PLAINS LAND BANK, FLCA

BALANCE SHEET

	March 31, 2021 (unaudited)	December 31, 2020
ASSETS		
Cash	**$ 9,666**	$ 13,104
Loans	**818,434,747**	792,907,347
Less: allowance for loan losses	**3,068,080**	2,963,862
Net loans	**815,366,667**	789,943,485
Accrued interest receivable	**10,792,600**	13,299,322
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**12,664,660**	12,664,660
Other	**377,536**	3,894,059
Other property owned, net	**645,890**	-
Premises and equipment, net	**2,860,664**	2,570,269
Sales-type lease net investment	**330,695**	-
Other assets	**1,753,136**	487,315
Total assets	**$ 844,801,514**	$ 822,872,214
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 697,836,817**	$ 678,846,912
Accrued interest payable	**1,271,392**	1,276,985
Drafts outstanding	**333,145**	254,464
Other liabilities	**11,163,119**	2,573,092
Total liabilities	**710,604,473**	682,951,453
MEMBERS' EQUITY		
Capital stock and participation certificates	**2,090,995**	2,098,280
Unallocated retained earnings	**131,981,404**	137,695,231
Accumulated other comprehensive income	**124,642**	127,250
Total members' equity	**134,197,041**	139,920,761
Total liabilities and members' equity	**$ 844,801,514**	$ 822,872,214

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

PLAINS LAND BANK, FLCA

STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended March 31, 2021	Quarter Ended March 31, 2020
INTEREST INCOME		
Loans	**$ 9,358,497**	$ 9,512,319
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**3,834,301**	4,510,818
Net interest income	**5,524,196**	5,001,501
PROVISION FOR LOAN LOSSES	**893,105**	289,784
Net interest income after provision for loan losses	**4,631,091**	4,711,717
NONINTEREST INCOME		
Income from the Farm Credit Bank of Texas:		
Patronage income	**992,154**	733,779
Loan fees	**268,850**	159,974
Financially related services income	**1,665**	1,325
Gain (loss) on other property owned, net	**5,370**	(2,993)
Gain on sale of premises and equipment, net	**17,338**	65,386
Other noninterest income	**30,746**	200,860
Total noninterest income	**1,316,123**	1,158,331
NONINTEREST EXPENSES		
Salaries and employee benefits	**1,747,745**	1,481,573
Directors' expense	**52,415**	84,789
Purchased services	**310,493**	141,523
Travel	**53,426**	61,548
Occupancy and equipment	**115,425**	98,453
Communications	**23,075**	17,110
Advertising	**96,150**	90,788
Public and member relations	**52,661**	51,732
Supervisory and exam expense	**72,829**	65,855
Insurance Fund premiums	**320,680**	160,703
Other noninterest expense	**18,275**	31,305
Total noninterest expenses	**2,863,174**	2,285,379
NET INCOME	**3,084,040**	3,584,669
Other comprehensive income:		
Change in postretirement benefit plans	**(2,608)**	(2,608)
COMPREHENSIVE INCOME	**$ 3,081,432**	$ 3,582,061

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, 2019	$ 2,086,145	$ 129,257,637	$ 147,829	$ 131,491,611
Comprehensive income	-	3,584,669	(2,608)	3,582,061
Capital stock/participation certificates and allocated retained earnings issued	76,000	-	-	76,000
Capital stock/participation certificates and allocated retained earnings retired	(79,990)	-	-	(79,990)
Patronage refunds:				
Cash	-	(8,529,689)	-	(8,529,689)
Balance at March 31, 2020	$ 2,082,155	$ 124,312,617	$ 145,221	$ 126,539,993
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**

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

PLAINS LAND BANK, FLCA
NOTES TO THE FINANCIAL STATEMENTS
Unaudited

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, 2020, as contained in the 2020 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, 2020, as contained in the 2020 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 2020 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 March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "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 types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. New contracts entered into before December 31, 2021 will either utilize a reference rate other than LIBOR or have robust fallback language that includes a clearly defined alternative reference rate. These actions are necessary to facilitate an orderly transition.

In December 2019, the FASB issued guidance entitled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted and the institution adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the Association's financial condition or results of operations.

In August 2018, the FASB issued guidance entitled “Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans.” The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance became effective for fiscal years ending after December 15, 2020. The guidance was applied on a retrospective basis for all periods. The adoption of this guidance did not impact the Association’s financial condition or its results of operations but did impact the employee benefit plan disclosures.

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 institutions. 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 institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association’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, 2021, are not necessarily indicative of the results to be expected for the year ended December 31, 2021. 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, 2021 Amount**	December 31, 2020 Amount
Production agriculture:		
Real estate mortgage	**$ 698,059,669**	$ 682,404,512
Production and intermediate term	**23,881,824**	12,409,970
Agribusiness:		
Processing and marketing	**41,253,187**	40,625,531
Farm-related business	**7,062,968**	7,797,851
Loans to cooperatives	**4,695,137**	7,071,752
Energy	**16,529,271**	15,838,753
Communication	**13,531,877**	13,568,681
Rural residential real estate	**12,393,017**	12,148,303
Water and waste water	**1,027,797**	1,041,994
Total	**$ 818,434,747**	$ 792,907,347

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, 2021:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 40,968,373	$ -	$ -	$ -	$ 40,968,373	$ -
Real estate mortgage	23,588,672	5,433,946	-	-	23,588,672	5,433,946
Energy	16,529,271	-	-	-	16,529,271	-
Communication	13,531,877	-	-	-	13,531,877	-
Production and intermediate term	8,647,383	-	1,752,553	-	10,399,936	-
Water and waste water	1,027,797	-	-	-	1,027,797	-
Total	$ 104,293,373	$ 5,433,946	$ 1,752,553	$ -	$ 106,045,926	$ 5,433,946

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. As of March 31, 2021, there were $6,287,065 of ACPs contained in funds held on the balance sheet.

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

	March 31, 2021	December 31, 2020
Nonaccrual loans:		
Energy	**$ 1,001,949**	$ -
Agribusiness	**-**	1,416,452
Total nonperforming loans	**1,001,949**	1,416,452
Other property owned	**645,890**	-
Total nonperforming assets	**$ 1,647,839**	$ 1,416,452

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, 2021		December 31, 2020	
Real estate mortgage				
Acceptable	**97.7**	%	97.3	%
OAEM	**0.1**		0.1	
Substandard/doubtful	**2.2**		2.6	
	100.0		100.0	
Production and intermediate term				
Acceptable	**100.0**		100.0	
OAEM	**-**		-	
Substandard/doubtful	**-**		-	
	100.0		100.0	
Agribusiness				
Acceptable	**97.4**		95.0	
OAEM	**2.6**		2.5	
Substandard/doubtful	**-**		2.5	
	100.0		100.0	
Energy				
Acceptable	**86.4**		93.4	
OAEM	**-**		-	
Substandard/doubtful	**13.6**		6.6	
	100.0		100.0	
Water and 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	
Total loans				
Acceptable	**97.6**		97.2	
OAEM	**0.2**		0.3	
Substandard/doubtful	**2.2**		2.5	
	100.0	%	100.0	%

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

March 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	**$ 1,006,604**	**$ -**	**$ 1,006,604**	**$ 706,999,818**	**$ 708,006,422**	**$ -**
Processing and marketing	**-**	**-**	**-**	**41,730,562**	**41,730,562**	**-**
Production and intermediate term	**-**	**-**	**-**	**24,038,670**	**24,038,670**	**-**
Energy	**-**	**-**	**-**	**16,645,466**	**16,645,466**	**-**
Communication	**-**	**-**	**-**	**13,532,612**	**13,532,612**	**-**
Rural residential real estate	**-**	**-**	**-**	**12,449,407**	**12,449,407**	**-**
Farm-related business	**-**	**-**	**-**	**7,094,560**	**7,094,560**	**-**
Loans to cooperatives	**-**	**-**	**-**	**4,701,791**	**4,701,791**	**-**
Water and waste water	**-**	**-**	**-**	**1,027,857**	**1,027,857**	**-**
Total	**$ 1,006,604**	**$ -**	**$ 1,006,604**	**$ 828,220,743**	**$ 829,227,347**	**$ -**

December 31, 2020	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	$ 5,257,354	$ -	$ 5,257,354	$ 689,901,263	$ 695,158,617	$ -
Processing and marketing	-	-	-	41,047,028	41,047,028	-
Production and intermediate term	-	-	-	12,451,155	12,451,155	-
Energy	-	-	-	15,857,241	15,857,241	-
Communication	-	-	-	13,569,431	13,569,431	-
Rural residential real estate	-	-	-	12,204,475	12,204,475	-
Farm-related business	-	-	-	7,803,077	7,803,077	-
Loans to cooperatives	-	-	-	7,073,589	7,073,589	-
Water and waste water	-	-	-	1,042,056	1,042,056	-
Total	$ 5,257,354	$ -	$ 5,257,354	$ 800,949,315	$ 806,206,669	$ -

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, 2021. There were no commitments to lend funds held to borrowers whose loan terms have been modified in a troubled debt restructuring as of March 31, 2021 and December 31, 2020

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). The Association recorded charge-offs of $789,250 as of March 31, 2021.

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 we assess 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, 2021			December 31, 2020		
	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	**$ 1,001,949**	**$ 1,001,949**	**$ 262,051**	$ -	$ -	$ -
Loans to cooperatives	**-**	**-**	**-**	1,416,452	1,537,644	75,100
Total	**$ 1,001,949**	**$ 1,001,949**	**$ 262,051**	$ 1,416,452	$ 1,537,644	$ 75,100
Impaired loans with no related allowance for credit losses:						
Energy and water/waste water	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
Loans to cooperatives	**-**	**-**	**-**	-	-	-
Total	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -
Total impaired loans:						
Energy and water/waste water	**$ 1,001,949**	**$ 1,001,949**	**$ 262,051**	$ -	$ -	$ -
Loans to cooperatives	**-**	**-**	**-**	**1,416,452**	**1,537,644**	**75,100**
Total	**$ 1,001,949**	**$ 1,001,949**	**$ 262,051**	$ 1,416,452	$ 1,537,644	$ 75,100

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

	For the Quarter & Year Ended			
	March 31, 2021		March 31, 2020	
	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	**$ 440,055**	**$ 229**	-	-
Real estate mortgage	**-**	**-**	192,874	-
Total	**$ 440,055**	**$ 229**	$ 192,874	$ -
Impaired loans with no related allowance for credit losses:				
Energy and water/waste water	**$ -**	**$ -**	$ -	$ -
Real estate mortgage	**-**	**-**	891,260	6,776
Total	**$ -**	**$ -**	$ 891,260	$ 6,776
Total impaired loans:				
Energy and water/waste water	**$ 440,055**	**$ 229**	**$ -**	**$ -**
Real estate mortgage	**-**	**-**	1,084,134	6,776
Total	**$ 440,055**	**$ 229**	$ 1,084,134	$ 6,776

A summary of changes in the allowance for loan losses and unfunded commitments and the ending balance of loans outstanding are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
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
Balance at December 31, 2019	$ 1,698,408	$ 15,516	$ 256,667	$ 22,189	$ 58,021	$ 23,512	$ 2,074,313
Charge-offs	-	-	-	-	-	-	-
Provision for loan losses	219,820	(1,983)	59,000	2,053	6,376	4,518	289,784
Other	(473)	792	(1,113)	-	1,612	-	818
Balance at March 31, 2020	$ 1,917,755	$ 14,325	$ 314,554	$ 24,242	$ 66,009	$ 28,030	$ 2,364,915
Ending Balance:							
Individually evaluated for impairment	$ 430	$ -	$ -	$ -	$ -	$ -	$ 430
Collectively evaluated for impairment	1,917,325	14,325	314,554	24,242	66,009	28,030	2,364,485
Balance at March 31, 2020	$ 1,917,755	$ 14,325	$ 314,554	$ 24,242	$ 66,009	$ 28,030	$ 2,364,915

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Recorded Investments in Loans Outstanding:							
Ending Balance at March 31, 2021	$ 708,006,422	$ 24,038,670	$ 53,526,913	$ 13,532,612	$ 17,673,323	$ 12,449,407	$ 829,227,347
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 1,001,949	$ -	$ 1,001,949
Collectively evaluated for impairment	$ 708,006,422	$ 24,038,670	$ 53,526,913	$ 13,532,612	$ 16,671,374	$ 12,449,407	$ 828,225,398
Ending Balance at December 31, 2020	$ 695,158,617	$ 12,451,155	$ 55,923,694	$ 13,569,431	$ 16,899,297	$ 12,204,475	$ 806,206,669
Individually evaluated for impairment	$ -	$ -	$ 1,416,452	$ -	$ -	$ -	$ 1,416,452
Collectively evaluated for impairment	$ 695,158,617	$ 12,451,155	$ 54,507,242	$ 13,569,431	$ 16,899,297	$ 12,204,475	$ 804,790,217

NOTE 3 —LEASES:

The components of lease expense were as follows:

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Operating lease cost	**$ 18,011**	$ 1,215
Net lease cost	**$ 18,011**	$ 1,215

Other information related to leases was as follows:

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 18,169**	$ 1,215
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	**$ 273,687**	$ 940

Lease term and discount rate are as follows:

	March 31, 2021	December 31, 2020
Weighted average remaining lease term in years		
Operating leases	4.04	4.95
Weighted average discount rate		
Operating leases	2.44%	2.44%

Future minimum lease payments under non-cancellable leases as of March 31, 2021 were as follows:

	Operating Leases
2021 (excluding the three months ended 3/31/21)	$ 55,441
2022	73,917
2023	73,790
2024	75,270
2025	25,256
Thereafter	-
Total lease payments	303,674
Less: interest	14,102
Total	$ 289,572

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.

The components of the sales-type lease were as follows:

	March 31, 2021
Net investment in the lease	$ 330,695
Unguaranteed residutal value of leased assets	$ 272,898

Other information related to the Association's sales-type lease is as follows:

	March 31, 2021
Profit recognized at the commencement of the lease	$ 12,636
Interest income	$ -
Cash received for amounts included in the measurement of leased assets	$ 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 institution'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 institution'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, 2021	As of December 31, 2020
Common equity tier 1 ratio	7.00%	14.48%	14.92%
Tier 1 capital ratio	8.50%	14.48%	14.92%
Total capital ratio	10.50%	14.83%	15.24%
Permanent capital ratio	7.00%	14.53%	14.97%
Non-risk-adjusted:			
Tier 1 leverage ratio	5.00%	14.88%	15.36%
UREE leverage ratio	1.50%	16.17%	16.50%

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 at March 31, 2021 and December 31, 2020, respectively:

March 31, 2021	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	**132,881,433**	**132,881,433**	**132,881,433**	**132,881,433**
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**2,083,860**	**2,083,860**	**2,083,860**	**2,083,860**
Allowance for loan losses and reserve for credit losses subject to certain limitations			**2,941,898**	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(12,664,660)**	**(12,664,660)**	**(12,664,660)**	**(12,664,660)**
	122,300,633	**122,300,633**	**125,242,531**	**122,300,633**
Denominator:				
Risk-adjusted assets excluding allowance	**857,050,351**	**857,050,351**	**857,050,351**	**857,050,351**
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	**(12,664,660)**	**(12,664,660)**	**(12,664,660)**	**(12,664,660)**
Allowance for loan losses				**(2,833,581)**
	844,385,691	**844,385,691**	**844,385,691**	**841,552,110**

December 31, 2020	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	132,991,905	132,991,905	132,991,905	132,991,905
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,098,803	2,098,803	2,098,803	2,098,803
Allowance for loan losses and reserve for credit losses subject to certain limitations			2,641,411	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(11,244,363)	(11,244,363)	(11,244,363)	(11,244,363)
	123,846,345	123,846,345	126,487,756	123,846,345
Denominator:				
Risk-adjusted assets excluding allowance	841,194,873	841,194,873	841,194,873	841,194,873
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(11,244,363)	(11,244,363)	(11,244,363)	(11,244,363)
Allowance for loan losses				(2,542,510)
	829,950,510	829,950,510	829,950,510	827,408,000

The components of the Association's non-risk-adjusted capital, based on 90-day average balances, were as follows at March 31, 2021 and December 31, 2020, respectively:

	March 31, 2021		December 31, 2020	
	Tier 1 leverage ratio	UREE leverage ratio	Tier 1 leverage ratio	UREE leverage ratio
Numerator:				
Unallocated retained earnings	**132,881,433**	**132,881,433**	132,991,905	132,991,905
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	**2,083,860**	**-**	2,098,803	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	**(12,664,660)**	**-**	(11,244,363)	-
	122,300,633	**132,881,433**	123,846,345	132,991,905
Denominator:				
Total Assets	**834,523,450**	**834,523,450**	819,430,557	819,430,557
Regulatory Adjustments and Deductions:				
Regulatory deductions included in tier 1 capital	**(12,685,160)**	**(12,685,160)**	(13,172,697)	(13,172,697)
	821,838,290	**821,838,290**	806,257,860	806,257,860

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

Accumulated Other Comprehensive Income

		March 31, 2021
Nonpension postretirement benefits	**$**	**124,642**
Total	**$**	**124,642**

		March 31, 2020
Nonpension postretirement benefits	$	145,221
Total	$	145,221

The Association's accumulated other comprehensive income relates entirely to its nonpension other postretirement benefits. Amortization of prior service credits 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:

	2021	2020
Accumulated other comprehensive income at January 1	**$ 127,250**	$ 147,829
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	**$ 124,642**	$ 145,221

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 2020 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, 2021	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Other property owned	**-**	**-**	**645,890**	**645,890**	**5,370**

December 31, 2020	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans*	$ -	$ -	$ 1,341,352	$ 1,341,352	$ -
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

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 2020 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 2020 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 Association's current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Association's 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. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

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	
	2021	2020
Service cost	**$ 1,382**	$ 2,252
Interest cost	**8,113**	9,847
Amortization of prior service credits	**(2,608)**	(2,608)
Net periodic benefit cost	**$ 6,887**	$ 9,491

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2021, was $1,180,368 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, 2020, that expected benefit payments were $43,973 to the District's defined benefit pension plan in 2021. As of March 31, 2021, $112,322 of contributions have been made. The Association presently anticipates contributing an additional $336,964 to fund the defined benefit pension plan in 2021 for a total of $449,286.

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 April 30, 2021, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of April 30, 2021.