Farm Credit of Central Florida, ACA

FIRST QUARTER 2014

TABLE OF CONTENTS

CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2014 quarterly 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.

Reginald T. Holt
Chief Executive Officer

D. Scott Fontenot
Chief Financial Officer

John S. Langford
Chairman of the Audit committee

May 9, 2014

Farm Credit of Central Florida, ACA

Report on Internal Control Over Financial Reporting

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

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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2014. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, 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 concluded that as of March 31, 2014, the internal control over financial reporting was effective based upon the COSO (1992) criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2014.

Reginald T. Holt
Chief Executive Officer

D. Scott Fontenot
Chief Financial Officer

May 9, 2014

Farm Credit of Central Florida, ACA

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

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Farm Credit of Central Florida, ACA, (Association) for the period ended March 31, 2014. These comments should be read in conjunction with the accompanying financial statements, notes to the financial statements and the 2013 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities in our region, including horticulture, fruits/vegetables, citrus, 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.

March 31, 2014 compared to December 31, 2013

Loan volume of the Association as of March 31, 2014, was $370,153, a decrease of $4,811 as compared to $374,964 at December 31, 2013. Net loans outstanding at March 31, 2014, were $362,446 as compared to $366,869 at December 31, 2013. The Association has investment securities that are classified as held to maturity in the amount of $37,618 at March 31, 2014, as compared to $39,511 at December 31, 2013. Net loans and investment securities accounted for 95.88 percent of total assets at March 31, 2014, as compared to 93.90 percent of total assets at December 31, 2013.

The Association's total servicing portfolio has increased to $891,262 as compared to $872,008 at December 31, 2013, due in large part to new money closings exceeding run-off and liquidations. Even with a decrease in investments and nonaccrual loan assets, servicing volume has maintained positive growth throughout the period.

ASSET QUALITY AND LOAN LOSS RESERVES

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has improved as compared to year end as a result of recent reductions in Substandard-Viable assets. Acceptable and OAEM credit quality as a percentage of total loan portfolio was 89.14% as of March 31, 2014, compared to 88.90% at December 31, 2013 and 85.21% at March 31, 2013. Substandard credit quality was 10.86% as of March 31, 2014, compared to 11.10% at December 31, 2013. The actual substandard asset volume has been reduced by $1,410 from year-end December 31, 2013. Nonaccrual loan volume was $8,393 at March 31, 2014, compared to $8,157 at December 31, 2013 and $12,951 at March 31, 2013, an increase of $236 and a decrease of $4,558, respectively. The majority of the loan assets in nonaccrual are in the nursery, citrus and cattle industries.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2014, was $7,707 compared to $8,095 at December 31, 2013, and $10,378 at March 31, 2013, and is considered by management to be adequate to cover possible losses. The allowance for loan loss is broken down between specific reserves assigned to an individual loan and general reserves which are available for the possible losses within the entire portfolio. The current allowance for loan loss at March 31, 2014, contains $4,020 in specific reserves and $3,687 in general reserves. The following outlines the allowance for loan loss activity as of March 31, 2014.

Allowance for Loan Losses Activity:	YTD 2014
Balance at beginning of period	$ 8,095
Charge-offs	(388)
Recoveries	–
Provisions/(Reversals)-General	(53)
Provisions/(Reversals)–Specifics	53
Balance at end of period	$ 7,707

The decrease in allowance for loan losses compared to December 2013 was a direct result of charge-offs during 2014 within the citrus, cattle and real estate portfolios. Chargeoffs are funded through the allowance from previous and/or current increases in the provision for loan losses.

RESULTS OF OPERATIONS

For the three months ended March 31, 2014

Net income for the three months ended March 31, 2014, totaled $1,856, as compared to $2,114 for the same period in 2013. The decrease of $258 for the period is associated directly with the reversals of allowance for loan losses during the same period in 2013 and increased noninterest expenses as compared to the same period prior year.

Net interest income increased $79 for the three months ended March 31, 2014, as compared to the same period in 2013. The primary reason for the increase in net interest income is the increase in net loan assets as compared to the same time last year. Net interest income for the three months ending March 31, 2014, is shown in the following table:

	For the three months ended March 31,			
Net Interest Income	**2014**	**2013**	**$ change**	**% change**
Investment Interest Income	$ 202	$ 242	$ (40)	(16.53) %
Loan Interest Income	4,169	4,059	110	2.71
Total Interest Income	4,371	4,301	70	1.63
Total Interest Expense	1,577	1,586	(9)	(0.57)
Net Interest Income	$ 2,794	$ 2,715	$ 79	2.91 %

Allowance for loan loss activity for the quarter consisted of a zero net provision or reversal, as compared to a $133 reversal for the same period last year. Provisions for loan losses for the three months ending March 31, 2014 are shown in the following table:

	For the three months ended March 31,			
Provisions/(Reversals) for Loan Losses	**2014**	**2013**	**$ change**	**% change**
General Reserves	$ (53)	$ (181)	$ 128	70.72
Specific Reserves	53	48	5	10.42
Total Provisions/(Reversals)	$ –	$ (133)	$ 133	100.00

Noninterest income for the three months ended March 31, 2014, totaled $1,477, as compared to $1,557 for the same period of 2013, a decrease of $80. The decrease is primarily the result of fewer loan fees collected as well as decreased gains on sales of rural home loans. Both of these are the result of a slower market than the same period last year. Noninterest income for the three months ending March 31, 2014, is shown in the following table:

	For the three months ended March 31,			
Noninterest Income	**2014**	**2013**	**$ change**	**% change**
Loan fees	$ 65	$ 101	$ (36)	(35.64)%
Patronage refunds from other Farm Credit Institutions	1,366	1,354	12	0.89
Gains (losses) on sales of rural home loans, net	–	40	(40)	(100.00)
Gains (losses) on other transactions	4	5	(1)	(20.00)
Other noninterest income	42	57	(15)	(26.32)
Total noninterest income	$ 1,477	$ 1,557	$ (80)	(5.14)%

Noninterest expense for the three months ended March 31, 2014, increased $124 compared to the same period of 2013. Salary and Employee Benefits increased 4% due to an increase in employees since the same period last year. Other operating expenses increased $45 or 9.72% as a result of expenses on nonaccrual loans being expensed as an operating expense during the period as compared to the nonaccrual charges being added back to the actual loan balance during the same period of 2013. Insurance Fund Premium expenses increased due to higher loan volumes coupled with an increase in the premium rate which result in higher premium expenses. The Farm Credit System Insurance Corporation (FCSIC) has set the premium to 12 basis points (compared to 10 basis points during 2013) on adjusted insured debt outstanding with an additional 10 basis point premium on the average principal outstanding of nonaccrual loans. Noninterest expense for the three months ending March 31, 2014 is shown in the following table:

	For the three months ended March 31,			
Noninterest Expense	**2014**	**2013**	**$ change**	**% change**
Salary and employee benefits	$ 1,608	$ 1,545	$ 63	4.08 %
Occupancy and equipment	162	162	–	–
Insurance Fund Premium	86	72	14	19.44
(Gains) losses on other property owned, net	51	49	2	4.08
Other operating expenses	508	463	45	9.72
Total noninterest expense	$ 2,415	$ 2,291	$ 124	5.41 %

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with the Bank through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The funds are advanced by the Bank to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2014, was $322,296 as compared to $337,140 at December 31, 2013. The decrease is attributable to the collection of accounts receivable as reported at December 31, 2013.

CAPITAL RESOURCES

Total members' equity at March 31, 2014, increased to $86,266 from the December 31, 2013, total of $84,417. The increase is primarily attributed to the increase in unallocated surplus resulting from net income.

Total capital stock and participation certificates were $885 on March 31, 2014, compared to $902 on December 31, 2013. This decrease is attributed to the retirement of stock and participation certificates on loans liquidated in the normal course of business.

Farm Credit Administration regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of March 31, 2014, the Association's total surplus ratio and core surplus ratio were 21.54 percent and 18.32 percent, respectively, and the permanent capital ratio was 21.78 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

REGULATORY MATTERS

For the three months ended March 31, 2014, the FCA took no enforcement action against the Association.

On March 31, 2014, the FCA published an interim final rule rescinding all requirements for nonbinding advisory votes on senior officer compensation at System banks and associations. The comment period for the interim rule ended on April 30, 2014. A final effective date for the rule has not yet been published.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *"Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements",* in the Notes to the Financial Statements, and the 2013 Annual Report to Shareholders for recently issued accounting pronouncements.

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 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 at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-533-2773, or writing D. Scott Fontenot, CFO, Farm Credit of Central Florida, ACA, P.O. Box 8009, Lakeland, FL 33802, or accessing the website, *www.farmcreditcfl.com.* The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit Of Central Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2014	December 31, 2013
	(unaudited)	*(audited)*
Assets		
Cash	$ 54	$ 277
Investment securities:		
Held to maturity (fair value of $38,396 and $40,417, respectively)	37,618	39,511
Loans	370,153	374,964
Allowance for loan losses	(7,707)	(8,095)
Net loans	362,446	366,869
Loans held for sale	232	245
Accrued interest receivable	1,848	1,665
Investments in other Farm Credit institutions	7,159	7,303
Premises and equipment, net	793	747
Other property owned	1,396	1,108
Accounts receivable	2,145	11,381
Other assets	3,572	3,696
Total assets	$ 417,263	$ 432,802
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 322,296	$ 337,140
Accrued interest payable	534	574
Patronage refunds payable	122	3,539
Accounts payable	423	1,508
Other liabilities	7,622	5,624
Total liabilities	330,997	348,385
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	885	902
Retained earnings		
Allocated	34,167	34,167
Unallocated	51,623	49,767
Accumulated other comprehensive income (loss)	(409)	(419)
Total members' equity	86,266	84,417
Total liabilities and members' equity	$ 417,263	$ 432,802

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

Farm Credit Of Central Florida, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2014	2013
Interest Income		
Loans	$ 4,169	$ 4,059
Investment securities	202	242
Total interest income	4,371	4,301
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	1,577	1,586
Net interest income	2,794	2,715
Provision for (reversal of allowance for) loan losses	—	(133)
Net interest income after provision for (reversal of allowance for) loan losses	2,794	2,848
Noninterest Income		
Loan fees	65	101
Patronage refunds from other Farm Credit institutions	1,366	1,354
Gains (losses) on sales of rural home loans, net	—	40
Gains (losses) on other transactions	4	5
Other noninterest income	42	57
Total noninterest income	1,477	1,557
Noninterest Expense		
Salaries and employee benefits	1,608	1,545
Occupancy and equipment	162	162
Insurance Fund premiums	86	72
(Gains) losses on other property owned, net	51	49
Other operating expenses	508	463
Total noninterest expense	2,415	2,291
Net income	$ 1,856	$ 2,114

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

Farm Credit Of Central Florida, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2014	2013
Net income	$ 1,856	$ 2,114
Other comprehensive income net of tax		
Employee benefit plans adjustments	10	—
Comprehensive income	$ 1,866	$ 2,114

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

Farm Credit Of Central Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Retained Earnings		Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
			Allocated	Unallocated		
Balance at December 31, 2012	$ 1	$ 952	$ 34,202	$ 39,813	$ (18)	$ 74,950
Comprehensive income				2,114		2,114
Protected borrower stock issued/(retired), net	(1)					(1)
Capital stock/participation certificates issued/(retired), net		(15)				(15)
Patronage distribution adjustment			(35)	88		53
Balance at March 31, 2013	$ —	$ 937	$ 34,167	$ 42,015	$ (18)	$ 77,101
Balance at December 31, 2013	$ —	$ 902	$ 34,167	$ 49,767	$ (419)	$ 84,417
Comprehensive income				1,856	10	1,866
Capital stock/participation certificates issued/(retired), net		(17)				(17)
Balance at March 31, 2014	$ —	$ 885	$ 34,167	$ 51,623	$ (409)	$ 86,266

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

Farm Credit of Central Florida, ACA

Notes to the Consolidated Financial Statements

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

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

Organization

The accompanying financial statements include the accounts of Farm Credit of Central Florida, ACA (the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2013, are contained in the 2013 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation of the interim financial condition and results of operations and conform with generally accepted accounting principles (GAAP) and prevailing practices within the banking industry.

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

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

Significant Accounting Policies

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified.

Recently Issued Accounting Pronouncements

In March 2014 The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-06, "Technical Corrections and Improvements Related to Glossary Terms (Master Glossary)." The amendments in this Update relate to glossary terms, cover a wide range of Topics in the Codification and are presented in four sections: Deletion of Master Glossary Terms, Addition of Master Glossary Term Links, Duplicate Master Glossary Terms, and Other Technical Corrections Related to Glossary Terms. These amendments did not have transition guidance and were effective upon issuance for both public entities and nonpublic entities.

In January 2014 the FASB issued ASU 2014-04, "Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40) - Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." The objective of the amendments in this Update is to reduce diversity by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The amendments are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For entities other than public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. An entity can elect to adopt the amendments in this Update using either a modified retrospective transition method or a prospective transition method. Early adoption is permitted.

Other recently issued accounting pronouncements are discussed in the 2013 Annual Report to Shareholders.

Note 2 — Loans and Allowance for Loan Losses

For a complete description of the Association's accounting for loans (including impaired loans and the allowance for loan losses) and definitions of loan types, see the 2013 Annual Report to Shareholders.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	March 31, 2014	December 31, 2013
Real estate mortgage	$ 152,306	$ 153,346
Production and intermediate-term	158,785	160,984
Loans to cooperatives	7,832	8,020
Processing and marketing	24,502	26,174
Farm-related business	9,689	9,169
Communication	730	734
Energy and water/waste disposal	2,204	2,204
Rural residential real estate	14,105	14,333
Total Loans	$ 370,153	$ 374,964

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

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

March 31, 2014	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	$ –	$ 43,089	$ –	$ –	$ –	$ –	$ –	$ 43,089
Production and intermediate-term	8,794	212,645	–	–	–	–	8,794	212,645
Loans to cooperatives	–	1,012	–	–	–	–	–	1,012
Processing and marketing	20,722	7,715	–	–	–	–	20,722	7,715
Farm-related business	–	4,332	–	–	–	–	–	4,332
Communication	730	–	–	–	–	–	730	–
Energy and water/waste disposal	2,204	–	–	–	–	–	2,204	–
Total	$ 32,450	$ 268,793	$ –	$ –	$ –	$ –	$ 32,450	$ 268,793

December 31, 2013	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	$ –	$ 45,071	$ –	$ –	$ –	$ –	$ –	$ 45,071
Production and intermediate-term	8,441	188,990	–	–	–	–	8,441	188,990
Loans to cooperatives	–	1,285	–	–	–	–	–	1,285
Processing and marketing	19,573	47,459	–	–	–	–	19,573	47,459
Farm-related business	–	4,358	–	–	–	–	–	4,358
Communication	734	–	–	–	–	–	734	–
Energy and water/waste disposal	2,204	–	–	–	–	–	2,204	–
Total	$ 30,952	$ 287,163	$ –	$ –	$ –	$ –	$ 30,952	$ 287,163

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

March 31, 2014	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 15,057	$ 41,944	$ 95,305	$ 152,306
Production and intermediate-term	37,216	79,143	42,426	158,785
Loans to cooperatives	1,593	2,755	3,484	7,832
Processing and marketing	509	11,418	12,575	24,502
Farm-related business	1,537	6,380	1,772	9,689
Communication	–	730	–	730
Energy and water/waste disposal	–	–	2,204	2,204
Rural residential real estate	1,937	5,125	7,043	14,105
Total Loans	$ 57,849	$ 147,495	$ 164,809	$ 370,153
Percentage	15.63%	39.85%	44.52%	100.00%

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:

	March 31, 2014	December 31, 2013
Real estate mortgage:		
Acceptable	85.26%	85.05%
OAEM	4.55	4.32
Substandard/doubtful/loss	10.19	10.63
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	74.81%	75.54%
OAEM	11.21	10.40
Substandard/doubtful/loss	13.98	14.06
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	89.70%	100.00%
OAEM	10.30	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	March 31, 2014	December 31, 2013
Farm-related business:		
Acceptable	91.53%	91.07%
OAEM	8.47	8.93
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Energy and water/waste disposal:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	78.99%	76.93%
OAEM	3.44	4.37
Substandard/doubtful/loss	17.57	18.70
	100.00%	100.00%
Total Loans:		
Acceptable	81.43%	82.28%
OAEM	7.71	6.62
Substandard/doubtful/loss	10.86	11.10
	100.00%	100.00%

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

	March 31, 2014					
	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	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 647	$ 801	$ 1,448	151,569	$ 153,017	$ –
Production and intermediate-term	2,032	689	2,721	156,738	159,459	–
Loans to cooperatives	–	–	–	7,872	7,872	–
Processing and marketing	–	–	–	24,574	24,574	–
Farm-related business	–	–	–	9,756	9,756	–
Communication	–	–	–	730	730	–
Energy and water/waste disposal	–	–	–	2,204	2,204	–
Rural residential real estate	179	–	179	13,986	14,165	–
Total	$ 2,858	$ 1,490	$ 4,348	$ 367,429	$ 371,777	$ –

	December 31, 2013					
	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	Recorded Investment 90 Days or More Past Due and Accruing Interest
Real estate mortgage	$ 1,095	$ 3,195	$ 4,290	$ 149,676	$ 153,966	$ –
Production and intermediate-term	280	776	1,056	160,542	161,598	–
Loans to cooperatives	–	–	–	8,066	8,066	–
Processing and marketing	–	–	–	26,226	26,226	–
Farm-related business	–	–	–	9,217	9,217	–
Communication	–	–	–	734	734	–
Energy and water/waste disposal	–	–	–	2,204	2,204	–
Rural residential real estate	777	346	1,123	13,259	14,382	–
Total	$ 2,152	$ 4,317	$ 6,469	$ 369,924	$ 376,393	$ –

The recorded investment in a receivable is the face amount increased or decreased by applicable accrued interest, unamortized premium, discount, finance charges, or acquisition costs and may also reflect a previous direct write-down of the investment.

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

	March 31, 2014	December 31, 2013
Nonaccrual loans:		
Real estate mortgage	$ 3,822	$ 4,106
Production and intermediate-term	3,422	3,452
Rural residential real estate	1,149	599
Total nonaccrual loans	$ 8,393	$ 8,157
Accruing restructured loans:		
Real estate mortgage	$ 6,854	$ 7,363
Production and intermediate-term	7,775	7,061
Rural residential real estate	511	1,200
Total accruing restructured loans	$ 15,140	$ 15,624
Accruing loans 90 days or more past due:		
Total accruing loans 90 days or more past due	$ –	$ –
Total nonperforming loans	$ 23,533	$ 23,781
Other property owned	1,396	1,108
Total nonperforming assets	$ 24,929	$ 24,889
Nonaccrual loans as a percentage of total loans	2.27%	2.18%
Nonperforming assets as a percentage of total loans and other property owned	6.71%	6.62%
Nonperforming assets as a percentage of capital	28.90%	29.48%

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

	March 31, 2014	December 31, 2013
Impaired nonaccrual loans:		
Current as to principal and interest	$ 4,379	$ 3,140
Past due	4,014	5,017
Total impaired nonaccrual loans	8,393	8,157
Impaired accrual loans:		
Restructured	15,140	15,624
90 days or more past due	–	–
Total impaired accrual loans	15,140	15,624
Total impaired loans	$ 23,533	$ 23,781

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

	March 31, 2014			Quarter Ended March 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 8,650	$ 9,251	$ 2,259	$ 8,725	$ 20
Production and intermediate-term	4,641	5,636	1,199	4,681	10
Rural residential real estate	1,483	1,523	562	1,495	3
Total	$ 14,774	$ 16,410	$ 4,020	$ 14,901	$ 33
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 2,026	$ 2,135	$ –	$ 2,042	$ 4
Production and intermediate-term	6,556	7,421	–	6,611	15
Rural residential real estate	177	269	–	180	1
Total	$ 8,759	$ 9,825	$ –	$ 8,833	$ 20
Total impaired loans:					
Real estate mortgage	$ 10,676	$ 11,386	$ 2,259	$ 10,767	$ 24
Production and intermediate-term	11,197	13,057	1,199	11,292	25
Rural residential real estate	1,660	1,792	562	1,675	4
Total	$ 23,533	$ 26,235	$ 4,020	$ 23,734	$ 53

	December 31, 2013			Year Ended December 31, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 9,731	$ 10,347	$ 2,742	$ 11,505	$ 102
Production and intermediate-term	4,454	4,594	1,156	5,266	46
Rural residential real estate	1,516	1,538	457	1,793	16
Total	$ 15,701	$ 16,479	$ 4,355	$ 18,564	$ 164
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 1,738	$ 1,854	$ –	$ 2,055	$ 17
Production and intermediate-term	6,059	8,329	–	7,164	64
Rural residential real estate	283	353	–	334	3
Total	$ 8,080	$ 10,536	$ –	$ 9,553	$ 84
Total impaired loans:					
Real estate mortgage	$ 11,469	$ 12,201	$ 2,742	$ 13,560	$ 119
Production and intermediate-term	10,513	12,923	1,156	12,430	110
Rural residential real estate	1,799	1,891	457	2,127	19
Total	$ 23,781	$ 27,015	$ 4,355	$ 28,117	$ 248

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at each reporting period.

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

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total
Allowance for credit losses:							
Balance at December 31, 2013	$ 3,924	$ 3,398	$ 154	$ 2	$ –	$ 617	$ 8,095
Charge-offs	(341)	–	–	–	–	(47)	(388)
Recoveries	–	–	–	–	–	–	–
Provision for loan losses	(251)	92	40	–	–	119	–
Balance at March 31, 2014	$ 3,332	$ 3,490	$ 194	$ 2	$ –	$ 689	$ 7,707
Balance at December 31, 2012	$ 6,418	$ 4,016	$ 18	$ –	$ 3	$ 1,171	$ 11,626
Charge-offs	(1,008)	(107)	–	–	–	(1)	(1,116)
Recoveries	–	1	–	–	–	–	1
Provision for loan losses	(614)	535	9	–	(3)	(60)	(133)
Balance at March 31, 2013	$ 4,796	$ 4,445	$ 27	$ –	$ –	$ 1,110	$ 10,378
Loans individually evaluated for impairment	$ 2,259	$ 1,199	$ –	$ –	$ –	$ 562	$ 4,020
Loans collectively evaluated for impairment	1,073	2,291	194	2	–	127	3,687
Balance at March 31, 2014	$ 3,332	$ 3,490	$ 194	$ 2	$ –	$ 689	$ 7,707
Loans individually evaluated for impairment	$ 2,742	$ 1,156	$ –	$ –	$ –	$ 457	$ 4,355
Loans collectively evaluated for impairment	1,182	2,242	154	2	–	160	3,740
Balance at December 31, 2013	$ 3,924	$ 3,398	$ 154	$ 2	$ –	$ 617	$ 8,095
Recorded investment in loans outstanding:							
Loans individually evaluated for impairment	$ 10,671	$ 10,654	$ –	$ –	$ –	$ 1,661	$ 22,986
Loans collectively evaluated for impairment	142,346	148,805	42,202	730	2,204	12,504	348,791
Ending balance at March 31, 2014	$ 153,017	$ 159,459	$ 42,202	$ 730	$ 2,204	$ 14,165	$ 371,777
Loans individually evaluated for impairment	$ 11,481	$ 11,157	$ –	$ –	$ –	$ 1,799	$ 24,437
Loans collectively evaluated for impairment	142,485	150,441	43,509	734	2,204	12,583	351,956
Ending balance at December 31, 2013	$ 153,966	$ 161,598	$ 43,509	$ 734	$ 2,204	$ 14,382	$ 376,393

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

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. There were no TDRs that occurred during the three months ended March 31, 2014 and March 31, 2013.

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.

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Defaulted troubled debt restructurings:		
Real estate mortgage	$ 40	$ –
Production and intermediate-term	776	–
Total	$ 816	$ –

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

	Total TDRs		Nonaccrual TDRs	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Real estate mortgage	$ 9,949	$ 10,375	$ 3,095	$ 3,012
Production and intermediate-term	10,009	9,316	2,234	2,255
Rural residential real estate	1,363	1,376	852	176
Total Loans	$ 21,321	$ 21,067	$ 6,181	$ 5,443
Additional commitments to lend	$ –	$ –		

Note 3 — Investment 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:

	March 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Asset-backed securities	$ 37,618	$ 825	$ (47)	$ 38,396	2.06%

	December 31, 2013				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Asset-backed securities	$ 39,511	$ 954	$ (48)	$ 40,417	2.07%

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

	March 31, 2014		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ 179	$ 176	2.44%
After one year through five years	25,730	26,197	2.02
After five years through ten years	5,515	5,634	2.10
After ten years	6,194	6,389	2.17
Total	$ 37,618	$ 38,396	2.06%

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.

	March 31, 2014			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Asset-backed securities	$ 857	$ (11)	$ 1,157	$ (36)

	December 31, 2013			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Asset-backed securities	$ 932	$ (11)	$ 1,231	$ (37)

FASB guidance contemplates numerous factors in determining whether an impairment is other-than-temporary. These factors include: (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 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 other-than-temporary impairment 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.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to AgFirst Farm Credit Bank (AgFirst or the Bank) represents borrowings by the Association primarily to fund its loan portfolio. This indebtedness is collateralized by a pledge of substantially all of the Association's assets. The contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5 — Members' Equity

Accumulated Other Comprehensive Income

The following tables present activity related to AOCI for periods presented:

	Changes in Accumulated Other Comprehensive income by Component *(a)*	
	Three Months Ended March 31,	
	2014	2013
Employee Benefit Plans:		
Balance at beginning of period	$ (419)	$ (18)
Other comprehensive income before reclassifications	–	–
Amounts reclassified from AOCI	10	–
Net current period other comprehensive income	10	–
Balance at end of period	$ (409)	$ (18)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*		
	Three Months Ended March 31,		
	2014	2013	Income Statement Line Item
Defined Benefit Pension Plans:			
Periodic pension costs	$ (10)	$ –	See footnote 7.
Net amounts reclassified	$ (10)	$ –	

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

Note 6 — Fair Value Measurement

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

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

Estimating the fair value of the Association's investment 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 plus allocated equities in the accompanying Consolidated Balance Sheets. The Association owns 2.68 percent of the issued stock of the Bank as of March 31, 2014 net of any reciprocal investment. As of that date, the Bank's assets totaled $27.6 billion and shareholders' equity totaled $2.2 billion. The Bank's earnings were $88 million for the first three months of 2014. In addition, the Association has an investment of $308 related to other Farm Credit institutions.

The classifications within the fair value hierarchy are as follows:

Level 1

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

Level 2

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

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 the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

The following tables present the changes in 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.

	Standby Letters of Credit	
	For the three months ended March 31,	
	2014	2013
Balance at beginning of period	$ 40	$ 48
Issuances	–	6
Settlements	(11)	–
Balance at end of period	$ 29	$ 54

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.

Investment Securities

The fair values of predominantly all Level 3 investment securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

Other Property Owned/Impaired Loans

Other property owned and impaired loans are valued using appraisals, market comparable sales, replacement costs and income and expense (cash flow) techniques. Certain unobservable inputs are used within these techniques to determine the level 3 fair value of these properties. The significant unobservable inputs are primarily sensitive only to industry, geographic and overall economic conditions, and/or specific attributes of each property.

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	$ 21,065	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*

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

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying Value	Par/Principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity
Investment securities, held-to-maturity	Vendor priced	
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity

*** The inputs used to estimate fair value for assets and liabilities that are obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor.*

The following tables present the carrying amounts and fair values of assets and liabilities that are measured at fair value on a recurring and nonrecurring basis, as well as those financial instruments not measured at fair value, for each of the hierarchy levels at the period ended:

	At or for the Three Months Ended March 31, 2014					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 260	$ 260	$ –	$ –	$ 260	
Recurring Assets	$ 260	$ 260	$ –	$ –	$ 260	
Liabilities:						
Standby letters of credit	$ 29	$ –	$ –	$ 29	$ 29	
Recurring Liabilities	$ 29	$ –	$ –	$ 29	$ 29	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 19,513	$ –	$ –	$ 19,513	$ 19,513	$ (53)
Other property owned	1,396	–	–	1,552	1,552	(27)
Nonrecurring Assets	$ 20,909	$ –	$ –	$ 21,065	$ 21,065	$ (80)
Other Financial Instruments						
Assets:						
Cash	$ 54	$ 54	$ –	$ –	$ 54	
Investment securities, held-to-maturity	37,618	–	38,396	–	38,396	
Loans	343,165	–	–	340,526	340,526	
Other Financial Assets	$ 380,837	$ 54	$ 38,396	$ 340,526	$ 378,976	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 322,296	$ –	$ –	$ 318,644	$ 318,644	
Other Financial Liabilities	$ 322,296	$ –	$ –	$ 318,644	$ 318,644	

	At or for the Year Ended December 31, 2013					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 175	$ 175	$ –	$ –	$ 175	
Recurring Assets	$ 175	$ 175	$ –	$ –	$ 175	
Liabilities:						
Standby letters of credit	$ 40	$ –	$ –	$ 40	$ 40	
Recurring Liabilities	$ 40	$ –	$ –	$ 40	$ 40	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 19,426	$ –	$ –	$ 19,426	$ 19,426	$ 217
Other property owned	1,108	–	$ –	1,219	1,219	(429)
Nonrecurring Assets	$ 20,534	$ –	$ –	$ 20,645	$ 20,645	$ (212)
Other Financial Instruments						
Assets:						
Cash	$ 277	$ 277	$ –	$ –	$ 277	
Investment securities, held-to-maturity	39,511	–	40,417	–	40,417	
Loans	347,688	–	–	345,246	345,246	
Other Financial Assets	$ 387,476	$ 277	$ 40,417	$ 345,246	$ 385,940	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 337,140	$ –	$ –	$ 332,272	$ 332,272	
Other Financial Liabilities	$ 337,140	$ –	$ –	$ 332,272	$ 332,272	

Note 7 — Employee Benefit Plans

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

	For the three months ended March 31,	
	2014	2013
Pension	$ 303	$ 286
401(k)	70	58
Other postretirement benefits	50	45
Total	$ 423	$ 389

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

	Actual YTD Through 3/31/14	Projected Contributions For Remainder of 2014	Projected Total Contributions 2014
Pension	$ 5	$ 902	$ 907
Other postretirement benefits	41	131	172
Total	$ 46	$ 1,033	$ 1,079

Contributions in the above table include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the respective Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2014.

Further details regarding employee benefit plans are contained in the 2013 Annual Report to Shareholders.

Note 8 — Commitments and Contingent Liabilities

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

Note 9 — Subsequent Events

The Association has evaluated subsequent events and has determined there are none requiring disclosure through May 9, 2014, which is the date the financial statements were issued.