CENTRAL TEXAS FARM CREDIT, ACA

2021
Quarterly Report
Third Quarter

For the Quarter Ended September 30, 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.

Boyd J. Chambers, Chief Executive Officer
November 9, 2021

Robby A. Halfmann, Chairman, Board of Directors
November 9, 2021

Keith Prater, Chief Financial Officer
November 9, 2021

Third Quarter 2021 Financial Report

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CENTRAL TEXAS FARM CREDIT, ACA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the financial performance of the Central Texas Farm Credit, ACA (Agricultural Credit Association), referred to as the Association, for the quarter ended September 30, 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:

2021

In March 2021, a patronage refund of $7,240,000 was distributed to the Association's borrowers. The patronage refund was declared by the board of directors in December 2020, and the amount was based on the Association's 2020 operating results.

2020

In December 2020, the Association received a direct loan patronage of $2,550,306 from the Farm Credit Bank of Texas (Bank), representing 57 basis points on the average daily balance of the Association's direct loan with the Bank. During 2020, the Association received an additional $197,620 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $54,749 from the Bank, representing 80 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In March 2020, a patronage refund of $6,800,000 was distributed to the Association's borrowers. The patronage refund was declared by the board of directors in December 2019, and the amount was based on the Association's 2019 operating results.

2019

In December 2019, the Association received a direct loan patronage of $2,039,245 from the Bank, representing 49 basis points on the average daily balance of the Association's direct loan with the Bank. During 2019, the Association received $241,777 in patronage payments from the Bank, based on the Association's stock investment in the Bank. Also, the Association received a capital markets patronage of $64,403 from the Bank, representing 68 basis points on the Association's average balance of participations in the Bank's patronage pool program.

In March 2019, a patronage refund of $6,500,000 was distributed to the Association's borrowers. The patronage refund was declared by the board of directors in December 2018, and the amount was based on the Association's 2018 operating results.

2018

In December 2018, the Association received a direct loan patronage of $1,762,208 from the Bank, representing 44 basis points on the average daily balance of the Association's direct loan with the Bank. During 2018, the Association received $209,974 in patronage payments from the Bank, based on the Association's stock investment in the Bank. The Association received a capital markets patronage of $65,095 from the Bank, representing 66 basis points on the Association's average balance of participations in the Bank's patronage pool program. In August of 2018, CoBank announced that its board of directors approved a special, one-time patronage distribution as part of a broader plan to share the benefits of federal tax reform legislation with eligible customer-owners. This resulted in the Bank's receipt of a special patronage distribution from CoBank in September 2018, and the Association's pro-rata share of the distribution was $39,424.

In March 2018, a patronage refund of $6,300,000 was distributed to the Association's borrowers. The patronage refund was declared by the board of directors in December 2017, and the amount was based on the Association's 2017 operating results.

Loan Portfolio

Total loans outstanding at September 30, 2021, including nonaccrual loans were $621,076,427 compared to $583,418,703 at December 31, 2020, reflecting an increase of 6.5%. Nonaccrual loans as a percentage of total loans outstanding were 0.3% at September 30, 2021, compared to 0.0% at December 31, 2020.

The Association recorded no recoveries and charge-offs for the quarter ended September 30, 2021, and no recoveries and $8,034 in charge-offs for the same period in 2020. The Association's allowance for loan losses was 0.3% and 0.2% of total loans outstanding as of September 30, 2021, and December 31, 2020, respectively.

Problem Loans

<u>2021</u>

During the first, second, and third quarters of 2021, the Association recorded no recoveries and charge-offs.

<u>2020</u>

During the first quarter of 2020, the Association recorded a charge-off in the amount of $290,338, and no recoveries were recorded. The Association recorded a charge-off in the amount of $1,497 and a recovery in the amount of $815 in the second quarter of 2020. During the third quarter of 2020, the Association recorded a charge-off in the amount of $8,034, and no recoveries were recorded. The Association recorded charge-offs in the amount of $133,107 and recoveries in the amount of $9,271 in the fourth quarter of 2020.

<u>2019</u>

During the first quarter of 2019, the Association recorded charge-offs in the amount of $16,434, and no recoveries were recorded. The Association recorded charge-offs in the amount of $43,826 and no recoveries were recorded for the second quarter. In the third quarter of 2019, the Association recorded charge-offs in the amount of $106,772 and no recoveries recorded. The Association recorded charge-offs in the amount of $296,833 with no recoveries recorded for the fourth quarter.

<u>2018</u>

During the first quarter of 2018, the Association recorded a charge-off in the amount of $17,992 related to three loans to the same borrower. A recovery of $52,508 was recorded during the first quarter due to the payoff of one loan that had been charged off in 2017. During the second quarter, the Association recorded a recovery in the amount of $17,992 that had been charged off in the first quarter of 2018. During the third quarter of 2018, the Association recorded a charge-off in the amount of $962,756 related to a multi-loan relationship. During the fourth quarter, the Association recorded a charge-off in the amount of $132,088 related to a multi-loan relationship.

Territory Conditions

The local economy in our chartered territory continued to remain relatively strong in the third quarter of 2021. Businesses in our territory were able to open to full capacity thanks to widely available vaccines. Real estate values continued to creep up with residential and land sales continuing to increase despite rising costs of construction, volatile ag-related commodities and petroleum prices. Several areas of our territory have experienced a spike in residential and small tract purchases. The pandemic coupled with low interest rates was enough incentive for people from neighboring urban areas to seek a refuge away from crowded areas. Cases began to decline in the first quarter of 2021 and Texas Governor, Greg Abbot, allowed businesses to fully open and lifted the requirement to wear a mask in public places. However, in the third quarter COVID cases began to rapidly increase with a new variant spreading. Despite the increased cases, the state did not try to reinstate the mandates on businesses that had been in place in 2020. By the end of the third quarter, case numbers in parts of our territory were already showing a decline.

The majority of the Association's new loans made during the past number of years have been to absentee landowners with diverse income sources looking for a place for a small agricultural operation or recreational use. As a result, the Association has a diversified portfolio that is not heavily dependent on agricultural income. Even those borrowers who are primarily agricultural producers typically have outside income from a spouse's employment, part-time jobs, investments, etc. The above is reflected in the Association's sound credit quality and small number of delinquencies.

According to the September USDA Drought Monitor report, parts of our territory were starting show signs of drought. It was also reported that 69.37 percent of the state was not considered dry. Our territory had very little rainfall after the second quarter. Pasture conditions during the third quarter were beginning to deteriorate and supplemental feeding had started.

The USDA's report "Texas Crop Progress and Condition" for the last week of September 2021, reported 37 percent of wheat acres and 26 percent of oat acres were planted. Cotton had reached 21 percent harvested and 54 percent had bolls opening. At the end of the third quarter, cotton was considered to be in good to fair condition with 51 percent considered good and 33 percent considered fair.

Cattle markets ended the third quarter down as the nights had started cooling but the days remained hot. The current contract on live cattle was down in the low $120s/cwt from the July-August high of around $124/cwt. Forward contracts were trending up to near $128/cwt in December and $133/cwt for February 2022. Feeder cattle futures followed a similar trend trading around $160/cwt at the end of June and $156/cwt on the October 2021 contract.

Class III milk futures continued to trade in a narrow range through the third quarter. The quarter opened around $17/cwt and drifted higher through the end of the quarter. By late September, the contract price was around $18/cwt. Forward contracts suggest pricing will continue to be in the $18/cwt range.

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, 2021		December 31, 2020	
	Amount	**%**	Amount	%
Nonaccrual	**$ 1,892,499**	**100.0%**	$ 216,326	100.0%
Total	**$ 1,892,499**	**100.0%**	$ 216,326	100.0%

Results of Operations

The Association had net income of $2,773,131 and $7,493,623 for the three and nine months ended September 30, 2021, as compared to net income of $2,638,461 and $7,588,129 for the same period in 2020, reflecting an increase of 5.1% and a decrease of 1.3%, respectively. Net interest income was $4,245,913 and $12,462,944 for the three and nine months ended September 30, 2021, compared to $3,905,610 and $11,665,038 for the same period in 2020.

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	Nine Months Ended			
	September 30, 2021		September 30, 2020	
	Average Balance	**Interest**	Average Balance	Interest
Loans	**$ 593,754,489**	**$ 19,778,674**	$ 552,736,055	$ 20,070,722
Interest-bearing liabilities	**486,638,624**	**7,315,730**	444,417,799	8,405,684
Impact of capital	**$ 107,115,865**		$ 108,318,256	
Net interest income		**$ 12,462,944**		$ 11,665,038

	2021 Average Yield	2020 Average Yield
Yield on loans	**4.45%**	4.85%
Cost of interest-bearing liabilities	**2.01%**	2.53%
Interest rate spread	**2.44%**	2.32%
Net interest income as a percentage of average earning assets	**2.81%**	2.82%

	Nine months ended: September 30, 2021 vs. September 30, 2020		
	Increase (decrease) due to		
	Volume	**Rate**	**Total**
Interest income - loans	**$ 1,630,273**	**$ (1,922,321)**	**$ (292,048)**
Interest expense	**801,613**	**(1,891,567)**	**(1,089,954)**
Net interest income	**$ 828,660**	**$ (30,754)**	**$ 797,906**

Interest income for the three ended September 30, 2021, increased by $273,527 or 4.22% from the same period of 2020. Interest income for the nine months ended September 30, 2021 decreased by $292,048 or 1.46% from the same period of 2020. Changes in interest income have been primarily due to declines in yields on earning assets and an increase in average loan volume. Interest expense for the three months ended September 30, 2021, decreased by $66,776 or 2.60%. Interest expense for the nine months ended September 30, 2021, decreased by $1,089,9594, or 12.97%, from the same period of 2020. Changes to interest expense was due to a decrease in interest rates offset by an increase in average debt volume. Average loan volume for the third quarter of 2021 was $593,754,489, compared to $552,736,055 in the third quarter of 2020. The average net interest rate spread on the loan portfolio for the third quarter of 2021 was 2.44%, compared to 2.32% in the third quarter of 2020.

The Association's return on average assets for the nine months ended September 30, 2021, was 1.63% compared to 1.79% for the same period in 2020. The Association's return on average equity for the nine months ended September 30, 2021, was 8.34%, compared to 8.67% for the same period in 2020.

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, 2021		December 31, 2020
Note payable to the Bank	$	513,851,569	$	472,763,164
Accrued interest on note payable		828,393		827,136
Total	$	514,679,962	$	473,590,300

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 $513,851,569 as of September 30, 2021, is recorded as a liability on the Association's balance sheet. The note carried a weighted average interest rate of 1.97 percent at September 30, 2021. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by the general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2020, is due to the Association's increase in loan volume. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $104,951,531 at September 30, 2021. The maximum amount the Association may borrow from the Bank as of September 30, 2021, was $625,152,136 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2023, 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 $7,375,115 at September 30, 2021, compared to December 31, 2020. The Association's debt as a percentage of members' equity was 4.19:1 as of September 30, 2021, compared to 4.17:1 as of December 31, 2020.

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, 2021, the Association exceeded all regulatory capital requirements.

Significant Recent Accounting Pronouncements*:*

In January 2021, the FASB issued an update whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021 and the impact was not material to the Association's financial condition or results of operations.

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 is evaluating the impact of adoption on the Association's financial condition and its results of operations.

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 materially impact the Association's financial condition or 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. Early adoption is permitted. 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, but did impact the employee benefit plan disclosures.

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

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

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association's financial condition and its results of operations.

Regulatory Matters:

On March 10, 2016 the Farm Credit Administration approved a final rule to modify the regulatory capital requirements for System banks and associations. The stated objectives of the proposed rule are as follows:

- To modernize capital requirements while ensuring that the institutions continue to hold sufficient capital to fulfill their mission as a government-sponsored enterprise,
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System,
- To make System regulatory capital requirements more transparent, and
- To meet requirements of Section 919A of the Dodd-Frank Act.

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 Central Texas Farm 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 quarterly stockholder reports are also available free of charge, upon request. These reports can be obtained by writing to Central Texas Farm Credit, ACA, 1026 Early Boulevard, Early, Texas, 76802, or calling (325) 643-5563. The annual and quarterly stockholder reports for the Association are also available on its website at *www.centraltexasfarmcredit.com.* Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *Keith.Prater@farmcreditbank.com.*

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED BALANCE SHEETS

		September 30, 2021 (unaudited)		December 31, 2020
ASSETS				
Cash	$	2,960	$	5,000
Loans		621,076,427		583,418,703
Less: allowance for loan losses		1,607,844		1,245,504
Net loans		619,468,583		582,173,199
Accrued interest receivable		5,934,434		6,052,438
Investment in and receivable from the Farm Credit Bank of Texas:				
Capital stock		8,932,315		8,932,315
Other		1,133,856		724,861
Premises and equipment, net		5,340,182		4,166,913
Other assets		2,158,381		291,286
Total assets	$	642,970,711	$	602,346,012
LIABILITIES				
Note payable to the Farm Credit Bank of Texas	$	513,851,569	$	472,763,164
Advance conditional payments		-		12,000
Accrued interest payable		828,393		827,136
Drafts outstanding		-		360,936
Dividends payable		-		7,200,000
Other liabilities		4,424,589		4,691,731
Total liabilities		519,104,551		485,854,967
MEMBERS' EQUITY				
Capital stock and participation certificates		2,140,100		2,208,715
Unallocated retained earnings		121,951,566		114,499,160
Accumulated other comprehensive loss		(225,506)		(216,830)
Total members' equity		123,866,160		116,491,045
Total liabilities and members' equity	$	642,970,711	$	602,346,012

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

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
INTEREST INCOME				
Loans	**$ 6,749,883**	$ 6,476,355	**$ 19,778,674**	$ 20,070,722
INTEREST EXPENSE				
Note payable to the Farm Credit Bank of Texas	**2,503,970**	2,570,745	**7,315,730**	8,405,684
Net interest income	**4,245,913**	3,905,610	**12,462,944**	11,665,038
(PROVISION REVERSAL) PROVISION FOR LOAN LOSSES	**(61,051)**	8,543	**337,475**	426,120
Net interest income after provision for loan losses	**4,306,964**	3,897,067	**12,125,469**	11,238,918
NONINTEREST INCOME				
Income from the Farm Credit Bank of Texas:				
Patronage income	**631,032**	536,856	**1,822,199**	1,574,272
Loan fees	**58,157**	213,568	**212,606**	515,723
Financially related services income	**1,007**	966	**5,433**	5,157
Gain on sale of premises and equipment, net	**-**	-	**7,500**	-
Other noninterest income	**255**	-	**28,892**	148,829
Total noninterest income	**690,451**	751,390	**2,076,630**	2,243,981
NONINTEREST EXPENSES				
Salaries and employee benefits	**1,407,253**	1,257,461	**4,234,412**	3,688,841
Directors' expense	**62,171**	41,351	**116,987**	79,654
Purchased services	**129,684**	116,935	**304,439**	352,851
Travel	**75,925**	41,116	**162,612**	131,127
Occupancy and equipment	**76,641**	108,666	**332,070**	325,875
Communications	**32,491**	32,654	**100,783**	100,151
Advertising	**26,909**	24,041	**79,865**	89,057
Public and member relations	**84,528**	103,131	**297,176**	332,884
Supervisory and exam expense	**61,205**	58,790	**167,943**	161,274
Insurance Fund premiums	**182,483**	115,683	**650,717**	368,685
Other components of net periodic postretirement benefit cost	**22,048**	23,040	**66,145**	69,120
Other noninterest expense	**62,946**	87,128	**195,327**	195,251
Total noninterest expenses	**2,224,284**	2,009,996	**6,708,476**	5,894,770
NET INCOME	**2,773,131**	2,638,461	**7,493,623**	7,588,129
Other comprehensive income:				
Change in postretirement benefit plans	**(2,892)**	(5,118)	**(8,676)**	(15,354)
COMPREHENSIVE INCOME	**$ 2,770,239**	$ 2,633,343	**$ 7,484,947**	$ 7,572,775

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

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(unaudited)

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2019	$ 2,235,805	$ 111,003,870	$ (98,755)	$ 113,140,920
Comprehensive income	-	7,588,129	(15,354)	7,572,775
Capital stock/participation certificates and allocated retained earnings issued	282,855	-	-	282,855
Capital stock/participation certificates and allocated retained earnings retired	(282,770)	-	-	(282,770)
Balance at September 30, 2020	$ 2,235,890	$ 118,591,999	$ (114,109)	$ 120,713,780
Balance at December 31, 2020	$ 2,208,715	$ 114,499,160	$ (216,830)	$ 116,491,045
Comprehensive income	-	7,493,623	(8,676)	7,484,947
Capital stock/participation certificates and allocated retained earnings issued	285,265	-	-	285,265
Capital stock/participation certificates and allocated retained earnings retired	(353,880)	-	-	(353,880)
Patronage refunds:				
Cash	-	(41,217)	-	(41,217)
Balance at September 30, 2021	**$ 2,140,100**	**$ 121,951,566**	**$ (225,506)**	**$ 123,866,160**

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

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Central Texas Farm 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 Baylor, Brown, Callahan, Coke, Coleman, Comanche, Concho, Haskell, Irion, Jones, Knox, McCulloch, Menard, Mills, Reagan, Runnels, San Saba, Sterling, Stonewall, and Tom Green in the state of Texas. 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 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 ending December 31, 2021. 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 January 2021, the FASB issued an update whereby certain derivative instruments may be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the new amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the update, up to the date that financial statements are available to be issued. These amendments do not apply to contract modifications made or new hedging relationships entered into after December 31, 2022, and existing hedging relationships evaluated for effectiveness in periods after December 31, 2022. The Association adopted the guidance in the first quarter of 2021 and the impact was not material to the Association's financial condition or results of operations.

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 is evaluating the impact of adoption on the Association's financial condition and its results of operations.

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 Association adopted this guidance on January 1, 2020. The adoption of this guidance did not materially impact the Association's financial condition or 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. Early adoption is permitted.

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, but did impact the employee benefit plan disclosures.

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

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

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on the Association's financial condition and its results of operations.

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management's estimates. The results for the quarter ended September 30, 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 may 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	September 30, 2021 Amount	December 31, 2020 Amount
Production agriculture:		
Real estate mortgage	**$ 435,274,762**	$ 389,570,763
Production and intermediate term	**84,399,224**	86,436,067
Agribusiness:		
Processing and marketing	**49,214,595**	50,364,765
Farm-related business	**23,964,243**	18,324,995
Loans to cooperatives	**3,189,022**	15,112,607
Communication	**11,143,029**	13,728,641
Energy	**8,092,606**	7,969,728
International Loans	**4,233,542**	-
Water and waste water	**813,390**	1,041,994
Rural residential real estate	**752,014**	869,143
Total	**$ 621,076,427**	$ 583,418,703

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, 2021:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 56,961,992	$ 3,997,818	$ -	$ -	$ 56,961,992	$ 3,997,818
Production and intermediate term	16,664,529	9,516,057	-	-	16,664,529	9,516,057
Communication	11,143,029	-	-	-	11,143,029	-
Real estate mortgage	11,074,981	10,696,809	-	-	11,074,981	10,696,809
Energy	8,092,606	-	-	-	8,092,606	-
International	4,233,542	-	-	-	4,233,542	-
Water and waste water	813,390	-	-	-	813,390	-
Total	$ 108,984,069	$ 24,210,684	$ -	$ -	$ 108,984,069	$ 24,210,684

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. There was no ACP balance at September 30, 2021, and $12,000 at December 31, 2020.

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

	September 30, 2021	December 31, 2020
Nonaccrual loans:		
Energy	**$ 1,857,000**	$ -
Real estate mortgage	**35,499**	216,326
Total nonperforming assets	**$ 1,892,499**	$ 216,326

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

- Acceptable – assets are expected to be fully collectible and represent the highest quality;
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness;
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan;
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable; and
- Loss – assets are considered uncollectible.

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

	September 30, 2021	December 31, 2020
Real estate mortgage		
Acceptable	**99.3** %	99.2 %
OAEM	**0.2**	0.2
Substandard/doubtful	**0.5**	0.6
	100.0	100.0
Production and intermediate term		
Acceptable	**98.7**	98.2
OAEM	**-**	0.8
Substandard/doubtful	**1.3**	1.0
	100.0	100.0
Agribusiness		
Acceptable	**97.7**	96.4
OAEM	**-**	3.6
Substandard/doubtful	**2.3**	-
	100.0	100.0
Energy and water/waste water		
Acceptable	**75.8**	92.3
OAEM	**3.4**	-
Substandard/doubtful	**20.8**	7.7
	100.0	100.0
Communication		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
Rural residential real estate		
Acceptable	**100.0**	100.0
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	100.0
International loans		
Acceptable	**100.0**	-
OAEM	**-**	-
Substandard/doubtful	**-**	-
	100.0	-
Total loans		
Acceptable	**98.7**	98.5
OAEM	**0.2**	0.8
Substandard/doubtful	**1.1**	0.7
	100.0 %	100.0 %

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

September 30, 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	**$ 365,302**	**$ -**	**$ 365,302**	**$ 439,750,316**	**$ 440,115,618**	**$ -**
Production and intermediate term	**503,618**	**-**	**503,618**	**84,799,888**	**85,303,506**	**-**
Processing and marketing	**-**	**-**	**-**	**49,296,267**	**49,296,267**	**-**
Farm-related business	**-**	**-**	**-**	**24,026,838**	**24,026,838**	**-**
Communication	**-**	**-**	**-**	**11,145,616**	**11,145,616**	**-**
Energy	**-**	**1,198,940**	**1,198,940**	**6,933,653**	**8,132,593**	**-**
International loans	**-**	**-**	**-**	**4,240,833**	**4,240,833**	
Loans to cooperatives	**-**	**-**	**-**	**3,190,272**	**3,190,272**	**-**
Water and waste water	**-**	**-**	**-**	**813,425**	**813,425**	**-**
Rural residential real estate	**-**	**-**	**-**	**754,765**	**754,765**	**-**
Total	**$ 868,920**	**$ 1,198,940**	**$ 2,067,860**	**$ 624,951,873**	**$ 627,019,733**	**$ -**

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	$ 594,591	$ -	$ 594,591	$ 393,328,336	$ 393,922,927	$ -
Production and intermediate term	30,790	-	30,790	87,358,920	87,389,710	-
Processing and marketing	-	-	-	50,429,714	50,429,714	-
Farm-related business	-	-	-	18,386,262	18,386,262	-
Communication	-	-	-	13,729,402	13,729,402	-
Energy	-	-	-	7,977,863	7,977,863	-
International loans	-	-	-	-	-	-
Loans to cooperatives	-	-	-	15,721,350	15,721,350	
Water and waste water	-	-	-	1,042,056	1,042,056	-
Rural residential real estate	-	-	-	871,857	871,857	-
Total	$ 625,381	$ -	$ 625,381	$ 588,845,760	$ 589,471,141	$ -

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 if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings (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 September 30, 2021, the Association had no troubled debt restructured loans. In restructuring where principal is forgiven, the amount of 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 troubled debt restructuring includes extension of the term. Other types of modifications include principal or accrued interest reductions, interest rate decreases, and delayed payments, among others. At times, these terms might be offset with incremental payments, collateral, or new borrower guarantees, in which we assess all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

Additional impaired loan information is as follows:

	September 30, 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	$ -	$ -	$ -	$ -	$ -	$ -
Production and intermediate term	-	-	-	-	-	-
Energy and water/waste water	1,857,000	1,858,040	379,680	-	-	-
Total	$ 1,857,000	$ 1,858,040	$ 379,680	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	$ 35,499	$ 35,499	$ -	$ 216,326	$ 216,326	$ -
Production and intermediate term	-	-	-	-	-	-
Energy and water/waste water	-	-	-	-	-	-
Total	$ 35,499	$ 35,499	$ -	$ 216,326	$ 216,326	$ -
Total impaired loans:						
Real estate mortgage	$ 35,499	$ 35,499	$ -	$ 216,326	$ 216,326	$ -
Production and intermediate term	-	-	-	-	-	-
Energy and water/waste water	1,857,000	1,858,040	379,680	-	-	-
Total	$ 1,892,499	$ 1,893,539	$ 379,680	$ 216,326	$ 216,326	$ -

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

	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2021		September 30, 2020		September 30, 2021		September 30, 2020	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:								
Real estate mortgage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Production and intermediate term	-	-	-	-	-	-	-	-
Energy and water/waste water	1,885,751	-	13,442	-	1,181,053	2,137	49,123	-
Total	$ 1,885,751	$ -	$ 13,442	$ -	$ 1,181,053	$ 2,137	$ 49,123	$ -
Impaired loans with no related allowance for credit losses:								
Real estate mortgage	$ 36,460	$ -	$ 218,673	$ -	$ 38,137	$ -	$ 229,070	$ 75
Production and intermediate term	-	-	146,325	-	-	-	164,993	-
Energy and water/waste water	-	-	-	-	-	-	-	-
Total	$ 36,460	$ -	$ 364,998	$ -	$ 38,137	$ -	$ 394,063	$ 75
Total impaired loans:								
Real estate mortgage	$ 36,460	$ -	$ 218,673	$ -	$ 38,137	$ -	$ 229,070	$ 75
Production and intermediate term	-	-	146,325	-	-	-	164,993	-
Energy and water/waste water	1,885,751	-	13,442	-	1,181,053	2,137	49,123	-
Total	$ 1,922,211	$ -	$ 378,440	$ -	$ 1,219,190	$ 2,137	$ 443,186	$ 75

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	International	Total
Allowance for Credit Losses:								
Balance at June 30, 2021	$ 296,721	$ 341,196	$ 501,466	$ 34,283	$ 450,628	$ 604	$ 9,364	$ 1,634,262
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	37,933	(14,399)	(28,431)	(5,488)	(50,104)	(466)	(96)	(61,051)
Other	-	42,153	(3,348)	(897)	(3,394)	413	(294)	34,633
Balance at September 30, 2021	$ 334,654	$ 368,950	$ 469,687	$ 27,898	$ 397,130	$ 551	$ 8,974	$ 1,607,844
Balance at December 31, 2020	$ 263,100	$ 387,617	$ 437,456	$ 37,003	$ 119,964	$ 364	$ -	$ 1,245,504
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	71,554	(26,986)	10,839	(8,728)	280,025	341	10,430	337,475
Other	-	8,319	21,392	(377)	(2,859)	(154)	(1,456)	24,865
Balance at September 30, 2021	$ 334,654	$ 368,950	$ 469,687	$ 27,898	$ 397,130	$ 551	$ 8,974	$ 1,607,844
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 379,681	$ -	$ -	$ 379,681
Collectively evaluated for impairment	334,654	368,950	469,687	27,898	17,449	551	8,974	1,228,163
Balance at September 30, 2021	$ 334,654	$ 368,950	$ 469,687	$ 27,898	$ 397,130	$ 551	$ 8,974	$ 1,607,844
Balance at June 30, 2020	$ 266,725	$ 354,845	$ 433,118	$ 39,315	$ 133,582	$ 372	$ -	$ 1,227,957
Charge-offs	-	(8,034)	-	-	-	-	-	(8,034)
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	7,772	1,225	64,483	(1,893)	(63,041)	(3)	-	8,543
Other	-	31,405	(37,915)	(129)	71,317	-	-	64,678
Balance at September 30, 2020	$ 274,497	$ 379,441	$ 459,686	$ 37,293	$ 141,858	$ 369	$ -	$ 1,293,144
Balance at December 31, 2019	$ 301,326	$ 376,462	$ 344,949	$ 39,210	$ 136,701	$ 426	$ -	$ 1,199,074
Charge-offs	-	(299,869)	-	-	-	-	-	(299,869)
Recoveries	-	815	-	-	-	-	-	815
Provision for loan losses	(26,829)	335,610	191,331	(1,881)	(72,054)	(57)	-	426,120
Other	-	(33,577)	(76,594)	(36)	77,211	-	-	(32,996)
Balance at September 30, 2020	$ 274,497	$ 379,441	$ 459,686	$ 37,293	$ 141,858	$ 369	$ -	$ 1,293,144
Ending Balance:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 100,000	$ -	$ -	$ 100,000
Collectively evaluated for impairment	274,497	379,441	459,686	37,293	41,858	369	-	1,193,144
Balance at September 30, 2020	$ 274,497	$ 379,441	$ 459,686	$ 37,293	$ 141,858	$ 369	$ -	$ 1,293,144

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communications	Energy and Water/Waste Water	Rural Residential Real Estate	International	Total
Recorded Investments in Loans Outstanding:								
Ending Balance at September 30, 2021	$440,115,618	$ 85,303,506	$ 76,513,377	$ 11,145,616	$ 8,946,018	$ 754,765	$ 4,240,833	$627,019,733
Individually evaluated for impairment	$ 35,499	$ -	$ -	$ -	$ 1,857,000	$ -	$ -	$ 1,892,499
Collectively evaluated for impairment	$440,080,119	$ 85,303,506	$ 76,513,377	$ 11,145,616	$ 7,089,018	$ 754,765	$ 4,240,833	$625,127,234
Ending Balance at December 31, 2020	$393,922,927	$ 87,389,710	$ 84,537,326	$ 13,729,402	$ 9,019,919	$ 871,857	$ -	$589,471,141
Individually evaluated for impairment	$ 216,326	$ -	$ -	$ -	$ -	$ -	$ -	$ 216,326
Collectively evaluated for impairment	$393,706,601	$ 87,389,710	$ 84,537,326	$ 13,729,402	$ 9,019,919	$ 871,857	$ -	$589,254,815

NOTE 3 —LEASES:

The components of lease expense were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Operating lease cost	**$ 4,228**	$ 4,228	**$ 12,684**	$ 12,684
Net lease cost	**$ 4,228**	$ 4,228	**$ 12,684**	$ 12,684

Other information related to leases was as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	**$ 5,670**	$ 5,460	**$ 16,730**	$ 16,380

Lease term and discount rate are as follows:

	September 30, 2021	December 31, 2020
Weighted average remaining lease term in years		
Operating leases	**2.58**	3.33
Weighted average discount rate		
Operating leases	**1.97%**	2.02%

Future minimum lease payments under non-cancellable leases as of September 30, 2021 were as follows:

	Operating Leases
2021 (excluding the nine months ended 9/30/21)	$ 5,670
2022	22,680
2023	23,240
2024	7,840
2025	-
Thereafter	-
Total	$ 59,430

NOTE 4 — 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 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 September 30, 2021
Common equity tier 1 ratio	7.00%	17.51%
Tier 1 capital ratio	8.50%	17.51%
Total capital ratio	10.50%	17.80%
Permanent capital ratio	7.00%	17.55%
Non-risk-adjusted:		
Tier 1 leverage ratio	5.00%	18.44%
UREE leverage ratio	1.50%	19.55%

The details for the amounts used in the calculation of the regulatory capital ratios as of September 30, 2021:

	Common equity tier 1 ratio	Tier 1 capital ratio	Total capital ratio	Permanent capital ratio
Numerator:				
Unallocated retained earnings	119,354,917	119,354,917	119,354,917	119,354,917
Common Cooperative Equities:				
Statutory minimum purchased borrower stock	2,159,490	2,159,490	2,159,490	2,159,490
Allowance for loan losses and reserve for credit losses subject to certain limitations	-	-	1,885,934	-
Regulatory Adjustments and Deductions:				
Amount of allocated investments in other System institutions	(8,932,315)	(8,932,315)	(8,932,315)	(8,932,315)
Other regulatory required deductions	-	-	-	-
	112,582,092	112,582,092	114,468,026	112,582,092
Denominator:				
Risk-adjusted assets excluding allowance	651,925,523	651,925,523	651,925,523	651,925,523
Regulatory Adjustments and Deductions:				
Regulatory deductions included in total capital	(8,932,315)	(8,932,315)	(8,932,315)	(8,932,315)
Allowance for loan losses	-	-	-	(1,642,349)
	642,993,208	642,993,208	642,993,208	641,350,859

	Tier 1 leverage ratio	UREE leverage ratio
Numerator:		
Unallocated retained earnings	119,354,917	119,354,917
Common Cooperative Equities:		
Statutory minimum purchased borrower stock	2,159,490	-
Regulatory Adjustments and Deductions:		
Amount of allocated investments in other System institutions	(8,932,315)	-
Other regulatory required deductions	-	-
	112,582,092	119,354,917
Denominator:		
Total Assets	622,959,402	622,959,402
Regulatory Adjustments and Deductions:		-
Regulatory deductions included in tier 1 capital	(12,301,680)	(12,301,680)
	610,657,722	610,657,722

An additional component of equity is accumulated other comprehensive loss, which is reported net of taxes:

Accumulated Other Comprehensive Loss	
September 30, 2021	**Net of Tax**
Nonpension postretirement benefits	**$ (225,506)**
Total	**$ (225,506)**
September 30, 2020	Net of Tax
Nonpension postretirement benefits	$ (114,109)
Total	$ (114,109)

The Association's accumulated other comprehensive loss relates entirely to its nonpension other postretirement benefits. Amortization of prior service cost and of actuarial loss are reflected in “Salaries and employee benefits” in the Consolidated Statements of Comprehensive Income. The following table summarizes the change in accumulated other comprehensive loss for the nine months ended September 30:

	2021	2020
Accumulated other comprehensive loss at January 1	**$ (216,830)**	$ (98,755)
Amortization of prior credit costs included in salaries and employee benefits	**(8,676)**	(15,354)
Other comprehensive loss, net of tax	**(8,676)**	(15,354)
Accumulated other comprehensive loss at September 30	**$ (225,506)**	$ (114,109)

NOTE 5 — INCOME TAXES:

Central Texas Farm 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. Central Texas Farm Credit, ACA operates as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, Central Texas Farm 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 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’s valuation allowance was $679,355 as of the quarter ended September 30, 2021 for no available tax benefit as of that point in time.

NOTE 6 — 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:

September 30, 2021	**Fair Value Measurement Using**			**Total Fair**	**Total Gains**
	Level 1	**Level 2**	**Level 3**	**Value**	**(Losses)**
Assets:					
Loans*	**$ -**	**$ -**	**$1,478,360**	**$1,478,360**	**$ -**

December 31, 2020	Fair Value Measurement Using			Total Fair	Total Gains
	Level 1	Level 2	Level 3	Value	(Losses)
Assets:					
Loans*	$ -	$ -	$ -	$ -	$ -

*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.

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. For a more complete description, see Notes to the 2020 Annual Report to Stockholders.

Loans Evaluated for Impairment

For certain loans evaluated for impairment under FASB impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. The fair value of these loans would fall under Level 2 of the hierarchy if the process uses independent appraisals and other market-based information.

Other Property Owned

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

Cash

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

Loans

Fair value is estimated by discounting the expected future cash flows using the Associations' current interest rates at which similar loans would be made to borrowers with similar credit risk. The discount rates are based on the Associations' current loan origination rates as well as management's estimates of credit risk. Management has no basis to determine whether the fair values presented would be indicative of the value negotiated in an actual sale and could be less.

For purposes of estimating fair value of accruing loans, the loan portfolio is segregated into pools of loans with homogeneous characteristics. Expected future cash flows, primarily based on contractual terms, and interest rates reflecting appropriate credit risk are separately determined for each individual pool.

The fair value of loans in nonaccrual status that are current as to principal and interest is estimated as described above, with appropriately higher interest rates which reflect the uncertainty of continued cash flows. For collateral-dependent impaired loans, it is assumed that collection will result only from the disposition of the underlying collateral.

NOTE 7 — EMPLOYEE BENEFIT PLANS:

The following table summarizes the components of net periodic benefit costs of nonpension other postretirement employee benefits for the three and nine months ended September 30:

Three months ended September 30:

	Other Benefits	
	2021	2020
Service cost	**$ 9,214**	$ 9,867
Interest cost	**15,726**	18,291
Amortization of prior credits costs	**(2,892)**	(5,118)
Net periodic benefit cost	**$ 22,048**	$ 23,040

Nine months ended September 30:

	Other Benefits	
	2021	2020
Service cost	**$ 27,643**	$ 29,601
Interest cost	**47,178**	54,872
Amortization of prior credits costs	**(8,676)**	(15,354)
Net periodic benefit cost	**$ 66,145**	$ 69,119

The Association's liability for the unfunded accumulated obligation for these benefits at September 30, 2021, was $2,302,567 and is included in other liabilities on the balance sheet.

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

The structure of the District's defined benefit pension plan 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 Association previously disclosed in its financial statements for the year ended December 31, 2020, that it expected to contribute $86,684 to the District's defined benefit pension plan in 2021. As of September 30, 2021, $66,145 of contributions have been made. The Association presently anticipates contributing an additional $22,048 to fund the defined benefit pension plan in 2021 for a total of $88,193.

NOTE 8 — 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 9 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through November 9, 2021, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of November 9, 2021.