2024 ANNUAL REPORT

BOOTS ON THE GROUND

FARM CREDIT
OF CENTRAL FLORIDA

MISSION STATEMENT

TO BE THE PREMIER PARTNER WITH FARMERS AND RURAL COMMUNITIES THROUGHOUT ALL OF CENTRAL FLORIDA BY PROVIDING RELIABLE, CONSISTENT CREDIT AND FINANCIAL SERVICES.

WHAT'S INSIDE

BOOTS ON THE *Ground*

REGGIE HOLT
Chief Executive Officer

As we reflect on another year of serving Central Florida's agricultural and rural communities, I am proud to highlight our unwavering commitment to our "boots on the ground" approach. This philosophy is more than a catchphrase—it's the cornerstone of how we operate and support you, our valued members. To us this approach means being active partners in the field both literally and figuratively.

We are committed to understanding the needs of our members firsthand, by being present where it matters most. Throughout the year, you have seen our staff at many trade shows, local community events, and right there on your farms. We've walked your fields, visited your ranches and sat in your offices. These aren't just courtesy calls; they're opportunities for us to listen, learn, and truly understand the unique challenges and opportunities you face. Every year we sponsor and attend over 30 tradeshows and events throughout Florida, supporting numerous trade associations. This involvement isn't merely about maintaining a presence, its about sharing and expanding agricultural knowledge.

This hands-on approach has allowed us to build trust and foster strong relationships within our farming community. It's how we ensure that our financial products and services evolve to meet the changing needs of agriculture. From innovative lending solutions to risk management strategies, every offering is informed by the real-world experiences and feedback we gather from you.

As we look to the future, we're not only maintaining our commitment to the "boots on the ground" philosophy – we are looking at ways to expand our ability to serve you. To this end, late last year we entered into a letter of intent to merge with Southwest Georgia Farm Credit. Over the next several months we will be evaluating the potential merger with Southwest Georgia, an association that shares our values and devotion to customer service. Meanwhile, we will continue to invest in being present in understanding your operations intimately, so that we may continue providing the kind of personalized support that can only come from a true partner. Throughout this annual report we have shared several look backs of our boots on the ground approach from 2024. We invite you to check out these meaningful moments we shared with you last year.

Once again, thank you for your trust in Farm Credit of Central Florida. Together with our boots firmly planted in the rich soil, we will continue to support growth, sustainability and prosperity for our agricultural and rural communities. We are truly honored to stand alongside you for generations to come.

Reginald T. Holt
President & CEO

*DOLLAR AMOUNTS IN MILLIONS

BOOTS ON THE *Ground* IN CENTRAL FLORIDA

Farm Credit of Central Florida stands as a pillar of support for the agricultural and rural communities across Central Florida. The commitment goes beyond providing credit, it's about building lasting partnerships and fostering the growth of local communities.

With the boots on the ground approach, we meet our borrowers where they are, both literally and figuratively. Whether its actively engaging in tradeshows and local community events, or doing a farm visit with a borrower, Farm Credit representatives are there, ready to listen and understand the unique needs faced by farmers and ranchers. This presence helps in building trust and fostering strong relationships within the farming community.

In essence, Farm Credit of Central Florida's approach embodies a deep understanding of the agricultural sector's needs and a commitment to being more than just a lender. Our deep understanding of agriculture comes from being there, on your land, seeing your operations firsthand, which enables us to provide the right financial tools and support you need. We are dedicated partners working directly alongside Central Florida's farmers and ranchers in their fields and groves. As seen in the pictures below from our 2024 farm visits, tradeshows and local events, together with our farmers and ranchers were cultivating success that grows far beyond our branch offices.

Farm Credit of Central Florida attended and/or sponsored over 30 various local events as well as two member appreciation dinners.

Events/Tradeshows:

Citrus Mutual Conference
Economic Forecast Breakfast 2024
Equine Allied Tradeshow
Expanding Agriculture: Workforce Seminar
Farm Bureau Annual Meeting
Farm Bureau Young Farmers and Ranchers Leadership Conference (YF&R)
FFVA
Florida Ag Hall of Fame Reception & Dinner
Florida Agriculture & Wildlife Expo
Florida Agri-tourism Conference
Florida Blueberry Growers Fall Meeting
Florida Cattlemen's Convention
Florida Citrus Expo
Florida Citrus Hall of Fame
Florida Farm Bureau Federation Women's Leadership Conference
Florida Feed Association
Florida FFA Convention
Florida Organic Growers Food & Farming Summit
FNGLA Annual Convention
FNGLA Batson Luncheon
FNGLA Landscape Show
FNGLA Tropical Plant International Expo (TPIE)
Fresh from Florida Breakfast
FSGA Annual Agri-Tech
FSGA Strawberry Tailgate Event
Lay of the Land Florida Conference
Legislative Wrap Up Luncheon
LINC Conference (Linking the Industry Network through Certifications)
Military Farm Tour
Plant City Chamber of Commerce's Annual Salute to Agriculture Awards Luncheon
Polk County Farm Bureau Harvest Celebration
Spring Ranchers Forum
Strawberry Breakfast
Taste of Florida Ag Reception
Turfgrass Annual Meeting & Field Day

BOARD OF DIRECTORS

Our board of directors is dedicated to ensuring your prosperity by always keeping your interests in mind.

RANDY L. LARSON
Chair of Board

DANIEL T. APRILE
Vice Chair of Board

ERIN H. ARCHEY

ROBERT M. BEHR

JENNY R. BLACK

C. DENNIS CARLTON JR.

REED C. FISCHBACH

JAMES P. McCOMAS

DAVID A. MERENESS

KEITH D. MIXON

TIMOTHY D. SCHAAL

PEOPLE WHO WORK FOR YOU

Our strong team of leaders makes supporting you, the agriculture industry and its stakeholders our number-one priority.

REGGIE HOLT
Chief Executive Officer

SCOTT FONTENOT
Chief Operating Officer

ANNIE SULLIVAN
Chief Financial Officer

JEFF PHILLIPS
Chief Lending Officer

JOHAN DAM
Chief Marketing & Risk Officer

KERRI COSTINE
Chief Credit Officer

DAWN TUTEN
Chief Administrative Officer

PROUD TO SERVE YOU

MEET THE TEAM

CHRIS WITMER
Sr. Relationship Manager
Lakeland Office

BROCK OVERBAUGH
Sr. Relationship Manager
Plant City Office

DAVID MCDONALD
Regional Market Manager
Apopka Office

ERIN VERMILLION
Loan Officer
Apopka Office

COREY REICHERT
Loan Officer
Brooksville Office

CLAY JOYNER
Loan Officer
Plant City Office

CYNTHIA FILER
Lead Residential Lender
Plant City Office

DESTINY CORNELIUS
Customer Experience Officer
Lakeland Office

JEFF PHILLIPS
Chief Lending Officer
Lakeland Office

MEET THE CROP INSURANCE TEAM

SEE WHAT OUR CUSTOMERS HAVE TO SAY ABOUT DOING BUSINESS WITH US ON GOOGLE –

Crop Insurance Team (L-R): ***Jerry Cozart Jr.*** - *Crop Insurance Assistant,* ***Regina Thomas*** - *Director of Financially Related Services,* ***Casey Foley*** - *Crop Insurance Assistant,* ***Jennifer Parrish*** - *Crop Insurance Administrator.*

FARM CREDIT
OF CENTRAL FLORIDA

PATRONAGE

FARM CREDIT OF CENTRAL FLORIDA RETURNS

$10.3 MILLION

CASH BACK TO MEMBERS IN 2024

OUR SUCCESS IS BECAUSE OF YOU! THIS YEAR YOUR BOARD VOTED TO APPROVE A CASH PATRONAGE DISTRIBUTION OF $10.3 MILLION, REDUCING THE AVERAGE MEMBERS RATE BY 0.75%

The obligation to pay patronage is established by the Association's bylaws and board resolutions. Distributions are made only if capital requirements are achieved. Only eligible members can participate in the Patronage Refunds Program.

FINANCIAL Reports

FARM CREDIT OF CENTRAL FLORIDA, ACA

2024 ANNUAL REPORT

Contents

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 2024 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.

/s/ David A. Mereness
Chairman of the Audit Committee

/s/ Reginald T. Holt
Chief Executive Officer

/s/ Anne M. Sullivan
Chief Financial Officer

March 11, 2025

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 disposition 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, 2024. 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, 2024, 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, 2024. This annual report does not include an attestation report of the Association's external accounting firm regarding internal control over financial reporting as none was required.

/s/ Reginald T. Holt
Chief Executive Officer

/s/ Anne M. Sullivan
Chief Financial Officer

March 11, 2025

Consolidated Five - Year Summary of Selected Financial Data

(dollars in thousands)	December 31, 2024	2023	2022	2021	2020
Balance Sheet Data					
Cash	**$ 10**	$ 11	$ 11	$ 11	$ 12
Investments in debt securities	**85,371**	79,085	1,808	2,748	3,966
Loans	**982,464**	880,994	825,785	757,407	658,098
Allowance for credit losses on loans	**(1,018)**	(2,058)	(4,378)	(3,067)	(3,283)
Net loans	**981,446**	878,936	821,407	754,340	654,815
Equity investments in other Farm Credit institutions	**17,484**	15,584	10,927	6,755	6,636
Other property owned	**581**	501	—	—	227
Other assets	**26,669**	33,878	20,787	26,285	23,669
Total assets	**$ 1,111,561**	$1,007,995	$ 854,940	$ 790,139	$ 689,325
Notes payable to AgFirst Farm Credit Bank*	**$ 930,685**	$ 844,626	$ 694,754	$ 635,922	$ 548,714
Accrued interest payable and other liabilities with maturities of less than one year	**27,891**	24,693	23,735	26,909	21,918
Total liabilities	**958,576**	869,319	718,489	662,831	570,632
Capital stock and participation certificates	**1,223**	1,209	1,212	1,149	1,008
Retained earnings					
Allocated	**14,999**	16,406	17,827	19,103	20,380
Unallocated	**135,851**	120,369	116,802	107,687	98,129
Accumulated other comprehensive income (loss)	**912**	692	610	(631)	(824)
Total members' equity	**152,985**	138,676	136,451	127,308	118,693
Total liabilities and members' equity	**$ 1,111,561**	$1,007,995	$ 854,940	$ 790,139	$ 689,325
Statement of Income Data					
Net interest income	**$ 28,215**	$ 22,715	$ 19,550	$ 16,356	$ 15,332
Provision for (reversal of) allowance for credit losses	**103**	6,139	1,258	(340)	214
Noninterest income (expense), net	**(2,155)**	(4,297)	973	4,462	979
Net income	**$ 25,957**	$ 12,279	$ 19,265	$ 21,158	$ 16,097
Key Financial Ratios					
Rate of return on average:					
Total assets	**2.59%**	1.33%	2.42%	3.05%	2.59%
Total members' equity	**17.36%**	8.76%	14.35%	16.92%	13.56%
Net interest income as a percentage of average earning assets	**2.92%**	2.54%	2.52%	2.43%	2.54%
Net (chargeoffs) recoveries to average loans	**(0.131)%**	(0.966)%	0.007%	0.018%	(0.007)%
Total members' equity to total assets	**13.76%**	13.76%	15.96%	16.11%	17.22%
Debt to members' equity (:1)	**6.27**	6.27	5.27	5.21	4.81
Allowance for credit losses to loans	**0.10%**	0.23%	0.53%	0.40%	0.50%
Permanent capital ratio	**15.34%**	15.64%	17.80%	16.81%	17.97%
Common equity tier 1 capital ratio	**15.30%**	15.58%	17.82%	16.74%	17.87%
Tier 1 capital ratio	**15.30%**	15.58%	17.82%	16.74%	17.87%
Total regulatory capital ratio	**15.59%**	15.95%	18.26%	17.17%	18.40%
Tier 1 leverage ratio**	**12.83%**	12.87%	15.88%	16.32%	17.41%
Unallocated retained earnings (URE) and URE equivalents leverage ratio	**11.48%**	11.27%	13.71%	14.34%	15.00%
Net Income Distribution					
Estimated patronage refunds:					
Cash	**$ 10,300**	$ 8,500	$ 10,150	$ 11,600	$ 9,500

** General financing agreement is renewable on a one-year cycle. The next renewal date is December 31, 2025.*

*** Tier 1 leverage ratio must include a minimum of 1.50% of URE and URE equivalents.*

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, 2024 with comparisons to the years ended December 31, 2023 and December 31, 2022. 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 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. 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 863-682-4117, 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

Production agriculture is a cyclical business that is heavily influenced by commodity prices, weather, government policies (including, among other things, tax, trade, immigration, crop insurance and ad hoc aid), interest rates, input costs and various other factors that affect supply and demand.

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 or data for the Association.

The USDA's February 2025 forecast estimates net farm income (income after expenses from production; a broader measure of profits) for 2024 at $139.1 billion, a $8.2 billion decrease from 2023, but $34.0 billion above the 10-year average. The forecasted decrease in net farm income for 2024, as compared with 2023, is primarily due to decreases in cash receipts for crops of $22.2 billion to $245.2 billion and direct government payments of $2.9 billion to $9.3 billion, partially offset by an increase in cash receipts for animal products of $22.0 billion to $271.6 billion and a decrease in cash expenses of $7.2 billion to $418.9 billion.

The USDA's outlook projects net farm income for 2025 at $180.1 billion, a $41.0 billion or 29.5 percent increase from 2024, but $75.0 billion above the 10-year average in nominal dollars. The forecasted increase in net farm income for 2025 is primarily due to expected increases in direct government payments of $33.1 billion and cash receipts for animals and animal products of $3.8 billion as well as a decrease in cash expenses of $3.2 billion, partially offset by a decrease in cash receipts for crops of $5.6 billion. The overall incline in direct government payments reflects higher anticipated payments from supplemental ad hoc disaster assistance, mainly from the funding authorized in the Disaster Relief Supplemental Appropriations Act, 2025 contained in the American Relief Act, 2025. This aid is primarily targeted to specific regions impacted by the disaster. The increase in cash receipts for animals and animal products are predicted for hogs, broilers, and milk, while receipts for cattle and eggs are expected to decline modestly. The expected decline in the cash receipts for crops is primarily driven by decreases in corn and soybean prices, while receipts for vegetables and melons are expected to increase. Many production expenses are expected to continue to decrease from 2024 levels, representing the projected second year of decline and falling to their lowest level in real terms since 2021.

Working capital, a measure of liquidity, (which is defined as cash and cash convertible assets minus liabilities due to creditors within 12 months) is forecasted to decrease $8.9 billion or 6.7 percent in 2024 to $123.8 billion from $132.7 billion in 2023.

The value of farm real estate is an important measure of the farm sector's financial performance, considering that farm real estate comprises a substantial share of farm sector assets. Farm real estate accounted for roughly 83 percent of the total value of the U.S. farm sector assets for 2024 and 2023 according to the USDA in its February 2025 forecast. Consequently, changes in farmland values also affect the financial strength of agricultural producers because farm real estate serves as the principal source of collateral for farm loans.

USDA's forecast projects (in nominal dollars) that farm sector equity, the difference between farm sector assets and debt, will rise 5.2 percent in 2024 to $3.7 trillion. Farm real estate value is expected to increase 3.1 percent and non-real estate farm assets are expected to increase 4.4 percent, while farm sector debt is forecasted to increase 4.4 percent in 2024. Farm real estate debt as a share of total debt has been rising since 2014 at about the same rate as the value of farm real estate and is expected to account for 66.5 percent of total farm debt in 2024, as compared with 66.4 percent in 2023.

Farm sector solvency ratios, a measure of a farm to satisfy its debt obligations when due and for which lower values for ratios is preferred, is forecasted by the USDA. The USDA is forecasting the debt-to-equity ratio to improve slightly from 14.9 percent in 2023 to 14.7 percent in 2024 and for the debt-to-asset ratio to decline modestly from 12.9 percent in 2023 to 12.8 percent in 2024. These ratios are well below their peak of 28.5 percent and 22.2 percent in 1985.

Expected agricultural commodity prices can influence the production decisions of farmers and ranchers, including planted acreage and marketing of crops and livestock inventories, and therefore affect the supply of agricultural commodities. Actual production levels are sensitive to weather conditions that may impact production yields. Continuing outbreaks of high path avian influenza (HPAI) have negatively impacted egg layer productions, reducing egg supply, and causing a spike in egg prices. Livestock and dairy profitability are influenced by crop prices as feed is a significant input to animal agriculture.

Global economic conditions, government actions (including tariffs) and weather volatility in key agricultural production regions can influence export and import flows of agricultural products between countries. U.S. exports and imports may periodically shift to reflect short-term disturbances to trade patterns and long-term trends in world population demographics. Also impacting U.S. agricultural trade are global agricultural commodity supplies and demand, changes in the value of global currencies relative to the U.S. dollar and domestic government support for agriculture.

The following table sets forth the commodity prices per bushel for crops, by hundredweight for hogs, milk, and beef cattle, and by pound for broilers and turkeys from December 31, 2021 to December 31, 2024:

Commodity	12/31/24	12/31/23	12/31/22	12/31/21
Hogs	$ 62.30	$ 53.30	$ 62.50	$ 56.50
Milk	$ 23.30	$ 20.40	$ 24.50	$ 21.70
Broilers	$ 0.75	$ 0.72	$ 0.73	$ 0.74
Turkeys	$ 051	$ 0.47	$ 1.22	$ 0.84
Corn	$ 4.23	$ 4.80	$ 6.58	$ 5.47
Soybeans	$ 9.79	$ 13.10	$ 14.40	$ 12.50
Wheat	$ 5.49	$ 6.79	$ 8.97	$ 8.59
Beef Cattle	$ 190.00	$ 172.00	$ 154.00	$ 137.00

Geographic and commodity diversification across the District coupled with existing government safety net programs, ad hoc support programs and additional government disaster aid payment for many borrowers help to mitigate the impact of challenging agricultural conditions. The District's financial performance and credit quality are expected to remain sound overall due to strong capital levels and favorable credit quality position at the end of 2024. Additionally, while the District benefits overall from diversification, individual District entities may have higher geographic, commodity, and borrower concentrations which may accentuate the negative impact on those entities' financial performance and credit quality. Non-farm income support for many borrowers also helps to mitigate the impact of periods of less favorable agricultural conditions. However, agricultural borrowers who are more reliant on non-farm income sources may be more adversely impacted by a weakened general economy.

CRITICAL ACCOUNTING POLICIES

The Association's financial statements are reported in conformity with accounting principles generally accepted in the United States of America. Consideration of significant accounting policies is critical to the understanding of the Association's results of operations and financial position because some accounting policies require complex or subjective judgments and estimates that may affect the reported amount of certain assets or liabilities as well as the recognition of certain income and expense items. In many instances, management has to make judgments about matters that are inherently uncertain. For a complete discussion of the Association's significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, in the Notes to the Consolidated Financial Statements. The following is a summary of the Association's most significant critical accounting policies:

- *Allowance for credit losses* (ACL) — Management estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures.

  The ACL comprises:

  - the allowance for credit losses on loans (ACLL), which covers the Association's loan portfolio and is presented separately on the Consolidated Balance Sheets,
  - the ACL on unfunded commitments, which is presented on the Consolidated Balance Sheets in other liabilities, and

  The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. Management also considers the imprecision inherent in their process and methodology, which may lead to a management adjustment to the modeled ACL results. See Note 2 for additional information on the Association's policies and methodologies for determining the ACL. Changes in any of the above factors considered by management in the evaluation of losses in its loan portfolio, unfunded commitments and investment securities could result in a change in the ACL and have a direct impact on its provision for credit losses and results of operations.

- *Valuation methodologies* — Management applies various valuation methodologies to assets and liabilities that often involve a significant degree of judgment, particularly when active 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 active market exists, such as most investment securities. Management also utilizes significant estimates and assumptions to value items for which an observable active market does not exist. Examples of these items include: nonaccrual loans, other property owned, pension 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 asset or liability values, which could have material positive or negative effects on the Association's results of operations.

REGIONAL ECONOMICS

General Economy

Uncertainty about fiscal policy post-election and concern as to future Fed policy notwithstanding, Florida's economy remains in a very strong position as 2025 begins. While hurricanes Helene and Milton were destructive to the parts of the state that were impacted, Florida's economic performance continues to outpace the national economy. This is expected to be the case through 2027.

The University of Central Florida's Institute of Economic Forecasting projects the state's Real Gross State Product to grow at an average annual rate of 2.8% from 2024-2027. Real Gross State Product will decelerate during the economic slowdown as growth will slow to 3.6% in 2024 and 3.1% in 2025, then further to 2.7% in 2026 and 1.9% in 2027. Labor force growth in Florida will average 1.0% from 2024-2027. After growing 3.6% in 2022, Florida's labor force growth fell to 2.8% in 2023, and with slower economic growth, labor force growth will average 1.1% during 2025-2027. The sectors expected to have the strongest average job growth during 2024-2027 are Construction (2.7%), Federal Government (1.9%), Education & Health Services (1.7%), Leisure & Hospitality (1.6%), and State & Local Government (1.2%).

Real personal income growth will average 3.7% during 2024-2027. Following an inflation-driven contraction in 2022, growth will be 3.4% in 2027. Florida's average growth will be 0.8 percentage points higher than the national rate over the 2024-2027 four-year span.

The December 2024 single-family home report, released by Florida Realtors, reveals a market for existing housing that remains tight, though more inventory is coming onto market, bolstered by homes remaining on the market for longer. The median sales price for single family homes increased by $4,300 in December 2024 compared with November 2024 to $415,000, and in year over year terms prices are up 1.2% from December 2024. Statewide, however, median sales prices have retreated 3.5% from their peak in April 2024. Still median sale prices are more than 50% above pre-pandemic levels.

Population growth continues to be an ongoing gift in Florida. A fundamental driver of the state's economy, every new Floridian is fuel to the state's economic engine. COVID-19 turbo-charged that engine as people flocked to Florida. This population influx continues to put strain on the transportation networks and housing markets of the state, but strain from economic growth is preferable to the pain of economic stagnation.

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, cattle, citrus and strawberries still the largest market segments and principal commodities financed. Generally, commodities produced in the region are not included in USDA government support programs and are not materially impacted by changes in U.S. farm legislation. Continuation of crop insurance funding, however, is crucial for the Association's success. The agricultural demographics of the region have changed significantly resulting from non-agricultural development, changing consumer demands and impacts from various pests and diseases. Increased state funding prioritizing conservation programs has recently and is expected to continue to impact land use changes for the foreseeable future.

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 greening to the citrus industry, weather-related risks (especially late season hurricanes and abnormal cold snaps), water-use regulations, environmental rules, land use and growth management legislation, challenges to property rights, widespread population growth, and a tight labor supply exacerbated by debate over immigration/migrant labor policy at the federal level.

Citrus

The citrus industry is an essential part of the Florida economy but has been severely harmed by the greening disease. Florida Citrus Mutual has reported in the past that the citrus industry in the state provides a total economic revenue impact of more than $8 billion, but with declining acreage and significant damage from Hurricane Ian, that number has shrunk substantially over the past few years. In 2022, for the first time in history, total citrus production in California was larger than in the Sunshine State.

Results of the annual Commercial Citrus Inventory show total citrus acreage is 274,705 acres, down 17% from the last survey and setting the new low for a series which began in 1966. The net loss of 57,551 acres is 14,500 acres more than what was lost last season. New plantings at 4,751 acres are also the lowest recorded. All citrus trees, at 42.1 million, are down 15.7% from the previous season. All 24 of the survey recorded counties published decreases in acreage. Hendry county lost the most acreage, down 12,374 acres from last year. Polk County records the most citrus acres at 58,516 acres, followed by DeSoto County at 51,800 acres.

The 2024-2025 Florida all orange forecast released in January 2025 by the USDA Agricultural Statistics Board is 12 million boxes, no change from the December 2024 forecast. If realized, this will be 33.2% less than last season's final production of 17.96 million boxes. The total forecast for this season is less than half of 2021-2022 production. The forecast consists of 5 million boxes of the non-Valencia oranges (early, mid-season, and Navel varieties) and 7 million boxes of the Valencia oranges.

Nursery

Florida's floriculture and nursery product industry continues to grow and remains the largest single commodity by cash receipts in the state. According to USDA, total wholesale sales value for floriculture in the state for 2023 was $1.2 billion, up $30.8 million from last year (2.6%), and the top in the country. This is more than 18% of all floriculture cash receipts nationwide. While sales growth in the nursery/floriculture sector have ebbed and flowed over the past fifteen years, especially experiencing reductions after the 2008 housing crisis, consumer demand jumped during the pandemic and have remained robust.

Trees, woody ornamentals, and sod are generally produced for end-use in the outdoor landscape market and sales are highly sensitive to neighborhood regulations, total new housing starts, and home improvement activity. Over the course of the pandemic, especially in Florida, home and apartment construction ramped-up, supporting increases in purchases. Though the Sunshine State is projected to remain one of the fastest growing states in the country, the nationwide dampening in new construction will be felt to the downside, though muted compared with other states. Annuals, garden plants, foliage, and greenery are produced mainly for the retail consumer market and correlate strongly with discretionary consumer spending, which has declined as American savings have fallen below pre-pandemic levels and inflated prices for mandatory items take a larger bite of budgets. Fern growers, tied heavily to the floral industry, generally experience seasonal spikes in demand around Valentine's and Mother's Day. Trends on social media sites such as TikTok and Instagram, as well as platforms such as Pinterest and Etsy, continue to instigate sales in the foliage and greenery sectors. With the percentage of Americans working remotely decreasing since the end of the pandemic it remains to be seen how elevated interest in gardening and "greening" of interior spaces will be impacted.

Strawberries

In 2023 US strawberry production was 1.38 million tons with about 89% originating from California. Moderate climates with warm days and low humidity in the state's southern and coastal regions provide ideal growing conditions for the crop. For 2025, the California Strawberry Commission is forecasting total acreage of 42,848 between fall and summer seasons, a decrease of about 435 acres from last year. Reported fall planted acres for peak production in late spring through summer were down 1.6%. Production increases from 2021-2024 were mainly tied to increased demand at the consumer level. The California strawberry commission forecasts Mexican acreage down 12.6% from 56,812 acres to 49,647 acres.

The Sunshine State is the country's primary location for winter growing and the second largest strawberry producer after California. Florida's acreage is typically about 25% of California's and its harvested production 10% of the national total, owing to significantly lower yields due to a shorter production window. According to USDA, for 2023, Florida acreage was estimated at 14,200 (or 33% of California's total), and its production was about 10.7% of the nation. Acreage is now above the previous peak in the mid-2010s around 11,000, with an increase of 2,155 this year reported by the California Strawberry Commission. USDA's survey reports are lower than estimates from the California Strawberry Commission, which has Florida acreage at 18,298 (14,100 in Hillsborough, 2,174 in Manatee, and 2,024 in Polk and Highlands). Some local Florida leaders have suggested about 2,500 new strawberry acres in the last couple years, in line with the commission's estimates. Pandemic supply chain kinks have mostly been overcome, but a late hurricane (Milton) and abnormally cold temperatures have pressured growers in the 2024-2025 season. Domestic labor remains tight, and state-level immigration policy has disincentivized some international workers from traveling to Florida jobs. Long-term, difficulties with employment are likely to spur increased mechanization while water concerns in California could push acreage expansion in Mexico and Florida.

Cattle

Florida is predominantly a cow-calf state. Weaned calves (usually 6-10 months old weighing 300 to 600 pounds) are shipped to stockers or feedlots. While feed costs are a main driver in the cattle industry, Florida's role in production is almost entirely cow-calf operations developing feeder cattle. Total beef cows in the state for 2024 were 862,000, but including calves and dairy the overall cattle number was 1.56 million head. This is down 3% from 2023 and on trend with declining numbers statewide since the early 2000s. Florida's total calves under 500 lbs are down 2% from last year at 355,000, about 3% of the US total. Nationally, cattle herd numbers have dipped below totals last experienced in the 1950s, supportive of strong continued demand from feedlot operations and processors and higher prices.

Currently, Florida's pastureland is not stricken by drought, and with about 32% of the state in poor or very poor condition, and 58% of the state at adequate moisture levels. Prices continue to rise with feeder steers at the Oklahoma City National Stockyards up 61% from fall 2022 and live steers up about 13% year over year. Near term risks for Florida's cattle industry include the ongoing potential for drought and encroaching development buying acres out of production. Long-term, beef consumption in the US is expected to have peaked, with total meat eaten per capita reaching an all-time-high of 225lbs in 2020 and expected to have dropped marginally in 2024. Beef consumption is estimated at 59lbs per annum and dropping to 57lbs by 2033. High prices are likely to dampen consumer demand over the next few years, but thus far consumers have remained loyal to beef. Plant based and lab grown proteins, long expected to compete with beef have struggled of late due to elevated price points discouraging consumers and high interest rates weighing on startups. Societal pressures and political volatility could lead to increased regulation on methane emissions, resulting in added risk to producers. The export forecast has been dampened due to higher prices and global economic slowdowns, while imports are expected to increase, especially from Australia and New Zealand. The import ban on Mexican cattle that lasted about three months has been lifted, but at 3% of domestic consumption this change is unlikely to dampen prices.

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 loan volume by type for each of the past three years ended December 31 is shown below.

Loan Type	December 31, 2024		2023		2022	
	(dollars in thousands)					
Real estate mortgage	$ 520,493	52.98%	$ 515,314	58.49%	$ 491,531	59.52%
Production and Intermediate-term	220,434	22.44	169,523	19.24	174,627	21.15
Processing and marketing	114,277	11.63	89,819	10.20	86,916	10.53
Farm-related business	44,610	4.54	35,391	4.02	31,173	3.77
Communication	32,071	3.26	23,323	2.65	8,661	1.05
Rural residential real estate	17,429	1.77	16,351	1.86	16,420	1.99
Power and water/waste disposal	14,866	1.51	13,266	1.50	1,443	0.17
Loans to Cooperatives	11,850	1.21	11,574	1.31	8,574	1.04
International	6,434	0.66	6,433	0.73	6,440	0.78
Total	$ 982,464	100.00%	$ 880,994	100.00%	$ 825,785	100.00%

While the Association makes loans and provides financially related services to qualified borrowers in the agricultural and rural sectors and to certain related entities, the loan portfolio is diversified.

The geographic distribution of the loan volume by branch for the past three years ended December 31 is as follows:

Line of Business	December 31, 2024	2023	2022
Apopka	7.30%	7.49%	8.19%
Plant City	10.31	9.35	7.65
Brooksville	3.25	3.72	3.57
Lakeland	2.61	2.44	2.71
Agribusiness	51.20	53.63	57.17
Capital Markets	21.30	20.36	17.33
Residential Lending	2.59	2.30	2.19
Guaranteed Purchased Loans	0.97	–	–
Special Assets	0.47	0.71	1.19
	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's loan portfolio are shown below. The predominant commodities are strawberries, livestock, nursery, citrus, and fruits and vegetables, which constitute over 66 percent of the entire portfolio.

Commodity Group per SIC Codes	December 31, 2024		December 31, 2023		December 31, 2022	
	(dollars in thousands)					
Strawberries	$ 170,601	17.36%	$ 154,412	17.53%	$ 137,361	16.63%
Livestock	167,074	17.01	155,797	17.68	158,563	19.20
Nursery	109,131	11.11	100,155	11.37	102,692	12.44
Citrus	103,214	10.51	90,930	10.32	74,021	8.96
Fruits & Vegetables	99,440	10.12	99,712	11.32	109,302	13.24
Landlord/Lessors	56,243	5.72	50,769	5.76	49,372	5.98
Timber	46,435	4.73	40,065	4.55	42,078	5.09
Field Crops	43,441	4.42	41,649	4.73	31,216	3.78
Rural Home	18,529	1.89	17,009	1.93	16,977	2.06
Poultry	14,865	1.51	8,062	0.91	7,618	0.92
Blueberries	6,360	0.65	8,950	1.02	16,093	1.95
Other	147,131	14.97	113,484	12.88	80,492	9.75
Total	$ 982,464	100.00%	$ 880,994	100.00%	$ 825,785	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.

During 2024, the Association remained active in the buying and selling of loan participations within and outside of the System. This provides a means for the Association to spread credit concentration risk and realize non-patronage sourced interest and fee income.

	December 31,		
Loan Participations:	**2024**	**2023**	**2022**
Participations Purchased – FCS Institutions	$ 212,097	$ 182,086	$ 147,598
Participations Purchased – Non-FCS Institutions	9,517	–	–
Participations Sold	(279,919)	(282,136)	(281,099)
Total	$ (58,305)	$ (100,050)	$ (133,501)

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 for the period ended December 31, 2024.

The Association sells qualified long-term mortgage loans into the secondary market. For the periods ended December 31, 2024, 2023, and 2022, the Association originated loans for resale totaling $6,312, $8,153, and $9,865, respectively, which were subsequently 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, 2024, 2023, and 2022, the balance of these loans was $179,345, $188,404, and $178,121, respectively.

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, 2024, 2023 and 2022, the balance of these loans was $17,083 $8,079, and $13,997, 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 and activities 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 $85,371 at December 31, 2024, $79,085 at December 31, 2023, and $1,808 at December 31, 2022. The FCA regulations effective January 1, 2019, allow Associations to purchase investments under specific circumstances. Due to favorable conditions in the SBA loan market, the Association had several opportunities to purchase investments in 2023, and continued to purchase investments to cover runoff in 2024 while staying below the regulatory threshold.

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 advanced in amounts up to 85 percent of the 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. Appraisals are required for loan originations of more than $1 million. 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.

The Association reviews the credit quality of the loan portfolio on an ongoing basis as part of its risk management practices. Each loan is classified according to the Combined System 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 at December 31.

Credit Quality	2024	2023	2022
Acceptable & OAEM	98.82%	98.67%	98.58%
Substandard	1.18%	1.33%	1.42%
Total	100.00%	100.00%	100.00%

Nonperforming Assets

The Association's loan portfolio is divided into performing and high-risk categories. A Special Assets Management Department is responsible for servicing loans classified as high-risk. Prior to the adoption of Financial Accounting Standards Board guidance entitled "Measurement of Credit Losses on Financial Instruments" (CECL) on January 1, 2023, nonperforming assets included accruing restructured loans and accrued interest. High-risk assets at December 31, are detailed in the following table:

	December 31,		
High-risk Assets	**2024**	**2023**	**2022**
Nonaccrual loans	$ 1,044	$ 5,031	$ 9,839
Accruing restructured loans*	–	–	1,454
Accruing loans 90 days past due	–	–	–
Total high-risk loans	1,044	5,031	11,293
Other property owned	581	501	–
Total high-risk assets	$ 1,625	$ 5,532	$ 11,293
Ratios			
Nonaccrual loans to total loans	0.11%	0.57%	1.19%
High-risk assets to total assets	0.15%	0.55%	1.32%

**Prior to the adoption of CECL on January 1, 2023, accruing restructured loans were considered high-risk loans.*

Nonaccrual loans represent all loans for which there is a reasonable doubt as to the collection of principal and/or interest under the contractual terms of the loan. Nonaccrual loans at December 31, 2024 were $1,044 compared to $5,031 and $9,839 at December 31, 2023 and 2022, respectively. Nonaccrual loans decreased $3,987 or 79.25 percent during 2024 primarily due to one large fruit and vegetable grower that was liquidated during the year. Of the $1,044 in nonaccrual volume at December 31, 2024, $23 or 2.19 percent was current as to scheduled principal and interest payments, but did not meet all regulatory requirements to be transferred into accrual status, compared to $93 or 1.86 percent and $6,536 or 66.43 percent at December 31, 2023 and 2022, respectively.

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 Credit Losses

The allowance for credit losses (ACL) is an estimate of expected credit losses in the Association's portfolio. The Association determines the appropriate level of allowance for credit losses based on a disciplined process and methodology that incorporates expected probabilities of default, severity of loss based on historical portfolio performance, forecasts of future economic conditions, and management's judgment with respect to unique aspects of current and expected conditions that may not be contemplated in historical loss experience or forecasted economic conditions. For further details on the methodology used to determine the ACL, see Note 2, *Summary of Significant Accounting Policies*, and Note 3, *Loans and Allowance for Credit Losses*. The ACL was $1,267, $2,328, and $4,378 at December 31, 2024, 2023, and 2022, respectively.

The following table presents the activity in the allowance for credit losses for the most recent three years at December 31:

Allowance for Credit Losses Activity	December 31, 2024	2023	2022
Allowance for credit losses on loans – beginning balance	$ 2,058	$ 4,378	$ 3,067
Cumulative effect of a change in accounting principle	–	(149)	–
Charge-offs:			
Real Estate Mortgage	(667)	(709)	–
Production and intermediate-term	(1,216)	(8,677)	(7)
Rural residential real estate	–	–	(1)
Total charge-offs	(1,883)	(9,386)	(8)
Recoveries:			
Real Estate Mortgage	47	1,135	20
Production and intermediate-term	661	51	37
Agribusiness	–	34	–
Rural residential real estate	11	15	4
Total recoveries	719	1,235	61
Net (charge-offs) recoveries	(1,164)	(8,151)	53
Provision for (reversal of) credit losses on loans	124	5,980	1,258
Allowance for credit losses on loans – ending balance	$ 1,018	$ 2,058	$ 4,378
Allowance for unfunded commitments – beginning balance	$ 270	$ –	$ –
Cumulative effect of a change in accounting principle	–	111	–
Provision for (reversal of) unfunded commitments*	(21)	159	–
Allowance for unfunded commitments – ending balance	$ 249	$ 270	$ –
Total allowance for credit losses	$ 1,267	$ 2,328	$ 4,378

**Prior to the adoption of CECL, provision for (reversal of) unfunded commitments was recorded in losses/gains on other transactions.*

The allowance for credit losses as a percentage of loans outstanding and certain other credit quality indicators, at December 31, is shown below:

	December 31, 2024	2023	2022
Allowance for credit losses on loans to loans	0.10%	0.23%	0.53%
Allowance for credit losses on loans to nonaccrual loans	97.51%	40.91%	44.50%
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(0.131)%	(0.966)%	0.007%

The allowance for credit losses was reduced during 2024, due to improved credit quality and decrease in nonaccrual loans.

Periods of uncertainty in the general economic environment create the potential for prospective risks in the loan portfolio. See Note 3, *Loans and Allowance for Credit Losses*, in the Notes to the Consolidated Financial Statements and the *Critical Accounting Policies* section, above, for further information concerning the allowance for credit losses.

RESULTS OF OPERATIONS

Net Income

Net income totaled $25,957 for the year ended December 31, 2024, an increase of $13,678 from 2023. Net income of $12,279 for the year ended December 31, 2023 was a decrease of $6,986 from 2022. Major components of the changes in net income for the referenced periods are outlined in the following table and discussion:

Change in Net Income	Year Ended December 31, 2024	2023
Net income (for prior year)	$ 12,279	$ 19,265
Increase (decrease) due to:		
Total interest income	9,321	17,091
Total interest expense	(3,821)	(13,926)
Net interest income	5,500	3,165
Provision for credit losses	6,036	(4,881)
Noninterest income	5,263	(4,337)
Noninterest expense	(2,969)	(933)
[Provision for income taxes]	(152)	–
Total increase (decrease) in net income	13,678	(6,986)
Net income	$ 25,957	$ 12,279

The Association's primary source of funding is provided by the Bank in the form of notes payable. See *Liquidity and Funding Sources* section below for additional detail on this relationship. Prior to January 1, 2024, the rate applied to the notes payable to the Bank included the Association's allocation of technology and software services provided by the Bank. Effective January 1, 2024, the Bank amended the line of credit agreement to exclude the Association's allocation of costs for Bank-provided services from the Direct Note rate. The master service agreement was also amended to bill the Association for these services separately on a monthly basis. This change had a minimal effect on the Association's net income but did result in a higher net interest margin as it effectively reclassified the Association's technology and software costs paid to the Bank from interest expense to noninterest expense. If this amendment had been in effect during 2023, the Association would have had lower interest expense and corresponding higher noninterest expense of $2,604 for the year ended December 31, 2023.

Net Interest Income

Net interest income was $28,215, $22,715, and $19,550 in 2024, 2023, and 2022, 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. 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:

	Volume*	Rate	Nonaccrual Income	Total
12/31/23 - 12/31/24				
Interest income	$ 4,498	$ 4,658	$ 165	$ 9,321
Interest expense	3,002	819	–	3,821
Change in net interest income	$ 1,496	$ 3,839	$ 165	$ 5,500
12/31/22 - 12/31/23				
Interest income	$ 5,707	$ 11,667	$ (283)	$ 17,091
Interest expense	3,185	10,741	–	13,926
Change in net interest income	$ 2,522	$ 926	$ (283)	$ 3,165

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

Higher average daily balances on loan volumes, as well as higher spreads are the primary reasons for the increases over 2023.

Noninterest Income

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

	For the Year Ended December 31,			Percentage Increase/(Decrease)	
Noninterest Income	**2024**	**2023**	**2022**	**2024/ 2023**	**2023/ 2022**
	(dollars in thousands)				
Loan fees	$ 375	$ 768	$ 698	(51.17)%	10.03 %
Fees for financially related services	5,755	2,532	3,884	127.29	(34.81)
Patronage refund from other Farm Credit Institutions	8,674	8,383	10,771	3.47	(22.17)
Gains (losses) on other rural home loans, net	148	157	240	(5.73)	(34.58)
Gains (losses) on other transactions	148	(649)	(61)	(122.80)	963.93
Insurance Fund refunds	255	–	–	–	–
Other noninterest income	1,105	6	2	18,316.67	200.00
Total noninterest income	$ 16,460	$ 11,197	$ 15,534	47.00 %	(27.92)%

Noninterest income increased $5,263 or 47 percent to $16,460 during 2024 compared to $11,197 in 2023 primarily due to increased income from financially related services, increased gains on other transactions, and increased other noninterest income, offset by decreased loan fees.

Loan fees declined in 2024 due to fewer large commercial loan closings than the prior two years.

Fees for financially related services increased $3,223 or 127.29 percent in 2024 to $5,755 compared to $2,532 in 2023, and were substantially higher than the $3,884 in 2022. This is due to timing differences in the receipt of crop insurance commission due to an increase in insurance claims in 2024 because of the hurricanes.

Patronage from other Farm Credit Institutions increased by $291 or 3.47 percent in 2024 to $8,674 because of increased loan volumes. The decrease in patronage from other Farm Credit Institutions of $2,388 in 2023 to $8,383 in 2023 from $10,771 in 2022 is due to the reduction in special patronage. The Association received $0 special patronage in 2024, compared to $237 in 2023 and $3,654 in 2022. The Association does not expect to receive special patronage going forward.

Gains on other transactions increased to a gain of $148 in 2024 compared to a loss of $649 in 2023. The gain in 2024 was due to gains within the defined benefit plan. The loss in 2023 was due to $679 thousand loss on the sale of a commercial credit.

In the first quarter of 2024, the Association entered into a contract with the Florida Department of Agriculture and Consumer Services to underwrite loans for a state funded loan program for those affected by Hurricanes Idalia, Debby, Helene and Milton. The Association recorded $1.1 million in other noninterest income from this contract during 2024.

Noninterest Expense

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

	For the Year Ended December 31,			Percentage Increase/(Decrease)	
Noninterest Expense	**2024**	**2023**	**2022**	**2024/ 2023**	**2023/ 2022**
	(dollars in thousands)				
Salaries and employee benefits	$ 10,269	$ 9,997	$ 9,143	2.72 %	9.34 %
Occupancy and equipment	1,077	1,104	990	(2.45)	11.52
Insurance Fund premium	769	1,300	1,279	(40.85)	1.64
Purchased Services	3,738	512	503	630.08	1.79
Data Processing	266	218	161	22.02	35.40
(Gains) losses on other Property owned, net	(66)	12	1	(650.00)	1,100.00
Other operating expenses	2,410	2,351	2,484	2.51	(5.35)
Total noninterest expense	$ 18,463	$ 15,494	$ 14,561	19.16 %	6.41 %

Noninterest expense increased $2,969 or 19.16 percent for the year ended December 31, 2024, compared to the same period of 2023, and for the year ended December 31, 2023, it increased $933, or 6.41 percent compared to the same period of 2022. The primary reason for the increase in 2024 were the increases in salaries and employee benefits and purchased services, offset by decreased insurance fund premiums.

During 2024, salaries and employee benefits increased 2.72% from 2023 as a result of increased payroll and benefit costs due to current market conditions. The 9.34% increase during 2023 from 2022 was due to increased headcount.

Occupancy and equipment expenses decreased 2.45% from 2023 as a result of decrease common area maintenance expenses on the Lakeland administration building. The 11.52 increase in 2023 from 2022 was a result of the normal recurring annual increases as well as a common area maintenance true-up on the Lakeland administration building.

Insurance Fund premiums decreased 40.85 percent for the twelve months ended December 31, 2024, compared to the same period of 2023. For 2024, the FCSIC set premiums at 10 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 2023, the FCSIC set premiums at 18 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 2022, the FCSIC set premiums at 20 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.

Purchased services increased in 2024 when compared to the prior year primarily as the result of the Direct Note rate change discussed above. Additionally, beginning in the third quarter of 2024, the Bank increased the cost of services provided to the Association and this increase resulted in additional expenses of $786 for the year ended December 31, 2024.

Data processing increased 22.02% in 2024 from 2023 and 35.40% in 2023 from 2022 as a result of new software contracts and implementation at the Association.

Other operating expenses increased 2.51% during 2024 as compared to 2023 as a result of increased nonaccrual expenses.

Income Taxes

The Association recorded a provision/benefit for income taxes of $152 for the year ended December 31, 2024, as compared to no provision for 2023 and 2022. Refer to Note 2, *Summary of Significant Accounting Policies, Income Taxes*, and Note 12, *Income Taxes*, of the Notes to the Consolidated Financial Statements, for more information concerning the Association's 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 12/31/24	12/31/23	12/31/22
Return on average assets	2.59%	1.33%	2.42%
Return on average members' equity	17.36%	8.76%	14.35%
Net interest income as a percentage of average earning assets	2.92%	2.54%	2.52%
Net (charge-offs) recoveries to average loans	(0.131)%	(0.966)%	0.007%

The Association's return on average assets increased by 126 basis points and the return on average members' equity increased by 860 basis points during 2024 compared to 2023 primarily due to increased earnings as discussed above. The net interest income as a percentage of average earning assets, or net interest margin increased 38 basis points to 2.92% mostly due to the moving of AgFirst operating expenses out of the cost funds and into operating expenses. The percentage of net charge-offs and recoveries to average loans was -0.131 percent in the 2024 reporting period due to the charge-offs related to one commercial fruit and vegetable loan and one capital markets fruit and vegetable loan.

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 grow 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, 2024, was $930,685 as compared to $844,626 at December 31, 2023 and $694,754 at December 31, 2022. The increase of $86,059 or 10.19 percent compared to December 31, 2023 was primarily attributable to the increase in total loan assets and investments. The increase of $149,872 or 21.57 percent compared to December 31, 2022 was also primarily attributable to the increase in total loan assets as well as investments. The average volume of outstanding notes payable to the Bank was $838,120, $765,824, and $ 647,883 for the years ended December 31, 2024, 2023, and 2022 respectively. Refer to Note 6, *Debt, Notes Payable to AgFirst Farm Credit Bank*, 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 participation in 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, 2024.

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 Secured Overnight Financing Rate (SOFR). 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, *Debt, 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, *Investments, Equity Investments 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, *Debt, 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's 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 2024 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, 2024, was $152,985, an increase of $14,309 or 10.32 percent from a total of $138,676 at December 31, 2023. The increase in 2024 was primarily attributed to the positive earnings being offset by the payment of $10,300 in cash patronage distributions and the revolvement of $1,276 in allocated surplus. At December 31, 2023, total members' equity increased $2,225 or 1.63 percent from $136,451 at December 31, 2022. The increase in 2023 was primarily attributed to the positive earnings being offset by the payment of $8,500 in cash patronage distributions and the revolvement of $1,421 in allocated surplus.

Total capital stock and participation certificates were $1,223 on December 31, 2024, compared to $1,209 on December 31, 2023 and $1,212 on December 31, 2022. The 2024 increase from 2023 was attributed to the issuance of new protected borrower stock and participation certificates due to increased loan volume, partially offset by the retirement of protected borrower stock and participation certificates on loans liquidated in the normal course of business and the retirement of excess stock through revolvement.

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. The following sets forth the regulatory capital ratios:

				Capital Ratios as of December 31,		
Ratio	**Minimum Requirement**	**Capital Conservation Buffer***	**Minimum Requirement with Capital Conservation Buffer**	**2024**	**2023**	**2022**
Risk-adjusted ratios:						
CET1 Capital Ratio	4.5%	2.5%	7.0%	15.30%	15.58%	17.82%
Tier 1 Capital Ratio	6.0%	2.5%	8.5%	15.30%	15.58%	17.82%
Total Capital Ratio	8.0%	2.5%	10.5%	15.59%	15.95%	18.26%
Permanent Capital Ratio	7.0%	–%	7.0%	15.34%	15.64%	17.80%
Non-risk-adjusted:						
Tier 1 Leverage Ratio*	4.0%	1.0%	5.0%	12.83%	12.87%	15.88%
UREE Leverage Ratio	1.5%	–%	1.5%	11.48%	11.27%	13.71%

**The Tier 1 Leverage Ratio must include a minimum of 1.5% of URE and URE equivalents.*

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. For all periods presented, the Association exceeded minimum regulatory requirements for all of the ratios.

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, and (b) participation loans purchased, 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 $10,300 in 2024, $8,500 in 2023, and $10,150 in 2022.

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, 2024 goals for new volume were established. In 2024, the Association far exceeded the goals for number of loans and volume.

2024 YBS Goals and Results	**2024 Goal**	**2024 Result**	**% of Goal**
Young			
# of New Loans	35	68	194.299%
$ of New Loans	$3,000	$12,420	413.98%
Beginning			
# of New Loans	90	112	124.44%
$ of New Loans	$10,000	$20,166	201.66%
Small			
# of New Loans	115	140	121.74%
$ of New Loans	$14,000	$27,458	196.13%
Total YBS Program			
# of New Loans	240	320	133.33%
$ of New Loans	$27,000	$60,044	222.38%

The following tables outline the loan volume and number of YBS loans in the loan portfolio for the Association.

Loans Outstanding to YBS farmers and ranchers as of 12/31/2024

(dollars in thousands)	**Number of Loans**	**Percent of Total**	**Volume Outstanding**	**Percent of Total**
Young only	32	1.61%	$15,144	1.54%
Beginning only	73	3.67%	$51,554	5.25%
Small only	386	19.42%	$35,121	3.58%
Young & Beginning	25	1.26%	$3,663	0.37%
Young & Small	39	1.96%	$1,940	0.20%
Beginning & Small	330	16.60%	$56,396	5.74%
Young, Beginning, & Small	117	5.89%	$12,870	1.31%
Non-YBS	986	49.59%	$805,664	82.01%
ACA Total	1,988	100.00%	$982,352	100.00%

New Loans made to YBS farmers and ranchers as of 12/31/2024

(dollars in thousands)	**Number of Loans**	**Percent of Total**	**Volume Outstanding**	**Percent of Total**
Young only	19	4.86%	$7,420	2.80%
Beginning only	16	4.09%	$3,419	1.29%
Small only	48	12.28%	$11,497	4.34%
Young & Beginning	10	2.56%	$1,236	0.47%
Young & Small	6	1.53%	$449	0.17%
Beginning & Small	53	13.55%	$12,198	4.61%
Young, Beginning, & Small	33	8.44%	$3,314	1.25%
Non-YBS	206	52.69%	$225,163	85.07%
ACA Total	391	100.00%	$264,696	100.00%

The 2017 USDA Ag census data has been used as a benchmark to measure penetration of the 19,235 reported farmers of which by definition 897 or 4.67 percent were Young, 5,629 or 29.26 percent were Beginning, and 12,709 or 66.07 percent were Small. Comparatively, as of December 31, 2024, the demographics of the Association's agricultural portfolio contained 1,630 YBS farmers, of which by definition 213 or 13.07 percent were Young, 545 or 33.43 percent were beginning and 872 or 53.50 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 2024 and two succeeding years. The Association will continue to review the demographics of its territory during 2024 utilizing 2017 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 $350 thousand in annual gross sales of agricultural or aquatic products at the date the loan is originally made.

REGULATORY MATTERS

On November 29, 2024, the FCA proposed rule on internal control over financial reporting (ICFR) was published in the Federal Register. The proposed rule would amend the reporting regulations to require System Associations that meet certain asset thresholds or conditions, as well as the Banks, to obtain annual attestation reports from their external auditors that express an opinion on the effectiveness of ICFR. Associations would meet the requirement for an integrated audit if it represents 1% or more of total System assets; 15% or more of its District Bank's direct loans to Associations or if the Farm Credit Administration's Office of Examination determines that a material weakness in the Association's ICFR exists. The comment period was to end on January 28, 2025. However, the Farm Credit Administration granted a 60-day comment period extension that ends on March 31, 2025.

On February 8, 2024, the FCA approved a final rule to amend its regulatory capital requirements to define and establish risk-weightings for High Volatility Commercial Real Estate (HVCRE) exposures by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent. The rule would further align the FCA's risk-weightings with federal banking regulators and recognizes the increased risk posed by HVCRE exposures. The final rule excludes certain acquisition, development and construction loans that do not present as much risk and therefore do not warrant the risk weight for HVCRE. In addition, the final rule adds an exclusion for loans originated for less than $500,000. On October 16, 2024, the FCA extended the implementation date of this rule from January 1, 2025 to January 1, 2026.

On October 5, 2023, the Farm Credit Administration approved a final rule on cyber risk management that requires each System institution to develop and implement a comprehensive, written cyber risk management program. Each institution's cyber risk plan must require the institution to take the actions to assess internal and external risk factors, identify potential system and software vulnerabilities, establish a risk management program for the risks identified, develop a cyber risk training program, set policies for managing third-party relationships, maintain robust internal controls and establish board reporting requirements. The final rule became effective on January 1, 2025.

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 holds an equity investment at December 31, 2024 in the following Unincorporated Business Entities (UBEs) as an equity interest holder of the limited liability company (LLC). The LLC was organized for the stated purpose of holding and managing unusual or complex collateral associated with former loans, until such time as the assets may be sold or otherwise disposed of pursuant to the terms of Operating Agreements of the respective LLC.

Name	Entity Type	Entity Purpose
PW PropCo Holdings LLC	LLC	Manage Acquired Property

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
204 E. Orange Street* Lakeland	Administrative/ Branch	Leased
3941 Britt Road** Mount Dora	Branch	Leased
57 E. Third Street Apopka	Branch	Owned
2301 Thonotosassa Road Plant City	Branch	Owned
31050 Cortez Blvd. Brooksville	Branch	Owned

* *The Administrative / branch office located at 204 E, Orange St. is leased through December 31, 2035.*
****This is temporary location while the Apopka Branch is under construction. The lease is month to month until it is complete.**

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*	16 years	Sr. VP & Director of Agribusiness Lending from October 1997 to April 2008. Area VP from June 1992 to October 1997. Serves as a board member of the Florida State Fair Authority.
D. Scott Fontenot, *Executive Vice President & Chief Operating Officer*	8 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.
Anne M. Sullivan, *Sr. Vice President / Corporate Treasurer, Chief Financial Officer*	8 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.
A. Dawn Tuten *Sr. Vice President/Corporate Secretary, Chief Administrative Officer*	5 years	Association Corporate Secretary and Director of Corporate Services 2017-2019. Association Corporate Secretary and HR Manager 2012-2017. Association Paralegal from 2005 to 2011. Paralegal with Publix Super Markets 1997 to 2005.
Jeffrey T. Phillips *Sr. Vice President/Chief Lending Officer*	4 years	Association Chief Relationship Manager from April 2007 to October 2020.
Johan S. Dam *Sr. Vice President/Chief Marketing & Risk Officer*	4 years	Association Chief Digital Strategist and Marketing Officer 2019-2020. Association Capital Markets and Investment Officer 2018-2019. Principal with Prudential Ag Investments 2015 to 2018. Association Chief Relationship Manager 2007 to 2015. Commercial Relationship Manager with SunTrust Bank 1997 to 2007.
Kerri Y. Costine *Sr. Vice President/Chief Credit Officer*	3 years	Association Credit Analyst Manager from August 2017 until September 2021. Vice President Commercial Account Manager with TD Bank, NA from May 2012 to August 2017. Vice President Commercial Portfolio Loan Officer with TD Bank, NA from October 2010 to May 2012.

The total amount of compensation earned by the CEO and the highest paid officers as a group during the years ended December 31, 2024, 2023 and 2022 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	2024	$ 430,636	$ 214,586	$ –	$ 82,918	$ –	$ 728,140
Reginald T. Holt	2023	$ 430,636	$ 166,699	$ –	$ 137,562	$ –	$ 734,897
Reginald T. Holt	2022	$ 410,130	$ 184,440	$ –	$ (514,674)	$ –	$ 79,896
8	2024	$ 1,703,683	$ 652,857	$ –	$ 16,463	$ –	$ 2,373,003
6	2023	$ 1,321,790	$ 344,753	$ –	$ 290,824	$ –	$ 1,957,367
7	2022	$ 1,406,323	$ 413,041	$ –	$ (718,967)	$ –	$ 1,100,397

**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 2024 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 the following pools; 1) General Pool; 2) Loan Officer Pool; 3) Credit and Crop Insurance Analysts Pool; and 4) Manager Pool.

The General Pool covers all employees that are not included in any of the other defined pools. 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 not in any other pool (for wage and salary administration purposes) and the maximum award at this level shall not exceed 7.5% of their annual earned salary. Level 2 contains eligible non-exempt employees with managerial responsibilities and all eligible exempt employees not in another pool, and the maximum award for 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 in other defined pools) 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 50% 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 75% of their annual earned salary. All payments are paid 100% in cash.

The Credit and Crop Insurance Analysts Pool covers credit analysts and crop insurance analysts and is based upon the individual performance of each. Award percentage points are earned based on number of transactions activity with a payout % based on the individual's standards of performance evaluation. 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 18% of the annual earned salary for analysts. All payments are paid 100% in cash.

The Managers Pool covers certain managers with individual performance goals (other managers without individual performance goals are in the General Pool) and is based upon the individual performance for each. Award percentage points are earned based on a payout % of the individual's standards of performance evaluation. 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 20% of their annual earned salary. All payments are paid 100% in cash.

The Chief Audit Executive 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 Chief Audit Executive'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 2024 Corporate Bonus is in the first quarter of 2025. Bonuses are shown in the year earned, which may be different than the year of payment.

In 2020, the CEO, Mr. Holt, and the Association entered into a change of control agreement that is effective for 5 years. 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.

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 older and one year closer to receiving payments, and (3) the assumptions used to determine the present value change.

The present value of 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 value is 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 less year of discounting, which increases the present value. For those already eligible for unreduced retirement (e.g. have 85 age + service points), this increase is offset by the decrease in early retirement subsidy value. The early retirement subsidy provided under the plan is most valuable when a participant first reaches eligibility for unreduced benefits. The value decreases every year thereafter until age 65.

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, 2023, to December 31, 2024, which decreased the pension values.

Pension Benefits Table
As of December 31, 2024

Name of Individual or Number in Group	Year	Plan Name	Number of Years Credited Service	Actuarial Present Value of Accumulated Benefits	Payments During 2024
CEO:					
Reginald T. Holt	2024	AgFirst Retirement Plan	45	$ 3,529,145	$ –
Reginald T. Holt	2024	Supplemental Executive Retirement Plan	45	942.755	–
				$ 4,471,900	$ –
Senior Officers and Highly Compensated Employees:					
3 Officers, excluding the CEO	2024	AgFirst Retirement Plan	23.81*	$ 3,173,386	$ –
				$ 3,173,386	$ –

** 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:

		Term in Office		Number of Days Served		Compensation	
Director	Position	Election or Appointment Year	Current Term Expiration	Board Meetings	Other Official Activities*	Total Paid During 2024	Committee Assignments^
Randy L. Larson	Chair/ Outside Director	2016	2026	7	5	$ 32,083	Audit, Governance
Daniel T. Aprile (3)	Vice-Chair	2019	2025	7	6	30,000	Compensation, Governance
Erin H. Archey	Director	2023	2026	7	2	28,000	Risk Management, Compensation
Robert M. Behr	Director	2022	2025	6	4	28,000	Audit, Compensation
Jenny R. Black (2)	Director	2014	2027	7	7	30,000	Governance, Compensation
C. Dennis Carlton, Jr.	Director	2022	2025	7	3	28,000	Risk Management, Compensation
W. Rex Clonts, Jr.**	Director	1997	2024	3	3	11,667	Audit, Governance
Reed C. Fischbach (4)	Director	2020	2026	7	4	30,000	Risk Management, Governance
James P. McComas	Director	2024	2027	4	3	16,333	Risk Management, Governance
David A. Mereness (1)	Outside Director	2016	2025	7	4	33,000	Audit, Risk Management
Keith D. Mixon	Director	2012	2026	6	5	30,917	Audit, Governance
Timothy D. Schaal	Director	2022	2027	7	6	28,000	Audit, Risk Management
						$ 326,000	

** Includes board committee meetings and other board activities other than regular board meetings.*
***W. Rex Clonts resigned from the Board June 3, 2024.*

(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. The chairs of the Compensation, Governance and Risk Management 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 $326,000 for 2024. 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 $97,425 for 2024, $98,612 for 2023 and $72,457 for 2022.

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.

Randy L. Larson, Chair, was appointed to the Board in December 2016 as the Association's second Outside Director. He is a licensed professional engineer, a registered general contractor in Florida. His principal occupation and employment for the past five years has been with R Larson Company.

Daniel T. Aprile, Vice-Chair was elected to the Board in April 2019. Mr. Aprile is the Manager of Golden A Cattle Company, LLC and Aprile Farms, Inc. located in Tampa. Mr. Aprile is a former member of the Hillsborough County Independent Oversight Committee and on the Hillsborough County Agricultural Economic Development Council. He is also a past president of the Hillsborough County Farm Bureau. His principal occupation and employment for the past five years has been with Golden A Cattle Company, LLC and Aprile Farms, Inc.

Erin H. Archey was elected to the Board in June 2023. Mrs. Archey is the Corporate Treasurer for A. DUDA & Sons, Inc. She currently serves on the DUDA Board of Directors, the St. Luke's Lutheran Church and School Foundation, and the Seminole County Farm Bureau Board, where she previously served as President. Her principal occupation and employment for the past five years has been with DUDA.

Robert M. Behr was re-elected to the Board in June 2022. Dr. Behr is the former CEO of Florida's Natural Growers and having retired from that role at the end of 2022 still remains active in the organization as a citrus grower supplying fruit through its Cooperative Members. Florida's Natural Growers is a citrus growing, processing, and marketing cooperative. Dr. Behr is also a former member of the CoBank board of directors. His principal occupation and employment for the past five years has been as the CEO of Florida's Natural Growers and its subsidiaries.

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 25 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 and serves as Vice-Chair. She is a director of the Farm Credit Council, a trade organization. Mrs. Black also serves on the Polk County 4-H Foundation Board and the National Watermelon Promotion Board.

C. Dennis Carlton, Jr. was elected to the Board in June 2022. Mr. Carlton is a cattleman and partner in Carlton and Carlton Ranches and Audubon Ranch which are cow/calf operations throughout Central Florida. He is the owner/operator of D Carlton LLC, a real estate holding company and is active in real estate working under Mid-State Reality. He is also a strawberry grower in Hillsborough County. He previously served on Hillsborough County Farm Bureau as President. He serves on the Seffner Christian Academy Board and the Ag Economic Development Council. Mr. Carlton's principal occupation and employment for the past five years has been with Carlton and Carlton Ranches and D Carlton LLC.

W. Rex Clonts, Jr, is a citrus and vegetable grower. He is also past President of Seminole County Farm Bureau 2013 - 2015, 2019-20. Mr. Clonts is also a Director Emeritus of the Florida Fruit and Vegetable Association. His principal occupation and employment for the past five years has been with Clonts Farms, Inc.

Reed C. Fischbach is a real estate broker specializing in sales, development and management of agricultural land.. His principal occupation and employment for the past five years has been with Fischbach Land Company.

James P. McComas was elected to the Board in 2024. Mr. McComas is President and owner of Florico Foliage specializing in growing and shipping foliage goods across the country and abroad. He is a current member and past Board member of the Florida Nursery, Growers and Landscape Association, Action Chapter (FNGLA). He was also past owner of San Lorenzo Sand and Gravel, Rico Plants, Central Freshpak Sea Foods and WQBQ Radio Station. His principal occupation for the past twenty-nine years has been with Florico Foliage.

David A. Mereness was appointed to the Board in March 2016 as the Association's Outside Director. Mr. Mereness is a partner in 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 five years has been with Dearolf & Mereness LLP.

Keith D. Mixon 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 a member of the DAC committee. His principal occupation and employment for the past five years has been self-employed farmer.

Timothy D. Schaal was elected to the board in June 2022. Mr. Schaal is CEO of Airtec Sprayers, Inc. a specialized manufacturer of agricultural spraying equipment. Mr. Schaal is a Certified Public Accountant and a member of the American and Florida Institutes of Certified Public Accountants. He is also the managing partner in a Citrus Under Protective Screen (CUPS) fresh grapefruit grove. Mr. Schaal serves as the Chairman for the Boys and Girls Clubs of Polk County. His principal occupation since 2011 has been with Airtec Sprayers, Inc.

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, 2024 were as follows:

	2024
Independent Auditor	
PricewaterhouseCoopers LLP	
Audit services	$ 102,672
Total	$ 102,672

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 11, 2025 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.farmcreditcfl.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. 2764, or writing Matthew Miller, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained 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 2024, 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 2024. The foregoing report is provided by the following independent directors, who constitute the Committee:

/s/ David A. Mereness
Chair of the Audit Committee

Members of Audit Committee

Robert M. Behr, Vice Chair
W. Rex Clonts, Jr.
Reed C. Fischbach
Keith D. Mixon
Timothy D. Schaal

March 11, 2025

Report of Independent Auditors

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

Opinion

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, 2024, 2023, and 2022, and the related consolidated statements of comprehensive income, of changes in members' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2024, 2023, and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Association changed the manner in which it accounts for the allowance for credit losses in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the 2024 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 11, 2025

Consolidated Balance Sheets

(dollars in thousands)	December 31, 2024	2023	2022
Assets			
Cash	**$ 10**	$ 11	$ 11
Investments in debt securities:			
Held to maturity	**85,371**	79,085	1,808
Loans	**982,464**	880,994	825,785
Allowance for credit losses on loans	**(1,018)**	(2,058)	(4,378)
Net loans	**981,446**	878,936	821,407
Loans held for sale	**—**	7,800	—
Accrued interest receivable	**7,630**	6,231	4,248
Equity investments in other Farm Credit institutions	**17,484**	15,584	10,927
Premises and equipment, net	**4,208**	4,277	4,428
Other property owned	**581**	501	—
Accounts receivable	**10,132**	10,967	7,347
Other assets	**4,699**	4,603	4,764
Total assets	**$ 1,111,561**	$ 1,007,995	$ 854,940
Liabilities			
Notes payable to AgFirst Farm Credit Bank	**$ 930,685**	$ 844,626	$ 694,754
Accrued interest payable	**3,244**	3,418	2,004
Patronage refunds payable	**10,459**	8,793	10,262
Accounts payable	**1,463**	1,552	1,643
Advanced conditional payments	**2,815**	902	—
Other liabilities	**9,910**	10,028	9,826
Total liabilities	**958,576**	869,319	718,489
Commitments and contingencies (Note 11)			
Members' Equity			
Capital stock and participation certificates	**1,223**	1,209	1,212
Retained earnings			
Allocated	**14,999**	16,406	17,827
Unallocated	**135,851**	120,369	116,802
Accumulated other comprehensive income	**912**	692	610
Total members' equity	**152,985**	138,676	136,451
Total liabilities and members' equity	**$ 1,111,561**	$ 1,007,995	$ 854,940

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, 2024	2023	2022
Interest Income			
Loans	**$ 58,238**	$ 51,001	$ 36,966
Investments	**5,186**	3,102	46
Total interest income	**63,424**	54,103	37,012
Interest Expense	**35,209**	31,388	17,462
Net interest income	**28,215**	22,715	19,550
Provision for credit losses	**103**	6,139	1,258
Net interest income after provision for credit losses	**28,112**	16,576	18,292
Noninterest Income			
Loan fees	**375**	768	698
Fees for financially related services	**5,755**	2,532	3,884
Patronage refunds from other Farm Credit institutions	**8,674**	8,383	10,771
Gains (losses) on sales of rural home loans, net	**148**	157	240
Gains (losses) on other transactions	**148**	(649)	(61)
Insurance Fund refunds	**255**	—	—
Other noninterest income	**1,105**	6	2
Total noninterest income	**16,460**	11,197	15,534
Noninterest Expense			
Salaries and employee benefits	**10,269**	9,997	9,143
Occupancy and equipment	**1,077**	1,104	990
Insurance Fund premiums	**769**	1,300	1,279
Purchased services	**3,738**	512	503
Data processing	**266**	218	161
Other operating expenses	**2,410**	2,351	2,484
(Gains) losses on other property owned, net	**(66)**	12	1
Total noninterest expense	**18,463**	15,494	14,561
Income before income taxes	**26,109**	12,279	19,265
Provision for income taxes	**152**	—	—
Net income	**$ 25,957**	$ 12,279	$ 19,265
Other comprehensive income net of tax			
Employee benefit plans adjustments	**220**	82	1,241
Comprehensive income	**$ 26,177**	$ 12,361	$ 20,506

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 Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income	Total Members' Equity
Balance at December 31, 2021	$ 1,149	$ 19,103	$ 107,687	$ (631)	$ 127,308
Comprehensive income			19,265	1,241	20,506
Capital stock/participation certificates issued/(retired), net	63				63
Patronage distribution					
Cash			(10,150)		(10,150)
Retained earnings retired		(1,276)			(1,276)
Balance at December 31, 2022	$ 1,212	$ 17,827	$ 116,802	$ 610	$ 136,451
Cumulative effect of change in accounting principle			38		38
Comprehensive income			12,279	82	12,361
Capital stock/participation certificates issued/(retired), net	(3)				(3)
Patronage distribution					
Cash			(8,500)		(8,500)
Retained earnings retired		(1,421)			(1,421)
Patronage distribution adjustment			(250)		(250)
Balance at December 31, 2023	$ 1,209	$ 16,406	$ 120,369	$ 692	$ 138,676
Comprehensive income			**25,957**	**220**	**26,177**
Capital stock/participation certificates issued/(retired), net	**14**				**14**
Patronage distribution					
Cash			**(10,300)**		**(10,300)**
Retained earnings retired		**(1,407)**			**(1,407)**
Patronage distribution adjustment			**(175)**		**(175)**
Balance at December 31, 2024	**$ 1,223**	**$ 14,999**	**$ 135,851**	**$ 912**	**$ 152,985**

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, 2024	2023	2022
Cash flows from operating activities:			
Net income	**$ 25,957**	$ 12,279	$ 19,265
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on premises and equipment	**414**	378	384
Amortization (accretion) of net deferred loan costs (fees)	**(336)**	(324)	(201)
Premium amortization (discount accretion) on investments in debt securities	**1,423**	716	53
Provision for credit losses	**103**	6,139	1,258
(Gains) losses on other property owned	**(73)**	(4)	—
(Gains) losses on sales of loans, net	**(133)**	(157)	(240)
(Gains) losses on other transactions	**(148)**	649	61
Changes in operating assets and liabilities:			
Origination of loans held for sale	**(6,312)**	(16,631)	(9,865)
Proceeds from sales of loans held for sale, net	**14,246**	8,310	10,105
(Increase) decrease in accrued interest receivable	**(1,399)**	(1,983)	(1,371)
(Increase) decrease in accounts receivable	**835**	(3,620)	6,413
(Increase) decrease in other assets	**(96)**	161	83
Increase (decrease) in accrued interest payable	**(174)**	1,414	887
Increase (decrease) in accounts payable	**(89)**	(91)	174
Increase (decrease) in other liabilities	**269**	43	(1,556)
Total adjustments	**8,530**	(5,000)	6,185
Net cash provided by (used in) operating activities	**34,487**	7,279	25,450
Cash flows from investing activities:			
Purchases of investments in debt securities, held to maturity	**(22,248)**	(84,782)	—
Proceeds from maturities of or principal payments received on investments in debt securities, held to maturity	**14,540**	6,789	887
Net (increase) decrease in loans	**(104,202)**	(63,580)	(68,124)
(Increase) decrease in equity investments in other Farm Credit institutions	**(1,900)**	(4,657)	(4,172)
Purchases of premises and equipment	**(345)**	(227)	(11)
Proceeds from sales of other property owned	**1,897**	47	—
Net cash provided by (used in) investing activities	**(112,258)**	(146,410)	(71,420)
Cash flows from financing activities:			
Advances on (repayment of) notes payable to AgFirst Farm Credit Bank, net	**86,059**	149,872	58,832
Net increase (decrease) in advanced conditional payments	**1,913**	902	—
Capital stock and participation certificates issued/(retired), net	**14**	(3)	63
Patronage refunds and dividends paid	**(8,809)**	(10,219)	(11,649)
Retained earnings retired	**(1,407)**	(1,421)	(1,276)
Net cash provided by (used in) financing activities	**77,770**	139,131	45,970
Net increase (decrease) in cash	**(1)**	—	—
Cash, beginning of period	**11**	11	11
Cash, end of period	**$ 10**	$ 11	$ 11
Supplemental schedule of non-cash activities:			
Receipt of property in settlement of loans	**$ 1,904**	$ 543	$ —
Estimated cash dividends or patronage distributions declared or payable	**10,300**	8,500	10,150
Cumulative effect of change in accounting principle	**—**	38	—
Employee benefit plans adjustments (Note 9)	**(220)**	(82)	(1,241)
Supplemental information:			
Interest paid	**$ 35,383**	$ 29,974	$ 16,575
Taxes (refunded) paid, net	**135**	(9)	9

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 sixteen District Associations. All sixteen 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. Prior to January 1, 2024, the costs of these support services were primarily included in the interest expense of the Direct Note. After January 1, 2024, the fees charged by the Bank for these support services are included in the Association's noninterest expense 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. **Accounting Standard Updates (ASUs) Effective During the Period:** In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations or cash flows but will impact the income tax disclosures.

B. **Cash:** Cash represents cash on hand and on deposit at banks. At the most recent year-end, the Association held no cash in excess of insured amounts.

C. **Loans and Allowance for Credit Losses (ACL):** 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 recorded at amortized cost basis, which is the principal amount outstanding adjusted for charge-offs, deferred loan fees or costs, and valuation adjustments relating to hedging activities, 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.

   Nonaccrual Loans
   Nonaccrual loans are loans for which there is reasonable doubt that all principal and interest will be collected according to the original contractual terms and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. 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 shall remain contractually past due until it is modified or 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.

   Consistent with prior practice, loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection), circumstances indicate that collection of principal and interest is in doubt or legal action, including foreclosure or other forms of collateral conveyance, has been initiated to collect the outstanding principal and interest. At the time a loan is placed in nonaccrual status, accrued interest that is considered uncollectible is reversed (if accrued in the current year) or charged against the ACL (if accrued in prior years). Loans are charged-off at the time they are determined to be uncollectible.

   When loans are in nonaccrual status, interest payments received in cash are generally recognized as interest income if the collectability of the loan principal is fully expected and certain other criteria are met. Otherwise, payments received on nonaccrual loans are applied against the recorded investment in the loan asset. Nonaccrual loans are returned to accrual status if all contractual principal and interest is current, the borrower is fully expected to fulfill the contractual repayment terms and after remaining current as to principal and interest for a sustained period or have a recent repayment pattern demonstrating future repayment capacity to make on-time payments. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer should first be recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

Accrued Interest Receivable
The Association adopted the practical expedient to classify accrued interest on loans and investment securities in accrued interest receivable and not as part of loans or investments on the Consolidated Balance Sheets. The Association also elected to not estimate an allowance on interest receivable balances because the nonaccrual policies in place provide for the accrual of interest to cease on a timely basis when all contractual amounts are not expected.

Loan Modifications to Borrowers Experiencing Financial Difficulty
Loan modifications may be granted to borrowers experiencing financial difficulty. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or a term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

Collateral Dependent Loans
Collateral dependent loans are loans secured by collateral, including but not limited to agricultural real estate, crop inventory, equipment and livestock. An entity is required to measure the expected credit losses based on fair value of the collateral at the reporting date when the entity determines that foreclosure is probable. Additionally, the Association adopted the fair value practical expedient as a measurement approach for loans when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulties. Under the practical expedient measurement approach, the expected credit loss is based on the difference between the fair value of the collateral less estimated costs to sell and the amortized cost basis of the loan.

Allowance for Credit Losses
The Association adopted the Financial Accounting Standards Board (FASB) guidance entitled "Measurement of Credit Losses on Financial Instruments" and other subsequently issued accounting standards updates related to credit losses on January 1, 2023. This guidance replaced the current incurred loss impairment methodology with a single allowance framework for financial assets that estimates the current expected credit losses (CECL) over the remaining contractual life for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This guidance was applied on a modified retrospective basis. The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are not unconditionally cancellable. The ACL comprises:

- the allowance for credit losses on loans (ACLL), which covers the loan portfolio and is presented separately on the Consolidated Balance Sheets
- the allowance for unfunded commitments, which is presented on the Consolidated Balance Sheets in Other Liabilities, and
- the allowance for credit losses on investment securities, which covers held-to-maturity and available-for-sale securities and is recognized within each investment securities classification on the Consolidated Balance Sheets.

Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the loan portfolio, considering macroeconomic conditions, forecasts and other factors prevailing at the time, may result in significant changes in the ACL in those future periods.

Allowance for Credit Losses on Loans
The ACLL represents management's estimate of credit losses over the remaining expected life of loans. Loans are evaluated on the amortized cost basis, including premiums, discounts and fair value accounting adjustments.

The Association employs a disciplined process and methodology to establish its ACLL that has two basic components: first, an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans; and second, a pooled component for estimated expected credit losses for pools of loans that share similar risk characteristics.

Asset-specific loans are generally collateral-dependent loans (including those loans for which foreclosure is probable) and nonaccrual loans. For an asset-specific loan, expected credit losses are measured as the difference between the amortized cost basis in the loan and the present value of expected future cash flows discounted at the loan's effective interest rate except that, for collateral-dependent loans, credit loss is measured as the difference between the amortized cost basis in the loan and the fair value of the underlying collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral. In accordance with the Association's appraisal policy, the fair value of collateral-dependent loans is based upon independent third-party appraisals or on collateral valuations prepared by in-house appraisers. When an updated appraisal or collateral valuation is received, management reassesses the need for adjustments to the loan's expected credit loss measurements and, where appropriate, records an adjustment. If the calculated expected credit loss is determined to be permanent, fixed, or non-recoverable, the credit loss portion of the loan will be charged off against the ACL.

In estimating the component of the ACLL that relates to loans that share common risk characteristics, loans are evaluated collectively and segregated into loan pools considering the risk associated with the specific pool. Relevant risk characteristics include loan type, commodity, credit quality rating, delinquency category or business segment or a combination of these classes. The allowance is determined based on a quantitative calculation of the expected life-of-loan loss percentage for each loan category by considering the probability of default, based on the migration of loans from performing to loss by credit quality rating or delinquency buckets using historical life-of-loan analysis periods for loan types, and the severity of loss, based on the aggregate net lifetime losses incurred per loan pool.

The credit risk rating methodology is a key component of the Association's ACLL 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.

The components of the ACLL that share common risk characteristics also considers factors for each loan pool to adjust for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to:

- lending policies and procedures;
- national, regional and local economic business conditions and developments that affect the collectability of the portfolio, including the condition of various markets;
- the nature of the loan portfolio, including the terms of the loans;
- the experience, ability and depth of the lending management and other relevant staff;
- the volume and severity of past due and adversely classified or graded loans and the volume of nonaccrual loans;
- the quality of the loan review and process;
- the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio.

The Association's macroeconomic forecast includes a weighted selection of the Moody's baseline, upside 10^{th} percent and downside 90^{th} percent over reasonable and supportable forecast periods of three years. Subsequent to the forecast period, the Association reverts to long run historical loss experience beyond two years gradually after the determined forecast horizon using a transition function to inform the estimate of losses for the remaining contractual life of the loan portfolio.

The economic forecasts incorporate macroeconomic variables, including unemployment rates, Dow Jones Total Stock Market Index, and corporate bond spreads. Also considered are loan and borrower characteristics, such as internal risk ratings, delinquency status, collateral type, and the remaining term of the loan, adjusted for expected prepayments.

In addition to the quantitative calculation, the Association considers the imprecision inherent in the process and methodology, emerging risk assessments and other subjective factors, which may lead to a management adjustment to the modeled ACLL results. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. The economic forecasts are updated on a quarterly basis.

Allowance for Credit Losses on Unfunded Commitments

The Association evaluates the need for an ACL on unfunded commitments and, if required, an amount is recognized and included in Other Liabilities on the Consolidated Balance Sheets. The amount of expected losses is determined by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Association and applying the loss factors used in the ACLL methodology to the results of the usage calculation. No ACL is recorded for commitments that are unconditionally cancellable.

D. **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.

E. **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 ACLL. 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) on Other Property Owned, Net in the Consolidated Statements of Comprehensive Income.

F. **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.

G. **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.

Other Equity Investments
Any equity securities with a readily determinable fair value are carried at fair value with unrealized gains and losses included in earnings. Equity securities without a readily determinable fair value are carried at cost less any impairment.

Other Investments
As discussed in Note 8, *Fair Value Measurement*, 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 Comprehensive Income and the balance of these investments is included in Other Assets on the accompanying Consolidated Balance Sheets.

Allowance for Credit Losses on Investments
Upon adoption of the CECL standard on January 1, 2023, investments held-to-maturity are presented net of an allowance for credit losses on investments. Impairment requiring an allowance for credit losses on investments may result from credit deterioration of the issuer or collateral underlying the security. The Association's portfolio is evaluated quarterly for credit deterioration, and based on that evaluation, determined credit losses to be immaterial for all periods presented. Therefore, no ACL is recorded on the Association's investment portfolio.

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.

H. **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 liabilities in the accompanying Consolidated Balance Sheets. Advanced conditional payments are not insured. Interest is generally paid by the Association on such accounts.

I. **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.

The Association also offers a FCBA supplemental 401(k) plan for certain key employees. This plan is nonqualified. Company contributions are expensed as funded.

Additional information may be found in Note 9, *Employee Benefit Plans*.

Multiemployer 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 multiemployer 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 employees, their beneficiaries and covered dependents during the years the employees render 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, *Employee Benefit Plans* and in the Notes to the Annual Information Statement of the Farm Credit System.

Single Employer Defined Benefit Plan
The Association also sponsors a single employer defined benefit supplemental retirement plan for certain key employees. This plan is 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, *Employee Benefit Plans* for additional information.

J. **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.

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

L. **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: nonaccrual 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, *Fair Value Measurement*.

M. **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 credit worthiness.

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.

N. **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
The Association maintains contracts with customers to provide support services in various areas such as accounting, lending transactions, consulting, insurance, and information technology. 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. The Association also does not generally incur costs to obtain contracts. Revenue is recognized to reflect the transfer of goods and services to customers in an amount equal to the consideration the Association receives or expects to receive.

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 or Noninterest Expense. 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.

O. **Leases:** A contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is generally considered a lease.

Lessee
Contracts entered into are evaluated at inception to determine if they contain a lease. Assets and liabilities are recognized on the Consolidated Balance Sheets to reflect the rights and obligations created by any contracts that do. These contracts are then classified as either operating or finance leases.

In the course of normal operations, the Association may enter into leases for various business purposes. Generally, leases are for terms of three to five years and may include options to extend or terminate the arrangement. Any options are assessed individually to determine if it is reasonably certain they will be exercised.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make the payments arising from the lease. ROU assets and lease liabilities are initially recognized based on the present value of lease payments over the lease term. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense for finance leases is recognized on a declining basis over the lease term.

ROU assets are included on the Consolidated Balance Sheets in Premises and Equipment for finance leases and Other Assets for operating leases. Lease liabilities are included in Other Liabilities on the Consolidated Balance Sheets. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and lease expense is recognized over the lease term.

Lessor
The Association may act as lessor in certain contractual arrangements which relate to office space in an owned property and are considered operating leases. Generally, leases are for terms of three to five years and may include options to extend or terminate the arrangement.

Lease income is recognized on a straight-line basis over the lease term. Lease and nonlease components are accounted for separately in the Consolidated Statements of Comprehensive Income. Any initial direct costs are deferred and recognized as an expense over the lease term on the same basis as lease income. Any taxes assessed by a governmental authority are excluded from consideration as variable payments.

Lease receivables and income are included in Accounts Receivable on the Consolidated Balance Sheets and Other Noninterest Income in the Consolidated Statements of Comprehensive Income.

Note 3 — Loans and Allowance for Credit Losses

For a description of the Association's accounting for loans, including nonaccrual loans, and the allowance for credit losses on loans, see Note 2 subsection C above.

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, 2024	December 31, 2023	December 31, 2022
Real estate mortgage	$ 520,493	$ 515,314	$ 491,531
Production and intermediate-term	220,434	169,523	174,627
Agribusiness:			
Loans to cooperatives	11,850	11,574	8,574
Processing and marketing	114,277	89,819	86,916
Farm-related business	44,610	35,391	31,173
Rural infrastructure:			
Communication	32,071	23,323	8,661
Power and water/waste disposal	14,866	13,266	1,443
Rural residential real estate	17,429	16,351	16,420
Other:			
International	6,434	6,433	6,440
Total loans	$ 982,464	$ 880,994	$ 825,785

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. The following tables present the principal balance of participation loans at periods ended:

December 31, 2024	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 34,674	$ 124,454	$ 678	$ –	$ 35,352	$ 124,454
Production and intermediate-term	33,006	61,885	8,839	–	41,845	61,885
Agribusiness	90,892	93,580	–	–	90,892	93,580
Rural infrastructure	47,080	–	–	–	47,080	–
Other	6,445	–	–	–	6,445	–
Total	$ 212,097	$ 279,919	$ 9,517	$ –	$ 221,614	$ 279,919

December 31, 2023	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 39,076	$ 110,435	$ –	$ –	$ 39,076	$ 110,435
Production and intermediate-term	33,644	64,363	–	–	33,644	64,363
Agribusiness	66,191	107,338	–	–	66,191	107,338
Rural infrastructure	36,730	–	–	–	36,730	–
Other	6,445	–	–	–	6,445	–
Total	$ 182,086	$ 282,136	$ –	$ –	$ 182,086	$ 282,136

December 31, 2022	Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 25,980	$ 104,247	$ –	$ –	$ 25,980	$ 104,247
Production and intermediate-term	40,484	75,876	–	–	40,484	75,876
Agribusiness	64,555	100,976	–	–	64,555	100,976
Rural infrastructure	10,133	–	–	–	10,133	–
Other	6,446	–	–	–	6,446	–
Total	$ 147,598	$ 281,099	$ –	$ –	$ 147,598	$ 281,099

Loan Quality

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 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). See further discussion in Note 2, *Summary of Significant Accounting Policies*, subsection C, *Loans and Allowance for Credit Losses*, above.

Each of the ratings carries a distinct percentage of default probability. The 14-point 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 significantly as a loan moves from a 9 to 10 (other assets especially mentioned) and grows more significantly as a loan moves to a substandard viable level of 11. A substandard non-viable rating of 12 indicates that the probability of default is almost certain. Loans risk rated 13 or 14 are generally written off. These categories are defined as follows:

- Acceptable – Assets are expected to be fully collectible and represent the highest quality. In addition, these assets may include loans with properly executed and structured guarantees that might otherwise be classified less favorably.
- 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 shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type:

	December 31,		
	2024	**2023**	**2022***
Real estate mortgage:			
Acceptable	99.48%	99.44%	99.37%
OAEM	0.05	0.42	0.54
Substandard/doubtful/loss	0.47	0.14	0.09
	100.00%	100.00%	100.00%
Production and intermediate-term:			
Acceptable	98.45%	96.35%	92.97%
OAEM	0.99	1.76	0.74
Substandard/doubtful/loss	0.56	1.89	6.29
	100.00%	100.00%	100.00%
Agribusiness:			
Acceptable	91.78%	91.53%	99.99%
OAEM	3.64	2.90	–
Substandard/doubtful/loss	4.58	5.57	0.01
	100.00%	100.00%	100.00%
Rural infrastructure:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Rural residential real estate:			
Acceptable	97.34%	99.17%	97.84%
OAEM	1.93	–	0.66
Substandard/doubtful/loss	0.73	0.83	1.50
	100.00%	100.00%	100.00%
Other:			
Acceptable	100.00%	100.00%	100.00%
OAEM	–	–	–
Substandard/doubtful/loss	–	–	–
	100.00%	100.00%	100.00%
Total loans:			
Acceptable	97.90%	97.64%	98.09%
OAEM	0.92	1.03	0.49
Substandard/doubtful/loss	1.18	1.33	1.42
	100.00%	100.00%	100.00%

Prior to adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.

Accrued interest receivable on loans of $6,792, $5,354, and $4,228 at December 31, 2024, 2023, and 2022, respectively, has been excluded from the amortized cost of loans and reported separately in the Consolidated Balance Sheets.

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

	December 31, 2024				
	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	$ 1,383	$ 672	$ 2,055	$ 518,438	$ 520,493
Production and intermediate-term	932	211	1,143	219,291	220,434
Agribusiness	–	–	–	170,737	170,737
Rural infrastructure	–	–	–	46,937	46,937
Rural residential real estate	203	–	203	17,226	17,429
Other	–	–	–	6,434	6,434
Total	$ 2,518	$ 883	$ 3,401	$ 979,063	$ 982,464

	December 31, 2023				
	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	$ 2,080	$ 1,609	$ 3,689	$ 511,625	$ 515,314
Production and intermediate-term	1,522	2,666	4,188	165,335	169,523
Agribusiness	–	–	–	136,784	136,784
Rural infrastructure	–	–	–	36,589	36,589
Rural residential real estate	147	–	147	16,204	16,351
Other	–	–	–	6,433	6,433
Total	$ 3,749	$ 4,275	$ 8,024	$ 872,970	$ 880,994

Prior to the adoption of CECL, the aging analysis of past due loans reported included accrued interest as follows:

	December 31, 2022				
	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	$ 176	$ 1,778	$ 1,954	$ 492,439	$ 494,393
Production and intermediate-term	141	1,398	1,539	173,888	175,427
Agribusiness	8	–	8	127,101	127,109
Rural infrastructure	–	–	–	10,117	10,117
Rural residential real estate	326	99	425	16,060	16,485
Other	–	–	–	6,482	6,482
Total	$ 651	$ 3,275	$ 3,926	$ 826,087	$ 830,013

There were no accruing loans greater than 90 days past due as of December 31, 2024, 2023 and 2022.

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for credit losses on loans, as well as, interest income recognized on nonaccrual loans during the period ended December 31, 2024 and 2023:

	December 31, 2024			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2024
Real estate mortgage	$ 629	$ 136	$ 765	$ 323
Production and intermediate-term	152	111	263	111
Rural residential real estate	–	16	16	7
Total	$ 781	$ 263	$ 1,044	$ 441

	December 31, 2023			Interest Income Recognized on Nonaccrual Loans
Nonaccrual loans:	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Year Ended December 31, 2023
Real estate mortgage	$ 77	$ 1,636	$ 1,713	$ 94
Production and intermediate-term	2,965	332	3,297	181
Rural residential real estate	–	21	21	1
Total	$ 3,042	$ 1,989	$ 5,031	$ 276

Prior to the adoption of CECL on January 1, 2023, the following disclosures of impaired loans were required. Within the below table, impaired loans included nonaccrual loans, accruing restructured loans, and accruing loans 90 days or more past due and the amounts included accrued interest. See previously required disclosures of impaired loans in the following table:

	December 31, 2022			Year Ended December 31, 2022	
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	$ 1,675	$ 1,920	$ 54	$ 932	$ 102
Production and intermediate-term	8,394	8,552	3,393	4,669	509
Agribusiness	8	8	10	4	–
Rural residential real estate	83	83	23	46	5
Total	$ 10,160	$ 10,563	$ 3,480	$ 5,651	$ 616
With no related allowance for credit losses:					
Real estate mortgage	$ 497	$ 495	$ –	$ 276	$ 30
Production and intermediate-term	594	655	–	330	36
Agribusiness	–	–	–	–	–
Rural residential real estate	42	86	–	24	2
Total	$ 1,133	$ 1,236	$ –	$ 630	$ 68
Total impaired loans:					
Real estate mortgage	$ 2,172	$ 2,415	$ 54	$ 1,208	$ 132
Production and intermediate-term	8,988	9,207	3,393	4,999	545
Agribusiness	8	8	10	4	–
Rural residential real estate	125	169	23	70	7
Total	$ 11,293	$ 11,799	$ 3,480	$ 6,281	$ 684

Additionally, total nonaccruals by loan type, including accrued interest, as of December 31, 2022, are included in the table below:

	Total Nonaccrual
Real estate mortgage	$ 1,778
Production and intermediate-term	7,928
Agribusiness	8
Rural residential real estate	125
Total	$ 9,839

A summary of changes in the allowance for credit losses by portfolio segment is as follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Allowance for Credit Losses on Loans:							
Balance at December 31, 2023	$ 68	$ 1,552	$ 381	$ 48	$ 6	$ 3	$ 2,058
Charge-offs	(667)	(1,216)	–	–	–	–	(1,883)
Recoveries	47	661	–	–	11	–	719
Provision for credit losses on loans	626	(578)	59	32	(15)	–	124
Balance at December 31, 2024	$ 74	$ 419	$ 440	$ 80	$ 2	$ 3	$ 1,018
Allowance for Unfunded Commitments:							
Balance at December 31, 2023	$ 17	$ 43	$ 208	$ 2	$ –	$ –	$ 270
Provision for unfunded commitments	(16)	56	(66)	5	–	–	(21)
Balance at December 31, 2024	$ 1	$ 99	$ 142	$ 7	$ –	$ –	$ 249
Total allowance for credit losses	$ 75	$ 518	$ 582	$ 87	$ 2	$ 3	$ 1,267
Allowance for Credit Losses on Loans:							
Balance at December 31, 2022	$ 124	$ 3,942	$ 274	$ 9	$ 27	$ 2	$ 4,378
Cumulative effect of a change in accounting principle	(5)	(65)	(80)	(3)	3	1	(149)
Balance at January 1, 2023	$ 119	$ 3,877	$ 194	$ 6	$ 30	$ 3	$ 4,229
Charge-offs	(709)	(8,677)	–	–	–	–	(9,386)
Recoveries	1,135	51	34	–	15	–	1,235
Provision for credit losses on loans	(477)	6,301	153	42	(39)	–	5,980
Balance at December 31, 2023	$ 68	$ 1,552	$ 381	$ 48	$ 6	$ 3	$ 2,058
Allowance for Unfunded Commitments:							
Balance at December 31, 2022	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Cumulative effect of a change in accounting principle	16	47	47	1	–	–	111
Balance at January 1, 2023	$ 16	$ 47	$ 47	$ 1	$ –	$ –	$ 111
Provision for unfunded commitments	1	(4)	161	1	–	–	159
Balance at December 31, 2023	$ 17	$ 43	$ 208	$ 2	$ –	$ –	$ 270
Total allowance for credit losses	$ 85	$ 1,595	$ 589	$ 50	$ 6	$ 3	$ 2,328

Prior to the adoption of CECL on January 1, 2023, the allowance for loan losses was based on probable and estimable losses incurred in the loan portfolio. A summary of changes in the allowance for loan losses and period-end loans including accrued interest is as follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness	Rural infrastructure	Rural Residential Real Estate	Other	Total
Activity related to the allowance for loan losses:							
Balance at December 31, 2021	$ 1,033	$ 1,750	$ 257	$ 8	$ 17	$ 2	$ 3,067
Charge-offs	–	(7)	–	–	(1)	–	(8)
Recoveries	20	37	–	–	4	–	61
Provision for loan losses	(929)	2,162	17	1	7	–	1,258
Balance at December 31, 2022	$ 124	$ 3,942	$ 274	$ 9	$ 27	$ 2	$ 4,378
Allowance on loans evaluated for impairment:							
Individually	$ 54	$ 3,393	$ 10	$ –	$ 23	$ –	$ 3,480
Collectively	70	549	264	9	4	2	898
Balance at December 31, 2022	$ 124	$ 3,942	$ 274	$ 9	$ 27	$ 2	$ 4,378
Recorded investment in loans evaluated for impairment:							
Individually	$ 2,172	$ 8,988	$ 8	$ –	$ 125	$ –	$ 11,293
Collectively	492,221	166,439	127,101	10,117	16,360	6,482	818,720
Balance at December 31, 2022	$ 494,393	$ 175,427	$ 127,109	$ 10,117	$ 16,485	$ 6,482	$ 830,013

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 $195,744, $195,707, and $192,118 at December 31, 2024, 2023, and 2022, respectively. Fees paid for such guarantee commitments totaled $668, $664, and $503 for 2024, 2023, and 2022, respectively. These amounts are classified as noninterest expense.

Loans held for sale were $0, $7,800, and $0 at December 31, 2024, 2023, and 2022, respectively. Such loans are carried at the lower of cost or fair value.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Loan modifications may be granted to borrowers experiencing financial difficulty. Qualifying disclosable modifications are one, or a combination of, principal forgiveness, interest rate reduction, or a term or payment extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

The following table shows the amortized cost basis at the end of the reporting period for loan modifications granted to borrowers experiencing financial difficulty during the year ended December 31, 2024, disaggregated by loan type and type of modification granted:

	For the Year Ended December 31, 2024		
	Maturity Extension	Total	Percentage of Total by Loan Type
Agribusiness	$ 4,826	$ 4,826	2.83%
Total	$ 4,826	$ 4,826	0.49%

The following table describes the financial effects of the modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2024:

	Maturity Extension
	Financial Effect
Agribusiness	Added a weighted average 0.54 years to the life of loans

There were no modifications to distressed borrowers that occurred during the previous twelve months and for which there was a subsequent payment default during the period.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the year:

	December 31, 2024			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Agribusiness	$ 4,826	$ –	$ –	$ 4,826
Total	$ 4,826	$ –	$ –	$ 4,826

Accrued interest receivable at the end of the reporting period related to loan modifications granted to borrowers experiencing financial difficulty during the year ended December 31, 2024 was $15. Additional commitments to lend to borrowers experiencing financial difficulties whose loans have been modified were $1,672 at December 31, 2024.

Modified loans to borrowers experiencing financial difficulty and activity on these loans were not material during the year ended December 31, 2023. There were no material commitments to lend to borrowers experiencing financial difficulty whose loans have been modified at December 31, 2023. There were no material modifications to distressed borrowers that occurred during the previous twelve months and for which there was a subsequent payment default during the period.

Troubled Debt Restructurings

Prior to the adoption of updated FASB guidance on loan modifications on January 1, 2023, a restructuring of a loan constituted a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the borrower's financial difficulties granted a concession to the borrower that it would not otherwise consider. Concessions varied by program, were borrower-specific, and could include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may have been forgiven. When a restructured loan constituted a TDR, these loans were included within impaired loans under nonaccrual or accruing restructured loans.

There were no new TDRs that occurred during the year ended December 31, 2022. There were no 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.

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.

	December 31, 2022*	
	Total TDRs	Nonaccrual TDRs
Real estate mortgage	$ 394	$ –
Production and intermediate-term	1,149	89
Rural residential real estate	83	83
Total loans	$ 1,626	$ 172
Additional commitments to lend	$ –	

Prior to adoption of CECL on January 1, 2023, loans were presented with accrued interest receivable.

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, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
ABSs	$ 85,371	$ 639	$ (541)	$ 85,469	7.22%

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
ABSs	$ 79,085	$ 967	$ (322)	$ 79,730	8.11%

	December 31, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
ABSs	$ 1,808	$ 4	$ (24)	$ 1,788	6.22%

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

	December 31, 2024		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	–	–	–
After five years through ten years	46,398	46,220	7.43
After ten years	38,973	39,249	6.96
Total	$ 85,371	$ 85,469	7.22%

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 table shows the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified. Following the adoption of CECL on January 1, 2023, this table is no longer required for held-to-maturity securities. Therefore, there is no table presented for December 31, 2024 and 2023.

	December 31, 2022			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABSs	$ 298	$ (1)	$ 930	$ (23)

The Association evaluates investment securities with unrealized losses for impairment on a quarterly basis. As part of this assessment, it was concluded that the Association does not intend to sell the security, or it is not more likely than not that the Association would be required to sell the security prior to recovery of the amortized cost basis. The Association also evaluates whether credit impairment exists by comparing the present value of expected cash flows to the amortized cost basis of the security. Credit impairment, if any, is recorded as an ACL for debt securities. At December 31, 2024, the Association does not consider any unrealized losses to be credit-related and an ACL is not necessary.

The guidance, prior to the adoption of CECL, for other-than-temporary impairment contemplated numerous factors in determining whether an impairment is other-than-temporary including: (1) whether or not an entity intends to sell the security, (2) whether it is more likely than not that an entity would be required to sell the security before recovering its costs, or (3) whether or not an entity expects to recover the security's entire amortized cost basis (even if it does not intend to sell).

Prior to the adoption of CECL, the Association performed an evaluation quarterly on a security-by-security basis considering all available information. If the Association intended to sell the security or it was more likely than not that it would be required to sell the security, the impairment loss equaled the full difference between amortized cost and fair value of the security. When the Association did not intend to sell securities in an unrealized loss position, other-than-temporary impairment was considered using various factors, including the length of time and the extent to which the fair value was less than cost, adverse conditions specifically related to the industry, geographic area and the condition of the underlying collateral, payment structure of the security, ratings by rating agencies and volatility of the fair value changes. The Association used estimated cash flows over the remaining lives of the underlying collateral to assess whether credit losses exist. In estimating cash flows, it considered factors such as expectations of relevant market and economic data, including underlying loan level data for mortgage-backed and asset-backed securities and credit enhancements. The Association did not recognize any credit impairment losses in earnings during year ended December 31, 2022.

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 $16,320 for 2024, $14,552 for 2023 and $10,005 for 2022. The Association owned 2.90 percent of the issued stock and allocated retained earnings of the Bank as of December 31, 2024 net of any reciprocal investment. As of that date, the Bank's assets totaled $47.0 billion and shareholders' equity totaled $1.7 billion. The Bank's earnings were $283 million for 2024. In addition, the Association had investments of $1,164 related to other Farm Credit institutions at December 31, 2024.

Note 5 — Premises and Equipment

Premises and equipment consists of the following:

	December 31, 2024	2023	2022
Land	$ 658	$ 658	$ 658
Buildings and improvements	4,144	4,117	3,956
Furniture and equipment	1,887	1,676	1,647
	6,689	6,451	6,261
Less: accumulated depreciation	2,481	2,174	1,833
Total	$ 4,208	$ 4,277	$ 4,428

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, 2024, 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, which will be included in interest expense. The interest rate is periodically adjusted by the Bank based upon an agreement between the Bank and the Association. The following table presents additional information regarding Notes Payable to AgFirst as of:

	December 31, 2024	2023	2022
Line of credit	$ 972,000	$ 937,000	$ 788,000
Outstanding principal under the line of credit	930,685	844,626	694,754
Interest rate	4.19%	4.10%	2.70%

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.

The capital 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. Regulatory ratios include common equity tier 1 (CET1) capital, tier 1 capital, and total capital risk-based ratios. The regulations also include a tier 1 leverage ratio which includes an unallocated retained earnings (URE) and URE equivalents (UREE) component. 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, and 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, and allowance for credit losses on loans 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 total assets less regulatory deductions to tier 1 capital.
- The URE and UREE component of the tier 1 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 total assets less regulatory deductions to tier 1 capital.

The following sets forth the regulatory capital ratios:

Ratio	Minimum Requirement	Capital Conservation Buffer	Minimum Requirement including Capital Conservation Buffer	Capital Ratios as of December 31, 2024	2023	2022
Risk-adjusted ratios:						
CET1 Capital	4.5%	2.5%	7.0%	15.30%	15.58%	17.82%
Tier 1 Capital	6.0%	2.5%	8.5%	15.30%	15.58%	17.82%
Total Capital	8.0%	2.5%	10.5%	15.59%	15.95%	18.26%
Permanent Capital	7.0%	0.0%	7.0%	15.34%	15.64%	17.80%
Non-risk-adjusted ratios:						
Tier 1 Leverage*	4.0%	1.0%	5.0%	12.83%	12.87%	15.88%
URE and UREE Leverage	1.5%	0.0%	1.5%	11.48%	11.27%	13.71%

* *The Tier 1 Leverage Ratio must include a minimum of 1.50% of URE and URE Equivalents.*

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, 2024:

Class	Protected	Shares Outstanding Number	Aggregate Par Value
C Common/Voting	No	201,174	$ 1,006
C Participation Certificates/Nonvoting	No	43,552	217
Total Capital Stock and Participation Certificates		244,726	$ 1,223

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, 2024, allocated members' equity consisted of $115 of qualified surplus, $12,732 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 Stock, Class B Common Stock, 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 Year Ended December 31,		
	2024	2023	2022
Employee Benefit Plans:			
Balance at beginning of period	$ 692	$ 610	$ (631)
Other comprehensive income before reclassifications	372	225	1,022
Amounts reclassified from AOCI	(152)	(143)	219
Net current period OCI	220	82	1,241
Balance at end of period	$ 912	$ 692	$ 610

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

	For the Year Ended December 31,			
	2024	2023	2022	Income Statement Line Item
Defined Benefit Pension Plans:				
Periodic pension costs	$ 152	$ 143	$ (219)	See Note 9.
Amounts reclassified	$ 152	$ 143	$ (219)	

(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 also establishes a fair value hierarchy, with three levels of inputs that may be used to measure fair value. Refer to Note 2, *Summary of Significant Accounting Policies* for a more complete description of the three levels.

The following tables summarize assets measured at fair value at period end:

	December 31, 2024			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 1,171	$ –	$ –	$ 1,171
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 686	$ 686
Other property owned	$ –	$ –	$ 586	$ 586

	December 31, 2023			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 1,020	$ –	$ –	$ 1,020
Nonrecurring assets				
Nonaccrual loans	$ –	$ –	$ 1,779	$ 1,779
Other property owned	$ –	$ –	$ 501	$ 501

	December 31, 2022			
	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Recurring assets				
Assets held in trust funds	$ 945	$ –	$ –	$ 945
Nonrecurring assets				
Impaired loans*	$ –	$ –	$ 6,680	$ 6,680
Other property owned	$ –	$ –	$ –	$ –

******Prior to adoption of CECL on January 1, 2023, the fair value of impaired loans included accruing restructured loans and loans past due 90 days and accruing.*

Valuation Techniques

Assets held in trust funds

Assets held in trust funds, related to deferred compensation plans, 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.

Nonaccrual loans

Fair values of nonaccrual loans 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, and are therefore classified as Level 3.

Other property owned

For other property owned, 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. If the process uses observable market-based information, the assets are classified as Level 2. If the process requires significant input based upon management’s knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, the assets are classified as Level 3.

Note 9 — Employee Benefit Plans

The Association participates in three District sponsored qualified benefit plans. These plans include a multiemployer 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 multiemployer defined benefit other postretirement benefits plan (OPEB Plan), the Farm Credit Benefits Alliance (FCBA) Retiree and Disabled Medical and Dental Plan, and the FCBA 401(k) Plan, a defined contribution 401(k) plan (401(k) Plan). The risks of participating in these multiemployer plans are different from single employer plans in the following aspects:

1. Assets contributed to multiemployer 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 multiemployer 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 Employer 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 Consolidated 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 Consolidated Statements of Comprehensive Income were $345 for 2024, $366 for 2023, and $463 for 2022. At December 31, 2024, 2023, and 2022, the total liability balance for the FAP Plan was $9,765, $33,660, and $32,568, respectively. The FAP Plan was 98.52 percent, 95.43 percent, and 95.81 percent funded to the projected benefit obligation as of December 31, 2024, 2023, and 2022, 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 Consolidated 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 Consolidated Statements of Comprehensive Income were $250 for 2024, $252 for 2023, and $241 for 2022. The total AgFirst District liability balance for the OPEB Plan presented in the Farm Credit System Combined Statement of Condition was $182,643, $160,980, and $167,895 at December 31, 2024, 2023, and 2022, respectively.

The Association also participates in the 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 $578, $554, and $507 for the years ended December 31, 2024, 2023, and 2022, 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 2024, 2023, and 2022, $220, $82, and $1,241 has been recognized as net credits to AOCI to reflect these elements.

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

In addition to the multiemployer 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 $490 and a net under-funded status of $490 at December 31, 2024. Assumptions used to determine the projected benefit obligation as of December 31, 2024 included a discount rate of 5.65 percent and a rate of compensation increase of 3.50 percent. The expenses of these nonqualified plans included in noninterest expenses were $(89), $(62), and $328 for 2024, 2023, and 2022, respectively.

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 loans to such persons at December 31, 2024 amounted to $133,840. During 2024, $162,495 of new loans were made and repayments totaled $172,935. In addition, net loans of $2,377 were no longer classified as related party loans. In the opinion of management, none of these loans outstanding at December 31, 2024 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, 2024, $140,889 of commitments to extend credit and $267 of commercial letters of credit were outstanding. A reserve for unfunded commitments of $249 was included in Other Liabilities in the Consolidated Balance Sheets at December 31, 2024.

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, 2024, standby letters of credit outstanding totaled $648 with expiration dates ranging from January 1, 2025 to September 1, 2028. The maximum potential amount of future payments that may be required under these guarantees was $648.

Note 12 — Income Taxes

At December 31, 2024, 2023 and 2022, the Association recorded $152, $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,		
	2024	2023	2022
Federal tax at statutory rate	$ 5,483	$ 2,579	$ 4,046
Effect of non-taxable FLCA subsidiary	(2,891)	(496)	(2,128)
Patronage distributions	(2,455)	(2,080)	(2,131)
Change in valuation allowance	(17)	(26)	212
Change in statutory rate	–	–	–
Other	32	23	1
Provision (benefit) for income taxes	$ 152	$ –	$ –

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

	December 31,		
	2024	2023	2022
Deferred income tax assets:			
Allowance for loan losses	$ 107	$ 156	$ 1,019
Net operating loss – carryforward	6,456	6,397	5,540
Nonaccrual loan interest	19	23	84
Gross deferred tax assets	6,582	6,576	6,643
Less: valuation allowance	(6,566)	(6,556)	(6,587)
Gross deferred tax assets, net of valuation allowance	16	20	56
Deferred income tax liabilities:			
Loan origination fees	(16)	(20)	(56)
Gross deferred tax liability	(16)	(20)	(56)
Net deferred tax asset (liability)	$ –	$ –	$ –

At December 31, 2024, 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 $6,566, $6,556 and $6,587 as of December 31, 2024, 2023 and 2022, respectively. The Association will continue to evaluate the realizability of these deferred tax assets and adjust the valuation allowance accordingly.

At December 31, 2024 the Association has Federal loss carryforwards totaling approximately $25.5 million that expire in varying amounts beginning in 2026. Of this, $5.6 million of the net operating losses were generated post 2017 and can be carried forward indefinitely. The valuation allowance at December 31, 2024 was primarily related to federal loss carryforwards that, in the judgment of management, are more likely than not to expire before realized. In evaluating the Company's ability to recover its deferred income tax assets, it considers all available evidence, both positive and negative, including operating results, ongoing tax planning and forecasts of future taxable income on a jurisdiction by jurisdiction basis.

There were no uncertain tax positions identified related to the current year and the Association has no unrecognized tax benefits at December 31, 2024 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 years that remain open for federal and major state income tax jurisdictions are 2021 and forward.

Note 13 — Leases

Lessee

The Association leases certain assets, consisting primarily of real estate, transportation and office equipment, under standard industry terms. The contracts are assessed at inception to determine whether a contract is, or contains, a lease.

The components of lease costs were as follows:

	Year Ended December 31,		
	2024	2023	2022
Operating lease cost	$ 381	$ 386	$ 381
Variable lease cost (costs excluded from lease payments)	161	150	113
Sublease income	–	–	–
Lease costs	$ 542	$ 536	$ 494

Other information related to leases was as follows:

	Year Ended December 31,		
	2024	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 429	$ 423	$ 409
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	$ 2	$ 3	$ 38

Lease term and discount rate for the periods ended were as follows:

	December 31,		
	2024	2023	2022
Weighted average remaining lease term in years:			
Operating leases	10.97	11.96	12.95
Weighted average discount rate:			
Operating leases	3.09%	3.10%	3.10%

Maturities of lease liabilities as of period end were as follows:

	Operating Leases December 31, 2024
2024	$ 439
2025	449
2026	457
2027	464
2028	475
Thereafter	3,111
Total lease payments	5,395
Less: imputed interest	847
Total lease liabilities	$ 4,548

Note 14 — Additional Financial Information

Quarterly Financial Information (Unaudited)

	2024				
	First	Second	Third	Fourth	Total
Net interest income	$ 7,410	$ 6,640	$ 6,888	$ 7,277	$ 28,215
Provision for (reversal of) allowance for credit losses	1,359	(549)	165	(872)	103
Noninterest income (expense), net	(1,173)	(355)	(1,778)	1,151	(2,155)
Net income	$ 4,878	$ 6,834	$ 4,945	$ 9,300	$ 25,957

	2023				
	First	Second	Third	Fourth	Total
Net interest income	$ 5,574	$ 5,678	$ 5,764	$ 5,699	$ 22,715
Provision for (reversal of) allowance for credit losses	5,061	96	472	510	6,139
Noninterest income (expense), net	(1,361)	(731)	(1,499)	(706)	(4,297)
Net income	$ (848)	$ 4,851	$ 3,793	$ 4,483	$ 12,279

	2022				
	First	Second	Third	Fourth	Total
Net interest income	$ 4,372	$ 4,579	$ 4,847	$ 5,752	$ 19,550
Provision for (reversal of) allowance for loan losses	–	–	–	1,258	1,258
Noninterest income (expense), net	(1,429)	(76)	(1,805)	4,283	973
Net income	$ 2,943	$ 4,503	$ 3,042	$ 8,777	$ 19,265

Note 15 — Merger Activity

On December 6, 2024, the Board of Directors of the Association and Southwest Georgia Farm Credit, ACA signed a letter of intent to merge the two associations. Following review and approval by the FCA, the merger proposal will be presented to shareholders of both associations for their approval in the fall of 2025. Following final approval by all required parties, the merged association is expected to begin operations on January 1, 2026.

Note 16 — Subsequent Events

The Association determined that there were no subsequent events requiring disclosure through March 11, 2025, which was the date the financial statements were issued.

FARM CREDIT
OF CENTRAL FLORIDA
204 East Orange Street
Suite 200
Lakeland, FL 33801

SERVING 13 COUNTIES:

BREVARD, CITRUS, HERNANDO, HILLSBOROUGH, LAKE, ORANGE, OSCEOLA, PASCO, PINELLAS, POLK, SEMINOLE, SUMTER, VOLUSIA

LAKELAND
204 E. Orange St. | Suite 200
Lakeland, FL 33801
863.682.4117 (Admin. Office)

APOPKA
57 E. Third St. | Apopka, FL 32703
407.880.7883

BROOKSVILLE
31050 Cortez Blvd. | Brooksville, FL 34602
352.544.5553

PLANT CITY
2301 Thonotosassa Rd. | Plant City, FL 33563
813.719.7341

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