ALABAMA AG CREDIT, ACA

2024
Quarterly Report

ALABAMA AG CREDIT LAND & FARM LENDERS

For the Quarter Ended September 30, 2024

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.

/s/ Douglas Thiessen
Douglas Thiessen, Chief Executive Officer
November 5, 2024

/s/ Larry H. Gibson, Jr.
Larry H. Gibson, Jr., Chairman, Board of Directors
November 5, 2024

/s/ Heather Smith
Heather Smith, Sr. VP/Chief Financial Officer
November 5, 2024

/s/ Richard M. Stabler
Richard M. Stabler, CPA, retired, Chairman, Audit Committee
November 5, 2024

Third quarter 2024 Financial Report

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The following commentary reviews the financial performance of the Alabama Ag Credit, ACA, referred to as the Association, for the quarter ended September 30, 2024. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2023 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

Federal Reserve Board action to combat high inflation rates (9.1 percent peak in June 2022) led to interest rates at the highest levels in the past twenty years. As the inflation has declined to below 3 percent, and with employment rates becoming a concern, the Federal Reserve Board cut the feds fund rate by 50 basis-points in September. Although the mortgage market rates had declined in anticipation of the cut, the long-term rates have risen slightly and remained high since the announcement. The high rates have had a significant impact on the Association as well as all farm credit and commercial lenders. Additionally, the impact to the Farm Credit Bank of Texas (the Bank) led to a significant decline in the patronage paid by the Bank on the Association's direct note average balance in 2023. As part of the Bank's plan to improve its capital position, patronage payments will continue to be lower in 2024.

Loan Portfolio

Total loans outstanding at September 30, 2024, including nonaccrual loans and sales contracts, were $1,365,287,027 compared to $1,344,188,480 at December 31, 2023, reflecting an increase of 1.6 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.4% at September 30, 2024, compared to 0.1% at December 31, 2023.

The Association recorded $733 in recoveries and $0 in charge-offs for the quarter ended September 30, 2024, and $8,006 in recoveries and $0 in charge-offs for the same period in 2023. The Association's allowance for loan losses was 0.8 percent and 0.7 percent of total loans outstanding as of September 30, 2024, and December 31, 2023, 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.

	September 30, 2024	December 31, 2023
Nonaccrual loans:		
Real estate mortgage	**$ 2,991,891**	$ 872,457
Agribusiness	**2,395,716**	-
Total nonaccrual loans	**5,387,607**	872,457
Accruing loans 90 days or more past due:		
Production and intermediate-term	**21,557**	-
Total nonperforming assets	**$ 5,409,164**	$ 872,457
Nonaccrual loans as a percentage of total loans	**0.4%**	0.1%
Nonperforming assets as a percentage of total loans and other property owned	**0.4%**	0.1%
Nonperforming assets as a percentage of capital	**2.2%**	0.4%

Results of Operations

The Association had net income of $5,990,893 and $15,333,027 for the three and nine months ended September 30, 2024, as compared to net income of $4,886,482 and $15,775,035 for the same periods in 2023, reflecting an increase of 22.6 percent for the three-month period and a decrease of (2.8 percent) for the nine-month period. Net interest income was $9,000,204 and $27,197,675 for the three and nine months ended September 30, 2024, compared to $8,923,987 and $26,268,702 for the same period in 2023.

	Nine Months Ended			
	September 30, 2024		September 30, 2023	
	Average Balance	Interest	Average Balance	Interest
Loans	**$ 1,346,110,054**	**$ 59,340,043**	$ 1,310,663,656	$ 52,668,525
Interest-bearing liabilities	**1,133,065,823**	**32,142,368**	1,103,645,973	26,399,823
Impact of capital	**$ 213,044,231**		$ 207,017,683	
Net interest income		**$ 27,197,675**		$ 26,268,702

	2024 Average Yield	2023 Average Yield
Yield on loans	**5.9%**	5.4%
Cost of interest-bearing liabilities	**3.8%**	3.2%
Interest rate spread	**2.1%**	2.2%
Net interest income as a percentage of average earning assets	**2.7%**	2.7%

	Nine Months Ended September 30, 2024 vs. September 30, 2023		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	**$ 1,426,842**	**$ 5,244,676**	**$ 6,671,518**
Interest expense	**705,167**	**5,037,378**	**5,742,545**
Net interest income	**$ 721,675**	**$ 207,298**	**$ 928,973**

Interest income for the three and nine months ended September 30, 2024, increased by $1,529,034 and $6,671,518, or 8.3 percent and 12.7 percent, from the same period of 2023, primarily due to increases in yields on earning assets and an increase in average loan volume. Interest expense for the three and nine months ended September 30, 2024, increased by $1,452,818 and $5,742,545, or 15.2 percent and 21.8 percent, from the same period of 2023 due to an increase in interest rates and an increase in average debt volume. Average loan volume for the third quarter of 2024 was $1,346,110,054, compared to $1,310,672,270 in the third quarter of 2023. The average net interest rate spread on the loan portfolio for the third quarter of 2024 was 2.1 percent, compared to 2.2 percent in the third quarter of 2023.

Noninterest income for the three and nine months ended September 30, 2024, increased by $745,683 and $74,477, or 154.6 percent and 1.9 percent, over the same period of 2023. The increase for the three months ended September 30, 2024 is due primarily to a reversal of patronage income in the same quarter in 2023 as a result of the Bank's announcement of a reduction in patronage income mid-2023. Additionally, the increase is due to an increase in loan fees in 2024 compared to the same period in 2023. The increase in other income for the nine months ended September 30, 2024 is due primarily to a refund from the Farm Credit System Insurance Fund (FCSIC) board due to the fund being fully funded and an increase in loan fees offset by a decrease in patronage as the result of the Bank's decision to remove the patronage on the Bank stock investment.

Noninterest expenses for the three and nine months ended September 30, 2024, decreased by $144,687 and $407,555, or 3.2 percent and 2.9 percent, as compared to the same periods in 2023. The decrease for the three months ended September 30, 2024 is primarily due to a reduction in the premium for FCSIC insurance offset by increases in purchased services and travel. The decrease in noninterest expenses for the nine months ended September 30, 2024 is primarily due to decreases in FCSIC insurance premiums, directors' expense and occupancy and equipment, offset by increases in purchased services and occupancy and equipment. The decrease in FCSIC premium, announced in the first quarter, was a 44 percent reduction from 2023. Purchased services increased due to increased audit and legal costs.

The Association's return on average assets for the nine months ended September 30, 2024, was 1.5 percent compared to 1.5 percent for the same period in 2023. The Association's return on average equity for the nine months ended September 30, 2024, was 8.6 percent, compared to 8.8 percent for the same period in 2023.

Liquidity and Funding Sources

The Association secures the majority of its lendable funds from the Farm Credit Bank of Texas (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.

	September 30, 2024	December 31, 2023
Note payable to the Bank	$ 1,149,337,850	$ 1,127,940,073
Accrued interest on note payable	3,727,352	3,380,799
Total	**$ 1,153,065,202**	$ 1,131,320,872

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2026. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $1,149,337,850 as of September 30, 2024, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 3.97 percent at September 30, 2024. 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 and related accrued interest payable since December 31, 2023, is due to the Association's increase in loan portfolio growth. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $224,804,463 at September 30, 2024. The maximum amount the Association may borrow from the Bank as of September 30, 2024, was $1,390,000,000 as defined by the GFA. The indebtedness continues in effect until the expiration date of the GFA, which is September 30, 2026, 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 $15,385,534 at September 30, 2024, compared to December 31, 2023. The Association's debt as a percentage of members' equity was 4.7:1 as of September 30, 2024, compared to 5.0:1 as of December 31, 2023.

Farm Credit Administration 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 September 30, 2024, 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 2023 Annual Report of Association 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 Alabama Ag Credit, ACA, 7480 Halcyon Pointe Drive, Ste 201, Montgomery, AL 36117 or calling (334)270-8687. The quarterly stockholder reports will be available on the Association's website at www.AlabamaAgCredit.com approximately 40 days after quarter end. 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

	September 30, 2024 (unaudited)	December 31, 2023
ASSETS		
Cash	**$ 15,481**	$ 10,995
Loans	**1,365,287,027**	1,344,188,480
Less: allowance for credit losses on loans	**10,922,053**	8,796,563
Net loans	**1,354,364,974**	1,335,391,917
Accrued interest receivable	**14,154,687**	13,050,872
Investment in and receivable from the Farm Credit Bank of Texas:		
Capital stock	**22,137,880**	22,137,880
Other	**5,613,287**	1,509,505
Premises and equipment, net	**6,778,971**	6,664,139
Other assets	**1,652,368**	2,669,149
Total assets	**$ 1,404,717,648**	$ 1,381,434,457
LIABILITIES		
Note payable to the Farm Credit Bank of Texas	**$ 1,149,337,850**	$ 1,127,940,073
Accrued interest payable	**3,727,352**	3,380,799
Drafts outstanding	**61,455**	170,052
Patronage distributions payable	**6,979**	12,125,139
Other liabilities	**6,906,472**	8,526,388
Total liabilities	**1,160,040,108**	1,152,142,451
MEMBERS' EQUITY		
Capital stock and participation certificates	**4,540,050**	4,467,215
Unallocated retained earnings	**239,801,083**	224,465,834
Accumulated other comprehensive income	**336,407**	358,957
Total members' equity	**244,677,540**	229,292,006
Total liabilities and members' equity	**$ 1,404,717,648**	$ 1,381,434,457

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

Alabama Ag Credit, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
INTEREST INCOME				
Loans	**$ 19,988,660**	$ 18,459,626	**$ 59,340,043**	$ 52,668,525
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**10,988,457**	9,535,639	**32,142,368**	26,399,823
Net interest income	**9,000,203**	8,923,987	**27,197,675**	26,268,702
PROVISION FOR LOAN LOSSES	**(137,199)**	(12,398)	**2,124,708**	222,831
Net interest income after provision for credit losses	**9,137,402**	8,936,385	**25,072,967**	26,045,871
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**995,217**	440,782	**2,959,946**	3,494,655
Loan fees	**119,935**	11,488	**309,119**	207,076
Refunds from Farm Credit System Insurance Corporation				
Gain on sale of premises and equipment, net	**3,121**	29,784	**19,154**	124,036
Other noninterest income	**112,868**	284	**671,971**	40,792
Total noninterest income	**1,231,141**	482,338	**3,960,190**	3,866,559
NONINTEREST EXPENSES				
Salaries and employee benefits	**2,781,454**	2,815,058	**8,419,213**	8,473,318
Directors' expense	**95,867**	71,562	**266,221**	337,568
Purchased services	**211,239**	169,074	**474,700**	390,656
Travel	**236,614**	194,515	**629,986**	662,962
Occupancy and equipment	**235,160**	257,839	**1,142,085**	912,599
Communications	**66,385**	73,869	**215,599**	238,335
Advertising	**83,068**	99,921	**281,848**	348,840
Public and member relations	**192,246**	160,741	**486,945**	445,199
Supervisory and exam expense	**123,661**	118,607	**360,876**	332,052
Insurance fund premiums	**263,306**	466,916	**1,070,744**	1,639,308
Other components of net periodic postretirement benefit cost	**8,697**	15,005	**26,091**	45,016
Other noninterest expense	**79,953**	79,231	**325,822**	281,832
Total noninterest expenses	**4,377,650**	4,522,338	**13,700,130**	14,107,685
NET INCOME	**5,990,893**	4,896,385	**15,333,027**	15,804,745
Other comprehensive income:				
Change in postretirement benefit plans	**(7,517)**	(9,903)	**(22,550)**	(29,710)
COMPREHENSIVE INCOME	**$ 5,983,376**	$ 4,886,482	**$ 15,310,477**	$ 15,775,035

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, 2022	$ 4,484,775	$ 216,118,555	$ 438,440	$ 221,041,770
Net income	-	15,804,745	-	15,804,745
Other comprehensive income	-	-	(29,710)	(29,710)
Capital stock/participation certificates issued	408,290	-	-	408,290
Capital stock/participation certificates retired	(432,865)	-	-	(432,865)
Capital adjustment for 1/1/2023 CECL	-	(2,169)	-	(2,169)
Balance at September 30, 2023	$ 4,460,200	$ 231,921,131	$ 408,730	$ 236,790,061
Balance at December 31, 2023	**$ 4,467,215**	**$ 224,465,834**	**$ 358,957**	**$ 229,292,006**
Net income	**-**	**15,333,027**	**-**	**15,333,027**
Other comprehensive income	**-**	**-**	**(22,550)**	**(22,550)**
Capital stock/participation certificates issued	**459,170**	**-**	**-**	**459,170**
Capital stock/participation certificates retired	**(386,335)**	**-**	**-**	**(386,335)**
Patronage refunds:				
Change in patronage declared and paid	**-**	**2,222**	**-**	**2,222**
Balance at September 30, 2024	**$ 4,540,050**	**$ 239,801,083**	**$ 336,407**	**$ 244,677,540**

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

Unaudited (dollar amounts in thousands, except per share amounts and as otherwise noted)

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, 2023, as contained in the 2023 Annual Report to Stockholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2024. Descriptions of the significant accounting policies are included in the 2023 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.

Recently Adopted Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09 - Income Taxes: Improvements to Income Tax Disclosures. The amendments in this standard require more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in this standard require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments are effective for annual periods beginning after December 15, 2025. The adoption of this guidance is not expected to have a material impact on the Association's financial condition, results of operations or cash flows.

In November 2023, the FASB issued ASU 2023-07 - Segment Reporting: Improvements to Reportable Segment Disclosures. The standard requires a public entity to disclose, on an annual and interim basis, the following:

- significant segment expenses that are readily provided to the chief operating decision maker ("CODM") and included in segment profit or loss,
- composition and aggregate amount of other segment items, which represent the difference between profit or loss and segment revenues less significant segment expenses,
- the title and position of the CODM, and
- an explanation of how the CODM uses the reported segment measures in assessing segment performance and deciding how to allocate resources.

Even if a public entity has a single reportable segment, it is required to provide all disclosures set forth in the standard and all existing segment disclosures. The amendments in the standard are to be applied retrospectively to all prior periods presented and are effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Association is currently assessing the potential impact of this standard on its disclosures.

NOTE 2 — LOANS AND ALLOWANCE FOR CREDIT LOSSES ON LOANS:

A summary of loans follows:

Loan Type	September 30, 2024	December 31, 2023
Production agriculture:		
Real estate mortgage	$ 1,001,756,558	$ 992,052,287
Production and intermediate-term	156,821,322	160,374,838
Agribusiness:		
Loans to cooperatives	10,402,369	9,234,189
Processing and marketing	66,840,847	57,485,304
Farm-related business	19,656,936	34,079,473
Communication	12,043,489	4,162,940
Energy	12,835,812	5,788,110
Water and waste-water	13,070,559	13,331,425
Rural residential real estate	63,171,360	60,352,910
Agricultural export finance	8,687,775	7,327,004
Total	$ 1,365,287,027	$ 1,344,188,480

The Association purchases or sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations.

The following table presents information regarding the balances of participations purchased and sold at September 30, 2024:

	Other Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 11,480,465	$ 65,051,714	$ 11,480,465	$ 65,051,714
Production and intermediate-term	30,510,246	1,655,112	30,510,246	1,655,112
Agribusiness	63,677,557	57,082,848	63,677,557	57,082,848
Communication	12,043,489	-	12,043,489	-
Energy	12,835,812	-	12,835,812	-
Water and waste-water	13,070,559	-	13,070,559	-
Agricultural export finance	8,687,775	-	8,687,775	-
Total	$ 152,305,903	$ 123,789,674	$ 152,305,903	$ 123,789,674

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 $5,616,097 and $9,815,769 at September 30, 2024, and December 31, 2023, respectively.

Credit Quality

Credit risk arises from the potential inability of an obligor to meet its payment obligation and exists in our outstanding loans, letters of credit and unfunded loan commitments. The Association manages credit risk associated with the retail lending activities through an analysis of the credit risk profile of an individual borrower using its own set of underwriting standards and lending policies, approved by its board of directors, which provides direction to its loan officers. The retail credit risk management process begins with an analysis of the borrower’s credit history, repayment capacity, financial position and collateral, which includes an analysis of credit scores for smaller loans. Repayment capacity focuses on the borrower’s ability to repay the loan based on cash flows from operations or other sources of income, including off-farm income. Real estate mortgage loans must be secured by first liens on the real estate (collateral). As required by Farm Credit Administration regulations, institutions that make loans on a secured basis must have collateral evaluation policies and procedures. Real estate mortgage loans may be made only in amounts up to 85% of the original appraised value of the property taken as security or up to 97% of the appraised value if guaranteed by a state, federal, or other governmental agency. The actual loan to appraised value when loans are made is generally lower than the statutory maximum percentage. Loans other than real estate mortgage may be made on a secured or unsecured basis.

The Association uses a two-dimensional risk rating model based on an internally generated combined System risk rating guidance that incorporates a 14-point probability of default rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default. Probability of default is the probability that a borrower will experience a default during the life of the loan. The loss given default is management's estimate as to the anticipated principal loss on a specific loan assuming default occurs during the remaining life of the loan. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower or the loan is classified nonaccrual. This credit risk rating process incorporates objective and subjective criteria to identify inherent strengths, weaknesses and risks in a particular relationship. The Association reviews, at least on an annual basis or when a credit action is taken, the probability of default category.

Each of the probability of default categories carries a distinct percentage of default probability. The probability of default rate between one and nine of the acceptable categories is very narrow and would reflect almost no default to a minimal default percentage. The probability of default rate grows more rapidly as a loan moves from acceptable to other assets especially mentioned and grows significantly as a loan moves to a substandard (viable) level. A substandard (non-viable) rating indicates that the probability of default is almost certain. These 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, or collateral pledged on the loan,
- Doubtful — assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing facts, conditions and values that make collection in full highly questionable, and
- Loss — assets are considered uncollectible.

The following table shows loans under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans by loan type as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Real estate mortgage		
Acceptable	**98.1** %	98.4 %
OAEM	**1.2**	1.0
Substandard/doubtful	**0.7**	0.6
	100.0	100.0
Production and intermediate-term		
Acceptable	**98.6**	99.1
OAEM	**1.3**	0.1
Substandard/doubtful	**0.1**	0.8
	100.0	100.0
Agribusiness		
Acceptable	**88.8**	91.1
OAEM	**8.8**	8.9
Substandard/doubtful	**2.4**	-
	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	**99.4**	99.8
OAEM	**0.2**	0.1
Substandard/doubtful	**0.4**	0.1
	100.0	100.0
Agricultural export finance		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Total loans		
Acceptable	**97.6**	98.4
OAEM	**1.7**	1.5
Substandard/doubtful	**0.7**	0.1
	100.0 %	100.0 %

Accrued interest receivable on loans of $14,154,687 and $13,050,872 at September 30, 2024 and December 31, 2023, have been excluded from the amortized cost of loans and reported separately in the Balance Sheet. The Association wrote off accrued interest receivable of $63,393 and $0 during the nine months ended September 30, 2024 and 2023.

The following table reflects nonperforming assets, which consist of nonaccrual loans, accruing loans 90 days or more past due and other property owned and related credit quality statistics:

	September 30, 2024		December 31, 2023	
Nonaccrual loans:				
Real estate mortgage	**$**	**2,991,891**	$	872,457
Agribusiness		**2,395,716**		-
Total nonaccrual loans	**$**	**5,387,607**	$	872,457
Accruing loans 90 days or more past due:				
Production and intermediate-term		**21,557**		-
Total nonperforming assets	**$**	**5,409,164**	$	872,457
Nonaccrual loans as a percentage of total loans		**0.4%**		0.1%
Nonperforming assets as a percentage of total loans and other property owned		**0.4%**		0.1%
Nonperforming assets as a percentage of capital		**2.2%**		0.4%

The following tables provide the amortized cost for nonaccrual loans with and without a related allowance for loan losses, as well as interest income recognized on nonaccrual during the period:

	September 30, 2024			Interest Income Recognized	
	Amortized Cost with Allowance	**Amortized Cost without Allowance**	**Total**	**For the Three Months Ended September 30, 2024**	**For the Nine Months Ended September 30, 2024**
Nonaccrual loans:					
Real estate mortgage	**$ 474,447**	**$ 2,517,444**	**$ 2,991,891**	**$ 5,997**	**$ 230,122**
Agribusiness	**2,395,716**	**-**	**2,395,716**	**-**	**-**
Total nonaccrual loans	**$ 2,870,163**	**$ 2,517,444**	**$ 5,387,607**	**$ -**	**$ -**

	December 31, 2023			Interest Income Recognized	
	Amortized Cost with Allowance	Amortized Cost without Allowance	Total	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2023
Nonaccrual loans:					
Real estate mortgage	$ 570,767	$ 299,735	$ 870,502	$ (269)	$ 34,866
Total nonaccrual loans	$ 570,767	$ 299,735	$ 870,502	$ (269)	$ 34,866

The following tables provide an aging analysis of past due loans at amortized cost by portfolio segment as of:

September 30, 2024	**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	**$ 6,660,384**	**$ 2,233,766**	**$ 8,894,150**	**$ 992,862,408**	**$ 1,001,756,558**	**$ -**
Production and intermediate term	**1,207,909**	**21,557**	**1,229,466**	**155,591,856**	**156,821,322**	**21,557**
Loans to cooperatives	**-**	**-**	**-**	**10,402,369**	**10,402,369**	**-**
Processing and marketing	**-**	**-**	**-**	**66,840,847**	**66,840,847**	**-**
Farm-related business	**-**	**-**	**-**	**19,656,936**	**19,656,936**	**-**
Communication	**-**	**-**	**-**	**12,043,489**	**12,043,489**	**-**
Energy	**-**	**-**	**-**	**12,835,812**	**12,835,812**	**-**
Water and waste-water	**-**	**-**	**-**	**13,070,559**	**13,070,559**	**-**
Rural residential real estate	**642,658**	**-**	**642,658**	**62,528,702**	**63,171,360**	**-**
Agricultural export finance	**-**	**-**	**-**	**8,687,775**	**8,687,775**	**-**
Total	**$ 8,510,951**	**$ 2,255,323**	**$ 10,766,274**	**$ 1,354,520,753**	**$ 1,365,287,027**	**$ 21,557**

December 31, 2023	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	$ 3,374,124	$ -	$ 3,374,124	$ 988,678,163	$ 992,052,287	$ -
Production and intermediate term	3,805,109	-	3,805,109	156,569,729	160,374,838	-
Loans to cooperatives	-	-	-	9,234,189	9,234,189	-
Processing and marketing	-	-	-	57,485,304	57,485,304	-
Farm-related business	-	-	-	34,079,473	34,079,473	-
Communication	-	-	-	4,162,940	4,162,940	-
Energy	-	-	-	5,788,110	5,788,110	-
Water and waste-water	-	-	-	13,331,425	13,331,425	-
Rural residential real estate	16,155	-	16,155	60,336,755	60,352,910	-
Agricultural export finance	-	-	-	7,327,004	7,327,004	-
Total	$ 7,195,388	$ -	$ 7,195,388	$ 1,336,993,092	$ 1,344,188,480	$ -

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The collateral dependent loans are primarily real estate mortgage and rural residential real estate loans.

Loan Modifications to Borrowers Experiencing Financial Difficulties

The amortized cost basis at the end of the respective reporting period for loan modifications granted to borrowers experiencing financial difficulty, disaggregated by loan type and type of modification granted is a required disclosure. In the three months and nine months ended September 30, 2024 and 2023, the Association did not have any loan modifications related to interest rate reduction, term extension, principal forgiveness, or payment deferral. Accordingly, there were no amounts for accrued interest receivable related to loan modifications for the three months and nine months ended September 30, 2024 and 2023.

The following table sets forth an aging analysis of loans to borrowers experiencing financial difficulty that were modified during the twelve months prior to September 30, 2024:

	Payment Status of Loans Modified in the Past 12 Months		
	Current	30-89 Days Past Due	90 Days or More Past Due
Production and intermediate-term	**$ 110,052**	**$ -**	**$ -**

There were no instances of borrowers experiencing financial difficulty that were modified on or after January 1, 2023, the date of adoption of CECL, through September 30, 2023.

There were no additional commitments to lend to borrowers experiencing financial difficulty whose loans have been modified during the three months and nine months ended September 30, 2024, and during the year ended December 2023.

Allowance for Credit Losses

The credit risk rating methodology is a key component of the Association's allowance for credit losses evaluation and is generally incorporated into the Association's loan underwriting standards and internal lending limits. In addition, borrower and commodity concentration lending and leasing limits have been established by the Association to manage credit exposure. The regulatory limit to a single borrower or lessee is 15% of the Association's lending and leasing limit base but the Association's boards of directors have generally established more restrictive lending limits.

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

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at June 30, 2024	**$ 7,191,524**	**$ 255,038**	**$ 3,311,505**	**$ 4,373**	**$ 20,307**	**$ 284,325**	**$ 4,455**	**$ 11,071,527**
Recoveries	**733**	**-**	**-**	**-**	**-**	**-**	**-**	**733**
Provision for credit losses/(Credit loss reversal)	**(180,629)**	**20,911**	**(6,176)**	**21,833**	**5,364**	**(11,306)**	**(204)**	**(150,207)**
Balance at September 30, 2024	**$ 7,011,628**	**$ 275,949**	**$ 3,305,329**	**$ 26,206**	**$ 25,671**	**$ 273,019**	**$ 4,251**	**$ 10,922,053**
Allowance for credit losses on unfunded commitments:								
Balance at June 30, 2024	**$ 2,639**	**$ 29,735**	**$ 18,209**	**$ -**	**$ 11,373**	**$ 478**	**$ 2,874**	**$ 65,308**
Provision for unfunded commitments	**2,419**	**6,457**	**3,178**	**1,879**	**(1,145)**	**427**	**(207)**	**13,008**
Balance at September 30, 2024	**$ 5,058**	**$ 36,192**	**$ 21,387**	**$ 1,879**	**$ 10,228**	**$ 905**	**$ 2,667**	**$ 78,316**

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2023	**$ 8,125,651**	**$ 218,033**	**$ 176,781**	**$ 4,764**	**$ 17,694**	**$ 248,319**	**$ 5,321**	**$ 8,796,563**
Recoveries	**26,192**	**-**	**-**	**-**	**-**	**-**	**-**	**26,192**
Provision for credit losses/(Credit loss reversal)	**(1,140,215)**	**57,916**	**3,128,548**	**21,442**	**7,977**	**24,700**	**(1,070)**	**2,099,298**
Balance at September 30, 2024	**$ 7,011,628**	**$ 275,949**	**$ 3,305,329**	**$ 26,206**	**$ 25,671**	**$ 273,019**	**$ 4,251**	**$ 10,922,053**
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2023	**$ 5,911**	**$ 27,869**	**$ 13,750**	**$ -**	**$ 1,021**	**$ 886**	**$ 3,467**	**$ 52,904**
Provision for unfunded commitments	**(853)**	**8,323**	**7,637**	**1,879**	**9,207**	**19**	**(800)**	**25,412**
Balance at September 30, 2024	**$ 5,058**	**$ 36,192**	**$ 21,387**	**$ 1,879**	**$ 10,228**	**$ 905**	**$ 2,667**	**$ 78,316**

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at December 31, 2022	$ 7,744,134	$ 443,269	$ 130,793	$ -	$ 7,173	$ 84,321	$ 2,663	$ 8,412,353
Cumulative effect of a change in accounting princip	(570,293)	337,592	108,787	-	5,909	174,622	4,520	61,137
Balance at January 1, 2023	7,173,841	780,861	239,580	-	13,082	258,943	7,183	8,473,490
Recoveries	22,683	-	-	-	-	-	-	22,683
Provision for loan losses (Credit loss reversal)	48,166	236,693	(70,815)	5,161	3,247	(11,042)	(3,885)	207,525
Balance at September 30, 2023	$ 7,244,690	$ 1,017,554	$ 168,765	$ 5,161	$ 16,329	$ 247,901	$ 3,298	$ 8,703,698
Allowance for credit losses on unfunded commitments:								
Balance at December 31, 2022	$ 8,643	$ 67,822	$ 23,380	$ -	$ -	$ 117	$ 2,452	$ 102,414
Cumulative effect of a change in accounting princip	(2,330)	(50,674)	(6,493)	-	-	8	522	(58,967)
Balance at January 1, 2023	6,313	17,148	16,887	-	-	125	2,974	43,447
Provision for unfunded commitments	588	12,927	(2,661)	-	3,144	616	692	15,306
Balance at September 30, 2023	$ 6,901	$ 30,075	$ 14,226	$ -	$ 3,144	$ 741	$ 3,666	$ 58,753

	Real Estate Mortgage	Production and Intermediate-Term	Agri-business	Communi-cations	Energy and Water/Waste Disposal	Rural Residential Real Estate	Inter-national	Total
Allowance for credit losses on loans:								
Balance at June 30, 2023	7,412,887	854,812	172,644	5,058	17,330	246,208	3,301	8,712,240
Recoveries	8,006	-	-	-	-	-	-	8,006
Provision for loan losses (Credit loss reversal)	(176,203)	162,742	(3,879)	103	(1,001)	1,693	(3)	(16,548)
Balance at September 30, 2023	$ 7,244,690	$ 1,017,554	$ 168,765	$ 5,161	$ 16,329	$ 247,901	$ 3,298	$ 8,703,698
Allowance for credit losses on unfunded commitments:								
Balance at June 30, 2023	4,986	27,934	15,031	-	3,186	774	2,691	54,602
Provision for unfunded commitments	1,915	2,141	(805)	-	(42)	(33)	975	4,151
Balance at September 30, 2023	$ 6,901	$ 30,075	$ 14,226	$ -	$ 3,144	$ 741	$ 3,666	$ 58,753

Discussion of Changes in Allowance for Credit Losses

The ACL increased $2,125,490 to $10,922,053 at September 30, 2024, as compared to $8,796,563 at December 31, 2023. This is largely due to the recording of a specific allowance in the amount of $3,118,136 on one credit that was moved to nonaccrual status during the quarter ended June 30, 2024. This increase is offset by the reduction in the qualitative adjustment of $819,753 due to loans paying off.

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 Association'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 Association'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 wih Buffer	As of September 30, 2024
Common equity tier 1 ratio	7.0%	15.4%
Tier 1 capital ratio	8.5%	15.4%
Total capital ratio	10.5%	16.1%
Permanent capital ratio	7.0%	15.5%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.0%	15.9%
UREE leverage ratio	1.5%	15.6%

The details for the amounts used in the calculation of the regulatory capital ratios as of September 30, 2024:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	$ 234,608,922	$ 234,608,922	$ 234,608,922	$ 234,608,922
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	4,530,844	4,530,844	4,530,844	4,530,844
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	11,108,911	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(23,046,891)	(23,046,891)	(23,046,891)	(23,046,891)
	$ 216,092,875	$ 216,092,875	$ 227,201,786	$ 216,092,875
Denominator:				
Risk-adjusted assets excluding allowance	$ 1,431,069,833	$ 1,431,069,833	$ 1,431,069,833	$ 1,431,069,833
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(23,046,891)	(23,046,891)	(23,046,891)	(23,046,891)
Allowance for loan losses				(11,043,458)
	$ 1,408,022,942	$ 1,408,022,942	$ 1,408,022,942	$ 1,396,979,484

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	$ 234,608,922	$ 234,608,922
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	4,530,844	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(23,046,891)	(23,046,891)
	$ 216,092,875	$ 211,562,031
Denominator:		
Total Assets	$ 1,381,646,987	$ 1,381,646,987
Regulatory Adjustments and Deductions:		
Regulatory deductions included in tier 1 capital	(25,351,796)	(25,351,796)
	$ 1,356,295,191	$ 1,356,295,191

The following table presents the components of capital as of:

	September 30, 2024	December 31, 2023
Capital stock and participation certificates	$ 4,540,050	$ 4,467,215
Accumulated other comprehensive loss	336,407	358,957
Retained earnings	239,801,083	224,465,834
Total Capital	$ 244,677,540	$ 229,292,006

The following tables present the activity in the accumulated other comprehensive loss, net of tax by component:

	2024	2023
Accumulated other comprehensive income at January 1	$ 358,957	$ 438,440
Amortization of actuarial (gain) included in salaries and employee benefits	(22,550)	(29,710)
Accumulated other comprehensive income at September 30	$ 336,407	$ 408,730

NOTE 4 — INCOME TAXES:

Alabama Ag Credit, ACA, conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are conducted through a wholly-owned FLCA subsidiary which is exempt from federal and state income tax. Short- and intermediate-term lending activities are conducted through a wholly-owned PCA subsidiary. The PCA subsidiary and the ACA holding company are subject to income tax. Alabama Ag Credit, ACA, operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Alabama Ag Credit, ACA, 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 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.

NOTE 5 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 13 in the 2023 Annual Report to Stockholders for a more complete description.

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

September 30, 2024	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in non-qualified benefits trusts	**$255,360**	**$ -**	**$ -**	**$ 255,360**

December 31, 2023	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Assets held in non-qualified benefits trusts	**$201,325**	**$ -**	**$ -**	**$ 201,325**

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

September 30, 2024	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ -**	**$ -**

December 31, 2023	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$356,405	$ 356,405

The amount in loans above 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. For the quarter ended September 30, 2024, the loans evaluated for impairment had specific allowances for loan losses equal to the loan balances, resulting in $0 in Level 3 Assets.

Information about Recurring and 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. The Associations 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 2023 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 the 2023 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.

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.

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.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: As discussed in Note 2 and Note 11 to the 2023 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 district's defined benefit pension plan 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 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 September 30:

	2024	2023
DB Contribution	$ 217,392	$ 348,799
YTD Amortization	163,044	261,599
Unamortized Contributions	$ 54,348	$ 87,200

Association contributions to the DC Plan are expensed as incurred. For the nine months ended September 30, 2024 and 2023, the Association recognized pension costs for the DC Plan of $358,492 and $365,362, 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 $231,889 and $281,135 for the nine months ended September 30, 2024 and 2023, 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 non-pension other postretirement employee benefits for the three and nine months ended September 30:

Three months ended September 30:	**2024**	**2023**
Service cost	**$ 8,702**	$ 10,502
Interest cost	**36,096**	32,412
Expected return on plan assets	**-**	-
Amortization of prior service costs	**(5,056)**	(5,056)
Amortization of net actuarial (gain)	**(2,461)**	(4,847)
Net periodic benefit cost	**$ 37,281**	$ 33,011

Nine months ended September 30:	**2024**	**2023**
Service cost	**$ 26,107**	$ 31,506
Interest cost	**108,288**	97,236
Expected return on plan assets	**-**	-
Amortization of prior service costs	**(15,167)**	(15,168)
Amortization of net actuarial (gain)	**(7,382)**	(14,541)
Net periodic benefit cost	$ 111,846	$ 99,033

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2024, was $2,766,966 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.

NOTE 9 — 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 10 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through November 5, 2024, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of November 5, 2024.