
AgGeorgia Farm Credit, ACA

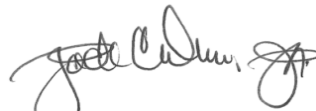
FIRST QUARTER 2019

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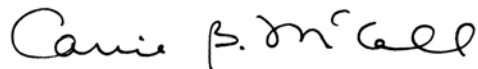
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CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2019 quarterly report of AgGeorgia Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.



Jack C. Drew, Jr.
Chief Executive Officer



Carrie B. McCall
Chief Financial Officer



Guy A. Daughtrey
Chairman of the Board

May 9, 2019

AgGeorgia Farm Credit, ACA

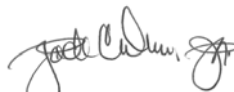
Report on Internal Control Over Financial Reporting

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.

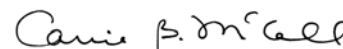
Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions 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, 2019. 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, 2019, 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, 2019.



Jack C. Drew, Jr.
Chief Executive Officer



Carrie B. McCall
Chief Financial Officer

May 9, 2019

AgGeorgia Farm Credit, ACA

Management's Discussion and Analysis

of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of AgGeorgia Farm Credit, ACA (Association or AgGeorgia) for the period ended March 31, 2019. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2018 Annual Report of the Association.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate term loans and long term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities including poultry, cotton, timber, peanuts and livestock. Farm size varies and many of the borrowers in the region have diversified farming operations. This factor, along with the numerous opportunities for non-farm income in the area, somewhat reduces the level of dependency on any single commodity.

The gross loan volume of the Association as of March 31, 2019 was \$883,407, a decrease of \$26,289 as compared to \$909,697 at December 31, 2018. Net loans outstanding at March 31, 2019 were \$876,314, as compared to \$902,115 at December 31, 2018. This decrease in loan volume is primarily related to payments on 2018 operating lines due to delayed crop harvests as a result of the heavy rainfall experienced in the latter part of 2018. Net loans accounted for 96.0 percent of total assets at March 31, 2019, as compared to 94.9 percent of total assets at December 31, 2018.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has remained stable, and credit administration remains satisfactory. Nonaccrual loans decreased from \$12,560 at December 31, 2018 to \$12,219 at March 31, 2019, as a result of aggressive management of nonearning assets.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2019, was \$7,094 compared to \$7,581 at December 31, 2018, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended March 31, 2019

Net income for the three months ended March 31, 2019 totaled \$5,401 as compared to \$4,350 for the same period in 2018. This increase is primarily due to higher net interest income due to an increased loan volume over the same period in 2018 and a reversal of provision for loan losses in 2019 compared a provision for the same period in 2018. Net interest income for the period was an increase of \$408 for a total of \$7,833 for the period ended March 31, 2019 compared to the same period in 2018.

Non-interest income for the three months ended March 31, 2019, totaled \$1,878, as compared to \$2,210 for the same period of 2018. This decrease is due to a lower FCS Insurance Corporation Refund in 2019 compared to the same period in 2018. Non-interest expense for the three months ended March 31, 2019 totaled \$4,871, a decrease of \$386 compared to the same period of 2018, which was primarily related to other operating expense.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The Bank advances funds to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2019, was \$653,224 as compared to \$695,597 at December 31, 2018. On March 20, 2019, the Bank approved a waiver of the Association's events of default under the GFA.

CAPITAL RESOURCES

Total members' equity at March 31, 2019 increased \$5,466 to \$243,047 from the December 31, 2018 total of \$237,582. The increase is related to the net of year to date net income and

revolvement of the 2008 series of qualified and nonqualified allocated surplus. Total capital stock and participation certificates were \$4,183 on March 31, 2019, compared to \$4,131 on December 31, 2018. This increase is attributed to the issuance of stock on new loans being greater than the retirement of stock on loans liquidated in the normal course of business.

Effective January 1, 2017, the regulatory capital requirements for System Banks and Associations were modified. The new regulations ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted. New regulations replaced existing core surplus and total surplus ratios with common equity tier 1 (CET1), tier 1 capital, and total capital risk-based capital ratios. The new regulations also replaced the existing net collateral ratio with a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The current permanent capital ratio (PCR) remains in effect.

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 effect of increasing risk-adjusted assets (decreasing risk-based regulatory capital ratios) were 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

Calculation of PCR risk-adjusted assets includes the allowance for loan losses as a deduction from risk-adjusted assets. This differs from the other risk-based capital calculations.

The ratios are calculated using three-month average daily balances, in accordance with FCA regulations, as follows:

- The CET1 ratio is the sum of statutory minimum purchased borrower stock, other required borrower stock held for a minimum of 7 years, allocated equities held for a minimum of 7 years or not subject to revolvement, unallocated retained earnings, paid-in capital, less certain regulatory required deductions including the amount of investments in other System institutions, divided by average risk-adjusted assets.
- The tier 1 capital ratio is CET1 capital plus non-cumulative perpetual preferred stock, divided by average risk-adjusted assets.
- The total capital is tier 1 capital plus other required borrower stock held for a minimum of 5 years, subordinated debt and limited-life preferred stock greater than 5 years to maturity at issuance subject to certain limitations, allowance for loan losses and reserve for unfunded commitments under certain limitations less certain investments in other System institutions under the corresponding deduction approach, divided by average risk-adjusted assets.
- The permanent capital ratio is all at-risk borrower stock, any allocated excess stock, unallocated retained earnings, paid-in capital, subordinated debt and preferred stock subject to certain limitations, less certain investments in other System institutions, divided by PCR risk-adjusted assets.
- The tier 1 leverage ratio is tier 1 capital, divided by average assets less regulatory deductions to tier 1 capital.
- The UREE leverage ratio is unallocated retained earnings, paid-in capital, and 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 to tier 1 capital.

The following sets forth the regulatory capital ratios, which were effective January 1, 2017:

Ratio	Minimum Requirement	Capital Conservation Buffer*	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of March 31, 2019
Risk-adjusted ratios:				
CET1 Capital	4.5%	0.625%	6.375%	24.74%
Tier 1 Capital	6.0%	0.625%	7.875%	24.74%
Total Capital	8.0%	0.625%	9.875%	25.49%
Permanent Capital Ratio	7.0%	0.0%	7.0%	24.93%
Non-risk-adjusted:				
Tier 1 Leverage Ratio	4.0%	1.0%	5.0%	25.82%
UREE Leverage Ratio	1.5%	0.0%	1.5%	17.20%

* The capital conservation buffers have a 3 year phase-in period and will become fully effective January 1, 2020. Risk-adjusted ratio minimums will increase 0.625% each year until fully phased in. There is no phase-in period for the tier 1 leverage ratio.

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

REGULATORY MATTERS

On April 3, 2019, the Farm Credit Administration issued a proposed rule that would clarify the factors that System institutions should consider when categorizing high-risk loans and placing them in nonaccrual status. The rule would also revise the criteria by which loans are reinstated to accrual status, and would revise the application of the criteria to certain loans in nonaccrual status to distinguish between the types of risk that cause loans to be placed in nonaccrual status. The public comment periods ends on June 3, 2019.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements*, in the Notes to the Financial Statements, and the 2018 Annual Report to Shareholders for recently issued accounting pronouncements. Additional information is provided in the following table.

The following Accounting Standards Update (ASU) was issued by the Financial Accounting Standards Board (FASB) but has not yet been adopted:

Summary of Guidance	Adoption and Potential Financial Statement Impact
<i>ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i>	
<ul style="list-style-type: none"> • 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 complete remaining life of the financial assets. • Changes the present incurred loss impairment guidance for loans to a CECL model. • The Update also 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. • Eliminates existing guidance for purchased credit impaired (PCI) loans, and requires recognition of an allowance for expected credit losses on these financial assets. • Requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. • Effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early application will be permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. 	<ul style="list-style-type: none"> • Implementation efforts have begun by establishing a cross-discipline governance structure. 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. • The new guidance is expected to result in an increase in allowance for credit losses due to several factors, including: <ol style="list-style-type: none"> 1. The allowance related to loans and commitments will most likely increase to cover credit losses over the full remaining expected life of the portfolio, and will consider expected future changes in macroeconomic conditions, 2. An allowance will be established for estimated credit losses on any debt securities, 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. • The extent of the increase 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. • The guidance is expected to be adopted in first quarter 2021.

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst’s annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association’s annual and quarterly reports are also available upon request free of charge by calling 478-987-8300 Ext. 120, writing Carrie McCall, Chief Financial Officer, AgGeorgia Farm Credit, ACA, P.O. Box 1820, Perry, GA 31069, or accessing the website, www.aggeorgia.com. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

AgGeorgia Farm Credit, ACA

Consolidated Balance Sheets

<i>(dollars in thousands)</i>	March 31, 2019 <i>(unaudited)</i>	December 31, 2018 <i>(audited)</i>
Assets		
Cash	\$ 99	\$ 133
Loans	883,407	909,697
Allowance for loan losses	(7,094)	(7,581)
Net loans	876,313	902,116
Accrued interest receivable	11,718	14,791
Equity investments in other Farm Credit institutions	10,743	10,683
Premises and equipment, net	7,345	7,242
Other property owned	2,935	2,673
Accounts receivable	1,725	11,498
Other assets	1,713	1,704
Total assets	\$ 912,591	\$ 950,840
Liabilities		
Notes payable to AgFirst Farm Credit Bank	\$ 653,224	\$ 695,597
Lease obligations	128	—
Accrued interest payable	1,872	1,954
Patronage refunds payable	1,374	5,144
Accounts payable	825	762
Other liabilities	12,121	9,801
Total liabilities	669,544	713,258
Commitments and contingencies (Note 8)		
Members' Equity		
Capital stock and participation certificates	4,183	4,131
Retained earnings		
Allocated	74,224	70,035
Unallocated	165,454	164,340
Accumulated other comprehensive income (loss)	(814)	(924)
Total members' equity	243,047	237,582
Total liabilities and members' equity	\$ 912,591	\$ 950,840

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

AgGeorgia Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended March 31,	
	2019	2018
Interest Income		
Loans	\$ 13,361	\$ 11,890
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	5,528	4,466
Net interest income	7,833	7,424
Provision for (reversal of allowance for) loan losses	(563)	46
Net interest income after provision for (reversal of allowance for) loan losses	8,396	7,378
Noninterest Income		
Loan fees	149	150
Fees for financially related services	10	35
Patronage refunds from other Farm Credit institutions	1,495	1,421
Gains (losses) on sales of premises and equipment, net	—	34
Gains (losses) on other transactions	37	(7)
Insurance Fund refunds	187	577
Total noninterest income	1,878	2,210
Noninterest Expense		
Salaries and employee benefits	3,056	3,543
Occupancy and equipment	232	216
Insurance Fund premiums	146	139
(Gains) losses on other property owned, net	41	(7)
Other operating expenses	1,396	1,345
Total noninterest expense	4,871	5,236
Income before income taxes	5,403	4,352
Provision for income taxes	2	2
Net income	\$ 5,401	\$ 4,350

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

AgGeorgia Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

<i>(dollars in thousands)</i>	For the three months ended March 31,	
	2019	2018
Net income	\$ 5,401	\$ 4,350
Other comprehensive income net of tax		
Employee benefit plans adjustments	<u>110</u>	<u>111</u>
Comprehensive income	<u>\$ 5,511</u>	<u>\$ 4,461</u>

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

AgGeorgia Farm Credit, ACA
Consolidated Statements of Changes in
Members' Equity

(unaudited)

<i>(dollars in thousands)</i>	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2017	\$ 4,017	\$ 75,567	\$ 151,976	\$ (1,501)	\$ 230,059
Comprehensive income			4,350	111	4,461
Capital stock/participation certificates issued/(retired), net	20				20
Patronage distribution adjustment		57	(92)		(35)
Balance at March 31, 2018	\$ 4,037	\$ 75,624	\$ 156,234	\$ (1,390)	\$ 234,505
Balance at December 31, 2018	\$ 4,131	\$ 70,035	\$ 164,340	\$ (924)	\$ 237,582
Cumulative effect of change in accounting principle			3		3
Comprehensive income			5,401	110	5,511
Capital stock/participation certificates issued/(retired), net	52				52
Patronage distribution					
Qualified allocated retained earnings		3,977	(3,977)		—
Patronage distribution adjustment		212	(313)		(101)
Balance at March 31, 2019	\$ 4,183	\$ 74,224	\$ 165,454	\$ (814)	\$ 243,047

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

AgGeorgia 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 financial statements include the accounts of AgGeorgia Farm Credit, ACA and its Production Credit Association (PCA) and Federal Land Credit Association (FLCA) subsidiaries (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, 2018, are contained in the 2018 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 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 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*), investment securities and

other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 6, *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

The following ASU was issued by the Financial Accounting Standards Board (FASB) since the most recent year end:

- In March 2019, the FASB issued ASU 2019-01 Leases (Topic 842): Codification Improvements. The Update addresses potential implementation issues that could arise as organizations implement Topic 842. The amendments in the Update include the following items brought to the Board's attention through interactions with stakeholders:
 - Determining the fair value of the underlying asset by lessors that are not manufacturers or dealers;
 - Presentation on the statement of cash flows—sales-type and direct financing leases;
 - Transition disclosures related to Topic 250, Accounting Changes and Error Corrections. Evaluation of any possible effects the guidance may have on the statements of financial condition and results of operations is in progress.

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 August 2018, the FASB issued ASU 2018-15 Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this Update. The guidance is effective for public business entities for fiscal years beginning after December 15, 2019,

and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period, for all entities. The amendments should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Evaluation of any possible effects the guidance may have on the statements of financial condition and results of operations is in progress.

- In August 2018, the FASB issued ASU 2018-13 Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments are part of the FASB’s disclosure framework project. The project’s objective and primary focus are to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by GAAP that is most important to users of each entity’s financial statements. The amendments remove, modify or add certain disclosures contained in the financial statement footnotes related to fair value. Additionally, the guidance is intended to promote the appropriate exercise of discretion by entities when considering fair value measurement disclosures and to clarify that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Certain amendments should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance. Entities are permitted to early adopt any removed or modified disclosures upon issuance of this Update and delay adoption of the additional disclosures until their effective date. The removed disclosures were adopted effective with the 2018 Annual Report. Evaluation of any possible effects the additional and modified disclosures guidance may have on the statements of financial condition and results of operations is in progress.
- 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. 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, 2020, and interim periods within those fiscal years. Early application

will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2018. 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. See the most recent Annual Report for a detailed description of each of the standards below:

- In February 2018, the FASB issued ASU 2018-02 Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The amendments eliminate the stranded tax effects resulting from the Tax Cuts and Jobs Act and are intended to improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The Update also requires certain disclosures about stranded tax effects. The guidance was effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Adoption of this guidance had no impact on the statements of financial condition and results of operations.
- In March 2017, the FASB issued ASU 2017-08 Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The guidance relates to certain callable debt securities and shortens the amortization period for any premium to the earliest call date. The Update was effective for interim and annual periods beginning after December 15, 2018 for public business entities. Adoption of this guidance had no impact on the statements of financial condition and results of operations.

In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842). This Update, and subsequent clarifying guidance issued, requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Leases will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the income statement. Lessor accounting activities are largely unchanged from existing

lease accounting. The Update also eliminates leveraged lease accounting but allows existing leveraged leases to continue their current accounting until maturity, termination or modification. The amendments were effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, for public business entities.

Transition Information

- The guidance was adopted using the optional modified retrospective method and practical expedients for transition. Under this transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.
- The package of practical expedients was elected, which allowed existing leases to be largely accounted for consistent with current guidance, except for the incremental balance sheet recognition for lessees.
- There will not be a material change to the timing of future expense recognition.
- Upon adoption, a cumulative-effect adjustment to equity of approximately \$3 was recorded. In addition, a Right of Use Asset in the amount of \$153 and Lease Liability in the amount of \$150 were recognized.

- Given the limited changes to lessor accounting, there were no material changes to recognition or measurement.

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, 2019	December 31, 2018
Real estate mortgage	\$ 569,423	\$ 573,691
Production and intermediate-term	285,144	306,432
Loans to cooperatives	2,438	1,266
Processing and marketing	14,757	17,277
Farm-related business	1,595	1,372
Power and water/waste disposal	965	965
Rural residential real estate	7,198	6,807
International	1,887	1,887
Total loans	\$ 883,407	\$ 909,697

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, 2019							
	Within AgFirst 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	\$ 9,506	\$ 14,356	\$ —	\$ —	\$ —	\$ —	\$ 9,506	\$ 14,356
Production and intermediate-term	5,024	12,496	497	—	—	—	5,521	12,496
Loans to cooperatives	2,448	—	—	—	—	—	2,448	—
Processing and marketing	4,268	95,434	—	—	—	—	4,268	95,434
Power and water/waste disposal	969	—	—	—	—	—	969	—
International	1,894	—	—	—	—	—	1,894	—
Total	\$ 24,109	\$ 122,286	\$ 497	\$ —	\$ —	\$ —	\$ 24,606	\$ 122,286

December 31, 2018

	Within AgFirst 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	\$ 9,510	\$ 7,868	\$ —	\$ —	\$ —	\$ —	\$ 9,510	\$ 7,868
Production and intermediate-term	5,212	14,514	296	—	—	—	5,508	14,514
Loans to cooperatives	1,273	—	—	—	—	—	1,273	—
Processing and marketing	5,155	74,665	—	—	—	—	5,155	74,665
Power and water/waste disposal	969	—	—	—	—	—	969	—
International	1,894	—	—	—	—	—	1,894	—
Total	\$ 24,013	\$ 97,047	\$ 296	\$ —	\$ —	\$ —	\$ 24,309	\$ 97,047

A significant source of liquidity for the Association is the repayments of loans. The following table presents the contractual maturity distribution of loans by loan type at the latest period end:

	March 31, 2019			
	Due Less Than 1 Year	Due 1 Through 5 Years	Due After 5 Years	Total
Real estate mortgage	\$ 6,910	\$ 72,220	\$ 490,293	\$ 569,423
Production and intermediate-term	96,717	119,509	68,918	285,144
Loans to cooperatives	—	345	2,093	2,438
Processing and marketing	2,788	6,784	5,185	14,757
Farm-related business	231	1,075	289	1,595
Power and water/waste disposal	—	—	965	965
Rural residential real estate	113	1,254	5,831	7,198
International	—	1,513	374	1,887
Total loans	\$ 106,759	\$ 202,700	\$ 573,948	\$ 883,407
Percentage	12.08%	22.95%	64.97%	100.00%

The recorded investment in a receivable is the face amount increased or decreased by applicable accrued interest, 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, 2019	December 31, 2018		March 31, 2019	December 31, 2018
Real estate mortgage:			Power and water/waste disposal:		
Acceptable	93.04%	93.55%	Acceptable	100.00%	100.00%
OAEM	5.06	4.68	OAEM	—	—
Substandard/doubtful/loss	1.90	1.77	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Production and intermediate-term:			Rural residential real estate:		
Acceptable	88.53%	89.11%	Acceptable	99.34%	99.22%
OAEM	6.06	5.55	OAEM	0.55	0.64
Substandard/doubtful/loss	5.41	5.34	Substandard/doubtful/loss	0.11	0.14
	100.00%	100.00%		100.00%	100.00%
Loans to cooperatives:			International:		
Acceptable	100.00%	100.00%	Acceptable	100.00%	100.00%
OAEM	—	—	OAEM	—	—
Substandard/doubtful/loss	—	—	Substandard/doubtful/loss	—	—
	100.00%	100.00%		100.00%	100.00%
Processing and marketing:			Total loans:		
Acceptable	83.21%	100.00%	Acceptable	91.53%	92.25%
OAEM	16.79	—	OAEM	5.50	4.83
Substandard/doubtful/loss	—	—	Substandard/doubtful/loss	2.97	2.92
	100.00%	100.00%		100.00%	100.00%
Farm-related business:					
Acceptable	100.00%	100.00%			
OAEM	—	—			
Substandard/doubtful/loss	—	—			
	100.00%	100.00%			

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

	March 31, 2019				
	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	\$ 4,841	\$ 253	\$ 5,094	\$ 571,860	\$ 576,954
Production and intermediate-term	4,192	6,041	10,233	278,930	289,163
Loans to cooperatives	—	—	—	2,440	2,440
Processing and marketing	—	—	—	14,849	14,849
Farm-related business	—	—	—	1,623	1,623
Power and water/waste disposal	—	—	—	966	966
Rural residential real estate	233	3	236	7,004	7,240
International	—	—	—	1,890	1,890
Total	\$ 9,266	\$ 6,297	\$ 15,563	\$ 879,562	\$ 895,125

	December 31, 2018				
	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	\$ 3,357	\$ 245	\$ 3,602	\$ 578,862	\$ 582,464
Production and intermediate-term	3,469	4,675	8,144	304,068	312,212
Loans to cooperatives	—	—	—	1,266	1,266
Processing and marketing	—	—	—	17,469	17,469
Farm-related business	—	—	—	1,388	1,388
Power and water/waste disposal	—	—	—	966	966
Rural residential real estate	70	4	74	6,758	6,832
International	—	—	—	1,891	1,891
Total	\$ 6,896	\$ 4,924	\$ 11,820	\$ 912,668	\$ 924,488

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

	March 31, 2019	December 31, 2018
Nonaccrual loans:		
Real estate mortgage	\$ 2,250	\$ 2,222
Production and intermediate-term	9,962	10,330
Rural residential real estate	7	9
Total	\$ 12,219	\$ 12,561
Accruing restructured loans:		
Real estate mortgage	\$ 13,234	\$ 13,451
Production and intermediate-term	14,385	13,781
Rural residential real estate	19	20
Total	\$ 27,638	\$ 27,252
Accruing loans 90 days or more past due:		
Total	\$ —	\$ —
Total nonperforming loans	\$ 39,857	\$ 39,813
Other property owned	2,935	2,673
Total nonperforming assets	\$ 42,792	\$ 42,486
Nonaccrual loans as a percentage of total loans	1.38%	1.38%
Nonperforming assets as a percentage of total loans and other property owned	4.83%	4.66%
Nonperforming assets as a percentage of capital	17.61%	17.88%

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, 2019	December 31, 2018
Impaired nonaccrual loans:		
Current as to principal and interest	\$ 3,334	\$ 4,685
Past due	8,885	7,876
Total	\$ 12,219	\$ 12,561
Impaired accrual loans:		
Restructured	\$ 27,638	\$ 27,252
Total	\$ 27,638	\$ 27,252
Total impaired loans	\$ 39,857	\$ 39,813
Additional commitments to lend	\$ 294	\$ —

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, 2019			Three Months Ended March 31, 2019	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	\$ 146	\$ 162	\$ 13	\$ 147	\$ 1
Production and intermediate-term	4,894	5,274	1,009	4,918	49
Farm-related business	—	—	—	—	—
Rural residential real estate	—	—	—	—	—
Total	\$ 5,040	\$ 5,436	\$ 1,022	\$ 5,065	\$ 50
With no related allowance for credit losses:					
Real estate mortgage	\$ 15,338	\$ 16,083	\$ —	\$ 15,414	\$ 153
Production and intermediate-term	19,453	21,945	—	19,550	194
Farm-related business	—	68	—	—	—
Rural residential real estate	26	27	—	26	—
Total	\$ 34,817	\$ 38,123	\$ —	\$ 34,990	\$ 347
Total impaired loans:					
Real estate mortgage	\$ 15,484	\$ 16,245	\$ 13	\$ 15,561	\$ 154
Production and intermediate-term	24,347	27,219	1,009	24,468	243
Farm-related business	—	68	—	—	—
Rural residential real estate	26	27	—	26	—
Total	\$ 39,857	\$ 43,559	\$ 1,022	\$ 40,055	\$ 397

Impaired loans:	December 31, 2018			Year Ended December 31, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	\$ 148	\$ 162	\$ 14	\$ 149	\$ 7
Production and intermediate-term	5,312	5,742	1,337	5,357	242
Rural residential real estate	—	—	—	—	—
Total	\$ 5,460	\$ 5,904	\$ 1,351	\$ 5,506	\$ 249
With no related allowance for credit losses:					
Real estate mortgage	\$ 15,525	\$ 15,854	\$ —	\$ 15,655	\$ 708
Production and intermediate-term	18,799	21,166	—	18,953	858
Rural residential real estate	29	30	—	29	1
Total	\$ 34,353	\$ 37,050	\$ —	\$ 34,637	\$ 1,567
Total impaired loans:					
Real estate mortgage	\$ 15,673	\$ 16,016	\$ 14	\$ 15,804	\$ 715
Production and intermediate-term	24,111	26,908	1,337	24,310	1,100
Rural residential real estate	29	30	—	29	1
Total	\$ 39,813	\$ 42,954	\$ 1,351	\$ 40,143	\$ 1,816

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	Total
Activity related to the allowance for credit losses:							
Balance at December 31, 2018	\$ 2,987	\$ 4,521	\$ 57	\$ 1	\$ 14	\$ 1	\$ 7,581
Charge-offs	(1)	(62)	–	–	–	–	(63)
Recoveries	28	111	–	–	–	–	139
Provision for loan losses	(2)	(680)	112	1	6	–	(563)
Balance at March 31, 2019	\$ 3,012	\$ 3,890	\$ 169	2	\$ 20	\$ 1	\$ 7,094
Balance at December 31, 2017	\$ 2,763	\$ 4,185	\$ 38	1	\$ 7	\$ 1	\$ 6,995
Charge-offs	(2)	(74)	–	–	–	–	(76)
Recoveries	10	120	–	–	–	–	130
Provision for loan losses	(334)	370	10	–	–	–	46
Balance at March 31, 2018	\$ 2,437	\$ 4,601	\$ 48	1	\$ 7	\$ 1	\$ 7,095
Allowance on loans evaluated for impairment:							
Individually	\$ 13	\$ 1,009	\$ –	–	\$ –	\$ –	\$ 1,022
Collectively	2,999	2,881	169	2	20	1	6,072
Balance at March 31, 2019	\$ 3,012	\$ 3,890	\$ 169	2	\$ 20	\$ 1	\$ 7,094
Individually	\$ 14	\$ 1,337	\$ –	–	\$ –	\$ –	\$ 1,351
Collectively	2,973	3,184	57	1	14	1	6,230
Balance at December 31, 2018	\$ 2,987	\$ 4,521	\$ 57	\$ 1	\$ 14	\$ 1	\$ 7,581
Recorded investment in loans evaluated for impairment:							
Individually	\$ 24,893	\$ 29,807	\$ –	–	\$ 26	\$ –	\$ 54,726
Collectively	552,061	259,356	18,912	966	7,214	1,890	840,399
Balance at March 31, 2019	\$ 576,954	\$ 289,163	\$ 18,912	966	\$ 7,240	\$ 1,890	\$ 895,125
Individually	\$ 23,507	\$ 32,753	\$ –	–	\$ 29	\$ –	\$ 56,289
Collectively	558,957	279,459	20,123	966	6,803	1,891	868,199
Balance at December 31, 2018	\$ 582,464	\$ 312,212	\$ 20,123	\$ 966	\$ 6,832	\$ 1,891	\$ 924,488

*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, 2019				
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	\$ –	\$ 712	\$ –	\$ 712	
Production and intermediate-term	–	2,733	–	2,733	
Total	\$ –	\$ 3,445	\$ –	\$ 3,445	
Post-modification:					
Real estate mortgage	\$ –	\$ 760	\$ –	\$ 760	\$ –
Production and intermediate-term	–	2,749	–	2,749	–
Total	\$ –	\$ 3,509	\$ –	\$ 3,509	\$ –

Outstanding Recorded Investment	Three months ended March 31, 2018				
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Production and intermediate-term	\$ –	\$ 2,398	\$ –	\$ 2,398	
Total	\$ –	\$ 2,398	\$ –	\$ 2,398	
Post-modification:					
Production and intermediate-term	\$ –	\$ 2,408	\$ –	\$ 2,408	\$ –
Total	\$ –	\$ 2,408	\$ –	\$ 2,408	\$ –

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

The following table presents outstanding recorded investment for TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

Defaulted TDRs:	Three Months Ended March 31,	
	2019	2018
Production and intermediate-term	\$ —	\$ 28
Total	\$ —	\$ 28

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, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Real estate mortgage	\$ 14,438	\$ 14,677	\$ 1,204	\$ 1,226
Production and intermediate-term	19,476	19,212	5,091	5,431
Rural residential real estate	19	20	—	—
Total loans	\$ 33,933	\$ 33,909	\$ 6,295	\$ 6,657
Additional commitments to lend	\$ —	\$ —		

The following table presents information as of period end:

	March 31, 2019
Carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession	\$ —
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	\$ —

Note 3 — Investments

Equity Investments in Other Farm Credit System Institutions

Equity investments in other Farm Credit System institutions are generally nonmarketable investments consisting of stock and participation certificates, allocated surplus, and reciprocal investments in other institutions regulated by the FCA. These investments are carried at cost and evaluated for impairment based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Associations are required to maintain ownership in AgFirst (AgFirst or the Bank) in the form of Class B or Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owned 3.44 percent of the issued stock of the Bank as of March 31, 2019 net of any reciprocal investment. As of that date, the Bank's assets totaled \$32.7 billion and shareholders' equity totaled \$2.3 billion. The Bank's earnings were \$67 million for the first three months of 2019. In addition, the Association held investments of \$1,403 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others. On March 20, 2019, the Bank approved a waiver of the Association's events of default under the GFA.

Note 5 — Members' Equity

Accumulated other Comprehensive Income (AOCI)

	Changes in Accumulated Other Comprehensive Income by Component (a)	
	Three Months Ended March 31,	
	2019	2018
Employee Benefit Plans:		
Balance at beginning of period	\$ (924)	\$ (1,501)
Other comprehensive income before reclassifications	—	—
Amounts reclassified from AOCI	110	111
Net current period other comprehensive income	110	111
Balance at end of period	\$ (814)	\$ (1,390)

	Reclassifications Out of Accumulated Other Comprehensive Income (b)		
	Three Months Ended March 31,		
	2019	2018	Income Statement Line Item
Defined Benefit Pension Plans:			
Periodic pension costs	\$ (110)	\$ (111)	See Note 7.
Net amounts reclassified	\$ (110)	\$ (111)	

(a) Amounts in parentheses indicate debits to AOCI.

(b) Amounts in parentheses indicate debits to profit/loss.

Note 6 — 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 the latest 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, 2019				
		Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements						
Assets:						
Assets held in trust funds	\$	1,578	\$ 1,578	\$ –	\$ –	\$ 1,578
Recurring Assets	\$	1,578	\$ 1,578	\$ –	\$ –	\$ 1,578
Liabilities:						
Recurring Liabilities	\$	–	\$ –	\$ –	\$ –	\$ –
Nonrecurring Measurements						
Assets:						
Impaired loans	\$	4,018	\$ –	\$ –	\$ 4,018	\$ 4,018
Other property owned		2,935	–	–	3,144	3,144
Nonrecurring Assets	\$	6,953	\$ –	\$ –	\$ 7,162	\$ 7,162
Other Financial Instruments						
Assets:						
Cash	\$	99	\$ 99	\$ –	\$ –	\$ 99
Loans		872,295	–	–	873,199	873,199
Other Financial Assets	\$	872,394	\$ 99	\$ –	\$ 873,199	\$ 873,298
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	\$	653,224	\$ –	\$ –	\$ 649,247	\$ 649,247
Other Financial Liabilities	\$	653,224	\$ –	\$ –	\$ 649,247	\$ 649,247
		December 31, 2018				
		Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements						
Assets:						
Assets held in trust funds	\$	1,540	\$ 1,540	\$ –	\$ –	\$ 1,540
Recurring Assets	\$	1,540	\$ 1,540	\$ –	\$ –	\$ 1,540
Liabilities:						
Recurring Liabilities	\$	–	\$ –	\$ –	\$ –	\$ –
Nonrecurring Measurements						
Assets:						
Impaired loans	\$	4,109	\$ –	\$ –	\$ 4,109	\$ 4,109
Other property owned		2,673	–	–	2,902	2,902
Nonrecurring Assets	\$	6,782	\$ –	\$ –	\$ 7,011	\$ 7,011
Other Financial Instruments						
Assets:						
Cash	\$	133	\$ 133	\$ –	\$ –	\$ 133
Loans		898,007	–	–	890,670	890,670
Other Financial Assets	\$	898,140	\$ 133	\$ –	\$ 890,670	\$ 890,803
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	\$	695,597	\$ –	\$ –	\$ 685,169	\$ 685,169
Other Financial Liabilities	\$	695,597	\$ –	\$ –	\$ 685,169	\$ 685,169

SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

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, and its valuation processes are calibrated annually by an independent consultant. 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	\$ 7,162	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 AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

Note 7 — Employee Benefit Plans

The following is a table of retirement and other postretirement benefit expenses for the Association:

	Three Months Ended March 31,	
	2019	2018
Pension	\$ 605	\$ 891
401(k)	206	119
Other postretirement benefits	157	170
Total	\$ 968	\$ 1,180

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 3/31/19	Projected Contributions For Remainder of 2019	Projected Total Contributions 2019
Pension	\$ 12	\$ 1,899	\$ 1,911
Other postretirement benefits	157	452	609
Total	\$ 169	\$ 2,351	\$ 2,520

Contributions in the above table include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change

contributions necessary before the next plan measurement date of December 31, 2019.

Further details regarding employee benefit plans are contained in the 2018 Annual Report to Shareholders.

Note 8 — 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 not probable 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 9 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through May 9, 2019, which was the date the financial statements were issued.