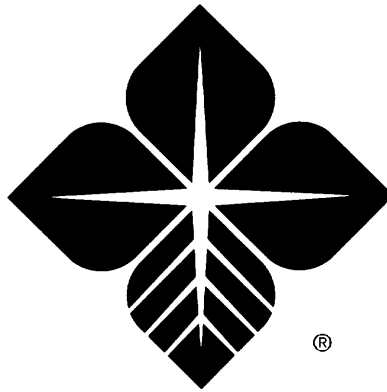


CENTRAL TEXAS FARM CREDIT, ACA

**2014
Quarterly Report
First Quarter**



For the Quarter Ended March 31, 2014

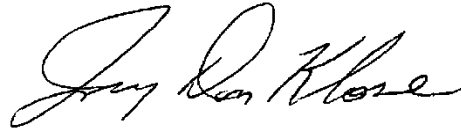
REPORT OF MANAGEMENT

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 his or her knowledge and belief.



Boyd J. Chambers, Chief Executive Officer and President

April 25, 2014



Jerry Don Klose, Chairman, Board of Directors

April 25, 2014



Mike Antle, Controller

April 25, 2014

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 March 31, 2014. These comments should be read in conjunction with the accompanying financial statements and the December 31, 2013 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:

2014

No significant events occurred during the first quarter of 2014.

2013

In December 2013, the Association received a direct loan patronage of \$1,330,745 from the Farm Credit Bank of Texas (Bank), representing 44 basis points on the average daily balance of the Association's direct loan with the Bank. During 2013, the Association received \$109,486 in patronage payments from the Bank, based on the Association's stock investment in the Bank.

Effective March 31, 2013 Alan Benedict retired as controller and treasurer of Central Texas Farm Credit, ACA, Mike Antle was promoted to controller effective January 1, 2014.

The board adopted a resolution at its March meeting which amended the ACA Bylaws to reduce the size of the board from 8 directors (7 stockholder-elected and 1 director-elected) to 6 (5 stockholder-elected and 1 director-elected) to be effective upon the close of the Association's Annual Stockholder's Meeting on April 23, 2013. In April 2013, upon the expiration of their terms, directors Wayland Shurley and Mickey Dillard did not run for re-election because they reached the mandatory retirement age of 70. These positions were eliminated to facilitate the board size reduction plan.

2012

In December 2012, the Association received a direct loan patronage of \$1,300,049 from the Bank, representing 43 basis points on the average daily balance of the Association's direct loan with the Bank. During 2012, the Association received \$126,190 in patronage payments from the Bank, based on the Association's stock investment in the Bank.

In April 2012, board chairman Brent Heinze decided not to seek re-election in an effort to assist the Association in reducing the number of directors on the board. In June 2012, the Association board of directors elected director Jerry Don Klose to succeed Brent Heinze as the board chairman.

In May 2012, the Association received a refund from the Farm Credit System Insurance Corporation (FCSIC) of prior year insurance premiums totaling \$338,305 which was taken into income for 2012.

In November 2012, outside director Glenn Miller resigned his director position and in December 2012, Burl Lowery was appointed by the board to fill the position effective January 1, 2013.

2011

In December 2011, the Association received a direct loan patronage of \$1,309,704 from the Bank, representing 42 basis points on the average daily balance of the Association's direct loan with the Bank. During 2011, the Association received \$158,326 in patronage payments from the Bank, based on the Association's stock investment in the Bank.

During December 2011, Association director Cody Richmond resigned from his position, with the board formally accepting his resignation. Kenneth Harvick was appointed by the board as Mr. Richmond's replacement effective January 1, 2012. Mr. Harvick was appointed to serve only until the next election in April 2012. He was then elected to serve out the remainder of Mr. Richmond's term.

At the December 2011 board meeting, the board of directors agreed to amend the Bylaws to allow for the reduction of the board from 9 to 8 directors (7 stockholder-elected and 1 director-elected). Subsequent to year end, the board formally adopted this change to the Bylaws by resolution at the February, 2012 board meeting.

2010

In December 2010, the Association received a direct loan patronage of \$1,637,018 from the Bank, representing 50 basis points on the average daily balance of the Association's direct loan with the Bank. During 2010, the Association received \$188,298 in patronage payments from the Bank, based on the Association's stock investment in the Bank.

In April 2010, the Association received a refund from the FCSIC of prior year insurance premiums totaling \$410,939, which was taken into income for 2010.

During the third quarter of 2010, Association director Chris West paid his loans in full and thereby became ineligible to continue serving as a director. In addition, Association director Larry Damron resigned from his position, with the board formally accepting his resignation.

In December, 2010, the board of directors agreed to amend the Bylaws to allow for the reduction of the board from 11 to 9 directors (8 stockholder-elected and 1 director-elected). Subsequent to year end, the board formally adopted this change to the Bylaws by resolution at the January, 2011 board meeting.

Mr. James R. Isenhower retired as CEO of Central Texas Farm Credit, ACA effective December 31, 2010. Mr. Boyd J. Chambers became the new CEO effective January 1, 2011.

Problem Loans

2014

During the first quarter of 2014, a recovery of \$8,210 was made on a loan that had been charged off in 2009. At this time, we do not anticipate any further recoveries related to this loan.

2013

During the second quarter of 2013 a participation loan that was deemed non-viable in 2012 was further evaluated resulting in the need for an additional \$180,000 to be added to the specific allowance. This resulted in a total specific allowance of \$1,157,000 at the end of the second quarter. In addition, this evaluation resulted in a charge-off of \$670,000. The resulting non-accrual balance on this loan was \$2,441,721 at the end of the second quarter.

During the fourth quarter the previously mentioned participation loan was revalued as a result of the impending sale of the company's assets. Initially this caused a reduction in the specific allowance in the amount of \$195,425, bringing the overall specific allowance down to \$961,575. After the sale was completed the entire specific allowance of \$961,575 was charged-off and a related non-accrual premium, in the amount of \$3,655, was taken into income. The assets were then moved into acquired property in the amount of \$2,146,491. Soon after the acquired property was set-up, the Association received two disbursements of proceeds from the sale in the amounts of \$1,941,809 and \$75,607. These reduced the acquired property balance relating to this loan. The ending overall acquired property balance for 2013 was \$652,125.

During the fourth quarter a borrower had two operating loans go into non-accrual of which \$179,624 was charged off, resulting in a remaining balance of \$25,892 as of year-end. As of year-end the Association had a non-accrual balance of \$155,885.

2012

During the third quarter a participation loan that had previously been deemed non-viable in 2009 and then later that same year was returned to an accruing status, again encountered financial difficulty and has been deemed non-viable. The \$3,111,721 loan was transferred to non-accrual in late September with a \$920,000 specific allowance for loan loss being made. A reversal of \$7,552 in

current year interest accruals was also taken at the time this loan was transferred to non-accrual status. In late December, upon further evaluation of this loan's financial condition, an addition of \$57,000 to the existing specific allowance was determined to be necessary, bringing the total specific allowance to \$977,000 as of year-end.

2010

During the second quarter another district participation loan which the Association participated in was deemed non-viable or as containing significant financial stress resulted in this account being transferred to a non-accrual status. The peak balance of this non-accrual loan was \$4,637,524. Current year (2010) interest income of \$114,408 was reversed on this loan at the time of transfer to non-accrual. In the third quarter of 2011 of this loan was collected in full.

2009

In the second quarter two participation loans were deemed non-viable and placed in a non-accrual status for a combined total of \$5,842,305. Current year (2009) interest reversed for these loans totaled \$43,211. Specific reserves were established on both of these loans totaling \$2,441,569. Upon resolution of these two accounts in the second and third quarters of 2010, a charge-off amount of \$964,889 was recognized and \$1,476,680 of previous reserves was returned to income. One of these accounts resulted in \$523,049 of acquired property and a restructured loan that was returned to accrual status. Both the acquired property and restructured loan remain on the Association's books. The other loan was returned to an accrual status as well and remains on the Association's books.

During the third quarter three additional participation loans totaling \$5,739,970, were moved to a non-accrual status. Specific reserves originally established for these three loans totaled \$1,097,884 and current year (2009) interest income reversals totaled \$39,728. One loan was resolved by being sold in the fourth quarter but required a charge-off of \$794,733. All funds related to this sale were collected in full during the first quarter of 2010. The second of these three loans was resolved in the third quarter of 2010, resulting in a charge-off of \$385,308. A subsequent recovery of \$11,667 was realized on this loan in the first quarter of 2011. The last of these three loans was resolved in the third quarter of 2011 with \$325,103 of the debt being charged-off and \$424,897 of the related \$750,000 specific reserve being returned to income.

In the fourth quarter another District participation loan was deemed as a troubled debt and was promptly sold during the quarter. The sale related to this loan resulted in an \$11,643 charge-off and a \$1,909 reversal of current year (2009) interest accruals. All funds related to this sale were fully collected in the first quarter of 2010.

Quarter-end Weather and Crop Conditions

Although the gross domestic product (GDP) growth estimate was revised downward slightly from Q4's original outlook, the US economy continued improving in Q1. New home sales jumped nearly 10% in January to a five-year high, and slight improvement is still anticipated in most economic sectors in 2014. We don't expect the Fed to raise the federal funds rate until late 2015 at the earliest. The Fed has also indicated that stimulation through quantitative easing will continue until economic growth is stable.

The relatively low value of the U.S. dollar, a lowered cost of production in manufacturing and agriculture as a result of declining energy prices, and continued economic growth in Europe and Latin America should translate to U.S. farm and manufacturing export growth in 2014. U.S. import demand should also rise as our economy strengthens, which will in turn aid other international economies who are dependent on exports to the U.S.

A significant risk to world economic growth in 2014 is a BRIC (Brazil, Russia, India, and China) growth slowdown due to increased credit tightening, in particular, in China. Presently, most analysts regard such events as having a low probability over the next year.

The local economy in our chartered territory is relatively strong. Real estate prices are stable and the land sales have started to increase. 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 for 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.

During the first quarter of 2014 the Association's territory saw temperatures that were seasonal, with mild days and cool nights. Unfortunately, extremely dry, windy conditions continued, and soil moisture further declined. Subsoil moisture remained in some areas, but topsoil was becoming extremely dry and hard. Wheat was in fair to poor condition, with many producers choosing to

graze out their crop or take insurance payments. Cotton growers may plant soon to take advantage of available soil moisture. Beef producers were preparing to spray and fertilize pastures. Some warm-season grasses and spring forages were greening up in areas that received precipitation. Livestock remained in fair condition, and producers were working calves and continued to provide supplemental feed. Stock tank water levels and water tables continued to decline as most areas in the Association's territory still need rain.

Summation

For over 97 years, the Association has continued to provide its members with quality financial services. The board of directors and management remain committed to maintaining the financial integrity of the Association while offering competitive loan products that meet the financial needs of agricultural producers.

Loan Portfolio:

Total loans outstanding at March 31, 2014, including nonaccrual loans, were \$405,470,296 compared to \$403,911,853 at December 31, 2013, reflecting an increase of 0.4 percent. Nonaccrual loans as a percentage of total loans outstanding were 0.04 percent at March 31, 2014, compared to 0.04 percent at December 31, 2013.

The Association recorded \$8,210 in recoveries and no charge-offs for the quarter ended March 31, 2014, and no recoveries or charge-offs for the same period in 2013. The Association's allowance for loan losses was 0.2 percent and 0.2 percent of total loans outstanding as of March 31, 2014, and December 31, 2013, respectively.

Currently, the Association has \$144,073 in nonaccrual loans stemming from two loans. Both of these loans are included in the Association's core loan portfolio. There have been no material changes in the Association's core portfolio's borrower profile, geographic distribution, commodity concentration, or asset quality.

Risk Exposure:

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

	March 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Nonaccrual	\$ 144,073	11.3%	\$ 155,885	10.7%
Formally restructured	478,936	37.6%	646,649	44.5%
Other property owned, net	652,125	51.1%	652,125	44.8%
Total	<u>\$ 1,275,134</u>	<u>100.0%</u>	<u>\$ 1,454,659</u>	<u>100.0%</u>

Results of Operations:

The Association had net income of \$2,325,403 for the three months ended March 31, 2014, as compared to net income of \$2,396,739 for the same period in 2013, reflecting a decrease of 3.0 percent. Net interest income was \$3,192,724 for the three months ended March 31, 2014, compared to \$3,064,472 for the same period in 2013.

	March 31, 2014		March 31, 2013	
	Average Balance	Interest	Average Balance	Interest
Loans	\$ 405,294,007	\$ 4,578,415	\$ 381,476,497	\$ 4,441,022
Interest-bearing liabilities	315,287,616	1,385,691	295,511,415	1,376,550
Impact of capital	\$ 90,006,391		\$ 85,965,082	
Net interest income		\$ 3,192,724		\$ 3,064,472

	2014	2013
	Average Yield	Average Yield
Yield on loans	4.58%	4.72%
Cost of interest-bearing liabilities	1.78%	1.89%
Interest rate spread	2.80%	2.83%
Net interest income as a percentage of average earning assets	3.19%	3.26%

	March 31, 2014 vs. March 31, 2013		
	Increase (decrease) due to		
	Volume	Rate	Total
Interest income - loans	\$ 277,273	\$ (139,880)	\$ 137,393
Interest expense	92,124	(82,983)	9,141
Net interest income	\$ 185,149	\$ (56,897)	\$ 128,252

Interest income for the three months ended March 31, 2014, increased by \$137,393, or 3.1, from the same period of 2013, primarily due to an increase in average loan volume, slightly offset by a decline in yields on earning assets. Interest expense for the three months ended March 31, 2014, increased by \$9,141, or 0.7, from the same period of 2013 due to an increase in average debt volume offset by a decrease in interest rates. Average loan volume for the first quarter of 2014 was \$405,294,007, compared to \$381,476,497 in the first quarter of 2013. The average net interest rate spread on the loan portfolio for the first quarter of 2014 was 2.80 percent, compared to 2.83 percent in the first quarter of 2013.

The Association's return on average assets for the three months ended March 31, 2014, was 2.26 percent compared to 2.48 percent for the same period in 2013. The Association's return on average equity for the three months ended March 31, 2014, was 10.09 percent, compared to 11.02 percent for the same period in 2013.

Because the Association depends on the Bank for funding, any significant positive and negative factors affecting the operations of the Bank would have a similar effect on the operations of the Association.

Liquidity and Funding Sources:

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

	March 31, 2014	December 31, 2013
	Note payable to the Bank	\$ 316,865,231
Accrued interest on note payable	476,433	477,809
Total	\$ 317,341,664	\$ 314,549,670

The Association operates under a general financing agreement (GFA) with the Bank. The current GFA is effective through September 30, 2015. The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of \$316,865,231 as of March 31, 2014, is recorded as a liability on the Association's consolidated balance sheet. The note carried a weighted average interest rate of 1.76 percent at March 31, 2014. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in

note payable to the Bank and related accrued interest payable since December 31, 2013, is due to increased funding needs as evidenced by the increase in total assets from 2013 to 2014. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were \$88,122,562 at March 31, 2014. The maximum amount the Association may borrow from the Bank as of March 31, 2014, was \$408,390,300 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, 2015, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances to maximize debt reduction, and to increase accrual loan volume. This policy will continue to be pursued during all of 2014 and into the future. As borrower payments are received, they are applied to the Association's note payable to the Bank.

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

Capital Resources:

The Association's capital position increased by \$2,305,320 at March 31, 2014, compared to December 31, 2013. The Association's debt as a percentage of members' equity was 3.41:1 as of March 31, 2014, compared to 3.49:1 as of December 31, 2013.

Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The Association's permanent capital ratio at March 31, 2014, was 20.2 percent, which is in compliance with the FCA's minimum permanent capital standard. The Association's core surplus ratio and total surplus ratio at March 31, 2014, were 19.7 and 19.7 percent, respectively, which is in compliance with the FCA's minimum surplus standard.

Significant Recent Accounting Pronouncements:

In February 2013, the FASB issued guidance, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The guidance requires entities to present either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012, and for nonpublic entities for annual periods beginning after December 15, 2013. The Association has adopted this guidance, which did not impact the financial condition or results of operations, but resulted in additional disclosures which are included in Note 6 – Employee Benefit Plans.

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 2013 Annual Report of Central Texas Farm Credit, ACA more fully describe the Association's relationship with the Bank.

The Texas Farm Credit District's (District) annual and quarterly stockholder reports, as well as those of the Bank, are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720, or by calling (512) 483-9204. Copies of the district's quarterly and annual stockholder reports also can be requested by e-mail at fcb@farmcreditbank.com. The annual and quarterly stockholder reports for the Bank and the District 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, P.O. Box 511, Coleman, Texas 76834, or calling (325) 625-2165. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing mike.antle@farmcreditbank.com.

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED BALANCE SHEET

	March 31, 2014 (unaudited)	December 31, 2013
<u>ASSETS</u>		
Cash	\$ 689,677	\$ 533,981
Loans	405,470,296	403,911,853
Less: allowance for loan losses	649,734	655,898
Net loans	404,820,562	403,255,955
Accrued interest receivable	3,313,861	3,406,655
Investment in and receivable from the Farm		
Credit Bank of Texas:		
Capital stock	6,029,085	6,029,085
Other	236,466	-
Other property owned, net	652,125	652,125
Premises and equipment	722,792	676,885
Other assets	551,074	166,221
Total assets	<u>\$ 417,015,642</u>	<u>\$ 414,720,907</u>
<u>LIABILITIES</u>		
Note payable to the Farm Credit Bank of Texas	\$ 316,865,231	\$ 314,071,861
Accrued interest payable	476,433	477,809
Drafts outstanding	220,480	887,996
Dividends payable	-	4,800,000
Other liabilities	4,836,308	2,171,371
Total liabilities	<u>322,398,452</u>	<u>322,409,037</u>
<u>MEMBERS' EQUITY</u>		
Capital stock and participation certificates	2,136,760	2,152,100
Unallocated retained earnings	92,427,727	90,102,324
Accumulated other comprehensive income	52,703	57,446
Total members' equity	<u>94,617,190</u>	<u>92,311,870</u>
Total liabilities and members' equity	<u>\$ 417,015,642</u>	<u>\$ 414,720,907</u>

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

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	Quarter Ended	
	March 31,	
	2014	2013
<u>INTEREST INCOME</u>		
Loans	\$ 4,578,415	\$ 4,441,022
<u>INTEREST EXPENSE</u>		
Note payable to the Farm Credit Bank of Texas	1,385,691	1,376,550
Net interest income	3,192,724	3,064,472
<u>PROVISION FOR LOAN LOSSES (LOAN LOSS REVERSAL)</u>	(16,008)	(48,787)
Net interest income after provision for loan losses (loan loss reversal)	3,208,732	3,113,259
<u>NONINTEREST INCOME</u>		
Income from the Farm Credit Bank of Texas:		
Patronage income	262,578	245,099
Loan fees	30,567	59,725
Financially related services income	2,836	1,656
Other noninterest income	-	25,496
Total noninterest income	295,981	331,976
<u>NONINTEREST EXPENSES</u>		
Salaries and employee benefits	695,318	694,192
Directors' expense	29,860	31,857
Purchased services	47,034	28,240
Travel	43,184	23,391
Occupancy and equipment	56,904	42,486
Communications	20,953	16,006
Advertising	70,110	34,811
Public and member relations	35,232	25,886
Supervisory and exam expense	35,017	36,591
Insurance Fund premiums	87,580	70,211
Other noninterest expense	58,118	44,825
Total noninterest expenses	1,179,310	1,048,496
NET INCOME	2,325,403	2,396,739
Other comprehensive income:		
Change in postretirement benefit plans	(4,743)	1,788
COMPREHENSIVE INCOME	\$ 2,320,660	\$ 2,398,527

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

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

(unaudited)

	<u>Capital Stock/ Participation Certificates</u>	<u>Retained Earnings Unallocated</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Members' Equity</u>
Balance at December 31, 2012	\$ 2,120,295	\$ 85,182,394	\$ (286,751)	\$ 87,015,938
Comprehensive income	-	2,396,739	1,788	2,398,527
Capital stock/participation certificates and allocated retained earnings issued	68,505	-	-	68,505
Capital stock/participation certificates and allocated retained earnings retired	(74,690)	-	-	(74,690)
Balance at March 31, 2013	<u>\$ 2,114,110</u>	<u>\$ 87,579,133</u>	<u>\$ (284,963)</u>	<u>\$ 89,408,280</u>
Balance at December 31, 2013	\$ 2,152,100	\$ 90,102,324	\$ 57,446	\$ 92,311,870
Comprehensive income	-	2,325,403	(4,743)	2,320,660
Capital stock/participation certificates and allocated retained earnings issued	67,270	-	-	67,270
Capital stock/participation certificates and allocated retained earnings retired	(82,610)	-	-	(82,610)
Balance at March 31, 2014	<u>\$ 2,136,760</u>	<u>\$ 92,427,727</u>	<u>\$ 52,703</u>	<u>\$ 94,617,190</u>

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

CENTRAL TEXAS FARM CREDIT, ACA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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, and Tom Green. 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.

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 generally accepted accounting principles (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, 2013 as contained in the 2013 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, 2014. Descriptions of the significant accounting policies are included in the 2013 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 February 2013, the FASB issued guidance, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.” The guidance requires entities to present either parenthetically on the face of the financial statements or in the notes to the financial statements, significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance is effective for public entities for annual periods beginning after December 15, 2012, and for nonpublic entities for annual periods beginning after December 15, 2013. The adoption of this guidance did not impact the financial condition or results of operations, but resulted in additional disclosures (See Note 6—Employee Benefit Plans).

The consolidated financial statements comprise the operations of the ACA and its wholly-owned subsidiaries. The preparation of these consolidated financial statements requires the use of management’s estimates. The results for the quarter ended March 31, 2014, are not necessarily indicative of the results to be expected for the year ended December 31, 2014. Certain amounts in the prior period’s financial statements have been reclassified to conform to current financial statement presentation.

NOTE 2 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans follows:

Loan Type	March 31, 2014 Amount	December 31, 2013 Amount
Production agriculture:		
Real estate mortgage	\$ 296,967,507	\$ 298,023,812
Production and intermediate term	35,143,113	39,933,199
Agribusiness:		
Processing and marketing	35,456,296	-
Farm-related business	8,510,515	33,429,752
Loans to cooperatives	94,771	6,285,991
Communication	14,956,339	9,052,980
Energy	10,834,434	14,353,951
Rural residential real estate	1,861,781	714,228
Water and waste water	1,645,540	2,117,940
Total	<u>\$ 405,470,296</u>	<u>\$ 403,911,853</u>

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 March 31, 2014:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Real estate mortgage	\$ 15,226,987	\$ 9,524,656	\$ -	\$ -	\$ 15,226,987	\$ 9,524,656
Production and intermediate term	4,368,817	-	-	-	4,368,817	-
Agribusiness	32,053,071	-	-	-	32,053,071	-
Communication	10,787,898	-	-	-	10,787,898	-
Energy	14,956,340	-	-	-	14,956,340	-
Water and waste water	1,645,540	-	-	-	1,645,540	-
Total	<u>\$ 79,038,653</u>	<u>\$ 9,524,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,038,653</u>	<u>\$ 9,524,656</u>

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 were no ACPs at March 31, 2014, and December 31, 2013, respectively.

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

	March 31, 2014	December 31, 2013
Nonaccrual loans:		
Real estate mortgage	\$ 86,607	\$ 98,419
Production and intermediate term	<u>57,466</u>	<u>57,466</u>
Total nonaccrual loans	144,073	155,885
Accruing restructured loans:		
Real estate mortgage	<u>478,936</u>	646,649
Total accruing restructured loans	478,936	646,649
Total nonperforming loans	623,009	802,534
Other property owned	<u>652,125</u>	652,125
Total nonperforming assets	<u>\$ 1,275,134</u>	<u>\$ 1,454,659</u>

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

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

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

	March 31, 2014	December 31, 2013
Real estate mortgage		
Acceptable	98.5 %	98.4 %
OAEM	1.3	1.3
Substandard/doubtful	0.2	0.3
	100.0	100.0
Production and intermediate term		
Acceptable	99.8	99.9
OAEM	-	-
Substandard/doubtful	0.2	0.1
	100.0	100.0
Agribusiness		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	100.0	100.0
Energy		
Acceptable	90.2	89.6
OAEM	-	-
Substandard/doubtful	9.8	10.4
	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
Water and waste water		
Acceptable	100.0	100.0
OAEM	-	-
Substandard/doubtful	-	-
	100.0	100.0
Total loans		
Acceptable	98.5	98.5
OAEM	1.0	0.9
Substandard/doubtful	0.5	0.6
	100.0 %	100.0 %

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

<u>March 31, 2014</u>	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	\$ 37,914	\$ 35,485	\$ 73,399	\$ 299,700,727	\$ 299,774,126	\$ -
Production and intermediate term	-	26,948	26,948	35,477,876	35,504,824	-
Loans to cooperatives	-	-	-	94,931	94,931	-
Processing and marketing	-	-	-	35,537,081	35,537,081	-
Farm-related business	-	-	-	8,520,111	8,520,111	-
Communication	-	-	-	10,848,220	10,848,220	-
Energy	-	-	-	14,967,594	14,967,594	-
Water and waste water	-	-	-	1,653,838	1,653,838	-
Rural residential real estate	-	-	-	1,883,432	1,883,432	-
Total	<u>\$ 37,914</u>	<u>\$ 62,433</u>	<u>\$ 100,347</u>	<u>\$ 408,683,810</u>	<u>\$ 408,784,157</u>	<u>\$ -</u>

<u>December 31, 2013</u>	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	\$ 29,397	\$ 98,419	\$ 127,816	\$ 300,832,491	\$ 300,960,307	\$ -
Production and intermediate term	-	26,948	26,948	40,294,008	40,320,956	-
Processing and marketing	-	-	-	33,475,174	33,475,174	-
Farm-related business	-	-	-	6,291,738	6,291,738	-
Communication	-	-	-	9,067,361	9,067,361	-
Energy	-	-	-	14,355,396	14,355,396	-
Water and waste water	-	-	-	714,585	714,585	-
Rural residential real estate	-	-	-	2,132,991	2,132,991	-
Total	<u>\$ 29,397</u>	<u>\$ 125,367</u>	<u>\$ 154,764</u>	<u>\$ 407,163,744</u>	<u>\$ 407,318,508</u>	<u>\$ -</u>

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

As of March 31, 2014, the total recorded investment of troubled debt restructured loans was \$478,936, all of which was classified as accrual. No specific allowance for loan losses were recorded for trouble debt restructurings. As of March 31, 2014, there were no commitments to lend funds to borrowers whose loan terms have been modified in a troubled debt restructuring.

In restructurings where principal is forgiven, the amount of the forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest). There were no troubled debt restructurings that occurred during the quarter ending March 31, 2014.

The predominant form of concession granted for troubled debt restructuring is an 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 case we assess all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

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

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Real estate mortgage	\$ 478,936	\$ 646,649	\$ -	\$ -
Total	\$ 478,936	\$ 646,649	\$ -	\$ -

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

Additional impaired loan information is as follows:

	March 31, 2014			December 31, 2013		
	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	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impaired loans with no related allowance for credit losses:						
Real estate mortgage	\$ 565,543	\$ 565,463	\$ -	\$ 745,068	\$ 741,531	\$ -
Production and intermediate term	57,466	237,090	-	57,466	237,090	-
Total	\$ 623,009	\$ 802,553	\$ -	\$ 802,534	\$ 978,621	\$ -
Total impaired loans:						
Real estate mortgage	\$ 565,543	\$ 565,463	\$ -	\$ 745,068	\$ 741,531	\$ -
Production and intermediate term	57,466	237,090	-	57,466	237,090	-
Total	\$ 623,009	\$ 802,553	\$ -	\$ 802,534	\$ 978,621	\$ -

^a Unpaid principal balance represents the recorded principal balance of the loan.

	For the Quarter & Year Ended March 31, 2014		For the Quarter & Year Ended March 31, 2013	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:				
Processing and marketing	\$ -	\$ -	\$ 3,111,721	\$ -
Total	\$ -	\$ -	\$ 3,111,721	\$ -
Impaired loans with no related allowance for credit losses:				
Real estate mortgage	\$ 673,585	\$ 9,399	\$ 1,800,518	\$ 6,966
Total	\$ 673,585	\$ 9,399	\$ 1,800,518	\$ 6,966
Total impaired loans:				
Real estate mortgage	\$ 673,585	\$ 9,399	\$ 1,800,518	\$ 6,966
Processing and marketing	-	-	3,111,721	-
Total	\$ 673,585	\$ 9,399	\$ 4,912,239	\$ 6,966

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	Water/Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at								
December 31, 2013	\$ 222,030	\$ 199,044	\$ 62,622	\$ 19,080	\$ 150,940	\$ 771	\$ 1,411	\$ 655,898
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	8,210	-	-	-	-	-	-	8,210
Provision for loan losses	(4,468)	(20,547)	10,415	(346)	(1,957)	1,058	(163)	(16,008)
Other	5	1,269	485	586	(696)	(47)	32	1,634
Balance at								
March 31, 2014	\$ 225,777	\$ 179,766	\$ 73,522	\$ 19,320	\$ 148,287	\$ 1,782	\$ 1,280	\$ 649,734
Ending Balance:								
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collectively evaluated for impairment	225,777	179,766	73,522	19,320	148,287	1,782	1,280	649,734
Balance at								
March 31, 2014	\$ 225,777	\$ 179,766	\$ 73,522	\$ 19,320	\$ 148,287	\$ 1,782	\$ 1,280	\$ 649,734
Balance at								
December 31, 2012	\$ 207,832	\$ 298,485	\$ 1,051,482	\$ 22,265	\$ 166,741	\$ -	\$ 1,225	\$ 1,748,030
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	(1,615)	(34,134)	(10,164)	(2,525)	(503)	-	154	(48,787)
Other	-	5,621	12,411	51	3,476	-	(59)	21,500
Balance at								
March 31, 2013	\$ 206,217	\$ 269,972	\$ 1,053,729	\$ 19,791	\$ 169,714	\$ -	\$ 1,320	\$ 1,720,743
Ending Balance:								
Individually evaluated for impairment	\$ -	\$ -	\$ 977,000	\$ -	\$ -	\$ -	\$ -	\$ 977,000
Collectively evaluated for impairment	206,217	269,972	76,729	19,791	169,714	-	1,320	743,743
Balance at								
March 31, 2013	\$ 206,217	\$ 269,972	\$ 1,053,729	\$ 19,791	\$ 169,714	\$ -	\$ 1,320	\$ 1,720,743
Recorded Investments in Loans Outstanding:								
Ending Balance at								
March 31, 2014	\$ 299,774,126	\$ 35,504,824	\$ 44,152,123	\$ 10,848,220	\$ 14,967,594	\$ 1,653,838	\$ 1,883,432	\$ 408,784,157
Individually evaluated for impairment	\$ 86,607	\$ 57,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,073
Collectively evaluated for impairment	\$ 299,687,519	\$ 35,447,358	\$ 44,152,123	\$ 10,848,220	\$ 14,967,594	\$ 1,653,838	\$ 1,883,432	\$ 408,640,084
Ending Balance at								
March 31, 2013	\$ 288,482,688	\$ 30,104,402	\$ 42,576,992	\$ 8,740,240	\$ 13,943,947	\$ -	\$ 1,726,903	\$ 385,575,172
Individually evaluated for impairment	\$ 1,103,999	\$ -	\$ 3,111,721	\$ -	\$ -	\$ -	\$ -	\$ 4,215,720
Collectively evaluated for impairment	\$ 287,378,689	\$ 30,104,402	\$ 39,465,271	\$ 8,740,240	\$ 13,943,947	\$ -	\$ 1,726,903	\$ 381,359,452

NOTE 3 — CAPITAL:

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

An additional component of equity is accumulated other comprehensive income, which is reported net of taxes as follows:

March 31, 2014	Net of Tax
Nonpension postretirement benefits	<u>\$ 52,703</u>
Total	<u><u>\$ 52,703</u></u>
March 31, 2013	Net of Tax
Nonpension postretirement benefits	<u>\$ 57,446</u>
Total	<u><u>\$ 57,446</u></u>

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive income (loss) for:

	<u>2014</u>	<u>2013</u>
Accumulated other comprehensive income (loss) at January 1	\$ 57,446	\$ (286,751)
Amortization of prior service credit included		
in salaries and employee benefits	(4,743)	(4,742)
Amortization of actuarial loss included		
in salaries and employee benefits	-	6,530
Other comprehensive income (loss), net of tax	<u>(4,743)</u>	<u>1,788</u>
Accumulated other comprehensive income (loss) at March 31	<u><u>\$ 52,703</u></u>	<u><u>\$ (284,963)</u></u>

NOTE 4 — INCOME TAXES:

Central Texas Farm Credit, ACA and its subsidiary are subject to federal and certain other income taxes. The associations are eligible to operate as cooperatives that qualify for tax treatment under Subchapter T of the Internal Revenue code. Under specified conditions, the associations can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated surplus. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. During the three months ended March 31, 2014, the Association did participate in a patronage program. 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 \$1,211,154 as of the quarter ended March 31, 2014, for no available tax benefit as of that point in time.

The subsidiary, Central Texas Federal Land Bank, FLCA, is exempt from federal and other income taxes as provided in the Farm Credit Act of 1971.

NOTE 5 — FAIR VALUE MEASUREMENTS:

FASB guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. See Note 2 to the 2013 Annual Report to Stockholders for a more complete description.

There were no transfers to or from Level 1, Level 2, or Level 3 for the three months ended March 31, 2014 or for the year ended December 31, 2013.

The Association had no assets or liabilities measured at fair value on a recurring basis at March 31, 2014 or December 31, 2013.

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

<u>March 31, 2014</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Other property owned	\$ -	\$ -	\$ 652,125	\$ 652,125
<u>December 31, 2013</u>	<u>Fair Value Measurement Using</u>			<u>Total Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Assets:				
Other property owned	\$ -	\$ -	\$ 652,125	\$ 652,125

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

Valuation Techniques

As more fully discussed in Note 2 to the 2013 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 2013 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 real estate collateral since the loans were collateral-dependent. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management’s knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, a majority of these loans have fair value measurements that fall within Level 3 of the fair value hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. 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.

NOTE 6 — EMPLOYEE BENEFIT PLANS:

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

	Other Benefits	
	2014	2013
Service cost	\$ 11,087	\$ 13,428
Interest cost	18,423	18,214
Amortization of prior service credits	(4,743)	(4,742)
Amortization of net actuarial loss	-	6,530
Net periodic benefit cost	<u>\$ 24,767</u>	<u>\$ 33,430</u>

The Association's liability for the unfunded accumulated obligation for these benefits at March 31, 2014, was \$1,452,032 and is included in "Other Liabilities" in the balance sheet.

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. As of March 31, 2014, \$126,675 of contributions have been made. The Association presently anticipates contributing an additional \$380,025 to fund the defined benefit pension plan in 2014 for a total of \$506,700.

The Association's accumulated other comprehensive income (loss) relates entirely to its nonpension other postretirement benefits. Amortization of prior service credits and of actuarial loss are reflected in "Salaries and employee benefits" in the Consolidated Statement of Comprehensive Income. The following table summarizes the changes in accumulated other comprehensive income (loss) for the three months ended March 31:

	2014	2013
Accumulated other comprehensive income (loss) at January 1	\$ 57,446	\$ (286,751)
Amortization of prior service credit included in salaries and employee benefits	(4,743)	(4,742)
Amortization of actuarial loss included in salaries and employee benefits	-	6,530
Other comprehensive income (loss), net of tax	<u>(4,743)</u>	<u>1,788</u>
Accumulated other comprehensive income (loss) at March 31	<u>\$ 52,703</u>	<u>\$ (284,963)</u>

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES:

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

NOTE 8 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through April 25, 2014, which is the date the financial statements were issued. There are no other significant events requiring disclosure as of April 25, 2014.