Carolina Farm Credit, ACA

FIRST QUARTER 2014

TABLE OF CONTENTS

CERTIFICATION

The undersigned certify that we have reviewed the March 31, 2014 quarterly report of Carolina Farm Credit, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Vance C. Dalton, Jr.
Chief Executive Officer

Christopher H. Scott
Chief Financial Officer

Mark A. Bray
Chairman of the Board

May 9, 2014

Carolina Farm Credit, ACA

Report on Internal Control Over Financial Reporting

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

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

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of March 31, 2014. In making the assessment, management used the framework in *Internal Control — Integrated Framework*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association concluded that as of March 31, 2014, the internal control over financial reporting was effective based upon the COSO (1992) criteria. Additionally, based on this assessment, the Association determined that there were no material weaknesses in the internal control over financial reporting as of March 31, 2014.

Vance C Dalton Jr

Vance C. Dalton, Jr.
Chief Executive Officer

Christopher H. Scott

Christopher H. Scott
Chief Financial Officer

May 9, 2014

Carolina Farm Credit, ACA

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

(dollars in thousands)

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

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities in our region, including part-time farm, poultry, and rural home loans. 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 dependency on a single agricultural commodity.

The gross loan volume of the Association as of March 31, 2014, was $1,344,771, a decrease of $17,064 as compared to $1,361,835 at December 31, 2013. Net loans outstanding at March 31, 2014, were $1,338,622 as compared to $1,356,275 at December 31, 2013. Net loans accounted for 94.50% percent of total assets at March 31, 2014, as compared to 92.13 percent of total assets at December 31, 2013. The decrease in loan volume during the reporting period is a result of principal payments and payoffs outpacing new loan volume.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality continues to be maintained at an acceptable level, however, and credit administration remains satisfactory.

Nonaccrual loans decreased from $29,005 at December 31, 2013, to $24,787 at March 31, 2014. This decrease is primarily the result of transfers of loan volume to nonaccrual being less than regular payments made on nonaccrual loans, along with nonaccrual loans liquidated or reinstated back to accrual status.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at March 31, 2014, was $6,149 compared to $5,560 at December 31, 2013, and was considered by management to be adequate to cover probable losses.

RESULTS OF OPERATIONS

For the three months ended March 31, 2014

Net income for the three months ended March 31, 2014, totaled $6,547, as compared to $5,860 for the same period in 2013, which is an increase of $687. Net interest income increased $2,298 for the three months ended March 31, 2014, as compared to the same period in 2013.

At March 31, 2014, total interest income increased $2,493 compared to March 31, 2013. Nonaccrual income was $337 for the three months ended March 31, 2014, as compared to $136 for the same period in 2013. Interest expense increased $195 for the three months ended March 31, 2014, as compared to the comparable period of 2013.

The Association recorded a provision/(reversal) for loan losses of $331 for the three months ended March 31, 2014 as compared to a provision/(reversal) of $180 for the same period of 2013.

Noninterest income for the three months ended March 31, 2014, totaled $3,278 as compared to $4,637 for the same period of 2013, a decrease of $1,359. The decline in noninterest income is attributed to decreases of $232 in loan fees, $1,180 in equity in earnings of other Farm Credit institutions, and $381 in gains/ (losses) on the sale of rural home loans, when compared to the same period in 2013. These decreases were offset by increases of $41 in gains/(losses) on sales of premises and equipment, $237 in gains/(losses) on other transactions, and $155 in other non-interest income, when compared for the same period of 2013.

Noninterest expense for the three months ended March 31, 2014, increased $102 compared to the same period of 2013. This rise in noninterest expense is attributed to increases of $84 in Insurance Fund premiums, and $283 in other operating expenses, when compared to the same period in 2013. These increases were offset by decreases of $204 in salaries and employee benefits, $52 in occupancy and equipment, and $9 in gains/(losses) on other property owned, when compared for the same period of 2013.

The Association recorded a provision for income taxes of $0 for the three months ended March 31, 2014 as compared a provision of $1 for the same period of 2013.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. The funds are advanced by the Bank to the Association in the form of notes payable. The notes payable is segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at March 31, 2014, was $1,097,478 as compared to $1,158,043 at December 31, 2013. The decrease during the period is primarily attributable to the declines in loan and other investment volume, and the payment of AgFirst patronage to the Association in January.

The Association has no lines of credit outstanding with third parties as of March 31, 2014.

CAPITAL RESOURCES

Total members' equity at March 31, 2014, increased to $286,996 from the December 31, 2013, total of $280,065. The change in capital is primarily attributable to net earnings for the year.

Farm Credit administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of March 31, 2014, the Association's total surplus ratio and core surplus ratio were 19.66 percent and 16.96 percent, respectively, and the permanent capital ratio was 20.26 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

REGULATORY MATTERS

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

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

NOTE: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P.O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, www.agfirst.com. Copies of the Association's annual and quarterly reports are also available upon request free of charge by calling 1-800-521-9952, or writing Michael R. Morton, CEO, Carolina Farm Credit, ACA, P.O. Box 1827, Statesville NC 28687-1827, or accessing the website, www.carolinafarmcredit.com. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Carolina Farm Credit, ACA

Consolidated Balance Sheets

(dollars in thousands)	March 31, 2014 *(unaudited)*	December 31, 2013 *(audited)*
Assets		
Cash	$ 2,224	$ 2,348
Investment securities:		
Held to maturity (fair value of $3,471 and $3,406, respectively)	3,478	3,502
Loans	1,344,771	1,361,835
Allowance for loan losses	(6,149)	(5,560)
Net loans	1,338,622	1,356,275
Loans held for sale	4,818	3,136
Other investments	—	12,115
Accrued interest receivable	14,559	13,512
Investments in other Farm Credit institutions	14,234	14,234
Premises and equipment, net	16,655	16,260
Other property owned	3,245	3,581
Accounts receivable	2,726	32,086
Other assets	15,935	15,123
Total assets	$ 1,416,496	$ 1,472,172
Liabilities		
Notes payable to AgFirst Farm Credit Bank	$ 1,097,478	$ 1,158,043
Accrued interest payable	2,104	2,348
Patronage refunds payable	1,222	6,699
Accounts payable	1,890	3,838
Other liabilities	26,806	21,179
Total liabilities	1,129,500	1,192,107
Commitments and contingencies		
Members' Equity		
Capital stock and participation certificates	8,168	7,927
Retained earnings		
Allocated	167,534	167,311
Unallocated	111,680	105,259
Accumulated other comprehensive income (loss)	(386)	(432)
Total members' equity	286,996	280,065
Total liabilities and members' equity	$ 1,416,496	$ 1,472,172

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

Carolina Farm Credit, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2014	2013
Interest Income		
Loans	$ 18,335	$ 15,627
Investment securities	68	282
Total interest income	18,403	15,909
Interest Expense		
Notes payable to AgFirst Farm Credit Bank	6,246	6,053
Other	2	—
Total interest expense	6,248	6,053
Net interest income	12,155	9,856
Provision for loan losses	331	179
Net interest income after provision for loan losses	11,824	9,677
Noninterest Income		
Loan fees	355	587
Fees for financially related services	48	47
Patronage refunds from other Farm Credit institutions	2,234	3,414
Gains (losses) on sales of rural home loans, net	202	583
Gains (losses) on sales of premises and equipment, net	71	30
Gains (losses) on other transactions	180	(57)
Other noninterest income	188	33
Total noninterest income	3,278	4,637
Noninterest Expense		
Salaries and employee benefits	5,853	6,057
Occupancy and equipment	519	571
Insurance Fund premiums	312	228
(Gains) losses on other property owned, net	53	62
Other operating expenses	1,818	1,535
Total noninterest expense	8,555	8,453
Income before income taxes	6,547	5,861
Provision for income taxes	—	1
Net income	$ 6,547	$ 5,860

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

Carolina Farm Credit, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended March 31, 2014		2013	
Net income	$	6,547	$	5,860
Other comprehensive income net of tax				
Employee benefit plans adjustments		46		120
Comprehensive income	$	6,593	$	5,980

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

Carolina Farm Credit, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2012	$ 48	$ 7,860	$ 148,080	$ 101,265	$ (1,075)	$ 256,178
Comprehensive income				5,860	120	5,980
Protected borrower stock issued/(retired), net	(11)					(11)
Capital stock/participation certificates issued/(retired), net		210				210
Patronage distribution adjustment			(564)	542		(22)
Balance at March 31, 2013	$ 37	$ 8,070	$ 147,516	$ 107,667	$ (955)	$ 262,335
Balance at December 31, 2013	$ —	$ 7,927	$ 167,311	$ 105,259	$ (432)	$ 280,065
Comprehensive income				6,547	46	6,593
Capital stock/participation certificates issued/(retired), net		241				241
Patronage distribution adjustment			223	(126)		97
Balance at March 31, 2014	$ —	$ 8,168	$ 167,534	$ 111,680	$ (386)	$ 286,996

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

Carolina Farm Credit, ACA

Notes to the Consolidated Financial Statements

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

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

Organization

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

Basis of Presentation

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

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

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

Significant Accounting Policies

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

Recently Issued Accounting Pronouncements

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

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

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

Note 2 — Loans and Allowance for Loan Losses

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

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

A summary of loans outstanding at period end follows:

	March 31, 2014	December 31, 2013
Real estate mortgage	$ 668,839	$ 659,116
Production and intermediate-term	575,317	607,613
Loans to cooperatives	2,772	433
Processing and marketing	22,053	18,914
Farm-related business	7,904	6,076
Communication	9,239	9,384
Energy and water/waste disposal	2,383	2,419
Rural residential real estate	56,264	57,880
Total Loans	$ 1,344,771	$ 1,361,835

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

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

	March 31, 2014							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 3,681	$ 10,409	$ –	$ 889	$ 190	$ –	$ 3,871	$ 11,298
Production and intermediate-term	19,995	94,444	4,363	–	–	–	24,358	94,444
Loans to cooperatives	2,748	–	12	–	–	–	2,760	–
Processing and marketing	21,070	–	–	–	–	–	21,070	–
Farm-related business	3,856	–	139	–	–	–	3,995	–
Communication	9,271	–	–	–	–	–	9,271	–
Energy and water/waste disposal	2,413	–	–	–	–	–	2,413	–
Total	$ 63,034	$ 104,853	$ 4,514	$ 889	$ 190	$ –	$ 67,738	$ 105,742

	December 31, 2013							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 4,603	$ 10,494	–	940	$ 433	$ –	$ 5,036	$ 11,434
Production and intermediate-term	19,111	119,991	4,130	–	–	–	23,241	119,991
Loans to cooperatives	404	–	–	–	–	–	404	–
Processing and marketing	17,868	–	–	–	–	–	17,868	–
Farm-related business	2,326	–	141	–	–	–	2,467	–
Communication	9,416	–	–	–	–	–	9,416	–
Energy and water/waste disposal	2,449	–	–	–	–	–	2,449	–
Total	$ 56,177	$ 130,485	4,271	940	$ 433	$ –	$ 60,881	$ 131,425

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

	March 31, 2014			
	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 69,086	$ 133,823	$ 465,930	$ 668,839
Production and intermediate-term	137,880	219,509	217,928	575,317
Loans to cooperatives	1,032	1,728	12	2,772
Processing and marketing	1,745	8,151	12,157	22,053
Farm-related business	1,382	4,079	2,443	7,904
Communication	–	4,523	4,716	9,239
Energy and water/waste disposal	–	758	1,625	2,383
Rural residential real estate	5,434	10,729	40,101	56,264
Total Loans	$ 216,559	$ 383,300	$ 744,912	$ 1,344,771
Percentage	16.10%	28.50%	55.40%	100.00%

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

	March 31, 2014	December 31, 2013
Real estate mortgage:		
Acceptable	89.33%	89.38%
OAEM	5.98	6.24
Substandard/doubtful/loss	4.69	4.38
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	85.83%	87.89%
OAEM	11.10	8.86
Substandard/doubtful/loss	3.07	3.25
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	96.19%
OAEM	–	3.81
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	94.39%	100.00%
OAEM	5.61	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Farm-related business:		
Acceptable	99.63%	99.41%
OAEM	–	0.09
Substandard/doubtful/loss	0.37	0.50
	100.00%	100.00%

	March 31, 2014	December 31, 2013
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Energy and water/waste disposal:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	94.96%	95.40%
OAEM	2.36	1.96
Substandard/doubtful/loss	2.68	2.64
	100.00%	100.00%
Total Loans:		
Acceptable	88.33%	89.25%
OAEM	7.91	7.06
Substandard/doubtful/loss	3.76	3.69
	100.00%	100.00%

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

	March 31, 2014					
	30 Through 89 Days Past Due	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment 90 Days or More Past Due and Accruing Interest**
Real estate mortgage	$ 2,091	$ 8,779	$ 10,870	$ 666,082	$ 676,952	$ –
Production and intermediate-term	2,899	6,029	8,928	572,435	581,363	–
Loans to cooperatives	–	–	–	2,776	2,776	–
Processing and marketing	–	–	–	22,109	22,109	–
Farm-related business	–	–	–	7,938	7,938	–
Communication	–	–	–	9,242	9,242	–
Energy and water/waste disposal	–	–	–	2,383	2,383	–
Rural residential real estate	661	338	999	55,553	56,552	–
Total	$ 5,651	$ 15,146	$ 20,797	$ 1,338,518	$ 1,359,315	$ –

	December 31, 2013					
	30 Through 89 Days Past Due	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less Than 30 Days Past Due**	**Total Loans**	**Recorded Investment 90 Days or More Past Due and Accruing Interest**
Real estate mortgage	$ 3,322	$ 9,121	$ 12,443	$ 653,609	$ 666,052	$ –
Production and intermediate-term	1,711	11,634	13,345	600,571	613,916	–
Loans to cooperatives	17	–	17	416	433	–
Processing and marketing	–	–	–	18,926	18,926	–
Farm-related business	–	–	–	6,096	6,096	–
Communication	–	–	–	9,386	9,386	–
Energy and water/waste disposal	–	–	–	2,419	2,419	–
Rural residential real estate	878	259	1,137	56,953	58,090	–
Total	$ 5,928	$ 21,014	$ 26,942	$ 1,348,376	$ 1,375,318	$ –

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

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

	March 31, 2014	December 31, 2013
Nonaccrual loans:		
Real estate mortgage	$ 12,830	$ 13,285
Production and intermediate-term	11,206	14,929
Processing and marketing	–	–
Farm-related business	7	7
Rural residential real estate	744	784
Total nonaccrual loans	$ 24,787	$ 29,005
Accruing restructured loans:		
Real estate mortgage	$ 1,776	$ 1,838
Production and intermediate-term	264	267
Farm-related business	605	620
Rural residential real estate	214	217
Total accruing restructured loans	$ 2,859	$ 2,942
Accruing loans 90 days or more past due:		
Production and intermediate-term	–	–
Total accruing loans 90 days or more past due	$ –	$ –
Total nonperforming loans	$ 27,646	$ 31,947
Other property owned	3,245	3,581
Total nonperforming assets	$ 30,891	$ 35,528
Nonaccrual loans as a percentage of total loans	1.84%	2.13%
Nonperforming assets as a percentage of total loans and other property owned	2.29%	2.60%
Nonperforming assets as a percentage of capital	10.76%	12.69%

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

	March 31, 2014	December 31, 2013
Impaired nonaccrual loans:		
Current as to principal and interest	$ 9,276	$ 7,113
Past due	15,511	21,892
Total impaired nonaccrual loans	24,787	29,005
Impaired accrual loans:		
Restructured	2,859	2,942
90 days or more past due	–	–
Total impaired accrual loans	2,859	2,942
Total impaired loans	$ 27,646	$ 31,947

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

	March 31, 2014			Quarter Ended March 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 6,716	$ 8,309	$ 788	$ 7,479	$ 89
Production and intermediate-term	3,609	4,847	1,063	4,019	48
Processing and marketing	–	–	–	–	–
Farm-related business	–	–	–	–	–
Rural residential real estate	–	–	–	–	–
Total	$ 10,325	$ 13,156	$ 1,851	$ 11,498	$ 137
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 7,890	$ 8,691	$ –	$ 8,786	$ 105
Production and intermediate-term	7,861	12,967	–	8,754	104
Processing and marketing	–	–	–	–	–
Farm-related business	612	616	–	681	8
Rural residential real estate	958	1,109	–	1,067	13
Total	$ 17,321	$ 23,383	$ –	$ 19,288	$ 230
Total impaired loans:					
Real estate mortgage	$ 14,606	$ 17,000	$ 788	$ 16,265	$ 194
Production and intermediate-term	11,470	17,814	1,063	12,773	152
Processing and marketing	–	–	–	–	–
Farm-related business	612	616	–	681	8
Rural residential real estate	958	1,109	–	1,067	13
Total	$ 27,646	$ 36,539	$ 1,851	$ 30,786	$ 367

	December 31, 2013			Year Ended December 31, 2013	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Impaired Loans	Interest Income Recognized on Impaired Loans
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ 4,415	$ 6,155	$ 137	$ 6,506	$ 236
Production and intermediate-term	5,987	10,479	1,247	8,820	321
Farm-related business	–	–	–	–	–
Rural residential real estate	350	355	24	515	19
Total	$ 10,752	$ 16,989	$ 1,408	$ 15,841	$ 576
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 10,708	$ 12,006	$ –	$ 15,776	$ 575
Production and intermediate-term	9,209	11,419	–	13,570	494
Farm-related business	627	631	–	924	33
Rural residential real estate	651	841	–	960	35
Total	$ 21,195	$ 24,897	$ –	$ 31,230	$ 1,137
Total impaired loans:					
Real estate mortgage	$ 15,123	$ 18,161	$ 137	$ 22,282	$ 811
Production and intermediate-term	15,196	21,898	1,247	22,390	815
Farm-related business	627	631	–	924	33
Rural residential real estate	1,001	1,196	24	1,475	54
Total	$ 31,947	$ 41,886	$ 1,408	$ 47,071	$ 1,713

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

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

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	Total
Allowance for credit losses:							
Balance at December 31, 2013	$ 1,396	$ 3,988	$ 55	$ 22	$ 9	$ 90	$ 5,560
Charge-offs	(46)	(99)	–	–	–	(15)	(160)
Recoveries	42	369	–	–	–	7	418
Provision for loan losses	908	(599)	25	3	1	(7)	331
Balance at March 31, 2014	$ 2,300	$ 3,659	$ 80	$ 25	$ 10	$ 75	$ 6,149
Balance at December 31, 2012	$ 1,678	$ 4,895	$ 2,006	$ 13	$ 6	$ 159	$ 8,757
Charge-offs	(33)	(126)	–	–	–	(1)	(160)
Recoveries	2	35	–	–	–	3	40
Provision for loan losses	348	(96)	(31)	(3)	–	(39)	179
Balance at March 31, 2013	$ 1,995	$ 4,708	$ 1,975	$ 10	$ 6	$ 122	$ 8,816
Loans individually evaluated for impairment	$ 788	$ 1,063	$ –	$ –	$ –	$ –	$ 1,851
Loans collectively evaluated for impairment	1,512	2,596	80	25	10	75	4,298
Balance at March 31, 2014	$ 2,300	$ 3,659	$ 80	$ 25	$ 10	$ 75	$ 6,149
Loans individually evaluated for impairment	$ 137	$ 1,247	$ –	$ –	$ –	$ 24	$ 1,408
Loans collectively evaluated for impairment	1,259	2,741	55	22	9	66	4,152
Balance at December 31, 2013	$ 1,396	$ 3,988	$ 55	$ 22	$ 9	$ 90	$ 5,560
Recorded investment in loans outstanding:							
Loans individually evaluated for impairment	$ 14,606	$ 11,470	$ 612	$ –	$ –	$ 958	$ 27,646
Loans collectively evaluated for impairment	662,346	569,893	32,211	9,242	2,383	55,594	1,331,669
Ending balance at March 31, 2014	$ 676,952	$ 581,363	$ 32,823	$ 9,242	$ 2,383	$ 56,552	$ 1,359,315
Loans individually evaluated for impairment	$ 15,123	$ 15,196	$ 627	$ –	$ –	$ 1,001	$ 31,947
Loans collectively evaluated for impairment	650,929	598,720	24,828	9,386	2,419	57,089	1,343,371
Ending balance at December 31, 2013	$ 666,052	$ 613,916	$ 25,455	$ 9,386	$ 2,419	$ 58,090	$ 1,375,318

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

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about activity that occurred during the periods presented related to TDRs.

	Three months ended March 31, 2014			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Real estate mortgage	$ 729	$ 697	$ –	$ 1,426
Production and intermediate-term	–	2,100	–	2,100
Rural residential real estate	–	117	–	117
Total	$ 729	$ 2,914	$ –	$ 3,643

	Three months ended March 31, 2014				
	Post-modification Outstanding Recorded Investment				Effects of Modification
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Troubled debt restructurings:					
Real estate mortgage	$ 715	$ 700	$ –	$ 1,415	$ –
Production and intermediate-term	–	2,099	–	2,099	–
Rural residential real estate	–	100	–	100	–
Total	$ 715	$ 2,899	$ –	$ 3,614	$ –

	Three months ended March 31, 2013			
	Pre-modification Outstanding Recorded Investment			
	Interest Concessions	Principal Concessions	Other Concessions	Total
Troubled debt restructurings:				
Production and intermediate-term	$ –	$ 365	$ –	$ 365
Total	$ –	$ 365	$ –	$ 365

	Three months ended March 31, 2013				
	Post-modification Outstanding Recorded Investment				Effects of Modification
	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Troubled debt restructurings:					
Production and intermediate-term	$ –	$ 365	$ –	$ 365	$ –
Total	$ –	$ 365	$ –	$ 365	$ –

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

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

	Three Months Ended March 31,	
	2014	2013
Defaulted troubled debt restructurings:		
Real estate mortgage	$ –	$ 266
Production and intermediate-term	–	1,395
Total	$ –	$ 1,661

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

	Total TDRs		Nonaccrual TDRs	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Real estate mortgage	$ 3,785	$ 3,441	$ 2,009	$ 1,603
Production and intermediate-term	5,007	5,166	4,743	4,899
Processing and marketing	–	–	–	–
Farm-related business	605	620	–	–
Rural residential real estate	214	217	–	–
Total Loans	$ 9,611	$ 9,444	$ 6,752	$ 6,502
Additional commitments to lend	$ 16	$ 16		

Note 3 — Investment Securities

The Association’s held-to-maturity investments consist primarily of Rural America Bonds, which are private placement securities purchased under the Mission Related Investment program approved by the FCA. In its Conditions of Approval for the program, the FCA considers a Rural America Bond ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible. FCA approval has been obtained to allow the Association to continue to hold one Rural America bond whose credit quality has deteriorated beyond the program limits.

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

	March 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission Related Investments	$ 3,478	$ 164	$ (171)	$ 3,471	5.26%

	December 31, 2013				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
Mission Related Investments	$ 3,502	$ 113	$ (209)	$ 3,406	5.25%

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

	March 31, 2014		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ 221	$ 221	4.08 %
After one year through five years	–	–	–
After five years through ten years	169	174	4.01
After ten years	3,088	3,076	5.41
Total	$ 3,478	$ 3,471	5.26 %

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

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

	March 31, 2014			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission Related Investments	$ 1,290	$ (118)	$ 576	$ (53)

	December 31, 2013			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mission Related Investments	$ 1,271	$ (145)	$ 571	$ (64)

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

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

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

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

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

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

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

Note 5 — Members' Equity

Accumulated Other Comprehensive Income

The following presents activity related to AOCI for the periods presented:

	Changes in Accumulated Other Comprehensive income by Component *(a)*			
	Three Months Ended March 31,			
	2014		2013	
Employee Benefit Plans:				
Balance at beginning of period	$	(432)	$	(1,075)
Other comprehensive income before reclassifications		–		–
Amounts reclassified from AOCI		46		120
Net current period other comprehensive income		46		120
Balance at end of period	$	(386)	$	(955)

	Reclassifications Out of Accumulated Other Comprehensive Income *(b)*				
	Three Months Ended March 31,				
	2014		2013		Income Statement Line Item
Defined Benefit Pension Plans:					
Periodic pension costs	$	(46)	$	(120)	See footnote 7.
Net amounts reclassified	$	(46)	$	(120)	

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

Note 6 — Fair Value Measurement

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

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

Estimating the fair value of the Association's investment in the Bank and Other Farm Credit Institutions is not practicable because the stock is not traded. The net investment is a requirement of borrowing from the Bank and is carried at cost plus allocated equities in the accompanying Consolidated Balance Sheets. The Association owns 5.37 percent of the issued stock of the Bank as of March 31, 2014 net of any reciprocal investment. As of that date, the Bank's assets totaled $27.6 billion and shareholders' equity totaled $2.2 billion. The Bank's earnings were $88 million for the first three months of 2014. In addition, the Association has an investment of $488 related to other Farm Credit institutions.

The classifications within the fair value hierarchy are as follows:

Level 1

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. Assets held in trust funds, related to deferred compensation and supplemental retirement 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. For cash, the carrying value is primarily utilized as a reasonable estimate of fair value.

Level 2

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. The Association has no Level 2 assets and liabilities measured at fair value.

Level 3

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

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

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

	Standby Letters of Credit	
	For the three months ended March 31,	
	2014	2013
Balance at beginning of period	$ 17	$ 34
Issuances	–	20
Settlements	(6)	–
Balance at end of period	$ 11	$ 54

SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS.

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

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

Investment Securities

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

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

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

Other Property Owned/Impaired Loans

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

Inputs to Valuation Techniques

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

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

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 29,230	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*

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

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying Value	Par/Principle and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecast Probability of default Loss severity
Investment securities, held-to-maturity	Discounted cash flow	Risk adjusted discount rate
Other investments	Discounted cash flow	Prepayment rates Risk adjusted discount rate
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts Probability of default Loss severity

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

At or for the Three Months Ended March 31, 2014

	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 2,111	$ 2,111	$ –	$ –	$ 2,111	
Recurring Assets	$ 2,111	$ 2,111	$ –	$ –	$ 2,111	
Liabilities:						
Standby letters of credit	$ 11	$ –	$ –	$ 11	$ 11	
Recurring Liabilities	$ 11	$ –	$ –	$ 11	$ 11	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 25,795	$ –	$ –	$ 25,795	$ 25,795	$ (184)
Other property owned	3,245	–	–	3,435	3,435	83
Nonrecurring Assets	$ 29,040	$ –	$ –	$ 29,230	$ 29,230	$ (101)
Other Financial Instruments						
Assets:						
Cash	$ 2,224	$ 2,224	$ –	$ –	$ 2,224	
Investment securities, held-to-maturity	3,478	–	–	3,471	3,471	
Loans	1,317,645	–	–	1,319,531	1,319,531	
Other Financial Assets	$ 1,323,347	$ 2,224	$	$ 1,323,002	$ 1,325,226	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,097,478	$ –	$ –	$ 1,086,998	$ 1,086,998	
Other Financial Liabilities	$ 1,097,478	$ –	$ –	$ 1,086,998	$ 1,086,998	

At or for the Year Ended December 31, 2013

	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 2,096	$ 2,096	$ –	$ –	$ 2,096	
Recurring Assets	$ 2,096	$ 2,096	$ –	$ –	$ 2,096	
Liabilities:						
Standby letters of credit	$ 17	$ –	$ –	$ 17	$ 17	
Recurring Liabilities	$ 17	$ –	$ –	$ 17	$ 17	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 30,539	$ –	$ –	$ 30,539	$ 30,539	$ (1,151)
Other property owned	3,581	–	–	3,926	3,926	(2,281)
Nonrecurring Assets	$ 34,120	$ –	$ –	$ 34,465	$ 34,465	$ (3,432)
Other Financial Instruments						
Assets:						
Cash	$ 2,348	$ 2,348	$ –	$ –	$ 2,348	
Investment securities, held-to-maturity	3,502	–	–	3,406	3,406	
Loans	1,328,872	–	–	1,330,159	1,330,159	
Other investments*	12,115	–	–	12,131	12,131	
Other Financial Assets	$ 1,346,837	$ 2,348	$ –	$ 1,345,696	$ 1,348,044	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 1,158,043	$ –	$ –	$ 1,143,717	$ 1,143,717	
Other Financial Liabilities	$ 1,158,043	$ –	$ –	$ 1,143,717	$ 1,143,717	

**Final payments to financial institutions under these investment agreements occurred in 2014.*

Note 7 — Employee Benefit Plans

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

	For the three months ended March 31,	
	2014	2013
Pension	$ 1,518	$ 1,570
401(k)	127	122
Other postretirement benefits	280	267
Total	$ 1,925	$ 1,959

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

	Actual YTD Through 3/31/14	Projected Contributions For Remainder of 2014	Projected Total Contributions 2014
Pension	$ 33	$ 4,605	$ 4,638
Other postretirement benefits	176	562	738
Total	$ 209	$ 5,167	$ 5,376

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

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

Note 8 — Commitments and Contingent Liabilities

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

Note 9 — Subsequent Events

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