2018
ANNUAL REPORT

SUPPORTING *YOUR LEGACY*

FARM CREDIT
OF CENTRAL FLORIDA

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FARM CREDIT
OF CENTRAL FLORIDA

REGGIE HOLT *Chief Executive Officer*

FROM THE PRESIDENT'S DESK

In 2018, Farm Credit of Central Florida achieved record-high earnings and maintained stable growth that strengthened your cooperative and will allow us to continue serving you for many years to come.

This strength is attributed to the hard work and success of the farmers, ranchers, growers and rural communities we do business with in addition to our Association staff, who work tirelessly to support you, our borrower-owners.

With the financial industry holding some of the lowest retention rates across all sectors, we are proud that over 40 percent of our staff have spent 10 or more years of their careers within the Farm Credit System. Our Association prides itself on an average tenure of 9.8 years, more than twice as long as the national average of 4.6 years, according to the Bureau of Labor Statistics. This established stability and legacy means that you have a partner as you continue to create your legacy.

Our mission as your cooperative is to support you so that you remain farming now and for many years to come. We have the tools and resources tailored to your specific needs and are here for you through good times and bad.

This annual report shares stories of three of our members who have started or continued legacies, one dating back 60 years or more. I hope you enjoy reading their compelling stories about resiliency, determination and hard work.

"WE LOOK TO THE YEAR AHEAD WITH A RENEWED FOCUS ON IMPROVING OUR CUSTOMER EXPERIENCES."

We look to the year ahead with a renewed focus on improving our customer experiences. AgVUE, our new loan and credit platform, will increase our efficiencies and reduce wait times for customers. Ongoing feedback from our members through surveys lets us know what matters to you and continues to help us improve our operations. Our newly established Member Advisory Committee will provide ongoing feedback to the board and management on specific market needs and recommendations on how to meet these needs. We are excited to work with this new committee because it will play a key role in identifying and meeting the current and future needs of our marketplace.

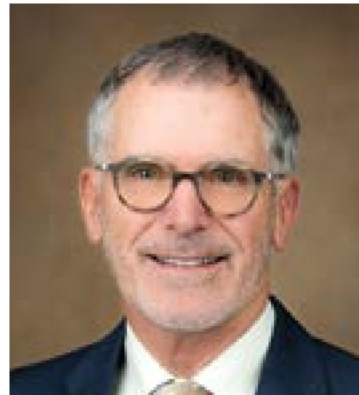
Our legacy is your legacy, and we thank you for sharing your legacy with us.

Reggie Holt

*Dollar amounts in millions

OUR BOARD OF DIRECTORS ARE DEDICATED TO ENSURING YOUR PROSPERITY BY ALWAYS KEEPING YOUR INTERESTS IN MIND.

BOARD OF DIRECTORS



W. REX CLONTS, JR.
Chairman

KEITH D. MIXON
Vice Chairman

JENNY R. BLACK

C. DENNIS CARLTON, SR.

RANDY L. LARSON

DAVID A. MERENESS

ROBERT R. ROBERSON

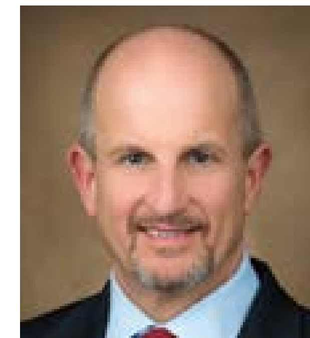
RANDALL E. STRODE

RONALD R. WETHERINGTON

OUR STRONG TEAM OF LEADERS MAKE SUPPORTING YOU, THE AGRICULTURE INDUSTRY, AND ITS STAKEHOLDERS OUR NUMBER ONE PRIORITY.

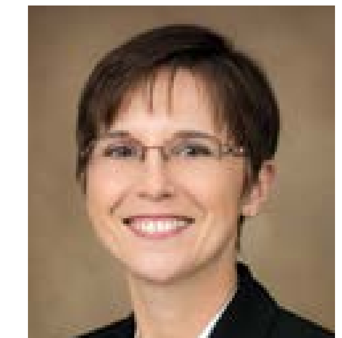
PEOPLE WHO WORK FOR YOU

EXECUTIVE MANAGEMENT



REGGIE HOLT
Chief Executive Officer

SCOTT FONTENOT
Chief Operating Officer

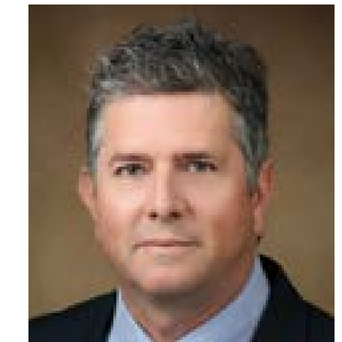


SCARLET DETIEN
Chief Credit Officer

SENIOR LEADERSHIP

ANNIE SULLIVAN
Chief Financial Officer

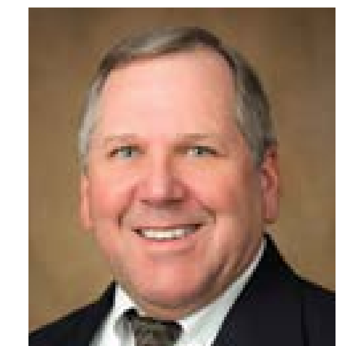
MARK MCRAE
Chief Sales Officer



JEFF PHILLIPS
Chief Relationship Officer

DAWN TUTEN
Director of Corporate Services

TORY MOORE
Director of Marketing



DAVID MCDONALD
Regional Market Manager

"AS A MULTI-GENERATIONAL FAMILY, WE'RE ALWAYS GROWING AND EVOLVING, SO IT'S IMPORTANT FOR US TO UNDERSTAND OUR CURRENT REALITY."

DONNA DUDA

Duda Family Council

DUDA's Executive Team

DUDA

OWNERS: The Duda Family

LOCATION: Oviedo, Florida

OPERATION: Diversified Agricultural Holdings

"LEGACY IS THE STEWARDSHIP OF FAITH."

For DUDA, a family owned corporation founded in 1926, legacy is in the pulse of the company. DUDA believes legacy involves a balance between now and the future, while also remembering the past. The company has over 700 employees, some of whom are Duda family members. The ownership of the company spans into the fifth generation with third-, fourth- and fifth-generation family members involved in company operations. And, there's a sixth generation on the way.

"Stewardship is not just about the land, but of the history, the faith, the people, our employees and our communities," said Chief Operating Officer Bart Weeks. "Stewardship is in the nature of a multi-generational business. It's corporate with a higher calling."

Throughout the years, Christian faith and business integrity have remained at the center of the company. The stated purpose of the business is to "Multiply and Share God's Blessings."

When the Duda family settled in Florida, they were one of the founding families of St. Luke's Lutheran Church. As a church, members met for 20 years before getting a pastor. During this time, each family would take turns leading Sunday services. Today, faith-based meetings occur not just at church but also in the boardroom.

"Board meetings start with a devotion and prayer – always," said Susan Duda Hanas, a third-generation family member who is currently serving as the board's first female chair. "We try to get our heads in the right place from the beginning."

Top Left: DUDA's Board of Directors
Left: Duda founders Andrew Jr., John and Ferdinand Duda

History is important for both the Duda family and the company. Andrew Duda emigrated to the United States from Slovakia in 1909 seeking the American dream. He eventually made his way to Central Florida and, in 1926, Andrew and his sons John, Andrew Jr. and Ferdinand established A. Duda & Sons. In the beginning, they were celery farmers, but the three sons had a passion for buying land, which led to diversification of the business.

The third generation followed in the footsteps of their fathers and further diversified the company's agriculture holdings by purchasing farmland in California and Texas and adding sod operations. While their grandfather thought his sons' purchase of Brevard County swamp land, which they used for cattle ranching, was possibly one of the biggest mistakes the sons could make, the third generation had a plan. They turned this area into a master-planned community known as Viera, which is Slovak for faith. This community development endeavor led to further diversification into real estate, eventually adding home building operations to the list of ventures DUDA pursues.

"As a multi-generational family, we're always growing and evolving, so it's important for us to understand our current reality," explained Donna Duda, director of Corporate Communications and Family Relations. "It's different from our parents' reality. Applying best practices to how we engage with our family-owned business is necessary for future success."

To address this need, the 11-member Duda Family Council was formed in 2004. The council is comprised of members elected by the family who serve as representatives to make family related decisions, research and survey an overall voice of the family and make decisions regarding family matters related to the company.

"The word I use to describe the Duda Family Council is connection. We see our main job as connecting the family to each other, to the business we own together and to our shared legacy," said fourth-generation family member Stacy Mello, Duda Family Council chair and Ranch and Resource manager for DUDA Ranches.

With 212 current family members, both direct decedents and spouses, and ownership divided amongst third-, fourth- and fifth-generation family members, family connection is important and necessary. The Duda family encourages connection at two annual events: one in January focused around the annual shareholder meeting and another in the summer focused around development. There, family members connect with one another, learn about the business they own together, share their history and legacy and make a difference through philanthropy projects.

As the first Duda Family Council chair and the last third-generation family member involved in the business, Susan Duda Hanas has watched her father's generation, her generation and now the next generation assume leadership roles in the company. She said she believes in the future and that it's important that, once the next generation become the leaders, the outgoing leaders let go of the reins and let the next make their own choices.

"You have to shut the book and leave it to the next group. They are going to fall down sometimes, but that's okay, everybody does, and it's how you learn," she said.

Susan says more than anything, the family has to stay connected as the years go on. "We can do a lot more if we stick together than if we divide up."

Only 21 percent of companies survive to see their 20th anniversary, according to the "Washington Times." As a nearly century-old company, DUDA has lived to see both successes and hardships. The family believes that faith, integrity, and valuing history have led them to continue and to be the company DUDA is today.

"DUDA's relationship with Farm Credit dates back to 1953," said company CEO David Duda.

"It's a dance. Sometimes you lead, and sometimes you follow," he says of the cycle of economic times in agriculture and the long lasting relationship with Farm Credit that DUDA has had with Farm Credit. "We wouldn't be here without the Farm Credit System."

Daniel and Blanca Gutierrez

THE GUTIERREZ FAMILY

OWNERS: Daniel and Blanca Gutierrez

LOCATION: Plant City, Florida

OPERATION: Over 105 Acres, including 12 acres of organic strawberries.

"LEGACY IS CREATING A BETTER LIFE FOR THE FAMILY AFTER YOU."

The Gutierrez family has made their dreams a reality and started a legacy that will last far beyond their years. To Daniel and his wife, Blanca, family is one of the most important things in life.

To the Gutierrez family, leaving a good name behind for future generations to come is extremely important. Daniel and Blanca want a bright future for their five daughters and dream of them going to college and getting a degree.

"IF IT WEREN'T FOR FARM CREDIT, WE WOULDN'T BE DOING WHAT WE ARE DOING."

DANIEL GUTIERREZ

Everything that Daniel does, he does for his family. He has grown his passion for the agriculture industry by expanding his farm and has made the family's dream of living in a home in the country a reality.

Daniel grew up around agriculture in Mexico. His father farmed corn and grains, and when Daniel and Blanca came to the United States, they began working with their relatives growing berries with the goal of owning their own farm someday. Everyone in the family worked together until they started their own business six years ago.

"I liked farming with the family," Daniel said. "I wanted to have tractors and a farm of my own though."

The family owns a total of 105 acres, where they farm strawberries and vegetables and raise Brangus cattle.

Last fall, the farm earned its organic certification, and there are now 12 acres of organic strawberries, further expanding the operation.

Daniel and Blanca both find family one of the most important aspects of their life. They recently bought a home near Daniel's parents and the farm.

"Being close to family is the most important thing," Daniel said. "We probably need a bigger house, but we have everyone here with us so we don't want to move."

"We like to live in the country," Blanca said. "There's stress when you go into the city, I feel weird. You see the houses so close to each other and you know you could get used to it, but for us it's tough to see, and we know this is the place for us here. You see these girls? They're country girls."

Daniel and Blanca's two older daughters, Camila and Regina, are getting started in the agriculture industry by showing rabbits in 4-H. Blanca encouraged them to join to ignite their love for agriculture and grow in their leadership and development skills.

The Gutierrez's organic strawberry fields

"The girls are really shy," Blanca said. "I want them around people who can motivate them."

"I'll support them in whatever they like, but I'd love for them to be involved in farming," Daniel added.

"They are both so great in school," Blanca said. "We're proud of our girls."

The Gutierrez family attributes its success to the many who have taught them how to farm and helped them along the way.

"We're very happy to have people like Farm Credit around," Daniel said. "If it weren't for Farm Credit, we wouldn't be doing what we're doing."

"They were easy to work with and made it really smooth for us," Blanca said.

The Gutierrez family is passionate about family and the agriculture industry, and Farm Credit of Central Florida is proud to have them as members of the cooperative.

The Gutierrez girls enjoy time with their family in the strawberry fields

Richard and Andy Parish, father and son owners of Parish Enterprises

"FARM CREDIT CAME IN AT A CRUCIAL TIME FOR US. WE WERE BETWEEN A ROCK AND A HARD PLACE BECAUSE WE COULDN'T RUN THE BUSINESS HOW WE WANTED AND NEEDED MORE CAPITAL. FARM CREDIT HAS BEEN A BIG HELP AND HAS BEEN EXTREMELY SUPPORTIVE OF WHAT WE'RE TRYING TO ACHIEVE."

ANDY PARISH

Delicious blueberries at Parish Enterprises in Eagle Lake, Fla.

PARISH FAMILY FARM

OWNERS: Richard and Andy Parish

LOCATION: Eagle Lake, Florida

OPERATION: 12 acres of blueberries

Parish Enterprises currently farms 12 acres of blueberries

"LEGACY TO ME IS HOW PEOPLE REMEMBER YOU, SETTING THE EXAMPLE. WHAT YOU LEAVE BEHIND IS SOMETHING THAT CAN BE REMEMBERED IN A POSITIVE MANNER."

Richard and Andy Parish, father and son owners of Parish Enterprises, are following their dreams and leaving a legacy that will be remembered for generations to come.

Andy has always enjoyed learning and growing different plants as a hobby and dreamed of someday having a farm of his own. Richard, Andy's father, wanted to make his son's dream come true and used his retirement money to start their farm.

"I have always had a passion for being in business for myself," Andy said. "My entire life, I've been an entrepreneur, and I've always had a green thumb. Farming was a natural fit. Dad invested his money into my passion, but it has turned into his passion, too."

Parish Enterprises started farming in 2011 as a palm grower and, in 2013, the father-son team decided it was time to expand and begin a new journey with growing blueberries. The farm spans 15 acres with 12 acres currently planted. The farm is conventional, opening up for u-pick at the latter end of the season.

When talking to both Richard and Andy, Richard speaks glowingly of his son and the time and work he puts into the farm. They have learned through trials and tribulations as well as from networking with other farmers. They attribute their success to a little bit of luck and a whole lot of research.

"We want to leave a productive farm for future generations to come," Richard said.

With thoughts of the future, Richard and Andy are interested in increasing the size of Parish Enterprises with hopes of one day passing the farm down to Andy's kids. Both of his sons, age six and four, have shown interest in the land, whether it be helping in the field and getting their hands dirty or taste-testing the blueberries.

While discussing how much time and effort they put into farming, Andy pointed out that farming is not an easy task, so you have to be passionate about what you do.

"Every day, we're working or have people helping us," Andy said. "Farming is an everyday thing."

The success of the farm is a family affair. Richard works on the farm in the morning while Andy is teaching. When Andy is done with teaching for the day, he picks the boys up and they go out to the blueberry field and work until evening. For the u-pick, Andy's wife, Marissa, makes snow cones and blueberry cobbler for everyone who visits.

Hosting a u-pick gives the public an opportunity to experience a farm and get their hands dirty. Andy said it's nice to let visitors come out and get a feel for what the "country life" feels like.

As a fifth-grade science teacher, Andy has the opportunity to transfer what he's learning in the field to his classroom. He teaches his students the basics of growing blueberries and instills an appreciation for agriculture with hands-on lessons. His students are now experimenting with blueberry bushes and the importance of fertilizer. The farm's legacy extends beyond Parish Enterprises and reaches local students.

"Farm Credit came in at a crucial time for us, Andy said. "We were between a rock and a hard place because we couldn't run the business how we wanted and needed more capital. Farm Credit has been a big help and has been extremely supportive of what we're trying to achieve."

"Our loan officer, Jason Williams, has been nothing but helpful during the process of applying and receiving the loan," Richard said. "We will continue to use Farm Credit when we ever do need another loan."

"It's a lot of hard knocks we have gone through, and I am sure there are more to come, but we are growing a good product and we are proud of that," Andy said.

Farm Credit of Central Florida can't wait to see what the future holds for our customers and are proud of the impact Parish Enterprises is making on our community and beyond.

CONCERN FOR COMMUNITY

AS A COOPERATIVE,

Farm Credit of Central Florida follows the seven cooperative principles closely with principle number seven, Concern for Community, remaining in focus. We focus on member needs and strive for sustainable support and contributions to ensure the communities in which we live, work and serve are thriving.

This year, the Association kicked off our community service initiatives by volunteering alongside the Volunteers In Service to the Elderly (VISTE), an organization based out of Lakeland that provides the elderly with resources such as transportation, hot meals and nonperishables, wheelchair ramps and more.

Farm Credit team members delivered meals, decorated cakes to celebrate birthdays and helped sort food at VISTE, impacting dozens across the Lakeland area.

Team members painted fences for Freedom Ride in Orlando, a non-profit that provides therapeutic horseback riding and equine-related activities to adults and children with disabilities.

With the University of Florida Food and Resource Economics bachelor's program now being offered at the Plant City campus, we established a scholarship exclusive to students in this and the Agricultural Education and Communication program at the Plant City campus. This scholarship will help Plant City students pursue an excellent education while staying close to home.

The Association has long supported the Plant City Relay for Life through a sponsorship, but this year we are fundraising as a team for the annual event to take place in March 2019. Through fundraising and awareness, we are growing for a cure and having a lot of fun while doing it.

In addition to the special community projects of the year, the Association supports charity 5K runs, funds several student scholarships to universities around the state, buys youth animals at the fair and more. We look forward to serving you in 2019.

From top left: Employees decorate birthday cakes to be delivered to the elderly at VISTE in Lakeland, Teams sort through food to support VISTE in Lakeland, Employees delivered food to the elderly as part of VISTE's meal delivery service, Employees volunteered time painting fences for Freedom Ride in Orlando, The Association sponsors 5K teams to run for a cause

FINANCIAL RESULTS

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REPORT OF MANAGEMENT

The accompanying Consolidated Financial Statements and related financial information appearing throughout this annual report have been prepared by management of Farm Credit of Central Florida, ACA (Association) in accordance with generally accepted accounting principles appropriate in the circumstances. Amounts which must be based on estimates represent the best estimates and judgments of management. Management is responsible for the integrity, objectivity, consistency, and fair presentation of the consolidated financial statements and financial information contained in this report.

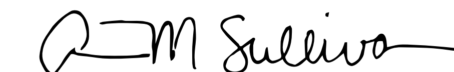
Management maintains and depends upon an internal accounting control system designed to provide reasonable assurance that transactions are properly authorized and recorded, that the financial records are reliable as the basis for the preparation of all financial statements, and that the assets of the Association are safeguarded. The design and implementation of all systems of internal control are based on judgments required to evaluate the costs of controls in relation to the expected benefits and to determine the appropriate balance between these costs and benefits. The Association maintains an internal audit program to monitor compliance with the systems of internal accounting control. Audits of the accounting records, accounting systems and internal controls are performed and internal audit reports, including appropriate recommendations for improvement, are submitted to the Board of Directors.

The Consolidated Financial Statements have been audited by Independent Auditors, whose report appears elsewhere in this annual report. The Association is also subject to examination by the Farm Credit Administration.

The Consolidated Financial Statements, in the opinion of management, fairly present the financial condition of the Association. The undersigned certify that we have reviewed the 2018 Annual Report of Farm Credit of Central Florida, 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.

Keith D. Mixon
Chairman of the Audit Committee

Reginald T. Holt
Chief Executive Officer


Anne M. Sullivan
Chief Financial Officer

March 13, 2019

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, to provide 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 and 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 December 31, 2018. 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 December 31, 2018, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of December 31, 2018.

Reginald T. Holt
Chief Executive Officer

Anne M. Sullivan
Chief Financial Officer

March 13, 2019

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

	December 31,				
(dollars in thousands)	**2018**	**2017**	**2016**	**2015**	**2014**
Balance Sheet Data					
Cash	**$ 189**	$ 53	$ 1,087	$ 320	$ 271
Investments in debt securities	**7,913**	13,029	19,008	24,612	31,756
Loans	**538,999**	533,519	508,773	445,550	399,417
Allowance for loan losses	**(3,270)**	(4,185)	(4,766)	(6,803)	(9,237)
Net loans	**535,729**	529,334	504,007	438,747	390,180
Equity investments in other Farm Credit institutions	**6,568**	6,318	6,481	6,598	6,931
Other property owned	**—**	—	216	16	—
Other assets	**12,949**	13,080	13,875	13,640	16,619
Total assets	**$ 563,348**	$ 561,814	$ 544,674	$ 483,933	$ 445,757
Notes payable to AgFirst Farm Credit Bank*	**$ 442,646**	$ 443,696	$ 435,590	$ 379,668	$ 344,844
Accrued interest payable and other liabilities with maturities of less than one year	**11,602**	15,379	12,287	11,717	12,409
Total liabilities	**454,248**	459,075	447,877	391,385	357,253
Capital stock and participation certificates	**882**	900	861	858	860
Retained earnings					
Allocated	**22,907**	24,588	26,269	28,505	30,740
Unallocated	**85,772**	77,821	70,166	63,673	57,369
Accumulated other comprehensive income (loss)	**(461)**	(570)	(499)	(488)	(465)
Total members' equity	**109,100**	102,739	96,797	92,548	88,504
Total liabilities and members' equity	**$ 563,348**	$ 561,814	$ 544,674	$ 483,933	$ 445,757
Statement of Income Data					
Net interest income	**$ 13,983**	$ 12,259	$ 11,129	$ 10,954	$ 11,384
Provision for (reversal of allowance for) loan losses	**(1,775)**	(678)	(2,340)	(1,983)	1,340
Noninterest income (expense), net	**(1,607)**	(682)	(2,676)	(2,633)	758
Net income	**$ 14,151**	$ 12,255	$ 10,793	$ 10,304	$ 10,802
Key Financial Ratios					
Rate of return on average:					
Total assets	**2.62%**	2.39%	2.22%	2.36%	2.59%
Total members' equity	**13.19%**	12.24%	11.23%	11.27%	12.34%
Net interest income as a percentage of average earning assets	**2.63%**	2.44%	2.34%	2.54%	2.79%
Net (chargeoffs) recoveries to average loans	**0.165%**	0.020%	0.067%	(0.112)%	(0.053)%
Total members' equity to total assets	**19.37%**	18.29%	17.77%	19.12%	19.85%
Debt to members' equity (:1)	**4.16**	4.47	4.63	4.23	4.04
Allowance for loan losses to loans	**0.61%**	0.78%	0.94%	1.53%	2.31%
Permanent capital ratio	**20.03%**	18.75%	18.95%	20.42%	21.18%
Total surplus ratio	**	**	18.77%	20.21%	20.96%
Core surplus ratio	**	**	17.53%	18.86%	18.24%
Common equity tier 1 capital ratio	**19.91%**	18.58%	**	**	**
Tier 1 capital ratio	**19.91%**	18.58%	**	**	**
Total regulatory capital ratio	**20.54%**	19.50%	**	**	**
Tier 1 leverage ratio	**19.00%**	17.80%	**	**	**
Unallocated retained earnings (URE) and URE equivalents leverage ratio	**15.61%**	14.02%	**	**	**
Net Income Distribution					
Estimated patronage refunds:					
Cash	**$ 6,200**	$ 4,600	$ 4,300	$ 4,000	$ 3,200

** General financing agreement is renewable on a one-year cycle. The next renewal date is December 31, 2019.*
*** Not applicable due to changes in regulatory capital requirements effective January 1, 2017.*

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS

(dollars in thousands, except as noted)

GENERAL OVERVIEW

The following commentary summarizes the financial condition and results of operations of Farm Credit of Central Florida, ACA, (Association) for the year ended December 31, 2018 with comparisons to the years ended December 31, 2017 and December 31, 2016. This information should be read in conjunction with the Consolidated Financial Statements, Notes to the Consolidated Financial Statements and other sections in this Annual Report. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors. For a list of the Audit Committee members, refer to the "Report of the Audit Committee" reflected in this Annual Report. Information in any part of this Annual Report may be incorporated by reference in answer or partial answer to any other item of the Annual Report.

The Association is an institution of the Farm Credit System (System), which was created by Congress in 1916 and has served agricultural producers for over 100 years. The System's mission is to maintain and improve the income and well-being of American farmers, ranchers, and producers or harvesters of aquatic products and farm-related businesses. The System is the largest agricultural lending organization in the United States. The System is regulated by the Farm Credit Administration, (FCA), which is an independent safety and soundness regulator.

The Association is a cooperative, which is owned by the members (also referred to throughout this Annual Report as stockholders or shareholders) served. The territory of the Association extends across a diverse agricultural region of central Florida. Refer to Note 1, *Organization and Operations*, of the Notes to the Consolidated Financial Statements for counties in the Association's territory. The Association provides credit to farmers, ranchers, rural residents, and agribusinesses. Our success begins with our extensive agricultural experience and knowledge of the market.

The Association obtains funding from AgFirst Farm Credit Bank (AgFirst or Bank). The Association is materially affected and shareholder investment in the Association could be affected by the financial condition and results of operations of the Bank. Copies of the Bank's Annual and Quarterly Reports are on the AgFirst website, ***www.agfirst.com,*** or may be obtained at no charge by calling 1-800-845-1745, extension 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, Post Office Box 1499, Columbia, SC 29202.

Copies of the Association's Annual and Quarterly reports are also available upon request free of charge on the Association's website, ***www.FarmCreditCFL.com***, or by calling 1-800-533-2773, or writing Anne M. Sullivan, Chief Financial Officer, Farm Credit of Central Florida, ACA, Post Office Box 8009, Lakeland, FL 33802-8009. The Association prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the Quarterly report, which is available on the website, within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Association.

FORWARD LOOKING INFORMATION

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will", or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions, and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international, and farm-related business sectors;
- weather-related, disease, and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry and the Farm Credit System, as a government-sponsored enterprise, as well as investor and rating-agency reactions to events involving other government-sponsored enterprises and other financial institutions; and
- actions taken by the Federal Reserve System in implementing monetary policy.

AGRICULTURAL OUTLOOK

The following United States Department of Agriculture (USDA) analysis provides a general understanding of the U.S. agricultural economic outlook. However, this outlook does not take into account all aspects of the Association's business. References to USDA information in this section refer to the U.S. agricultural market data and are not limited to information/data in the Association's territory.

Production agriculture is a cyclical business that is heavily influenced by commodity prices, weather, tax and trade policies, interest rates and various other factors. From 2010 through 2014, the U.S. farm sector generally experienced favorable economic conditions driven by high commodity and livestock prices and increasing farmland values. This generally fostered improved financial strength across the farm sector, with farmer working capital peaking in 2012. Working capital is defined as the amount of cash and cash convertible assets minus liabilities due to creditors within 12 months. However, since 2014, the agricultural environment has been more challenging. Currency fluctuations, large inventories and current U.S. trade policies, including the retaliatory action by other countries, have begun to adversely impact demand and prices for agricultural exports, which have reduced net farm income (a broad measure of profits) and eroded farmer working capital. Higher interest rates could exacerbate the reduction in net farm income by increasing interest expense for farmers with floating-rate loans or other liabilities that reprice periodically to current market interest rates. The following table illustrates USDA data on net farm income and farmer working capital:

	Year Ended December 31,			
(dollars in billions)	2018*	2017	2016	2015
Net Farm Income	$66.295	$75.381	$61.542	$81.053
Farmer Working Capital	$49.879	$72.279	$65.197	$82.657

**Forecasted*

The substantial risk-bearing capacity, gained prior to 2015, has afforded U.S. crop producers time to transition their operations to the new environment of lower commodity prices, compressed margins and higher interest rates. Optimal input usage, adoption of cost-saving technologies, negotiation of adjustments to various business arrangements, such as rental cost of agriculture real estate, and effective use of hedging and other price risk management strategies are all critical in yielding positive net farm income for producers. Producers who are able to realize cost of production efficiencies and market their farm products effectively are most likely to adapt to the current price environment. However, if these current market conditions persist, farm sector financial strength will continue to weaken, challenging a greater number of producers who may not be able to sufficiently adjust their operations to avoid loan repayment challenges.

The February 2019 USDA forecast estimates 2018 farmers' net cash income, which is a measure of the cash income after payment of business expenses, at $95.0 billion, down $9.0 billion from 2017. The forecasted decrease in farmers' net cash income for 2018 is primarily due to an expected increase in cash expenses of $11.9 billion, led by increases in fuels/oil, interest, feed, and hired labor.

The February 2019 USDA outlook for the farm economy, as a whole, projects 2019 farmers' net cash income to increase to $97.7 billion, a $2.7 billion increase from 2018. The forecasted increase in farmers' net cash income for 2019 is primarily due to an expected decrease in cash expenses of $4.4 billion and increase in cash receipts for crops of $2.2 billion, partially offset by a decrease in direct government payments of $2.8 billion.

As estimated by the USDA in November 2018, the System's market share of farm business debt (defined as debt incurred by those involved in on-farm agricultural production) decreased slightly to 40.4 percent at December 31, 2017 (the latest available data), as compared with 40.9 percent at December 31, 2016.

While 2018 net farm income and working capital have declined, a healthy U.S. economy is expected to support domestic demand for most agricultural commodities in the foreseeable future. The primary area of risk will remain the export component of the demand for U.S. agricultural commodities, with a stronger dollar and ongoing uncertainty surrounding the future of U.S. trade policy. Major cash crops in the U.S. are projected to remain at elevated supply levels resulting from a combination of factors, including overall excellent crop conditions, tariffs and strong harvests in recent years. In addition to cash crops, pork and dairy are heavily dependent upon exports and most susceptible to foreign trade-related disruptions. The risk in the export component of the demand for U.S. agricultural commodities has been minimally mitigated by Market Facilitation Program assistance to producers impacted by retaliatory tariffs. Additionally, the revised Dairy Margin Protection Program in the 2018 Farm Bill and the new Dairy Revenue Protection Program will provide some support for dairy farmers. Mid-sized dairies, especially operations that are more highly leveraged or have high relative costs, will continue to face financial challenges at least into mid-2019.

The following table sets forth the commodity prices per bushel for certain crops, by hundredweight for hogs, milk, and beef cattle, and by pound for broilers and turkeys from December 31, 2015 to December 31, 2018:

Commodity	12/31/18	12/31/17	12/31/16	12/31/15
Hogs	$43.40	$48.60	$43.10	$42.80
Milk	$16.40	$17.20	$18.90	$17.30
Broilers	$0.51	$0.50	$0.48	$0.47
Turkeys	$0.50	$0.53	$0.74	$0.89
Corn	$3.54	$3.23	$3.32	$3.65
Soybeans	$8.57	$9.30	$9.64	$8.76
Wheat	$5.28	$4.50	$3.90	$4.75
Beef Cattle	$117.00	$118.00	$111.00	$122.00

In a prolonged period of less favorable conditions in agriculture, the Association's financial performance and credit quality measures would likely be negatively impacted. Any negative impact from these less favorable conditions should be lessened by geographic and commodity diversification and the influence of off-farm income sources supporting agricultural-related debt. However, agricultural borrowers who are more reliant on off-farm income sources may be more adversely impacted by a weakened general economy.

CRITICAL ACCOUNTING POLICIES

The financial statements are reported in conformity with accounting principles generally accepted in the United States of America. Our significant accounting policies are critical to the understanding of our results of operations and financial position because some accounting policies require us to make complex or subjective judgments and estimates that may affect the value of certain assets or liabilities. We consider these policies critical because management must make judgments about matters that are inherently uncertain. For a complete

discussion of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, of the Notes to the Consolidated Financial Statements. The following is a summary of certain critical policies.

- *Allowance for loan losses* — The allowance for loan losses is maintained at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through allowance reversals and loan charge-offs. The allowance for loan losses is determined based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic and political conditions, loan portfolio composition, credit quality and prior loan loss experience.

  Significant individual loans are evaluated based on the borrower's overall financial condition, resources, and payment record, the prospects for support from any financially responsible guarantor, and, if appropriate, the estimated net realizable value of any collateral. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by nature, contains elements of uncertainty and imprecision. Changes in the agricultural economy and their borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary from the Association's expectations and predictions of those circumstances.

  Management considers the following factors in determining and supporting the levels of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties in farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences. Changes in the factors considered by management in the evaluation of losses in the loan portfolios could result in a change in the allowance for loan losses and could have a direct impact on the provision for loan losses and the results of operations.

- *Valuation methodologies* — Management applies various valuation methodologies to assets and liabilities that often involve a significant degree of judgment, particularly when liquid markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets for which an observable liquid market exists, such as most investment securities. Management utilizes significant estimates and assumptions to value items for which an observable liquid market does not exist. Examples of these items include impaired loans, other property owned, pension and other postretirement benefit obligations, and certain other financial instruments. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing and liquidation values. The use of different assumptions could produce significantly different results, which could have material positive or negative effects on the Association's results of operations.

REGIONAL ECONOMICS

General Economy

During 2018, economic conditions in our region, and the State of Florida as a whole continued to experienced favorable conditions. In 2017, the State of Florida was hit by Hurricane Irma which was one of the most costly natural disasters in the State's history. However, the economic impacts of Irma appear to have been short-lived, as the State was able to generate solid GDP growth, improved housing prices, real income growth and a tight labor market.

The University of Central Florida's Institute of Economic Competitiveness is projecting the State's Real Gross State Product (RGSP) will grow at an average of 3.4%. According to this report, the improvements of the fundamentals of the state's RGSP will grow 0.5 percentage points faster that the US Real GDP growth.

The October 2018 single-family home report, released by Florida Realtors, reveals a market for existing housing that remains tight, fueling price appreciation that has driven prices above the highs of the housing bubble. The median sales price for single family homes increased by $17,953 in October 2018, year over year, and now stands at $253,853—a year over-year price appreciation of a robust 7.6%. Inventories of single-family homes are up slightly from 2017 but are still at only a 4 month supply.

Home equity in Florida has not recovered as completely as financial asset wealth, but housing prices have been climbing rapidly. An acceleration in the rate of price appreciation in 2015 to a double-digit pace, which eased in 2017, is creating significant gains in home equity wealth for Floridians. Financial asset wealth and home equity wealth should continue to grow nationwide, boosting consumer confidence and spending and helping to finance the retirement of even more Baby Boomers to Florida.

In 2018, real disposable income growth is projected to average 3.7%, which is an increase from the prior year's 3.3% growth rate. Average growth in Florida during 2018-2021 is projected to be close to 3.4%.

Florida's labor market recovery still continues to outpace the recovery of the national job market. Payroll job growth in Florida is projected to average 2.5% in 2018, 2.2% in 2019, 1.9% in 2020 and 1.5% in 2021. The average is projected to outpace national average growth by 0.8% from 2018-2021.

Agricultural Sectors

Agriculture, agribusiness, food processing and manufacturing are still a significant driver to the Florida economy. These business segments provide significant jobs and revenues to the state and local economies.

The agricultural industry in the Central Florida region produces a wide variety of farm commodities with nurseries, citrus and strawberries still the largest market segments and principal commodities financed. None of the commodities produced in the region are included in any USDA government support programs and are not materially impacted by changes in U.S. farm legislation. The agricultural demographics of the region have significantly changed as a result of non-agricultural development, changing consumer demands and the impacts from various pests and diseases.

While the overall agricultural economy in the Central Florida region has been good over the last few years, there are several significant issues that have affected the area. These issues include the introduction of pest and plant diseases such as citrus canker and greening to the citrus industry, weather-related risks, water-use regulations, environmental rules and regulations, land use and growth management regulations, challenges to property rights and a tight labor supply.

Floriculture and Nursery

With the U.S. economy doing well and growers experiencing economic growth, the horticulture industry is poised for another good year in 2018, according to *Greenhouse Grower*'s 2018 State of the Industry Survey. Sales are up year over year for most growers and suppliers. The majority of growers and grower-retailers have increased production year over year to account for increased sales and consumption.

By far, the biggest challenge for growers is finding quality labor, as well as experienced growers, and paying them enough to retain them. But just as complicated for some producers is determining where to start with technology investment and implementation in order to provide the greatest increase in efficiency and maximize their return on investment.

Strawberries

Florida grown strawberry acreage has remained relatively flat for the past five years, though the mix of conventional vs organic has continued to shift. Florida is the second largest strawberry-producing state with an estimated 11,431 acres planted for the 2018- 2019 growing season according to The California Strawberry Commission 2019 Acreage Survey. The largest strawberry-producing state with 31,714 acres of strawberries grown is California, with Mexican acreage continuing to increase, reaching 28,100 acres.

Although Florida produces about fifteen percent of the nation's strawberries, it produces nearly all of the berries harvested in the U.S. during the winter months. Production in Mexico over the last decade has increased substantially in response to amplified costs in California. Production has shifted from California to Mexico. This has led to increased volumes produced during the Florida market window and has put pressure on Florida growers. A decrease labor supply is also being felt by the industry, with many growers having to place increased reliance on H2A workers, which can increase costs.

The Florida strawberry industry continues to evolve to remain competitive in the marketplace with increased pressure from Mexico. The industry is developing plants that will produce a quality fruit in the opportune market window earlier in the season. Growers are also expanding into organic production as technologies allow for increases in production that offset the higher costs compared with conventional berries.

Citrus

The citrus industry is an essential part of the Florida economy. Florida Citrus Mutual reports that the citrus industry in the state provides a total economic revenue impact of $9 billion. Florida is second behind Brazil in orange production for juice. The industry supports 76,000 jobs in Florida and is the backbone of many communities in the state's heartland.

While citrus greening continues to be the biggest threat to the industry, improved production practices, which include, higher density plantings, improved nutritional practices, and recently approved bactericide treatments are on the cutting edge of techniques being utilized by Florida growers. Additionally, a variety of incentives such as tax relief, new tree rebates, and irrigation rebates are being offered to reduce the upfront cost for replanting an infected citrus grove.

Hurricane Irma hit central Florida in September of 2017. It did most of its damage in the form of tree damage and fruit drop. The damage has been assessed, and the government set aside a $760 million emergency aid package for citrus growers and other producers who suffered crop losses.

With no major natural disasters in 2018, the crop outlook for growers is much improved from 2017, with the U.S. Department of Agriculture projecting a total crop size of 77 million boxes. This figure is 71 percent more than the 2017/2018 season's final production, which was significantly impacted by Hurricane Irma.

The increase in Florida production will likely serve to moderate imports and suppress prices, but would also improve the overall returns to growers on average due to higher production.

Blueberries

Blueberries are cultivated commercially in about 23 countries worldwide, most of which are located in temperate zones. Total market supply has increased 14 percent from 2011 to 2017 with U.S. total production representing 216,266 metric tons for 2017. Participating countries have upped their game in recent years with Canada, Mexico, and Peru experiencing the highest growth rates.

In terms of consumption, the United States and Canada, respectively, are the main consumers of blueberries. Together, these two countries consume approximately 80 percent of global blueberry exports (USDA 2010 report).

Despite pollination problems, gall midge and Hurricane Irma, Florida growers harvested approximately 20 million pounds of blueberries during 2018. This is an increase of 1 million pounds from the 2017 season. Growers continue to experiment with different varieties and growing practices in order to harvest sooner and avoid the entrance of Georgia fruit into the market. Going forward, it will be important for Florida growers to focus on operations efficiencies and high quality /high producing varieties. Additionally, the industry continues to experiment with mechanical harvesting and other avenues of product distribution.

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 through numerous product types. The Association's loan portfolio is diversified over a range of agricultural commodities in our region, including horticulture, citrus, strawberries, and cattle. 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, reduces the level of dependency on a given commodity.

The Association's total servicing loan volume outstanding for the past three years is shown below.

Servicing Loan Volume	December 31, 2018		2017		2016	
	(dollars in thousands)					
Net Loans Outstanding	$ 538,999	58.64%	$ 533,519	59.15%	$ 508,773	54.02%
Participations Sold	142,130	15.46	171,555	19.02	202,449	21.49
Available Commitments	230,124	25.04	183,971	20.39	211,637	22.47
Investments	7,913	0.86	13,029	1.44	19,008	2.02
Total	$ 919,166	100.00%	$ 902,074	100.00%	$ 941,867	100.00%

The diversification of the Association loan volume by type for each of the past three years is shown below.

Loan Type	December 31, 2018		2017		2016	
	(dollars in thousands)					
Real estate mortgage	$ 298,982	55.47%	$ 276,252	51.78%	$ 247,923	48.73%
Production and Intermediate-term	143,163	26.56	153,523	28.78	164,923	32.41
Processing and marketing	54,447	10.10	56,244	10.54	55,259	10.86
Communication	14,938	2.77	19,940	3.74	15,849	3.12
Rural residential real estate	8,206	1.52	8,348	1.56	7,540	1.48
Farm-related business	6,330	1.18	8,171	1.53	6,618	1.30
International	5,836	1.08	5,832	1.09	5,830	1.15
Power and water/waste disposal	3,738	0.70	3,831	0.72	–	–
Loans to Cooperatives	3,359	0.62	1,378	0.26	4,831	.95
Total	$ 538,999	100.00%	$ 533,519	100.00%	$ 508,773	100.00%

While we make loans and provide financially related services to qualified borrowers in the agricultural and rural sectors and to certain related entities, our loan portfolio is diversified.

The distribution of the loan volume by line of business for the past three years is as follows:

Line of Business	December 31, 2018	2017	2016
Apopka	6.53%	6.15%	5.74%
Plant City	3.17	3.81	4.06
Brooksville	2.80	3.13	2.96
Lakeland	2.25	1.96	2.73
Agribusiness	62.04	60.10	59.16
Capital Markets	16.91	19.33	19.45
Residential Lending	2.06	1.86	1.77
Special Assets	4.24	3.66	4.13
	100.00%	100.00%	100.00%

Commodity and industry categories are based upon the Standard Industrial Classification (SIC) system published by the federal government. The system is used to assign commodity or industry categories based upon the largest agricultural commodity of the customer.

The major commodities in the Association loan portfolio are shown below. The predominant commodities are livestock, fruits and vegetables, strawberry, nursery, and citrus, which constitute over 67.8 percent of the entire portfolio.

Commodity Group per SIC Codes	December 31, 2018		December 31, 2017		December 31, 2016	
	(dollars in thousands)					
Livestock	$ 84,584	15.69%	$ 100,248	18.79%	$ 83,299	16.37%
Fruits & Vegetables	81,791	15.17	58,311	10.93	23,261	4.57
Strawberries	78,265	14.52	72,192	13.53	106,187	20.88
Nursery	65,555	12.16	64,095	12.01	59,793	11.75
Citrus	55,552	10.31	48,514	9.09	55,298	10.87
Timber	25,898	4.80	22,865	4.29	17,168	3.37
Landlord/Lessors	22,182	4.12	23,090	4.33	24,344	4.78
Blueberries	20,802	3.86	21,102	3.96	27,673	5.44
Poultry	10,220	1.90	15,911	2.98	16,909	3.32
Rural Home	7,930	1.47	7,938	1.49	6,946	1.37
Other	86,220	16.00	99,253	18.60	87,895	17.28
Total	$ 538,999	100.00%	$ 533,519	100.00%	$ 508,773	100.00%

The Association manages concentration risks, both industry and large borrower, through an internal hold limit policy based on individual loan risk ratings, loss given defaults, and industry concentrations. Industry concentrations for hold limit purposes are calculated using the repayment dependency code rather than the SIC code. As a result, for portfolio management purposes, industry classifications are determined based on high dependency of repayment coming from the actual commodity itself. Repayment ability is closely related to the commodities produced by our borrowers, and increasingly, the off-farm income of borrowers. For example, citrus and livestock industries are a large percent of the total portfolio but each also have very low repayment dependency coming from the actual commodity itself. Portfolio management industry concentrations are classified in three concentration levels based on the industry concentration (with high dependency) as a percent of total ACA capital; 1) High – greater than 100% of total capital; 2) Medium – between 50% and 100% of total capital; and 3) Low – less than 50% of total capital. The Association's current loan portfolio contains two medium concentrations, nursery and strawberry industries. All other industries are in the low concentration level.

Portfolio Management Industry as % of Capital	December 31, 2018	2017	2016
	(% of Total Capital)		
Nursery	62.02%	63.23%	59.20%
Strawberries	56.50	52.60	65.20
Cattle	36.93	37.80	29.52
Citrus	23.31	19.30	20.57
Blueberries	16.23	19.17	19.24
Fruits & Vegetables	9.07	5.11	6.22

The concentration of large loans has decreased over the past several years and the agricultural enterprise mix of these loans is diversified and similar to that of the overall portfolio. The risk in the portfolio associated with commodity concentration and large loans is reduced by the range of diversity of enterprises in the Association's territory as well as the internal hold limit policy which limits any additional increases to already high concentrations.

The slight increase in loan volume for the twelve months ended December 31, 2018, is primarily attributed to increased demand for loans from within the Association's charted territory.

The short-term portfolio, which is cyclical in nature and heavily influenced by operating-type loans, normally reaches a minimum balance in August or September and rapidly increases in the fall months as strawberry and other winter vegetable growers increase their borrowings to prepare for the next crop season. The Association has grown the long-term portfolio through increased long term fully funding loans with guarantees.

Due to higher than expected liquidations, the Association's activity in total loan participations purchased within the System decreased. Loan participations purchased provides a means for the Association to spread credit concentration risk and realize non-patronage sourced interest and fee income, which strengthens its capital position.

Loan Participations:	December 31, 2018	2017	2016
	(dollars in thousands)		
Participations Purchased – FCS Institutions	$ 91,470	$ 103,435	$ 99,252
Participations Sold	(142,130)	(171,555)	(202,449)
Total	$ (50,660)	$ (68,120)	$ (103,197)

For the years ended December 31, 2018, 2017, and 2016, the Association did not have any loans sold with recourse, retained subordinated participation interests in loans sold, or interests in pools of subordinated participation interests.

The Association sells qualified long-term residential mortgage loans into the secondary market. For the years ended December 31, 2018, 2017, and 2016, the Association originated loans for resale totaling $16,777, $11,275, and $13,765, respectively, which were sold into the secondary market.

The Association also participates in the Farmer Mac Long Term Stand-By program. Farmer Mac was established by Congress to provide liquidity to agricultural lenders. At December 31, 2018, 2017 and 2016, the Association had loans totaling $81,046, $71,460 and $46,064, respectively, that are 100 percent guaranteed by Farmer Mac.

The Association additionally has loans wherein a certain portion of the loans are guaranteed by various governmental entities for the purpose of reducing risk. At December 31, 2018, 2017 and 2016, the balance of these loans was $21,465, $22,509 and $24,506, respectively.

INVESTMENT SECURITIES

As permitted under FCA regulations, the Association is authorized to hold eligible investments for the purposes of reducing interest rate risk and managing surplus short-term funds. The Bank is responsible for approving the investment policies of the Association. The Bank annually reviews the investment portfolio of every Association that it funds. The Association's investments consist of pools of Small Business Administration (SBA) guaranteed loans. These investments carry the full faith and credit of the United States government. The balance of these SBA investments, classified as being held-to-maturity, amounted to $7,913 at December 31, 2018, $13,029 at December 31, 2017, and $19,008 at December 31, 2016. Due to FCA regulations, the Association was not able to purchase new investments for the past several years, and as a result, the balance of these investments has decreased each year. However, the FCA has issued new regulations effective January 1, 2019 that will allow Associations to begin purchasing investments under specific circumstances. The Association plans to re-enter the investment market in 2019.

CREDIT RISK MANAGEMENT

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. As part of the process to evaluate the success of a loan, the Association continues to review the credit quality of the loan portfolio on an ongoing basis. With the approval of the Association Board of Directors, the Association establishes underwriting standards and lending policies that provide direction to loan officers. Underwriting standards include, among other things, an evaluation of:

- Character – borrower integrity and credit history
- Capacity – repayment capacity of the borrower based on cash flows from operations or other sources of income
- Collateral – protection for the lender in the event of default and a potential secondary source of repayment
- Capital – ability of the operation to survive unanticipated risks
- Conditions – intended use of the loan funds

The credit risk management process begins with an analysis of the borrower's credit history, repayment capacity, and financial position. Repayment capacity focuses on the borrower's ability to repay the loan based upon cash flows from operations or other sources of income, including non-farm income. Real estate loans must be collateralized by first liens on the real estate (collateral). As required by FCA regulations, each institution that makes loans on a collateralized basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85 percent of the original appraised value of the property taken as collateral or up to 97 percent of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. With certain exceptions identified in Association policy, appraisals are required for loans of more than $250,000. In addition, each loan is assigned a credit risk rating based upon the underwriting standards. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses, and risks in a particular relationship.

We review the credit quality of the loan portfolio on an ongoing basis as part of our risk management practices. Each loan is classified according to the Uniform Classification System, which is used by all Farm Credit System institutions. Below are the classification definitions.

- Acceptable – Assets are expected to be fully collectible and represent the highest quality.
- Other Assets Especially Mentioned (OAEM) – Assets are currently collectible but exhibit some potential weakness.
- Substandard – Assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan.
- Doubtful – Assets exhibit similar weaknesses to substandard assets. However, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable.
- Loss – Assets are considered uncollectible.

The following table presents selected statistics related to the credit quality of loans including accrued interest at December 31.

Credit Quality	2018	2017	2016
Acceptable & OAEM	97.72%	97.79%	94.96%
Substandard	2.28%	2.21%	5.04%
Total	100.00%	100.00%	100.00%

High-Risk Assets

The Association's loan portfolio is divided into performing and high-risk categories. The Special Assets Management Department is responsible for servicing loans classified as high-risk. The high-risk assets, including accrued interest, are detailed below:

High-risk Assets	December 31, 2018	2017	2016
	(dollars in thousands)		
Nonaccrual loans	$ 12,903	$ 8,179	$ 11,501
Restructured loans	8,877	9,758	12,059
Accruing loans 90 days past due	--	–	–
Total high-risk loans	$ 21,780	$ 17,937	$ 23,560
Other property owned	--	–	216
Total high-risk assets	$ 21,780	$ 17,937	$ 23,776
Ratios			
Nonaccrual loans to total loans	2.39%	1.53%	2.26%
High-risk assets to total assets	3.87%	3.19%	4.37%

Nonaccrual loans represent all loans where there is a reasonable doubt as to the collection of principal and/or future interest accruals, under the contractual terms of the loan. In substance, nonaccrual loans reflect loans where the accrual of interest has been suspended. Nonaccrual loans increased $4,724 or 57.76% in 2018. This increase is primarily the result of the transfer of one large strawberry loan to nonaccrual in 2018. The largest nonaccrual sectors are strawberry, fruits and vegetables, and blueberry loans due to the weakness associated with the individual borrower's repayment capacity and continuing decline of overall collateral values. Of the $12,903 in nonaccrual volume at December 31, 2018, $10,022 or 77.67%, was current as to scheduled principal and interest payments, but did not meet all regulatory requirements to be transferred into accrual status compared to 51.25% and 24% at December 31, 2017 and 2016, respectively. The Association had no other property owned at December 31, 2018. During 2018, the Association had no activity related to other properties owned.

Loan restructuring is available to financially distressed borrowers. Restructuring of loans occurs when the Association grants a concession to a borrower based on either a court order or good faith in a borrower's ability to return to financial viability. The concessions can be in the form of a modification of terms or rates, a compromise of amounts owed, or deed in lieu of foreclosure. Other receipts of assets and/or equity to pay the loan in full or in part are also considered restructured loans. The type of alternative financing structure chosen is based on minimizing the loss incurred by both the Association and the borrower.

Allowance for Loan Losses

The allowance for loan losses at each period end was considered by Association management to be adequate to absorb probable losses existing in and inherent to its loan portfolio. The allowance for loan losses is broken down between specific reserves assigned to an individual loan and general reserves which are available for the expected losses within the entire portfolio. The current allowance for loan losses at December 31, 2018 contains $1,150 in specific reserves and $2,120 in general reserves.

The following table presents the activity in the allowance for loan losses for the most recent three years.

Allowance for Loan Losses Activity:	Year Ended December 31, 2018	2017	2016
	(dollars in thousands)		
Balance at beginning of year	$ 4,185	$ 4,766	$ 6,803
Charge-offs:			
Real estate mortgage	(5)	(2)	–
Production and intermediate-term	(95)	(43)	(28)
Rural residential real estate	(1)	–	(51)
Total charge-offs	(101)	(45)	(79)
Recoveries:			
Real estate mortgage	44	50	206
Production and intermediate-term	909	84	105
Rural residential real estate	8	8	71
Total recoveries	961	142	382
Net (charge-offs) recoveries	860	97	303
Provision for (reversal of allowance for) loan losses	(1,775)	(678)	(2,340)
Balance at end of year	$ 3,270	$ 4,185	$ 4,766
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	0.165%	0.020%	0.067%

The $1,775 allowance for loan loss reversal taken in 2018 was primarily the result of paydowns and liquidations within the nonaccruing portfolio. The net loan recovery of $860 was also the result of liquidations within the nonaccruing portfolio.

The allowance for loan losses by loan type for the most recent three years is as follows:

Allowance for Loan Losses by Type	December 31, 2018	2017	2016
	(dollars in thousands)		
Real estate mortgage	$ 1,255	$ 1,116	$ 1,481
Production and intermediate-term	1,749	2,833	3,096
Agribusiness	100	85	90
Communication	37	48	25
Power and water/waste disposal	5	4	--
Rural residential real estate	122	96	71
International	2	3	3
Total loans	$ 3,270	$ 4,185	$ 4,766

The allowance for loan losses as a percentage of loans outstanding and as a percentage of certain other credit quality indicators is shown below:

Allowance for Loan Losses as a Percentage of:	December 31, 2018	2017	2016
Total loans	0.61%	0.78%	0.94%
Nonperforming loans	15.01%	23.33%	20.23%
Nonaccrual loans	25.34%	51.17%	41.44%

Please refer to Note 3, *Loans and Allowance for Loan Losses*, of the Notes to the Consolidated Financial Statements, for further information concerning the allowance for loan losses. The Allowance for Loan Losses was determined according to generally accepted accounting principles.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income was $13,983, $12,259, and $11,129 in 2018, 2017 and 2016, respectively. Net interest income is the difference between interest income and interest expense. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. Higher average daily balances on loan volumes offset by lower spreads, increased volume and earnings rate on loanable funds, and increased interest income from nonaccrual loans are the primary reasons for the increases over 2017. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following table:

Change in Net Interest Income:

(dollars in thousands)	Volume*	Rate	Total
12/31/18 - 12/31/17			
Interest income	$ 1,265	$ 3,510	$ 4,765
Interest expense	568	2,483	3,051
Change in net interest income	$ 697	$ 1,027	$ 1,724
12/31/17 - 12/31/16			
Interest income	$ 1,075	$ 2,042	$ 3,117
Interest expense	494	1,493	1,987
Change in net interest income	$ 581	$ 549	$ 1,130

* *Volume variances can be the result of increased/decreased loan volume or from changes in the percentage composition of assets and liabilities between periods.*

Noninterest Income

Noninterest income for each of the three years ended December 31 is shown in the following table:

Noninterest Income	For the Year Ended December 31, 2018	2017	2016	Percentage Increase/(Decrease) 2018/2017	2017/2016
	(dollars in thousands)				
Loan fees	$ 584	$ 721	$ 342	(19.00)%	110.82%
Fees for financially related services	591	576	286	2.60	101.40
Patronage refund from other Farm Credit Institutions	7,894	8,205	7,287	(3.79)	12.60
Gains (losses) on other rural home loans, net	325	253	326	28.46	(22.39)
Gains (losses) on sales of premises and equipment, net	–	–	129	–	(100.00)
Gains (losses) on other transactions	(11)	71	15	(115.49)	343.33
Insurance Fund refunds	272	–	–	100.00	–
Other noninterest income	2	2	6	–	(66.67)
Total noninterest income	$ 9,657	$ 9,828	$ 8,391	1.74 %	17.13%

Noninterest income decreased $171 or 1.74% for December 31, 2018, as compared to the same period of 2017. December 31, 2017 noninterest income increased $1,437 or 17.13% when compared to the same period of 2016. The decrease in noninterest income for 2018 and 2017 is primarily the result of decreases in loan fees and patronage refunds from other Farm Credit Institutions. The Association received a $3,529 special patronage distribution from the Bank in 2018 as compared to $3,892 in 2017 and $2,419 in 2016. Loan fee income decreased by $137 or 19% 2018 while fees for financial related services increased $15 or 2.6% in 2018 due to increased loan activity and improved focus on crop insurance sales. Gains on other rural home loans increased $72 or 28.46% from the prior year due to increased residential lending activity. During 2018, the Association recorded $272 of insurance premium refunds from the Farm Credit System Insurance Corporation (FCSIC), which insures the System's debt obligations. These payments are nonrecurring and resulted from the assets of the Farm Credit Insurance Fund exceeding the secure base amount as defined by the Farm Credit Act.

Noninterest Expense

Noninterest expense for each of the three years ended December 31 is shown in the following table:

Noninterest Expense	For the Year Ended December 31, 2018	2017	2016	Percentage Increase/(Decrease) 2018/2017	2017/2016
	(dollars in thousands)				
Salaries and employee benefits	$ 7,586	$ 7,206	$ 7,674	5.27%	(6.10)%
Occupancy and equipment	678	647	649	4.79	(0.31)
Insurance Fund premium	373	570	606	(34.56)	(5.94)
(Gains) losses on other Property owned, net	–	66	(5)	(100.00)	(1,420.00)
Other operating expenses	2,627	2,021	2,143	29.99	(5.69)
Total noninterest expense	$ 11,264	$ 10,510	$ 11,067	7.17%	(5.03)%

Noninterest expense increased $754 or 7.17 percent for December 31, 2018, as compared to the same period of 2017 and December 31, 2017 decreased $557 or 5.03 percent compared to the same period of 2016. The primary reason for the increase in 2018 was the increase in salaries and employee benefits as well as an increase in other operating expenses.

During 2018, salaries and employee benefits increased 5.27% from 2017 as a result of increased headcount and increased pension expenses in 2018. The 6.1% decrease during 2017 from 2016 was due to decreased headcount and decrease health insurance costs from 2016.

Other operating expenses increased 29.99% during 2018 as compared to 2017 as a result of increased guarantee fees on Farmer Mac Guarantees. Also, in 2017 the Association's method of recording expenses for the Association's defined benefit pension plan and other post retirement benefit plan was modified. The change resulted in a reduction of post retirement costs in 2017. This change resulted in a reduction to other operating expenses of $387 in 2017. The Association does not have a corresponding reduction in operating costs for 2018. Refer to Note 9, Employee Benefit Plans, of the Notes to the Consolidated Financial Statements, for further information concerning postretirement benefit expenses.

Insurance Fund premiums decreased 34.56 percent for the twelve months ended December 31, 2018, compared to the same period of 2017. The Farm Credit System Insurance Corporation (FCSIC) changed the methodology in assessing the insurance premiums as a result of the 2008 Farm Bill. For 2018, the FCSIC set premiums at 9 basis points on adjusted insured debt outstanding with an additional 10 basis point premium on the average principal outstanding of nonaccrual loans and other than temporarily impaired investments. For 2017 the FCSIC set premiums at 15 basis points on adjusted insured debt outstanding with an additional 10 basis point premium on the average principal outstanding of nonaccrual loans and any other-than-temporarily impaired investments. For 2016 the FCSIC set premiums at 16 basis poinsts on adjusted insured debt outstanding for the first six months and 18 basis points for the last six months with an additional 10 basis point premium on the average principal outstanding of nonaccrual loans and any other-than-temporarily impaired investments.

Income Taxes

The Association recorded no provision for income taxes for the year ended December 31, 2018, as compared to no provision for 2017 and 2016. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning Association income taxes.

Key Results of Operations Comparisons

Key results of operations comparisons for each of the twelve months ended December 31 are shown in the following table:

Key Results of Operations Comparisons	For the 12 Months Ended 12/31/18	12/31/17	12/31/16
Return on average assets	2.62%	2.39%	2.22%
Return on average members' equity	13.19%	12.24%	11.23%
Net interest income as a percentage of average earning assets	2.63%	2.44%	2.34%
Net (charge-offs) recoveries to average loans	0.17%	0.02%	0.07%

The Association's return on average assets increased by 23 basis points and the return on average members' equity increased by 0.95 basis points during 2018 compared to 2017 primarily due to increased net interest income and increased reversals of allowance for loan losses. The net interest income as a percentage of average earning assets, or net interest margin increased 19 basis points to 2.63% mostly due to increased nonaccrual income as well as increased loanable funds rates offset by lower loan rates. The percentage of net charge-offs and recoveries to average loans was less than one percent in the 2018 reporting period and the Association's recoveries exceeded the total amount of charge-offs.

A key factor in the growth of net income for future years will be continued improvement in net interest and noninterest income as well as maintaining asset quality. Our goal is to generate earnings sufficient to fund operations, adequately capitalize the Association, and achieve an adequate rate of return for our members. To meet this goal, the agricultural economy must continue to improve and the Association must meet certain objectives. These objectives are to attract and maintain high quality loan volume priced at competitive rates and to manage credit risk in our entire portfolio, while efficiently meeting the credit needs of our members.

LIQUIDITY AND FUNDING SOURCES

Liquidity and Funding

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement (GFA). The GFA 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 the funds to the Association, creating notes payable (or direct loans) to the Bank. The Bank manages interest rate risk through direct loan pricing and asset/liability management. The notes payable are segmented into variable rate and fixed rate components. 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. Association capital levels effectively create a borrowing margin between the amount of loans outstanding and the amount of notes payable outstanding. This margin is commonly referred to as "Loanable Funds."

Total notes payable to the Bank at December 31, 2018, was $442,646 as compared to $443,696 at December 31, 2017 and $435,590 at December 31, 2016. The decrease of 0.24 percent compared to December 31, 2017 was attributable to the increase in equity of the Association which causes the Association to borrow less. The average daily volume of outstanding notes payable to the Bank was $426,806 and $404,651 for the years ended December 31, 2018 and 2017, respectively. Refer to Note 6, of the Notes to the Consolidated Financial Statements, for weighted average interest rates and maturities, and additional information concerning the Association's notes payable.

Liquidity management is the process whereby funds are made available to meet all financial commitments including the extension of credit, payment of operating expenses and payment of debt obligations. The Association receives access to funds through its borrowing relationship with the Bank and from income generated by operations. The liquidity policy of the Association is to manage cash balances to maximize debt reduction and to increase loan volume. As borrower payments are received, they are applied to the Association's note payable to the Bank. The Association's investments and other secondary market programs provide additional liquidity. Sufficient liquid funds have been available to meet all financial obligations. There are no known trends likely to result in a liquidity deficiency for the Association.

The Association had no lines of credit from third party financial institutions as of December 31, 2018.

Funds Management

The Bank and the Association manage assets and liabilities to provide a broad range of loan products and funding options, which are designed to allow the Association to be competitive in all interest rate environments. The primary objective of the asset/liability management process is to provide stable and rising earnings, while maintaining adequate capital levels by managing exposure to credit and interest rate risks.

Demand for loan types is a driving force in establishing a funds management strategy. The Association offers fixed, adjustable and variable rate loan products that are marginally priced according to financial market rates. Variable rate loans may be indexed to market indices such as the Prime Rate or the 30-day and 90-day London Interbank Offered Rate (LIBOR). Adjustable rate mortgages are indexed to U.S. Treasury Rates. Fixed rate loans are priced based on the current cost of System debt of similar terms to maturity.

The majority of the interest rate risk in the Association's Consolidated Balance Sheets is transferred to the Bank through

the notes payable structure. The Bank, in turn, actively utilizes funds management techniques to identify, quantify and control risk associated with the loan portfolio.

Relationship with the Bank

The Association's statutory obligation to borrow only from the Bank is discussed in Note 6, *Notes Payable to AgFirst Farm Credit Bank*, of the Notes to the Consolidated Financial Statements in this annual report. The Bank's ability to access capital of the Association is discussed in Note 4, *Investment in Other Farm Credit Institutions*, of the Notes to the Consolidated Financial Statements. The Bank's role in mitigating the Association's exposure to interest rate risk is described in the "Liquidity and Funding" section of this Management's Discussion and Analysis and in Note 6, *Notes Payable to AgFirst Farm Credit Bank*, included in this annual report.

CAPITAL RESOURCES

Capital serves to support asset growth and provide protection against unexpected credit and interest rate risk and operating losses. Capital is also needed for future growth and investment in new products and services.

The Association Board of Directors establishes, adopts, and maintains a formal written capital adequacy plan to ensure that adequate capital is maintained for continued financial viability, to provide for growth necessary to meet the needs of members/borrowers, and to ensure that all stockholders are treated equitably. There were no material changes to the capital plan for 2018 that would affect minimum stock purchases or would have an effect on the Association's ability to retire stock and distribute earnings.

Total members' equity at December 31, 2018, increased 6.19 percent to $109,100 from the December 31, 2017, total of $102,739. At December 31, 2017, total members' equity increased 6.14 percent from the December 31, 2016 total of $96,797. The increase in 2018 was primarily attributed to the positive earnings which caused an increase in retained earnings (allocated surplus and unallocated surplus) and by the increase in capital stock and participation certificates being offset by the payment of $6,200 in cash patronage distributions and the revolvement of $1,681 in allocated surplus.

Total capital stock and participation certificates were $882 on December 31, 2018, compared to $900 on December 31, 2017 and $861 on December 31, 2016. The 2018 decrease from 2017 was attributed to the retirement of protected borrower stock and participation certificates on loans liquidated in the normal course of business partially offset by the issuance of new protected borrower stock and participation certificates issued on new loans.

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 core surplus and total surplus ratios with common equity tier 1 (CET1) capital, tier 1 capital, and total capital risk-based capital ratios. The new regulations also include a tier 1 leverage ratio and an unallocated retained earnings equivalents (UREE) leverage ratio. The permanent capital ratio (PCR) remains in effect.

FCA sets minimum regulatory capital requirements with a capital conservation buffer for System banks and associations. Capital adequacy is evaluated using a number of regulatory ratios. According to the FCA regulations, each institution's permanent capital ratio is calculated by dividing permanent capital by a risk adjusted asset base. Risk adjusted assets mean the total dollar amount of the institution's assets adjusted by an appropriate credit conversion factor as defined by regulation. For all periods represented, the Association exceeded minimum regulatory standards for all the ratios. The Association's capital ratios as of December 31 and the FCA minimum requirements follow:

Ratio	Minimum Requirement	Capital Conservation Buffer*	Minimum Requirement with Capital Conservation Buffer	Capital Ratios as of December 31, 2018	2017
Risk-adjusted ratios:					
CET1 Capital	4.5%	1.25%	5.75%	19.91%	18.58%
Tier 1 Capital	6.0%	1.25%	7.25%	19.91%	18.58%
Total Capital	8.0%	1.25%	9.25%	20.54%	19.50%
Permanent Capital	7.0%	0.0%	7.0%	20.03%	18.75%
Non-risk-adjusted ratios:					
Tier 1 Leverage	4.0%	1.0%	5.0%	19.00%	17.80%
URE and UREE Leverage	1.5%	0.0%	1.5%	15.61%	14.02%

** 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.

The following sets forth regulatory Capital ratios as previously reported:

	Regulatory Minimum	2016	2015	2014	2013	2012
Permanent Capital Ratio	7.00%	18.95%	20.42%	21.18%	21.13%	19.15%
Total Surplus Ratio	7.00%	18.77%	20.21%	20.96%	20.87%	18.85%
Core Surplus Ratio	3.50%	17.53%	18.86%	18.24%	17.64%	16.42%

The increase in the Association's Permanent Capital Ratio for December 31, 2018 from December 31, 2017 was attributed to increased capital offset by a marginal increase in risk weighted assets from the prior period. The increase in the actual dollar capital is due to improved earnings from 2017.

There are no trends, commitments, contingencies, or events that are likely to affect the Association's ability to meet regulatory minimum capital standards and capital adequacy requirements.

See Note 7, *Members' Equity*, of the Consolidated Financial Statements, for further information concerning capital resources.

PATRONAGE PROGRAM

Prior to the beginning of any fiscal year, the Association's Board of Directors, by adoption of a resolution, may establish a Patronage Allocation Program to distribute its available consolidated net earnings. This resolution provides for the application of net earnings in the manner described in the Association's Bylaws. This includes the setting aside of funds to increase surplus to meet minimum capital adequacy standards established by FCA Regulations, to increase surplus to meet Association capital adequacy standards to a level necessary to support competitive pricing at targeted earnings levels, and for reasonable reserves for necessary purposes of the Association. After excluding net earnings attributable to (a) the portion of loans participated to another institution, (b) non-patronage participation loans purchased, and (c) other non-patronage sourced activities, the remaining consolidated net earnings are eligible for allocation to borrowers. Refer to Note 7, *Members' Equity*, of the Notes to the Consolidated Financial Statements, for more information concerning the patronage distributions. The Association declared patronage distributions of $6,200 in 2018, $4,600 in 2017 and $4,300 in 2016.

YOUNG, BEGINNING AND SMALL (YBS) FARMERS AND RANCHERS PROGRAM

The Association's mission is to provide financial services to agriculture and the rural community, which includes providing credit to Young*, Beginning** and Small*** farmers. Because of the unique needs of these individuals, and their importance to the future growth of the Association, the Association has established annual marketing goals to increase our market share of loans to YBS farmers. Specific marketing plans have been developed to target these groups, and resources have been designated to help ensure YBS borrowers have access to a stable source of credit. As a result, 2018 goals for new volume were established. In 2018 the Association achieved all of its YBS goals.

2018 YBS Goals and Results	2018 Goal	2018 Result	% of Goal
Young			
# of New Loans	20	28	140.00%
$ of New Loans	$1,500	$3,093	206.22%
Beginning			
# of New Loans	70	86	122.86%
$ of New Loans	$7,000	$10,761	153.73%
Small			
# of New Loans	125	176	140.80%
$ of New Loans	$12,500	$16,470	131.76%
Total YBS Program			
# of New Loans	215	290	134.88%
$ of New Loans	$21,000	$30,324	144.40%

The following table outlines the loan volume and number of YBS loans in the loan portfolio for the Association.

	As of December 31, 2018 Number of Loans	Amount of Loans
Young	88	$12,589
Beginning	272	33,896
Small	554	52,878

Note: For purposes of the above table, a loan could be classified in more than one category, depending upon the characteristics of the underlying borrower.

The 2012 USDA Ag census data has been used as a benchmark to measure penetration of the Association's marketing efforts. The census data indicated that within the Association's chartered territory (counties) there were 16,257 reported farmers of which by definition 576 or 3.54 percent were Young, 3,070 or 18.88 percent were Beginning, and 12,611 or 77.58 percent were Small. Comparatively, as of December 31, 2018, the demographics of the Association's agricultural portfolio contained 914 YBS farmers, of which by definition 88 or 9.62 percent were Young, 272 or 29.76 percent were beginning and 554 or 60.61 percent were Small.

The Association Board of Directors has adopted a Young, Beginning, and Small Farmer Plan with specific goals for the number of loans and new volume closed for 2018 and two succeeding years. The Association will continue to review the demographics of its territory during 2019 utilizing 2012 Ag census data.

The following strategies and outreach programs have been conducted which assists and supports the Association's efforts to meet its objectives and goals for financing to the Young, Beginning, and Small farmers.

- Support of 4-H, FFA, and young farmer organizations through sponsorships and donations.
- Sponsor seminars on farm transition planning and financial management.
- Youth livestock financing program for Youth Steer and Swine Shows. Available territory wide.
- Financial Training in cooperation with Florida Southern College, Citrus and Horticulture Dept.
- Employees serve as judges for youth livestock project record books.
- Sponsor participants and participate in Florida Council of Coops, Young Cooperator Conference.
- Sponsor Florida Nursery Growers Young Professional Award.
- Sponsors and attends the statewide Farm Bureau Young Farmers and Ranchers Leadership Conference.

In addition, the Association's lending personnel actively participate in various commodity trade group conferences and continuing education programs. Association lenders have established performance goals to provide informational and financial training to agricultural youth groups and industry trade associations.

The Association is committed to the future success of Young, Beginning and Small farmers.

* Young farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who are age 35 or younger as of the date the loan is originally made.
** Beginning farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who have 10 years or less farming or ranching experience as of the date the loan is originally made.
*** Small farmers are defined as those farmers, ranchers, producers or harvesters of aquatic products who normally generate less than $250 in annual gross sales of agricultural or aquatic products at the date the loan is originally made.

REGULATORY MATTERS

On May 10, 2018, the Farm Credit Administration adopted a final rule that amends the regulations governing investments of System banks and associations. The final rule strengthens eligibility criteria for the investments the banks may purchase and hold. It also implements Section 939A of the Dodd-Frank Act by removing references to and requirements for credit ratings and substitutes the eligibility requirement with other appropriate standards of credit worthiness. In addition, it grants associations greater flexibility regarding the risk management purposes for investments and limits the type and amount of investments that an association may hold. Only securities that are issued by, or are unconditionally guaranteed or insured as to the timely payment of principal and interest by, the U.S. government or its agencies are eligible for association risk management purposes. An association may purchase and hold investments not to exceed 10 percent of its 90-day average daily balance of outstanding loans on the last business day of the quarter. The final rule became effective January 1, 2019.

Farm Bill

The Agricultural Improvement Act of 2018 (Farm Bill) was signed into law on December 20, 2018. This new Farm Bill will govern an array of federal farm and food programs, including commodity price support payments, farm credit, conservation programs, research, rural development and foreign and domestic food programs for five years through 2023. The new Farm Bill continues to provide support for crop insurance and commodity support programs, strengthen livestock disaster programs, and provides dairy producers with an updated voluntary margin protection program that will provide additional risk management options to dairy operations.

The Farm Bill also clarifies and updates the Insurance Corporation's authorities to act as conservator or receiver of a System institution. The Congressional Conference Committee report states that Congress intends "for the authorities of the Corporation to be functionally equivalent to the parallel authorities of the Federal Deposit Insurance Corporation." In addition, the Farm Bill provides, among other authorities, the Insurance Corporation with the authority to organize, and the Farm Credit Administration to charter, a System bridge bank, which has all the powers of a System bank with a maximum life span of five years.

Many provisions of the Farm Bill will require the United States Department of Agriculture to develop rules and procedures to fully implement these authorities. The timing for the issuance of those rules is uncertain.

LIBOR TRANSITION

On July 27, 2017, the United Kingdom Financial Conduct Authority (the Conduct Authority) announced that it will no longer persuade or compel such banks to submit rates for the calculation of the LIBOR rates after 2021. The Conduct Authority regulates the panel banks that submit quotes for the purpose of calculating LIBOR to the Intercontinental Exchange (ICE) Benchmark Administration (the entity that is responsible for calculating LIBOR). Accordingly, it is uncertain whether the ICE Benchmark Administration will continue to quote LIBOR after 2021. Furthermore, in the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee (ARRC) of the Federal Reserve Board and the Federal Reserve Bank of New York. Specifically, the ARRC has proposed the Secured Overnight Financing Rate (SOFR) as the recommended alternative to LIBOR and the Federal Reserve Bank of New York began publishing SOFR in April of 2018. SOFR is based on a broad segment of the overnight Treasury repurchase market and is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities.

At this time, it is not possible to predict, among other uncertainties, whether (i) LIBOR will be discontinued, (ii) the effect of any changes to the methodology for calculating LIBOR, or (iii) any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom, in the United States or elsewhere. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR based instruments, including certain of the Systemwide Debt Securities, System borrowings, loans, investments, derivatives, other System assets and liabilities and preferred stock that are indexed to LIBOR. Accordingly, reform of, or the replacement or disappearance of, LIBOR and the proposed regulation of LIBOR and other "benchmarks" may adversely affect the rates of interest the System pays on its Systemwide Debt Securities (including changes to their value and liquidity, return, and usefulness for intended purpose), on other borrowings and preferred stock, as well as the value of and return on loans and investments and the value and effectiveness of derivatives. This could adversely affect the System's cash flows. Moreover, if LIBOR is replaced, System institutions will need to take steps to restructure their debt and derivatives, which could adversely affect operations.

The System institutions are currently evaluating the potential impact of the eventual replacement of the LIBOR benchmark interest rate, including the possibility of using SOFR as the alternative to LIBOR. While each system institution is required by the regulator to have a transition plan, the transition from LIBOR to SOFR is expected to be complex and to include the development of term and credit adjustments to minimize, to the extent possible, discrepancies between LIBOR and SOFR. Accordingly, the transition may introduce additional basis risk for market participants, including when an alternative index, e.g., SOFR, exists in conjunction with LIBOR. There can be no guarantee that SOFR will become the dominant alternative to U.S. dollar LIBOR or that SOFR will be widely used. In addition, other alternatives may or may not be developed with additional complications.

Changes in LIBOR may result in interest rates and/or payments that are higher or lower than, or that do not otherwise correlate over time with, the interest rates and/or payments that would have been associated with LIBOR-based Systemwide Debt Securities, or loans or investments that are based on LIBOR, which may increase or decrease the payments to be made on such LIBOR-based Systemwide Debt Securities, or loans or investments that are based on LIBOR.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 2, *Summary of Significant Accounting Policies*, in the Notes to the Consolidated Financial Statements for recently issued accounting pronouncements.

The following Accounting Standards Updates (ASUs) were issued by the Financial Accounting Standards Board (FASB) but have not yet been adopted:

Summary of Guidance	Adoption and Potential Financial Statement Impact
ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	
• 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.	• The Association has begun implementation efforts by establishing a cross-discipline governance structure and will implement a third-party model. The Association is currently identifying key interpretive issues and assessing processes against the new guidance to determine what modifications may be required. • The Association expects that the new guidance will result in an increase in its allowance for credit losses due to several factors, including: 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 Association's portfolio at the adoption date, and the macroeconomic conditions and forecasts at that date. • The Association expects to adopt the guidance in first quarter 2021.
ASU 2016-02 – Leases (Topic 842)	
• Requires lessees to recognize leases on the balance sheet with lease liabilities and corresponding right-of-use assets based on the present value of lease payments. • 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. • Also, expands qualitative and quantitative disclosures of leasing arrangements. • Requires adoption using a modified cumulative-effect approach wherein the guidance is applied to all periods presented. A recent amendment provides an additional (and optional) transition method to adopt the new leases standard. Under this new 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. • Effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted.	• The practical expedients allow entities to largely account for existing leases consistent with current guidance, except for the incremental balance sheet recognition for lessees. • The Association completed its evaluation of leasing contracts and activities and developed its methodology to estimate the right-of-use assets and lease liabilities, which is based on the present value of lease payments. There will not be a material change to the timing of expense recognition. • Given the limited changes to lessor accounting, there were no material changes to recognition or measurement for the Association. • The Association will need to provide additional disclosure information as a result of adopting the Update. • The Association will adopt the guidance in first quarter 2019 using the optional modified retrospective method and practical expedients for transition. • Upon adoption, the Association will record a cumulative-effect adjustment to equity of approximately $(24). In addition, a Right of Use Asset in the amount of $784 and Lease Liability in the amount of $808 will be recorded.

DISCLOSURE REQUIRED BY FARM CREDIT ADMINISTRATION REGULATIONS

Description of Business

Descriptions of the territory served, persons eligible to borrow, types of lending activities engaged in, financial services offered and related Farm Credit organizations are incorporated herein by reference to Note 1, *Organization and Operations*, of the Consolidated Financial Statements included in this Annual Report to shareholders.

The description of significant developments that had or could have a material impact on earnings or interest rates to borrowers, acquisitions or dispositions of material assets, material changes in the manner of conducting the business, seasonal characteristics, and concentrations of assets, if any, is incorporated in *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* included in this Annual Report.

Unincorporated Business Entities

The Association had no unincorporated business entities at December 31, 2018.

Description of Property

The following table sets forth certain information regarding the properties of the reporting entity, all of which are located in Florida:

Location	Description	Form of Ownership
115 S. Missouri Ave.* Lakeland	Administrative/ Branch	Leased
507 E. Third Street Apopka	Branch	Owned
2301 Thonotosassa Road Plant City	Branch	Owned
31081 Cortez Blvd.** Brooksville	Branch	Leased
31050 Cortez Blvd.*** Brooksville	Branch	Owned

* *The Administrative / branch office located at 115 S. Missouri Ave. is leased through December 31, 2020.*

** *The Brooksville branch office located at 31081 Cortez Blvd. was leased through November 30, 2012 and was then converted to a month-to-month rental.*

****The Association purchased the building at 31050 Cortez Blvd. in 2018 with the intentions of moving the Brooksville branch office to that location in 2019.*

Legal Proceedings

Information, if any, to be disclosed in this section is incorporated herein by reference to Note 11, *Commitments and Contingencies*, of the Consolidated Financial Statements included in this Annual Report.

Description of Capital Structure

Information to be disclosed in this section is incorporated herein by reference to Note 7, *Members' Equity*, of the Consolidated Financial Statements included in this Annual Report.

Description of Liabilities

The description of liabilities, contingent liabilities and obligations to be disclosed in this section is incorporated herein by reference to Notes 2, 6, 9 and 11 of the Consolidated Financial Statements included in this Annual Report.

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

"Management's Discussion and Analysis of Financial Condition and Results of Operations," which appears in this Annual Report and is to be disclosed in this section, is incorporated herein by reference.

Senior Officers

The following represents certain information regarding the senior officers of the Association and their business experience for the past five years:

Senior Officer	Time in Position	Prior Experience
Reginald T. Holt, *President & Chief Executive Officer*	10 years	Sr. VP & Director of Agribusiness Lending from October 1997 to April 2008. Area VP from June 1992 to October 1997. Also serves on the Executive Committee of the AgFirst Farm Credit Council and the AgFirst/Farm Credit Bank of Texas Benefits Plan Sponsor Committee.
D. Scott Fontenot, *Executive Vice President & Chief Operating Officer*	2 years	Association CFO from June 2009 until September 2016. Association Director of Risk Management from March 2009 to June 2009. EVP & CFO of Jack M. Berry, Inc. from 2005 to 2009. CFO of Farm Credit of Southwest Florida from 2000 to 2004.
Scarlet D. Detjen, *Sr. Vice President / Chief Credit Officer*	1.5 years	Association Chief Audit Executive from November 2016 to June 2017. Director of Internal Audit from October 2008 until November 2016. CFO with SunnyRidge Farm, Inc. from 2006 until 2008. Controller with SunnyRidge Farm, Inc. from 2001 to 2008.
Anne M. Sullivan, *Sr. Vice President / Corporate Treasurer, Chief Financial Officer*	2 years	Association Controller from June 2011 until September 2016. Director of Accounting with Century Residential, LLC from June 2009 until June 2011. Senior Accountant with the NCT Group from September 2006 until June 2009.

The total amount of compensation earned by the CEO and the highest paid officers as a group during the years ended December 31, 2018, 2017 and 2016 is as follows:

Name of Individual or Number in Group	Year	Salary	Bonus	Deferred Comp.	Change in Pension Value	Perq/ Other*	Total
Reginald T. Holt	2018	$ 359,013	$ 119,623	$ –	$ (72,600)	$ –	$ 406,036
Reginald T. Holt	2017	$ 345,014	$ 116,753	$ –	$ 88,678	$ –	$ 550,445
Reginald T. Holt	2016	$ 331,679	$ 115,955	$ –	$ 245,355	$ –	$ 692.989
6	2018	$ 1,086,381	$ 270,328	$ –	$ (59,262)	$ –	$ 1,297,447
6	2017	$ 1,026,291	$ 246,821	$ –	$ 212,031	$ –	$ 1,485,143
7	2016	$ 978,743	$ 196,168	$ –	$ (297,563)	$ –	$ 877,348

* *Amounts in the above table classified as Perquisites include travel incentives, group life insurance, automobile compensation, purchased automobile, spousal travel, relocation and tuition reimbursement, if the annual aggregate value of such Perquisites is more than $5,000.*

Disclosure of information on the total compensation paid during 2018 to any senior officer or to any other employee included in the aggregate group total as reported in the above is available and will be disclosed to the shareholders of the institution upon request.

In addition to base salary, all Association employees (except the Director of Internal Audit and internal audit and review staff who may earn additional compensation under the Auditor Incentive Plan) may earn additional compensation under a corporate bonus plan (Plan). The Plan is designed to encourage participants to achieve the objectives of the Association by providing incentives to those employees who attain and sustain consistently high levels of performance, which contribute to the overall success and profitability of the Association. The Plan is designed to support the ACA's organizational vision, long-range and annual strategic plans. The Plan consists of two pools; 1) General Pool; and 2) Loan Officer Pool.

The General Pool covers all employees that are not lenders and/or lending managers. The payout of the pool is based on the Association meeting and exceeding certain objectives for Earnings and Liquidity (weighted at 50%), Asset Quality and Credit Administration (weighted at 25%), and Lending and Growth (weighted at 25%). Payments are calculated at year-end based on the weighted average performance in each category, paid 100 percent in cash. The General Pool contains four different payout levels. Level 1 contains all non-exempt employees (for wage and salary administration purposes) and the maximum award at this level shall not exceed 5% of their annual earned salary. Level 2 contains exempt employees (except CEO, Senior Officers, Director of Internal Audit, and employees identified as "lenders") and the maximum award at this level shall not exceed 12% of their annual earned salary. Level 3 contains Senior Officers (except CEO, Director of Internal Audit, and employees identified as "lenders") and the maximum award at this level shall not exceed 25% of their annual earned salary. Level 4 contains the CEO only and the maximum award at this level shall not exceed 40% of the annual earned salary. Each of the levels requires a certain minimum individual employee evaluation score. In addition, the General Pool limits the total of all payments within the pool to a maximum of 10 percent of the total net income.

The Loan Officer Pool covers lenders and the lending managers and is based upon the individual performance of each. Award percentage points are earned for Portfolio Management (weighted 65%) and Loan Administration (weighted 35%) standards based upon a points scoring matrix with performance areas weighted according to the individual's standard of performance. Deductions to earned awards shall be made for the individual's performance score in the area of Loan Administration (asset quality and delinquencies). Payments at this level are calculated at year-end based on the weighted average performance in each category and also

require a certain minimum individual employee evaluation score. The maximum award at this level shall not exceed 50% of their annual earned salary for all employees who have executed a non-disclosure and non-solicitation agreement and 30% of their annual earned salary for all employees who have not executed a non-disclosure and non-solicitation agreement. All payments are paid 100% in cash.

The Director of Internal Audit and internal audit and review staff may earn additional compensation under the Auditor Incentive Plan. The purpose of the plan is to encourage participants to achieve the long-term objectives of the Association by providing incentives to eligible audit staff that attain and sustain consistently high levels of performance, which contribute to the safety and soundness of the Association. The pay-out of the plan is based on the audit employee's performance rating as determined by their respective employee evaluations. The Director of Internal Audit's evaluation is conducted by the audit committee and reviewed by the board. The audit staff's evaluation is conducted by the Director of Internal Audit and reviewed by the audit committee. While the award is based on the employee's performance the final pay-out is made at the discretion of the board of directors.

Payment of the 2018 Corporate Bonus is in the first quarter of 2019. Bonuses are shown in the year earned, which may be different than the year of payment.

In 2016, the CEO, Mr. Holt, and the Association entered into a change of control agreement. Should a change of control occur, the Association will continue to employ Mr. Holt for a minimum of three years. Should his employment be terminated during the two years prior or the three years after the change of control or should any major changes to the employment conditions occur during the same time periods, Mr. Holt will be entitled to a severance package as outlined in the agreement.

For the Retirement Plan, the present value of pension benefits is the value at a specific date of the benefit payment stream an individual is expected to receive upon retirement based on pay and service earned to date. These present values change year over year as (1) pension benefits increase due to an additional year of pay and service being earned under the benefit formula, (2) individuals are one year closer to receiving payments, and (3) the assumptions used to determine the present value change.

The present value of Retirement Plan pension benefits will naturally increase as the benefits earned under the plan increase. Since the pension benefit formula is dependent on base pay, pay increases directly impact the pension values.

The present values are calculated by discounting each expected future benefit payment back to the determination date at a specified interest (or discount) rate. When a year passes, there is one fewer year of discounting, which increases the present value.

Finally, the present value of the expected future benefit payment stream is based on actuarial assumptions, chiefly the discount rate mentioned above. Other assumptions are also used, such as expected retirement age and life expectancy. Changes in the actuarial assumptions can increase or decrease the pension values. The discount rate is updated every year based on the interest rate environment at December 31. A decrease in the discount rate (i.e. less discounting) increases the present values and vice versa. There was an increase in the discount rate assumption from December 31, 2017 to December 31, 2018, causing the pension values to decrease.

Other actuarial assumptions are updated periodically. At December 31, 2018, the mortality improvement assumption was updated to reflect recent mortality studies indicating a slightly lower degree of mortality improvement (and thus slightly shorter life expectancies). This change resulted in a decrease in Retirement Plan present values.

Pension Benefits Table
As of December 31, 2018

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2018
CEO:					
Reginald T. Holt	2018	AgFirst Retirement Plan	38.83	$ 2,838,708	$ --
Reginald T. Holt	2018	Supplemental Executive Retirement Plan	38.83	930,706	--
				$ 3,769,414	$
Senior Officers and Highly Compensated Employees:					
6 Officers, excluding the CEO	2018	AgFirst Retirement Plan	11.36*	$ 968,903	$ --
				$ 968,903	$

** Represents the average years of credited service for the group*

Mr. Holt participates in the AgFirst Farm Credit Bank Supplemental Retirement Plan, a nonqualified supplemental executive retirement plan. Benefits that would have accrued in the qualified defined benefit retirement plan in the absence of Internal Revenue Code limitations are made up through the nonqualified supplemental executive retirement plan. At the election of the retiree, benefits are paid based upon various annuity terms.

As a non-qualified plan, assets have been allocated and separately invested for this plan, but are not isolated from the general creditors of the Association. Additionally, all employees are reimbursed for all direct travel expenses incurred when traveling on Association business. A copy of the travel policy is available to shareholders upon written request.

Directors

The following chart details the year the director began serving on the board, the current term of expiration, current committee assignments, number of meetings, other activities, compensation for Board meetings and other activities and total cash compensation paid:

Director	Position	Term in Office: Election or Appointment Year	Term in Office: Current Term Expiration	Number of Days Served: Board Meetings	Number of Days Served: Other Official Activities*	Compensation: Total Paid During 2018	Committee Assignments^
W. Rex Clonts, Jr.	Chair	1997	2021	8	31	$ 35,333	Risk Management, Governance, Legislative
Keith D. Mixon (1)	Vice-Chair	2012	2020	8	23	35,000	Audit, Risk Management, Legislative
Jenny R. Black (2)	Director	2014	2021	8	23	30,000	Compensation, Governance, Legislative
C. Dennis Carlton, Sr.(3)	Director	2004	2019	8	23	32,000	Risk Management, Compensation, Legislative
John S. Langford	Director	2005	**	8	15	28,000	Audit, Governance, Legislative
Randy L. Larson	Outside Director	2017	2020	8	25	28,000	Audit, Compensation, Legislative
Dale McClellan	Director	2016	***	6	15	25,667	Audit, Governance, Legislative
David A. Mereness	Outside Director	2016	2019	8	16	28,000	Audit, Compensation, Legislative
Robert R. Roberson	Director	1997	2019	8	33	32,333	Risk Management, Governance, Legislative
Randall E. Strode	Director	2016	2020	8	22	30,000	Risk Management, Compensation, Legislative
Ronald R. Wetherington (4)	Director	1993	2020	8	21	30,000	Audit, Risk Management, Legislative
						$ 334,333	

** Includes board committee meetings and other board activities other than regular board meetings.*
***John S. Langford resigned from the Board on February 5, 2019*
****Dale McClellan resigned from the Board on December 3, 2018*
^ All directors are members of the Legislative committee and meetings are held as needed.

(1) Chair of the Audit Committee
(2) Chair of the Governance Committee
(3) Chair of the Compensation Committee
(4) Chair of the Risk Management Committee

Subject to approval by the board, the Association may allow directors an annual retainer of $28,000 to be paid monthly. Additionally, members of the risk management committee receive $2,000. The chairs of the Compensation and Governance committees also receive $2,000. The chair of the audit committee receives $5,000, and the chair of the Board receives $7,000. All additional compensation amounts are annual stipends, paid monthly. Total compensation paid to directors as a group was $334,333 for 2018. No director received more than $5,000 in non-cash compensation during the year.

Directors are reimbursed on an actual cost basis for all expenses incurred in the performance of official duties. Such expenses may include transportation, lodging, meals, tips, tolls, parking of cars, laundry, registration fees, and other expenses associated with travel on official business. A copy of the policy is available to shareholders of the Association upon request.

The aggregate amount of reimbursement for travel, subsistence and other related expenses for all directors as a group was $87,278 for 2018, $101,156 for 2017 and $91,118 for 2016.

The following represents certain information regarding the directors of the Association, including their principal occupation and employment for the past five years. Unless specifically listed, the principal occupation of the board member for the past five years has been as a self-employed farmer.

W. Rex Clonts, Jr., Chair, is a citrus grower and serves on the board of Citizens Bank of Florida. He is also past President of Seminole County Farm Bureau 2013 - 2015. Mr. Clonts is on the board of the Florida Fruit and Vegetable Association. His principal occupation and employment for the past 5 years was with Clonts Groves, Inc.

Keith D. Mixon, Vice-Chair, is a citrus grower and past Chair of the board of the Florida Fruit and Vegetable Association. He and his family owned and operated SunnyRidge Farms prior to being sold to Dole Food Company, he then served as President of Dole Berry Company. Mr. Mixon is the Chair of the Association's Audit Committee and also serves as the Association's representative on the AgFirst Nominating Committee. His principal occupation and employment for the past 5 years was self-employed farmer.

Jenny R. Black has served on the Board since 2014. Mrs. Black is a partner in multiple citrus growing operations and is a member of Peace River Packing, a citrus growing cooperative. Mrs. Black has more than 20 years experience in the Information Technology field and her primary employment since 2008 has been managing her own IT consulting practice. Jenny Black Consulting, LLC serves clients in the transportation

and agriculture industries. Mrs. Black was elected to the AgFirst Farm Credit Bank Board in August 2018. Mrs. Black also serves on the Polk County 4H Foundation Board, the Advisory Board for Volunteers in Service to the Elderly (VISTE), and the Board of Trustees at All Saints Academy.

C. Dennis Carlton, Sr. is a cattleman, citrus grower and real estate broker and serves on the boards of Center State Bank and the Agricultural Economic Development Council of Hillsborough County. His principal occupation and employment for the past 5 years was self-employed rancher.

John S. Langford is a citrus grower, citrus fruit dealer and real estate broker. Other Farm Credit activities include the AgFirst Farm Credit Bank Board of Directors, 2012 to 2018, having served as Chair; he also serves as a member of the Farm Credit System Audit Committee. His principal occupation and employment for the past five years was with John Langford, Inc. Mr. Langford resigned from the Board on February 5, 2019.

Randy L. Larson was appointed to the Board in December 2016 as the Association's second Outside Director. Mr. Larson is currently serving on the Board for the Tampa Sports Authority. He is a licensed professional engineer, a registered general contractor in Florida and a Certified Construction Manager. His principal occupation and employment for the past 5 years was with R Larson Company.

Dale McClellan was elected to the Board in April 2016. Mr. McClellan has been a dairyman all of his life. His principal occupation and employment for the past five years was with M&B Products, Inc. and M&B of Tampa, Inc. Mr. McClellan resigned from the Board on December 3, 2018.

David A. Mereness was appointed to the Board in March 2016 as the Association's Outside Director. Mr. Mereness is the Managing Partner of Dearolf & Mereness LLP, a member of the American Institute of Certified Public Accountants, the Florida Institute of Certificated Public Accounts and on the board of the National Society of Accountants for Cooperatives. His principal occupation and employment for the past 5 years was with Dearolf & Mereness LLP.

Robert R. Roberson is a nurseryman. His principal occupation and employment for the past 5 years was with Rob-S Holdings LLC dba FFT Nursery. In addition, he has an active real estate license with Mike Ellis Realty. Mr. Roberson also serves as the Association representative on the AgFirst District Advisory Council.

Randall E. Strode was elected to the Board in April 2016. Mr. Strode is the Vice President of AgriStarts, Inc. a cloning tissue culture operation in Apopka, FL. His principal occupation and employment for the past 5 years was with AgriStarts, Inc.

Ronald R. Wetherington is a strawberry grower and serves on the South Florida Baptist Hospital Foundation Board and Hillsborough County Law Enforcement Association Board. His principal occupation and employment for the past 5 years was with Wetherington Farms.

Transactions with Senior Officers and Directors

The reporting entity's policies on loans to and transactions with its officers and directors, to be disclosed in this section are incorporated herein by reference to Note 10, *Related Party Transactions*, of the Consolidated Financial Statements included in this Annual Report. There have been no transactions between the Association and senior officers or directors which require reporting per FCA regulations.

Involvement in Certain Legal Proceedings

There were no matters which came to the attention of management or the board of directors regarding involvement of current directors or senior officers in specified legal proceedings which should be disclosed in this section. No directors or senior officers have been involved in any legal proceedings during the last five years which require reporting per FCA regulations.

Relationship with Independent Auditors

There were no changes in or material disagreements with our Independent Auditors on any matter of accounting principles or financial statement disclosure during this period.

Aggregate fees for services rendered by its Independent Auditor for the year ended December 31, 2018 were as follows:

	2018
Independent Auditor	
PricewaterhouseCoopers LLP	
Audit services	$ 49,631
Total	$ 49,631

PricewaterhouseCoopers audit fees were for the annual audit of and for rendering an opinion on the Association's Consolidated Financial Statements.

Consolidated Financial Statements

The Consolidated Financial Statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 13, 2019 and the report of management, which appear in this Annual Report, are incorporated herein by reference.

Copies of the Association's Annual and unaudited Quarterly reports are available upon request free of charge by calling 1-800-533-2773 or writing Anne M. Sullivan, Chief Financial Officer, Farm Credit of Central Florida, ACA, P.O. Box 8009, Lakeland, FL 33802 or accessing the web site, ***www.farmcreditfl.com***. The Association prepares an electronic version of the Annual Report which is available on the Association's web site within 75 days after the end of the fiscal year and distributes the Annual Reports to shareholders within 90 days after the end of the fiscal year. The Association prepares an electronic version of the 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.

Borrower Information Regulations

Since 1972, Farm Credit Administration (FCA) regulations have required that borrower information be held in strict confidence by Farm Credit System (FCS) institutions, their directors, officers and employees. These regulations provide Farm Credit institutions clear guidelines for protecting their borrowers' nonpublic personal information.

On November 10, 1999, the FCA Board adopted a policy that requires FCS institutions to formally inform new borrowers at loan closing of the FCA regulations on releasing borrower information and to address this information in the Annual Report. The implementation of these measures ensures that new and existing borrowers are aware of the privacy protections afforded them through FCA regulations and Farm Credit System institution efforts.

Credit and Services to Young, Beginning, and Small Farmers and Ranchers and Producers or Harvesters of Aquatic Products

Information to be disclosed in this section is incorporated herein by reference to the similarly named section in the Management's Discussion and Analysis of Financial Condition and Results of Operations section included in this Annual Report to the shareholders.

Shareholder Investment

Shareholder investment in the Association could be materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank (Bank or AgFirst). Copies of the Bank's Annual and Quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained by going to AgFirst's web site at ***www.agfirst.com***. The Bank prepares an electronic version of the Annual Report, which is available on the website, within 75 days after the end of the fiscal year. The Bank prepares an electronic version of the Quarterly report within 40 days after the end of each fiscal quarter, except that no report needs to be prepared for the fiscal quarter that coincides with the end of the fiscal year of the Bank.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors (Committee) is comprised of the directors named below. None of the directors who serve on the Committee is an employee of Farm Credit of Central Florida, ACA and in the opinion of the Board of Directors, each is free of any relationship with the Association or management that would interfere with the director's independent judgment on the Committee.

The Committee has adopted a written charter that has been approved by the Board of Directors. The Committee has reviewed and discussed the Association's audited financial statements with management, which has primary responsibility for the financial statements.

PricewaterhouseCoopers LLP (PwC), the Association's Independent Auditor for 2018, is responsible for expressing an opinion on the conformity of the Association's audited financial statements with accounting principles generally accepted in the United States of America. The Committee has discussed with PwC the matters that are required to be discussed by Statement on Auditing Standards No. 114 *(The Auditor's Communication With Those Charged With Governance)*. The Committee discussed with PwC its independence from Farm Credit of Central Florida, ACA. The Committee also reviewed the non-audit services provided by PwC and concluded that these services were not incompatible with maintaining PwC's independence.

The Committee has also concluded that PwC's provision of non-audit services, if any, to the Association is compatible with PwC's independence.

Based on the considerations referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Association's Annual Report for 2018. The foregoing report is provided by the following independent directors, who constitute the Committee:

Keith D. Mixon
Chair of the Audit Committee

Members of Audit Committee

David A. Mereness, Vice Chair
Randy L. Larson
Ronald R. Wetherington

March 13, 2019

REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

To the Board of Directors and Management of
Farm Credit of Central Florida, ACA

We have audited the accompanying consolidated financial statements of Farm Credit of Central Florida, ACA and its subsidiaries (the "Association"), which comprise the consolidated balance sheets as of December 31, 2018, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in members' equity and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Farm Credit of Central Florida, ACA and its subsidiaries as of December 31, 2018, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Miami, Florida

March 13, 2019

PricewaterhouseCoopers LLP, 333 SE 2nd Avenue, Suite 3000, Miami, FL 33131
T: (305) 375 7400, F:(305) 375 6221, www.pwc.com/us

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)	2018	December 31, 2017	2016
Assets			
Cash	$ **189**	$ 53	$ 1,087
Investments in debt securities:			
Held to maturity (fair value of $7,865, $13,278, and $19,339, respectively)	**7,913**	13,029	19,008
Loans	**538,999**	533,519	508,773
Allowance for loan losses	**(3,270)**	(4,185)	(4,766)
Net loans	**535,729**	529,334	504,007
Loans held for sale	**—**	676	339
Accrued interest receivable	**2,412**	1,963	1,898
Equity investments in other Farm Credit institutions	**6,568**	6,318	6,481
Premises and equipment, net	**1,747**	856	778
Other property owned	**—**	—	216
Accounts receivable	**8,055**	8,951	7,731
Other assets	**735**	634	3,129
Total assets	$ **563,348**	$ 561,814	$ 544,674
Liabilities			
Notes payable to AgFirst Farm Credit Bank	$ **442,646**	$ 443,696	$ 435,590
Accrued interest payable	**1,243**	1,052	793
Patronage refunds payable	**6,352**	4,872	4,529
Accounts payable	**1,521**	1,710	1,636
Other liabilities	**2,486**	7,745	5,329
Total liabilities	**454,248**	459,075	447,877
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	**882**	900	861
Retained earnings			
Allocated	**22,907**	24,588	26,269
Unallocated	**85,772**	77,821	70,166
Accumulated other comprehensive income (loss)	**(461)**	(570)	(499)
Total members' equity	**109,100**	102,739	96,797
Total liabilities and members' equity	$ **563,348**	$ 561,814	$ 544,674

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

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands)	For the year ended December 31, 2018	2017	2016
Interest Income			
Loans	$ **27,177**	$ 22,240	$ 19,003
Investments	**231**	393	513
Total interest income	**27,408**	22,633	19,516
Interest Expense			
Notes payable to AgFirst Farm Credit Bank	**13,425**	10,374	8,387
Net interest income	**13,983**	12,259	11,129
Provision for (reversal of allowance for) loan losses	**(1,775)**	(678)	(2,340)
Net interest income after provision for (reversal of allowance for) loan losses	**15,758**	12,937	13,469
Noninterest Income			
Loan fees	**584**	721	342
Fees for financially related services	**591**	576	286
Patronage refunds from other Farm Credit institutions	**7,894**	8,205	7,287
Gains (losses) on sales of rural home loans, net	**325**	253	326
Gains (losses) on sales of premises and equipment, net	**—**	—	129
Gains (losses) on other transactions	**(11)**	71	15
Insurance Fund refunds	**272**	—	—
Other noninterest income	**2**	2	6
Total noninterest income	**9,657**	9,828	8,391
Noninterest Expense			
Salaries and employee benefits	**7,586**	7,206	7,674
Occupancy and equipment	**678**	647	649
Insurance Fund premiums	**373**	570	606
(Gains) losses on other property owned, net	**—**	66	(5)
Other operating expenses	**2,627**	2,021	2,143
Total noninterest expense	**11,264**	10,510	11,067
Net income	$ **14,151**	$ 12,255	$ 10,793

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)	For the year ended December 31, 2018	2017	2016
Net income	**$ 14,151**	$ 12,255	$ 10,793
Other comprehensive income net of tax			
Employee benefit plans adjustments	**109**	(71)	(11)
Comprehensive income	**$ 14,260**	$ 12,184	$ 10,782

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

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(dollars in thousands)	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
		Allocated	Unallocated		
Balance at December 31, 2015	$ 858	$ 28,505	$ 63,673	$ (488)	$ 92,548
Comprehensive income			10,793	(11)	10,782
Capital stock/participation certificates issued/(retired), net	3				3
Patronage distribution					
Cash			(4,300)		(4,300)
Retained earnings retired		(2,236)			(2,236)
Balance at December 31, 2016	$ 861	$ 26,269	$ 70,166	$ (499)	$ 96,797
Comprehensive income			12,255	(71)	12,184
Capital stock/participation certificates issued/(retired), net	39				39
Patronage distribution					
Cash			(4,600)		(4,600)
Retained earnings retired		(1,681)			(1,681)
Balance at December 31, 2017	$ 900	$ 24,588	$ 77,821	$ (570)	$ 102,739
Comprehensive income			**14,151**	**109**	**14,260**
Capital stock/participation certificates issued/(retired), net	**(18)**				**(18)**
Patronage distribution					
Cash			**(6,200)**		**(6,200)**
Retained earnings retired		**(1,681)**			**(1,681)**
Balance at December 31, 2018	**$ 882**	**$ 22,907**	**$ 85,772**	**$ (461)**	**$ 109,100**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)	For the year ended December 31, 2018	2017	2016
Cash flows from operating activities:			
Net income	**$ 14,151**	$ 12,255	$ 10,793
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	**195**	167	150
Amortization (accretion) of net deferred loan costs (fees)	**(145)**	10	69
Premium amortization (discount accretion) on investments in debt securities	**274**	311	312
Provision for (reversal of allowance for) loan losses	**(1,775)**	(678)	(2,340)
(Gains) losses on other property owned	**—**	63	(12)
(Gains) losses on sales of premises and equipment, net	**—**	—	(129)
(Gains) losses on sales of rural home loans, net	**(325)**	(253)	(326)
(Gains) losses on other transactions	**11**	(71)	(15)
Changes in operating assets and liabilities:			
Origination of loans held for sale	**(16,777)**	(11,276)	(13,765)
Proceeds from sales of loans held for sale, net	**17,778**	11,192	13,854
(Increase) decrease in accrued interest receivable	**(449)**	(65)	(258)
(Increase) decrease in accounts receivable	**896**	(1,220)	(48)
(Increase) decrease in other assets	**(101)**	2,495	353
Increase (decrease) in accrued interest payable	**191**	259	90
Increase (decrease) in accounts payable	**(189)**	74	257
Increase (decrease) in other liabilities	**(5,161)**	2,416	(105)
Total adjustments	**(5,577)**	3,424	(1,913)
Net cash provided by (used in) operating activities	**8,574**	15,679	8,880
Cash flows from investing activities:			
Proceeds from maturities of or principal payments received on investments in debt securities, held to maturity	**4,842**	5,668	5,292
Net (increase) decrease in loans	**(4,475)**	(24,587)	(63,211)
(Increase) decrease in equity investments in other Farm Credit institutions	**(250)**	163	117
Purchases of premises and equipment	**(1,086)**	(245)	(195)
Proceeds from sales of premises and equipment	**—**	—	129
Proceeds from sales of other property owned	**—**	81	34
Net cash provided by (used in) investing activities	**(969)**	(18,920)	(57,834)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	**(1,050)**	8,106	55,922
Capital stock and participation certificates issued/(retired), net	**(18)**	39	3
Patronage refunds and dividends paid	**(4,720)**	(4,257)	(3,968)
Retained earnings retired	**(1,681)**	(1,681)	(2,236)
Net cash provided by (used in) financing activities	**(7,469)**	2,207	49,721
Net increase (decrease) in cash	**136**	(1,034)	767
Cash, beginning of period	**53**	1,087	320
Cash, end of period	**$ 189**	$ 53	$ 1,087
Supplemental schedule of non-cash activities:			
Financed sales of other property owned	**$ —**	$ 72	$ 75
Receipt of property in settlement of loans	**—**	—	297
Estimated cash dividends or patronage distributions declared or payable	**6,200**	4,600	4,300
Employee benefit plans adjustments (Note 9)	**(109)**	71	11
Supplemental information:			
Interest paid	**13,234**	10,115	8,297

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except as noted)

Note 1 — Organization and Operations

A. **Organization:** Farm Credit of Central Florida, ACA (the Association or ACA) is a member-owned cooperative that provides credit and credit-related services to qualified borrowers in the counties of Brevard, Citrus, Hernando, Hillsborough, Lake, Orange, Osceola, Pasco, Pinellas, Polk, Seminole, Sumter, and Volusia in the state of Florida.

The Association is a lending institution in the Farm Credit System (System), a nationwide network of cooperatively owned banks and associations. It was established by Acts of Congress and is subject to the provisions of the Farm Credit Act of 1971, as amended (Farm Credit Act). The System specializes in providing financing and related services to qualified borrowers for agricultural and rural purposes.

The nation is served by three Farm Credit Banks (FCBs) and one Agricultural Credit Bank (ACB), (collectively, the System Banks) each of which has specific lending authorities within its chartered territory. The ACB also has additional specific nationwide lending authorities.

Each System Bank serves one or more Agricultural Credit Associations (ACAs) that originate long-term, short-term and intermediate-term loans, Production Credit Associations (PCAs) that originate and service short- and intermediate-term loans, and/or Federal Land Credit Associations (FLCAs) that originate and service long-term real estate mortgage loans. These associations borrow a majority of the funds for their lending activities from their related bank. System Banks are also responsible for supervising the activities of associations within their districts. AgFirst (Bank) and its related associations (Associations or District Associations) are collectively referred to as the AgFirst District. The District Associations jointly own substantially all of AgFirst's voting stock. As of year end, the District consisted of the Bank and nineteen District Associations. All nineteen were structured as ACA holding companies, with PCA and FLCA subsidiaries. FLCAs are tax-exempt while ACAs and PCAs are taxable.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of the associations and certain actions by the associations are subject to the prior approval of the FCA and the supervising bank.

The Farm Credit Act also established the Farm Credit System Insurance Corporation (Insurance Corporation) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations (Insured Debt), (2) to ensure the retirement of protected borrower capital at par or stated value, and (3) for other specified purposes. The Insurance Fund is also available for discretionary uses by the Insurance Corporation to provide assistance to certain troubled System institutions and to cover the operating expenses of the Insurance Corporation. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its average adjusted outstanding Insured Debt until the assets in the Insurance Fund reach the "secure base amount." The secure base amount is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or such other percentage of the aggregate obligations as the Insurance Corporation at its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the Insurance Corporation is required to reduce premiums and may return excess funds above the secure base amount to System institutions. However, it must still ensure that reduced premiums are sufficient to maintain the level of the Insurance Fund at the secure base amount.

B. **Operations:** The Farm Credit Act sets forth the types of authorized lending activity and financial services that can be offered by the Association, and the persons eligible to borrow.

The Associations borrow from the Bank and in turn may originate and service short- and intermediate-term loans to their members, as well as long-term real estate mortgage loans.

The Bank primarily lends to the District Associations in the form of a line of credit to fund the Associations' earning assets. These lines of credit (or Direct Notes) are collateralized by a pledge of substantially all of each Association's assets. The terms of the Direct Notes are governed by a General Financing Agreement (GFA) between the Bank and Association. Each advance is structured such that the principal cash flow, repricing characteristics, and underlying index (if any) of the advance match those of the assets being funded. By match-funding the Association loans, the Associations' exposure to interest rate risk is minimized.

In addition to providing funding for earning assets, the Bank provides District Associations with banking and support services such as accounting, human resources, information systems, and marketing. The costs of these support services are included in the cost of the Direct Note, or in some cases billed directly to certain Associations that use a specific service.

The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments, and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or

harvesters of aquatic products, rural residents, and farm-related businesses.

The Association may sell to any System borrowing member, on an optional basis, credit or term life insurance appropriate to protect the loan commitment in the event of death of the debtor(s). The sale of other insurance necessary to protect a member's farm or aquatic unit is permitted, but limited to hail and multi-peril crop insurance, and insurance necessary to protect the facilities and equipment of aquatic borrowers.

Note 2 — Summary of Significant Accounting Policies

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results may differ from these estimates.

The accompanying consolidated financial statements include the accounts of the ACA, PCA and FLCA.

Certain amounts in the prior year financial statements have been reclassified to conform to the current period presentation. Such reclassifications had no effect on net income or total members' equity of prior years.

A. **Cash:** Cash represents cash on hand and on deposit at banks.

B. **Loans and Allowance for Loan Losses:** The Association is authorized to make long-term real estate loans with maturities of 5 to 40 years and certain short- and intermediate-term loans for agricultural production or operating purposes with maturities of not more than 10 years.

Loans are carried at their principal amount outstanding adjusted for charge-offs, premiums, discounts, deferred loan fees or costs, and derivative instruments and hedging valuation adjustments, if any. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. The difference in the total investment in a loan and its principal amount may be deferred as part of the carrying amount of the loan and the net difference amortized over the life of the related loan as an adjustment to interest income using the effective interest method.

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 and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan remains contractually past due until the entire amount past due, including principal, accrued interest, and penalty interest incurred as the result of past due status, is collected or otherwise discharged in full. A formal restructuring may also cure a past due status.

Loans are generally classified as nonaccrual when principal or interest is delinquent for 90 days (unless adequately collateralized and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in the prior year).

When loans are in nonaccrual status, payments are applied against the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments received in cash may be recognized as interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, prior charge-offs have been recovered, the ability of the borrower to fulfill the contractual repayment terms is fully expected, and the loan is not classified "doubtful" or "loss." Loans are charged off at the time they are determined to be uncollectible.

In cases where a borrower experiences financial difficulties and the Association makes certain monetary concessions to the borrower through modifications to the contractual terms of the loan, the loan is classified as a restructured loan. A restructured loan constitutes a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. If the borrower's ability to meet the revised payment schedule is uncertain, the loan is classified as a nonaccrual loan.

The allowance for loan losses is maintained 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. The allowance for loan losses is a valuation account used to reasonably estimate loan losses as of the financial statement date. Determining the appropriate allowance for loan losses balance involves significant judgment about when a loss has been incurred and the amount of that loss.

The Association considers the following factors, among others, when determining the allowance for loan losses:

- Changes in credit risk classifications
- Changes in collateral values
- Changes in risk concentrations
- Changes in weather-related conditions
- Changes in economic conditions

A specific allowance may be established for impaired loans under Financial Accounting Standards Board (FASB) guidance on accounting by creditors for impairment of a loan. Impairment of these loans is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as practically expedient, at the loan's observable market price or fair value of the collateral if the loan is collateral dependent.

A general allowance may also be established under FASB guidance on accounting for contingencies, to reflect estimated probable credit losses inherent in the remainder of the loan portfolio which excludes impaired loans considered under the specific allowance discussed above. A general allowance can be evaluated on a pool basis for those loans with similar characteristics. The level of the general allowance may be based on management's best estimate of the likelihood of default adjusted for other relevant factors reflecting the current environment.

The credit risk rating methodology is a key component of the Association's allowance for loan losses evaluation, and is generally incorporated into the institution's loan underwriting standards and internal lending limit. The Association uses a two-dimensional loan rating model based on internally generated combined system risk rating guidance that incorporates a 14-point risk rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan assuming default has occurred or is expected to occur within the next 12 months.

Each of the 14 categories carries a distinct percentage of default probability. The 14-point risk rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain.

C. **Loans Held for Sale:** Loans are classified as held for sale when there is intent to sell the loans within a reasonable period of time. Loans intended for sale are carried at the lower of cost or fair value.

D. **Other Property Owned (OPO):** Other property owned, consisting of real estate, personal property, and other assets acquired through a collection action, is recorded upon acquisition at fair value less estimated selling costs. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. Revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income, expenses, and carrying value adjustments related to other property owned are included in Gains (Losses) from Other Property Owned, Net in the Consolidated Statements of Income.

E. **Premises and Equipment:** Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Gains and losses on dispositions are reflected in current earnings. Maintenance and repairs are charged to expense and improvements are capitalized. Premises and equipment are evaluated for impairment whenever events or circumstances indicate that the carrying value of the asset may not be recoverable.

From time to time, assets classified as premises and equipment are transferred to held for sale for various reasons. These assets are carried in Other Assets at the lower of the recorded investment in the asset or fair value less estimated cost to sell based upon the property's appraised value at the date of transfer. Any write-down of property held for sale is recorded as a loss in the period identified.

F. **Investments:** The Association may hold investments as described below.

Equity Investments in Other Farm Credit System Institutions
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.

Investments in Debt Securities
The Association holds certain investment securities, as permitted under the FCA regulations. These investments are classified based on management's intention on the date of purchase and are generally recorded in the Consolidated Balance Sheets as securities on the trade date.

Securities for which the Association has the intent and ability to hold to maturity are classified as held-to-maturity (HTM) and carried at amortized cost. Investment securities classified as available-for-sale (AFS) are carried at fair value with net unrealized gains and losses included as a component of Other Comprehensive Income (OCI). Purchase premiums and discounts are amortized or accreted ratably over the term of the respective security using the interest method. The amortization of premiums on certain purchased callable debt securities that have explicit,

noncontingent call features and that are callable at fixed prices on preset dates are amortized to the earliest call date.

Impairment
The Association reviews all investments that are in a loss position in order to determine whether the unrealized loss, which is considered an impairment, is temporary or other-than-temporary. As mentioned above, changes in the fair value of AFS investments are reflected in OCI, unless the investment is deemed to be other-than-temporarily impaired (OTTI). Impairment is considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security (any such shortfall is referred to as a "credit loss"). If the Association intends to sell an impaired debt security or is more likely than not to be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the impairment is other-than-temporary and recognized currently in earnings in an amount equal to the entire difference between fair value and amortized cost. If a credit loss exists, but the Association does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and is separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. Only the estimated credit loss amount is charged to current earnings, with the remainder of the loss amount recognized in OCI.

In subsequent periods, if the present value of cash flows expected to be collected is less than the amortized cost basis, the Association will record additional OTTI and adjust the yield of the security prospectively. The amount of total OTTI for an AFS security that previously was impaired is determined as the difference between its carrying amount prior to the determination of OTTI and its fair value.

Investment Income
Interest on investment securities, including amortization of premiums and accretion of discounts, is included in Interest Income. Realized gains and losses from the sales of investment securities are recognized in current earnings using the specific identification method.

Dividends from Investments in Other Farm Credit Institutions are generally recorded as patronage income and included in Noninterest Income.

Other Investments
As discussed in Note 8, certain investments, consisting primarily of mutual funds, are held in trust and investment accounts and are reported at fair value. Holding period gains and losses are included within Noninterest Income on the Consolidated Statements of Income and the balance of these investments, totaling $654, is included in Other Assets on the accompanying Consolidated Balance Sheets as of December 31, 2018.

G. **Voluntary Advance Conditional Payments:** The Association is authorized under the Farm Credit Act to accept advance payments from borrowers. To the extent the borrower's access to such advance payments is restricted, the advanced conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as other liabilities in the accompanying Consolidated Balance Sheets. Advanced conditional payments are not insured. Interest is generally paid by the Association on such accounts.

H. **Employee Benefit Plans:** The Association participates in District and multi-District sponsored benefit plans. These plans may include defined benefit final average pay retirement, defined benefit cash balance retirement, defined benefit other postretirement benefits, and defined contribution plans.

Defined Contribution Plans
Substantially all employees are eligible to participate in the defined contribution Farm Credit Benefit Alliance (FCBA) 401(k) Plan, subsequently referred to as the 401(k) Plan, which qualifies as a 401(k) plan as defined by the Internal Revenue Code. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. Company contributions to the 401(k) Plan are expensed as funded.

Additional information may be found in Note 9.

Multi-Employer Defined Benefit Plans
Substantially all employees hired before January 1, 2003 may participate in the AgFirst Farm Credit Retirement Plan (Plan), which is a defined benefit plan and considered multi-employer under FASB accounting guidance. The Plan is noncontributory and includes eligible Association and District employees. The "Projected Unit Credit" actuarial method is used for financial reporting purposes.

In addition to pension benefits, the Association provides certain health care and life insurance benefits for retired employees (other postretirement benefits) through a multi-District sponsored retiree healthcare plan. Substantially all employees are eligible for those benefits when they reach early retirement age while working for the Association. Authoritative accounting guidance requires the accrual of the expected cost of providing these benefits to an employee, their beneficiaries and covered dependents during the years the employee renders service necessary to become eligible for benefits.

Since the foregoing plans are multiemployer, the Association does not apply the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements. Rather, the effects of this guidance are reflected in the Annual Information Statement of the Farm Credit System.

Additional information may be found in Note 9 and in the Notes to the Annual Information Statement of the Farm Credit System.

Single Employer Defined Benefit Plans
The Association also sponsors a single employer defined benefit supplemental retirement plan and offers a FCBA supplemental 401(k) plan for certain key employees. These plans are nonqualified; therefore, the associated liabilities are included in the Association's Consolidated Balance Sheets in Other Liabilities.

The foregoing defined benefit plan is considered single employer, therefore the Association applies the provisions of FASB guidance on employers' accounting for defined benefit pension and other postretirement plans in its stand-alone financial statements. See Note 9 for additional information.

I. **Income Taxes:** The Association evaluates tax positions taken in previous and current years according to FASB guidance. A tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets. The term tax position also encompasses, but is not limited to, an entity's status, including its status as a pass-through entity or tax-exempt entity.

The Association is generally subject to Federal and certain other income taxes. As previously described, the ACA holding company has two wholly-owned subsidiaries, a PCA and a FLCA. The FLCA subsidiary is exempt from federal and state income taxes as provided in the Farm Credit Act. The ACA holding company and the PCA subsidiary are subject to federal, state and certain other income taxes.

The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income.

The Association accounts for income taxes under the asset and liability method, recognizing deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled.

The Association records a valuation allowance at the balance sheet dates against that portion of the Association's deferred tax assets that, based on management's best estimates of future events and circumstances, more likely than not (a likelihood of more than 50 percent) will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the expected patronage program, which reduces taxable earnings.

J. **Due from AgFirst Farm Credit Bank:** The Association records patronage refunds from the Bank and certain District Associations on an accrual basis.

K. **Valuation Methodologies:** FASB guidance defines fair value 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. This guidance also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. It prescribes three levels of inputs that may be used to measure fair value.

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

Level 2 inputs to the valuation methodology 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 to the valuation methodology 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 a third-party valuation or internal model pricing.

The Association may use the Bank, internal resources or third parties to obtain fair value prices. Quoted market prices are generally used when estimating fair values of any assets or liabilities for which observable, active markets exist.

A number of methodologies may be employed to value items for which an observable active market does not exist. Examples of these items include: impaired loans, other property owned, and certain derivatives, investment securities and other financial instruments. Inputs to these valuations can involve estimates and assumptions that require a substantial degree of judgment. Some of the assumptions used include, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, costs of servicing, and liquidation values. The use of different assumptions could produce significantly different asset or liability values, which could have material positive or negative effects on results of operations.

Additional information may be found in Note 8.

L. **Off-Balance-Sheet Credit Exposures:** The credit risk associated with commitments to extend credit and letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Letters of credit are commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party.

M. **Revenue Recognition:** The Association generates income from multiple sources.

Financial Instruments
The largest source of revenue for the Association is Interest Income. Interest income is recognized on an accrual basis driven by nondiscretionary formulas based on written contracts, such as loan agreements or securities contracts. Credit-related fees, including letter of credit fees, finance charges and other fees are recognized in Noninterest Income when earned. Other types of noninterest revenues, such as service charges, professional services and broker fees, are accrued and recognized into income as services are provided and the amount of fees earned is reasonably determinable.

Contracts with Customers
In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606). This guidance, which became effective January 1, 2018, changed the recognition of revenue from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance also included expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Based on input received from stakeholders, the FASB issued several additional Updates that generally provided clarifying guidance where there was the potential for diversity in practice, or address the cost and complexity of applying Topic 606.

The Association maintains contracts with customers to provide support services in various areas such as accounting, lending transactions, consulting, insurance, and information technology. The Association does not generally incur costs to obtain contracts. As most of the contracts are to provide access to expertise or system capacity that the Association maintains, there are no material incremental costs to fulfill these contracts that should be capitalized.

Transition Information

- The Association identified ancillary revenues affected by this Update and adopted the guidance on January 1, 2018.
- The amendments were applied using the modified retrospective approach.
- The Association elected to only apply the guidance to contracts that were not completed at the date of initial application.
- Subtopics 610-20 on gains and losses from the derecognition of nonfinancial assets, and 340-40 on other assets and deferred costs-contracts with customers were adopted using the same transition options.
- Adoption did not have an impact on the Association's financial condition or results of operations.

Gains and Losses from Nonfinancial Assets
Any gains or losses on sales of Premises and Equipment and OPO are included as part of Noninterest Income. These gains and losses are recognized, and the nonfinancial asset is derecognized, when the Association has entered into a valid contract with a noncustomer and transferred control of the asset. If the criteria to meet the definition of a contract have not been met, the Association does not derecognize the nonfinancial asset and any consideration received is recognized as a liability. If the criteria for a contract are subsequently met, or if the consideration received is or becomes nonrefundable, a gain or loss may be recognized at that time.

N. **Accounting Standards Updates (ASUs):** 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. Adoption of the guidance will have no impact on the statements of financial condition and results of operations.

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. Entities may early adopt the provisions in whole upon issuance or may early adopt any removed or modified disclosures upon issuance and delay adoption of the additional disclosures until their effective date. The Association has adopted the removed disclosures effective with the 2018 Annual Report.

In July 2018, the FASB issued ASU 2018-09 Codification Improvements. The amendments affect a wide variety of Topics in the Codification. They apply to all reporting entities within the scope of the affected accounting guidance. The Board has an ongoing project on its agenda about improvements to clarify the Codification or to correct unintended application of guidance. Those items generally are not expected to have a significant effect on current accounting practice. The transition and effective date guidance is based on the facts and circumstances of each amendment.

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 is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Association is in the process of evaluating what effects the guidance may have 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 will be effective for interim and annual periods beginning after December 15, 2018 for public business entities. The Association is in the process of evaluating what effects the guidance may have on the statements of financial condition and results of operations.

In March 2017, the FASB issued ASU 2017-07 Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost related to the income statement presentation of the components of net periodic benefit cost for an entity's sponsored defined benefit pension and other postretirement plans. The amendments were effective January 1, 2018 for the Association. Adoption in 2018 did not have a material effect on the Association's financial statements, but did require reclassification of certain periodic pension costs to Other Operating Expenses.

In January 2017, the FASB issued ASU 2017-01 Business Combinations (Topic 805): Clarifying the Definition of a Business. The amendments provide a more robust framework to use in determining when a set of assets and activities is a business. They also support more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The ASU was effective January 1, 2018 for the Association. The amendments were applied prospectively. Adoption of the guidance in 2018 had no impact on the statements of financial condition and results of operations of the Association.

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 better 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 15, 2018. The Association is in the process of evaluating what effects the guidance may have 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. The amendments will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. The Association will implement the guidance in first quarter 2019 using the practical expedients and does not expect a material impact to the financial statements.

In January 2016, the FASB issued ASU 2016-01 Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The Update, and subsequent clarifying guidance issued, was intended to improve the recognition and measurement

of financial instruments. The new guidance makes targeted improvements to existing GAAP.

Transition Information

- The Association identified investment securities affected by this Update and adopted the guidance on January 1, 2018.
- The amendments related to equity securities without readily determinable fair values were applied prospectively to equity investments that existed as of the date of adoption.
- Application of the amendments did not require a cumulative effect adjustment.
- Adoption did not have an impact on the Association's financial condition or results of operations.
- The new standard did result in changes to certain disclosures.

Note 3 — Loans and Allowance for Loan Losses

For a description of the Association's accounting for loans, including impaired loans, and the allowance for loan losses, see Note 2 subsection B above.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation which exists in outstanding loans. 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.

The credit risk management process begins with an analysis of the obligor's credit history, repayment capacity and financial position. Repayment capacity focuses on the obligor's ability to repay the obligation based on cash flows from operations or other sources of income, including non-farm income. Real estate mortgage loans must be secured by first liens on the real estate collateral. As required by FCA regulations, each institution that makes loans on a secured basis must have collateral evaluation policies and procedures.

The credit risk rating process for loans uses a two-dimensional structure, incorporating a 14-point probability of default scale (see further discussion in Note 2 subsection B above) and a separate scale addressing estimated percentage loss in the event of default. The loan rating structure incorporates borrower risk and transaction risk. Borrower risk is the risk of loss driven by factors intrinsic to the borrower. The transaction risk or facility risk is related to the structure of a credit (tenor, terms, and collateral).

The Association's loan portfolio, which includes purchased interests in loans, has been segmented by the following loan types as defined by the FCA:

- Real estate mortgage loans — loans made to full-time or part-time farmers secured by first lien real estate mortgages with maturities from five to thirty years. These loans may be made only in amounts up to 85 percent of the appraised value of the property taken as security or up to 97 percent of the appraised value if guaranteed by a federal, state, or other governmental agency. The actual percentage of loan-to-appraised value when loans are made is generally lower than the statutory required percentage.
- Production and intermediate-term loans — loans to full-time or part-time farmers that are not real estate mortgage loans. These loans fund eligible financing needs including operating inputs (such as labor, feed, fertilizer, and repairs), livestock, living expenses, income taxes, machinery or equipment, farm buildings, and other business-related expenses. Production loans may be made on a secured or unsecured basis and are most often made for a period of time that matches the borrower's normal production and marketing cycle, which is typically one year or less. Intermediate-term loans are made for a specific term, generally greater than one year and less than or equal to ten years.
- Loans to cooperatives — loans for any cooperative purpose other than for communication, power, and water and waste disposal.
- Processing and marketing loans — loans for operations to process or market the products produced by a farmer, rancher, or producer or harvester of aquatic products, or by a cooperative.
- Farm-related business loans — loans to eligible borrowers that furnish certain farm-related business services to farmers or ranchers that are directly related to their agricultural production.
- Rural residential real estate loans — loans made to individuals, who are not farmers, to purchase a single-family dwelling that will be the primary residence in open country, which may include a town or village that has a population of not more than 2,500 persons. In addition, the loan may be to remodel, improve, or repair a rural home, or to refinance existing debt. These loans are generally secured by a first lien on the property.
- Communication loans — loans primarily to finance rural communication providers.
- Power loans — loans primarily to finance electric generation, transmission and distribution systems serving rural areas.
- Water and waste disposal loans — loans primarily to finance water and waste disposal systems serving rural areas.
- International loans — primarily loans or credit enhancements to other banks to support the export of U.S. agricultural commodities or supplies. The federal government guarantees a substantial portion of these loans.
- Lease receivables — the net investment for all finance leases such as direct financing leases, leveraged leases, and sales-type leases.
- Other (including Mission Related) — additional investments in rural America approved by the FCA on a program or a case-by-case basis. Examples of such investments include partnerships with agricultural and rural community lenders, investments in rural economic development and infrastructure, and investments in obligations and mortgage securities that increase the availability of affordable housing in rural America.

A summary of loans outstanding at period end follows:

	December 31,		
	2018	2017	2016
Real estate mortgage	$ 298,982	$ 276,252	$ 247,923
Production and intermediate-term	143,163	153,523	164,923
Loans to cooperatives	3,359	1,378	4,831
Processing and marketing	54,447	56,244	55,259
Farm-related business	6,330	8,171	6,618
Communication	14,938	19,940	15,849
Power and water/waste disposal	3,738	3,831	–
Rural residential real estate	8,206	8,348	7,540
International	5,836	5,832	5,830
Total loans	$ 538,999	$ 533,519	$ 508,773

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

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are collateralized by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in loan to value ratios in excess of the regulatory maximum.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with FCA regulations. During 2017, the Association cancelled its participation in the Capitalized Participation Pool program with the Bank. As a result, the Association purchased $7,449 of participations previously sold to AgFirst. The following tables present the principal balance of participation loans at periods ended:

	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	$ 14,496	$ 44,247	$ –	$ 14,532	$ –	$ –	$ 14,496	$ 58,779
Production and intermediate-term	16,394	58,833	–	1,709	–	–	16,394	60,542
Loans to cooperatives	3,372	–	–	–	–	–	3,372	–
Processing and marketing	32,613	15,081	–	7,728	–	–	32,613	22,809
Communication	15,006	–	–	–	–	–	15,006	–
Power and water/waste disposal	3,748	–	–	–	–	–	3,748	–
International	5,841	–	–	–	–	–	5,841	–
Total	$ 91,470	$ 118,161	$ –	$ 23,969	$ –	$ –	$ 91,470	$ 142,130

	December 31, 2017							
	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	$ 5,532	$ 61,634	$ –	$ 14,937	$ –	$ –	$ 5,532	$ 76,571
Production and intermediate-term	26,894	76,718	–	9,039	–	–	26,894	85,757
Loans to cooperatives	1,383	–	–	–	–	–	1,383	–
Processing and marketing	39,916	6,046	–	–	–	–	39,916	6,046
Farm-related business	–	3,181	–	–	–	–	–	3,181
Communication	20,026	–	–	–	–	–	20,026	–
Power and water/waste disposal	3,843	–	–	–	–	–	3,843	–
International	5,841	–	–	–	–	–	5,841	–
Total	$ 103,435	$ 147,579	$ –	$ 23,976	$ –	$ –	$ 103,435	$ 171,555

	December 31, 2016							
	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	$ 2,917	$ 93,231	$ –	$ 10,558	$ –	$ –	$ 2,917	$ 103,789
Production and intermediate-term	24,683	81,532	–	4,521	–	–	24,683	86,053
Loans to cooperatives	4,841	–	–	–	–	–	4,841	–
Processing and marketing	45,074	9,280	–	–	–	–	45,074	9,280
Farm-related business	–	3,327	–	–	–	–	–	3,327
Communication	15,896	–	–	–	–	–	15,896	–
International	5,841	–	–	–	–	–	5,841	–
Total	$ 99,252	$ 187,370	$ –	$ 15,079	$ –	$ –	$ 99,252	$ 202,449

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:

	December 31, 2018			
	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 7,738	$ 48,325	$ 242,919	$ 298,982
Production and intermediate-term	26,100	76,246	40,817	143,163
Loans to cooperatives	–	2,352	1,007	3,359
Processing and marketing	4,045	24,703	25,699	54,447
Farm-related business	901	1,122	4,307	6,330
Communication	–	8,082	6,856	14,938
Power and water/waste disposal	–	–	3,738	3,738
Rural residential real estate	2	508	7,696	8,206
International	3,997	1,474	365	5,836
Total loans	$ 42,783	$ 162,812	$ 333,404	$ 538,999
Percentage	7.94%	30.21%	61.85%	100.00%

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 loans and related accrued interest classified under the FCA Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	December 31,		
	2018	2017	2016
Real estate mortgage:			
Acceptable	98.29%	96.71%	94.40%
OAEM	0.28	1.51	0.95
Substandard/doubtful/loss	1.43	1.78	4.65
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	93.05%	89.97%	88.55%
OAEM	1.74	5.83	3.22
Substandard/doubtful/loss	5.21	4.20	8.23
	100.00%	100.00%	100.00%
Loans to cooperatives:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Processing and marketing:			
Acceptable	100.00%	99.99%	93.63%
OAEM	–	0.01	6.37
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Farm-related business:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%

	December 31,		
	2018	2017	2016
Communication:			
Acceptable	79.28%	100.00%	100.00%
OAEM	20.72	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Power and water/waste disposal:			
Acceptable	100.00%	100.00%	–%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	–%
Rural residential real estate:			
Acceptable	92.73%	91.43%	89.45%
OAEM	0.32	3.49	3.20
Substandard/doubtful/loss	6.95	5.08	7.35
	100.00%	100.00%	100.00%
International:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Total Loans:			
Acceptable	96.52%	95.28%	92.71%
OAEM	1.20	2.51	2.25
Substandard/doubtful/loss	2.28	2.21	5.04
	100.00%	100.00%	100.00%

The following tables provide an aging analysis of past due loans and related accrued interest as of:

	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	$ 232	$ 2,064	$ 2,296	$ 298,161	$ 300,457
Production and intermediate-term	590	348	938	142,855	143,793
Loans to cooperatives	–	–	–	3,369	3,369
Processing and marketing	–	–	–	54,591	54,591
Farm-related business	–	–	–	6,345	6,345
Communication	–	–	–	14,940	14,940
Power and water/waste disposal	–	–	–	3,742	3,742
Rural residential real estate	141	353	494	7,745	8,239
International	–	–	–	5,863	5,863
Total	$ 963	$ 2,765	$ 3,728	$ 537,611	$ 541,339

	December 31, 2017				
	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	$ 443	$ 56	$ 499	$ 277,020	$ 277,519
Production and intermediate-term	1,484	2,990	4,474	149,449	153,923
Loans to cooperatives	–	–	–	1,382	1,382
Processing and marketing	–	–	–	56,342	56,342
Farm-related business	–	–	–	8,200	8,200
Communication	–	–	–	19,949	19,949
Power and water/waste disposal	–	–	–	3,833	3,833
Rural residential real estate	99	84	183	8,197	8,380
International	–	–	–	5,852	5,852
Total	$ 2,026	$ 3,130	$ 5,156	$ 530,224	$ 535,380

	December 31, 2016				
	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	$ 1,376	$ 281	$ 1,657	$ 247,414	$ 249,071
Production and intermediate-term	65	7,614	7,679	157,659	165,338
Loans to cooperatives	–	–	–	4,850	4,850
Processing and marketing	–	–	–	55,339	55,339
Farm-related business	–	–	–	6,639	6,639
Communication	–	–	–	15,852	15,852
Rural residential real estate	–	–	–	7,569	7,569
International	–	–	–	5,891	5,891
Total	$ 1,441	$ 7,895	$ 9,336	$ 501,213	$ 510,549

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

	December 31, 2018	December 31, 2017	December 31, 2016
Nonaccrual loans:			
Real estate mortgage	$ 4,830	$ 1,861	$ 2,053
Production and intermediate-term	7,500	5,892	8,978
Rural residential real estate	573	426	470
Total	$ 12,903	$ 8,179	$ 11,501
Accruing restructured loans:			
Real estate mortgage	$ 5,100	$ 4,822	$ 5,907
Production and intermediate-term	3,599	4,591	4,954
Farm-related business	–	–	740
Rural residential real estate	178	345	458
Total	$ 8,877	$ 9,758	$ 12,059
Accruing loans 90 days or more past due:			
Total	$ –	$ –	$ –
Total nonperforming loans	$ 21,780	$ 17,937	$ 23,560
Other property owned	–	–	216
Total nonperforming assets	$ 21,780	$ 17,937	$ 23,776
Nonaccrual loans as a percentage of total loans	2.39%	1.53%	2.26%
Nonperforming assets as a percentage of total loans and other property owned	4.04%	3.36%	4.67%
Nonperforming assets as a percentage of capital	19.96%	17.46%	24.56%

The following table presents information relating to impaired loans (including accrued interest) as defined in Note 2:

	December 31, 2018	December 31, 2017	December 31, 2016
Impaired nonaccrual loans:			
Current as to principal and interest	$ 10,022	$ 4,192	$ 2,764
Past due	2,881	3,987	8,737
Total	$ 12,903	$ 8,179	$ 11,501
Impaired accrual loans:			
Restructured	$ 8,877	$ 9,758	$ 12,059
90 days or more past due	–	–	–
Total	$ 8,877	$ 9,758	$ 12,059
Total impaired loans	$ 21,780	$ 17,937	$ 23,560
Additional commitments to lend	$ –	$ 1,125	$ 100

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

	December 31, 2018			Year Ended December 31, 2018	
Impaired loans:	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	$ 2,082	$ 2,180	$ 114	$ 1,777	$ 162
Production and intermediate-term	5,907	6,695	932	5,043	458
Rural residential real estate	671	801	104	573	52
Total	$ 8,660	$ 9,676	$ 1,150	$ 7,393	$ 672
With no related allowance for credit losses:					
Real estate mortgage	$ 7,848	$ 8,070	$ –	$ 6,700	$ 609
Production and intermediate-term	5,192	5,386	–	4,432	404
Rural residential real estate	80	149	–	68	6
Total	$ 13,120	$ 13,605	$ –	$ 11,200	$ 1,019
Total impaired loans:					
Real estate mortgage	$ 9,930	$ 10,250	$ 114	$ 8,477	$ 771
Production and intermediate-term	11,099	12,081	932	9,475	862
Rural residential real estate	751	950	104	641	58
Total	$ 21,780	$ 23,281	$ 1,150	$ 18,593	$ 1,691

	December 31, 2017			Year Ended December 31, 2017	
Impaired loans:	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	$ 924	$ 976	$ 147	$ 946	$ 58
Production and intermediate-term	8,702	9,047	2,000	8,912	543
Rural residential real estate	509	540	70	521	32
Total	$ 10,135	$ 10,563	$ 2,217	$ 10,379	$ 633
With no related allowance for credit losses:					
Real estate mortgage	$ 5,759	$ 5,957	$ –	$ 5,898	$ 359
Production and intermediate-term	1,781	3,362	–	1,824	112
Rural residential real estate	262	419	–	268	16
Total	$ 7,802	$ 9,738	$ –	$ 7,990	$ 487
Total impaired loans:					
Real estate mortgage	$ 6,683	$ 6,933	$ 147	$ 6,844	$ 417
Production and intermediate-term	10,483	12,409	2,000	10,736	655
Rural residential real estate	771	959	70	789	48
Total	$ 17,937	$ 20,301	$ 2,217	$ 18,369	$ 1,120

	December 31, 2016			Year Ended December 31, 2016	
Impaired loans:	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	$ 1,417	$ 1,412	$ 46	$ 1,318	$ 59
Production and intermediate-term	7,488	7,618	2,250	6,968	309
Farm-related business	740	737	8	689	31
Rural residential real estate	586	611	37	545	24
Total	$ 10,231	$ 10,378	$ 2,341	$ 9,520	$ 423
With no related allowance for credit losses:					
Real estate mortgage	$ 6,543	$ 6,840	$ –	$ 6,089	$ 270
Production and intermediate-term	6,444	8,180	–	5,995	266
Farm-related business	–	–	–	–	–
Rural residential real estate	342	467	–	318	14
Total	$ 13,329	$ 15,487	$ –	$ 12,402	$ 550
Total impaired loans:					
Real estate mortgage	$ 7,960	$ 8,252	$ 46	$ 7,407	$ 329
Production and intermediate-term	13,932	15,798	2,250	12,963	575
Farm-related business	740	737	8	689	31
Rural residential real estate	928	1,078	37	863	38
Total	$ 23,560	$ 25,865	$ 2,341	$ 21,922	$ 973

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Power and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Activity related to the allowance for credit losses:								
Balance at December 31, 2017	$ 1,116	$ 2,833	$ 85	$ 48	$ 4	$ 96	$ 3	$ 4,185
Charge-offs	(5)	(95)	–	–	–	(1)	–	(101)
Recoveries	44	909	–	–	–	8	–	961
Provision for loan losses	100	(1,898)	15	(11)	1	19	(1)	(1,775)
Balance at December 31, 2018	$ 1,255	$ 1,749	$ 100	$ 37	$ 5	$ 122	$ 2	$ 3,270
Balance at December 31, 2016	$ 1,481	$ 3,096	$ 90	$ 25	$ –	$ 71	$ 3	$ 4,766
Charge-offs	(2)	(43)	–	–	–	–	–	(45)
Recoveries	50	84	–	–	–	8	–	142
Provision for loan losses	(413)	(304)	(5)	23	4	17	–	(678)
Balance at December 31, 2017	$ 1,116	$ 2,833	$ 85	$ 48	$ 4	$ 96	$ 3	$ 4,185
Balance at December 31, 2015	$ 2,300	$ 4,301	$ 48	$ 20	$ –	$ 134	$ –	$ 6,803
Charge-offs	–	(28)	–	–	–	(51)	–	(79)
Recoveries	206	105	–	–	–	71	–	382
Provision for loan losses	(1,025)	(1,282)	42	5	–	(83)	3	(2,340)
Balance at December 31, 2016	$ 1,481	$ 3,096	$ 90	$ 25	$ –	$ 71	$ 3	$ 4,766
Allowance on loans evaluated for impairment:								
Individually	$ 114	$ 932	$ –	$ –	$ –	$ 104	$ –	$ 1,150
Collectively	1,141	817	100	37	5	18	2	2,120
Balance at December 31, 2018	$ 1,255	$ 1,749	$ 100	$ 37	$ 5	$ 122	$ 2	$ 3,270
Individually	$ 147	$ 2,000	$ –	$ –	$ –	$ 70	$ –	$ 2,217
Collectively	969	833	85	48	4	26	3	1,968
Balance at December 31, 2017	$ 1,116	$ 2,833	$ 85	$ 48	$ 4	$ 96	$ 3	$ 4,185
Individually	$ 46	$ 2,250	$ 8	$ –	$ –	$ 37	$ –	$ 2,341
Collectively	1,435	846	82	25	–	34	3	2,425
Balance at December 31, 2016	$ 1,481	$ 3,096	$ 90	$ 25	$ –	$ 71	$ 3	$ 4,766
Recorded investment in loans evaluated for impairment:								
Individually	$ 9,931	$ 11,100	$ –	$ –	$ –	$ 751	$ –	$ 21,782
Collectively	290,526	132,693	64,305	14,940	3,742	7,488	5,863	519,557
Balance at December 31, 2018	$ 300,457	$ 143,793	$ 64,305	$ 14,940	$ 3,742	$ 8,239	$ 5,863	$ 541,339
Individually	$ 7,023	$ 10,535	$ –	$ –	$ –	$ 771	$ –	$ 18,329
Collectively	270,496	143,388	65,924	19,949	3,833	7,609	5,852	517,051
Balance at December 31, 2017	$ 277,519	$ 153,923	$ 65,924	$ 19,949	$ 3,833	$ 8,380	$ 5,852	$ 535,380
Individually	$ 7,998	$ 14,469	$ 745	$ –	$ –	$ 1,384	$ –	$ 24,596
Collectively	241,073	150,869	66,083	15,852	–	6,185	5,891	485,953
Balance at December 31, 2016	$ 249,071	$ 165,338	$ 66,828	$ 15,852	$ –	$ 7,569	$ 5,891	$ 510,549

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

To mitigate risk of loan losses, the Association may enter into guarantee arrangements with certain GSEs, including the Federal Agricultural Mortgage Corporation (Farmer Mac), and state or federal agencies. These guarantees generally remain in place until the loans are paid in full or expire and give the Association the right to be reimbursed for losses incurred or to sell designated loans to the guarantor in the event of default (typically four months past due), subject to certain conditions. The guaranteed balance of designated loans under these agreements was $100,365, $91,745, and $68,119 at December 31, 2018, 2017, and 2016, respectively. Fees paid for such guarantee commitments totaled $339, $193, and $166 for 2018, 2017, and 2016, respectively. These amounts are classified as noninterest expense.

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. There were no new TDRs that occurred during 2018.

	Year Ended December 31, 2017				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ –	$ 196	$ –	$ 196	
Total	$ –	$ 196	$ –	$ 196	
Post-modification:					
Real estate mortgage	$ –	$ 204	$ –	$ 204	$ (1)
Total	$ –	$ 204	$ –	$ 204	$ (1)

	Year Ended December 31, 2016				
Outstanding Recorded Investment	**Interest Concessions**	**Principal Concessions**	**Other Concessions**	**Total**	**Charge-offs**
Pre-modification:					
Real estate mortgage	$ 200	$ 3,497	$ –	$ 3,697	
Production and intermediate-term	–	429	–	429	
Rural residential real estate	–	510	–	510	
Total	$ 200	$ 4,436	$ –	$ 4,636	
Post-modification:					
Real estate mortgage	$ 200	$ 3,497	$ –	$ 3,697	$ –
Production and intermediate-term	–	429	–	429	–
Rural residential real estate	–	514	–	514	–
Total	$ 200	$ 4,440	$ –	$ 4,640	$ –

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.

	Year Ended December 31,		
Defaulted troubled debt restructurings	**2018**	**2017**	**2016**
Production and intermediate-term	$ –	$ –	$ 412
Total	$ –	$ –	$ 412

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

	Total TDRs December 31,			Nonaccrual TDRs December 31,		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**
Real estate mortgage	$ 5,280	$ 5,388	$ 6,295	$ 180	$ 566	$ 388
Production and intermediate-term	4,864	6,048	6,721	1,265	1,457	1,767
Farm-related business	–	–	740	–	–	–
Rural residential real estate	256	428	458	78	83	–
Total loans	$ 10,400	$ 11,864	$ 14,214	$ 1,523	$ 2,106	$ 2,155
Additional commitments to lend	$ –	$ –	$ –			

The following table presents information as of period end:

	December 31, 2018
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	$ 806

Note 4 — Investments

Investments in Debt Securities

The Association's investments consist primarily of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

	December 31, 2018				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Yield**
ABSs	$ 7,913	$ 31	$ (79)	$ 7,865	4.84%

	December 31, 2017				
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Yield**
ABSs	$ 13,029	$ 272	$ (23)	$ 13,278	2.17%

	December 31, 2016				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
ABSs	$ 19,008	$ 353	$ (22)	$ 19,339	2.33%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

	December 31, 2018		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ 104	$ 103	5.24%
After one year through five years	2,044	2,040	4.62
After five years through ten years	490	487	4.31
After ten years	5,275	5,235	4.97
Total	$ 7,913	$ 7,865	4.84%

A portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

	December 31, 2018			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	$ 4,723	$ (63)	$ 758	$ (16)

	December 31, 2017			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	$ 1,325	$ (6)	$ 1,030	$ (17)

	December 31, 2016			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	$ 1,229	$ (4)	$ 849	$ (18)

The recording of an impairment loss is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment (OTTI) loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including OTTI analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio. Factors considered in determining whether an impairment is other-than-temporary include among others: (1) the length of time and the extent to which the fair value is less than cost, (2) adverse conditions specifically related to the industry, (3) geographic area and the condition of the underlying collateral, (4) payment structure of the security, (5) ratings by rating agencies, (6) the credit worthiness of bond insurers, and (7) volatility of the fair value changes.

The Association uses the present value of cash flows expected to be collected from each debt security to determine the amount of credit loss. This technique requires assumptions related to the underlying collateral, including default rates, amount and timing of prepayments, and loss severity. Assumptions can vary widely from security to security and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics, and collateral type.

Significant inputs used to estimate the amount of credit loss include, but are not limited to, performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets), loan-to-collateral value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, and credit ratings. The Association may obtain assumptions for the default rate, prepayment rate, and loss severity rate from an independent third party, or generate the assumptions internally.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

Substantially all of these investments were in U.S. government agency securities and the Association expects these securities would not be settled at a price less than their amortized cost. All securities continue to perform at period end.

Equity Investments in Other Farm Credit 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.

The Association is required to maintain ownership in 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's investment in the Bank totaled $6,029 for 2018, $5,771 for 2017 and $5,910 for 2016. The Association owns 2.20 percent of the issued stock of the Bank as of December 31, 2018 net of any reciprocal investment. As of that date, the Bank's assets totaled $33.1 billion and shareholders' equity totaled $2.2 billion. The Bank's earnings were $306 million for 2018. In addition, the Association had an investment of $539 related to other Farm Credit institutions at December 31, 2018.

Note 5 — Real Estate and Other Property

Premises and Equipment
Premises and equipment consists of the following:

	December 31,		
	2018	2017	2016
Land	$ 658	$ 208	$ 208
Buildings and improvements	1,273	914	863
Furniture and equipment	1,439	1,317	1,304
	3,370	2,439	2,375
Less: accumulated depreciation	1,623	1,583	1,597
Total	$ 1,747	$ 856	$ 778

In 2018, the Association purchased a building and land to serve as its future Brooksville location. The purchase price was approximately $750 thousand.

The Association is obligated under various noncancellable operating leases for offices. At December 31, 2018 future minimum lease payments for all noncancellable operating leases are as follows:

2019	$ 408
2020	420
2021	–
2022	–
2023	–
Subsequent years	–
Total minimum lease payments	$ 828

Other Property Owned
Net (gains) losses on other property owned consist of the following:

	December 31,		
	2018	2017	2016
(Gains) losses on sale, net	$ –	$ –	$ (12)
Carrying value unrealized (gains) losses	–	63	–
Operating (income) expense, net	–	3	7
(Gains) losses on other property owned, net	$ –	$ 66	$ (5)

Gains on sales of other property owned were deferred if the sales involved financing from the Association and did not meet the criteria for immediate recognition. There were no deferred gains at December 31, 2018, 2017, and 2016.

Note 6 — Debt

Notes Payable to AgFirst Farm Credit Bank
Under the Farm Credit Act, the Association is obligated to borrow only from the Bank, unless the Bank approves borrowing from other funding sources. The borrowing relationship is established with the Bank through a General Financing Agreement (GFA). The GFA utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The GFA has a one year term which expires on December 31 and is renewable each year. The Association has no reason to believe the GFA will not be renewed upon expiration. The Bank, consistent with FCA regulations, has established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2018, the Association's notes payable were within the specified limitations.

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 and the terms of the revolving lines of credit are governed by the GFA. Interest rates on both variable and fixed rate advances are generally established loan-by-loan based on the Bank's marginal cost of funds, capital position, operating costs and return objectives. In the event of prepayment of any portion of a fixed rate advance, the Association may incur a prepayment penalty in accordance with the terms of the GFA and which will be included in interest expense. The interest rate is periodically adjusted by the Bank based upon agreement between the Bank and the Association.

The weighted average interest rates on the variable rate advances were 3.43 percent for LIBOR-based loans and 3.35 percent for Prime-based loans, and the weighted average remaining maturities were 4.6 years and 3.7 years, respectively, at December 31, 2018. The weighted-average interest rate on the fixed rate and adjustable rate mortgage (ARM) loans which are match funded by the Bank was 3.36 percent, and the weighted average remaining maturity was 11.9 years at December 31, 2018. The weighted-average interest rate on all interest-bearing notes payable was 3.39 percent and the weighted-average remaining maturity was 9.1 years at December 31, 2018. Variable rate and fixed rate notes payable represent approximately 23.27 percent and 76.73 percent, respectively, of total notes payable at December 31, 2018. The weighted average maturities described above are related to matched-funded loans. The direct note itself has an annual maturity as prescribed in the GFA.

Note 7 — Members' Equity

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below:

A. **Protected Borrower Equity:** Protection of certain borrower equity is provided under the Farm Credit Act which requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities which were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an Association is unable to retire protected borrower equity at

par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

B. **Capital Stock and Participation Certificates:** In accordance with the Farm Credit Act and the Association's capitalization bylaws, each borrower is required to invest in Class C stock for agricultural loans, or participation certificates in the case of rural home and farm related business loans, as a condition of borrowing. The initial borrower investment, through either purchase or transfer, must be in an amount equal to the lesser of $1 thousand or two percent of the amount of the loan. The Board of Directors may increase the amount of investment if necessary to meet the Association's capital needs. Loans designated for sale or sold into the Secondary Market on or after April 16, 1996 will have no voting stock or participation certificate purchase requirement if sold within 180 days following the date of designation.

The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, but usually does not make a cash investment. The aggregate par value is generally added to the principal amount of the related loan obligation. The Association retains a first lien on the stock or participation certificates owned by borrowers. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding stock or participation certificates.

C. **Regulatory Capitalization Requirements and Restrictions:** An FCA regulation empowers it to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

There are currently no prohibitions in place that would prevent the Association from retiring stock, distributing earnings, or paying dividends per the statutory and regulatory restrictions, and the Association has no reason to believe any such restrictions may apply in the future.

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 core surplus and total surplus ratios with common equity tier 1 (CET1) capital, tier 1 capital, and total capital risk-based ratios. The new regulations also include a tier 1 leverage ratio and an unallocated retained earnings (URE) and URE equivalents (UREE) leverage ratio. The permanent capital ratio (PCR) remains in effect.

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

- The CET1 capital 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 ratio 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 URE and 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 December 31, 2018	2017
Risk-adjusted ratios:					
CET1 Capital	4.5%	1.25%	5.75%	19.91%	18.58%
Tier 1 Capital	6.0%	1.25%	7.25%	19.91%	18.58%
Total Capital	8.0%	1.25%	9.25%	20.54%	19.50%
Permanent Capital	7.0%	0.0%	7.0%	20.03%	18.75%
Non-risk-adjusted ratios:					
Tier 1 Leverage	4.0%	1.0%	5.0%	19.00%	17.80%
URE and UREE Leverage	1.5%	0.0%	1.5%	15.61%	14.02%

** 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.

D. **Description of Equities:** The Association is authorized to issue or have outstanding Classes A and D Preferred Stock, Classes A, B and C Common Stock, Classes B and C Participation Certificates and such other classes of equity as may be provided for in amendments to the bylaws in such amounts as may be necessary to conduct the Association's business. All stock and participation certificates have a par or face value of five dollars ($5.00) per share.

The Association had the following shares outstanding at December 31, 2018:

Class	Protected	Shares Outstanding Number	Aggregate Par Value
C Common/Voting	No	154,292	$ 771
C Participation Certificates/Nonvoting	No	22,108	111
Total Capital Stock and Participation Certificates		176,400	$ 882

Protected common stock and participation certificates are retired at par or face value in the normal course of business. At-risk common stock and participation certificates are retired at the sole discretion of the Board at book value not to exceed par or face amounts, provided the minimum capital adequacy standards established by the Board are met.

Retained Earnings

The Association maintains an unallocated retained earnings account and an allocated retained earnings account. The minimum aggregate amount of these two accounts is determined by the Board. At the end of any fiscal year, if the retained earnings accounts otherwise would be less than the minimum amount determined by the Board as necessary to maintain adequate capital reserves to meet the commitments of the Association, the Association shall apply earnings for the year to the unallocated retained earnings account in such amounts as may be determined necessary by the Board. Unallocated retained earnings are maintained for each borrower to permit liquidation on a patronage basis.

The Association maintains an allocated retained earnings account consisting of earnings held and allocated to borrowers on a patronage basis. In the event of a net loss for any fiscal year, such allocated retained earnings account will be subject to full impairment in the order specified in the bylaws beginning with the most recent allocation.

The Association has a first lien and security interest on all retained earnings account allocations owned by any borrowers, and all distributions thereof, as additional collateral for their indebtedness to the Association. When the debt of a borrower is in default or is in the process of final liquidation by payment or otherwise, the Association, upon approval of the Board, may order any and all retained earnings account allocations owned by such borrower to be applied on the indebtedness.

Allocated equities shall be retired solely at the discretion of the Board, provided that minimum capital standards established by the FCA and the Board are met.

At December 31, 2018, allocated members' equity consisted of $145 of qualified surplus, $20,610 of nonqualified allocated surplus and $2,152 of nonqualified retained surplus. Nonqualified distributions are tax deductible only when redeemed.

Dividends

The Association may declare noncumulative dividends on its capital stock and participation certificates provided the dividend rate does not exceed 20 percent of the par value of the respective capital stock and participation certificates. Such dividends may be paid solely on Classes A and D Preferred Stock or on all classes of stock and participation certificates.

The rate of dividends paid on Class A Preferred Stock for any fiscal year may not be less than the rate of dividends paid on Classes A, B or C Common Stock or participation certificates for such year. The rate of dividends on Classes A, B and C Common Stock and participation certificates shall be at the same rate per share.

Dividends may not be declared if, after recording the liability, the Association would not meet its capital adequacy standards. No dividends were declared by the Association for any of the periods included in these Consolidated Financial Statements.

Patronage Distributions

Prior to the beginning of any fiscal year, the Board, by adoption of a resolution, may obligate the Association to distribute to borrowers on a patronage basis all or any portion of available net earnings for such fiscal year or for that and subsequent fiscal years. Patronage distributions are based on the proportion of the borrower's interest to the amount of interest earned by the Association on its total loans unless another proportionate patronage basis is approved by the Board.

If the Association meets its capital adequacy standards after making the patronage distributions, the patronage distributions may be in cash, authorized stock of the Association, allocations of earnings retained in an allocated members' equity account, or any one or more of such forms of distribution. Patronage distributions of the Association's earnings may be paid on either a qualified or nonqualified basis, or a combination of both, as determined by the Board. A minimum of 20 percent of the total qualified patronage distribution to any borrower for any fiscal year shall always be paid in cash.

Transfer

Classes A and D Preferred, Classes A, B and C Common Stocks, and Classes B and C Participation Certificates may be transferred to persons or entities eligible to purchase or hold such equities.

Impairment

Any net losses recorded by the Association shall first be applied against unallocated members' equity. To the extent that such losses would exceed unallocated members' equity, such losses would be applied consistent with the Association's bylaws and distributed pro rata to each share and/or unit outstanding in the class, in the following order:

a) ***First***, Assistance Preferred Stock issued and outstanding (if any);
b) ***Second***, allocated surplus evidenced by nonqualified written notices of allocation, in its entirety, with application to most recent allocation first and then in reverse order until all such allocated surplus has been exhausted;
c) ***Third***, allocated surplus evidenced by qualified written notices of allocation, in its entirety, with application to most recent allocation first and then in reverse order until all such allocated surplus has been exhausted;
d) ***Fourth***, Class A Common and Class B Common Stock, Class C Common Stock, Class E Common Stock, Class C Participation Certificates and Class B Participation Certificates issued and outstanding, pro rata until such stock is fully impaired;
e) ***Fifth***, Class A Preferred and Class D Preferred Stock issued and outstanding, if any.

Liquidation

In the event of liquidation or dissolution of the Association, any assets of the Association remaining after payment or retirement of all liabilities should be distributed to the holders of the outstanding stock and participation certificates in the following order:

a) ***First***, to the holders of Class A Preferred and Class D Preferred Stock until an amount equal to the aggregate par value of all shares of said stock then issued and outstanding has been distributed to such holders;
b) ***Second***, to the holders of Class A Common, Class B Common, Class C Common Stock, Class E Common Stock, and Class B Participation Certificates and Class C Participation Certificates, pro rata in proportion to the number of shares or units of each such class of stock or participation certificate then issued and outstanding, until an amount equal to the aggregate par value or face amount of all such shares or units has been distributed to such holders;
c) ***Third***, to the holders of allocated surplus evidenced by qualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed;
d) ***Fourth***, to the holders of allocated surplus evidenced by nonqualified written notices of allocation, in the order of year of issuance and pro rata by year of issuance, until the total amount of such allocated surplus has been distributed;
e) ***Fifth***, in so far as practicable, all unallocated surplus issued after April 15, 1999, shall be distributed to Patrons of the Association from the period beginning April 15, 1999, through the date of liquidation, on a patronage basis; and
f) ***Sixth***, any remaining assets of the Association after such distributions shall be distributed ratably to the holders of all classes of stock and participation certificates in proportion to the number of shares or units of such class of stock or participation certificates held by such holders.

All distributions to the holders of any class of stock and/or participation certificate holders shall be made pro rata in proportion to the number of shares or units of such class of stock or participation certificates held by such holders.

E. **Accumulated Other Comprehensive Income (AOCI):**

Changes in Accumulated Other Comprehensive income by Component *(a)*

	For the Years Ended December 31,					
		2018		2017		2016
Employee Benefit Plans:						
Balance at beginning of period	$	(570)	$	(499)	$	(488)
Other comprehensive income before reclassifications		34		(128)		(60)
Amounts reclassified from AOCI		75		57		49
Net current period OCI		109		(71)		(11)
Balance at end of period	$	(461)	$	(570)	$	(499)

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*

	Year to Date						
		2018		2017		2016	Income Statement Line Item
Defined Benefit Pension Plans:							
Periodic pension costs	$	(75)	$	(57)	$	(49)	See Note 9.
Amounts reclassified	$	(75)	$	(57)	$	(49)	

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

Note 8 — 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.

Estimating the fair value of the Association's equity investments in the Bank and Other Farm Credit Institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost.

The classifications within the fair value hierarchy (See Note 2) are as follows:

Level 1
Assets held in trust funds, related to a supplemental retirement plan, are classified as Level 1. The trust funds include investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

For cash, the carrying value is primarily utilized as a reasonable estimate of fair value.

Level 2
ABSs, such as those issued through the Small Business Administration, are classified Level 2.

Level 3
Because no active market exists for the Association's accruing loans, fair value is estimated by discounting the expected future cash flows using the Association's current interest rates at which similar loans currently would be made to borrowers with similar credit risk. The loan portfolio is segregated into pools of loans with homogeneous characteristics based upon repricing and credit risk. Expected future cash flows and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

Fair values of loans in a nonaccrual status are estimated to be the carrying amount of the loan less specific reserves. Certain loans evaluated for impairment under FASB guidance have fair values based upon the underlying collateral, as the loans were collateral-dependent. Specific reserves were established for these loans when the value of the collateral, less estimated cost to sell, was less than the principal balance of the loan. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters.

Notes payable are segregated into pricing pools according to the types and terms of the loans (or other assets) which they fund. Fair value of the notes payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the notes is equal to the principal payments on the Association's loan receivables. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

Other property owned is classified as a Level 3 asset. The fair value is generally determined using formal appraisals of each individual property. These assets are held for sale. Costs to sell represent transaction costs and are not included as a component of the fair value of other property owned. Other property owned consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure and is carried as an asset held for sale, which is generally not its highest and best use. These properties are part of the Association's credit risk mitigation efforts, not its ongoing business. In addition, FCA regulations require that these types of property be disposed of within a reasonable period of time.

For commitments to extend credit, the estimated market value of off-balance-sheet commitments is minimal since the committed rate approximates current rates offered for commitments with similar rate and maturity characteristics; therefore, the related credit risk is not significant.

There were no Level 3 assets and 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.

	December 31, 2018				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 654	$ 654	$ –	$ –	$ 654
Recurring Assets	$ 654	$ 654	$ –	$ –	$ 654
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 7,510	$ –	$ –	$ 7,510	$ 7,510
Other property owned	–	–	–	–	–
Nonrecurring Assets	$ 7,510	$ –	$ –	$ 7,510	$ 7,510
Other Financial Instruments					
Assets:					
Cash	$ 189	$ 189	$ –	$ –	$ 189
Investments in debt securities, held-to-maturity	7,913	–	7,865	–	7,865
Loans	528,219	–	–	517,372	517,372
Other Financial Assets	$ 536,321	$ 189	$ 7,865	$ 517,372	$ 525,426
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 442,646	$ –	$ –	$ 437,279	$ 437,279
Other Financial Liabilities	$ 442,646	$ –	$ –	$ 437,279	$ 437,279

	December 31, 2017				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 577	$ 577	$ –	$ –	$ 577
Recurring Assets	$ 577	$ 577	$ –	$ –	$ 577
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 7,918	$ –	$ –	$ 7,918	$ 7,918
Other property owned	–	–	–	–	–
Nonrecurring Assets	$ 7,918	$ –	$ –	$ 7,918	$ 7,918
Other Financial Instruments					
Assets:					
Cash	$ 53	$ 53	$ –	$ –	$ 53
Investments in debt securities, held-to-maturity	13,029	–	13,278	–	13,278
Loans	522,092	–	–	514,907	514,907
Other Financial Assets	$ 535,174	$ 53	$ 13,278	$ 514,907	$ 528,238
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 443,696	$ –	$ –	$ 441,018	$ 441,018
Other Financial Liabilities	$ 443,696	$ –	$ –	$ 441,018	$ 441,018

	December 31, 2016				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Recurring Measurements					
Assets:					
Assets held in trust funds	$ 423	$ 423	$ –	$ –	$ 423
Recurring Assets	$ 423	$ 423	$ –	$ –	$ 423
Liabilities:					
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –
Nonrecurring Measurements					
Assets:					
Impaired loans	$ 7,890	$ –	$ –	$ 7,890	$ 7,890
Other property owned	216	–	–	233	233
Nonrecurring Assets	$ 8,106	$ –	$ –	$ 8,123	$ 8,123
Other Financial Instruments					
Assets:					
Cash	$ 1,087	$ 1,087	$ –	$ –	$ 1,087
Investments in debt securities, held-to-maturity	19,008	–	19,339	–	19,339
Loans	496,456	–	–	489,946	489,946
Other Financial Assets	$ 516,551	$ 1,087	$ 19,339	$ 489,946	$ 510,372
Liabilities:					
Notes payable to AgFirst Farm Credit Bank	$ 435,590	$ –	$ –	$ 432,196	$ 432,196
Other Financial Liabilities	$ 435,590	$ –	$ –	$ 432,196	$ 432,196

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	$ 7,510	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement costs	*
			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
Investment securities, held-to-maturity	Discounted cash flow	Prepayment rates Risk adjusted discount rate
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

Note 9 — Employee Benefit Plans

The Association participates in three District sponsored benefit plans. These plans include a multi-employer defined benefit pension plan, the AgFirst Farm Credit Retirement Plan, which is a final average pay plan (FAP Plan). In addition, the Association participates in a multi-employer defined benefit other postretirement benefits plan (OPEB Plan), the Farm Credit Benefits Alliance Retiree and Disabled Medical and Dental Plan, and a defined contribution 401(k) plan. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

1. Assets contributed to multi-employer plans by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Association chooses to stop participating in some of its multi-employer plans, the Association may be required to contribute to eliminate the underfunded status of the plan.

The District's multiemployer plans are not subject to ERISA and no Form 5500 is required. As such, the following information is neither available for nor applicable to the plans:

1. The Employee Identification Number (EIN) and three-digit Pension Plan Number
2. The most recent Pension Protection Act (PPA) zone status. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.
3. The "FIP/RP Status" indicating whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.
4. The expiration date(s) of collective-bargaining agreement(s).

The FAP Plan covers employees hired prior to January 1, 2003 and includes other District employees that are not employees of the Association. It is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Balance Sheets but are included in the Combined Balance Sheets for the AgFirst District. FAP Plan expenses included in employee benefit costs on the Association's Statements of Income were $785 for 2018, $729 for 2017, and $1,047 for 2016. At December 31, 2018, 2017, and 2016, the total liability balance for the FAP Plan presented in the District Combined Balance Sheets is $94,491, $139,104, and $119,000, respectively. The FAP Plan is 89.56 percent, 86.41 percent, and 86.96 percent funded to the projected benefit obligation as of December 31, 2018, 2017, and 2016, respectively.

In addition to providing pension benefits, the Association provides certain medical and dental benefits for eligible retired employees through the OPEB Plan. Substantially all of the Association employees may become eligible for the benefits if they reach early retirement age while working for the Association. Early retirement age is defined as a minimum of age 55 and 10 years of service. Employees hired after December 31, 2002, and employees who separate from service between age 50 and age 55, are required to pay the full cost of their retiree health insurance coverage. Employees who retire subsequent to December 1, 2007 are no longer provided retiree life insurance benefits. The OPEB Plan includes other Farm Credit System employees that are not employees of the Association or District and is accounted for as a multiemployer plan. The related net benefit plan obligations are not included in the Association's Balance Sheets but are included in the Combined Statement of Condition for the Farm Credit System. The OPEB Plan is unfunded with expenses paid as incurred. Postretirement benefits other than pensions included in employee benefit costs on the Association's Statements of Income were $161 for 2018, $160 for 2017, and $243 for 2016. At December 31, 2018, the total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition is $181,820.

During 2017, the method of recording expenses at participating District entities for the FAP and OPEB Plans was modified. Prior to 2017, expense was recorded based on allocations of actuarially-determined costs and any differences between recorded expense and actual contributions were recorded in Other Assets or Other Liabilities on the Consolidated Balance Sheets. For 2017 and future years, participating entities will record employee benefit costs based on the actual contributions to the Plans. This change caused the Association to modify its accounting estimates recorded in Other Assets and Other Liabilities since the assets and liabilities do not impact future contributions to the Plans. The change in estimate resulted in the reduction of Other Assets by $2,663 and the reduction of Other Liabilities by $3,050 on the Association's Balance Sheets, and a total reduction of noninterest expenses on the Association's Statements of Income of $387 during 2017.

The Association also participates in a defined contribution Farm Credit Benefits Alliance (FCBA) 401(k) Plan (401(k) Plan), which qualifies as a 401(k) plan as defined by the Internal Revenue Code. For employees hired on or prior to December 31, 2002, the Association contributes $0.50 for each $1.00 of the employee's first 6.00 percent of contribution (based on total compensation) up to the maximum employer contribution of 3.00 percent of total compensation. For employees hired on or after January 1, 2003, the Association contributes $1.00 for each $1.00 of the employee's first 6.00 percent of contribution up to the maximum employer contribution of 6.00 percent of total compensation. Employee deferrals are not to exceed the maximum deferral as determined and adjusted by the Internal Revenue Service. The 401(k) Plan costs are expensed as funded. Employer contributions to this plan included in salaries and employee benefit costs were $388, $352, and $335 for the years ended December 31, 2018, 2017, and 2016, respectively. Beginning in 2015, contributions include an additional 3.00 percent of eligible compensation for employees hired after December 31, 2002.

FASB guidance further requires the determination of the fair value of plan assets and recognition of actuarial gains and losses, prior service costs or credits, and transition assets or obligations as a component of AOCI. Under the guidance, these amounts are subsequently recognized as components of net periodic benefit costs over time. For 2018, 2017, and 2016, $109, $(71) and $(11) has been recognized as a net credit and net debits to AOCI to reflect these elements.

In addition to the multi-employer plans described above, the Association sponsors nonqualified supplemental retirement and 401(k) plans. The supplemental retirement plan is unfunded and had a projected benefit obligation of $1,181 and a net under-funded status of $1,181 at December 31, 2018. Assumptions used to determine the projected benefit obligation as of December 31, 2018 included a discount rate of 4.40 percent and a rate of compensation increase of 2.00 percent. The expenses of these nonqualified plans included in noninterest expenses were $147, $123, and $111 for 2018, 2017, and 2016, respectively.

Additional information for the above may be found in the Notes to the Annual Information Statement of the Farm Credit System.

Note 10 — Related Party Transactions

In the ordinary course of business, the Association enters into loan transactions with officers and directors of the Association, their immediate families and other organizations with which such persons may be associated. Such loans are subject to special approval requirements contained in the FCA regulations and are made on the same terms, including interest rates, amortization schedule, and collateral, as those prevailing at the time for comparable transactions with unaffiliated borrowers.

Total gross loans to such persons at December 31, 2018 amounted to $21,584. During 2018, $11,648 of new loans were made and repayments totaled $5,151. In the opinion of management, none of these loans outstanding at December, 31, 2018 involved more than a normal risk of collectability.

Note 11 — Commitments and Contingencies

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.

In the normal course of business, the Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers. These financial instruments may include commitments to extend credit or letters of credit.

The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the Consolidated Balance Sheets until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2018, $132,395 of commitments to extend credit and no commercial letters of credit were outstanding. There was no reserve for unfunded commitments included in Other Liabilities in the Consolidated Balance Sheets at December 31, 2018.

The Association also participates in standby letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financial obligations. At December 31, 2018, standby letters of credit outstanding totaled $576 with expiration dates ranging from January 1, 2019 to May 1, 2023. The maximum potential amount of future payments that may be required under these guarantees was $576.

Note 12 — Income Taxes

At December 31, 2018, 2017 and 2016, the Association recorded $0, $0, and $0, respectively for provision or benefit for federal or state income taxes.

The provision (benefit) for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows:

	December 31, 2018	December 31, 2017	December 31, 2016
Federal tax at statutory rate	$ 2,972	$ 4,289	$ 3,777
Effect of non-taxable FLCA subsidiary	(1,668)	(2,679)	(2,234)
Patronage distributions	(1,302)	(1,610)	(1,505)
Change in valuation allowance	(8)	(3,522)	(60)
Change in statutory rate	–	3,513	–
Other	6	9	22
Provision (benefit) for income taxes	$ –	$ –	$ –

Deferred tax assets and liabilities are comprised of the following at:

	December 31, 2018	December 31, 2017	December 31, 2016
Deferred income tax assets:			
Allowance for loan losses	$ 665	$ 736	$ 1,208
Net operating loss – carryforward	5,457	5,283	8,145
Nonaccrual loan interest	249	366	412
Gross deferred tax assets	6,371	6,385	9,765
Less: valuation allowance	(6,351)	(6,361)	(9,705)
Gross deferred tax assets, net of valuation allowance	20	24	60
Deferred income tax liabilities:			
Loan origination fees	(20)	(24)	(60)
Gross deferred tax liability	(20)	(24)	(60)
Net deferred tax asset (liability)	$ –	$ –	$ –

At December 31, 2018, deferred income taxes have not been provided by the Association on approximately $1.2 million of patronage refunds received from the Bank prior to January 1, 1993. Such refunds, distributed in the form of stock, are subject to tax only upon conversion to cash. The tax liability related to future conversions is not expected to be material.

The Association recorded a valuation allowance of $6,351, $6,361 and $9,705 as of December 31, 2018, 2017 and 2016, respectively. The Association will continue to evaluate the realizability of these deferred tax assets and adjust the valuation allowance accordingly.

There were no uncertain tax positions identified related to the current year and the Association has no unrecognized tax benefits at December 31, 2018 for which liabilities have been established. The Association recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense.

The Tax Cuts and Jobs Act was enacted on December 22, 2017, and includes, among other items, a reduction in the federal corporate income tax rate. The reduced rate does not have an impact in our effective tax rate due to a full valuation allowance in our books. Additionally, since our deferred tax balances are calculated based on the tax rates in effect during the period, a change in federal corporate income tax rates is recorded as a component of the income tax provision for the period in which the law is enacted to change current or future tax rates. Therefore, this reduction in the corporate federal income tax rate resulted in a one-time adjustment of our deferred tax balances and a corresponding adjustment of our valuation allowance in 2017.

The tax years that remain open for federal and major state income tax jurisdictions are 2015 and forward.

Note 13 — Additional Financial Information

Quarterly Financial Information (Unaudited)

2018	First	Second	Third	Fourth	Total
Net interest income	$ 3,245	$ 3,250	$ 4,187	$ 3,301	$ 13,983
Provision for (reversal of allowance for) loan losses	(150)	(565)	(1,060)	–	(1,775)
Noninterest income (expense), net	(884)	(1,135)	(1,597)	2,009	(1,607)
Net income	$ 2,511	$ 2,680	$ 3,650	$ 5,310	$ 14,151

2017	First	Second	Third	Fourth	Total
Net interest income	$ 3,283	$ 2,906	$ 3,033	$ 3,037	$ 12,259
Provision for (reversal of allowance for) loan losses	(228)	–	–	(450)	(678)
Noninterest income (expense), net	(1,230)	(1,159)	(1,429)	3,136	(682)
Net income	$ 2,281	$ 1,747	$ 1,604	$ 6,623	$ 12,255

2016	First	Second	Third	Fourth	Total
Net interest income	$ 2,828	$ 2,737	$ 2,666	$ 2,898	$ 11,129
Provision for (reversal of allowance for) loan losses	(890)	–	(470)	(980)	(2,340)
Noninterest income (expense), net	(977)	(1,386)	(1,146)	833	(2,676)
Net income	$ 2,741	$ 1,351	$ 1,990	$ 4,711	$ 10,793

Note 14 — Subsequent Events

The Association evaluated subsequent events and determined that there were none requiring disclosure through March 13, 2019, which was the date the financial statements were issued.

OUR LOCATIONS

ADMINISTRATIVE OFFICE
115 S Missouri Ave.
Suite 400
Lakeland, FL 33815
863.682.4117

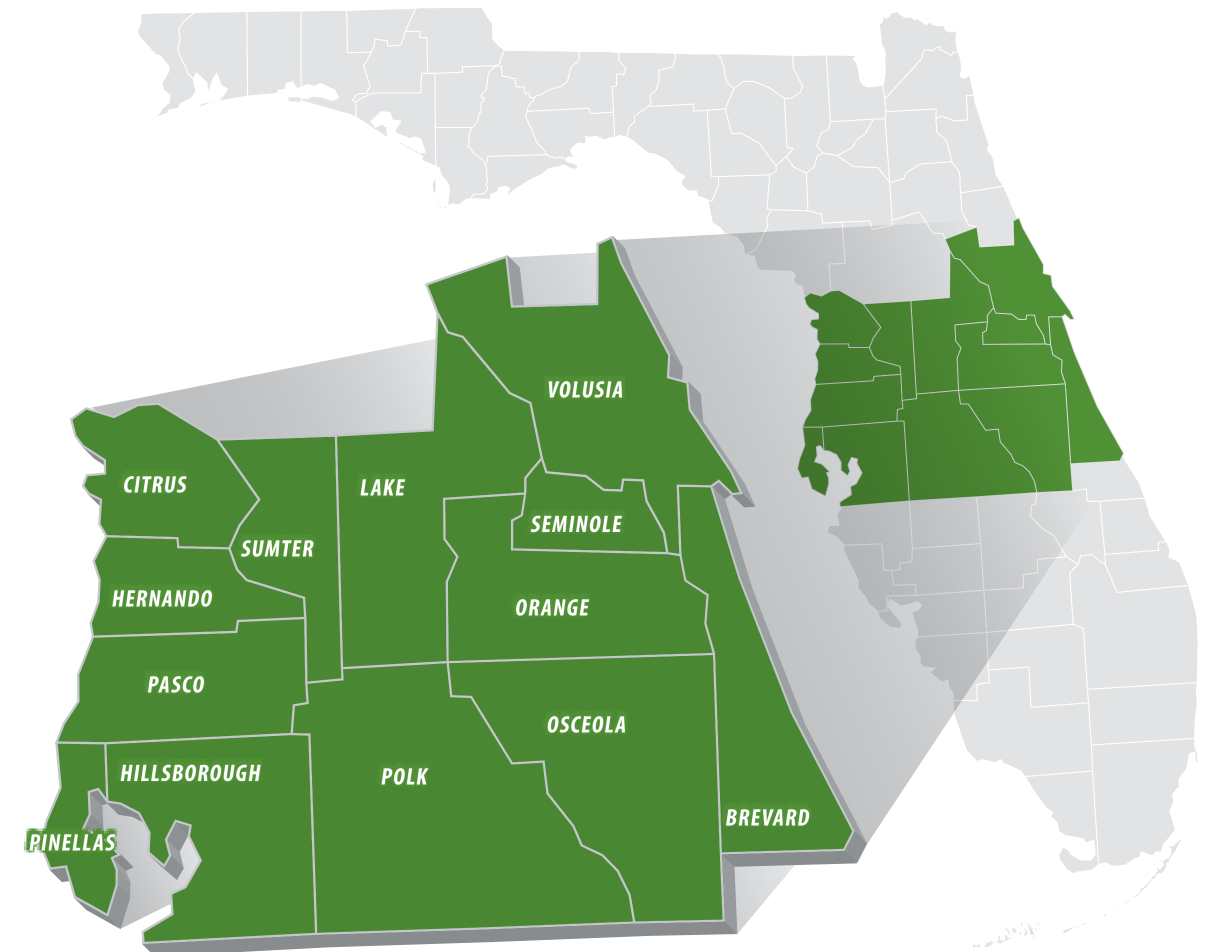
AGRIBUSINESS LENDING GROUP
115 S. Missouri Ave
Suite 400
Lakeland, FL 33815
863.682.4117

APOPKA SERVICE CENTER
57 E. Third Street
Apopka, FL 32703
407.880.7883

BROOKSVILLE SERVICE CENTER
31081 Cortez Blvd.
Brooksville, FL 34602
352.544.5553

LAKELAND SERVICE CENTER
115 S. Missouri Ave
Suite 400
Lakeland, FL 33815
863.682.4117

PLANT CITY SERVICE CENTER
2301 Thonotosassa Road
Plant City, FL 33563
813.719.7341



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