PLAINS LAND BANK, FLCA

2022
Quarterly Report
First Quarter

For the Quarter Ended March 31, 2022

REPORT OF MANAGEMENT

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.

Kay Lynn McLaughlin, Chief Executive Officer

May 10, 2022

Lyle Miller, Chairman, Board of Directors

May 10, 2022

Holly Hofmann, Chief Financial Officer

May 10, 2022

First Quarter 2022 Financial Report

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PLAINS LAND BANK, FLCA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Plains Land Bank, FLCA, 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 institutions 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 financial statements comprise the operations of the FLCA. The financial statements were prepared under the oversight of the Association's audit committee.

Significant Events

In January 2022, a patronage of $9,200,000 was declared. The patronage was subsequently paid in March of 2022.

Conditions in the Texas District

The U.S. has been operating under a presidentially declared emergency since March 13, 2020, due to the coronavirus disease 2019 (COVID-19). COVID-19 cases reported in the U.S. and within the Texas District have fluctuated widely in recent months due to several factors, including the emergence of new variants and associated governmental responses. The number of cases and hospitalizations increased to a new high in January 2022 but returned to historically low levels as of the end of the first quarter of 2022. Throughout this unprecedented time, the Farm Credit Bank of Texas (the Bank) has continued to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit. Demand for District Associations' retail loans has been historically high, leading to elevated growth across the Texas District. While credit quality at the Bank has remained strong through this stage of the pandemic, the continuation of the pandemic could result in above normal volatility in risk ratings in future periods.

Russia's military action in Ukraine (the Russia/Ukraine Conflict) has exacerbated the current supply chain disruptions and contributed to surging prices for certain materials and commodities. Russia and Ukraine collectively account for approximately 26 percent of global wheat exports and are also significant exporters of corn, nitrogen fertilizers, sunflower oil, metals and minerals, and several other products important to the agricultural industry and the global economy. Elevated commodity prices and reduced availability of some materials are leading to both challenges and opportunities for U.S. agricultural producers.

In its March 30, 2022 release, the U.S. Bureau of Economic Analysis estimated that national real GDP increased at an annual rate of 6.9 percent in the fourth quarter of 2021, up from 2.3 percent in the third quarter. The increase in GDP growth during the fourth quarter of 2021 reflected an acceleration in inventory investment, higher than anticipated consumer spending and higher exports and residential fixed investment. On April 5, 2022, the Federal Reserve Bank of Atlanta's GDPNow model estimated that real GDP growth during the first quarter of 2022 was approximately 0.9 percent. On March 31, 2022, the fourth quarter of 2021 GDP growth rates were released for the Texas District with results ranging from 10.1 percent in Texas to 4.1 percent in Mississippi. Texas's GDP growth rate for the fourth quarter of 2021 was the fastest growing in the U.S.

Quarterly average West Texas Intermediate (WTI) oil prices for the first quarter of 2022 closed at approximately $95 per barrel (/bbl), representing an increase of over 20.0 percent compared to the prior quarter and an increase of over 60.0 percent compared to the prior year quarter. According to a recent Federal Reserve Bank of Dallas survey, the WTI price averaged more than $40/bbl higher than the breakeven price to profitably drill a new well in the Permian Basin (about $52/bbl) during the first quarter of 2022. In its March 2022 Short-Term Energy Outlook, the U.S. Energy Information Administration stated that the monthly WTI spot price averaged about $68/bbl in 2021 and forecasted that it would average about $101/bbl during 2022, before declining to about $85/bbl in 2023.

Inflationary pressures continued during the first quarter of 2022. The Consumer Price Index for all urban consumers increased by 7.9 percent for the 12-month period ending February 2022, reflecting the largest 12-month increase since 1982. The largest contributors to the overall increase were rising prices for gasoline, shelter and food. In an anticipated move, the Federal Reserve began raising the target federal funds rate by 25 basis points on March 16, 2022 in an attempt to mitigate inflation. According to a March 16 Reuters' article, most policymakers now see the federal funds rate rising to a range of 1.75 percent to 2.0 percent by the end of 2022. The Federal Reserve is also expected to begin shrinking its balance sheet during the second quarter of 2022.

On March 31, 2022, the U.S. Department of Agriculture (USDA) released its 2022 Prospective Plantings report. Corn planted area was estimated at 89.5 million acres for 2022, down about 4 percent from the prior year. Soybean planted acreage was estimated for 2022 at a record high 91.0 million acres, up about 4 percent from the 2021 season. Cotton planted area was estimated for 2022 at 12.2

million acres, 9 percent above last year. These estimates were derived from a survey of farmers' intentions and are subject to change throughout the season.

In its March 2022 World Agricultural Supply and Demand Estimates (WASDE), the USDA, in its initial assessment of the Russia/Ukraine Conflict, reported that this conflict has significantly increased the uncertainty of agricultural supply and demand conditions both regionally and globally. Additionally in March 2022, the USDA upwardly revised its average price forecasts for 2022 for corn, soybeans, wheat and cotton for farmers. After rising less than 3.0 percent in 2021, the USDA also projected an increase in the average price received by farmers for milk by approximately 34.0 percent during 2022. For steer, barrow and gilt and broilers, the USDA projects that average prices will increase by approximately 14.0 percent, 5.5 percent and 15.1 percent, respectively, during 2022. Lumber prices remain at elevated levels, as strong demand for construction materials persists.

Agricultural producers may be negatively affected during the remainder of 2022 by several factors, including volatile commodity prices, high input costs, export market disruptions, geopolitical challenges, and adverse weather conditions. The Association's loan portfolio is well-supported by industry diversification. Additionally, a high percentage of the Association's borrowers primarily rely on non-farm sources of income to repay their loans.

Loan Portfolio

Total loans outstanding at March 31, 2022, including nonaccrual loans and sales contracts, were $903,514,452 compared to $871,649,828 at December 31, 2021, reflecting an increase of 3.7 percent. Nonaccrual loans as a percentage of total loans outstanding was 0.2 percent at March 31, 2022, and December 31, 2021.

The Association recorded no recoveries or charge-offs for the quarter ended March 31, 2022, and no recoveries and $789,250 in charge-offs for the same period in 2021. The Association's allowance for loan losses was 0.3 percent of total loans outstanding as of March 31, 2022, and December 31, 2021.

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	**$ 2,069,685**	**100.0%**	$ 2,115,427	100.0%
Total	**$ 2,069,685**	**100.0%**	$ 2,115,427	100.0%

During the first quarter of 2022, the Association did not exchange any mortgage loans that previously were covered under a long-term standby commitment to purchase agreement with Federal Agricultural Mortgage Corporation (Farmer Mac) for a Farmer Mac guaranteed agricultural mortgage-backed security.

Results of Operations

The Association had net income of $5,198,168 for the three months ended March 31, 2022, as compared to net income of $3,084,040 for the same period in 2021, reflecting an increase of 68.6 percent. Net interest income was $6,107,497 for the three months ended March 31, 2022, compared to $5,524,196 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	**$ 880,574,148**	**$ 10,202,926**	$ 807,999,424	$ 9,358,497
Interest-bearing liabilities	**757,944,590**	**4,095,429**	690,310,328	3,834,301
Impact of capital	**$ 122,629,558**		$ 117,689,096	
Net interest income		**$ 6,107,497**		$ 5,524,196

	2022 Average Yield	2021 Average Yield
Yield on loans	**4.70%**	4.70%
Cost of interest-bearing liabilities	**2.19%**	2.25%
Interest rate spread	**2.51%**	2.45%
Net interest income as a percentage of average earning assets	**2.81%**	2.77%

	Three months ended: March 31, 2022 vs. March 31, 2021		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 840,588**	**$ 3,841**	**$ 844,429**
Interest expense	**375,665**	**(114,537)**	**261,128**
Net interest income	**$ 464,923**	**$ 118,378**	**$ 583,301**

Interest income for the three months ended March 31, 2022, increased by $844,429, or 9.0 percent respectively, from the same period of 2021, primarily due to an increase in average loan volume. Interest expense for the three months ended March 31, 2022, increased by $261,128, or 6.8 percent, from the same period of 2021 due to an increase in average debt volume. Average loan volume for the first quarter of 2022 was $880,574,148, compared to $807,999,424 in the first quarter of 2021. The average net interest rate spread on the loan portfolio for the first quarter of 2022 was 2.51 percent, compared to 2.45 percent in the first quarter of 2021.

The Association's return on average assets for the three months ended March 31, 2022, was 2.31 percent compared to 2.06 percent for the same period in 2021. The Association's return on average equity for the three months ended March 31, 2022, was 14.54 percent, compared to 12.37 percent for the same period in 2021.

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	**$**	**776,408,254**	$	752,201,210
Accrued interest on note payable		**1,420,393**		1,368,353
Total	**$**	**777,828,647**	$	753,569,563

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 $776,408,254 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 2.2 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 general financing agreement. 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 Association's assets since the prior year. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $126,929,713 at March 31, 2022. The maximum amount the Association may borrow from the Bank as of March 31, 2022, was $912,483,569 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 31, 2023, 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.

Capital Resources

The Association's capital position decreased by $4,005,260 at March 31, 2022, compared to December 31, 2021. The Association's debt as a percentage of members' equity was 5.42:1 as of March 31, 2022, compared to 5.07:1 as of December 31, 2021.

Farm Credit Administration regulations require the Association 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.

Capital regulation changes for tier1/tier 2 framework went into effect as of January 1, 2022. This change has a minimal impact and does not result in the Association's URE or UREE ratios falling below the regulatory minimum.

Significant Recent Accounting Pronouncements

In January 2021, the Financial Accounting Standards Board (FASB) issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021, and the impact was not material to the Association's financial condition or its results of operations.

In March 2020, the FASB issued guidance titled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different Plains Land Bank, FLCA — 2021 Annual Report 11 types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the Association's financial condition or results of operations. In addition, the Association adopted the optional expedient as it relates to loans during the first quarter of 2021, and the impact of adoption was not material to the Association's financial condition or results of operations.

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 associations qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. System institutions 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.

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 Plains Land Bank, FLCA 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 Plains Land Bank, FLCA, 1616 S. Kentucky St., Suite C250, Amarillo, Texas 79102-5210 or calling (806) 331-0926. The annual and quarterly stockholder reports for the Association are also available on its website at *www.plainslandbank.com.* Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *hhofmann@plainslandbank.com.*

PLAINS LAND BANK, FLCA

BALANCE SHEET

	March 31, 2022 (unaudited)	December 31, 2021
ASSETS		
Cash	$ 6,036	$ 11,310
Loans	903,514,452	871,649,828
Less: allowance for loan losses	2,351,326	2,376,000
Net loans	901,163,126	869,273,828
Accrued interest receivable	11,754,030	15,537,365
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	16,553,195	16,600,480
Other	1,712,452	2,460,717
Premises and equipment, net	2,607,949	2,674,324
Other assets	1,020,123	749,033
Total assets	$ 934,816,911	$ 907,307,057
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	$ 776,408,254	$ 752,201,210
Accrued interest payable	1,420,393	1,368,353
Drafts outstanding	404,680	200,915
Other liabilities	11,059,855	4,007,590
Total liabilities	789,293,182	757,778,068
MEMBERS' EQUITY		
Capital stock and participation certificates	2,187,765	2,188,585
Unallocated retained earnings	143,230,231	147,232,063
Accumulated other comprehensive income	105,733	108,341
Total members' equity	145,523,729	149,528,989
Total liabilities and members' equity	$ 934,816,911	$ 907,307,057

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

PLAINS LAND BANK, FLCA

STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended March 31,	
	2022	2021
INTEREST INCOME		
Loans	**$ 10,202,926**	$ 9,358,497
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**4,095,429**	3,834,301
Net interest income	**6,107,497**	5,524,196
(PROVISION REVERSAL) PROVISION FOR LOAN LOSSES	**(32,868)**	893,105
Net interest income after provision for loan losses	**6,140,365**	4,631,091
NONINTEREST INCOME		
Income from the Farm Credit Bank of Texas:		
Patronage income	**1,380,571**	992,154
Loan fees	**42,142**	268,850
Financially related services income	**1,933**	1,665
Gain on other property owned, net	**-**	5,370
Gain on sale of premises and equipment, net	**15,483**	17,338
Other noninterest income	**20,147**	30,746
Total noninterest income	**1,460,276**	1,316,123
NONINTEREST EXPENSES		
Salaries and employee benefits	**1,157,327**	1,747,745
Directors' expense	**97,404**	52,415
Purchased services	**269,722**	310,493
Travel	**58,371**	53,426
Occupancy and equipment	**139,951**	115,425
Communications	**32,470**	23,075
Advertising	**118,032**	96,150
Public and member relations	**51,206**	52,661
Supervisory and exam expense	**78,965**	72,829
Insurance Fund premiums	**354,787**	320,680
Other noninterest expense	**44,238**	18,275
Total noninterest expenses	**2,402,473**	2,863,174
NET INCOME	**5,198,168**	3,084,040
Other comprehensive income:		
Change in postretirement benefit plans	**(2,608)**	(2,608)
COMPREHENSIVE INCOME	**$ 5,195,560**	$ 3,081,432

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

PLAINS LAND BANK, FLCA

STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	$ 2,098,280	$ 137,695,231	$ 127,250	$ 139,920,761
Comprehensive income	-	3,084,040	(2,608)	3,081,432
Capital stock/participation certificates and allocated retained earnings issued	85,000	-	-	85,000
Capital stock/participation certificates and allocated retained earnings retired	(92,285)	-	-	(92,285)
Patronage refunds:				
Cash	-	(8,800,000)	-	(8,800,000)
Capital stock/participation certificates and allocated retained earnings	-	2,133	-	2,133
Balance at March 31, 2021	$ 2,090,995	$ 131,981,404	$ 124,642	$ 134,197,041
Balance at December 31, 2021	$ 2,188,585	$ 147,232,063	$ 108,341	$ 149,528,989
Comprehensive income	-	5,198,168	(2,608)	5,195,560
Capital stock/participation certificates and allocated retained earnings issued	103,660	-	-	103,660
Capital stock/participation certificates and allocated retained earnings retired	(104,480)	-	-	(104,480)
Patronage refunds:				
Cash	-	(9,200,000)	-	(9,200,000)
Capital stock/participation certificates and allocated retained earnings	-	-	-	-
Balance at March 31, 2022	**$ 2,187,765**	**$ 143,230,231**	**$ 105,733**	**$ 145,523,729**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Plains Land Bank, FLCA (Federal Land 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 Armstrong, Briscoe, Carson, Floyd, Gray, Hale, the southwest portion of Hall, Hansford, Hemphill, Hutchinson, Lipscomb, Motley, Ochiltree, Oldham, Potter, Randall, and Roberts in the state of Texas. The Association is a lending institution 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 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 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 January 2021, the Financial Accounting Standards Board (FASB) issued an update to Reference Rate Reform whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021, and the impact was not material to the Association’s financial condition or its results of operations.

In March 2020, the FASB issued guidance titled “Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different Plains Land Bank, FLCA — 2021 Annual Report 11 types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association applied the optional accounting expedients available under the guidance to debt and derivative contract modifications related to LIBOR transition in the fourth quarter of 2020. The impact of adoption was not material to the Association’s financial condition or results of operations. In addition, the Association adopted the optional expedient as it relates to loans during the first quarter of 2021, and the impact of adoption was not material to the Association’s financial condition or results of operations.

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 associations qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. System institutions 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 financial statements comprise the operations of the FLCA. The preparation of these 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, 2022. Certain amounts in the prior period's financial statements may have been reclassified to conform to current financial statement presentation.

NOTE 2 — 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	**$ 785,365,318**	$ 764,558,538
Production and intermediate term	**6,051,617**	5,222,308
Agribusiness:		
Processing and marketing	**45,374,228**	42,726,479
Farm-related business	**11,914,080**	10,328,964
Loans to cooperatives	**5,210,971**	3,114,690
Rural residential real estate	**16,477,799**	14,771,419
Energy	**15,457,102**	15,679,977
Communication	**11,668,685**	11,701,039
Agricultural export finance	**5,247,645**	1,997,974
Water and waste water	**747,007**	1,548,440
Total	**$ 903,514,452**	$ 871,649,828

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
Agribusiness	$ 42,738,100	$ -	$ -	$ -	$ 42,738,100	$ -
Real estate mortgage	14,794,615	33,087,017	7,269,531	-	22,064,146	33,087,017
Energy	15,457,102	-	-	-	15,457,102	-
Communication	11,668,685	-	-	-	11,668,685	-
Production and intermediate term	6,051,617	-	-	-	6,051,617	-
Agricultural export finance	5,247,645	-	-	-	5,247,645	-
Water and waste water	747,007	-	-	-	747,007	-
Total	$ 96,704,771	$ 33,087,017	$ 7,269,531	$ -	$103,974,302	$ 33,087,017

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 $10,615,038 and $10,431,913 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:		
Energy	**$ 2,069,685**	$ 2,115,427
Total nonperforming assets	**$ 2,069,685**	$ 2,115,427

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	**98.7** %	98.7 %
OAEM	**0.1**	-
Substandard/doubtful	**1.2**	1.3
	100.0	100.0
Production and intermediate term		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Agribusiness		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Energy		
Acceptable	**86.6**	86.5
OAEM	**-**	-
Substandard/doubtful	**13.4**	13.5
	100.0	100.0
Water/waste water		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Agricultural export finance		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Total loans		
Acceptable	**98.7**	98.7
OAEM	**-**	-
Substandard/doubtful	**1.3**	1.3
	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	**$ 1,842,495**	**$ -**	**$ 1,842,495**	**$ 794,796,014**	**$ 796,638,509**	**$ -**
Processing and marketing	**-**	**-**	**-**	**45,719,257**	**45,719,257**	**-**
Rural residential real estate	**-**	**-**	**-**	**16,552,534**	**16,552,534**	**-**
Energy	**-**	**1,248,898**	**1,248,898**	**14,224,231**	**15,473,129**	**-**
Farm-related business	**-**	**-**	**-**	**11,933,735**	**11,933,735**	**-**
Communication	**-**	**-**	**-**	**11,669,419**	**11,669,419**	**-**
Production and intermediate term	**-**	**-**	**-**	**6,064,263**	**6,064,263**	**-**
Agricultural export finance	**-**	**-**	**-**	**5,252,158**	**5,252,158**	**-**
Loans to cooperatives	**-**	**-**	**-**	**5,217,668**	**5,217,668**	**-**
Water and waste water	**-**	**-**	**-**	**747,810**	**747,810**	**-**
Total	**$ 1,842,495**	**$ 1,248,898**	**$ 3,091,393**	**$ 912,177,089**	**$ 915,268,482**	**$ -**

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	$ -	$ -	$ -	$ 779,728,987	$ 779,728,987	$ -
Processing and marketing	-	-	-	42,969,467	$ 42,969,467	-
Rural residential real estate	-	-	-	14,838,298	$ 14,838,298	-
Energy	-	1,248,898	1,248,898	14,446,466	$ 15,695,364	-
Farm-related business	-	-	-	10,348,836	$ 10,348,836	-
Communication	-	-	-	11,701,663	$ 11,701,663	-
Production and intermediate term	-	-	-	5,233,974	$ 5,233,974	-
Agricultural export finance	-	-	-	2,001,415	$ 2,001,415	-
Loans to cooperatives	-	-	-	3,120,054	$ 3,120,054	-
Water and waste water	-	-	-	1,549,135	$ 1,549,135	-
Total	$ -	$ 1,248,898	$ 1,248,898	$ 885,938,295	$ 887,187,193	$ -

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.

There were no troubled debt restructured loans 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 as of March 31, 2022 and December 31, 2021.

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 concessions. 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, the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

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	**$2,069,685**	**$ 2,070,725**	**$439,684**	$ 2,115,427	$2,116,466	$ 439,684
Total	**$2,069,685**	**$ 2,070,725**	**$439,684**	$ 2,115,427	$2,116,466	$ 439,684
Impaired loans with no related allowance for credit losses:						
Energy and water/waste water	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
Total	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
Total impaired loans:						
Energy and water/waste water	**$2,069,685**	**$ 2,070,725**	**$439,684**	$ 2,115,427	$2,116,466	$ 439,684
Total	**$2,069,685**	**$ 2,070,725**	**$439,684**	$ 2,115,427	$2,116,466	$ 439,684

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

	For the Quarter & Year 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	**$ 2,113,551**	**$ -**	$ 440,055	$ 229
Total	**$ 2,113,551**	**$ -**	$ 440,055	$ 229
Impaired loans with no related allowance for credit losses:				
Energy and water/waste water	**$ -**	**$ -**	$ -	$ -
Total	**$ -**	**$ -**	$ -	$ -
Total impaired loans:				
Energy and water/waste water	**$ 2,113,551**	**$ -**	$ 440,055	$ 229
Total	**$ 2,113,551**	**$ -**	$ 440,055	$ 229

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 and Water/Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses:								
Balance at December 31, 2021	$ 1,666,611	$ 13,512	$ 187,515	$ 21,384	$ 455,827	$ 25,857	$ 5,294	$ 2,376,000
Charge-offs	-	-	-	-	-	-	-	-
Provision for loan losses	(43,208)	364	8,315	216	(749)	1,861	333	(32,868)
Other	397	136	6,584	-	948	129	-	8,194
Balance at March 31, 2022	$ 1,623,800	$ 14,012	$ 202,414	$ 21,600	$ 456,026	$ 27,847	$ 5,627	$ 2,351,326
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 439,684	$ -	$ -	$ 439,684
Collectively evaluated for impairment	1,623,800	14,012	202,414	21,600	16,342	27,847	5,627	1,911,642
Balance at March 31, 2022	$ 1,623,800	$ 14,012	$ 202,414	$ 21,600	$ 456,026	$ 27,847	$ 5,627	$ 2,351,326
Balance at December 31, 2020	$ 2,240,849	$ 38,077	$ 369,848	$ 28,759	$ 255,256	$ 31,073	$ -	$ 2,963,862
Charge-offs	-	-	(789,250)	-	-	-	-	(789,250)
Provision for loan losses	(129,318)	13,295	723,748	920	284,948	(488)	-	893,105
Other	(1,088)	(5,996)	10,393	-	(2,946)	-	-	363
Balance at March 31, 2021	$ 2,110,443	$ 45,376	$ 314,739	$ 29,679	$ 537,258	$ 30,585	$ -	$ 3,068,080
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 262,051	$ -	$ -	$ 262,051
Collectively evaluated for impairment	2,110,443	45,376	314,739	29,679	275,207	30,585	-	2,806,029
Balance at March 31, 2021	$ 2,110,443	$ 45,376	$ 314,739	$ 29,679	$ 537,258	$ 30,585	$ -	$ 3,068,080

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Total
Recorded Investments in Loans Outstanding:								
Ending Balance at March 31, 2022	$796,638,509	$ 6,064,263	$ 62,870,660	$ 11,669,419	$ 16,220,939	$16,552,534	$ 5,252,158	$915,268,482
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 2,069,685	$ -	$ -	$ 2,069,685
Collectively evaluated for impairment	$796,638,509	$ 6,064,263	$ 62,870,660	$ 11,669,419	$ 14,151,254	$16,552,534	$ 5,252,158	$913,198,797
Ending Balance at December 31, 2021	$779,728,987	$ 5,233,974	$ 56,438,357	$ 11,701,663	$ 17,244,499	$14,838,298	$ 2,001,415	$887,187,193
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 2,115,427	$ -	$ -	$ 2,115,427
Collectively evaluated for impairment	$779,728,987	$ 5,233,974	$ 56,438,357	$ 11,701,663	$ 15,129,072	$14,838,298	$ 2,001,415	$885,071,766

NOTE 3 —LEASES:

The components of lease expense were as follows:

	For the Three Months Ended	
	March 31, 2022	March 31, 2021
Operating lease cost	**$ 22,901**	$ 18,011
Net lease cost	**$ 22,901**	$ 18,011

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	**$ 23,349**	$ 18,169
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	**$ 239,379**	$ 273,687

Lease term and discount rate are as follows:

	March 31, 2022	December 31, 2021
Weighted average remaining lease term in years		
Operating leases	**2.99**	3.21
Weighted average discount rate		
Operating leases	**2.43%**	2.43%

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)	$ 68,388
2023	83,158
2024	82,990
2025	27,846
2026	-
Thereafter	-
Total lease payments	262,382
Less: interest	9,273
Total	$ 253,109

During the first quarter of 2021, the Association entered into a sales-type lease agreement in which the Association is the lessor. At the termination of the lease, the Association will grant the lessee the option to purchase the property, which was valued at $318,059 at the inception of the lease.

Components of lease receivable were as follows:

Net investment in the lease as of 3/31/2022	**$ 267,963**
Unguaranteed residual value of leased assets	**$ 272,898**
Profit recognized at the commencement of the lease	**$ 12,636**

Other information related to sales-type leases was as follows:

	March 31, 2022	March 31, 2021
Interest income	**$ 1,727**	$ -
Cash received for amounts included in the measurement of leased assets	**$ 15,000**	$ 2,630

NOTE 4 — 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**	As of December 31, 2021
Common equity tier 1 ratio	7.00%	14.04%	14.45%
Tier 1 capital ratio	8.50%	14.04%	14.45%
Total capital ratio	10.50%	14.31%	14.76%
Permanent capital ratio	7.00%	14.08%	14.50%
Non-risk-adjusted:			
Tier 1 leverage ratio	5.00%	14.29%	14.70%
UREE leverage ratio	1.50%	14.04%	15.89%

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

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

Risk-adjusted assets is calculated differently for the permanent capital ratio (referred herein as PCR risk-adjusted assets) compared to the other risk-based capital ratios. The primary difference is the deduction of the allowance for loan losses from risk-adjusted assets for the permanent capital ratio.

The ratios are based on a three-month average daily balance in accordance with FCA regulations and are calculated as follows:

- Common equity tier 1 ratio is statutory minimum purchased borrower stock, other required borrower stock held for a minimum of seven years, allocated equities held for a minimum of seven years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of allocated investments in other System institutions, and the amount of purchased investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Tier 1 capital ratio is common equity tier 1 plus non-cumulative perpetual preferred stock, divided by average risk adjusted assets.

- Total capital is tier 1 capital plus other required borrower stock held for a minimum of five years, allocated equities held for a minimum of five years, subordinated debt and limited-life preferred stock greater than five years to maturity at issuance subject to certain limitations, allowance and reserve for credit losses under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.

- Permanent capital ratio (PCR) is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid in capital, subordinated debt and preferred subject to certain limitations, less certain allocated and purchased investments in other System institutions, divided by PCR risk-adjusted assets.

- Tier 1 leverage ratio is tier 1 capital, including regulatory deductions, divided by average assets less regulatory deductions subject to tier 1 capital.

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

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

The components of the Association's risk-adjusted capital, based on 90-day average balances, were as follows on March 31, 2022 and December 31, 2021, respectively:

March 21, 2022	**Common equity tier 1 ratio**	**Tier 1 capital ratio**	**Total capital ratio**	**Permanent capital ratio**
Numerator:				
Unallocated retained earnings	**142,494,118**	**142,494,118**	**142,494,118**	**142,494,118**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**2,182,996**	**2,182,996**	**2,182,996**	**2,182,996**
Allowance for loan losses and reserve for credit losses subject to certain limitations	**-**	**-**	**2,440,136**	**-**
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(16,599,955)**	**(16,599,955)**	**(16,599,955)**	**(16,599,955)**
	128,077,159	**128,077,159**	**130,517,295**	**128,077,159**
Denominator:				
Risk-adjusted assets excluding allowance	**928,575,416**	**928,575,416**	**928,575,416**	**928,575,416**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(16,599,955)**	**(16,599,955)**	**(16,599,955)**	**(16,599,955)**
Allowance for loan losses	**-**	**-**	**-**	**(2,367,479)**
	911,975,461	**911,975,461**	**911,975,461**	**909,607,982**

December 31, 2021	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	141,671,387	141,671,387	141,671,387	141,671,387
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,177,137	2,177,137	2,177,137	2,177,137
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	2,834,360	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(12,708,391)	(12,708,391)	(12,708,391)	(12,708,391)
	131,140,133	131,140,133	133,974,493	131,140,133
Denominator:				
Risk-adjusted assets excluding allowance	920,127,457	920,127,457	920,127,457	920,127,457
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(12,708,391)	(12,708,391)	(12,708,391)	(12,708,391)
Allowance for loan losses	-	-	-	(2,738,019)
	907,419,066	907,419,066	907,419,066	904,681,047

The components of the Association's non-risk-adjusted capital, based on 90-day average balances, were as follows on March 31, 2022 and December 31, 2021, respectively:

	March 31, 2022		December 31, 2021	
	Tier 1 leverage ratio	**UREE leverage ratio**	Tier 1 leverage ratio	UREE leverage ratio
Numerator:				
Unallocated retained earnings	**142,494,118**	**142,494,118**	141,671,387	141,671,387
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**2,182,996**	-	2,177,137	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(16,599,955)**	**(16,599,955)**	(12,708,391)	-
	128,077,159	**125,894,163**	131,140,133	141,671,387
Denominator:				
Total Assets	**913,034,228**	**913,034,228**	907,281,573	907,281,573
Regulatory Adjustments and Deductions:				
Regulatory deductions included in Tier 1 capital	**(16,614,300)**	**(16,614,300)**	(15,468,189)	(15,468,189)
	896,419,928	**896,419,928**	891,813,384	891,813,384

An additional component of equity is accumulated other comprehensive income, which is reported as follows:

Accumulated Other Comprehensive Income

	March 31, 2022
Nonpensions postretirement benefits	**$ 105,733**
Total	**$ 105,733**

	March 31, 2021
Nonpensions postretirement benefits	$ 124,642
Total	$ 124,642

The Association's accumulated other comprehensive income relates entirely to its nonpension other postretirement benefits. Amortization of prior service credit is reflected in "Salaries and employee benefits" in the Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income for the three months ended March 31:

	2022	**2021**
Accumulated other comprehensive income at January 1	**$ 108,341**	$ 127,250
Amortization of prior service credit included in salaries and employee benefits	**(2,608)**	(2,608)
Other comprehensive loss, net of tax	**(2,608)**	(2,608)
Accumulated other comprehensive income at March 31	**$ 105,733**	$ 124,642

NOTE 5 — 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 13 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**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$1,630,001**	**$1,630,001**	**$ -**

December 31, 2021	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans*	$ -	$ -	$ 1,675,743	$ 1,675,743	$ -

*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

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement of the mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would have resulted in a significantly lower (higher) fair value measurement.

Generally, a change in the assumption used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

Quoted market prices are generally not available for the instruments presented below. Accordingly, fair values are based on internal models that consider 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.

Valuation Techniques

As more fully discussed in Note 13 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.

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.

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.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

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.

NOTE 6 — 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	**$ 1,449**	$ 1,382
Interest cost	**9,093**	8,113
Amortization of prior service credits	**(2,608)**	(2,608)
Net periodic benefit cost	**$ 7,934**	$ 6,887

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2022, was $1,183,011 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 $58,715 to the District's defined benefit pension plan in 2022. As of March 31, 2022, $102,029 of contributions have been made. The Association presently anticipates contributing an additional $306,089 to fund the defined benefit pension plan in 2022 for a total of $408,118.

NOTE 7 — 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 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 10, 2022, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of May 10, 2022.