MISSISSIPPI LAND BANK, ACA

2020
Quarterly Report
First Quarter

MISSISSIPPI LAND BANK

Part of the Farm Credit System

For the Quarter Ended March 31, 2020

REPORT OF MANAGEMENT

The undersigned certify that we have reviewed this report, that it has been prepared 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.

Craig B. Shideler
President and CEO
May 8, 2020

Abbott R. Myers
Chairman, Board of Directors
May 8, 2020

Claire B. Pegram
Chief Financial Officer
May 8, 2020

Lawson McClellan
Chairman, Audit Committee
May 8, 2020

First Quarter 2020 Financial Report

Table of Contents

MISSISSIPPI LAND BANK, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Mississippi Land Bank, ACA, referred to as the Association, for the quarter ended March 31, 2020. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2019 Annual Report to Stockholders.

The Association is a member of the Farm Credit System (System), a nationwide network of cooperatively owned financial institutions established by and subject to the provisions of the Farm Credit Act of 1971, as amended, and the regulations of the Farm Credit Administration (FCA) promulgated thereunder.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The consolidated financial statements were prepared under the oversight of the Association's audit committee.

Significant Events

In February 2020, the Association paid to its stockholders a cash patronage of $4,800,000, which was declared by the board of directors in December 2019. In March 2020, the Association received $146,163 from the Farm Credit Services Insurance Corporation for its share of excess fund balances in the allocated insurance reserve accounts.

COVID-19 Pandemic

The United States has been operating under a presidentially declared emergency since March 13, 2020, due to the Coronavirus Disease 2019 (also referred to as COVID-19). During these unprecedented times, the Association continues to fulfill its mission to support agriculture and rural communities by providing access to reliable and consistent credit. Loan volume outstanding at March 31, 2020, decreased only slightly from the year-end balance, despite normal payoffs and pay downs, indicating that demand for loan volume remains strong despite the current market conditions. Additionally, net income for the quarter was higher than the same period in the prior year. It is worth noting, however, that the emergency situation was just beginning as the first quarter came to a close, and the ultimate impact on overall loan demand, credit quality and income remains to be seen.

In response to the volatile economic environment, the Association's funding bank, the Farm Credit Bank of Texas (Bank), increased its cash position to accommodate potential liquidity needs in case of market disruptions. The Bank was able to maintain access to the debt market in order to redeem and replace callable debt, fund incremental needs and increase liquidity without significant changes to its funding strategies or interest rate risk profiles. Despite turbulent markets, the Association has not experienced any disruption in its access to liquidity in order to fund loans and daily operations.

Through special guidance from the FCA and the Financial Accounting Standards Board (FASB), farm credit associations were granted the ability to assist borrowers affected by COVID-19 by extending the terms of loan repayments, easing some loan documentation requirements and facilitating participation in the SBA Paycheck Protection Program (PPP). As a service provider to the Association, the Bank has facilitated technology and operational changes to provide a means for processing qualifying loan deferrals. While the Association is an approved lender under the SBA's PPP, no formal applications have been received as of the date of this report. Through March 31, 2020 and the date of this report, there have been no observable delinquencies or credit metrics impacting the credit quality of the Association's loan portfolio related to COVID-19. The Association is closely monitoring its loan portfolio overall and is particularly focused on sectors that may be pressured by COVID-19 and its related economic impacts, such as medical professionals, retail services, food processing, timber and beef cattle. The Association has adjusted its portfolio monitoring and servicing practices and, if appropriate, will evaluate its allowance for loan losses as changes in outlook occur. Capital levels remain strong to support pressure that could result from either adversity in credit quality or continued strong loan demand.

In mid-March, the Association formally activated its business continuity plan in order to ensure a safe environment for both employees and borrowers, and modifications to branch operations were and continue to be communicated to borrowers through online resources. Operationally, the Association continues to function as normal during these challenging times by utilizing technology initiatives that allow personnel to work remotely and support both their families and their customer base. Management does not foresee any material expenditures during this modified work environment. As it relates to the Association's internal controls over financial reporting and operational procedures, the controls and procedures continue to operate effectively, and no material changes to the control environment or financial systems have occurred or are being considered.

The overall impact of COVID-19 is evolving rapidly, and future events are uncertain. Challenging economic conditions are likely ahead as COVID-19 has caused many countries, including the U.S., to impose restrictions on travel and public gatherings. However, it is simply too early to accurately assess the potential impact of COVID-19 on the global, U.S. and state economies. The Association will continue to closely monitor the situation in the coming quarters, specifically including these conditions as part of the allowance for loan loss analysis.

In its March 2020 World Agricultural Supply and Demand Estimate (WASDE) report, the U.S. Department of Agriculture (USDA) lowered the 2019/20 expected season-average prices for several crops, including corn, soybeans and cotton. Similarly, near-term price expectations for other commodities, such as hogs and pork, were adjusted downward. USDA expects live cattle prices to average slightly lower in 2020 than reported in 2019. While consumer demand for food products has generally been high during the early weeks of the COVID-19 outbreak in the U.S. and abroad, stay-at-home orders and other macroeconomic forces are disrupting typical purchasing patterns. This has caused volatility in agricultural commodity markets and could lead to challenges for producers and material revisions in USDA forecasts in the coming months. West Texas Intermediate oil prices closed March 2020 at about $20 per barrel, down from about $62 per barrel in December 2019. Oil prices were negatively impacted during the first quarter of 2020 by reductions in global demand due to COVID-19 and increasing supply. This has had a positive effect on the farming sector by allowing producers to offset depressed commodity prices by lowering input costs.

Farmers in the Association's territory utilize risk management tools, such as federally-sponsored crop insurance programs and forward, futures and options contracts, to mitigate risk and enhance margins. The Association's portfolio continues to be supported by strong credit quality, robust levels of capital and high diversification.

Loan Portfolio

Total loans outstanding at March 31, 2020, including nonaccrual loans and sales contracts, were $733,333,712 compared to $740,313,671 at December 31, 2019, reflecting a decrease of 0.9%. Nonaccrual loans as a percentage of total loans outstanding were 0.1% at March 31, 2020, compared to 0.1% at December 31, 2019.

The Association recorded $0 in recoveries and $0 in charge-offs for the quarter ended March 31, 2020, and $12,880 in recoveries and $0 in charge-offs for the same period in 2019. The Association's allowance for loan losses was 0.1% and 0.1% of total loans outstanding as of March 31, 2020, and December 31, 2019, respectively.

Agribusiness Loan Program

The Association utilizes the Mississippi Development Authority's Agribusiness Enterprise Loan Program (ABE) to lower the cost of financing for its borrowers. The ABE loan program is designed to provide a percentage of low-cost state financing that is combined with private financial lending institutions' loan proceeds to encourage loans to the agribusiness industry in the state.

The Association guarantees payment of the borrower's ABE loan to the Mississippi Development Authority (MDA) and, therefore, the amount of ABE loans outstanding and due to MDA is included in "Loans" on the consolidated balance sheet with an offsetting liability at "Guaranteed obligations to government entities." ABE loans totaled $6,784,050 and $7,641,070 as of March 31, 2020 and December 31, 2019, respectively.

Risk Exposure

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned. The following table illustrates the Association's components and trends of high-risk assets.

	March 31, 2020		December 31, 2019	
	Amount	**%**	Amount	%
Nonaccrual	**693,996**	**62.0%**	$ 711,154	65.0%
90 days past due and still accruing interest	**68,028**	**6.1%**	24,161	2.2%
Formally restructured	**161,964**	**14.4%**	162,326	14.9%
Other property owned, net	**195,607**	**17.5%**	195,606	17.9%
Total	**$ 1,119,595**	**100.0%**	$ 1,093,247	100.0%

Results of Operations

The Association had net income of $3,059,564 for the three months ended March 31, 2020, as compared to net income of $2,737,852 for the same period in 2019, reflecting an increase of 11.8%. Net interest income was $4,604,956 for the three months ended March 31, 2020, compared to $4,420,310 for the same period in 2019.

	Three Months Ended			
	March 31, 2020		March 31, 2019	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 724,221,253**	**$ 8,877,332**	$ 679,342,597	$ 8,438,341
Interest-bearing liabilities	**610,145,646**	**4,272,376**	571,317,730	4,018,031
Impact of capital	**$ 114,075,607**		$ 108,024,867	
Net interest income		**$ 4,604,956**		$ 4,420,310

	2020 Average Yield	2019 Average Yield
Yield on loans	**4.93%**	5.04%
Cost of interest-bearing liabilities	**2.82%**	2.85%
Interest rate spread	**2.11%**	2.19%
Net interest income as a percentage of average earning assets	**2.56%**	2.64%

	Three months ended: March 31, 2020 vs. March 31, 2019		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 562,102**	**$ (123,111)**	**$ 438,991**
Interest expense	**275,350**	**(21,005)**	**254,345**
Net interest income	**$ 286,752**	**$ (102,106)**	**$ 184,646**

Interest income for the three months ended March 31, 2020, increased by $438,991, or 5.2%, from the same period of 2019, primarily due to an increase in average loan volume offset by declines in yields on earning assets. Interest expense for the three months ended March 31, 2020, increased by $254,345, or 6.3%, from the same period of 2019 due to a decrease in cost of interest-bearing liabilities offset by an increase in average debt volume. Average loan volume for the first quarter of 2020 was $724,221,253, compared to $679,342,597 in the first quarter of 2019. The average net interest rate spread on the loan portfolio for the first quarter of 2020 was 2.11%, compared to 2.19% in the first quarter of 2019.

The Association's return on average assets for the three months ended March 31, 2020, was 1.62% compared to 1.56% for the same period in 2019. The Association's return on average equity for the three months ended March 31, 2020, was 9.29%, compared to 8.85% for the same period in 2019.

Liquidity and Funding Sources

The Association secures the majority of its lendable funds from the Bank, which obtains its funds through the issuance of System-wide obligations and with lendable equity. The following schedule summarizes the Association's borrowings.

	March 31, 2020	December 31, 2019
Note payable to the Bank	**$ 610,472,184**	$ 616,715,410
Accrued interest on note payable	**1,521,955**	1,578,424
Total	**$ 611,994,139**	$ 618,293,834

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2020. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $610,472,184 as of March 31, 2020, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.73% at March 31, 2020. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the general financing agreement. The slight decrease in note payable to the Bank and related accrued interest payable since December 31, 2019, is the direct result of the decrease in loan volume during the same period. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $113,626,710 at March 31, 2020. The maximum amount the Association may borrow from the Bank as of March 31, 2020, was $735,593,613 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2020, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2020. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources

The Association's capital position increased by $3,099,601 at March 31, 2020, compared to December 31, 2019. The Association's debt as a ratio of members' equity was 4.66:1 as of March 31, 2020, compared to 4.87:1 as of December 31, 2019.

Farm Credit Administration regulations require us to maintain minimums for various regulatory capital ratios. New regulations became effective January 1, 2017, which replaced the previously required core surplus and total surplus ratios with common equity tier 1, tier 1 capital, and total capital risk-based capital ratios. The new regulations also added tier 1 leverage and unallocated retained earnings and equivalents (UREE) ratios. The permanent capital ratio continues to remain in effect, with some modifications to align with the new regulations. As of March 31, 2020, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

Refer to Note 1 – "Organization and Significant Accounting Policies" in this quarterly report for disclosures of recent accounting pronouncements which may impact the Association's consolidated financial position and results of operations and for critical accounting policies.

Relationship with the Farm Credit Bank of Texas

The Association's financial condition may be impacted by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect the stockholder's investment in the Association. The Management's Discussion and Analysis and Notes to Financial Statements contained in the 2019 Annual Report of Mississippi Land Bank, ACA more fully describe the Association's relationship with the Bank.

The annual and quarterly stockholder reports of the Bank are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, Corporate Communications, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. The annual and quarterly stockholder reports for the Bank are also available on its website at *www.farmcreditbank.com.*

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Mississippi Land Bank, ACA, P.O. Box 667, Senatobia, Mississippi 38668-0667, or by calling (662) 562-9671. Copies of the Association's annual and quarterly stockholder reports for the Association are also available on its website at *www.mslandbank.com* or can be requested by e-mailing *Jessica.Stanford@mslandbank.com.*

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED BALANCE SHEET

	March 31, 2020 (unaudited)	December 31, 2019
ASSETS		
Cash	**$ 4,796**	$ 6,092
Loans	**733,333,712**	740,313,671
Less: allowance for loan losses	**995,536**	995,536
Net loans	**732,338,176**	739,318,135
Accrued interest receivable	**9,922,609**	12,599,238
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**11,808,570**	11,808,570
Other	**585,651**	2,953,400
Other property owned, net	**195,607**	195,606
Premises and equipment, net	**3,543,292**	3,368,756
Other assets	**1,473,402**	420,771
Total assets	**$ 759,872,103**	$ 770,670,568
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 610,472,184**	$ 616,715,410
Guaranteed obligations to government entities	**6,784,050**	7,641,070
Accrued interest payable	**1,521,955**	1,578,424
Drafts outstanding	**3,098,733**	3,919,475
Patronage distributions payable	**52**	4,800,014
Other liabilities	**3,643,224**	4,763,871
Total liabilities	**625,520,198**	639,418,264
MEMBERS' EQUITY		
Capital stock and participation certificates	**3,397,825**	3,354,715
Unallocated retained earnings	**131,061,448**	128,001,884
Accumulated other comprehensive income (loss)	**(107,368)**	(104,295)
Total members' equity	**134,351,905**	131,252,304
Total liabilities and members' equity	**$ 759,872,103**	$ 770,670,568

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended	
	2020	2019
INTEREST INCOME		
Loans	**$ 8,877,332**	$ 8,438,341
Total interest income	**8,877,332**	8,438,341
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**4,272,372**	4,017,663
Advance conditional payments	**4**	368
Total interest expense	**4,272,376**	4,018,031
Net interest income	**4,604,956**	4,420,310
PROVISION FOR LOAN LOSSES	**-**	-
Net interest income after provision for loan losses	**4,604,956**	4,420,310
NONINTEREST INCOME		
Income from the Farm Credit Bank of Texas:		
Patronage income	**832,007**	726,922
Loan fees	**107,069**	27,425
Financially related services income	**187**	186
Gain (loss) on sale of premises and equipment, net	**62,166**	59,584
Other noninterest income	**146,379**	150,237
Total noninterest income	**1,147,808**	990,931
NONINTEREST EXPENSES		
Salaries and employee benefits	**1,833,968**	1,742,090
Insurance Fund premiums	**113,552**	119,497
Other insurance expense	**102,468**	100,795
Purchased services	**88,967**	54,314
Travel	**87,941**	79,920
Directors' expense	**87,523**	88,518
Supervisory and exam expense	**70,216**	64,836
Public and member relations	**68,390**	59,957
Advertising	**67,910**	103,241
Occupancy and equipment	**59,518**	116,236
Communications	**25,958**	26,577
Training	**25,401**	33,741
Other components of net periodic postretirement benefit cost	**11,021**	14,180
Loss on other property owned, net	**4,284**	-
Other noninterest expense	**44,504**	36,237
Total noninterest expenses	**2,691,621**	2,640,139
Income before income taxes	**3,061,143**	2,771,102
Provision for (benefit from) income taxes	**1,579**	6,673
NET INCOME	**3,059,564**	2,764,429
Other comprehensive income:		
Change in postretirement benefit plans	**(3,073)**	(3,073)
COMPREHENSIVE INCOME	**$ 3,056,491**	$ 2,761,356

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

MISSISSIPPI LAND BANK, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2018	$ 3,294,150	$ 120,882,471	$ 46,174	$ 124,222,795
Comprehensive income	-	2,737,852	(3,073)	2,734,779
Capital stock/participation certificates issued	117,165			117,165
Capital stock/participation certificates retired	(114,420)			(114,420)
Balance at March 31, 2019	$ 3,296,895	$ 123,620,323	$ 43,101	$ 126,960,319
Balance at December 31, 2019	$ 3,354,715	$ 128,001,884	$ (104,295)	$ 131,252,304
Comprehensive income	-	3,059,564	(3,073)	3,056,491
Capital stock/participation certificates issued	207,145			207,145
Capital stock/participation certificates retired	(164,035)			(164,035)
Balance at March 31, 2020	**$ 3,397,825**	**$ 131,061,448**	**$ (107,368)**	**$ 134,351,905**

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

MISSISSIPPI LAND BANK, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Mississippi Land Bank, ACA (Agricultural Credit Association), referred to as the Association, is a member-owned cooperative that provides credit and credit-related services to or for the benefit of eligible borrowers/stockholders for qualified agricultural purposes. The Association serves the counties of Alcorn, Attala, Benton, Bolivar, Calhoun, Chickasaw, Choctaw, Clay, Coahoma, DeSoto, Itawamba, Lafayette, Lee, Lowndes, Marshall, Monroe, Noxubee, Oktibbeha, Panola, Pontotoc, Prentiss, Quitman, Sunflower, Tallahatchie, Tate, Tippah, Tishomingo, Tunica, Union, Webster, Winston and Yalobusha in the state of Mississippi. The Association is a lending institution of the Farm Credit System (System), which was established by Acts of Congress to meet the needs of American agriculture.

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, 2019, as contained in the 2019 Annual Report to Stockholders.

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 GAAP, except for the inclusion of a statement of cash flows. GAAP require a business enterprise that provides a set of financial statements reporting both financial position and results of operations to also provide a statement of cash flows for each period for which results of operations are provided. In regulations issued by the Farm Credit Administration (FCA), associations have the option to exclude statements of cash flows in interim financial statements. Therefore, the Association has elected not to include a statement of cash flows in these consolidated financial statements. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2019, as contained in the 2019 Annual Report to Stockholders. 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, 2020. Descriptions of the significant accounting policies are included in the 2019 Annual Report to Stockholders. 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.

In December 2019, the Financial Accounting Standards Board (FASB) issued guidance entitled "Simplifying the Accounting for Income Taxes." This guidance eliminates certain intra period tax allocations, foreign deferred tax recognition and interim period tax calculations. In addition, the guidance simplifies disclosure regarding capital and franchise taxes, the allocation of goodwill in business combinations, subsidiary financial statements and other disclosures. The new guidance is intended to eliminate and/or simplify certain aspects of income tax accounting that are complex or that require significant judgment in application or presentation. The guidance becomes effective for fiscal years beginning after December 15, 2021. Early adoption of the guidance is permitted and the institution adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the institution's financial condition or results of operations.

In August 2018, FASB issued guidance entitled "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance became effective for interim and annual periods beginning after December 15, 2019. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. The adoption of this guidance did not materially impact the Association's financial condition or its results of operations.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Defined Benefit Plans." The guidance modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance becomes effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The guidance is to be applied on a retrospective basis for all periods. The adoption of this guidance will not impact the Association's financial condition or its results of operations but will impact the employee benefit plan disclosures.

In August 2018, the FASB issued guidance entitled "Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement." The guidance modifies the requirements on fair value measurements by removing, modifying or adding to the disclosures. This guidance became effective for interim and annual periods beginning after December 15, 2019. Early adoption was permitted and an entity was permitted to early adopt any removal or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association early adopted the removal and modified disclosures during the fourth quarter of 2018. The adoption of this guidance did not impact the Association's financial condition or its results of operations but did impact the fair value measurements disclosures.

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 issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes 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.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended March 31, 2020, are not necessarily indicative of the results to be expected for the year ended December 31, 2020. Certain amounts in the prior period's financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	**March 31, 2020 Amount**	December 31, 2019 Amount
Production agriculture:		
Real estate mortgage	**$ 595,014,009**	$ 599,443,104
Production and intermediate term	**92,069,733**	98,321,824
Agribusiness:		
Processing and marketing	**23,058,355**	22,192,686
Farm-related business	**4,494,441**	3,095,945
Loans to cooperatives	**2,082,316**	1,230,550
Rural residential real estate	**10,603,045**	10,320,906
Communication	**5,703,340**	5,708,656
Energy	**308,473**	-
Total	**$ 733,333,712**	$ 740,313,671

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. The following table presents information regarding the balances of participations purchased and sold at March 31, 2020:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 27,482,567	$ 71,843	$ -	$ -	$ 27,482,567	$ 71,843
Real estate mortgage	3,905,535	-	10,503,017	-	14,408,552	-
Communication	5,703,340	-	-	-	5,703,340	-
Energy	308,473	-	-	-	308,473	-
Production and intermediate term	-	1,681,078	-	-	-	1,681,078
Total	$ 37,399,915	$ 1,752,921	$ 10,503,017	$ -	$ 47,902,932	$ 1,752,921

The Association is authorized under the Farm Credit Act to accept "advance conditional payments" (ACPs) from borrowers. To the extent the borrower's access to such ACPs is restricted and the legal right of setoff exists, the ACPs are netted against the borrower's related loan balance. Unrestricted advance conditional payments are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $11,284,121 and $7,583,309 at March 31, 2020, and December 31, 2019, respectively.

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

	March 31, 2020	December 31, 2019
Nonaccrual loans:		
Real estate mortgage	**$ 693,996**	$ 711,154
Total nonaccrual loans	**693,996**	711,154
Accruing restructured loans:		
Real estate mortgage	**161,964**	162,326
Total accruing restructured loans	**161,964**	162,326
Accruing loans 90 days or more past due:		
Real estate mortgage	**68,028**	-
Rural residential real estate	**-**	24,161
Total accruing loans 90 days or more past due	**68,028**	24,161
Total nonperforming loans	**923,988**	897,641
Other property owned	**195,607**	195,606
Total nonperforming assets	**$ 1,119,595**	$ 1,093,247

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; and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest as a percentage of total loans and related accrued interest receivable by loan type as of:

	March 31, 2020	December 31, 2019
Real estate mortgage		
Acceptable	**99.3** %	99.3 %
OAEM	**0.1**	0.2
Substandard/doubtful	**0.6**	0.5
	100.0	100.0
Production and intermediate term		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Agribusiness		
Acceptable	**87.9**	86.8
OAEM	**12.1**	13.2
Substandard/doubtful	**-**	-
	100.0	100.0
Energy and water/waste water		
Acceptable	**100.0**	-
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	-
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**99.3**	99.2
OAEM	**0.2**	0.2
Substandard/doubtful	**0.5**	0.6
	100.0	100.0
Total loans		
Acceptable	**98.9**	98.9
OAEM	**0.6**	0.6
Substandard/doubtful	**0.5**	0.5
	100.0 %	100.0 %

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

March 31, 2020	**30-89 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 and Accruing**
Real estate mortgage	**$ 1,860,048**	**$ 149,449**	**$ 2,009,497**	**$ 601,323,845**	**$ 603,333,342**	**$ 68,028**
Production and intermediate term	**361,190**	**-**	**361,190**	**93,222,885**	**93,584,075**	**-**
Processing and marketing	**-**	**-**	**-**	**23,075,030**	**23,075,030**	**-**
Rural residential real estate	**40,165**	**-**	**40,165**	**10,606,326**	**10,646,491**	**-**
Communication	**-**	**-**	**-**	**5,712,176**	**5,712,176**	**-**
Farm-related business	**-**	**-**	**-**	**4,512,155**	**4,512,155**	**-**
Loans to cooperatives	**-**	**-**	**-**	**2,084,579**	**2,084,579**	**-**
Energy	**-**	**-**	**-**	**308,473**	**308,473**	**-**
Total	**$ 2,261,403**	**$ 149,449**	**$ 2,410,852**	**$ 740,845,469**	**$ 743,256,321**	**$ 68,028**

December 31, 2019	30-89 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 and Accruing
Real estate mortgage	$ 696,101	$ -	$ 696,101	$ 609,339,280	$ 610,035,381	$ -
Production and intermediate term	19,352	-	19,352	100,150,381	100,169,733	-
Processing and marketing	-	-	-	22,240,685	22,240,685	-
Rural residential real estate	41,548	24,161	65,709	10,298,002	10,363,711	24,161
Communication	-	-	-	5,708,955	5,708,955	-
Farm-related business	-	-	-	3,163,636	3,163,636	-
Loans to cooperatives	-	-	-	1,230,808	1,230,808	-
Total	$ 757,001	$ 24,161	$ 781,162	$ 752,131,747	$ 752,912,909	$ 24,161

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

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. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of March 31, 2020, the total recorded investment of troubled debt restructured loans was $288,535, including $126,830 classified as nonaccrual and $161,705 classified as accrual. There was no specific allowance for loan losses related to the loans based upon current net realizable value analyses. As of March 31, 2020, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

The Association had no loans meet the requirements for troubled debt restructuring designation during the three months ended March 31, 2020, nor did it have any meet the requirements for the same period in 2019.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). The Association had no charge-offs recorded at the modification date for the quarter ending March 31, 2020.

The predominant form of concession granted for troubled debt restructuring is interest rate reduction, although other forms of concession could include deferral of principal or principal or interest reductions. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring. For the loans listed below meeting the requirements for a TDR designation, all but one was granted an interest rate that was considered lower than market rate for new debt with similar risk. The remaining loan was granted a deferral of principal. No principal or interest was forgiven as part of the concessions.

The Association has no loans that met the accounting criteria as a troubled debt restructuring and that occurred within the previous 12 months and for which there was a subsequent payment default during the period. A payment default is defined as a payment that is 30 days past due after the date the loan was restructured.

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

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	March 31, 2020	December 31, 2019	**March 31, 2020**	December 31, 2019
Real estate mortgage	**$ 288,535**	$ 304,873	**$ 126,830**	$ 142,547
Total	**$ 288,535**	$ 304,873	**$ 126,830**	$ 142,547

*represents the portion of loans modified as TDRs that are in nonaccrual status

Additional impaired loan information is as follows:

	March 31, 2020			December 31, 2019		
	Recorded Investment	**Unpaid Principal Balance[a]**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance[a]	Related Allowance
Impaired loans with a related allowance for credit losses:						
Rural residential real estate	-	-	-	23,832	23,435	3,500
Total	**$ -**	**$ -**	**$ -**	$ 23,832	$ 23,435	$ 3,500
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	**$922,485**	**$ 922,485**	**$ -**	$ 872,859	$ 872,859	$ -
Total	**$922,485**	**$ 922,485**	**$ -**	$ 872,859	$ 872,859	$ -
Total impaired loans:						
Real estate mortgage	**$922,485**	**$ 922,485**	**$ -**	$ 872,859	$ 872,859	$ -
Rural residential real estate	-	-	-	23,832	23,435	3,500
Total	**$922,485**	**$ 922,485**	**$ -**	$ 896,691	$ 896,294	$ 3,500

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	For the Three Months Ended:			
	March 31, 2020		March 31, 2019	
	Average Impaired Loans	**Interest Income Recognized**	Average Impaired Loans	Interest Income Recognized
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	**$925,388**	**$ 5,825**	$ 1,238,474	$ 7,127
Total	**$925,388**	**$ 5,825**	$ 1,238,474	$ 7,127
Total impaired loans:				
Real estate mortgage	**$925,388**	**$ 5,825**	$ 1,238,474	$ 7,127
Total	**$925,388**	**$ 5,825**	$ 1,238,474	$ 7,127

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

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:							
Balance at December 31, 2019	$ 841,336	$ 77,041	$ 50,802	$ 2,914	$ -	$ 23,443	$ 995,536
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision for loan losses	17,928	(20,584)	(2,723)	(68)	-	5,447	-
Adjustment due to merger	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance at March 31, 2020	$ 859,264	$ 56,457	$ 48,079	$ 2,846	$ -	$ 28,890	$ 995,536
Ending Balance:							
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ 3,500	$ 3,500
Collectively evaluated for impairment	859,264	56,457	48,079	2,846	-	25,390	992,036
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-
Balance at March 31, 2020	$ 859,264	$ 56,457	$ 48,079	$ 2,846	$ -	$ 28,890	$ 995,536
Balance at December 31, 2018	$ 716,864	$ 116,845	$ 25,032	$ 1,769	$ -	$ 40,895	$ 901,405
Charge-offs	-	-	-	-	-	-	-
Recoveries	12,880	-	-	-	-	-	12,880
Provision for loan losses	12,434	1,579	4,461	193	-	(18,667)	-
Other	-	-	-	-	-	-	-
Balance at March 31, 2019	$ 742,178	$ 118,424	$ 29,493	$ 1,962	$ -	$ 22,228	$ 914,285
Ending Balance:							
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ 22,000	$ 22,000
Collectively evaluated for impairment	742,178	118,424	29,493	1,962	-	228	892,285
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-
Balance at March 31, 2019	$ 742,178	$ 118,424	$ 29,493	$ 1,962	$ -	$ 22,228	$ 914,285

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	Total
Recorded Investments in Loans Outstanding:							
Ending Balance at March 31, 2020	$ 603,333,342	$ 93,584,075	$ 29,671,764	$ 5,712,176	$ 308,473	$ 10,646,491	$ 743,256,321
Individually evaluated for impairment	$ 3,333,390	$ 6,200	$ -	$ -	$ -	$ 56,847	$ 3,396,437
Collectively evaluated for impairment	$ 599,999,952	$ 93,577,875	$ 29,671,764	$ 5,712,176	$ 308,473	$ 10,589,644	$ 739,859,884
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance at December 31, 2019	$ 610,035,381	$ 100,169,733	$ 26,635,129	$ 5,708,955	$ -	$ 10,363,711	$ 752,912,909
Individually evaluated for impairment	$ 3,329,125	$ 70,093	$ -	$ -	$ -	$ 81,854	$ 3,481,072
Collectively evaluated for impairment	$ 606,706,266	$ 100,099,640	$ 26,635,129	$ 5,708,955	$ -	$ 10,281,856	$ 749,431,846
Loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 3 — CAPITAL:

The Association's board of directors has established a Capital Adequacy Plan (Plan) that includes the capital targets that are necessary to achieve the institution's capital adequacy goals as well as the minimum permanent capital standards. The Plan monitors projected dividends, equity retirements and other actions that may decrease the Association's permanent capital. In addition to factors that must be considered in meeting the minimum standards, the board of directors also monitors the following factors: capability of management; quality of operating policies, procedures and internal controls; quality and quantity of earnings; asset quality and the adequacy of the allowance for losses to absorb potential loss within the loan and lease portfolios; sufficiency of liquid funds; needs of an institution's customer base; and any other risk-oriented activities, such as funding and interest rate risk, potential obligations under joint and several liability, contingent and off-balance-sheet liabilities or other conditions warranting additional capital. At least quarterly, management reviews the Association's goals and objectives with the board.

Regulatory Capitalization Requirements

Risk-adjusted:	Regulatory Minimums	Conservation Buffer*	Total	As of March 31, 2020	As of December 31, 2019
Common equity tier 1 ratio	4.50%	2.50%	7.00%	15.67%	15.80%
Tier 1 capital ratio	6.00%	2.50%	8.50%	15.67%	15.80%
Total capital ratio	8.00%	2.50%	10.50%	15.80%	15.93%
Permanent capital ratio	7.00%	0.00%	7.00%	15.69%	15.82%
Non-risk-adjusted:					
Tier 1 leverage ratio	4.00%	1.00%	5.00%	16.15%	16.13%
UREE leverage ratio	1.50%	0.00%	1.50%	17.28%	17.14%

The components of the Association's risk-adjusted capital, based on 90-day average balances, were as follows:

	at March 31, 2020			
	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 129,108,351	$ 129,108,351	$ 129,108,351	$ 129,108,351
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	3,374,886	3,374,886	3,374,886	3,374,886
subject to certain limitations			1,046,101	
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(11,799,118)	(11,799,118)	(11,799,118)	(11,799,118)
Other regulatory required deductions	-	-	-	-
	$ 120,684,119	$ 120,684,119	$ 121,730,220	$ 120,684,119
Denominator:				
Risk-adjusted assets excluding allowance	$ 782,079,632	$ 782,079,632	$ 782,079,632	$ 782,079,632
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(11,799,118)	(11,799,118)	(11,799,118)	(11,799,118)
Allowance for loan losses				(993,378)
	$ 770,280,514	$ 770,280,514	$ 770,280,514	$ 769,287,136

	at December 31, 2019			
	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 129,082,961	$ 129,082,961	$ 129,082,961	$ 129,082,961
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	3,364,896	3,364,896	3,364,896	3,364,896
Allowance for loan losses and reserve for credit losses subject to certain limitations*	-	-	975,267	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(10,967,352)	(10,967,352)	(10,967,352)	(10,967,352)
Other regulatory required deductions	-	-	-	-
	$ 121,480,505	$ 121,480,505	$ 122,455,772	$ 121,480,505
Denominator:				
Risk-adjusted assets excluding allowance	$ 779,922,511	$ 779,922,511	$ 779,922,511	$ 779,922,511
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(10,967,352)	(10,967,352)	(10,967,352)	(10,967,352)
Allowance for loan losses	-	-	-	(947,511)
	$ 768,955,159	$ 768,955,159	$ 768,955,159	$ 768,007,648

The components of the Association's non-risk-adjusted capital, based on 90-day average balances, were as follows:

	at March 31, 2020	
	Tier 1 leverage ratio	**UREE leverage ratio**
Numerator:		
Unallocated retained earnings	**$ 129,108,351**	**$ 129,108,351**
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	**3,374,886**	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	**(11,799,118)**	**-**
Other regulatory required deductions	**-**	**-**
	$ 120,684,119	**$ 129,108,351**
Denominator:		
Total Assets	**$ 766,363,307**	**$ 766,363,307**
Regulatory Adjustments and Deductions:		**-**
Regulatory deductions included in tier 1 capital	**(19,209,186)**	**(19,209,186)**
	$ 747,154,121	**$ 747,154,121**

	at December 31, 2019	
	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 129,082,961	$ 129,082,961
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	3,364,896	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(10,967,352)	-
	$ 121,480,505	$ 129,082,961
Denominator:		
Total Assets	$ 767,389,037	$ 767,389,037
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(14,314,157)	(14,314,157)
	$ 753,074,880	$ 753,074,880

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes. The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service (credits) cost and of actuarial (gain) loss are reflected in "Salaries and employee benefits" in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive income (loss) for the three months ended March 31:

	2020	2019
Accumulated other comprehensive income (loss) at January 1	**$ (104,295)**	$ 46,174
Amortization of prior service (credit) costs included in salaries and employee benefits	**(3,073)**	(3,073)
Other comprehensive income (loss), net of tax	**(3,073)**	(3,073)
Accumulated other comprehensive income (loss) at March 31	**$ (107,368)**	$ 43,101

NOTE 4 — INCOME TAXES:

Mississippi Land Bank, ACA and its subsidiary, Mississippi, PCA, are subject to federal and certain other income taxes. The Association operates 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 dividends in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage dividends.

Deferred taxes are recorded at the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will, therefore, impact future tax payments. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (more than 50 percent probability), based on management's estimate, that they will not be realized. For the three months ended March 31, 2020 and 2019, the Association carried a deferred tax asset of $93,853 and $376,836, respectively, with a full valuation allowance recorded against the net asset.

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB 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 to the 2019 Annual Report to Stockholders for a more complete description.

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

March 31, 2020	**Fair Value Measurement Using**		
	Level 1	**Level 2**	**Level 3**
Assets:			
Assets held in nonqualified benefit trusts	**$ 99,213**	**-**	**-**
Total assets	**$ 99,213**	**-**	**-**

December 31, 2019	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Assets held in nonqualified benefit trusts	$ 108,288	-	-
Total assets	$ 108,288	-	-

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

March 31, 2020	**Fair Value Measurement Using**		
	Level 1	**Level 2**	**Level 3**
Assets:			
Loans*	**$ -**	**$ -**	**$ -**
Other property owned	**-**	**-**	**195,606**

December 31, 2019	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Loans*	$ -	$ -	$ 20,332
Other property owned	-	-	195,606

*Represents the fair value of certain loans that were evaluated for impairment under the authoritative guidance "Accounting by Creditors for Impairment of a Loan." The fair value was based upon the underlying collateral since these were collateral-dependent loans for which real estate is the collateral.

The Association also participates in letters of credit to satisfy the financing needs of its borrowers. These letters of credit are irrevocable agreements to guarantee payments of specified financing obligations. At March 31, 2020, the Association had $201,555 in outstanding standby letters of credit and $49,082 in outstanding commercial letters of credit, all issued primarily in conjunction with participation loans.

Uncertainty of Fair Value Measurements

With regard to nonrecurring measurements for impaired loans and other property owned, it is not practicable to provide specific information on inputs, as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs, such as income and expense, comparable sales, replacement cost and comparability adjustments.

Valuation Techniques

As more fully discussed in Note 2 to the 2019 Annual Report to Stockholders, authoritative 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 represent a brief summary of the valuation techniques used for the Association's assets and liabilities. For a more complete description, see Note 13 to the 2019 Annual Report to Stockholders

Assets Held in Nonqualified 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. The Association had one active employee participate and contribute in the nonqualified supplemental 401(k) plan (NQ Plan) plan during 2019. However, there are currently no active employees contributing to the NQ Plan.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, 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, a majority of these loans have fair value measurements that fall within Level 3 of the fair value 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. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

Other property owned is generally classified as Level 3 of the fair value hierarchy. The process for measuring the fair value of the other property owned involves the use of independent appraisals and other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Cash

For cash, the carrying amount is a reasonable estimate of fair value.

Standby Letters of Credit

The fair value of letters of credit approximate the fees currently charged for similar agreements or the estimated cost to terminate or otherwise settle similar obligations.

Commitments to Extend Credit

The fair value of commitments is estimated using the fees currently charged for similar agreements, taking into account the remaining terms of the agreements and the creditworthiness of the counterparties. For fixed-rate loan commitments, estimated fair value also considers the difference between current levels of interest rates and the committed rates.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three months ended March 31:

	Other Benefits	
	2020	2019
Service cost	**$ 4,837**	$ 3,976
Interest cost	**14,094**	17,252
Amortization of prior service (credits) costs	**(3,073)**	(3,073)
Net periodic benefit cost	**$ 15,858**	$ 18,155

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2020, was $1,679,604 and is included in other liabilities on the balance sheet.

The components of net periodic benefit cost other than the service cost component are included in the line item "Other components of net periodic postretirement benefit cost" in the income statement.

The structure of the District's defined benefit pension plan (DB) is characterized as multiemployer since the assets, liabilities and cost of the plan are not segregated or separately accounted for by participating employers (Bank and associations). The Association recognizes its amortized annual contributions to the plan as an expense. The annual contribution is paid in January with the expense amortized monthly to the "Salaries and employee benefits" line item on the consolidated statement of comprehensive income. The remaining unamortized amount is included in "Other assets" on the consolidated balance sheet. The following table represents DB contributions made, amounts amortized into expense and the remaining unamortized contribution amounts as of March 31:

	2020	2019
DB contribution	**$ 419,439**	$ 443,500
YTD amortization	**(104,860)**	(110,875)
Remaining contribution	**$ 314,579**	$ 332,625

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Association is involved in various legal proceedings in the normal course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through May 8, 2020, which is the date the financial statements were issued. Due to the Coronavirus Disease 2019 (COVID-19) pandemic, the Association, in conjunction with the Bank, implemented on April 9, 2020, a payment deferral program for qualifying borrowers who were impacted by COVID-19. There are no other subsequent events that require reporting as of May 8, 2020.