ALABAMA AG CREDIT, ACA

2021
Quarterly Report
First Quarter

For the Quarter Ended March 31, 2021

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.

Douglas Thiessen, President/Chief Executive Officer
May 4, 2021

Larry H. Gibson, Jr., Chairman, Board of Directors
May 4, 2021

M. Scott Sellers, CPA, Sr. VP/Chief Financial Officer
May 4, 2021

Richard M. Stabler, CPA, Chairman, Audit Committee
May 4, 2021

ALABAMA AG CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Alabama Ag Credit, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended March 31, 2021. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2020 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

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). The potential impact of COVID-19 on the global, U.S. and local economies creates a high degree of economic uncertainty with business disruptions in supply chains in both the non-ag and the ag sectors. The Farm Credit Bank of Texas (Bank) and the Association continue during these unprecedented times to fulfill their mission to support agriculture and rural communities by providing access to reliable and consistent credit. The Bank has been able to maintain access to the financial markets to redeem and replace preferred-stock and callable debt and fund incremental needs. There have been no significant changes to its funding strategies or interest rate risk profile. The credit quality of the Bank's loan portfolio continues to remain strong and capital levels remain strong as well.

As discussed further in the "Liquidity and Funding Sources" and "Relationship with the Farm Credit Bank of Texas" sections of Management's Discussion and Analysis, the Association relies on the Bank as its primary source of funding for its operations, and is therefore impacted by these factors that affect the Bank. 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. The Association will continue to evaluate its allowance for loan losses as changes in outlook occur. Through March 31, 2021 and the date of this report, the Association's loan portfolio has maintained strong credit quality. In addition, capital levels remain strong to address adversity and support continuing loan demand. The Association has taken actions provide relief to many Association borrowers affected by COVID-19. Servicing actions include deferring payments, extending terms, providing additional liquidity, and a temporary moratorium on foreclosures that expired by the end of the second quarter of 2020.

Operationally, the Association continues to function as normal during these challenging times. The Association has witnessed the benefits of past and current technology initiatives which allow Association personnel to work remotely and support both their families and their customer base. The Association's internal controls over financial reporting and disclosure controls and procedures continue to operate effectively and no material changes to the controls or financial systems have occurred or are contemplated.

The Association will closely monitor the potential impact of COVID-19 in the coming quarters as conditions continue to unfold.

Results of Operations

The Association had net income of $5,098,424 for the three months ended March 31, 2021, as compared to net income of $4,188,825 for the same period in 2020, reflecting an increase of less than 21.7 percent. Net interest income was $7,551,854 for the three months ended March 31, 2021, compared to $7,162,005 for the same period in 2020.

	Three Months Ended			
	March 31, 2021		March 31, 2020	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 1,171,491,919**	**$ 12,725,081**	$ 1,074,954,545	$ 13,697,177
Interest-bearing liabilities	**979,534,548**	**5,173,227**	894,511,096	6,535,172
Impact of capital	**$ 191,957,371**		$ 180,443,449	
Net interest income		**$ 7,551,854**		$ 7,162,005

	2021 Average Yield	2020 Average Yield
Yield on loans	**4.41%**	5.12%
Cost of interest-bearing liabilities	**2.14%**	2.94%
Interest rate spread	**2.26%**	2.19%
Impact of capital	**0.35%**	0.49%
Net interest income as a percentage of average earning assets	**2.61%**	2.68%

	Three months ended: March 31, 2021 vs. March 31, 2020		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 1,219,894**	**$ (2,191,990)**	**$ (972,096)**
Interest expense	**616,026**	**(1,977,971)**	**(1,361,945)**
Net interest income	**$ 603,868**	**$ (214,019)**	**$ 389,849**

Interest income for the three months ended March 31, 2021, decreased by $972,096, or 7.1 percent from the same period of 2020, primarily due to decreases in yields on earning assets, partially offset by an increase in average loan. Interest expense for the three months ended March 31, 2021, decreased by $1,361,945, or 20.8 percent, from the same period of 2020 due to a decrease in the cost of debt, partially offset by an increase in average debt volume. Average loan volume for the first quarter of 2021 was $1,171,491,919, compared to $1,074,954,545 in the first quarter of 2020. The average net interest rate spread on the loan portfolio for the first quarter of 2021 was 2.26 percent, compared to 2.19 percent in the first quarter of 2020.

Noninterest income for the three months ended March 31, 2021, increased by 324,919, or 34.4 percent, over the same period of 2020. The increase is due primarily to an increase in income from the Bank and net loan fees in 2021 compared to 2020. The increase is due primarily to an increase in the accrual rate for patronage income from the Bank. In addition, there was an increase in net loan fees in 2021 compared to 2020. The increase in loans fees is due to increases in interest rate conversions due to the lower rate environment.

Noninterest expenses for the three months ended March 31, 2021 decreased by $49,367, or 1.3 percent, as compared to the same period in 2020. The decrease is primarily due to decreases in purchased services as a result of lower accounting and legal expenses in 2021 compared to the prior year. Several other expense categories were lower as a result of curtailed travel, marketing, and training activities due to COVID-19-related restrictions, compared to the pre-pandemic environment in the first three months of 2020. These lower expenses were offset partially by an increase in Insurance Fund premiums caused by a higher premium rate in 2021 compared to 2020 and growth in the Associations insurable debt over the same time frame.

The Association's return on average assets for the three months ended March 31, 2021, was 1.72 percent compared to 1.53 percent for the same period in 2020. The Association's return on average equity for the three months ended March 31, 2021, was 10.19 percent, compared to 8.72 percent for the same period in 2020.

Loan Portfolio

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loans are available to eligible borrowers with competitive prime- and LIBOR-based, fixed and adjustable interest rates and loan maturities ranging up to 40 years. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with seasonal cash-flow capabilities of the borrower.

Total loans outstanding at March 31, 2021, stated at recorded investment (principal less funds held), were $1,186,491,985 compared to $1,160,464,933 at December 31, 2020, reflecting an increase of 2.2 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.7 percent at March 31, 2021 and at December 31, 2020. The major commodities within the Association's portfolio are timber, cattle, poultry and field crops.

In July 2017, the United Kingdom's Financial Conduct Authority, the authority regulating the London Inter-Bank Offered Rate (LIBOR) announced that it will stop persuading or compelling banks to submit rates for the calculation of the LIBOR after 2021. The Bank established a LIBOR Workgroup, with cross-functional representation from the finance, operations, credit and legal departments. The LIBOR Workgroup is progressing in implementing its transition plan to an alternative benchmark rate. In late 2020, the Funding Corporation launched an alternative benchmark rate based on SOFR as an alternative to LIBOR. The rate is a monthly-reset variable rate index and is published on the Funding Corporation's website. As of March 31, 2021, the Association did not have any loan volume tied to the new index. The Association is actively working to reduce exposure to LIBOR, primarily by converting existing LIBOR loans to other rate products and ensuring all note agreements contain appropriate legal language allowing the change to a different index. At March 31, 2021, the Association's portfolio included LIBOR-indexed volume of $111,904,747, representing approximately 9.4 percent of the loan portfolio. Of this amount, approximately $19.7 million is scheduled to mature prior to December 31, 2021.

The Association recorded $9,972 in recoveries and no charge-offs for the quarter ended March 31, 2021 compared to $2,914 in recoveries and no charge-offs for the same period in 2020. The Association's allowance for loan losses was 0.7 percent of total loans outstanding as of March 31, 2021, and December 31, 2020.

The following table reflects the credit quality of the Association's loan volume as of:

	March 31, 2021	December 31, 2020
Acceptable	**97.9** %	97.6 %
OAEM	**1.1**	1.3
Substandard/doubtful	**1.0**	1.1
	100.0 %	100.0 %

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, 2021		December 31, 2020	
	Amount	**%**	Amount	%
Nonaccrual	**$ 8,792,246**	**82.3%**	$ 7,775,295	96.3%
90 days past due and still accruing interest	**74,442**	**0.7%**	-	0.0%
Formally restructured	**1,812,761**	**17.0%**	203,799	2.5%
Other property owned, net	**-**	**0.0%**	100,000	1.2%
Total	**$ 10,679,449**	**100.0%**	$ 8,079,094	100.0%

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. The following schedule summarizes the Association's borrowings.

	March 31, 2021	December 31, 2020
Note payable to the Bank	**$ 998,912,850**	$ 968,268,302
Accrued interest on note payable	**1,768,425**	1,804,407
Total	**$ 1,000,681,275**	$ 970,072,709

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2023. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $998,912,850 as of March 31, 2021, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 2.06 percent at March 31, 2021. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the GFA. The increase in note payable to the Bank since December 31, 2020, is due to increased funding needs generated by growth in the Association's loan portfolio. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $188,041,203 at March 31, 2021. The maximum amount the Association may borrow from the Bank as of March 31, 2021, was $1,191,933,840 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, 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.

Capital Resources

The Association's capital position increased by $5,158,571 at March 31, 2021, compared to December 31, 2020. The Association's debt as a ratio of members' equity was 4.93:1 as of March 31, 2021, compared to 4.95:1 as of December 31, 2020.

FCA regulations require the Association 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, 2021, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements

Information regarding significant recent accounting pronouncements, required to be disclosed, is incorporated herein by reference to Note 1 to the consolidated financial statements, "Organization and Significant Accounting Policies," included in this quarterly report.

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 2020 Annual Report of Alabama Ag Credit, 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 annual and quarterly stockholder reports are also available free of charge, upon request. The quarterly reports will be available on the Association's website at *www.AlabamaAgCredit.com* approximately 40 days after quarter end and can also be obtained by writing to Alabama Ag Credit, ACA, 2660 EastChase Lane, Suite 401, Montgomery, Alabama, 36117 or calling (334) 270-8687. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *Info@AlabamaAgCredit.com*. The Association's annual stockholder report is available on its website 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

ALABAMA AG CREDIT, ACA

CONSOLIDATED BALANCE SHEETS

	March 31, 2021 (unaudited)	December 31, 2020
ASSETS		
Cash	**$ 10,053**	$ 10,343
Loans	**1,186,491,985**	1,160,464,933
Less: allowance for loan losses	**8,183,194**	8,140,866
Net loans	**1,178,308,791**	1,152,324,067
Accrued interest receivable	**9,732,755**	9,660,163
Investment in and receivable from the Bank		
Capital stock	**18,541,250**	18,541,250
Accrued patronage receivable	**846,048**	406,617
Other	**830,652**	1,553,862
Other property owned, net	**-**	100,000
Premises and equipment, net	**6,120,109**	6,264,322
Other assets	**1,412,930**	831,976
Total assets	**$ 1,215,802,588**	$ 1,189,692,600
LIABILITIES		
Note payable to the Bank	**$ 998,912,850**	$ 968,268,302
Accrued interest payable	**1,768,425**	1,804,407
Drafts outstanding	**82,208**	203,007
Patronage distributions payable	**550,313**	11,201,454
Other liabilities	**9,314,064**	8,199,273
Total liabilities	**1,010,627,860**	989,676,443
MEMBERS' EQUITY		
Capital stock and participation certificates	**4,347,120**	4,289,225
Unallocated retained earnings	**201,479,519**	196,386,088
Accumulated other comprehensive income (loss)	**(651,911)**	(659,156)
Total members' equity	**205,174,728**	200,016,157
Total liabilities and members' equity	**$ 1,215,802,588**	$ 1,189,692,600

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

ALABAMA AG CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended March 31, 2021	2020
INTEREST INCOME		
Loans	**$ 12,725,081**	$ 13,697,177
INTEREST EXPENSE		
Note payable to the Farm Credit Bank of Texas	**5,173,227**	6,535,172
Net interest income	**7,551,854**	7,162,005
PROVISION FOR LOAN LOSSES		
Provision for loan losses	**4,520**	149,984
Net interest income after provision for loan losses	**7,547,334**	7,012,021
NONINTEREST INCOME		
Income from the Bank	**784,967**	384,246
Loan fees	**336,507**	234,734
Gain on other property owned, net	**25,836**	-
Gain on sale of premises and equipment, net	**50,500**	2,848
Other noninterest income	**71,495**	322,558
Total noninterest income	**1,269,305**	944,386
NONINTEREST EXPENSES		
Salaries and employee benefits	**2,176,529**	2,226,692
Directors' expense	**76,429**	130,756
Purchased services	**82,195**	170,713
Travel	**137,955**	164,279
Occupancy and equipment	**236,061**	236,042
Communications	**96,704**	82,259
Advertising	**65,914**	94,100
Public and member relations	**92,870**	121,346
Supervisory and exam expense	**101,004**	95,238
Insurance Fund premiums	**565,291**	345,687
Other components of net periodic postretirement benefit cost	**30,689**	25,527
Other noninterest expense	**56,574**	74,943
Total noninterest expenses	**3,718,215**	3,767,582
NET INCOME	**5,098,424**	4,188,825
Other comprehensive income:		
Change in postretirement benefit plans	**7,245**	48
COMPREHENSIVE INCOME	**$ 5,105,669**	$ 4,188,873

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

ALABAMA AG CREDIT, 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, 2019	$ 4,196,475	$ 187,094,401	$ (375,423)	$ 190,915,453
Net income	-	4,188,825	-	4,188,825
Other comprehensive income	-	-	48	48
Capital stock/participation certificates issued	169,790	-	-	169,790
Capital stock/participation certificates retired	(170,145)	-	-	(170,145)
Patronage refunds:				
Change in patronage declared and paid	-	(28,949)	-	(28,949)
Balance at March 31, 2020	$ 4,196,120	$ 191,254,277	$ (375,375)	$ 195,075,022
Balance at December 31, 2020	$ 4,289,225	$ 196,386,088	$ (659,156)	$ 200,016,157
Net income	-	5,098,424	-	5,098,424
Other comprehensive income	-	-	7,245	7,245
Capital stock/participation certificates issued	296,635	-	-	296,635
Capital stock/participation certificates retired	(238,740)	-	-	(238,740)
Patronage refunds:				
Change in patronage declared and paid	-	(4,993)	-	(4,993)
Balance at March 31, 2021	**$ 4,347,120**	**$ 201,479,519**	**$ (651,911)**	**$ 205,174,728**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Alabama Ag Credit, 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 Autauga, Baldwin, Barbour, Bibb, Bullock, Butler, Chambers, Chilton, Choctaw, Clarke, Coffee, Conecuh, Coosa, Covington, Crenshaw, Dale, Dallas, Elmore, Escambia, Geneva, Greene, Hale, Henry, Houston, Lee, Lowndes, Macon, Marengo, Mobile, Monroe, Montgomery, Perry, Pickens, Pike, Russell, Sumter, Tallapoosa, Tuscaloosa, Washington and Wilcox in the state of Alabama. The Association is a lending institution of the Farm Credit System (the 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, 2020, as contained in the 2020 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, 2020, as contained in the 2020 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. Descriptions of the significant accounting policies are included in the 2020 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 March 2020, the Financial Accounting Standards Board (FASB) issued guidance entitled "Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The guidance simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contracts related to the replacement of the reference rate. With respect to hedge accounting, the guidance allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments are effective as of March 12, 2020, through December 31, 2022. The Association adopted the practical expedients option in the first quarter of 2021 as using an alternative reference rate would require the Association to evaluate all modifications if the practical expedients were not adopted.

In December 2019, the 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 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 became effective for fiscal years ending after December 15, 2020. The guidance was applied on a retrospective basis for all periods. The adoption of this guidance did not impact the Association's financial condition or its results of operations.

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, 2021, are not necessarily indicative of the results to be expected for the year ended December 31, 2021. 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, 2021 Amount**	December 31, 2020 Amount
Production agriculture:		
Real estate mortgage	**$ 949,209,863**	$ 938,239,785
Production and intermediate term	**126,436,259**	124,885,845
Agribusiness:		
Loans to cooperatives	**6,136,518**	6,423,734
Processing and marketing	**37,224,564**	31,386,952
Farm-related business	**15,022,958**	10,726,553
Communication	**2,600,799**	2,607,511
Energy and water/waste water	**5,019,620**	3,111,657
Rural residential real estate	**44,841,404**	43,082,896
Total	**$ 1,186,491,985**	$ 1,160,464,933

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. All participations are with other farm credit institutions. The following table presents information regarding the balances of participations purchased and sold at March 31, 2021:

	Total	
	Participations Purchased	Participations Sold
Real estate mortgage	$ 11,934,343	$ 42,627,709
Production and intermediate term	11,094,951	13,274,727
Agribusiness	44,025,982	11,883,285
Communication	2,600,799	-
Energy	3,306,626	-
Water and waste water	1,712,994	-
Total	$ 74,675,695	$ 67,785,721

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 ACPs are included in other liabilities. ACPs are not insured, and interest is generally paid by the Association on such balances. Balances of ACPs were $20,017,945 and $14,844,722 at March 31, 2021, and December 31, 2020, respectively.

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

	March 31, 2021	December 31, 2020
Nonaccrual loans:		
Real estate mortgage	**$ 7,255,991**	$ 6,315,042
Production and intermediate term	**1,536,255**	1,460,253
Total nonaccrual loans	**8,792,246**	7,775,295
Accruing restructured loans:		
Real estate mortgage	**1,792,548**	203,799
Production and intermediate term	**20,213**	-
Total accruing restructured loans	**1,812,761**	203,799
Accruing loans 90 days or more past due:		
Real estate mortgage	**74,442**	-
Total accruing loans 90 days or more past due	**74,442**	-
Total nonperforming loans	**10,679,449**	7,979,094
Other property owned	**-**	100,000
Total nonperforming assets	**$ 10,679,449**	$ 8,079,094

One credit quality indicator utilized by the Association is the FCA 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;
- 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, 2021	December 31, 2020
Real estate mortgage		
Acceptable	**98.1** %	97.9 %
OAEM	**0.8**	0.9
Substandard/doubtful	**1.1**	1.2
	100.0	100.0
Production and intermediate term		
Acceptable	**94.3**	93.5
OAEM	**4.5**	5.3
Substandard/doubtful	**1.2**	1.2
	100.0	100.0
Agribusiness		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Energy and water/waste water		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**99.6**	99.8
OAEM	**0.3**	0.1
Substandard/doubtful	**0.1**	0.1
	100.0	100.0
Total loans		
Acceptable	**97.9**	97.6
OAEM	**1.1**	1.3
Substandard/doubtful	**1.0**	1.1
	100.0 %	100.0 %

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

March 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**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 1,900,286**	**$ 2,848,164**	**$ 4,748,450**	**$ 952,630,200**	**$ 957,378,650**	**$ 74,442**
Production and intermediate term	**263,717**	**719,228**	**982,945**	**126,684,878**	**127,667,823**	**-**
Loans to cooperatives	**-**	**-**	**-**	**6,177,049**	**6,177,049**	**-**
Processing and marketing	**-**	**-**	**-**	**37,312,002**	**37,312,002**	**-**
Farm-related business	**-**	**-**	**-**	**15,087,099**	**15,087,099**	**-**
Communication	**-**	**-**	**-**	**2,600,934**	**2,600,934**	**-**
Energy and water/waste water	**-**	**-**	**-**	**5,022,316**	**5,022,316**	**-**
Rural residential real estate	**72,899**	**-**	**72,899**	**44,905,968**	**44,978,867**	**-**
Total	**$ 2,236,902**	**$ 3,567,392**	**$ 5,804,294**	**$ 1,190,420,446**	**$ 1,196,224,740**	**$ 74,442**

December 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	$ 2,499,143	$ 2,102,912	$ 4,602,055	$ 941,700,770	$ 946,302,825	$ -
Production and intermediate term	9,538	718,690	728,228	125,494,605	126,222,833	-
Loans to cooperatives	-	-	-	6,450,703	6,450,703	-
Processing and marketing	-	-	-	31,474,587	31,474,587	-
Farm-related business	-	-	-	10,740,077	10,740,077	-
Communication	-	-	-	2,607,648	2,607,648	-
Energy and water/waste water	-	-	-	3,114,192	3,114,192	-
Rural residential real estate	25,995	-	25,995	43,186,236	43,212,231	-
Total	$ 2,534,676	$ 2,821,602	$ 5,356,278	$ 1,164,768,818	$ 1,170,125,096	$ -

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. TDRs 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, 2021, the total recorded investment of TDR loans was $3,168,668, including $1,355,907 classified as nonaccrual and $1,812,761 classified as accrual, with specific allowance for loan losses of $589,775. All loans classified as TDRs were individually evaluated to determine the need for allowance for loan losses. As of March 31, 2021, the Association had no commitments to lend funds to borrowers whose loan terms have been modified in a TDR.

There were no loans with TDR designation that occurred during the three months ended March 31, 2021. Loans formally restructured prior to January 1, 2021, were $3,168,668.

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 predominant form of concession granted for TDRs includes extension of the term and/or delayed payments. Other types of modifications include principal or accrued interest reductions and interest rate decreases, among others. At times, these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case we assess all of the modified terms to determine if the overall modification qualifies as a TDR. No loans modified in the last 12 months have subsequently defaulted as of March 31, 2021.

The following table provides information on outstanding loans restructured in TDRs 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, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Real estate mortgage	$ 3,024,444	$ 3,055,470	$ 1,231,896	$ 1,305,371
Production and intermediate term	144,224	129,983	124,011	128,511
Total	$ 3,168,668	$ 3,185,453	$ 1,355,907	$ 1,433,882

Additional impaired loan information is as follows:

	March 31, 2021			December 31, 2020		
	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:						
Real estate mortgage	$ 5,025,549	$ 5,195,145	$ 1,187,392	$ 2,703,110	$ 2,775,365	$ 610,686
Production and intermediate term	629,419	629,419	187,495	350,371	350,371	186,940
Total	$ 5,654,968	$ 5,824,564	$ 1,374,887	$ 3,053,481	$ 3,125,736	$ 797,626
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	$ 4,097,532	$ 4,242,590	$ -	$ 3,815,730	$ 3,970,446	$ -
Production and intermediate term	927,049	1,301,229	-	1,109,883	1,198,265	-
Total	$ 5,024,581	$ 5,543,819	$ -	$ 4,925,613	$ 5,168,711	$ -
Total impaired loans:						
Real estate mortgage	$ 9,123,081	$ 9,437,735	$ 1,187,392	$ 6,518,840	$ 6,745,811	$ 610,686
Production and intermediate term	1,556,468	1,930,648	187,495	1,460,254	1,548,636	186,940
Total	$ 10,679,549	$ 11,368,383	$ 1,374,887	$ 7,979,094	$ 8,294,447	$ 797,626

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

	For the Three Months Ended			
	March 31, 2021		March 31, 2020	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Real estate mortgage	$ 4,304,077	$ 27,302	$ 4,809,132	$ -
Production and intermediate term	632,417	-	140,161	-
Farm-related business	-	-	-	-
Rural residential real estate	-	-	36,943	-
Total	$ 4,936,494	$ 27,302	$ 4,986,236	$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	$ 3,905,336	$ 7,693	$ 2,998,147	$ 8,592
Production and intermediate term	857,356	1,077	646,170	-
Farm-related business	-	-	9,988	-
Rural residential real estate	-	-	-	-
Total	$ 4,762,692	$ 8,770	$ 3,654,305	$ 8,592
Total impaired loans:				
Real estate mortgage	$ 8,209,413	$ 34,995	$ 7,807,279	$ 8,592
Production and intermediate term	1,489,773	1,077	786,331	-
Farm-related business	-	-	9,988	-
Rural residential real estate	-	-	36,943	-
Total	$ 9,699,186	$ 36,072	$ 8,640,541	$ 8,592

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, 2020	$ 7,116,942	$ 755,490	$ 188,161	$ 2,090	$ 6,668	$ 71,515	$ 8,140,866
Charge-offs	-	-	-	-	-	-	-
Recoveries	9,972	-	-	-	-	-	9,972
Provision for loan losses	429,702	(323,962)	(111,174)	3,528	5,121	1,305	4,520
Other	-	3,364	28,522	-	(3,171)	(879)	27,836
Balance at March 31, 2021	$ 7,556,616	$ 434,892	$ 105,509	$ 5,618	$ 8,618	$ 71,941	$ 8,183,194
Ending Balance:							
Individually evaluated for impairment	$ 1,477,667	$ 195,799	$ -	$ -	$ -	$ 9,056	$ 1,682,522
Collectively evaluated for impairment	6,078,949	239,093	105,509	5,618	8,618	62,885	6,500,672
Balance at March 31, 2021	$ 7,556,616	$ 434,892	$ 105,509	$ 5,618	$ 8,618	$ 71,941	$ 8,183,194
Balance at December 31, 2019	$ 7,175,026	$ 378,935	$ 101,231	$ 2,159	$ 2,389	$ 98,455	$ 7,758,195
Charge-offs	-	-	-	-	-	-	-
Recoveries	2,914	-	-	-	-	-	2,914
Provision for loan losses	133,343	16,490	(386)	(53)	(99)	689	149,984
Other	24	4,204	1,927	-	1,207	(27)	7,335
Balance at March 31, 2020	$ 7,311,307	$ 399,629	$ 102,772	$ 2,106	$ 3,497	$ 99,117	$ 7,918,428
Ending Balance:							
Individually evaluated for impairment	$ 1,503,012	$ 138,911	$ -	$ -	$ -	$ 48,640	$ 1,690,563
Collectively evaluated for impairment	5,808,295	260,718	102,772	2,106	3,497	50,477	6,227,865
Balance at March 31, 2020	$ 7,311,307	$ 399,629	$ 102,772	$ 2,106	$ 3,497	$ 99,117	$ 7,918,428

	Real Estate Mortgage	Intermediate Term	Agribusiness	Communications	Water/Waste Water	Residential Real Estate	Total
Recorded Investments in Loans Outstanding:							
Ending Balance at March 31, 2021	$ 957,378,650	$ 127,667,823	$ 58,576,150	$ 2,600,934	$ 5,022,316	$ 44,978,867	$ 1,196,224,740
Individually evaluated for impairment	$ 10,459,930	$ 1,562,827	$ -	$ -	$ -	$ 29,850	$ 12,052,607
Collectively evaluated for impairment	$ 946,918,720	$ 126,104,996	$ 58,576,150	$ 2,600,934	$ 5,022,316	$ 44,949,017	$ 1,184,172,133
Ending Balance at December 31, 2020	$ 946,302,825	$ 126,222,833	$ 48,665,367	$ 2,607,648	$ 3,114,192	$ 43,212,231	$ 1,170,125,096
Individually evaluated for impairment	$ 11,001,810	$ 1,569,536	$ -	$ -	$ -	$ 56,956	$ 12,628,302
Collectively evaluated for impairment	$ 935,301,015	$ 124,653,297	$ 48,665,367	$ 2,607,648	$ 3,114,192	$ 43,155,275	$ 1,157,496,794

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 portfolio; 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 Requirements Including Capital Conservation Buffers	As of March 31, 2021
Common equity tier 1 ratio	7.00%	15.32%
Tier 1 capital ratio	8.50%	15.32%
Total capital ratio	10.50%	16.01%
Permanent capital ratio	7.00%	15.43%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	15.62%
UREE leverage ratio	1.50%	16.82%

Risk-adjusted Capital Ratios	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	198,751,960	198,751,960	198,751,960	198,751,960
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	4,307,452	4,307,452	4,307,452	4,307,452
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	8,255,956	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(18,489,525)	(18,489,525)	(18,489,525)	(18,489,525)
	184,569,887	184,569,887	192,825,843	184,569,887
Denominator:				
Risk-adjusted assets excluding allowance	1,222,895,683	1,222,895,683	1,222,895,683	1,222,895,683
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(18,489,525)	(18,489,525)	(18,489,525)	(18,489,525)
Allowance for loan losses	-	-	-	(8,132,851)
	1,204,406,158	1,204,406,158	1,204,406,158	1,196,273,307

Non-risk-adjusted Capital Ratios	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	198,751,960	198,751,960
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	4,307,452	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(18,489,525)	-
	184,569,887	198,751,960
Denominator:		
Total Assets	1,214,212,359	1,214,212,359
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(32,306,355)	(32,306,355)
	1,181,906,004	1,181,906,004

An additional component of equity is accumulated other comprehensive income. 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 "Other components of net periodic postretirement benefit cost" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the three months ended March 31:

	2021	2020
Accumulated other comprehensive income (loss) at January 1	**$ (659,156)**	$ (375,423)
Amortization of prior service (credit) costs included in salaries and employee benefits	**7,245**	48
Other comprehensive income (loss), net of tax	**7,245**	48
Accumulated other comprehensive income (loss) at	**$ (651,911)**	$ (375,375)

NOTE 4 — INCOME TAXES

Alabama Ag Credit, ACA and its PCA subsidiary, Alabama Ag Credit, PCA (Associations) are subject to federal and certain other income taxes. The Associations are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue Code. Under specified conditions, the Associations can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those taxable earnings that will not be distributed as qualified patronage 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. The Association has recorded a full valuation allowance against its deferred tax asset as of March 31, 2021 based on management's estimate that it is more likely than not that the deferred tax asset will not be realized. For the three months ended March 31, 2021 and 2020, the Association had no taxable income. The subsidiary, Alabama Ag Credit, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971.

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 13 to the 2020 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, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in nonqualified benefit trusts	$ 135,172	$ -	$ -	$ 135,172

December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Assets held in nonqualified benefit trusts	$ 129,473	$ -	$ -	$ 129,473

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

March 31, 2021	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans*	**$ -**	**$ -**	**$6,413,548**	**$6,413,548**
Other property owned	**-**	**-**	**-**	**-**

December 31, 2020	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans*	$ -	$ -	$ 6,380,885	$ 6,380,885
Other property owned	-	-	112,500	112,500

*Represents the fair value of certain loans that were evaluated for impairment under 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.

Information About Nonrecurring Level 3 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 13 to the 2020 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.

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.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying real estate collateral since the loans were collateral-dependent. 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.

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. As of March 31, 2021, the Association had no other property owned in the consolidated balance sheet.

NOTE 6 — EMPLOYEE BENEFIT PLANS

Employee Retirement Plans: As discussed in Note 2 and Note 11 to the 2020 Annual Report to Stockholders, employees of the Association participate in either the Texas Farm Credit District's (District) defined benefit pension plan (DB Plan) or the District's defined contribution plan (DC Plan).

The structure of the DB Plan is characterized as multi-employer 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 of each year and amortized into expense on a monthly basis; unamortized contributions are included in "Other Assets" in the consolidated balance sheet. The following table represents DB contributions made, amounts amortized into expense, and the remaining unamortized contributions amounts as of March 31:

	2021	2020
DB contribution	**$ 705,350**	$ 320,565
YTD amortization	**$ 176,338**	$ 80,142
Net periodic benefit	**$ 529,012**	$ 240,423

Association contributions to the DC Plan are expensed as incurred. For the three months ended March 31, 2021 and 2020, the Association recognized pension costs for the DC Plan of $112,926 and $106,307, respectively.

Employees are also eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. Contributions to the 401(k) plan are expensed as incurred. The Association's contributions to the 401(k) plan were $42,454 and $48,516 for the three months ended March 31, 2021 and 2020, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer, and consequently, the liability for these benefits is included in the consolidated balance sheet. 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	
	2021	2020
Service cost	**$ 17,756**	$ 15,458
Interest cost	**23,444**	25,479
Expected return on plan assets	**-**	-
Amortization of prior service (credits) costs	**(5,056)**	(5,056)
Amortization of net actuarial (gain) loss	**12,301**	5,104
Total non-service cost	**30,689**	25,527
Net periodic benefit cost	**$ 48,445**	$ 40,985

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

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2021, was $3,411,909 and is included in "Other Liabilities" in the balance sheet.

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 4, 2021 which is the date the financial statements were issued. There are no other significant events requiring disclosure as of May 4, 2021.