 4,826
Individually	$ 11	$ 6	$ –	$ –	$ –	$ 17
Collectively	3,493	965	239	238	16	4,951
Balance at December 31, 2021	$ 3,504	$ 971	$ 239	$ 238	$ 16	$ 4,968
Recorded investment in loans evaluated for impairment:						
Individually	$ 1,540	$ 204	$ –	$ 26	$ –	$ 1,770
Collectively	230,822	56,232	14,451	15,779	1,045	318,329
Balance at March 31, 2022	$ 232,362	$ 56,436	$ 14,451	$ 15,805	$ 1,045	$ 320,099
Individually	$ 1,859	$ 217	$ –	$ 28	$ –	$ 2,104
Collectively	224,934	62,288	15,351	15,277	1,045	318,895
Balance at December 31, 2021	$ 226,793	$ 62,505	$ 15,351	$ 15,305	$ 1,045	$ 320,999

**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, 2022.

Outstanding Recorded Investment	Three Months Ended March 31, 2021 Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ 71	$ –	$ –	$ 71	
Production and intermediate-term	31	–	–	31	
Total	$ 102	$ –	$ –	$ 102	
Post-modification:					
Real estate mortgage	$ 71	$ –	$ –	$ 71	$ –
Production and intermediate-term	31	–	–	31	–
Total	$ 102	$ –	$ –	$ 102	$ –

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 period. 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	$ 1,435	$ 1,593	$ 61	$ 63
Production and intermediate-term	175	173	25	50
Total loans	$ 1,610	$ 1,766	$ 86	$ 113
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 0.92 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 $601 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	$ 9	$ 9	$ –	$ –	$ 9
Recurring Assets	$ 9	$ 9	$ –	$ –	$ 9
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 20	$ –	$ –	$ 20	$ 20
Other property owned	–	–	–	–	–
Nonrecurring Assets	$ 20	$ –	$ –	$ 20	$ 20
Other Financial Instruments					
Assets:					
Cash	$ –	$ –	$ –	$ –	$ –
Loans	313,246	–	–	300,287	300,287
Other Financial Assets	$ 313,246	$ –	$ –	$ 300,287	$ 300,287
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 224,458	$ –	$ –	$ 215,909	$ 215,909
Other Financial Liabilities	$ 224,458	$ –	$ –	$ 215,909	$ 215,909

	December 31, 2021				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Recurring Measurements					
Assets:					
Assets held in trust	$ 6	$ 6	$ –	$ –	$ 6
Recurring Assets	$ 6	$ 6	$ –	$ –	$ 6
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 150	$ –	$ –	$ 150	$ 150
Other property owned	45	–	–	50	50
Nonrecurring Assets	$ 195	$ –	$ –	$ 200	$ 200
Other Financial Instruments					
Assets:					
Cash	$ –	$ –	$ –	$ –	$ –
Loans	313,998	–	–	310,660	310,660
Other Financial Assets	$ 313,998	$ –	$ –	$ 310,660	$ 310,660
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 230,976	$ –	$ –	$ 229,021	$ 229,021
Other Financial Liabilities	$ 230,976	$ –	$ –	$ 229,021	$ 229,021

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 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	$ 36	$ 91
401(k)	91	94
Other postretirement benefits	22	27
Total	$ 149	$ 212

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.