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*Yankee Farm Credit, ACA*

**CONSOLIDATED FINANCIAL STATEMENTS  
FIRST QUARTER ENDED MARCH 31, 2021**

May 7, 2021

Dear Shareholder:

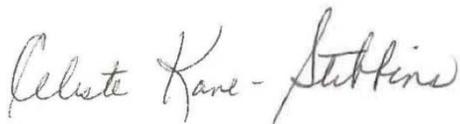
Enclosed are the Association's consolidated financial statements for the first quarter of 2021. These statements should be read in conjunction with the 2020 Annual Report to Shareholders.

The purpose of these consolidated financial statements is to provide timely financial information about your Association's financial condition and results of operations. Should you have any questions about these statements, please call us.

Copies of the Association's annual and quarterly reports are available to members at no charge from any of our local offices or by accessing the Association's website at [www.yankeefarmcredit.com](http://www.yankeefarmcredit.com). The Association's annual reports are available 75 days after year-end, and quarterly reports are available 40 days after the end of each calendar quarter. As a shareholder, your investment in the Association is materially affected by the financial condition and results of operations of CoBank, ACB. CoBank's annual and quarterly reports are available at no charge from any of our offices. Our office locations are listed at the end of this report.

The undersigned certify that they have reviewed this report and it has been prepared in accordance with all statutory and regulatory requirements and that the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief. The consolidated financial statements, in the opinion of management, fairly present the financial condition of the institution except as noted.

Sincerely,



Celeste Kane-Stebbins  
Chairperson, Board of Directors



Michael J. Reynolds  
Chief Executive Officer



Kenneth F. Deon  
Chairperson, Audit Committee



Daniel Shepard  
Senior Vice President and Chief Financial Officer

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*Yankee Farm Credit, ACA*

**CONSOLIDATED FINANCIAL STATEMENTS  
FIRST QUARTER ENDED MARCH 31, 2021**

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*Yankee Farm Credit, ACA*

# Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidated Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2021. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of March 31, 2021, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2021.



Michael J. Reynolds  
Chief Executive Officer



Daniel Shepard  
Senior Vice President and Chief Financial Officer

May 7, 2021

# Management's Discussion and Analysis of Financial Condition and Results of Operations

*(dollars in thousands, except as noted)*

*(Unaudited)*

## IMPACTS OF THE COVID-19 GLOBAL PANDEMIC

The COVID-19 coronavirus outbreak has resulted in widespread and continuing impact on the global economy and on our employees, members, and other people and entities with which we do business. There is uncertainty regarding the extent to which the coronavirus will continue to spread as well as the extent and duration of measures implemented in an effort to contain the virus (e.g., travel bans and restrictions, quarantines, shelter-in-place orders, and business and government shutdowns). We are, and have been, agile in taking precautionary measures intended to help minimize the risk of the virus to our employees and our members.

The Association recognizes that the COVID-19 pandemic may create ongoing stress for agricultural and rural borrowers because of disruptions to employees, markets, transportation, processors, off-farm income and other factors important to their operations. If the effects of the COVID-19 disruptions result in widespread and sustained repayment shortfalls on loans in the Association's portfolio, the Association could incur increases in nonperforming assets and credit losses, particularly if conditions cause land and asset values to deteriorate and the available collateral is insufficient to cover the Association's exposure. As of March 31, 2021, the Association has not had material adverse effects on financial condition, results of operations, liquidity, and/or capital levels, however, we continue to monitor the risk.

On March 16, 2020, the Association activated its Business Continuity Plan. Since then, the Association has been operating uninterrupted with an increased number of its employees working remotely from their homes. As the states in which we operate ease "stay-at-home" restrictions, the Association has taken steps to re-open offices while following safety guidelines. As the technology in employees' homes may not be as robust as in the Association's offices, the networks, information systems, applications and other tools available to employees may be limited or less reliable than the Association's in-office technology. Continuation of these work-from-home measures increases risk and the potential for inefficiencies, however, has not had an adverse effect on Association operations. Despite the increased cybersecurity risks presented by a workforce that is operating remotely, the Association had not experienced any known cyber-attacks or other known privacy or data security incidents through the date of this report that negatively affected the confidentiality, integrity, or availability of the Association's

information resources. The Association continues to monitor the attempts by third parties to gain unauthorized access to its network and information systems through cyber-attacks.

The Association relies on many third parties, including vendors that supply essential services and local and federal government agencies, offices, and courthouses, in the performance of its business operations. In light of the developing measures being undertaken as a result of the COVID-19 pandemic, many of these entities may limit the access and availability of their services. For example, reductions in available staff in recording offices or the closing of courthouses to walk-in traffic in some counties could adversely impact the established process and turnaround times for title work and mortgage and UCC filings in those counties. If limitations in the availability of important services continued for a prolonged period or if additional limitations or potential disruptions in the ability to provide services materialize (which may be caused by a third party's own financial or operational difficulties), it may inhibit or otherwise negatively affect the normal operations and processes for the Association's business, which could have a material adverse impact on its results of operations and financial condition.

## **COVID-19 Support Programs**

On March 13, 2020, the President of the United States declared the COVID-19 outbreak as a national emergency. In response, the Farm Credit Administration (FCA), other federal banking regulators and the Financial Accounting Standards Board (FASB) issued guidance on restructurings of loans through loan modifications, such as payment deferrals and extensions of repayment terms. In accordance with this guidance, restructures through loan modifications would not be considered as troubled debt restructurings if made on a good faith basis in response to the national emergency.

The Association executed a payment deferral program for eligible borrowers directly affected by market disruptions caused by the COVID-19 pandemic. These actions were designed to help farmers, ranchers and foresters to preserve liquidity.

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Among other provisions, the CARES Act provided funding and authority to bolster United States Department of Agriculture (USDA) programs. The CARES Act also appropriated \$349 billion for

the Paycheck Protection Program (PPP), a guaranteed loan program administered by the U.S. Small Business Administration (SBA), which commenced on April 3, 2020. Loan applicants who are eligible to receive financing under the Farm Credit Act and FCA regulations are able to borrow from the Association.

The CARES Act provided for loan forgiveness if an employer met certain guidelines for payroll costs and was reduced proportionally by any reduction in full-time equivalent employees compared to the prior year and a 25% or greater reduction in full-time equivalent employee compensation. Loan payments required under the program could initially be deferred for up to six months.

On April 17, 2020, the USDA announced a \$19 billion Coronavirus Food Assistance Program (CFAP), that provided \$16 billion of direct support based on actual losses for agricultural producers where prices and market supply chains were impacted. The \$16 billion included \$9.6 billion of funding targeted to livestock and dairy producers, \$3.9 billion for row crop producers, \$2.1 billion for specialty crop producers, and \$500 million for other specialty crops. Additionally, \$3 billion was allocated for direct purchases of fresh produce, dairy and meat for distribution to food banks and other non-profits. On September 21, 2020, the USDA implemented an expansion to the Coronavirus Food Assistance Program, known as CFAP 2. This program will provide \$14 billion of financial support to producers of certain agricultural commodities who face continuing market disruptions and significant marketing costs.

On April 23, 2020, Congress passed the PPP and Health Care Enhancement Act that provided \$484 billion in additional funding to replenish and supplement key programs under the CARES Act. The Act provided an additional \$310 billion for PPP, \$60 billion for small business disaster loans and grants, \$75 billion for hospital and health care providers and \$25 billion for testing.

There have since been changes and updates to PPP eligibility and program specifications such as the deferral period, forgiveness requirements and program expiration dates, within the PPP Flexibility Act on June 5, 2020 and the Seventeenth Interim Final Rule issued on June 11, 2020. On August 8, 2020, the PPP was closed and the SBA ceased to accept applications from participating lenders. The Association was approved as a PPP lender and made \$10.7 million in loans and recorded approximately \$395 thousand in loan-related fee income in 2020.

As of March 31, 2021, the Association had sold 100% of these loans to AgFirst Farm Credit Bank. Qualifying loans will be forgiven through December 31, 2021. As of March 31, 2021, the Association recorded approximately \$194 thousand in loan-related fee income for the year 2021.

## RESULTS OF OPERATIONS: FIRST QUARTER

Net income for the first quarter of 2021 was \$3.222 million, up \$627 thousand (24.2%) from net income of \$2.595 million in the first quarter of 2020.

Net interest income before the provision for loan losses was up \$3 thousand (0.1%) in 2021 as compared to 2020. The following table shows the components of this change:

<b>Changes in net interest income due to:</b>	
Changes in volumes of accrual loans & debt	\$ 313
Changes in interest rates on accrual loans & debt	(310)
Changes in interest income on nonaccrual loans	—
Total change in net interest income	<u>\$ 3</u>

Comparison of accrual volumes and rates are shown in the following table:

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Average accrual loan volume	\$572,776	\$532,245
Average interest rate on loans	4.16%	5.42%
Average interest rate spread	3.28%	3.29%

Average loan volume was higher in 2021 as compared to the same period of 2020, and this contributed to an increase of \$313 thousand in the total change in net interest income as shown in the first table above. Decreases in interest rates reduced the total change in net interest income by \$310 thousand.

There was a reversal to the provision for loan losses of \$152 thousand in the first quarter of 2021, as compared to a provision for loan losses of \$534 thousand in the first quarter of 2020. The primary drivers to the reversal for loan losses were improvements in credit quality as well as reduced default rate estimates in the portfolio.

Noninterest income increased by \$167 thousand (12.5%) in 2021 as compared to 2020. Year-over-year, Fee Income increased by \$216 thousand, mostly attributable to fees received from the SBA related to processing PPP loans. Additionally, the first quarter of 2021 saw an increase of \$62 thousand related to FRS income compared to the first quarter of 2020. During the first quarter of 2020, the Association received \$116 thousand in FCS Insurance Corporation refunds. The Association did not receive any FCS Insurance Corporation refunds during the first quarter of 2021. The remaining increase in noninterest income is related to Patronage Income and other Gains and Losses.

Noninterest expense increased by \$232 thousand (7.6%) in 2021 as compared to 2020. Salaries and employee benefits increased by \$156 thousand (8.6%), attributable to increased FTEs as well as payments to the interim-CEO. Occupancy and equipment increased by \$11 thousand (6.4%). Insurance fund premiums increased by \$90 thousand (113.9%), related to a System-wide increase in premiums. Other operating expenses decreased by

\$25 thousand (2.5%) as compared to 2020. A reduction in travelling, off-site training, and large, in-person meetings contributed to this decrease.

## LOAN PORTFOLIO AND FINANCIAL CONDITION

Loans as of the end of the first quarter totaled \$581.7 million, a decrease of \$4.6 million (0.8%) from year-end. Net loans outstanding (loans less allowance for loan losses) totaled \$575.6 million at the end of the first quarter, down \$4.5 million (0.8%) from year-end. These decreases primarily resulted from normal operations.

Loan quality changed only slightly through the first quarter of 2021 compared to the last quarter of 2020. Loans graded Substandard or lower were 6.90% of total loans at March 31, 2021, down 0.09% from year-end. Nonperforming assets comprised 1.91% of loans and related assets at March 31, 2021,

up 0.11% from year-end (nonperforming assets include nonaccrual loans, accrual troubled debt restructured loans, loans delinquent 90 days or more but not yet classified as nonaccrual, and other property owned). Repayment performance remained satisfactory. The 12-month rolling average for this statistic was 1.30% at March 31, 2021, a 0.04% improvement from March 31, 2020.

There were no significant charge-offs or recoveries in the first quarter of 2021 nor in the first quarter of 2020.

As discussed in the 2020 Annual Report to Shareholders, the Association declared a patronage distribution during 2021 of \$7.577 million based on 2020 earnings, 100% in cash. This was distributed in full to members on March 19<sup>th</sup>, 2021.

Members' equity as a percentage of assets was 20.3% at March 31, 2021, as compared to 19.5% at year-end.

## CAPITAL RATIOS

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum regulatory capital ratios for common equity tier 1 (CET1), tier 1, total regulatory capital (tier 1 plus tier 2) and permanent capital. The regulations also add a tier 1 leverage ratio for all System institutions.

The regulations establish a capital cushion (capital conservations buffer) for CET1, tier 1 and total capital requirements. In addition, the regulations establish a leverage capital cushion (leverage buffer) above the tier 1 leverage ratio requirement. The below regulatory minimums reflect the inclusion of these various buffers.

	Value At		Regulatory Minimum	Internal Minimum	2021 Goal Range
	March 31, 2021	December 31, 2020			
Permanent capital ratio	16.57%	18.91%	7.0%	15.0%	16.0% - 18.0%
CET 1	16.39%	18.57%	7.0%	14.5%	15.5% - 17.5%
Tier 1 capital	16.39%	18.57%	8.5%	14.5%	15.5% - 17.5%
Total regulatory capital	17.48%	19.75%	10.5%	15.5%	16.5% - 18.5%
Tier 1 leverage	16.72%	17.76%	5.0%	13.5%	15.5% - 17.5%

The ratios at March 31, 2021, as indicated above, are not indicative of the full year.

These consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

## REGULATORY MATTERS

On September 23, 2019, the Farm Credit Administration issued a proposed rule that would ensure the System's capital requirements, including certain regulatory disclosures, reflect the current expected credit losses methodology, which revises the accounting for credit losses under U.S. generally accepted accounting principles. The proposed rule identifies which credit loss allowances under the Current Expected Credit Losses (CECL) methodology in the Financial Accounting Standards Board's "Measurement of Credit Losses on Financial Instruments" are eligible for inclusion in a System institution's regulatory capital. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's Tier 2

capital up to 1.25 percent of the System institution's total risk weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's Tier 2 capital. In addition, the proposed regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. The public comment period ended on November 22, 2019.

## RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Consolidated Financial Statements, and the 2020 Annual Report to Shareholders for recently issued accounting pronouncements.

The following ASU was issued by the Financial Accounting Standards Board (FASB):

Summary of Guidance	Adoption and Potential Financial Statement Impact
<b><i>ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i></b>	
<ul style="list-style-type: none"> <li>• Replaces multiple existing impairment standards by establishing a single framework for financial assets to reflect management’s estimate of current expected credit losses (CECL) over the entire remaining life of the financial assets.</li> <li>• Changes the present incurred loss impairment guidance for loans to an expected loss model.</li> <li>• Modifies the other-than-temporary impairment model for debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit quality.</li> <li>• Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets.</li> <li>• Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption.</li> <li>• Effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application is permitted.</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation efforts began with establishing a cross-discipline governance structure utilizing common guidance developed across the Farm Credit System. The implementation includes identification of key interpretive issues, scoping of financial instruments, and assessing existing credit loss forecasting models and processes against the new guidance.</li> <li>• The new guidance is expected to result in a change in allowance for credit losses due to several factors, including:               <ol style="list-style-type: none"> <li>1. The allowance related to loans and commitments will most likely change because it will then cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions,</li> <li>2. An allowance will be established for estimated credit losses on any debt securities,</li> <li>3. The nonaccretable difference on any PCI loans will be recognized as an allowance, offset by an increase in the carrying value of the related loans.</li> </ol> </li> <li>• The extent of allowance change is under evaluation, but will depend upon the nature and characteristics of the financial instrument portfolios, and the macroeconomic conditions and forecasts, at the adoption date.</li> <li>• The guidance is expected to be adopted January 1, 2023.</li> </ul>

# Yankee Farm Credit, ACA

## Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2021 <i>(unaudited)</i>	December 31, 2020 <i>(audited)</i>
<b>Assets</b>		
Cash	\$ 37	\$ 32
Loans	581,727	586,350
Allowance for loan losses	(6,134)	(6,286)
Net loans	575,593	580,064
Other investments	399	478
Accrued interest receivable	2,716	2,307
Equity investments in other Farm Credit institutions	24,973	24,155
Premises and equipment, net	3,179	3,254
Accounts receivable	2,487	6,455
Other assets	1,938	1,883
Total assets	\$ 611,322	\$ 618,628
<b>Liabilities</b>		
Notes payable to CoBank, ACB	\$ 484,179	\$ 485,120
Accrued interest payable	349	382
Patronage refunds payable	—	7,577
Accounts payable	955	2,923
Other liabilities	1,946	1,957
Total liabilities	487,429	497,959
Commitments and contingencies (Note 5)		
<b>Members' Equity</b>		
Capital stock and participation certificates	1,155	1,153
Unallocated retained earnings	123,438	120,216
Accumulated other comprehensive income (loss)	(700)	(700)
Total members' equity	123,893	120,669
Total liabilities and members' equity	\$ 611,322	\$ 618,628

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

**Yankee Farm Credit, ACA**  
**Consolidated Statements of**  
**Comprehensive Income**

*(unaudited)*

**For the Three Months**  
**Ended March 31,**  
**2021                      2020**

*(dollars in thousands)*

	2021	2020
<b>Interest Income</b>		
Loans	\$ 5,902	\$ 7,202
<b>Interest Expense</b>		
Notes payable to CoBank, ACB	1,036	2,339
Net interest income	4,866	4,863
Provision for (reversal of allowance for) loan losses	(152)	534
Net interest income after provision for (reversal of allowance for) loan losses	5,018	4,329
<b>Noninterest Income</b>		
Loan fees	247	31
Fees for financially related services	389	327
Lease income	5	6
Patronage refunds from other Farm Credit institutions	879	846
Gains (losses) on other transactions	(15)	12
Insurance Fund refunds	—	116
Other noninterest income	1	1
Total noninterest income	1,506	1,339
<b>Noninterest Expense</b>		
Salaries and employee benefits	1,976	1,820
Occupancy and equipment	183	172
Insurance Fund premiums	169	79
Other operating expenses	974	999
Total noninterest expense	3,302	3,070
Income before income taxes	3,222	2,598
Provision for income taxes	—	3
<b>Net income</b>	\$ 3,222	\$ 2,595
Other comprehensive income	—	—
<b>Comprehensive income</b>	\$ 3,222	\$ 2,595

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

**Yankee Farm Credit, ACA**

# Consolidated Statements of Changes in Members' Equity

*(unaudited)*

*(dollars in thousands)*

	Capital Stock and Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2019	\$ 1,110	\$ 115,067	\$ (1,001)	\$ 115,176
Comprehensive income		2,595		2,595
Capital stock/participation certificates issued/(retired), net	(2)			(2)
Balance at March 31, 2020	\$ 1,108	\$ 117,662	\$ (1,001)	\$ 117,769
<b>Balance at December 31, 2020</b>	<b>\$ 1,153</b>	<b>\$ 120,216</b>	<b>\$ (700)</b>	<b>\$ 120,669</b>
<b>Comprehensive income</b>		<b>3,222</b>		<b>3,222</b>
<b>Capital stock/participation certificates issued/(retired), net</b>	<b>2</b>			<b>2</b>
<b>Balance at March 31, 2021</b>	<b>\$ 1,155</b>	<b>\$ 123,438</b>	<b>\$ (700)</b>	<b>\$ 123,893</b>

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

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*Yankee Farm Credit, ACA*

# Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)  
(unaudited)

## **Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements**

### ***Organization***

The accompanying consolidated financial statements include the accounts of Yankee Farm Credit, ACA and its wholly owned subsidiaries, the Production Credit Association (PCA) and Federal Land Credit Association (FLCA) (collectively, the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2020, are contained in the 2020 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

### ***Basis of Presentation***

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

### ***Significant Accounting Policies***

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the consolidated financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, income and expenses during the reporting period, and the related disclosures.

Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), and financial instruments (Note 4, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

### ***Accounting Standards Updates (ASUs) Issued During the Period and Applicable to the Association***

There were no applicable Updates issued by the Financial Accounting Standards Board (FASB) during the period.

### ***ASUs Pending Effective Date***

For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- In June 2016, the FASB issued ASU 2016-13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This Update, and subsequent clarifying guidance issued, is intended to improve financial reporting by requiring timelier recording of credit losses on financial instruments. It requires an organization to measure all expected credit losses for financial assets held at the reporting date through the life of the financial instrument. Financial institutions and other organizations will use forward-looking information to estimate their credit losses. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For public companies that are not SEC filers, it will take effect for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Evaluation of any possible effects the guidance may have on the statements of financial condition and results of operations is in progress.

### ***Accounting Standards Effective During the Period***

There were no changes in the accounting principles applied from the latest Annual Report, other than any discussed below.

No recently adopted accounting guidance issued by the FASB had a significant effect on the current period reporting.

- In October 2020, the FASB issued ASU 2020-10 Codification Improvements. The amendments represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The Update moves or references several disclosure requirements from Section 45 - Other Presentation Matters to Section 50 - Disclosures. It also includes minor changes to other guidance such as Cash Balance Plans, Unusual or Infrequent Items, Transfers and Servicing, Guarantees, Income Taxes, Foreign Currency, Imputation of Interest, Not For Profits and Real Estate Projects. The amendments had no impact on the statements of financial condition and results of operations.
- In January 2020, the FASB issued ASU 2020-01 Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments clarify certain interactions between the guidance on accounting for certain equity securities under Topic 321, the guidance on accounting for investments under the equity method in Topic 323, and the guidance in Topic 815. The Update could change how an entity accounts for an equity security under the measurement alternative or a forward contract or purchased option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option in accordance with Topic 825, Financial Instruments. The amendments are intended to improve current GAAP by reducing diversity in practice and increasing comparability of the accounting for these interactions. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Adoption of this guidance had no effect on the statements of financial condition and results of operations.
- In December 2019, the FASB issued ASU 2019-12 Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The amendments simplify the accounting for income taxes by removing the following exceptions:
  - Exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income),
  - Exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment,

- Exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary, and
- Exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year.

The amendments also simplify the accounting for income taxes by doing the following:

- Requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax,
- Requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction,
- Specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; however, an entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority,
- Requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date, and
- Making minor codification improvements for income taxes related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method.

For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Adoption of this guidance did not have a material impact on the statements of financial condition and results of operations.

## Note 2 — Loans and Allowance for Loan Losses

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association

sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	March 31, 2021	December 31, 2020
Real estate mortgage	\$ 254,985	\$ 257,526
Production and intermediate-term	186,623	196,906
Loans to cooperatives	24,135	21,692
Processing and marketing	53,616	54,203
Farm-related business	35,599	36,672
Power and water/waste disposal	14,711	9,750
Rural residential real estate	1,165	1,183
International	7,491	7,491
Other (including Mission Related)	3,402	927
<b>Total loans</b>	<b>\$ 581,727</b>	<b>\$ 586,350</b>

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present the principal balance of participation loans at periods ended:

	March 31, 2021							
	Within CoBank District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 10,956	\$ 187,567	\$ 4,562	\$ 6,660	\$ -	-	\$ 15,518	\$ 194,227
Production and intermediate-term	1,432	199,109	-	7,392	-	-	1,432	206,501
Loans to cooperatives	24,192	-	-	-	-	-	24,192	-
Processing and marketing	29,657	29,720	-	266	-	-	29,657	29,986
Farm-related business	6,315	-	-	232	-	-	6,315	232
Power and water/waste disposal	14,738	-	-	-	-	-	14,738	-
International	7,500	-	-	-	-	-	7,500	-
Other (including Mission Related)	3,419	-	-	-	-	-	3,419	-
<b>Total</b>	<b>\$ 98,209</b>	<b>\$ 416,396</b>	<b>\$ 4,562</b>	<b>\$ 14,550</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 102,771</b>	<b>\$ 430,946</b>

	December 31, 2020							
	Within CoBank District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 11,560	\$ 176,548	\$ 5,100	-	-	-	16,660	176,548
Production and intermediate-term	1,674	214,888	-	7,763	-	-	1,674	222,651
Loans to cooperatives	21,748	-	-	-	-	-	21,748	-
Processing and marketing	27,910	36,884	-	207	-	-	27,910	37,091
Farm-related business	6,234	-	-	196	-	-	6,234	196
Power and water/waste disposal	9,773	-	-	-	-	-	9,773	-
International	7,500	-	-	-	-	-	7,500	-
Other (including Mission Related)	938	-	-	-	-	-	938	-
<b>Total</b>	<b>\$ 87,337</b>	<b>\$ 428,320</b>	<b>\$ 5,100</b>	<b>8,166</b>	<b>-</b>	<b>-</b>	<b>92,437</b>	<b>436,486</b>

The recorded investment in a 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.

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	March 31, 2021	December 31, 2020		March 31, 2021	December 31, 2020
<b>Real estate mortgage:</b>			<b>Power and water/waste disposal:</b>		
Acceptable	87.85%	87.78%	Acceptable	100.00%	100.00%
OAEM	5.44	4.81	OAEM	—	—
Substandard/doubtful/loss	6.71	7.41	Substandard/doubtful/loss	—	—
	<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>
<b>Production and intermediate-term:</b>			<b>Rural residential real estate:</b>		
Acceptable	85.78%	86.40%	Acceptable	100.00%	100.00%
OAEM	7.08	6.46	OAEM	—	—
Substandard/doubtful/loss	7.14	7.14	Substandard/doubtful/loss	—	—
	<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>
<b>Loans to cooperatives:</b>			<b>International:</b>		
Acceptable	79.06%	84.37%	Acceptable	100.00%	100.00%
OAEM	20.94	15.63	OAEM	—	—
Substandard/doubtful/loss	—	—	Substandard/doubtful/loss	—	—
	<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>
<b>Processing and marketing:</b>			<b>Other (including Mission Related)</b>		
Acceptable	95.13%	99.25%	Acceptable	100.00%	100.00%
OAEM	—	—	OAEM	—	—
Substandard/doubtful/loss	4.87	0.75	Substandard/doubtful/loss	—	—
	<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>
<b>Farm-related business:</b>			<b>Total loans:</b>		
Acceptable	79.79%	79.49%	Acceptable	87.56%	88.13%
OAEM	0.23	0.24	OAEM	5.54	4.88
Substandard/doubtful/loss	19.98	20.27	Substandard/doubtful/loss	6.90	6.99
	<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>	<u>100.00%</u>

The following tables provide an aging analysis of the recorded investment of past due loans as of:

	March 31, 2021					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	
Real estate mortgage	\$ 1,485	\$ 682	\$ 2,167	\$ 254,353	\$ 256,520	
Production and intermediate-term	145	525	670	186,764	187,434	
Loans to cooperatives	—	—	—	24,191	24,191	
Processing and marketing	2,573	—	2,573	51,177	53,750	
Farm-related business	1,178	2,656	3,834	31,878	35,712	
Power and water/waste disposal	—	—	—	14,762	14,762	
Rural residential real estate	—	—	—	1,170	1,170	
International	—	—	—	7,499	7,499	
Other (including Mission Related)	—	—	—	3,405	3,405	
Total	\$ 5,381	\$ 3,863	\$ 9,244	\$ 575,199	\$ 584,443	

	December 31, 2020					
	30 Through 89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	
Real estate mortgage	\$ 779	\$ 623	\$ 1,402	\$ 257,379	\$ 258,781	
Production and intermediate-term	249	340	589	197,066	197,655	
Loans to cooperatives	—	—	—	21,749	21,749	
Processing and marketing	—	—	—	54,320	54,320	
Farm-related business	1,253	2,712	3,965	32,805	36,770	
Power and water/waste disposal	—	—	—	9,772	9,772	
Rural residential real estate	—	—	—	1,187	1,187	
International	—	—	—	7,495	7,495	
Other (including Mission Related)	—	—	—	928	928	
Total	\$ 2,281	\$ 3,675	\$ 5,956	\$ 582,701	\$ 588,657	

Nonperforming assets (including accrued interest receivable as applicable) and related credit quality statistics at period end were as follows:

	March 31, 2021	December 31, 2020
<b>Nonaccrual loans:</b>		
Real estate mortgage	\$ 1,560	\$ 1,713
Production and intermediate-term	680	722
Farm-related business	5,864	6,104
Total	<u>\$ 8,104</u>	<u>\$ 8,539</u>
<b>Accruing restructured loans:</b>		
Real estate mortgage	\$ 2,325	\$ 1,527
Production and intermediate-term	687	479
Total	<u>\$ 3,012</u>	<u>\$ 2,006</u>
<b>Accruing loans 90 days or more past due:</b>		
Total	<u>\$ -</u>	<u>\$ -</u>
Total nonperforming loans	\$ 11,116	\$ 10,545
Other property owned	-	-
Total nonperforming assets	<u>\$ 11,116</u>	<u>\$ 10,545</u>
Nonaccrual loans as a percentage of total loans	1.39%	1.46%
Nonperforming assets as a percentage of total loans and other property owned	1.91%	1.80%
Nonperforming assets as a percentage of capital	<u>8.97%</u>	<u>8.74%</u>

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	March 31, 2021	December 31, 2020
<b>Impaired nonaccrual loans:</b>		
Current as to principal and interest	\$ 4,027	\$ 4,281
Past due	4,077	4,258
Total	<u>\$ 8,104</u>	<u>\$ 8,539</u>
<b>Impaired accrual loans:</b>		
Restructured	\$ 3,012	\$ 2,006
90 days or more past due	-	-
Total	<u>\$ 3,012</u>	<u>\$ 2,006</u>
Total impaired loans	<u>\$ 11,116</u>	<u>\$ 10,545</u>
Additional commitments to lend	<u>\$ -</u>	<u>\$ -</u>

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

Impaired loans:	March 31, 2021			Three Months Ended March 31, 2021	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
<b>With a related allowance for credit losses:</b>					
Real estate mortgage	\$ 1,501	\$ 2,716	\$ 79	\$ 1,441	\$ 4
Production and intermediate-term	706	802	56	677	2
Farm-related business	5,864	6,140	914	5,631	17
Total	<u>\$ 8,071</u>	<u>\$ 9,658</u>	<u>\$ 1,049</u>	<u>\$ 7,749</u>	<u>\$ 23</u>
<b>With no related allowance for credit losses:</b>					
Real estate mortgage	\$ 2,384	\$ 2,315	\$ -	\$ 2,289	\$ 7
Production and intermediate-term	661	685	-	635	2
Farm-related business	-	-	-	-	-
Total	<u>\$ 3,045</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 2,924</u>	<u>\$ 9</u>
<b>Total impaired loans:</b>					
Real estate mortgage	\$ 3,885	\$ 5,031	\$ 79	\$ 3,730	\$ 11
Production and intermediate-term	1,367	1,487	56	1,312	4
Farm-related business	5,864	6,140	914	5,631	17
Total	<u>\$ 11,116</u>	<u>\$ 12,658</u>	<u>\$ 1,049</u>	<u>\$ 10,673</u>	<u>\$ 32</u>

Impaired loans:	December 31, 2020			Year Ended December 31, 2020	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
<b>With a related allowance for credit losses:</b>					
Real estate mortgage	\$ 1,590	\$ 2,802	\$ 86	\$ 1,037	\$ 50
Production and intermediate-term	748	831	55	488	24
Farm-related business	6,104	6,254	313	3,981	193
Total	\$ 8,442	\$ 9,887	\$ 454	\$ 5,506	\$ 267
<b>With no related allowance for credit losses:</b>					
Real estate mortgage	\$ 1,650	\$ 1,518	\$ –	\$ 1,077	\$ 52
Production and intermediate-term	453	478	–	295	14
Farm-related business	–	–	–	–	–
Total	\$ 2,103	\$ 1,996	\$ –	\$ 1,372	\$ 66
<b>Total impaired loans:</b>					
Real estate mortgage	\$ 3,240	\$ 4,320	\$ 86	\$ 2,114	\$ 102
Production and intermediate-term	1,201	1,309	55	783	38
Farm-related business	6,104	6,254	313	3,981	193
Total	\$ 10,545	\$ 11,883	\$ 454	\$ 6,878	\$ 333

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Other (including Mission Related)	Total
<b>Activity related to the allowance for credit losses:</b>								
Balance at December 31, 2020	\$ 3,071	\$ 2,254	\$ 921	\$ 23	\$ 8	\$ 1	\$ 8	\$ 6,286
Charge-offs	–	–	–	–	–	–	–	–
Recoveries	–	–	–	–	–	–	–	–
Provision for loan losses	(456)	(370)	665	5	(1)	6	(1)	(152)
Balance at March 31, 2021	\$ 2,615	\$ 1,884	\$ 1,586	\$ 28	\$ 7	\$ 7	\$ 7	\$ 6,134
Balance at December 31, 2019	\$ 3,342	\$ 2,288	\$ 531	\$ 13	\$ 8	\$ –	\$ –	\$ 6,182
Charge-offs	(3)	–	–	–	–	–	–	(3)
Recoveries	–	–	–	–	–	–	–	–
Provision for loan losses	322	126	84	2	–	–	–	534
Balance at March 31, 2020	\$ 3,661	\$ 2,414	\$ 615	\$ 15	\$ 8	\$ –	\$ –	\$ 6,713
<b>Allowance on loans evaluated for impairment:</b>								
Individually	\$ 79	\$ 56	\$ 914	\$ –	\$ –	\$ –	\$ –	\$ 1,049
Collectively	2,536	1,828	672	28	7	7	7	5,085
Balance at March 31, 2021	\$ 2,615	\$ 1,884	\$ 1,586	\$ 28	\$ 7	\$ 7	\$ 7	\$ 6,134
Individually	\$ 86	\$ 55	\$ 313	\$ –	\$ –	\$ –	\$ –	\$ 454
Collectively	2,985	2,199	608	23	8	1	8	5,832
Balance at December 31, 2020	\$ 3,071	\$ 2,254	\$ 921	\$ 23	\$ 8	\$ 1	\$ 8	\$ 6,286
<b>Recorded investment in loans evaluated for impairment:</b>								
Individually	\$ 1,501	\$ 706	\$ 5,864	\$ –	\$ –	\$ –	\$ –	\$ 8,071
Collectively	255,019	186,728	107,789	14,762	1,170	7,499	3,405	576,372
Balance at March 31, 2021	\$ 256,520	\$ 187,434	\$ 113,653	\$ 14,762	\$ 1,170	\$ 7,499	\$ 3,405	\$ 584,443
Individually	\$ 1,713	\$ 722	\$ 6,104	\$ –	\$ –	\$ –	\$ –	\$ 8,539
Collectively	257,068	196,933	106,735	9,772	1,187	7,495	928	580,118
Balance at December 31, 2020	\$ 258,781	\$ 197,655	\$ 112,839	\$ 9,772	\$ 1,187	\$ 7,495	\$ 928	\$ 588,657

\*Includes the loan types: Loans to cooperatives, Processing and marketing, and Farm-related business.

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented.

Outstanding Recorded Investment	Three Months Ended March 31, 2021					Charge-offs
	Interest Concessions	Principal Concessions	Other Concessions	Total		
<b>Pre-modification:</b>						
Real estate mortgage	\$ 810	\$ —	\$ —	\$ 810		
Production and intermediate-term	234	—	—	234		
Total	\$ 1,044	\$ —	\$ —	\$ 1,044		
<b>Post-modification:</b>						
Real estate mortgage	\$ 810	\$ —	\$ —	\$ 810	\$ —	—
Production and intermediate-term	234	—	—	234		—
Total	\$ 1,044	\$ —	\$ —	\$ 1,044	\$ —	—

Outstanding Recorded Investment	Three Months Ended March 31, 2020					Charge-offs
	Interest Concessions	Principal Concessions	Other Concessions	Total		
<b>Pre-modification:</b>						
Real estate mortgage	\$ —	\$ 483	\$ —	\$ 483		
Total	\$ —	\$ 483	\$ —	\$ 483		
<b>Post-modification:</b>						
Real estate mortgage	\$ —	\$ 483	\$ —	\$ 483	\$ —	—
Total	\$ —	\$ 483	\$ —	\$ 483	\$ —	—

Interest concessions may include interest forgiveness or interest deferment. Principal concessions may include principal forgiveness, principal deferment, or maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the periods presented. Payment default is defined as a payment that was thirty days or more past due.

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

	Total TDRs		Nonaccrual TDRs	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Real estate mortgage	\$ 3,076	\$ 2,320	\$ 751	\$ 793
Production and intermediate-term	1,116	920	429	441
Total loans	\$ 4,192	\$ 3,240	\$ 1,180	\$ 1,234
Additional commitments to lend	\$ —	\$ —		

### Note 3 — Capital

Please see the 2020 Annual Report to Shareholders, particularly Note 7 *Members' Equity*, for a description of the Association's capitalization policies. The Association's requirement for purchased equities (stock and participation certificates) is presently the legal minimum of 2.0 percent of the loan not to exceed \$1 thousand.

The patronage distribution for 2020 was \$7.577 million and was distributed 100 percent in cash in March 2021. A year-end patronage distribution program is also in effect for 2021. The amount of the year-end patronage distribution for 2021 will depend on financial results for the year as a whole and is therefore not known with certainty at this time. Management

believes it is probable that the 2021 patronage distribution will be paid 100 percent in cash.

### Note 4 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on

market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement. The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see Note 8, *Fair Value Measurement*, in the 2020 Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

	March 31, 2021				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
<b><u>Recurring Measurements</u></b>					
<b>Assets:</b>					
Recurring Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Liabilities:</b>					
Recurring Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
<b><u>Nonrecurring Measurements</u></b>					
<b>Assets:</b>					
Impaired loans	\$ 7,022	\$ -	\$ -	\$ 7,022	\$ 7,022
Other property owned	-	-	-	-	-
Nonrecurring Assets	\$ 7,022	\$ -	\$ -	\$ 7,022	\$ 7,022
<b><u>Other Financial Instruments</u></b>					
<b>Assets:</b>					
Cash	\$ 37	\$ 37	\$ -	\$ -	\$ 37
Loans	568,571	-	-	589,631	589,631
Other Financial Assets	\$ 568,608	\$ 37	\$ -	\$ 589,631	\$ 589,668
<b>Liabilities:</b>					
Notes payable to CoBank	\$ 484,179	\$ -	\$ -	\$ 485,855	\$ 485,855
Other Financial Liabilities	\$ 484,179	\$ -	\$ -	\$ 485,855	\$ 485,855

December 31, 2020

	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
<b>Recurring Measurements</b>					
<b>Assets:</b>					
Recurring Assets	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Liabilities:</b>					
Recurring Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Nonrecurring Measurements</b>					
<b>Assets:</b>					
Impaired loans	\$ 7,988	\$ -	\$ -	\$ 7,988	\$ 7,988
Other property owned	-	-	-	-	-
Nonrecurring Assets	\$ 7,988	\$ -	\$ -	\$ 7,988	\$ 7,988
<b>Other Financial Instruments</b>					
<b>Assets:</b>					
Cash	\$ 32	\$ 32	\$ -	\$ -	\$ 32
Loans	572,076	-	-	595,978	595,978
Other Financial Assets	\$ 572,108	\$ 32	\$ -	\$ 595,978	\$ 596,010
<b>Liabilities:</b>					
Notes payable to CoBank	\$ 485,120	\$ -	\$ -	\$ 489,110	\$ 489,110
Other Financial Liabilities	\$ 485,120	\$ -	\$ -	\$ 489,110	\$ 489,110

### Uncertainty in Measurements of Fair Value

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in

certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

### Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

### Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	\$ 7,022	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*

\* Ranges for this type of input are not useful because each collateral property is unique.

### Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity
Notes payable to CoBank, ACB	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity

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**Note 5 — Commitments and Contingent Liabilities**

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is remote that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

**Note 6 — Other Matters**

On April 7, 2021, the Association's Board of Directors signed a Letter of Intent to pursue merger negotiations with Farm Credit East, headquartered in Enfield, CT. Additionally on April 7th, the two Associations entered into a Joint Management Agreement and have appointed Farm Credit East's CEO Michael J. Reynolds as CEO for both organizations during this merger evaluation period. This initiates the due diligence phase of the merger process which each Association is in the process of completing. This merger is subject to FCA and shareholder approval.

**Note 7 — Subsequent Events**

The Association evaluated subsequent events and determined that, except as described below, there were none requiring disclosure through May 7, 2021, which was the date the consolidated financial statements were issued.

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**YANKEE FARM CREDIT, ACA  
OFFICE LOCATIONS**

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9784 Route 9  
P.O. Box 507  
Chazy, NY 12921  
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Derby, VT 05829 (physical)  
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