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1ST QUARTER REPORT 2022

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

(Unaudited)

The following discussion summarizes the financial position and results of operations of Premier Farm Credit, ACA (the Association) for the three months ended March 31, 2022, with comparisons to prior periods. You should read these comments along with the accompanying financial statements and footnotes and the 2021 Annual Report to Shareholders. The accompanying financial statements were prepared under the oversight of our Audit Committee.

The shareholders' investment in Premier Farm Credit, ACA is materially affected by the financial condition and results of operations of CoBank, ACB, (CoBank). The 2021 CoBank Annual Report to Shareholders, and the CoBank quarterly shareholders' reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at 202 Poplar Street, Sterling, Colorado 80751 or calling (970) 522-5295.

General economic conditions within our territory remained positive during the first quarter of 2022 as our region continues to rebound from the effects of the COVID-19 pandemic. The local economy has strengthened with low unemployment, strong housing demand, new business investment, and a rebound in the energy sector. The operating renewal season has revealed mostly positive results for operation within the territory. Many producers had strong earnings in 2021 resulting from higher commodity prices, government support payments and average to above average production. Agricultural commodity values are anticipated to remain strong in 2022; however, high input costs are relevant and the need for adequate production is important to provide positive earnings for producers. Weather conditions remain challenging with dry conditions in most of the region. Lack of moisture this spring could move the region into severe drought causing stressed cropland and rangeland conditions. Based on current snow pack in the mountains and reservoir water supplies, irrigated operators should have adequate water to allow good production this year. Producers are making 2022 growing season decisions with uncertainty and an awareness of rising input costs, management, and operational profit. Credit quality within the loan portfolio has improved since the beginning of the year and is anticipated to remain stable during 2022.

The broader economy and marketplace continues to transition into another phase of the COVID-19 pandemic environment, accompanied by concerns related to the war in Ukraine. As the COVID-19 pandemic issues subside and issues related to the war increase, the U.S. economy remains healthy and continues to be driven by strong consumer spending. While higher consumer demand is beneficial to businesses, severe supply chain disruptions, labor shortages and the high cost of fuel are adding significant costs to business operations and these costs are likely to be passed on to the consumer. Business operating costs are still rising faster than consumer prices, so elevated inflation is a concern in 2022. From a monetary policy perspective, the Fed has announced plans to increase rates multiple times in 2022, with the first interest rate increase of 25 basis points in March 2022. Anticipation of tighter monetary policy is contributing to a stronger dollar and changes in the shape of the yield curve.

LOAN PORTFOLIO

Loans outstanding at March 31, 2022, totaled $857.6 million, an increase of $6.3 million, or 0.7%, from loans of $851.3 million at December 31, 2021. The increase was primarily due to new loans booked, partially offset by loan prepayments and principal reductions on term loans.

RESULTS OF OPERATIONS

Net income for the three months ended March 31, 2022, was $4.2 million, an increase of $611 thousand, or 17.1%, from the same period ended one year ago. The increase in net income was primarily attributed to an increase in net interest income of $464 thousand, an increase is credit loss reversal of $289 thousand, an increase in noninterest income of $279 thousand, and a decrease in provision for income taxes of $1 thousand, which were partially offset by an increase in noninterest expense of $422 thousand.

For the three months ended March 31, 2022, net interest income was $5.5 million, an increase of $464 thousand, or 9.1%, compared with the three months ended March 31, 2021. Net interest income increased as a result of increased loan volume.

The credit loss reversal for the three months ended March 31, 2022, was $311 thousand, an increase of $289 thousand from the credit loss reversal for the same period ended one year ago. The credit loss reversal increased as a result of reversals made related to qualitative reserves and other adjustments relative to both funded and unfunded commitments in response to improved credit quality and economic conditions. These reversals were partially offset with provisions for credit losses as a result of increased loan volume.

Noninterest income increased $279 thousand during the first three months of 2022 compared with the first three months of 2021 primarily due to an increase patronage received from CoBank. Patronage distribution from Farm

Credit institutions increased $229 thousand in the first three months ended March 31, 2022, compared with the first three months in 2021 primarily due to an increase in CoBank patronage related to our direct note payable to CoBank, which increased in the first quarter of 2022 compared to the first quarter of 2021.

We received mineral income of $171 thousand during the first three months of 2022, which is distributed to us quarterly by CoBank. Mineral income increased $92 thousand for the three months ended March 31, 2022, compared with first three months of 2021, which is reflective of the higher oil and gas commodity prices paid on production during the period.

During the first three months of 2022, noninterest expense increased $422 thousand to $2.9 million, primarily due to higher salaries and employee benefits as a result of deferred costs related to loan originations, purchased services, Farm Credit Insurance Fund premiums, and other noninterest expenses.

CAPITAL RESOURCES

Our shareholders' equity at March 31, 2022, was $194.5 million, an increase from $190.3 million at December 31, 2021. This increase is due to net income and the amortization of pension costs included in the net periodic benefit cost, offset by net stock reductions and patronage distributions.

OTHER MATTERS

On December 8, 2021, the FCA issued an informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable and in any event no later than December 31, 2021. Entering into new LIBOR-referenced contracts after that date would present safety and soundness risk. The guidance also provides clarity on what the FCA considers a new LIBOR-indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.

On March 15, 2022, the U.S. government passed the Consolidated Appropriations Act of 2022, which includes federal legislation regarding the LIBOR transition. The legislation provides a statutory fallback mechanism to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board and based on SOFR, for certain contracts that reference LIBOR and contain no or insufficient fallback provisions. The law also provides a safe harbor for parties who select the statutory benchmark replacement rate.

While our Association currently holds legacy LIBOR indexed loans in our portfolio, we have adopted a transition plan to reduce LIBOR exposures and stop the inflow of new LIBOR volume. We have analyzed potential risks associated with the LIBOR transition, including financial, operational, legal, tax, reputational and compliance risks. Since we engage in transactions involving financial instruments that reference LIBOR, these developments did not have a material impact on the Association and our borrowers. Management has documented and worked through the LIBOR transition plan with our funding bank and service provider to address the phase out of LIBOR rates, including any updates to processes and loan servicing technology.

The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.

Lyndsey D. Graves
Chair of the Audit Committee
May 3, 2022

Michael Grauberger
President & CEO
May 3, 2022

Jeffrey L. Schumacher
Chief Financial Officer

Consolidated Statement of Condition

(Dollars in Thousands)

	March 31 2022	December 31 2021
	UNAUDITED	AUDITED
ASSETS		
Loans	**$ 857,639**	$ 851,348
Less allowance for loan losses	**1,622**	1,870
Net loans	**856,017**	849,478
Cash	**2,899**	10,337
Accrued interest receivable	**7,521**	8,832
Investment in CoBank, ACB	**22,974**	23,581
Premises and equipment, net	**668**	697
Prepaid benefit expense	**4,123**	3,876
Other assets	**2,600**	5,346
Total assets	**$ 896,802**	$ 902,147
LIABILITIES		
Note payable to CoBank, ACB	**$ 666,536**	$ 680,946
Advance conditional payments	**30,899**	19,098
Accrued interest payable	**812**	761
Patronage distributions payable	**-**	5,500
Accrued benefits liability	**1,068**	1,055
Reserve for unfunded commitments	**268**	330
Other liabilities	**2,671**	4,110
Total liabilities	**702,254**	711,800
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Capital stock	**830**	843
Unallocated retained earnings	**194,169**	189,978
Accumulated other comprehensive income/(loss)	**(451)**	(474)
Total shareholders' equity	**194,548**	190,347
Total liabilities and shareholders' equity	**$ 896,802**	$ 902,147

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

Consolidated Statement of Comprehensive Income

(Dollars in Thousands)

UNAUDITED	For the three months ended March 31 2022	2021
INTEREST INCOME		
Loans	**$ 7,802**	$ 7,175
Total interest income	**7,802**	7,175
INTEREST EXPENSE		
Note payable to CoBank, ACB	**2,239**	2,082
Other	**17**	11
Total interest expense	**2,256**	2,093
Net interest income	**5,546**	5,082
Credit loss reversal	**(311)**	(22)
Net interest income after credit loss reversal	**5,857**	5,104
NONINTEREST INCOME		
Financially related services income	**71**	80
Loan fees	**105**	110
Patronage distribution from Farm Credit institutions	**879**	650
Mineral income	**171**	79
Other noninterest income	**26**	54
Total noninterest income	**1,252**	973
NONINTEREST EXPENSE		
Salaries and employee benefits	**1,431**	1,218
Occupancy and equipment	**98**	98
Purchased services from AgVantis, Inc.	**547**	476
Farm Credit Insurance Fund premium	**250**	220
Supervisory and examination costs	**80**	77
Other noninterest expense	**508**	403
Total noninterest expense	**2,914**	2,492
Income before income taxes	**4,195**	3,585
Provision for income taxes	**4**	5
Net income	**4,191**	3,580
COMPREHENSIVE INCOME		
Amortization of retirement costs	**23**	11
Total comprehensive income	**$ 4,214**	$ 3,591

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

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in Thousands)

UNAUDITED	Capital Stock	Unallocated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
Balance at December 31, 2020	$ 845	$ 179,587	$ (247)	$ 180,185
Comprehensive income		3,580	11	3,591
Stock issued	24			24
Stock retired	(17)			(17)
Balance at March 31, 2021	$ 852	$ 183,167	$ (236)	$ 183,783
Balance at December 31, 2021	$ 843	$ 189,978	$ (474)	$ 190,347
Comprehensive income		4,191	23	4,214
Stock issued	10			10
Stock retired	(23)			(23)
Balance at March 31, 2022	**$ 830**	**$ 194,169**	**$ (451)**	**$ 194,548**

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

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Premier Farm Credit, ACA (the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2021, are contained in the 2021 Annual Report to Shareholders. These unaudited first quarter 2022 financial statements should be read in conjunction with the 2021 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021, as contained in the 2021 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2022. Descriptions of the significant accounting policies are included in the 2021 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

Recently Adopted or Issued Accounting Pronouncements

In June 2016, the FASB issued guidance entitled “Measurement of Credit Losses on Financial Instruments.” The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB approved deferral of the effective date for certain entities for this guidance by two years, which will result in the new credit loss standard becoming effective for interim and annual reporting periods beginning after December 15, 2022 with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association’s financial condition and its results of operations.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows:

(dollars in thousands)	**March 31, 2022**	December 31, 2021
Real estate mortgage	$ 441,568	$ 448,241
Production and intermediate-term	151,922	176,487
Agribusiness	179,104	155,939
Rural infrastructure	70,207	63,044
Agricultural export finance	14,838	7,637
Total loans	$ 857,639	$ 851,348

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2022:

	Other Farm Credit Institutions	
(dollars in thousands)	Purchased	Sold
Real estate mortgage	$ 44,489	$ 31,543
Production and intermediate-term	40,809	5,224
Agribusiness	175,317	-
Rural infrastructure	70,207	-
Agricultural export finance	14,838	-
Total	$ 345,660	$ 36,767

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- 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 factors, conditions and values that make collection in full highly questionable.
- Loss – assets are considered uncollectible.

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

	March 31, 2022	December 31, 2021
Real estate mortgage		
Acceptable	**96.57%**	95.57%
OAEM	**2.76%**	2.52%
Substandard	**0.67%**	1.91%
Total	**100.00%**	100.00%
Production and intermediate-term		
Acceptable	**94.08%**	90.76%
OAEM	**3.64%**	2.62%
Substandard	**2.28%**	6.62%
Total	**100.00%**	100.00%
Agribusiness		
Acceptable	**95.85%**	98.45%
OAEM	**2.40%**	1.15%
Substandard	**1.75%**	0.40%
Total	**100.00%**	100.00%
Rural infrastructure		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Agricultural export finance		
Acceptable	**100.00%**	100.00%
Total	**100.00%**	100.00%
Total Loans		
Acceptable	**96.32%**	95.46%
OAEM	**2.57%**	2.08%
Substandard	**1.11%**	2.46%
Total	**100.00%**	100.00%

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) are as follows:

(dollars in thousands)	**March 31, 2022**	December 31, 2021
Nonaccrual loans		
Agribusiness	**$ 144**	$ 144
Total nonaccrual loans	**$ 144**	$ 144
Total high risk assets	**$ 144**	$ 144

The Association had no nonaccrual loans, no accruing restructured loans, no accruing loans 90 days past due and no other property owned for the periods presented.

Additional impaired loan information is as follows:

(dollars in thousands)	**March 31, 2022** Recorded Investment	Unpaid Principal Balance	Related Allowance	December 31, 2021 Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance for loan losses:						
Agribusiness	**$ 144**	**$ 208**		$ 144	$ 208	
Total	**$ 144**	**$ 208**		$ 144	$ 208	

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

The Association had no impaired loans with related allowance as of March 31, 2022 or December 31, 2021.

(dollars in thousands)	**For the Three Months Ended March 31, 2022** Average Impaired Loans	Interest Income Recognized	For the Three Months Ended March 31, 2021 Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for loan losses:				
Real estate mortgage	**$ -**	**$ -**	$ 66	$ -
Agribusiness	**144**	**-**	201	-
Total	**$ 144**	**$ -**	$ 267	$ -

The following tables provide an age analysis of past due loans (including accrued interest):

	March 31, 2022					
(dollars in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 102	$ -	$ 102	$ 446,988	$ 447,090	$ -
Production and intermediate-term	1,097	-	1,097	152,354	153,451	-
Agribusiness	-	-	-	179,479	179,479	-
Rural infrastructure	-	-	-	70,284	70,284	-
Agricultural export finance	-	-	-	14,856	14,856	-
Total	$ 1,199	$ -	$ 1,199	$ 863,961	$ 865,160	$ -

(dollars in thousands)	December 31, 2021 30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or less than 30 Days Past Due	Recorded Investment in Loans	Recorded Investment Accruing Loans 90 Days or More Past Due
Real estate mortgage	$ 44	$ -	$ 44	$ 454,671	$ 454,715	$ -
Production and intermediate-term	-	-	-	178,485	178,485	-
Agribusiness	2,003	-	2,003	154,234	156,237	-
Rural infrastructure	-	-	-	63,093	63,093	-
Agricultural export finance	-	-	-	7,651	7,651	-
Total	$ 2,047	$ -	$ 2,047	$ 858,134	$ 860,181	$ -

A summary of changes in the allowance for loan losses is as follows:

(dollars in thousands)	Balance at December 31, 2021	Charge-offs	Recoveries	(Loan Loss Reversals) / Provision for Loan Losses	Balance at March 31, 2022
Real estate mortgage	$ 246	$ -	$ -	$ (36)	$ 210
Production and intermediate-term	687	-	1	(349)	339
Agribusiness	670	-	-	110	780
Rural infrastructure	243	-	-	9	252
Agricultural export finance	24	-	-	17	41
Total	$ 1,870	$ -	$ 1	$ (249)	$ 1,622

(dollars in thousands)	Balance at December 31, 2020	Charge-offs	Recoveries	(Loan Loss Reversals) / Provision for Loan Losses	Balance at March 31, 2021
Real estate mortgage	$ 342	$ -	$ -	$ (17)	$ 325
Production and intermediate-term	636	-	1	(59)	578
Agribusiness	836	-	-	1	837
Rural infrastructure	302	-	-	(32)	270
Agricultural export finance	39	-	-	6	45
Total	$ 2,155	$ -	$ 1	$ (101)	$ 2,055

The Association maintains a separate reserve for unfunded commitments, which is included in Liabilities on the Association's Consolidated Statement of Condition. The related provision for the reserve for unfunded commitments is included as part of the provision for credit losses on the Consolidated Statement of Comprehensive Income, along with the provision for loan losses. A summary of changes in the reserve for unfunded commitments follows:

(dollars in thousands)	For the Three Months Ended March 31 **2022**	2021
Balance at beginning of period	**$ 330**	$ 361
(Reversal of)/Provision for reserve for unfunded commitment	**(62)**	79
Total	**$ 268**	$ 440

Additional information on the allowance for loan losses follows:

	Allowance for Loan Losses Ending Balance at March 31, 2022		Recorded Investments in Loans Outstanding Ending Balance at March 31, 2022	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 210	$ -	$ 447,090
Production and intermediate-term	-	339	-	153,451
Agribusiness	-	780	144	179,335
Rural infrastructure	-	252	-	70,284
Agricultural export finance	-	41	-	14,856
Total	$ -	$ 1,622	$ 144	$ 865,016

	Allowance for Loan Losses Ending Balance at December 31, 2021		Recorded Investments in Loans Outstanding Ending Balance at December 31, 2021	
(dollars in thousands)	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
Real estate mortgage	$ -	$ 246	$ -	$ 454,715
Production and intermediate-term	-	687	-	178,485
Agribusiness	-	670	144	156,093
Rural infrastructure	-	243	-	63,093
Agricultural export finance	-	24	-	7,651
Total	$ -	$ 1,870	$ 144	$ 860,037

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 Association recorded no TDRs during the three months ended March 31, 2022 or March 31, 2021 and have no TDRs in the portfolio for the periods presented. The Association had no TDRs within the previous 12 months and for which there were subsequent payment defaults during the first three months of 2022 and 2021.

NOTE 3 - CAPITAL

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration follows:

	As of March 31, 2022	As of December 31, 2021	Regulatory Minimums	Capital Conservation Buffer	Total
Risk Adjusted:					
Common equity tier 1 ratio	17.60%	17.46%	4.5%	2.5%	7.0%
Tier 1 capital ratio	17.60%	17.46%	6.0%	2.5%	8.5%
Total capital ratio	17.83%	17.72%	8.0%	2.5%	10.5%
Permanent capital ratio	17.64%	17.50%	7.0%	-	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	19.37%	19.35%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	19.28%	19.92%	1.5%	-	1.5%

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

The following table presents the activity in the accumulated other comprehensive income/loss, net of tax by component:

(dollars in thousands)	For the Three Months Ended March 31	
	2022	2021
Pension and other benefit plans:		
Beginning balance	**$ (474)**	$ (247)
Amounts reclassified from accumulated other comprehensive loss	**23**	11
Net current period other comprehensive income	**23**	11
Ending balance	**$ (451)**	$ (236)

The following table represents reclassifications out of accumulated other comprehensive loss:

(dollars in thousands)	Amount Reclassified from Accumulated Other Comprehensive Loss For the Three Months Ended March 31		Location of Gain/Loss Recognized in Statement of Income
	2022	2021	
Pension and other benefit plans:			
Net actuarial loss	**$ 23**	$ 11	Salaries and employee benefits
Total reclassifications	**$ 23**	$ 11	

NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 of the 2021 Annual Report to Shareholders for a more complete description.

Assets measured at fair value on a recurring basis are summarized below:

(dollars in thousands)	**Fair Value Measurement Using**			**Total Fair Value**
	Level 1	**Level 2**	**Level 3**	
Assets held in nonqualified benefits trusts				
March 31, 2022	**$ 915**	**$ -**	**$ -**	**$ 915**
December 31, 2021	$ 809	$ -	$ -	$ 809

The Association had no liabilities measured at fair value on a recurring basis at March 31, 2022 or December 31, 2021.

The Association had no assets or liabilities measured at fair value on a non-recurring basis at March 31, 2022 or December 31, 2021.

Valuation Techniques

As more fully discussed in Note 2 of the 2021 Annual Report to Shareholders, accounting guidance 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. The following presents a brief summary of the valuation techniques used by the Association for assets and liabilities, subject to fair value measurement.

Assets Held in Non-Qualified Benefits Trusts

Assets held in trust funds related to deferred compensation and supplemental retirement plans are classified within Level 1. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Loans Evaluated for Impairment

For impaired loans measured on a non-recurring basis, the fair value is based upon the underlying collateral since the loans are collateral dependent loans for which real estate is the collateral. 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. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

NOTE 5 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 3, 2022, which is the date the financial statements were issued, and no material subsequent events were identified.