Farm Credit of Florida, ACA

SECOND QUARTER 2015

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CERTIFICATION

The undersigned certify that we have reviewed the June 30, 2015 quarterly report of Farm Credit of Florida, ACA, that the report has been prepared under the oversight of the Audit Committee of the Board of Directors and 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.

Gregory M. Cunningham
Chief Executive Officer

Laura Craker
Chief Financial Officer

Robert G. Sexton
Chairman of the Board

August 7, 2015

Farm Credit of Florida, ACA

Report on Internal Control Over Financial Reporting

The Association's principal executives and principal financial officers, or persons performing similar functions, are responsible for establishing and maintaining adequate internal control over financial reporting for the Association's Consolidated Financial Statements. For purposes of this report, "internal control over financial reporting" is defined as a process designed by, or under the supervision of the Association's principal executives and principal financial officers, or persons performing similar functions, and effected by its Board of Directors, management and other personnel. This process provides reasonable assurance regarding the reliability of financial reporting information and the preparation of the Consolidate Financial Statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Association, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial information in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Association, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Association's assets that could have a material effect on its Consolidated Financial Statements.

The Association's management has completed an assessment of the effectiveness of internal control over financial reporting as of June 30, 2015. In making the assessment, management used the framework in *Internal Control — Integrated Framework (2013)*, promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, the Association's management concluded that as of June 30, 2015, the internal control over financial reporting was effective based upon the COSO criteria. Additionally, based on this assessment, the Association's management determined that there were no material weaknesses in the internal control over financial reporting as of June 30, 2015.

Gregory M. Cunningham
Chief Executive Officer

Laura Craker
Chief Financial Officer

August 7, 2015

Farm Credit of Florida, ACA

Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

The following commentary reviews the financial condition and results of operations of Farm Credit of Florida, ACA, (Association) for the period ended June 30, 2015. These comments should be read in conjunction with the accompanying consolidated financial statements, notes to the consolidated financial statements and the 2014 Annual Report of the Association. The accompanying consolidated financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

Effective January 1, 2011, Farm Credit of North Florida and Farm Credit of Southwest Florida merged into Farm Credit of South Florida. The merged associations operate under the name of Farm Credit of Florida. The primary reason for the merger was based on a determination that the combined organization would be financially and operationally stronger than either of the associations on a stand-alone basis. The merger was accounted for under the acquisition method of accounting.

Additional information regarding the merger including the terminated Financial Assistance Agreement with AgFirst Farm Credit Bank (Bank) is contained in Note 9, *Business Combination,* of the Notes to the Consolidated Financial Statements.

LOAN PORTFOLIO

The Association provides funds to farmers, rural homeowners and farm-related businesses for financing of short and intermediate-term loans and long-term real estate mortgage loans. The Association's loan portfolio is diversified over a range of agricultural commodities in the north and southern regions of Florida. The commodities include cattle, citrus, dairy, field crops, nurseries, sugar, timber, tropical fruits, and vegetables. All commodity groups identified within the portfolio have experienced generally favorable operating results with the exception of the horticultural or nursery segment which continues to exhibit stress resulting from the recession and reduced activity in commercial and residential construction. Farm size varies throughout the regions and many borrowers have diversified farming operations. This factor, along with numerous opportunities for non-farm income in the territory, reduces the level of repayment dependency on a single agricultural commodity.

Land values in the north region appear to have stabilized over the last 12 months. Land values in the south region show stability with value increase in more urban areas. There have been no significant weather events in the territory that have adversely impacted borrower operations over the past 12 months; however, management recognizes mounting risk in the citrus industry resulting from impacts of citrus greening disease. Continued stress may adversely impact citrus growers over the near and long term horizon.

The gross loan volume of the Association as of June 30, 2015, was $843,405, a decrease of $10,542 or 1.23 percent as compared to $853,947 at December 31, 2014. Net loans outstanding at June 30, 2015, were $837,458 as compared to $847,837 at December 31, 2014, a decrease of $10,379 or 1.22 percent. Net loans accounted for 94.66 percent of total assets at June 30, 2015, as compared to 93.11 percent of total assets at December 31, 2014. The decrease in both gross and net loan volume during the period is primarily attributed to expected repayments in seasonal lines of credit within the loan portfolio, expected regular curtailments, and continuing liquidation of assets in process of collection.

There is an inherent risk in the extension of any type of credit. Portfolio credit quality has improved compared to year end 2014 as a result of the movement of loans from Substandard to OAEM and the liquidation of loans in process of collection. Acceptable and OAEM credit quality as a percentage of the total loan portfolio was 95.21% as of June 30, 2015 compared to 94.08% at December 31, 2014. During the six months, nonaccrual loans decreased to $24,720 from the $29,686 balance at December 31, 2014. The nonaccrual loan decline is primarily attributed to liquidation of loans in process of collection and other liquidation and curtailments on troubled assets. The balance of Other Property Owned at June 30, 2015 was $2,199 a decrease of $1,646 or 42.81 percent from the $3,845 balance at December 31, 2014. Sales of properties outpaced acquisitions during the period resulting in this decrease.

Association management maintains an allowance for loan losses in an amount considered sufficient to absorb possible losses in the loan portfolio based on current and expected future conditions. The allowance for loan losses at June 30, 2015, was $5,947 compared to $6,110 at December 31, 2014. This decrease is the result of recoveries of $648 recorded during the period offset by a provision for loan loss reversal of $533 and $278 in charge-offs recorded on loans transferred to nonaccrual or other property owned. Management considers the current level of allowance adequate to cover additional possible losses. The ratio of the allowance for loan losses to gross loans at June 30, 2015 was 0.71 percent.

The allowance for loan losses at June 30, 2015 does not include $6.5 million of net purchase discounts related to the acquired loans. The allowance for these loans was not carried forward at acquisition per accounting guidance. However, they were purchased at a net discount, which is the direct reduction to the recorded loan amount, to reflect the credit and market metrics related to the acquired portfolios. At June 30, 2015, the amount of credit risk reduction in addition to the allowance for loan losses, provided by these remaining discounts would equate to 0.76 percent of gross loans.

RESULTS OF OPERATIONS

As a result of the merger on January 1, 2011, $551.5 million in non-impaired loans were purchased at a combined discount of approximately $30.3 million. In accordance with accounting guidance, this discount is to be accreted into interest income over the remaining life of each individual loan. For loans that are paid off early, any remaining discount would be accreted into income at time of pay off. The discount amount accreted into interest income for the six months ended June 30, 2015, was $824.

For the three months ended June 30, 2015

The Association recorded net income for the three months ended June 30, 2015 of $2,998 as compared to $4,065 for the same period in 2014. This $1,067 decrease is primarily attributed to a reduction in the reversal of allowance for loan losses resulting from less recoveries received of amounts previously charged-off compared to prior year offset by a reduction in noninterest expense resulting from reduced staffing costs.

Net interest income was $6,567 for the three months ended June 30, 2015 as compared to $6,216 during the same period in 2014. The change in net interest income represents a $351 or 5.65 percent increase when compared to the same period last year and is attributed to an increase in loan volume over the last 12 months.

Noninterest income for the three months ended June 30, 2015, totaled $1,870 as compared to $2,060 for the same period of 2014, a decrease of $190 or 9.22 percent. This decrease is attributed primarily to decreases in patronage refunds from other Farm Credit institutions of $106.

Noninterest expense for the three months ended June 30, 2015, totaled $5,319 as compared to $5,914 for the same period of 2014, a decrease of $595 or 10.06 percent. The primary reason for the decrease in noninterest expense is attributed to $149 decrease in salaries and employee benefits, $206 decrease in other operating expenses, and $217 increase in gains on other property owned.

For the six months ended June 30, 2015

Net income for the six months ended June 30, 2015, totaled $6,613 compared to $9,366 for the same period in 2014, a decrease of $2,753 or 29.39 percent. The decrease is primarily attributed to a significant reduction in the reversal of allowance for loan losses during the period offset by a reduction in noninterest expense resulting from lower personnel costs. The decrease of $3,447 in reversals of allowance for loan losses are primarily due to a reduction in recoveries of amounts previously charged-off during 2015 compared to the same period last year.

Net interest income increased $90 for the six months ended June 30, 2015, as compared to the same period in 2014. This increase is attributed to the increased loan volume over the last 12 months.

Noninterest income for the six months ended June 30, 2015, totaled $4,305 as compared to $4,922 for the same period of 2014, a decrease of $617 or 12.54 percent. This decrease is attributed to decreases in patronage refunds from other Farm Credit institutions of $198, decreases in gains on other transactions of $227 along with a decrease in other noninterest income of $365. These decreases were offset by an increase of $111 in fees for financially related services.

Noninterest expense for the six months ended June 30, 2015, decreased $1,221 compared to the same period of 2014. The primary reason for the decrease is attributed to reduced staffing costs of $502 for the period. Additional decreases were realized in other operating expenses of $415.

FUNDING SOURCES

The principal source of funds for the Association is the borrowing relationship established with AgFirst Farm Credit Bank (the Bank) through a General Financing Agreement. The General Financing Agreement utilizes the Association's credit and fiscal performance as criteria for establishing a line of credit on which the Association may draw funds. These funds are advanced by the Bank to the Association in the form of notes payable. The notes payable are segmented into variable rate and fixed rate sections. The variable rate note is utilized by the Association to fund variable rate loan advances and operating funds requirements. The fixed rate note is used specifically to fund fixed rate loan advances made by the Association. The total notes payable to the Bank at June 30, 2015, was $644,389 as compared to $662,690 at December 31, 2014. The decrease during the period of $18,301 is primarily attributed to an increase in members' equity resulting from net income for the six months ended 2015, receipt of 2014 patronage dividends due from AgFirst Farm Credit Bank and the decline in loan volume during the period.

CAPITAL RESOURCES

Total members' equity at June 30, 2015, increased to $223,633 from the December 31, 2014 total of $217,062. The increase is primarily attributed to the net income during the period.

Total capital stock and participation certificates were $2,470 on June 30, 2015, compared to $2,515 on December 31, 2014. This decrease is attributed to the retirement of protected stock and participation certificates on loans liquidated in the normal course of business.

Farm Credit Administration (FCA) regulations require all Farm Credit institutions to maintain minimum permanent capital, total surplus and core surplus ratios. These ratios are calculated by dividing the Association's permanent capital, total surplus and core surplus as defined in FCA regulations, by a risk-adjusted asset base. As of June 30, 2015, the Association's total surplus ratio and core surplus ratio were 21.66 percent and 21.66 percent, respectively, and the permanent capital ratio was 21.79 percent. All three ratios were well above the minimum regulatory ratios of 7.00 percent for permanent capital and total surplus ratios and 3.50 percent for the core surplus ratio.

REGULATORY MATTERS

As previously disclosed, on June 15, 2012 the Farm Credit Administration (FCA) entered into a written supervisory agreement with the Board of Directors of the Association. The written supervisory agreement required the Association to take corrective actions and other actions with respect to certain areas of its operations, including board governance, director fiduciary duties and standards of conduct, board consultant functions, staffing and succession planning, asset quality, collateral risk, allowance for loan losses, internal audit, board policies, compliance with requirements of the Financial Assistance Agreement, and business planning and reporting. In addition, the Association operated under Supervisory Conditions of Merger and maintained compliance with all requirements and conditions.

On September 25, 2014, the Association was notified that the written supervisory agreement and the Supervisory Conditions of Merger were terminated by the FCA board on September 16, 2014. The termination was recognition by the FCA that the conditions that prompted the need for the agreement and the Conditions of Merger have been effectively addressed by the Association.

OTHER MATTERS

On July 25, 2014, the FCA published a proposed rule in the Federal Register to revise the requirements governing the eligibility of investments for System banks and associations. The public comment period ended on October 23, 2014. The stated objectives of the proposed rule are as follows:

- To strengthen the safety and soundness of System banks and associations.
- To ensure that System banks hold sufficient liquidity to continue operations and pay maturing obligations in the event of market disruption.
- To enhance the ability of the System banks to supply credit to agricultural and aquatic producers.
- To comply with the requirements of section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).
- To modernize the investment eligibility criteria for System banks.
- To revise the investment regulation for System associations to improve their investment management practices so they are more resilient to risk.

On September 4, 2014, the FCA published a proposed rule in the Federal Register to modify the regulatory capital requirements for System banks and associations. The initial public comment period ended on February 16, 2015. On June 15, 2015, the Farm Credit Administration reopened the comment period from June 26 to July 10, 2015. The stated objectives of the proposed rule are as follows:

- To modernize capital requirements while ensuring that institutions continue to hold sufficient regulatory 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.
- To meet the requirements of section 939A of the Dodd-Frank Act.

Douglas I. Moore was elected to the Board of Directors effective June 2015 for a three year term. Mr. Moore is a beef cattle farmer in Duval County and timber farmer in Baker County. Mr. Moore spent over 30 years in the dairy business. Mr. Moore is a Director, Officer, and has ownership interests in M & M Dairy, Inc., a timber farm, Southeastern Stainless Fabricators, Inc., a metal fabrication business, Northpointe Services, Inc., a construction company, TM Livestock, Inc., a land development business, and Flatwoods Management, LLC, an agricultural consulting business. Mr. Moore serves as a Director of Baker County Farm Bureau and the North Florida Cattleman's Association. He is Vice President and Director of the Baker County Business Alliance. He serves on the Advisory Committee of the Florida Wildlife Commission and the Florida Forest Service. Mr. Moore served as past Director and President of Sunshine State Milk Producers, Inc., as past Director and Secretary of Southeast Milk, Inc., and as past Chairman of the Duval County Soil and Water Board. Mr. Moore previously served as Director for 17 years on the North Florida Farm Credit and Farm Credit of Florida Boards. His current term of office is 2015 to 2018. He is a current member of the Credit/Lending Committee.

Effective June 2015, Sherwood J. Johnson, Lloyd A. Register and Baxter Troutman completed their term and did not run for re-election to the Board of Directors. Daniel L. Colvin resigned from the Board of Directors effective May 2015.

FINANCIAL REGULATORY REFORM

See discussion of the Dodd-Frank Act in the Financial Regulatory Reform section of the Association's 2014 Annual Report.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 1, *"Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements",* in the Notes to the Financial Statements, and the 2014 Annual Report to Shareholders for recently issued accounting pronouncements.

Note: Shareholder investment in the Association is materially affected by the financial condition and results of operations of AgFirst Farm Credit Bank. Copies of AgFirst's annual and quarterly reports are available upon request free of charge by calling 1-800-845-1745, ext. 2832, or writing Susanne Caughman, AgFirst Farm Credit Bank, P. O. Box 1499, Columbia, SC 29202. Information concerning AgFirst Farm Credit Bank can also be obtained at their website, *www.agfirst.com*. Copies of the Association's annual and quarterly reports are also available upon request, free of charge, by calling (561)-965-9001, or writing Laura Craker, CFO, Farm Credit of Florida, ACA, P. O. Box 213069, West Palm Beach, FL 33421, or accessing the website, *www.farmcreditfl.com*. The Association prepares a quarterly report within 40 days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution.

Farm Credit of Florida, ACA

Consolidated Balance Sheets

(dollars in thousands)	June 30, 2015 (unaudited)	December 31, 2014 (audited)
Assets		
Cash	**$ 17**	$ 36
Investment securities:		
Held to maturity (fair value of $11,923 and $13,572, respectively)	**11,519**	13,063
Loans	**843,405**	853,947
Allowance for loan losses	**(5,947)**	(6,110)
Net loans	**837,458**	847,837
Loans held for sale	**353**	428
Other investments	**80**	80
Accrued interest receivable	**3,968**	3,209
Investments in other Farm Credit institutions	**12,639**	12,885
Premises and equipment, net	**6,661**	6,900
Other property owned	**2,199**	3,845
Accounts receivable	**3,513**	14,434
Other assets	**6,260**	7,882
Total assets	**$ 884,667**	$ 910,599
Liabilities		
Notes payable to AgFirst Farm Credit Bank	**$ 644,389**	$ 662,690
Accrued interest payable	**1,204**	1,186
Patronage refunds payable	**424**	7,924
Accounts payable	**1,774**	2,129
Advanced conditional payments	**2,773**	1,972
Other liabilities	**10,470**	17,636
Total liabilities	**661,034**	693,537
Commitments and contingencies (Note 8)		
Members' Equity		
Protected borrower stock	**537**	554
Capital stock and participation certificates	**1,933**	1,961
Additional paid-in-capital	**7,873**	7,873
Retained earnings		
Allocated	**103,248**	103,837
Unallocated	**110,280**	103,079
Accumulated other comprehensive income (loss)	**(238)**	(242)
Total members' equity	**223,633**	217,062
Total liabilities and members' equity	**$ 884,667**	$ 910,599

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

Farm Credit of Florida, ACA

Consolidated Statements of Income

(unaudited)

(dollars in thousands)	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Interest Income				
Loans	**$ 9,974**	$ 9,489	**$ 19,452**	$ 19,114
Investments	**86**	120	**193**	281
Total interest income	**10,060**	9,609	**19,645**	19,395
Interest Expense				
Notes payable to AgFirst Farm Credit Bank	**3,493**	3,393	**7,002**	6,842
Net interest income	**6,567**	6,216	**12,643**	12,553
Provision for (reversal of allowance for) loan losses	**120**	(1,703)	**(533)**	(3,980)
Net interest income after provision for (reversal of allowance for) loan losses	**6,447**	7,919	**13,176**	16,533
Noninterest Income				
Loan fees	**74**	154	**225**	283
Fees for financially related services	**381**	300	**764**	653
Patronage refunds from other Farm Credit institutions	**1,408**	1,514	**3,057**	3,255
Gains (losses) on sales of rural home loans, net	**48**	25	**94**	33
Gains (losses) on sales of premises and equipment, net	**26**	2	**76**	17
Gains (losses) on other transactions	**(98)**	34	**(87)**	140
Other noninterest income	**31**	31	**176**	541
Total noninterest income	**1,870**	2,060	**4,305**	4,922
Noninterest Expense				
Salaries and employee benefits	**3,901**	4,050	**7,958**	8,460
Occupancy and equipment	**281**	317	**565**	620
Insurance Fund premiums	**208**	195	**412**	391
(Gains) losses on other property owned, net	**(9)**	208	**(43)**	227
Other operating expenses	**938**	1,144	**1,976**	2,391
Total noninterest expense	**5,319**	5,914	**10,868**	12,089
Net income	**$ 2,998**	$ 4,065	**$ 6,613**	$ 9,366

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

Farm Credit of Florida, ACA

Consolidated Statements of Comprehensive Income

(unaudited)

(dollars in thousands)	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Net income	**$ 2,998**	$ 4,065	**$ 6,613**	$ 9,366
Other comprehensive income net of tax				
Employee benefit plans adjustments	**2**	1	**4**	2
Comprehensive income	**$ 3,000**	$ 4,066	**$ 6,617**	$ 9,368

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

Farm Credit of Florida, ACA

Consolidated Statements of Changes in Members' Equity

(unaudited)

(dollars in thousands)	Protected Borrower Stock	Capital Stock and Participation Certificates	Additional Paid-in-Capital	Retained Earnings Allocated	Retained Earnings Unallocated	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2013	$ 765	$ 2,028	$ 7,873	$102,421	$ 90,829	$ (157)	$203,759
Comprehensive income					9,366	2	9,368
Protected borrower stock issued/(retired), net	(47)						(47)
Capital stock/participation certificates issued/(retired), net		(180)					(180)
Patronage distribution adjustment				1,381	(1,382)		(1)
Balance at June 30, 2014	$ 718	$ 1,848	$ 7,873	$103,802	$ 98,813	$ (155)	$212,899
Balance at December 31, 2014	**$ 554**	**$ 1,961**	**$ 7,873**	**$103,837**	**$ 103,079**	**$ (242)**	**$217,062**
Comprehensive income					**6,613**	**4**	**6,617**
Protected borrower stock issued/(retired), net	**(17)**						**(17)**
Capital stock/participation certificates issued/(retired), net		**(28)**					**(28)**
Patronage distribution adjustment				**(589)**	**588**		**(1)**
Balance at June 30, 2015	**$ 537**	**$ 1,933**	**$ 7,873**	**$103,248**	**$ 110,280**	**$ (238)**	**$223,633**

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

Farm Credit of Florida, ACA

Notes to the Consolidated Financial Statements

(dollars in thousands, except as noted)
(unaudited)

Note 1 — Organization, Significant Accounting Policies, and Recently Issued Accounting Pronouncements

Organization

The accompanying financial statements include the accounts of Farm Credit of Florida, ACA (the Association). A description of the organization and operations, the significant accounting policies followed, and the financial condition and results of operations for the Association as of and for the year ended December 31, 2014, are contained in the 2014 Annual Report to Shareholders. These unaudited interim consolidated financial statements should be read in conjunction with the latest Annual Report to Shareholders.

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair statement of results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed.

Certain amounts in the prior period's consolidated financial statements may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income or total capital as previously reported.

The results of any interim period are not necessarily indicative of those to be expected for a full year.

Significant Accounting Policies

The Association's accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period, and the related disclosures. Although these estimates contemplate current conditions and expectations of change in the future, it is reasonably possible that actual conditions may be different than anticipated, which could materially affect results of operations and financial condition.

Management has made significant estimates in several areas, including loans and allowance for loan losses (Note 2, *Loans and Allowance for Loan Losses*), investment securities and other-than-temporary impairment (Note 3, *Investments*), and financial instruments (Note 6, *Fair Value Measurement*). Actual results could differ from those estimates.

For further details of significant accounting policies, see Note 2, *Summary of Significant Accounting Policies*, from the latest Annual Report.

Accounting Standards Updates (ASUs) Issued During the Period

The following ASUs were issued by the Financial Accounting Standards Board (FASB) since the most recent Annual Report:

- 2015-10 Technical Corrections and Improvements – In June, 2015, the FASB issued ASU 2015-10, Technical Corrections and Improvements (numerous Topics). The amendments in the Update represent changes to make minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. All other amendments were effective upon the issuance of the Update.

- 2015-07 Fair Value Measurement – In May, 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Topic 820 permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using the net asset value per share of the investment. Currently, investments valued using the practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at net asset value on the measurement date, never redeemable with the investee at net asset value, or redeemable with the investee at net asset value at a future date. To address diversity in practice related to how certain investments measured at net asset value with future redemption dates are categorized, the amendments in this Update remove the requirement to categorize investments for which fair values are measured using the net asset value per share practical expedient. It also limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years.

For all other entities, the guidance is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Earlier application is permitted. The guidance is to be applied retrospectively to all periods presented. Application of this guidance is not expected to have an impact on the Association's financial condition or results of operations, but will require modifications to footnote disclosures.

ASUs Pending Effective Date
For a detailed description of the ASUs below, see the latest Annual Report.

Potential effects of ASUs issued in previous periods:

- 2014-09 Revenue from Contracts with Customers – On July 9, 2015, the FASB voted to delay the effective date by one year. A final ASU reflecting the revised effective date will be issued in third quarter of 2015.

Accounting Standards Effective During the Period
There were no changes in the accounting principles applied from the latest Annual Report, other than any discussed below.

No recently adopted accounting guidance issued by the FASB had a significant effect on the current period reporting. See the most recent Annual Report for a detailed description of each of the standards below:

- 2014-14 Classification of Certain Government-Guaranteed Mortgage Loans – The Association did not have a significant amount of loans that met the criteria of the guidance.
- 2014-11 Repurchase-to-Maturity Transactions – The Association did not have a significant amount of transactions that met the criteria of the guidance.
- 2014-08 Discontinued Operations – The Association has not had and does not anticipate any significant disposals.
- 2014-04 Reclassification of Consumer Mortgage Loans – The criteria of the standard were not significantly different from the Association's policy in place at adoption. The amendment was adopted prospectively. See Note 2, *Loans and Allowance for Loan Losses*, for the additional disclosures required by this guidance.

Note 2 — Loans and Allowance for Loan Losses

The Association maintains an allowance for loan losses at a level considered adequate by management to provide for probable and estimable losses inherent in the loan portfolio as of the report date. The allowance for loan losses is increased through provisions for loan losses and loan recoveries and is decreased through loan charge-offs and allowance reversals. A review of individual loans in each respective portfolio is performed periodically to determine the appropriateness of risk ratings and to ensure loss exposure to the Association has been identified. See Note 3, *Loans and Allowance for Loan Losses*, from the latest Annual Report for further discussion.

Credit risk arises from the potential inability of an obligor to meet its repayment obligation. The Association manages credit risk associated with lending activities through an assessment of the credit risk profile of an individual obligor. The Association sets its own underwriting standards and lending policies that provide direction to loan officers and are approved by the board of directors.

A summary of loans outstanding at period end follows:

	June 30, 2015	December 31, 2014
Real estate mortgage	$ 536,385	$ 535,509
Production and intermediate-term	172,669	190,851
Loans to cooperatives	2,694	1,344
Processing and marketing	87,869	89,658
Farm-related business	14,262	13,329
Communication	18,078	16,764
Energy and water/waste disposal	2,752	1,568
Rural residential real estate	6,403	4,924
International	2,293	–
Total Loans	$ 843,405	$ 853,947

A substantial portion of the Association's lending activities is collateralized, and exposure to credit loss associated with lending activities is reduced accordingly.

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume, and comply with Farm Credit Administration (FCA) regulations. The following tables present participation loan balances at periods ended:

	June 30, 2015							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 1,448	$ 87,654	$ –	$ –	$ 4,590	$ 855	$ 6,038	$ 88,509
Production and intermediate-term	39,000	84,394	16,960	3,987	52,230	–	108,190	88,381
Loans to cooperatives	2,709	–	–	–	–	–	2,709	–
Processing and marketing	79,009	–	–	–	–	–	79,009	–
Farm-related business	8,523	–	–	1,699	251	–	8,774	1,699
Communication	18,134	–	–	–	–	–	18,134	–
Energy and water/waste disposal	2,754	–	–	–	–	–	2,754	–
International	2,294	–	–	–	–	–	2,294	–
Total	$ 153,871	$ 172,048	$ 16,960	$ 5,686	$ 57,071	$ 855	$ 227,902	$ 178,589

	December 31, 2014							
	Within AgFirst District		Within Farm Credit System		Outside Farm Credit System		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	$ 852	$ 96,970	$ –	$ –	$ 5,118	$ 1,172	$ 5,970	$ 98,142
Production and intermediate-term	40,276	127,053	18,787	3,407	87,030	–	146,093	130,460
Loans to cooperatives	1,348	–	–	–	–	–	1,348	–
Processing and marketing	85,271	64,893	–	11,869	51,124	–	136,395	76,762
Farm-related business	10,348	–	–	1,743	258	–	10,606	1,743
Communication	16,791	–	–	–	–	–	16,791	–
Energy and water/waste disposal	1,571	–	–	–	–	–	1,571	–
Total	$ 156,457	$ 288,916	$ 18,787	$ 17,019	$ 143,530	$ 1,172	$ 318,774	$ 307,107

A significant source of liquidity for the Association is the repayments of loans. The following table presents the contractual maturity distribution of loans by loan type at the latest period end:

	June 30, 2015			
	Due less than 1 year	Due 1 Through 5 years	Due after 5 years	Total
Real estate mortgage	$ 37,132	$ 138,551	$ 360,702	$ 536,385
Production and intermediate term	40,547	105,296	26,826	172,669
Loans to cooperatives	–	2,694	–	2,694
Processing and marketing	1	51,937	35,931	87,869
Farm-related business	1,452	11,987	823	14,262
Communication	–	18,078	–	18,078
Energy and water/waste disposal	–	2,752	–	2,752
Rural residential real estate	196	729	5,478	6,403
International	–	2,293	–	2,293
Total Loans	$ 79,328	$ 334,317	$ 429,760	$ 843,405
Percentage	9.41%	39.64%	50.95%	100.00%

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

The following table shows the recorded investment of loans, classified under the FCA Uniform Loan Classification System, as a percentage of the recorded investment of total loans by loan type as of:

	June 30, 2015	December 31, 2014
Real estate mortgage:		
Acceptable	91.95%	89.74%
OAEM	2.97	3.47
Substandard/doubtful/loss	5.08	6.79
	100.00%	100.00%
Production and intermediate-term:		
Acceptable	92.87%	93.06%
OAEM	2.07	1.90
Substandard/doubtful/loss	5.06	5.04
	100.00%	100.00%
Loans to cooperatives:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Processing and marketing:		
Acceptable	95.33%	95.31%
OAEM	–	–
Substandard/doubtful/loss	4.67	4.69
	100.00%	100.00%
Farm-related business:		
Acceptable	99.50%	99.45%
OAEM	0.50	0.55
Substandard/doubtful/loss	–	–
	100.00%	100.00%

	June 30, 2015	December 31, 2014
Communication:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Energy and water/waste disposal:		
Acceptable	100.00%	100.00%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	100.00%
Rural residential real estate:		
Acceptable	92.54%	89.62%
OAEM	1.58	2.75
Substandard/doubtful/loss	5.88	7.63
	100.00%	100.00%
International:		
Acceptable	100.00%	–%
OAEM	–	–
Substandard/doubtful/loss	–	–
	100.00%	–%
Total Loans:		
Acceptable	92.87%	91.45%
OAEM	2.34	2.63
Substandard/doubtful/loss	4.79	5.92
	100.00%	100.00%

The following tables provide an age analysis of the recorded investment of past due loans as of:

	June 30, 2015					
	30 Through 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 or More Past Due and Accruing Interest
Real estate mortgage	$ 2,468	$ 8,350	$ 10,818	$ 528,729	$ 539,547	$ 140
Production and intermediate-term	963	2,517	3,480	169,787	173,267	–
Loans to cooperatives	–	–	–	2,699	2,699	–
Processing and marketing	–	–	–	87,939	87,939	–
Farm-related business	–	–	–	14,286	14,286	–
Communication	–	–	–	18,080	18,080	–
Energy and water/waste disposal	–	–	–	2,753	2,753	–
Rural residential real estate	84	–	84	6,348	6,432	–
International	–	–	–	2,293	2,293	–
Total	$ 3,515	$ 10,867	$ 14,382	$ 832,914	$ 847,296	$ 140

	December 31, 2014					
	30 Through 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 or More Past Due and Accruing Interest
Real estate mortgage	$ 5,558	$ 5,823	$ 11,381	$ 526,473	$ 537,854	$ –
Production and intermediate-term	1,110	4,702	5,812	185,692	191,504	–
Loans to cooperatives	–	–	–	1,345	1,345	–
Processing and marketing	–	–	–	89,732	89,732	–
Farm-related business	–	–	–	13,364	13,364	–
Communication	–	–	–	16,766	16,766	–
Energy and water/waste disposal	–	–	–	1,568	1,568	–
Rural residential real estate	153	–	153	4,784	4,937	–
Total	$ 6,821	$ 10,525	$ 17,346	$ 839,724	$ 857,070	$ –

Nonperforming assets (including the recorded investment for loans) and related credit quality statistics at period end were as follows:

	June 30, 2015	December 31, 2014
Nonaccrual loans:		
Real estate mortgage	$ 16,464	$ 21,461
Production and intermediate-term	8,124	8,072
Rural residential real estate	132	153
Total	$ 24,720	$ 29,686
Accruing restructured loans:		
Real estate mortgage	$ 1,816	$ 2,072
Production and intermediate-term	562	574
Total	$ 2,378	$ 2,646
Accruing loans 90 days or more past due:		
Real estate mortgage	$ 140	$ –
Total	$ 140	$ –
Total nonperforming loans	$ 27,238	$ 32,332
Other property owned	2,199	3,845
Total nonperforming assets	$ 29,437	$ 36,177
Nonaccrual loans as a percentage of total loans	2.93%	3.48%
Nonperforming assets as a percentage of total loans and other property owned	3.48%	4.22%
Nonperforming assets as a percentage of capital	13.16%	16.67%

The following table presents information related to the recorded investment of impaired loans at period end. Impaired loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms of the loan.

	June 30, 2015	December 31, 2014
Impaired nonaccrual loans:		
Current as to principal and interest	$ 12,755	$ 15,172
Past due	11,965	14,514
Total	24,720	29,686
Impaired accrual loans:		
Restructured	2,378	2,646
90 days or more past due	140	–
Total	2,518	2,646
Total impaired loans	$ 27,238	$ 32,332

The following tables present additional impaired loan information at period end. Unpaid principal balance represents the contractual principal balance of the loan.

	June 30, 2015			Quarter Ended June 30, 2015		Six Months Ended June 30, 2015	
Impaired loans	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**	**Average Impaired Loans**	**Interest Income Recognized on Impaired Loans**
With a related allowance for credit losses:							
Real estate mortgage	$ 2,821	$ 4,796	$ 761	$ 2,825	$ 40	$ 2,987	$ 66
Production and intermediate-term	1,514	5,552	223	1,516	22	1,604	35
Total	$ 4,335	$ 10,348	$ 984	$ 4,341	$ 62	$ 4,591	$ 101
With no related allowance for credit losses:							
Real estate mortgage	$ 15,599	$ 34,066	$ –	$ 15,620	$ 222	$ 16,521	$ 364
Production and intermediate-term	7,172	14,001	–	7,182	102	7,596	168
Rural residential real estate	132	387	–	132	2	139	3
Total	$ 22,903	$ 48,454	$ –	$ 22,934	$ 326	$ 24,256	$ 535
Total:							
Real estate mortgage	$ 18,420	$ 38,862	$ 761	$ 18,445	$ 262	$ 19,508	$ 430
Production and intermediate-term	8,686	19,553	223	8,698	124	9,200	203
Rural residential real estate	132	387	–	132	2	139	3
Total	$ 27,238	$ 58,802	$ 984	$ 27,275	$ 388	$ 28,847	$ 636

Impaired loans	December 31, 2014 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year Ended December 31, 2014 Average Impaired Loans	Interest Income Recognized on Impaired Loans
With a related allowance for credit losses:					
Real estate mortgage	$ 4,638	$ 9,400	$ 826	$ 7,016	$ 455
Production and intermediate-term	1,674	5,720	244	2,533	164
Rural residential real estate	–	–	–	–	–
Total	$ 6,312	$ 15,120	$ 1,070	$ 9,549	$ 619
With no related allowance for credit losses:					
Real estate mortgage	$ 18,895	$ 36,739	$ –	$ 28,585	$ 1,853
Production and intermediate-term	6,972	14,870	–	10,547	684
Rural residential real estate	153	396	–	231	15
Total	$ 26,020	$ 52,005	$ –	$ 39,363	$ 2,552
Total:					
Real estate mortgage	$ 23,533	$ 46,139	$ 826	$ 35,601	$ 2,308
Production and intermediate-term	8,646	20,590	244	13,080	848
Rural residential real estate	153	396	–	231	15
Total	$ 32,332	$ 67,125	$ 1,070	$ 48,912	$ 3,171

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at each reporting period.

A summary of changes in the allowance for loan losses and recorded investment in loans for each reporting period follows:

	Real Estate Mortgage	Production and Intermediate-term	Agribusiness*	Communication	Energy and Water/Waste Disposal	Rural Residential Real Estate	International	Total
Activity related to the allowance for credit losses:								
Balance at March 31, 2015	$ 4,067	$ 809	$ 541	$ 36	$ –	$ 25	$ –	$ 5,478
Charge-offs	–	–	–	–	–	–	–	–
Recoveries	138	211	–	–	–	–	–	349
Provision for loan losses	(149)	41	172	25	14	17	–	120
Balance at June 30, 2015	$ 4,056	$ 1,061	$ 713	$ 61	$ 14	$ 42	$ –	$ 5,947
Balance at December 31, 2014	$ 4,335	$ 862	$ 851	$ 34	$ –	$ 28	$	$ 6,110
Charge-offs	(3)	(275)	–	–	–	–	–	(278)
Recoveries	392	256	–	–	–	–	–	648
Provision for loan losses	(668)	218	(138)	27	14	14	–	(533)
Balance at June 30, 2015	$ 4,056	$ 1,061	$ 713	$ 61	$ 14	$ 42	$ –	$ 5,947
Balance at March 31, 2014	$ 4,411	$ 1,209	$ 388	$ 12	$ –	$ 27	$ –	$ 6,047
Charge-offs	(4)	(3)	–	–	–	–	–	(7)
Recoveries	1,400	788	–	–	–	1	–	2,189
Provision for loan losses	(1,067)	(607)	(49)	13	–	7	–	(1,703)
Balance at June 30, 2014	$ 4,740	$ 1,387	$ 339	$ 25	$ –	$ 35	$ –	$ 6,526
Balance at December 31, 2013	$ 5,545	$ 1,371	$ 439	$ 22	$ 4	$ 27	$ –	$ 7,408
Charge-offs	(126)	(41)	–	–	–	–	–	(167)
Recoveries	2,239	1,023	–	–	–	3	–	3,265
Provision for loan losses	(2,918)	(966)	(100)	3	(4)	5	–	(3,980)
Balance at June 30, 2014	$ 4,740	$ 1,387	$ 339	$ 25	$ –	$ 35	$ –	$ 6,526
Allowance on loans evaluated for impairment:								
Individually	$ 604	$ 223	$ –	$ –	$ –	$ –	$ –	$ 827
Collectively	3,295	838	713	61	14	42	–	4,963
PCI**	157	–	–	–	–	–	–	157
Balance at June 30, 2015	$ 4,056	$ 1,061	$ 713	$ 61	$ 14	$ 42	$ –	$ 5,947
Individually	$ 669	$ 244	$ –	$ –	$ –	$ –	$ –	$ 913
Collectively	3,509	618	851	34	–	28	–	5,040
PCI**	157	–	–	–	–	–	–	157
Balance at December 31, 2014	$ 4,335	$ 862	$ 851	$ 34	$ –	$ 28	$ –	$ 6,110
Recorded investment in loans evaluated for impairment:								
Individually	$ 16,347	$ 8,282	$ –	$ –	$ –	$ 57	$ –	$ 24,686
Collectively	521,021	164,580	104,924	18,080	2,753	6,300	2,293	819,951
PCI**	2,179	405	–	–	–	75	–	2,659
Balance at June 30, 2015	$ 539,547	$ 173,267	$ 104,924	$ 18,080	$ 2,753	$ 6,432	$ 2,293	$ 847,296
Individually	$ 21,014	$ 8,159	$ –	$ –	$ –	$ 69	$ –	$ 29,242
Collectively	514,274	182,858	104,441	16,766	1,568	4,784	–	824,691
PCI**	2,566	487	–	–	–	84	–	3,137
Balance at December 31, 2014	$ 537,854	$ 191,504	$ 104,441	$ 16,766	$ 1,568	$ 4,937	$ –	$ 857,070

**Includes the loan types; Loans to cooperatives, Processing and marketing, and Farm-related business.*
***Purchased credit impaired loans.*

A restructuring of a debt constitutes a troubled debt restructuring (TDR) if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The following tables present additional information about pre-modification and post-modification outstanding recorded investment and the effects of the modifications that occurred during the periods presented. The tables do not include purchased credit impaired loans.

	Three Months Ended June 30, 2015				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ –	$ 185	$ –	$ 185	
Production and intermediate-term	–	348	–	348	
Total	$ –	$ 533	$ –	$ 533	
Post-modification:					
Real estate mortgage	$ –	$ 184	$ –	$ 184	$ –
Production and intermediate-term	–	341	–	341	–
Total	$ –	$ 525	$ –	$ 525	$ –

	Six Months Ended June 30, 2015				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ –	$ 1,598	$ –	$ 1,598	
Production and intermediate-term	–	348	–	348	
Total	$ –	$ 1,946	$ –	$ 1,946	
Post-modification:					
Real estate mortgage	$ –	$ 643	$ –	$ 643	$ –
Production and intermediate-term	–	341	–	341	–
Total	$ –	$ 984	$ –	$ 984	$ –

	Three Months Ended June 30, 2014				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ 110	$ 1,150	$ –	$ 1,260	
Production and intermediate-term	–	381	–	381	
Total	$ 110	$ 1,531	$ –	$ 1,641	
Post-modification:					
Real estate mortgage	$ 67	$ 1,156	$ –	$ 1,223	$ (10)
Production and intermediate-term	–	537	–	537	–
Total	$ 67	$ 1,693	$ –	$ 1,760	$ (10)

	Six Months Ended June 30, 2014				
Outstanding Recorded Investment	Interest Concessions	Principal Concessions	Other Concessions	Total	Charge-offs
Pre-modification:					
Real estate mortgage	$ 110	$ 1,275	$ –	$ 1,385	
Production and intermediate-term	–	381	–	381	
Total	$ 110	$ 1,656	$ –	$ 1,766	
Post-modification:					
Real estate mortgage	$ 67	$ 1,281	$ –	$ 1,348	$ (10)
Production and intermediate-term	–	537	–	537	–
Total	$ 67	$ 1,818	$ –	$ 1,885	$ (10)

Interest concessions may include interest forgiveness and interest deferment. Principal concessions may include principal forgiveness, principal deferment, and maturity extension. Other concessions may include additional compensation received which might be in the form of cash or other assets.

There were no TDRs that occurred during the previous twelve months and for which there was a subsequent payment default during the period. Payment default is defined as a payment that was thirty days or more past due.

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

	Total TDRs		Nonaccrual TDRs	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Real estate mortgage	$ 11,756	$ 14,307	$ 9,940	$ 12,235
Production and intermediate-term	3,240	3,604	2,678	3,030
Rural residential real estate	(9)	(4)	(9)	(4)
Total Loans	$ 14,987	$ 17,907	$ 12,609	$ 15,261
Additional commitments to lend	$ –	$ –		

The following table presents information as of period end:

	June 30, 2015
Carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession	$ 43
Recorded investment of consumer mortgage loans secured by residential real estate for which formal foreclosure proceedings are in process	$ 228

Purchased Credit Impaired (PCI) Loans

For further discussion of the Association's accounting for PCI loans, see Note 2, *Summary of Significant Accounting Policies*, from the Association's most recent Annual Report.

The carrying amounts of loans acquired in a 2011 business combination included in the balance sheet amounts of loans receivable at period end were as follows:

	June 30, 2015
Real estate mortgage	$ 2,179
Production and intermediate-term	405
Rural residential real estate	75
Total Loans	$ 2,659

The allowance for loan losses related to these loans was $157 at both June 30, 2015 and December 31, 2014. During the three and six month periods ended June 30, 2015, provision for loan losses on these loans was an expense reversal of $57 and an expense reversal of $97, respectively, compared with an expense reversal of $295 and an expense reversal of $457 for the three and six month periods ended June 30, 2014, respectively. See above for a summary of changes in the total allowance for loan losses for the period ended June 30, 2015. There were no loans acquired during 2015 or 2014 for which it was probable at acquisition that all contractually required payments would not be collected.

Certain of the loans acquired by the Association in the 2011 business combination that were within the scope of PCI loan guidance are accounted for using a cash basis method of income recognition because the Association cannot reasonably estimate cash flows expected to be collected. Substantially all of the loans acquired were real estate collateral dependent loans. The real estate market in Florida was extremely unstable, making the estimation of the amount and timing of a sale of loan collateral in essentially the same condition as received upon foreclosure indeterminate. As such, the Association did not have the information necessary to reasonably estimate cash flows expected to be collected to compute a yield. Management determined a nonaccrual classification would be the most appropriate and that no income would be recognized on these loans as is allowed under accounting guidance.

Note 3 — Investments

Investment Securities

The Association's investments consist primarily of asset-backed securities (ABSs). These ABSs are issued through the Small Business Administration and are guaranteed by the full faith and credit of the United States government. They are held for managing short-term surplus funds and reducing interest rate risk. These securities meet the applicable FCA regulatory guidelines related to government agency guaranteed investments.

The Association's investments also consist of Rural America Bonds (RABs), which are private placement securities purchased under the Mission Related Investment program approved by the FCA. In its Conditions of Approval for the program, the FCA considers a RAB ineligible if its investment rating, based on the internal 14-point risk rating scale used to also grade loans, falls below 9 and requires System institutions to provide notification to FCA when a security becomes ineligible. At June 30, 2015, the Association held one RAB whose credit quality has deteriorated beyond the program limits.

A summary of the amortized cost and fair value of investment securities held-to-maturity follows:

	June 30, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 3,008	$ 433	$ (8)	$ 3,433	5.56%
ABSs	8,511	48	(69)	8,490	-0.07
Total	$ 11,519	$ 481	$ (77)	$ 11,923	1.40%

	December 31, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Yield
RABs	$ 3,019	$ 512	$ (16)	$ 3,515	5.55%
ABSs	10,044	71	(58)	10,057	0.14
Total	$ 13,063	$ 583	$ (74)	$ 13,572	1.39%

A summary of the contractual maturity, amortized cost and estimated fair value of investment securities held-to-maturity follows:

	June 30, 2015		
	Amortized Cost	Fair Value	Weighted Average Yield
In one year or less	$ –	$ –	–%
After one year through five years	6,376	6,323	0.09
After five years through ten years	809	809	0.74
After ten years	4,334	4,791	3.46
Total	$ 11,519	$ 11,923	1.40%

A portion of these investments has contractual maturities in excess of ten years. However, expected maturities for these types of securities can differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

An investment is considered impaired if its fair value is less than its cost. The following tables show the fair value and gross unrealized losses for investments that were in a continuous unrealized loss position aggregated by investment category at each reporting period. A continuous unrealized loss position for an investment is measured from the date the impairment was first identified.

	June 30, 2015			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ –	$ –	$ 916	$ (8)
ABSs	669	(2)	4,494	(67)
Total	$ 669	$ (2)	$ 5,410	$ (75)

	December 31, 2014			
	Less than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
RABs	$ –	$ –	$ 917	$ (16)
ABSs	2,297	(17)	3,481	(41)
Total	$ 2,297	$ (17)	$ 4,398	$ (57)

The recording of an impairment is predicated on: (1) whether or not management intends to sell the security, (2) whether it is more likely than not that management would be required to sell the security before recovering its costs, and (3) whether management expects to recover the security's entire amortized cost basis (even if there is no intention to sell). If the Association intends to sell the security or it is more likely than not that it would be required to sell the security, the impairment loss equals the full difference between amortized cost and fair value of the security. When the Association does not intend to sell securities in an unrealized loss position and it is not more likely than not that it would be required to sell the securities, other-than-temporary impairment loss is separated into credit loss and non-credit loss. Credit loss is defined as the shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis.

The Association performs periodic credit reviews, including other-than-temporary impairment analyses, on its investment securities portfolio. The objective is to quantify future possible loss of principal or interest due on securities in the portfolio. Factors considered in determining whether an impairment is other-than-temporary include among others: (1) the length of time and the extent to which the fair value is less than cost, (2) adverse conditions specifically related to the industry, (3) geographic area and the condition of the underlying collateral, (4) payment structure of the security, (5) ratings by rating agencies, (6) the credit worthiness of bond insurers, and (7) volatility of the fair value changes.

The Association uses the present value of cash flows expected to be collected from each debt security to determine the amount of credit loss. This technique requires assumptions related to the underlying collateral, including default rates, amount and timing of prepayments, and loss severity. Assumptions can vary widely from security to security and are influenced by such factors as loan interest rate, geographical location of the borrower, borrower characteristics, and collateral type.

Significant inputs used to estimate the amount of credit loss include, but are not limited to, performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets), loan-to-collateral value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, and credit ratings. The Association may obtain assumptions for the default rate, prepayment rate, and loss severity rate from an independent third party, or generate the assumptions internally.

The Association has not recognized any credit losses as any impairments were deemed temporary and resulted from non-credit related factors. The Association has the ability and intent to hold these temporarily impaired investments until a recovery of unrealized losses occurs, which may be at maturity, and at this time expects to collect the full principal amount and interest due on these securities, especially after considering credit enhancements.

A substantial portion of these investments were in U. S. government agency securities and the Association expects these securities would not be settled at a price less than their amortized cost. All securities continue to perform at period end.

Investments in Other Farm Credit Institutions

The Association is required to maintain ownership in AgFirst Farm Credit Bank (AgFirst or the Bank) of Class B and Class C stock as determined by the Bank. The Bank may require additional capital contributions to maintain its capital requirements. The Association owns 3.84 percent of the issued stock of the Bank as of June 30, 2015 net of any reciprocal investment. As of that date, the Bank's assets totaled $28.8 billion and shareholders' equity totaled $2.4 billion. The Bank's earnings were $168 million for the first six months of 2015. In addition, the Association has an investment of $3,042 related to other Farm Credit institutions.

Note 4 — Debt

Notes Payable to AgFirst Farm Credit Bank

The Association's indebtedness to the Bank represents borrowings by the Association to fund its earning assets. This indebtedness is collateralized by a pledge of substantially all of the Association's assets and the contractual terms of the revolving line of credit are contained in the General Financing Agreement (GFA). The GFA also defines Association performance criteria for borrowing from the Bank, which includes borrowing base margin, earnings and capital covenants, among others.

Note 5 — Members' Equity

Accumulated Other Comprehensive Income (AOCI)

Changes in Accumulated Other Comprehensive Income by Component *(a)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Employee Benefit Plans:				
Balance at beginning of period	$ (240)	$ (156)	$ (242)	$ (157)
Other comprehensive income before reclassifications	–	–	–	–
Amounts reclassified from AOCI	2	1	4	2
Net current period other comprehensive income	2	1	4	2
Balance at end of period	$ (238)	$ (155)	$ (238)	$ (155)

Reclassifications Out of Accumulated Other Comprehensive Income *(b)*

	Three Months Ended June 30,		Six Months Ended June 30,		
	2015	2014	2015	2014	Income Statement Line Item
Defined Benefit Pension Plans:					
Periodic pension costs	$ (2)	$ (1)	$ (4)	$ (2)	See Note 7.
Net amounts reclassified	$ (2)	$ (1)	$ (4)	$ (2)	

(a) Amounts in parentheses indicate debits to AOCI.
(b) Amounts in parentheses indicate debits to profit/loss.

Note 6 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

Accounting guidance establishes a hierarchy for disclosure of fair value measurements to maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy tiers is based upon the lowest level of input that is significant to the fair value measurement.

The classifications within the fair value hierarchy are as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and supported by little or no market activity. Valuation is determined using pricing models, discounted cash flow methodologies, or similar techniques, and could include significant management judgment or estimation. Level 3 assets and liabilities also could include instruments whose price has been adjusted based on dealer quoted pricing that is different than the third-party valuation or internal model pricing.

For a complete discussion of the inputs and other assumptions considered in assigning various assets and liabilities to the fair value hierarchy levels, see the latest Annual Report to Shareholders.

There were no Level 3 assets or liabilities measured at fair value on a recurring basis for the periods presented. The Association had no transfers of assets or liabilities into or out of Level 1 or Level 2 during the periods presented.

Fair values are estimated at each period end date for assets and liabilities measured at fair value on a recurring basis. Fair values are estimated at least annually, or when information suggests a significant change in value, for assets measured at fair value on a nonrecurring basis. Other Financial Instruments are not measured at fair value in the statement of financial position, but their fair values are estimated as of each period end date. The following tables summarize the carrying amounts of these assets and liabilities at period end, and their related fair values.

	At or for the Six Months Ended June 30, 2015					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 809	$ 809	$ –	$ –	$ 809	
Recurring Assets	$ 809	$ 809	$ –	$ –	$ 809	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 26,254	$ –	$ –	$ 26,254	$ 26,254	$ 455
Other property owned	2,199	–	–	2,519	2,519	85
Other investments	80	–	–	80	80	–
Nonrecurring Assets	$ 28,533	$ –	$ –	$ 28,853	$ 28,853	$ 540
Other Financial Instruments						
Assets:						
Cash	$ 17	$ 17	$ –	$ –	$ 17	
RABs	3,008	–	–	3,433	3,433	
ABSs	8,511	–	8,490	–	8,490	
Loans	811,557	–	–	817,045	817,045	
Other Financial Assets	$ 823,093	$ 17	$ 8,490	$ 820,478	$ 828,985	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 644,389	$ –	$ –	$ 640,163	$ 640,163	
Other Financial Liabilities	$ 644,389	$ –	$ –	$ 640,163	$ 640,163	

	At or for the Year ended December 31, 2014					
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value	Fair Value Effects On Earnings
Recurring Measurements						
Assets:						
Assets held in Trust funds	$ 843	$ 843	$ –	$ –	$ 843	
Recurring Assets	$ 843	$ 843	$ –	$ –	$ 843	
Liabilities:						
Recurring Liabilities	$ –	$ –	$ –	$ –	$ –	
Nonrecurring Measurements						
Assets:						
Impaired loans	$ 31,262	$ –	$ –	$ 31,262	$ 31,262	$ 6,766
Other property owned	3,845	–	–	4,294	4,294	1,645
Other investments	80	–	–	80	80	(60)
Nonrecurring Assets	$ 35,187	$ –	$ –	$ 35,636	$ 35,636	$ 8,351
Other Financial Instruments						
Assets:						
Cash	$ 36	$ 36	$ –	$ –	$ 36	
RABs	3,019	–	–	3,515	3,515	
ABSs	10,044	–	10,057	–	10,057	
Loans	817,003	–	–	822,508	822,508	
Other Financial Assets	$ 830,102	$ 36	$ 10,057	$ 826,023	$ 836,116	
Liabilities:						
Notes payable to AgFirst Farm Credit Bank	$ 662,690	$ –	$ –	$ 658,746	$ 658,746	
Other Financial Liabilities	$ 662,690	$ –	$ –	$ 658,746	$ 658,746	

SENSITIVITY TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS

Discounted cash flow or similar modeling techniques are generally used to determine the recurring fair value measurements for Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the tables that follow. Accordingly, changes in these unobservable inputs may have a significant impact on fair value.

Certain of these unobservable inputs will (in isolation) have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. Where multiple inputs are used within the valuation technique of an asset or liability, a change in one input in a certain direction may be offset by an opposite change in another input having a potentially muted impact to the overall fair value of that particular instrument. Additionally, a change in one unobservable input may result in a change to another unobservable input (that is, changes in certain inputs are interrelated with one another), which may counteract or magnify the fair value impact.

Investment Securities

The fair values of predominantly all Level 3 investment securities have consistent inputs, valuation techniques and correlation to changes in underlying inputs. The models used to determine fair value for these instruments use certain significant unobservable inputs within a discounted cash flow or market comparable pricing valuation technique. Such inputs generally include discount rate components including risk premiums, prepayment estimates, default estimates and loss severities.

These Level 3 assets would decrease (increase) in value based upon an increase (decrease) in discount rates, defaults, or loss severities. Conversely, the fair value of these assets would generally increase (decrease) in value if the prepayment input were to increase (decrease).

Generally, a change in the assumption used for defaults is accompanied by a directionally similar change in the risk premium component of the discount rate (specifically, the portion related to credit risk) and a directionally opposite change in the assumption used for prepayments. Unobservable inputs for loss severities do not normally increase or decrease based on movements in the other significant unobservable inputs for these Level 3 assets.

Inputs to Valuation Techniques

Management determines the Association's valuation policies and procedures. The Bank performs the majority of the Association's valuations, and its valuation processes are calibrated annually by an independent consultant. The fair value measurements are analyzed on a quarterly basis. For other valuations, documentation is obtained for third party information, such as pricing, and periodically evaluated alongside internal information and pricing that is available.

Quoted market prices are generally not available for the instruments presented below. Accordingly fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Impaired loans and other property owned	$ 28,773	Appraisal	Income and expense	*
			Comparable sales	*
			Replacement cost	*
			Comparability adjustments	*
Other investments – RBIC	$ 80	Third party evaluation	Income, expense, capital	Not applicable

** Ranges for this type of input are not useful because each collateral property is unique.*

Information about Other Financial Instrument Fair Value Measurements

	Valuation Technique(s)	Input
Cash	Carrying Value	Par/Principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity
RABs	Discounted cash flow	Prepayment rates
		Risk adjusted discount rate
ABSs	Vendor priced	**
Notes payable to AgFirst Farm Credit Bank	Discounted cash flow	Prepayment forecasts
		Probability of default
		Loss severity

*** The inputs used to estimate fair value for assets and liabilities that are obtained from third party vendors are not included in the table as the specific inputs applied are not provided by the vendor.*

Note 7 — Employee Benefit Plans

The following is a table of retirement and other postretirement benefit expenses for the Association:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Pension	$ 883	$ 904	$ 1,766	$ 1,809
401(k)	125	96	270	239
Other postretirement benefits	199	120	397	239
Total	$ 1,207	$ 1,120	$ 2,433	$ 2,287

The following is a table of retirement and other postretirement benefit contributions for the Association:

	Actual YTD Through 6/30/15	Projected Contributions For Remainder of 2015	Projected Total Contributions 2015
Pension	$ 22	$ 3,600	$ 3,622
Other postretirement benefits	171	170	341
Total	$ 193	$ 3,770	$ 3,963

Contributions in the above table include allocated estimates of funding for multi-employer plans in which the Association participates. These amounts may change when a total funding amount and allocation is determined by the Plan's Sponsor Committee. Also, market conditions could impact discount rates and return on plan assets which could change contributions necessary before the next plan measurement date of December 31, 2015.

Further details regarding employee benefit plans are contained in the 2014 Annual Report to Shareholders, including a discussion of benefit plan changes related to the termination of the AgFirst Farm Credit Cash Balance Retirement Plan.

Note 8 — Commitments and Contingent Liabilities

From time to time, legal actions are pending against the Association in which claims for money damages are asserted. On at least a quarterly basis, the Association assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. While the outcome of legal proceedings is inherently uncertain, on the basis of information presently available, management, after consultation with legal counsel, is of the opinion that the ultimate liability, if any, from these actions, would not be material in relation to the financial position of the Association. Because it is not probable that the Association will incur a loss or the loss is not estimable, no liability has been recorded for any claims that may be pending.

Note 9 — Business Combination

Effective January 1, 2011, Farm Credit of North Florida, ACA, and Farm Credit of Southwest Florida, ACA, merged with and into Farm Credit of South Florida, ACA. Farm Credit of South Florida then changed its name to Farm Credit of Florida, ACA. As part of the merger, those Associations entered into an agreement with the Bank under which the Bank would provide limited financial assistance to the merged Association in the event of substantial further deterioration in the combined high risk asset portfolio of the merged Association. This agreement related only to a finite pool of high risk assets of the merged Association existing at the merger date. This agreement with the Bank does not include losses that are sustained outside of the high risk asset pool. The agreement provided for limits on the merged Association's ability to make patronage distributions and certain other restrictions which are imposed if certain merged Association capital ratios fail to meet minimum established levels.

Under the financial assistance agreement, as amended, if specified minimum levels of capital allocated to the high risk asset pool were not maintained by the merged Association, the Bank would provide financial assistance as stipulated in the agreement. This agreement was terminated effective October 15, 2014.

Note 10 — Regulatory Enforcement Matters

As previously disclosed, on June 15, 2012 the Farm Credit Administration (FCA) entered into a written supervisory agreement with the Board of Directors of the Association. The written supervisory agreement required the Association to take corrective actions and other actions with respect to certain areas of its operations, including board governance, director fiduciary duties and standards of conduct, board consultant functions, staffing and succession planning, asset quality, collateral risk, allowance for loan losses, internal audit, board policies, compliance with requirements of the Financial Assistance Agreement, and business planning and reporting. In addition, the Association operated under Supervisory Conditions of Merger and maintained compliance with all requirements and conditions.

On September 25, 2014, the Association was notified that the written supervisory agreement and the Supervisory Conditions of Merger were terminated by the FCA board on September 16, 2014. The termination was recognition by the FCA that the conditions that prompted the need for the agreement and the Conditions of Merger have been effectively addressed by the Association.

Note 11 — Subsequent Events

The Association evaluated subsequent events and determined there were none requiring disclosure through August 7, 2015, which was the date the financial statements were issued.