TEXAS FARM CREDIT SERVICES

2022
Quarterly Report
First Quarter

For the Quarter Ended March 31, 2022

REPORT OF MANAGEMENT

The consolidated financial statements of Texas Farm Credit Services (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. Other financial information included in the quarterly report is consistent with that in the consolidated financial statements and there are no significant changes in the Association's internal controls or in other factors that could significantly affect such controls during the year.

The undersigned certify that we have reviewed this report, that it has been prepared 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/ Mark Miller

Mark Miller, Chief Executive Officer
May 9, 2022

/s/ John Prukop

John Prukop, Chairman, Board of Directors
May 9, 2022

/s/ Keith A. Ibrom

Keith A. Ibrom, Chief Financial Officer
May 9, 2022

The following commentary reviews the financial performance of the Texas Farm Credit Services (ACA), referred to as the Association, for the quarter ended March 31, 2022. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2021 Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial associations established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Loan Portfolio

Total loans outstanding at March 31, 2022, including nonaccrual loans and sales contracts, were $2,078,071,353 compared to $2,014,918,904 at December 31, 2021, reflecting an increase of 3.1 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.4 percent at March 31, 2022, compared to 0.4 percent at December 31, 2021.

The Association recorded $21,217 in recoveries and $0 in charge-offs for the quarter ended March 31, 2022, and $182,512 in recoveries and $0 in charge-offs for the same period in 2021. The Association's allowance for loan losses was 0.2 percent and 0.3 percent of total loans outstanding as of March 31, 2022, and December 31, 2021, respectively.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the Association's components and trends of high-risk assets.

	March 31, 2022		December 31, 2021	
	Amount	**%**	Amount	%
Nonaccrual	**$ 8,360,336**	**80.6%**	$ 8,317,858	91.7%
90 days past due and still accruing interest	**1,251,265**	**12.1%**	20	0.0%
Formally restructured	**764,347**	**7.3%**	752,742	8.3%
Other property owned, net	**-**	**0.0%**	-	0.0%
Total	**$ 10,375,948**	**100.0%**	$ 9,070,620	100.0%

Results of Operations

The Association had net income of $10,801,058 for the three months ended March 31, 2022, as compared to net income of $9,691,115 for the same period in 2021, reflecting an increase of 11.5 percent. Net interest income was $13,487,069 for the three ended March 31, 2022, compared to $11,192,602 for the same period in 2021.

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	Three Months Ended			
	March 31, 2022		March 31, 2021	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 2,048,025,342**	**$ 22,240,271**	$ 1,598,907,656	$ 17,867,951
Investments	**691,285**	**9,908**	963,006	13,594
Total interest-earning assets	**2,048,716,627**	**22,250,179**	1,599,870,662	17,881,545
Interest-bearing liabilities	**1,834,074,345**	**8,763,110**	1,401,691,542	6,688,943
Impact of capital	**$ 214,642,282**		$ 198,179,120	
Net interest income		**$ 13,487,069**		$ 11,192,602

	2022 Average Yield	2021 Average Yield
Yield on loans	**4.40%**	4.53%
Yield on investments	**5.81%**	5.72%
Total yield on interest-earning assets	**4.40%**	4.53%
Cost of interest-bearing liabilities	**1.94%**	1.94%
Interest rate spread	**2.46%**	2.59%
Net interest income as a percentage of average earning assets	**2.67%**	2.84%

	Three months ended: March 31, 2022 vs. March 31, 2021		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 5,018,909**	**$ (646,589)**	**$ 4,372,320**
Interest income - investments	**(3,836)**	**150**	**(3,686)**
Total interest income	**5,015,073**	**(646,439)**	**4,368,634**
Interest expense	**2,063,319**	**10,848**	**2,074,167**
Net interest income	**$ 2,951,754**	**$ (657,287)**	**$ 2,294,467**

Interest income for the three months ended March 31, 2022, increased by $4,368,634, or 24.4 percent, from the same period of 2021, primarily due to an increase in average loan volume offset by declines in yields on earning assets. Interest expense for the three months ended March 31, 2022, increased by $2,074,167, or 31.0 percent, from the same period of 2021 due to an increase in average debt volume and an increase in cost of funding. Average loan volume for the first quarter of 2022 was $2,048,025,342, compared to $1,598,907,656 in the first quarter of 2021. The average net interest rate spread on the loan portfolio for the first quarter of 2022 was 2.46 percent, compared to 2.59 percent in the first quarter of 2021.

The Association's return on average assets for the three months ended March 31, 2022, was 2.08 percent compared to 2.38 percent for the same period in 2021. The Association's return on average equity for the three months ended March 31, 2022, was 18.22 percent, compared to 17.61 percent for the same period in 2021.

Noninterest income for the three months ended March 31, 2022, increased by $1,077,760, or 21.1 percent, compared to the same period of 2021, primarily due to an increase in financially related services income. Noninterest expense for the three months ended March 31, 2022, increased by $1,830,827, or 26.2 percent, compared to the same period of 2021, primarily due to increases in salaries, software expenses and employee training.

Liquidity and Funding Sources

The Association secures the majority of its lendable funds from the Farm Credit Bank of Texas (the Bank), which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	March 31, 2022	December 31, 2021
Note payable to the Bank	**$ 1,862,795,859**	$ 1,804,831,571
Accrued interest on note payable	**3,086,082**	2,851,345
Total	**$ 1,865,881,941**	$ 1,807,682,916

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2023. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $1,862,795,859 as of March 31, 2022, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.94 percent at March 31, 2022. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank and related accrued interest payable since

December 31, 2021, is due to the Association's increase in debt related to its match funding of new loans. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $219,218,250 at March 31, 2022. The maximum amount the Association may borrow from the Bank as of March 31, 2022, was $2,083,980,073 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued in 2022. As borrower payments are received, they are applied to the Association's note payable to the Bank.

Capital Resources

The Association's capital position increased by $10,903,983 at March 31, 2022, compared to December 31, 2021. The Association's debt as a percentage of members' equity was 7.71:1 as of March 31, 2022, compared to 7.84:1 as of December 31, 2021.

Farm Credit Administration regulations require us to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of March 31, 2022, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly report for disclosures of recent accounting pronouncements which may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Relationship With the Farm Credit Bank of Texas

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2021 Annual Report of Texas Farm Credit Services more fully describe the Association's relationship with the Bank.

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the Bank are also available on its website at *www.farmcreditbank.com.*

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Texas Farm Credit Services, 545 South Hwy. 77, Robstown, TX 78380 or calling (361) 387-8563. The annual and quarterly stockholder reports for the Association are also available on its website at *www.texasfcs.com.* Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *kibrom@texasfcs.com.*

TEXAS FARM CREDIT SERVICES

CONSOLIDATED BALANCE SHEETS

	March 31, 2022 (unaudited)	December 31, 2021
ASSETS		
Cash	**$ 43,994**	$ 49,663
Investments	**583,263**	734,626
Loans	**2,078,071,353**	2,014,918,904
Less: allowance for loan losses	**3,148,533**	3,016,536
Net loans	**2,074,922,820**	2,011,902,368
Accrued interest receivable	**14,888,690**	12,695,690
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**30,934,275**	30,952,565
Other	**4,403,001**	1,332,270
Deferred taxes, net	**206,116**	199,554
Premises and equipment, net	**15,242,362**	15,146,253
Other assets	**4,389,305**	8,320,554
Total assets	**$ 2,145,613,826**	$ 2,081,333,543
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 1,862,795,859**	$ 1,804,831,571
Advance conditional payments	**231,274**	300,030
Accrued interest payable	**3,086,082**	2,851,345
Drafts outstanding	**716,244**	247,204
Patronage distributions payable	**20,370,325**	20,370,325
Other liabilities	**12,103,198**	17,326,207
Total liabilities	**1,899,302,982**	1,845,926,682
MEMBERS' EQUITY		
Capital stock and participation certificates	**4,473,250**	4,364,895
Additional paid-in capital	**47,596,495**	47,596,495
Allocated retained earnings	**54,627,414**	54,627,414
Unallocated retained earnings	**139,934,831**	129,133,773
Accumulated other comprehensive income (loss)	**(321,146)**	(315,716)
Total members' equity	**246,310,844**	235,406,861
Total liabilities and members' equity	**$ 2,145,613,826**	$ 2,081,333,543

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended March 31, 2022	Quarter Ended March 31, 2021
INTEREST INCOME		
Loans	**$ 22,240,271**	$ 17,867,951
Investments	**9,908**	13,594
Total interest income	**22,250,179**	17,881,545
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**8,763,085**	6,688,914
Advance conditional payments	**25**	29
Total interest expense	**8,763,110**	6,688,943
Net interest income	**13,487,069**	11,192,602
PROVISION FOR LOAN LOSSES	**64,542**	(484,701)
Net interest income after provision for loan losses	**13,422,527**	11,677,303
NONINTEREST INCOME		
Income from the Farm Credit Bank of Texas:		
Patronage income	**3,881,810**	3,251,290
Loan fees	**1,014,358**	1,488,714
Financially related services income	**1,119,702**	313,411
Gain (loss) on sale of premises and equipment, net	**21,002**	-
Other noninterest income	**146,283**	51,980
Total noninterest income	**6,183,155**	5,105,395
NONINTEREST EXPENSES		
Salaries and employee benefits	**4,450,837**	3,950,661
Directors' expense	**146,600**	134,994
Purchased services	**309,570**	428,558
Travel	**319,934**	241,351
Occupancy and equipment	**1,499,066**	961,181
Communications	**96,728**	78,911
Advertising	**51,521**	49,820
Public and member relations	**273,891**	232,608
Supervisory and exam expense	**258,202**	117,481
Insurance Fund premiums	**682,680**	506,289
Other noninterest expense	**722,157**	278,505
Total noninterest expenses	**8,811,186**	6,980,359
Income before income taxes	**10,794,496**	9,802,339
Provision for (benefit from) income taxes	**(6,562)**	111,224
NET INCOME	**10,801,058**	9,691,115
Other comprehensive income:		
Change in postretirement benefit plans	**(5,430)**	684
COMPREHENSIVE INCOME	**$ 10,795,628**	$ 9,691,799

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

TEXAS FARM CREDIT SERVICES

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Additional Paid-in-Capital	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2020	$ 4,174,745	$ 47,596,495	$ 57,255,152	$ 110,209,297	$ (580,789)	$ 218,654,900
Comprehensive income	-	-	-	9,691,115	684	9,691,799
Capital stock/participation certificates and allocated retained earnings issued	247,790	-	-	-	-	247,790
Capital stock/participation certificates and allocated retained earnings retired	(70,290)	-	-	-	-	(70,290)
Balance at March 31, 2021	$ 4,352,245	$ 47,596,495	$ 57,255,152	$ 119,900,412	$ (580,105)	$ 228,524,199
Balance at December 31, 2021	$ 4,364,895	$ 47,596,495	$ 54,627,414	$ 129,133,773	$ (315,716)	$ 235,406,861
Comprehensive income	-	-	-	10,801,058	(5,430)	10,795,628
Capital stock/participation certificates and allocated retained earnings issued	175,165	-	-	-	-	175,165
Capital stock/participation certificates and allocated retained earnings retired	(66,810)	-	-	-	-	(66,810)
Balance at March 31, 2022	**$ 4,473,250**	**$ 47,596,495**	**$ 54,627,414**	**$ 139,934,831**	**$ (321,146)**	**$ 246,310,844**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Texas Farm Credit Services (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the counties of Anderson, Angelina, Aransas, Atascosa, Austin, Bandera, Bee, Bexar, Bowie, Brooks, Cameron, Camp, Cass, Chambers, Cherokee, Collin, Cook, Dallas, Delta, Denton, DeWitt, Dimmit, Duval, Edwards, Fannin, Fayette, Franklin, Freestone, Frio, Goliad, Gonzales, Grayson, Gregg, Guadalupe, Hardin, Harrison, Henderson, Hidalgo, Hopkins, Houston, Hunt, Jasper, Jefferson, Jim Hogg, Jim Wells, Karnes, Kaufman, Kenedy, Kerr, Kinney, Kleberg, Lamar, LaSalle, Lavaca, Leon, Liberty, Limestone, Live Oak, Marion, Maverick, McMullen, Medina, Montgomery, Morris, Nacogdoches, Newton, Nueces, Orange, Panola, Polk, Rains, Real, Red River, Rockwall, Rusk, Sabine, San Augustine, San Jacinto, San Patricio, Shelby, Smith, Starr, Titus, Trinity, Tyler, Upshur, Uvalde, Val Verde, Van Zandt, Walker, Waller, Washington, Webb, Willacy, Wilson, Wood, Zapata, and Zavala, parts of Refugio, and the lower half of Lee in the State of Texas. The Association is a lending association of the Farm Credit System (the System), which was established by Acts of Congress to meet the needs of American agriculture.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021, as contained in the 2021 Annual Report to Stockholders.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP), except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by FCA, associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021, as contained in the 2021 Annual Report to Stockholders. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2021. Descriptions of the significant accounting policies are included in the 2021 Annual Report to Stockholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the Banking industry.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain entities. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those entities qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. System associations qualify for the delay in the adoption date. The System continues to evaluate the impact of adoption on the System's financial condition and its results of operations.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended March 31, 2022, are not necessarily indicative of the results to be expected for the year ended December 31, 2021.

NOTE 2 — INVESTMENTS:

The following is a summary of Farmer Mac agricultural mortgage-backed securities:

	March 31, 2022							
		Amortized Cost		Gross Unrealized Gains		Fair Value	Weighted Average Yield	Weighted Average Life
Agricultural mortgage-backed securities	$	**583,263**	$	**2,118**	$	**585,381**	**5.35%**	**2.35 Years**

	December 31, 2021							
		Amortized Cost		Gross Unrealized Gains		Fair Value	Weighted Average Yield	Weighted Average Life
Agricultural mortgage-backed securities	$	734,626	$	21,909	$	756,535	5.30%	3.97 Years

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**March 31, 2022 Amount**	December 31, 2021 Amount
Production agriculture:		
Real estate mortgage	**$ 1,673,335,481**	$ 1,635,980,127
Production and intermediate term	**246,511,275**	226,249,957
Agribusiness:		
Processing and marketing	**75,214,142**	71,151,825
Farm-related business	**34,084,270**	33,817,546
Loans to cooperatives	**20,152,191**	20,354,200
Communication	**16,064,437**	16,117,601
Water and waste water	**4,633,378**	3,096,879
Agricultural export finance	**4,086,619**	4,086,388
Energy	**2,027,358**	2,080,747
Rural residential real estate	**1,119,505**	1,135,612
Mission-related investments	**842,697**	848,022
Total	**$ 2,078,071,353**	$ 2,014,918,904

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2022:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 47,744,634	$ 88,556,045	$ 10,120,725	$ 1,700,000	$ 57,865,359	$ 90,256,045
Production and intermediate term	26,437,928	12,874,984	-	-	26,437,928	12,874,984
Agribusiness	92,885,826	-	-	-	92,885,826	-
Communication	16,064,437	-	-	-	16,064,437	-
Water and waste water	4,633,378	-	-	-	4,633,378	-
Agricultural export finance	4,086,619	-	-	-	4,086,619	-
Energy	2,027,358	-	-	-	2,027,358	-
Total	$193,880,180	$101,431,029	$ 10,120,725	$ 1,700,000	$204,000,905	$103,131,029

The Association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $231,274 and $300,030 at March 31, 2022, and December 31, 2021, respectively.

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	March 31, 2022	December 31, 2021
Nonaccrual loans:		
Real estate mortgage	**$ 6,056,313**	$ 5,631,422
Production and intermediate term	**1,756,832**	2,108,750
Energy	**547,191**	577,686
Total nonaccrual loans	**8,360,336**	8,317,858
Accruing restructured loans:		
Mission-related investments	**764,347**	752,742
Total accruing restructured loans	**764,347**	752,742
Accruing loans 90 days or more past due:		
Real estate mortgage	**1,244,795**	-
Production and intermediate term	**6,470**	20
Total accruing loans 90 days or more past due	**1,251,265**	20
Total nonperforming loans	**10,375,948**	9,070,620
Other property owned	**-**	-
Total nonperforming assets	**$ 10,375,948**	$ 9,070,620

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality;
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2022	December 31, 2021
Real estate mortgage		
Acceptable	**98.9** %	98.8 %
OAEM	**0.6** %	0.6 %
Substandard/doubtful	**0.5** %	0.6 %
	100.0 %	100.0 %
Production and intermediate term		
Acceptable	**94.8** %	93.8 %
OAEM	**2.3** %	2.4 %
Substandard/doubtful	**2.9** %	3.8 %
	100.0 %	100.0 %
Loans to cooperatives		
Acceptable	**97.5** %	97.9 %
OAEM	**2.5** %	2.1 %
Substandard/doubtful	**-** %	- %
	100.0 %	100.0 %
Processing and marketing		
Acceptable	**93.6** %	100.0 %
OAEM	**6.4** %	- %
Substandard/doubtful	**-** %	- %
	100.0 %	100.0 %
Farm-related business		
Acceptable	**59.5** %	59.2 %
OAEM	**-** %	- %
Substandard/doubtful	**40.5** %	40.8 %
	100.0 %	100.0 %
Communication		
Acceptable	**100.0** %	100.0 %
OAEM	**-** %	- %
Substandard/doubtful	**-** %	- %
	100.0 %	100.0 %
Energy		
Acceptable	**73.0** %	72.2 %
OAEM	**-** %	- %
Substandard/doubtful	**27.0** %	27.8 %
	100.0 %	100.0 %
Water and waste water		
Acceptable	**100.0** %	100.0 %
OAEM	**-** %	- %
Substandard/doubtful	**-** %	- %
	100.0 %	100.0 %
Rural residential real estate		
Acceptable	**57.8** %	57.6 %
OAEM	**33.7** %	33.7 %
Substandard/doubtful	**8.5** %	8.7 %
	100.0 %	100.0 %
Agriculthural export finance		
Acceptable	**100.0** %	100.0 %
OAEM	**-** %	- %
Substandard/doubtful	**-** %	- %
	100.0 %	100.0 %
Mission-related investments		
Acceptable	**100.0** %	100.0 %
OAEM	**-** %	- %
Substandard/doubtful	**-** %	- %
	100.0 %	100.0 %
Total loans		
Acceptable	**97.5** %	97.6 %
OAEM	**1.0** %	0.8 %
Substandard/doubtful	**1.5** %	1.6 %
	100.0 %	100.0 %

The following tables provide an age analysis of past due loans (including accrued interest) as of:

March 31, 2022	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 3,144,423**	**$ 1,757,868**	**$ 4,902,291**	**$ 1,679,129,848**	**$ 1,684,032,139**	**$ 1,244,795**
Production and intermediate term	**829,363**	**39,899**	**869,262**	**248,638,148**	**249,507,410**	**6,470**
Processing and marketing	**-**	**-**	**-**	**75,453,731**	**75,453,731**	**-**
Farm-related business	**-**	**-**	**-**	**34,847,401**	**34,847,401**	**-**
Loans to cooperatives	**-**	**-**	**-**	**20,300,737**	**20,300,737**	**-**
Communication	**-**	**-**	**-**	**16,065,425**	**16,065,425**	**-**
Water and waste water	**-**	**-**	**-**	**4,639,842**	**4,639,842**	**-**
Agricultural export finance	**-**	**-**	**-**	**4,093,604**	**4,093,604**	**-**
Energy	**-**	**-**	**-**	**2,027,517**	**2,027,517**	**-**
Rural residential real estate	**-**	**-**	**-**	**1,123,902**	**1,123,902**	**-**
Mission-related investments	**-**	**-**	**-**	**859,251**	**859,251**	**-**
Total	**$ 3,973,786**	**$ 1,797,767**	**$ 5,771,553**	**$ 2,087,179,406**	**$ 2,092,950,959**	**$ 1,251,265**

December 31, 2021	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 3,659,495	$ 1,297,005	$ 4,956,500	$ 1,640,554,214	$ 1,645,510,714	$ -
Production and intermediate term	110,531	20	110,551	228,244,293	228,354,844	20
Processing and marketing	-	-	-	71,306,910	71,306,910	-
Farm-related business	-	-	-	34,392,410	34,392,410	-
Loans to cooperatives	752,071	-	752,071	19,901,018	20,653,089	-
Communication	-	-	-	16,118,435	16,118,435	-
Agricultural export finance	-	-	-	4,092,141	4,092,141	-
Water and waste water	-	-	-	3,098,268	3,098,268	-
Energy	-	-	-	2,080,808	2,080,808	-
Rural residential real estate	99,977	-	99,977	1,040,119	1,140,096	-
Mission-related investments	-	-	-	853,092	853,092	-
Total	$ 4,622,074	$ 1,297,025	$ 5,919,099	$ 2,021,681,708	$ 2,027,600,807	$ 20

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

A restructuring of a debt constitutes a troubled debt restructuring 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. Troubled debt restructurings (TDRs) are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of March 31, 2022, the total recorded investment of troubled debt restructured loans was $850,330, including $85,983 classified as nonaccrual and $764,347 classified as accrual, with specific allowance for loan losses of $18,442. As of March 31, 2022, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

There were no troubled debt restructurings that occurred during the three ended March 31, 2022

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). There were no charge-offs recorded for the quarter ending March 31, 2022.

The predominant form of concession granted for troubled debt restructuring includes loan modifications in which interest rates are lower than the borrower could otherwise receive in the market based on credit worthiness. Other types of modifications include extension of the term, principal or accrued interest reductions, interest rate decreases and delayed payments, among others. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case we assess all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

There were no loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months and for which there was a subsequent payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

The Association made no additional commitments to lend to borrowers whose loans have been modified in TDRs at March 31, 2022 and at December 31, 2021.

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

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	March 31, 2022	December 31, 2021	**March 31, 2022**	December 31, 2021
Real estate mortgage	**$ 85,983**	$ 85,984	**$ 85,983**	$ 85,984
Mission-related investments	**764,347**	752,742	**-**	-
Total	**$ 850,330**	$ 838,726	**$ 85,983**	$ 85,984

*represents the portion of loans modified as TDRs that are in nonaccrual status

Additional impaired loan information is as follows:

	March 31, 2022			December 31, 2021		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Energy and water/waste water	**$ 547,191**	**$ 547,191**	**$ 109,449**	$ 577,686	$ 577,686	$ 159,946
Mission-related investments	**51,682**	**50,003**	**18,442**	50,675	50,003	18,121
Total	**$ 598,873**	**$ 597,194**	**$ 127,891**	$ 628,361	$ 627,689	$ 178,067
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$ 7,301,108**	**$ 7,340,148**	**$ -**	$ 5,631,422	$5,703,021	$ -
Production and intermediate term	**1,763,302**	**2,220,648**	**-**	2,108,770	2,472,551	-
Mission-related investments	**712,665**	**695,000**	**-**	702,067	695,000	-
Total	**$ 9,777,075**	**$10,255,796**	**$ -**	$ 8,442,259	$8,870,572	$ -
Total impaired loans:						
Real estate mortgage	**$ 7,301,108**	**$ 7,340,148**	**$ -**	$ 5,631,422	$5,703,021	$ -
Production and intermediate term	**1,763,302**	**2,220,648**	**-**	2,108,770	2,472,551	-
Energy and water/waste water	**547,191**	**547,191**	**109,449**	577,686	577,686	159,946
Mission-related investments	**764,347**	**745,003**	**18,442**	752,742	745,003	18,121
Total	**$10,375,948**	**$10,852,990**	**$ 127,891**	$ 9,070,620	$9,498,261	$ 178,067

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	For the Three Months Ended			
	March 31, 2022		March 31, 2021	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Energy and water/waste water	**$ 576,435**	**$ -**	$ 293,370	$ -
Mission-related investments	**50,003**	**1,006**	52,003	1,047
Total	**$ 626,438**	**$ 1,006**	$ 345,373	$ 1,047
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$ 7,086,127**	**$ 42,246**	$3,553,196	$ 167,734
Production and intermediate term	**1,757,494**	**109,169**	2,202,483	6,041
Mission-related investments	**695,000**	**10,598**	721,955	11,012
Total	**$ 9,538,621**	**$ 162,013**	$6,477,634	$ 184,787
Total impaired loans:				
Real estate mortgage	**$ 7,086,127**	**$ 42,246**	$3,553,196	$ 167,734
Production and intermediate term	**1,757,494**	**109,169**	2,202,483	6,041
Energy and water/waste water	**576,435**	**-**	293,370	-
Mission-related investments	**745,003**	**11,604**	773,958	12,059
Total	**$10,165,059**	**$ 163,019**	$6,823,007	$ 185,834

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy	Water/Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Mission-Related Investments	Total
Allowance for Credit Losses:										
Balance at December 31, 2021	**$ 1,899,626**	**$ 761,376**	**$ 145,857**	**$ 18,606**	**$ 162,348**	**$ 3,577**	**$ 1,316**	**$ 4,724**	**$ 19,106**	**$ 3,016,536**
Recoveries	**20,349**	**868**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,217**
Provision for loan losses	**73,309**	**30,382**	**8,572**	**390**	**(50,501)**	**1,909**	**13**	**116**	**352**	**64,542**
Other	**(1,998)**	**48,236**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46,238**
Balance at March 31, 2022	**$ 1,991,286**	**$ 840,862**	**$ 154,429**	**$ 18,996**	**$ 111,847**	**$ 5,486**	**$ 1,329**	**$ 4,840**	**$ 19,458**	**$ 3,148,533**
Ending Balance:										
Individually evaluated for impairment	**$ -**	**$ -**	**$ -**	**$ -**	**$ 109,449**	**$ -**	**$ -**	**$ -**	**$ 18,442**	**$ 127,891**
Collectively evaluated for impairment	**1,991,286**	**840,862**	**154,429**	**18,996**	**2,398**	**5,486**	**1,329**	**4,840**	**1,016**	**3,020,642**
Balance at March 31, 2022	**$ 1,991,286**	**$ 840,862**	**$ 154,429**	**$ 18,996**	**$ 111,847**	**$ 5,486**	**$ 1,329**	**$ 4,840**	**$ 19,458**	**$ 3,148,533**
Balance at December 31, 2020	$ 2,610,698	$ 3,045,619	$ 267,403	$ 43,069	$ 4,976	$ 4,532	$ 2,615	$ -	$ 20,779	$ 5,999,691
Recoveries	2,392	180,120	-	-	-	-	-	-	-	182,512
Provision for loan losses	44,289	(673,503)	(30,962)	(2,022)	178,429	(259)	(144)	-	132	(484,040)
Other	(332)	6,885	-	-	-	-	-	-	-	6,553
Balance at March 31, 2021	$ 2,657,047	$ 2,559,121	$ 236,441	$ 41,047	$ 183,405	$ 4,273	$ 2,471	$ -	$ 20,911	$ 5,704,716
Ending Balance:										
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 174,646	$ -	$ -	$ -	$ 17,620	$ 192,266
Collectively evaluated for impairment	2,657,047	2,559,121	236,441	41,047	8,759	4,273	2,471	-	3,291	5,512,450
Balance at March 31, 2021	$ 2,657,047	$ 2,559,121	$ 236,441	$ 41,047	$ 183,405	$ 4,273	$ 2,471	$ -	$ 20,911	$ 5,704,716

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy	Water/Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Mission-Related Investments	Total
Recorded Investments in Loans Outstanding:										
Ending Balance at March 31, 2022	**$ 1,684,032,139**	**$249,507,410**	**$130,601,869**	**$ 16,065,425**	**$ 2,027,517**	**$ 4,639,842**	**$ 1,123,902**	**$ 4,093,604**	**$ 859,251**	**$ 2,092,950,959**
Individually evaluated for impairment	**$ 7,301,108**	**$ 1,763,302**	**$ -**	**$ -**	**$ 547,191**	**$ -**	**$ -**	**$ -**	**$ 764,347**	**$ 10,375,948**
Collectively evaluated for impairment	**$ 1,676,731,031**	**$247,744,108**	**$130,601,869**	**$ 16,065,425**	**$ 1,480,326**	**$ 4,639,842**	**$ 1,123,902**	**$ 4,093,604**	**$ 94,904**	**$ 2,082,575,011**
Ending Balance at March 31, 2021	$ 1,278,278,806	$ 245,298,039	$ 113,739,121	$ 19,745,715	$ 4,213,332	$ 2,055,713	$ 1,188,865	$ -	$ 1,582,917	$ 1,666,102,508
Individually evaluated for impairment	$ 4,879,893	$ 1,973,217	$ 4,539	$ -	$ 667,966	$ -	$ -	$ -	$ 793,817	$ 8,319,432
Collectively evaluated for impairment	$ 1,273,398,913	$ 243,324,822	$ 113,734,582	$ 19,745,715	$ 3,545,366	$ 2,055,713	$ 1,188,865	$ -	$ 789,100	$ 1,657,783,076

NOTE 4 —LEASES:

The components of lease expense were as follows:

		For the Three Months Ended	
	Classification	**March 31, 2022**	March 31, 2021
Operating lease cost	Right of use asset	**$ 23,036**	$ 29,807
Short-term lease cost		**3,600**	3,600
Finance lease cost:			
Amortization of right-of-use assets		**8,542**	4,825
Net lease cost		**$ 35,178**	$ 38,232

Other information related to leases was as follows:

	For the Three Months Ended	
	March 31, 2022	March 31, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 31,578**	$ 34,632
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	**$ 23,036**	$ 29,807

Lease term and discount rate are as follows:

	March 31, 2022	December 31, 2021
Weighted average remaining lease term in years		
Operating leases	**8.19**	8.74
Weighted average discount rate		
Operating leases	**1.16%**	1.16%

Future minimum lease payments under non-cancellable leases as of March 31, 2022 were as follows:

	Operating Leases
2022 (excluding the three months ended 3/31/22)	$ 131,891
2023	164,597
2024	157,146
2025	128,261
2026	91,966
Thereafter	474,675
Total lease payments	$ 1,148,536

NOTE 5 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the Association's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an association's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

Regulatory Capitalization Requirements

Risk-adjusted:	**Regulatory Requirements Including Capital Conservation Buffers**	**As of March 31, 2022**
Common equity tier 1 ratio	7.00%	10.99%
Tier 1 capital ratio	8.50%	10.99%
Total capital ratio	10.50%	11.16%
Permanent capital ratio	7.00%	11.01%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	10.02%
UREE leverage ratio	1.50%	7.18%

The details for the amounts used in the calculation of the regulatory capital ratios as of March 31, 2022:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 78,662,502	$ 78,662,502	$ 78,662,502	$ 78,662,502
Paid-in capital	47,596,495	47,596,495	47,596,495	47,596,495
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	4,413,998	4,413,998	4,413,998	4,413,998
Allocated equities:				
Allocated equities held ≥7	54,627,414	54,627,414	54,627,414	54,627,414
Nonqualified allocated equities not subject to retirement	55,202,302	55,202,302	55,202,302	55,202,302
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	3,266,979	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(30,532,649)	(30,532,649)	(30,532,649)	(30,532,649)
Other regulatory required deductions	(1,779,569)	(1,779,569)	(1,779,569)	(1,779,569)
	$ 208,190,493	$ 208,190,493	$ 211,457,472	$ 208,190,493
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,926,398,160	$ 1,926,398,160	$ 1,926,398,160	$ 1,926,398,160
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(32,312,218)	(32,312,218)	(32,312,218)	(32,312,218)
Allowance for loan losses	-	-	-	(3,031,130)
	$ 1,894,085,942	$ 1,894,085,942	$ 1,894,085,942	$ 1,891,054,812
Calculated ratio	**10.99%**	**10.99%**	**11.16%**	**11.01%**

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 78,662,502	$ 78,662,502
Paid-in capital	47,596,495	47,596,495
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	4,413,998	-
Allocated equities:		
Allocated equities held ≥7	54,627,414	-
Nonqualified allocated equities not subject to retirement	55,202,302	55,202,302
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(30,532,649)	(30,532,649)
Other regulatory required deductions	(1,779,569)	(1,779,569)
	$ 208,190,493	$ 149,149,081
Denominator:		
Total Assets	$ 2,110,791,718	$ 2,110,791,718
Regulatory Adjustments and Deductions:		-
Regulatory deductions included in tier 1 capital	(32,661,648)	(32,661,648)
	$ 2,078,130,070	$ 2,078,130,070
Calculated ratio	**10.02%**	**7.18%**

An additional component of equity is accumulated other comprehensive income (loss), which is reported net of taxes, is as follows:

Accum Other Comp Loss	
March 31, 2022	**Net of Tax**
Nonpension postretirement benefits	**$ (321,146)**
March 31, 2021	Net of Tax
Nonpension postretirement benefits	$ (580,105)

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss) for the three months ended March 31:

	2022	2021
Accumulated other comprehensive loss at January 1	**$ (315,716)**	$ (580,789)
Amortization of prior service credit included in salaries and employee benefits	**(5,430)**	(5,429)
Amortization of actuarial loss included in salaries and employee benefits	**-**	6,113
Other comprehensive income (loss), net of tax	**(5,430)**	684
Accumulated other comprehensive loss at March 31	**$ (321,146)**	$ (580,105)

NOTE 6 — INCOME TAXES:

The Association conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. The Association operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends. Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the Association and will therefore impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized. The Association has no valuation allowance on its deferred tax assets because management estimates full utilization of these assets.

NOTE 7 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 15 to the 2021 Annual Report to Stockholders for a more complete description.

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

March 31, 2022	**Fair Value Measurement Using**		
	Level 1	**Level 2**	**Level 3**
Assets:			
Loans*	**$ -**	**$ -**	**$ 470,982**
Other property owned	**-**	**-**	**-**

December 31, 2021	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Loans*	$ -	$ -	$ 435,594
Other property owned	-	-	-

*Represents the fair value of certain loans that were evaluated for impairment under the authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

Uncertainty of 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 associations 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.

Valuation Techniques

As more fully discussed in Note 15 to the 2021 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see Notes to the 2021 Annual Report to Stockholders.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Loans

Fair value is estimated by discounting the expected future cash flows using the Associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Associations' current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

NOTE 8 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended March 31:

	Other Benefits	
	2022	2021
Service cost	**$ 11,330**	$ 14,787
Interest cost	**34,959**	32,529
Amortization of prior service credits	**(5,430)**	(5,429)
Amortization of net actuarial loss	**-**	6,113
Net periodic benefit cost	**$ 40,859**	$ 48,000

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2022, was $4,532,184 and is included in other liabilities on the balance sheet.

The components of net periodic benefit cost other than the service cost component are included in the line item "other components of net periodic postretirement benefit cost" in the income statement.

The structure of the district's defined benefit pension plan is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The Association previously disclosed in its financial statements for the year ended December 31, 2021, that it expected to contribute $425,097 to the district's defined benefit pension plan in 2022. As of March 31, 2022, $106,274 of contributions have been expensed. The Association presently does not anticipate additional contributions over $425,097 will be required in 2022.

NOTE 9 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

NOTE 10 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 9, 2022, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of this date.