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, 2023:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 43,778,528	$ -	$ -	$ -	$ 43,778,528	$ -
Real estate mortgage	11,708,597	40,063,683	6,848,578	-	18,557,175	40,063,683
Energy	15,826,383	-	-	-	15,826,383	-
Communication	13,096,847	-	-	-	13,096,847	-
Production and intermediate-term	11,804,526	-	-	-	11,804,526	-
Agricultural export finance	8,432,237	-	-	-	8,432,237	-
Water and waste water	2,510,322	-	-	-	2,510,322	-
Rural residential real estate	415,164	-	-	-	415,164	-
Total	$ 107,572,604	$ 40,063,683	$ 6,848,578	$ -	$ 114,421,182	$ 40,063,683

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in the Assocation's outstanding loans, letters of credit and unfunded loan commitments. The entity manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower's ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, each association that makes loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85 percent of the original appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The Association reviews, at least on an annual basis, or when a credit action is taken the probability of default category.

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain. These 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, or collateral pledged on the loan,
- doubtful — assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable, and
- loss — assets are considered uncollectible.

The following table presents credit quality indicators by loan type and the related principal balance:

	Term Loans Amortized Cost by Origination Year						
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Real estate mortgage							
Acceptable	$ 52,070,179	$ 169,044,689	$ 184,977,800	$ 410,771,387	$ 33,115,881	$ 4,158,331	$ 854,138,267
OAEM	-	-	-	424,053	-	-	424,053
Substandard/Doubtful	-	-	-	3,232,559	-	400,000	3,632,559
	$ 52,070,179	$ 169,044,689	$ 184,977,800	$ 414,427,999	$ 33,115,881	$ 4,558,331	$ 858,194,879
Production and intermediate-term							
Acceptable	$ -	$ 2,507,507	$ -	$ 956,518	$ 8,340,501	$ -	$ 11,804,526
OAEM	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-
	$ -	$ 2,507,507	$ -	$ 956,518	$ 8,340,501	$ -	$ 11,804,526
Agribusiness							
Acceptable	$ -	$ 21,552,514	$ 9,025,794	$ 17,576,238	$ 13,478,304	$ 1,494,500	$ 63,127,350
OAEM	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-
	$ -	$ 21,552,514	$ 9,025,794	$ 17,576,238	$ 13,478,304	$ 1,494,500	$ 63,127,350
Communication							
Acceptable	$ 3,517,147	$ 1,536,659	$ -	$ 8,043,041	$ -	$ -	$ 13,096,847
OAEM	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-
	$ 3,517,147	$ 1,536,659	$ -	$ 8,043,041	$ -	$ -	$ 13,096,847
Energy							
Acceptable	$ 1,997,110	$ -	$ -	$ 12,838,997	$ 39,699	$ -	$ 14,875,806
OAEM	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	612,871	337,706	-	950,577
	$ 1,997,110	$ -	$ -	$ 13,451,868	$ 377,405	$ -	$ 15,826,383
Water and Waste Water							
Acceptable	$ -	$ -	$ 1,697,490	$ -	$ 812,832	$ -	$ 2,510,322
OAEM	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-
	$ -	$ -	$ 1,697,490	$ -	$ 812,832	$ -	$ 2,510,322
Rural Home Loans							
Acceptable	$ 425,667	$ 4,428,643	$ 4,502,083	$ 9,674,479	$ -	$ -	$ 19,030,872
OAEM	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-
	$ 425,667	$ 4,428,643	$ 4,502,083	$ 9,674,479	$ -	$ -	$ 19,030,872
Agricultural export finance							
Acceptable	$ -	$ 3,900,335	$ -	$ -	$ 4,531,902	$ -	$ 8,432,237
OAEM	-	-	-	-	-	-	-
Substandard/Doubtful	-	-	-	-	-	-	-
	$ -	$ 3,900,335	$ -	$ -	$ 4,531,902	$ -	$ 8,432,237
Total Loans							
Acceptable	$ 58,010,103	$ 202,970,347	$ 200,203,167	$ 459,860,660	$ 60,319,119	$ 5,652,831	$ 987,016,227
OAEM	-	-	-	424,053	-	-	424,053
Substandard/Doubtful	-	-	-	3,845,430	337,706	400,000	4,583,136
	$ 58,010,103	$ 202,970,347	$ 200,203,167	$ 464,130,143	$ 60,656,825	$ 6,052,831	$ 992,023,416

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of:

	March 31, 2023	December 31, 2022
Real estate mortgage		
Acceptable	**99.5** %	99.5 %
OAEM	**0.1**	-
Substandard/doubtful	**0.4**	0.5
	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
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Energy		
Acceptable	**94.0**	92.9
OAEM	**-**	-
Substandard/doubtful	**6.0**	7.1
	100.0	100.0
Water/waste water		
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	**99.5**	99.5
OAEM	**0.1**	-
Substandard/doubtful	**0.4**	0.5
	100.0 %	100.0 %

Accrued interest receivable on loans of $14,865,991 and $19,264,965 at March 31, 2023 and December 31, 2022 have been excluded from the amortized cost of loans and reported separately in the Balance Sheet.

The following table reflects nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more delinquent, and other property owned and related credit quality statistics:

	March 31, 2023	December 31, 2022
Nonaccrual loans:		
Energy	**$ 950,576**	$ 1,005,885
Total nonaccrual loans	**950,576**	1,005,885
Other property owned	**-**	-
Total nonperforming assets	**$ 950,576**	$ 1,005,885
Nonaccrual loans as a percentage of total loans	**0.10%**	0.11%
Nonperforming assets as a percentage of total loans and other property owned	**0.10%**	0.11%
Nonperforming assets as a percentage of capital	**0.60%**	0.62%

The following table provides the amortized cost for nonaccrual loans with and without a related allowance for loan losses, as well as interest income recognized on nonaccrual during the period:

	March 31, 2023			**Interest Income Recognized**
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	**For the Three Months Ended March 31, 2023**
Energy	$ 950,576	$ -	$ 950,576	$ -
Total nonaccrual loans	$ 950,576	$ -	$ 950,576	$ -

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of:

March 31, 2023	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 3,863,160**	**$ -**	**$ 3,863,160**	**$ 854,331,719**	**$ 858,194,879**	**$ -**
Processing and marketing	**-**	**-**	**-**	**37,847,613**	**37,847,613**	**-**
Rural residential real estate	**146,821**	**-**	**146,821**	**18,884,051**	**19,030,872**	**-**
Farm-related business	**-**	**-**	**-**	**16,565,048**	**16,565,048**	**-**
Energy	**-**	**957**	**957**	**15,825,426**	**15,826,383**	**-**
Communication	**-**	**-**	**-**	**13,096,847**	**13,096,847**	**-**
Production and intermediate term	**-**	**-**	**-**	**11,804,526**	**11,804,526**	**-**
Loans to cooperatives	**-**	**-**	**-**	**8,714,689**	**8,714,689**	**-**
Agricultural export finance	**-**	**-**	**-**	**8,432,237**	**8,432,237**	**-**
Water and waste water	**-**	**-**	**-**	**2,510,322**	**2,510,322**	**-**
Total	**$ 4,009,981**	**$ 957**	**$ 4,010,938**	**$ 988,012,478**	**$ 992,023,416**	**$ -**

The loan included in 90 days or more past due is included in the total nonaccrual amount. Prior to the adoption of CECL, the aging analysis of past due loans reported included accrued interest as follows:

December 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	$ 2,392,781	$ -	$ 2,392,781	$ 853,582,676	$ 855,975,457	$ -
Processing and marketing	-	-	-	35,429,252	35,429,252	-
Rural residential real estate	-	-	-	18,885,149	18,885,149	-
Farm-related business	-	-	-	16,735,924	16,735,924	-
Energy	-	957	957	14,352,033	14,352,990	-
Communication	-	-	-	13,209,305	13,209,305	-
Production and intermediate term	-	-	-	6,678,123	6,678,123	-
Loans to cooperatives	-	-	-	6,136,340	6,136,340	-
Agricultural export finance	-	-	-	2,263,995	2,263,995	-
Water and waste water	-	-	-	2,469,552	2,469,552	-
Total	$ 2,392,781	$ 957	$ 2,393,738	$ 969,742,349	$ 972,136,087	$ -

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The collateral dependent loans are primarily real estate mortgages and rural residential real estate loans.

Allowance for Credit Losses

The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation, and is generally incorporated into the Association's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established for each individual association to manage credit exposure. The regulatory limit to a single borrower or lessee is 15 percent of the Association's lending and leasing limit base but the System Association's boards of directors have generally established more restrictive lending limits. This limit applies to associations with long-term and short- and intermediate-term lending authorities, and to the banks' (other than CoBank) loan participations.

Effective January 1, 2023, the System adopted the CECL accounting guidance as described in Note 1. A summary of changes in the allowance for credit losses by portfolio segment are as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy	Water and Waste Water	Rural Residential Real Estate	Agricultural Export Finance	Total
Allowance for Credit Losses on Loans:									
Balance at December 31, 2022	$ 1,529,278	$ 19,406	$ 237,504	$ 21,524	$ 253,991	$ 6,557	$ 31,616	$ 3,238	$ 2,103,114
Cumulative effect of a change in accounting principle	401,588	(15,736)	(134,133)	(15,296)	(6,039)	(4,656)	16,251	(1,505)	240,474
Balance at January 1, 2023	$ 1,930,866	$ 3,670	$ 103,371	$ 6,228	$ 247,952	$ 1,901	$ 47,867	$ 1,733	$ 2,343,588
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-
Provision for (reversal of) credit losses	(93,588)	1,464	(20,925)	(609)	244	(293)	(2,015)	(39)	(115,761)
Other	-	-	-	-	-	-	-	-	-
Balance at March 31, 2023	$ 1,837,278	$ 5,134	$ 82,446	$ 5,619	$ 248,196	$ 1,608	$ 45,852	$ 1,694	$ 2,227,827
Allowance for Credit Losses on Unfunded Commitments:									
Balance at December 31, 2022	$ 10,868	$ 7,035	$ 70,498	$ -	$ 896	$ 3,175	$ -	$ 3,816	$ 96,288
Cumulative effect of a change in accounting principle	20,135	(4,587)	2,920	-	(158)	(2,660)	-	(1,410)	14,240
Balance at January 1, 2023	$ 31,003	$ 2,448	$ 73,418	$ -	$ 738	$ 515	$ -	$ 2,406	$ 110,528
Provision for unfunded commitments	(451)	618	(39,422)		(104)	(128)	-	(1,061)	(40,548)
Balance at March 31, 2023	$ 30,552	$ 3,066	$ 33,996	$ -	$ 634	$ 387	$ -	$ 1,345	$ 69,980
Total allowance for credit losses	$ 1,867,830	$ 8,200	$ 116,442	$ 5,619	$ 248,830	$ 1,995	$ 45,852	$ 3,039	$ 2,297,807
Allowance for Credit Losses on Loans[1]:									
Balance at December 31, 2021	$ 1,666,611	$ 13,512	$ 187,515	$ 21,384	$ 450,054	$ 5,773	$ 25,857	$ 5,294	$ 2,376,000
Charge-offs	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-
Provision for (reversal of) credit losses	(43,208)	364	8,315	216	(65)	(684)	1,861	333	(32,868)
Adjustment due to Merger	-	-	-	-	-	-	-	-	
Other	397	136	6,584	-	(18)	966	129	-	8,194
Balance at March 31, 2022	$ 1,623,800	$ 14,012	$ 202,414	$ 21,600	$ 449,971	$ 6,055	$ 27,847	$ 5,627	$ 2,351,326
Allowance for Credit Losses on Unfunded Commitments:									
Balance at December 31, 2021	7,583	8,785	49,304	-	951	5,224	175	1,789	73,811
Provision for unfunded commitments	(397)	(136)	(6,584)	-	18	(966)	(129)	-	(8,194)
Balance at March 31, 2022	7,185	8,649	42,720	-	969	4,258	175	1,661	65,617
Total allowance for credit losses	1,630,985	22,661	245,134	21,600	450,940	10,313	28,022	7,288	2,416,943

[1] For periods prior to January 1, 2023, the allowance for loan losses was based on probable and estimable losses inherent in the loan portfolio.

During the three months ended March 31, 2023, the Association had no loan modifications made to borrowers experiencing financial difficulty.

Troubled Debt Restructurings

Prior to January 1, 2023, the adoption of updated FASB guidance on loan modifications, a restructuring of a loan constituted a troubled debt restructuring, also known as formally restructured, if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program and were borrower-specific and could include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. When a restructured loan constituted a troubled debt restructuring, these loans were included within impaired loans under nonaccrual or accruing restructured loans. As of March 31, 2022, the Association had no troubled debt restructured loans. The following table provides information on outstanding loans restructured in troubled debt restructurings:

	December 31, 2022	
	Loans Modified as Troubled Debt Restructurings	Troubled Debt Restructurings in Nonaccrual Status*
Energy	$ 337,706	$ 337,706
Total	$ 337,706	$ 337,706

* Represents the portion of loans modified as troubled debt restructurings that were in nonaccrual status.

NOTE 3 —LEASES:

The components of lease expense were as follows:

	For the Three Months Ended	
	March 31, 2023	March 31, 2022
Operating lease cost	**$ 23,261**	$ 22,901
Net lease cost	**$ 23,261**	$ 22,901

Other information related to leases was as follows:

	For the Three Months Ended	
	March 31, 2023	March 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	**$ 24,108**	$ 23,349
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	**$ 180,169**	$ 239,379

Lease term and discount rate are as follows:

	March 31, 2023	December 31, 2022
Weighted average remaining lease term in years		
Operating leases	**2.10**	2.23
Weighted average discount rate		
Operating leases	**2.52%**	2.46%

Future minimum lease payments under non-cancellable leases as of March 31, 2023 were as follows:

	Operating Leases
2023	$ 71,789
2024	89,530
2025	34,386
2026	-
Thereafter	-
Total lease payments	$ 195,705
Less: interest	5,063
Total	$ 190,642

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 the 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.

	March 31, 2023	December 31, 2022
Capital stock and participation certificates	**$ 2,284,735**	$ 2,267,000
Accumulated other comprehensive income	**289,911**	301,167
Retained earnings[1]	**155,138,718**	159,833,480
Total capital	**$ 157,713,364**	$ 162,401,647

[1] Retained earnings for the quarter ended March 31, 2023, reflects a decrease from the cumulative effect of a change in accounting principle for CECL on January 1, 2023.

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Requirements Including Capital Conservation Buffers	As of March 31, 2023	As of December 31, 2022
Common equity tier 1 ratio	7.00%	13.73%	14.02%
Tier 1 capital ratio	8.50%	13.73%	14.02%
Total capital ratio	10.50%	13.96%	14.26%
Permanent capital ratio	7.00%	13.76%	14.05%
Non-risk-adjusted:			
Tier 1 leverage ratio	5.00%	13.88%	14.23%
UREE leverage ratio	1.50%	13.65%	14.00%

Risk-adjusted assets have been defined by FCA Regulations as the balance sheet assets and off-balance sheet commitments adjusted by various percentages, depending on the level of risk inherent in the various types of assets. The primary changes which generally have the 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, 2023 and December 31, 2022, respectively:

March 31, 2023	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 154,229,512	$ 154,229,512	$ 154,229,512	$ 154,229,512
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,273,836	2,273,836	2,273,836	2,273,836
Allowance for credit losses and reserve for credit losses subject to certain limitations	-	-	2,407,952	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(17,905,594)	(17,905,594)	(17,905,594)	(17,905,594)
	$ 138,597,754	$ 138,597,754	$ 141,005,706	$ 138,597,754
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,027,721,577	$ 1,027,721,577	$ 1,027,721,577	$ 1,027,721,577
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(17,921,572)	(17,921,572)	(17,921,572)	(17,921,572)
Allowance for credit losses	-	-	-	(2,303,269)
	$ 1,009,800,005	$ 1,009,800,005	$ 1,009,800,005	$ 1,007,496,736

December 31, 2022	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 153,284,078	$ 153,284,078	$ 153,284,078	$ 153,284,078
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,263,200	2,263,200	2,263,200	2,263,200
Allowance for credit losses and reserve for credit losses subject to certain limitations	-	-	2,431,602	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(16,535,560)	(16,535,560)	(16,535,560)	(16,535,560)
	$ 139,011,718	$ 139,011,718	$ 141,443,320	$ 139,011,718
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,008,218,437	$ 1,008,218,437	$ 1,008,218,437	$ 1,008,218,437
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(16,535,560)	(16,535,560)	(16,535,560)	(16,535,560)
Allowance for credit losses	-	-	-	(2,354,673)
	$ 991,682,877	$ 991,682,877	$ 991,682,877	$ 989,328,204

The components of the Association's non-risk-adjusted capital, based on 90-day average balances, were as follows on March 31, 2023 and December 31, 2022, respectively:

	March 31, 2023		December 31, 2022	
	Tier 1 leverage ratio	UREE leverage ratio	Tier 1 leverage ratio	UREE leverage ratio
Numerator:				
Unallocated retained earnings	$ 154,229,512	$ 154,229,512	$ 153,284,078	$ 153,284,078
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,273,836	-	2,263,200	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(17,905,594)	(17,905,594)	(16,535,560)	(16,535,560)
	$ 138,597,754	$ 136,323,918	$ 139,011,718	$ 136,748,518
Denominator:				
Total Assets	$ 1,016,610,742	$ 1,016,610,742	997,091,920	997,091,920
Regulatory Adjustments and Deductions:				
Regulatory deductions included in Tier 1 capital	(17,921,572)	(17,921,572)	(20,302,087)	(20,302,087)
	$ 998,689,170	$ 998,689,170	$ 976,789,833	$ 976,789,833

The following tables present the activity in the accumulated other comprehensive income, net of tax by component:

	Accumulated Other Comprehensive Income
Balance at December 31, 2022	$ 301,167
Other comprehensive income before reclassifications	(11,256)
Net current period other comprehensive income	(11,256)
Balance at March 31, 2023	$ 289,911

	Accumulated Other Comprehensive Income
Balance at December 31, 2021	$ 108,341
Other comprehensive income before reclassifications	(2,608)
Net current period other comprehensive income	(2,608)
Balance at March 31, 2022	$ 105,733

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 2022 Annual Report to Stockholders for a more complete description.

Assets measured at fair value on a nonrecurring basis, which are fair value measurements that are triggered by particular circumstances such as impaired assets, for each of the fair value hierarchy values are summarized below. The Association did not have any liabilities measured at fair value on a nonrecurring basis.

March 31, 2023	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans	**$ -**	**$ -**	**$ 704,835**	**$ 704,835**	**$ -**

December 31, 2022	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans	$ -	$ -	$ 760,144	$ 760,144	$ -

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. The system associations utilize appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 13 to the 2022 Annual Report to Stockholders, authoritative guidance establishes a fair value hierarchy, which requires an association 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 2022 Annual Report to Stockholders.

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.

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.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs for the three months ended March 31:

	Pension Benefits	
	2023	2022
Service cost	**$ 1,036**	$ 1,449
Interest cost	**12,139**	9,093
Amortization of prior credits costs	**(992)**	(2,608)
Amortization of net actuarial gain	**(10,264)**	-
Net periodic benefit cost	**$ 1,919**	$ 7,934

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2023, was $966,594 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 noninterest expense" in the Statements of Comprehensive Income.

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, 2022, that it expected to contribute $70,395 to the District's defined benefit pension plan in 2023. As of March 31, 2023, $58,850 of contributions have been made. The Association presently anticipates contributing an additional $176,551 to fund the defined benefit pension plan in 2023 for a total of $235,401.

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 9, 2023, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of May 9, 2023.