THE COOPERATIVE FINANCE ASSOCIATION, INC.

CFA

HERE TODAY AND TOMORROW to serve

ANNUAL REPORT 2022

1.

WHAT WE DO

EXPLORE **CFAFS.COM**
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» LOANS
» INTEREST RATES

HERE TODAY AND TOMORROW to serve

> "Having worked exclusively with agricultural cooperatives for more than 75 years gives us a superior understanding of the operational issues and financing requirements of your customers.

Serving the Agricultural Industry since 1943

The Cooperative Finance Association, Inc. (CFA) is an agricultural finance cooperative based in Kansas City, Missouri. We offer a full range of financial products and services to agricultural cooperatives and their customers throughout the nation. Our membership-based services include operating and term loans, single-purpose inventory financing, point-of-sale production agriculture financing, and more.

THE COOPERATIVE FINANCE ASSOCIATION

2.

HOW YOU BENEFIT

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BENEFITS OF WORKING with CFA

FLEXIBLE LOAN PRODUCTS

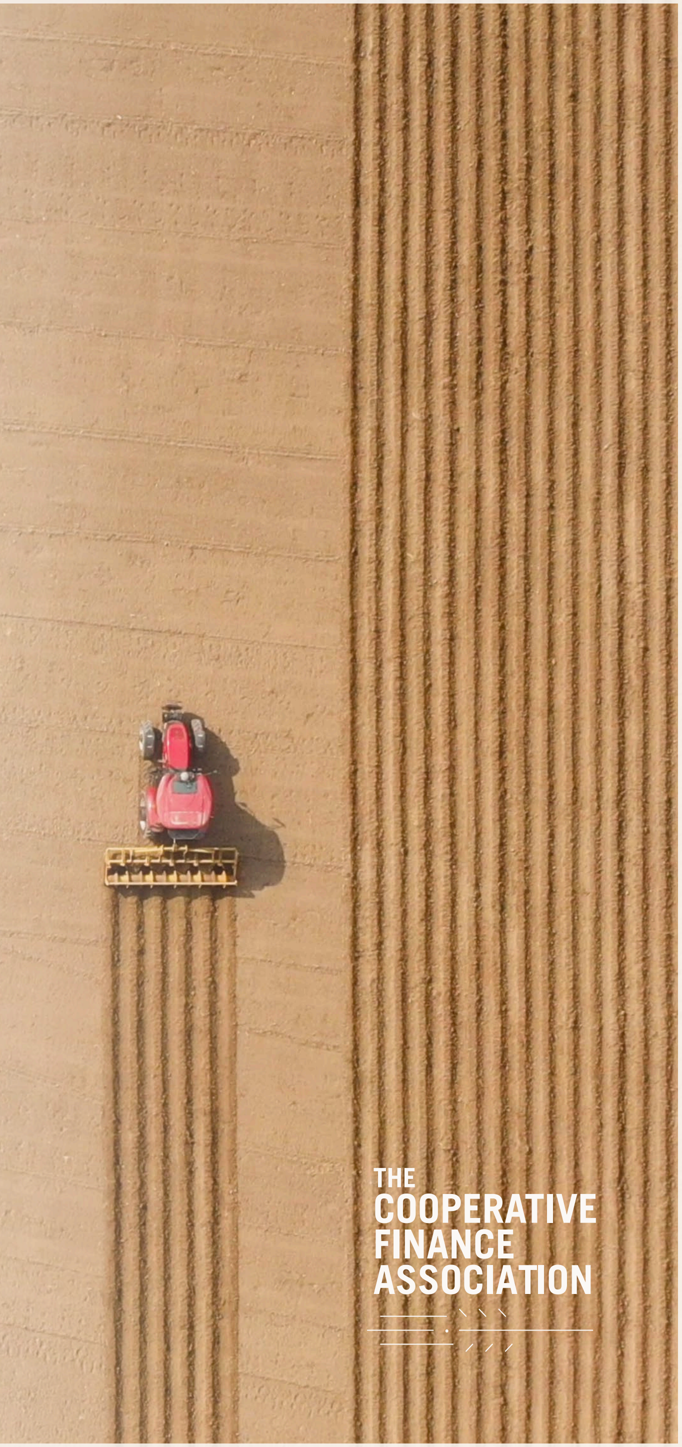
CFA offers a broad array of flexible financial products specifically designed for the agricultural industry. We make loans to meet the seasonal borrowing needs of the local farmers associated with our member cooperatives.

COMPETITIVE INTEREST RATES

As a financial co-op, our shareholders are our cooperative members. This allows CFA the ability to provide competitive interest rates, lower fees, one-on-one service and a convenient approval and funding process.

MEMBERSHIP BENEFITS

Our members enjoy access to our financial products, support from our experienced staff, as well as patronage dividends from having ownership in CFA. Understanding our success is directly tied to yours, we are fully committed to helping you achieve long-term financial success.

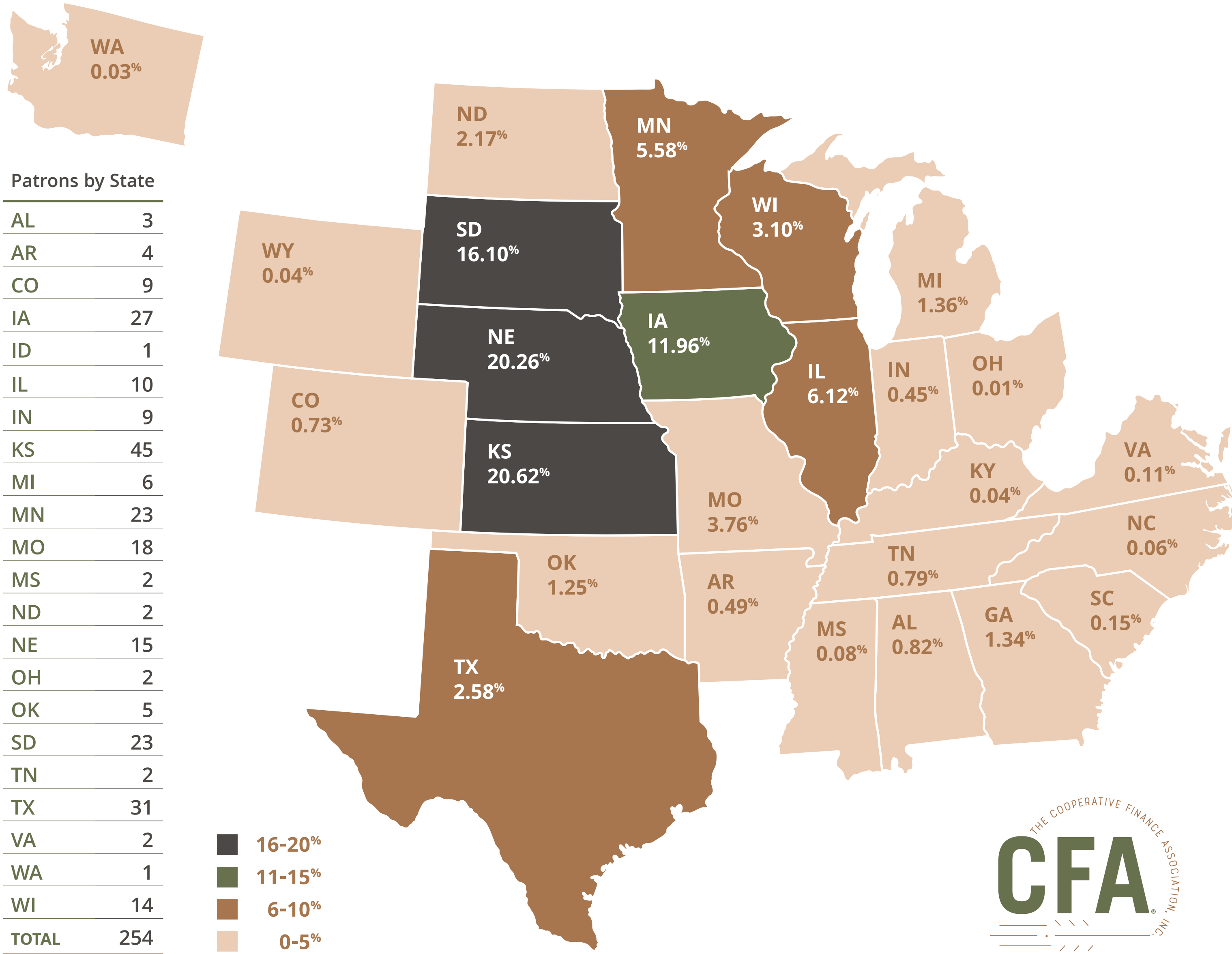


3.

WHERE CFA IS TODAY

CFA'S SERVICE AREA AND ACTIVE LOANS BY PERCENTAGE OF COMMITMENTS

as of October 1, 2022



Patrons by State

AL	3
AR	4
CO	9
IA	27
ID	1
IL	10
IN	9
KS	45
MI	6
MN	23
MO	18
MS	2
ND	2
NE	15
OH	2
OK	5
SD	23
TN	2
TX	31
VA	2
WA	1
WI	14
TOTAL	254

4. PRESIDENT'S REPORT

TO OUR MEMBER COOPERATIVES

Thank you for your continued membership and support of The Cooperative Finance Association!

Going into 2022, we all hoped for a return to a stable, predictable marketplace. Instead, we have seen inflation, Fed rate increases, and drought. Globally, the Ukraine conflict has been a source of commodity and energy disruption; this on a scale not seen for many years. All of this has been added to an economy recovering from COVID related supply chain and labor issues.

Through all this, the domestic agriculture sector again delivered in 2022. Stable supplies of food, feed and fuel products will be available for all, thanks to the hard work of the American farmer and the cooperative system that fundamentally facilitates that production. As we now turn our focus to 2023, rest assured that agriculture will again be up to the challenge!

This past spring, CFA renewed and expanded our existing funding relationships, insuring we can meet today's liquidity needs, and those in the future. CFA will continue to assess this marketplace, adapting and adjusting programs and services as opportunities present themselves.

Work on our new on-line platform is nearing completion, and we will coordinate deployment with our members over the next few months. This should provide significant improvements in ease of use and overall customer experience and provide the ability to access the system with any device. This system will also more directly support member portal concepts and ecommerce initiatives, while meeting industry security expectations. These changes will position CFA for future opportunities, while remaining committed to providing the traditional service and support you expect from us.

2022
Total Loan Volume
+23%

2022
Total Loan Commitments
+21%

2022
Net Earnings
+40%

Certain milestones to highlight from the past year:

Total loan volume grew by approximately 23%, and commitments by 21%; this while our credit quality improved over prior periods. Most of this growth was facilitated via increased loan volume from our existing members. This is a significant accomplishment that reflects hard work done by CFA staff and all our agent members.

Net earnings were also 40% higher than last year, this primarily driven by the higher loan volume. We continue to manage CFA to deliver quality products and services in the most efficient manner possible, in order to return significant patronage to our members.

I am grateful for the continuing guidance and leadership of our Board of Directors, and thankful for our dedicated management and staff who are working hard each day providing products, services, and technology to your cooperative. Thank you again for your support, we look forward to serving your needs this upcoming year!

Respectfully,

ROSS D. JOHNSON President and Chief Executive Officer

5.

MANAGEMENT'S REPORT

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To meet its responsibility for reliable financial information, management depends on the company's accounting and internal control systems which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded.

DEAR STOCKHOLDERS

The financial statements of The Cooperative Finance Association, Inc. (CFA) are prepared by management which is responsible for their integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances. The financial statements, in the opinion of management, fairly present the financial condition and operating results of CFA.

To meet its responsibility for reliable financial information, management depends on the company's accounting and internal control systems which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost must be related to the benefits derived. The financial statements are audited by the independent accounting firm of Mayer Hoffman McCann P.C., which has obtained a sufficient understanding of the internal control structure to plan the audit and determine the nature, timing and extent of tests to be performed in accordance with generally accepted auditing standards. CFA is also examined by its source of funding.

The Board of Directors has overall responsibility for CFA's system of internal control and financial reporting. The Board consults regularly with management and meets periodically with the independent auditors to review the scope and results of their work.

Danny Posch

DANNY POSCH Chairman of the Board

ROSS D. JOHNSON President and Chief Executive Officer

6.

CFA BOARD OF DIRECTORS

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CHAIRMAN
DANNY POSCH

Mid-Kansas Cooperative
307 West Cole
Moundridge, KS 67107
620.345.6328

SECRETARY
TIM BURRESS

River Valley Cooperative
254 East 90th Street
Davenport, IA 52806
563.285.1721

VICE CHAIRMAN
TOD CLARK

Country Partners Cooperative
120 8th Street
Gothenburg, NE 69138
308.537.7141

TREASURER
KEVIN HARTKEMEYER

Top Ag
702 S. Elevator
Okawville, IL 62271
618.243.3355

MEMBER
GARY BRANDT

Cooperative Producers, Inc
265 North Showboat Blvd.
Hastings, NE 68901
402.463.5148

MEMBER
JEREMY WILHELM

Frontier Cooperative
3333 Landmark Circle
Lincoln, NE 68504
402.397.1800, Ext. 2006

MEMBER
JOANNA McCLENDON

Tennessee Farmers Cooperative
180 Old Nashville Highway
LaVergne, TN 37086
615.793.8581

7.

INDEPENDENT AUDITORS' REPORT

Mayer Hoffman McCann P.C.
700 West 47th Street, Suite 1100 | Kansas City, MO 64112
Main: 816.945.5600 | Fax: 816.897.1280 | mhmcpa.com

TO THE BOARD OF DIRECTORS

The Cooperative Finance Association, Inc.

Opinion

We have audited the financial statements of The Cooperative Finance Association, Inc., which comprise the balance sheets as of August 31, 2022, and 2021, and the related statements of operations, capital shares and equities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Cooperative Finance Association, Inc. as of August 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Cooperative Finance Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cooperative Finance Association, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Cooperative Finance Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cooperative Finance Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
October 21, 2022

8. BALANCE SHEETS

August 31, 2022 and 2021

	2022	2021
ASSETS		
Loans	**$489,954,624**	$461,872,681
Less allowance for loan losses	**2,138,751**	2,458,370
Net loans	**487,815,873**	459,414,311
Cash	**1,303,683**	962,128
Accrued interest receivable	**14,689,018**	10,004,542
Investment in CoBank	**12,470,897**	11,968,065
Other assets, net of accumulated depreciation and amortization of $6,369,397 in 2022 and $5,782,278 in 2021	**5,419,174**	2,505,961
	$521,698,645	$484,855,007
LIABILITIES, CAPITAL SHARES, AND EQUITIES		
Liabilities:		
Credit facility	**$432,200,000**	$403,500,000
Patronage refunds payable	**6,501,998**	4,835,036
Accrued interest payable	**1,414,205**	562,187
Other liabilities	**4,133,313**	4,687,338
Total liabilities	**444,249,516**	413,584,561
Capital shares and equities:		
Class A common stock, $2,000 par value. Authorized 2,000 shares; issued and outstanding 179 and 182 shares at August 31, 2022 and 2021, respectively	**358,000**	364,000
Class B common stock, $100 par value. Authorized 1,000,000 shares; issued and outstanding 597,448 and 568,602 shares at August 31, 2022 and 2021, respectively	**59,744,800**	56,860,200
Capital credits	**11,982**	11,550
Patronage refunds for reinvestment	**5,759,368**	3,871,032
Paid-in capital	**647,984**	647,984
Earned surplus	**10,926,995**	9,515,680
Total capital shares and equities	**77,449,129**	71,270,446
	$521,698,645	$484,855,007

See accompanying notes to financial statements.

9. STATEMENTS OF OPERATIONS

Years ended August 31, 2022 and 2021	2022	2021
Interest income	**$24,117,392**	$20,465,903
Interest expense	**8,963,993**	6,459,503
Net interest income	**15,153,399**	14,006,400
Provision for loan losses	**(206,513)**	972,952
Credit insurance premium	**826,460**	579,670
Net interest income after provision for loan losses and credit insurance premium	**14,533,452**	12,453,778
Noninterest income:		
Patronage refunds	**3,905,651**	3,139,022
Fee income	**3,058,811**	1,576,335
Total noninterest income	**6,964,462**	4,715,357
Noninterest expense:		
Employee	**4,628,537**	4,211,999
Customer relations	**171,736**	167,001
Professional	**1,391,616**	1,400,811
Administrative and other	**697,103**	666,785
Depreciation and amortization	**595,241**	794,293
Total noninterest expense	**7,484,233**	7,240,889
Income before income taxes	**14,013,681**	9,928,246
Provision for income taxes	**341,000**	286,000
Net income	**$13,672,681**	$ 9,642,246
Appropriation of net income:		
Patronage refunds	**$12,261,366**	$ 8,706,068
Earned surplus	**1,411,315**	936,178
	$13,672,681	$ 9,642,246

See accompanying notes to financial statements.

10.

STATEMENTS OF CAPITAL SHARES AND EQUITIES

Years ended August 31, 2022 and 2021

	CLASS A COMMON STOCK	CLASS B COMMON STOCK	CAPITAL CREDITS	PATRONAGE REFUNDS FOR REINVESTMENT	PAID-IN CAPITAL	EARNED SURPLUS	TOTAL CAPITAL SHARES AND EQUITIES
Balance at August 31, 2020	**$358,000**	**$55,462,700**	**$11,681**	**$2,389,369**	**$647,984**	**$8,579,502**	**$67,449,236**
Appropriation of net income	—	—	—	—	—	936,178	936,178
Patronage refunds allocated	—	2,389,400	(31)	6,316,699	—	—	8,706,068
Patronage refunds payable in cash	—	—	—	(4,835,036)	—	—	(4,835,036)
Redemption of equity	—	(1,000,000)	—	—	—	—	(1,000,000)
Equity exchange	(6,000)	6,100	(100)	—	—	—	—
Issuance of equities	12,000	2,000	—	—	—	—	14,000
Balance at August 31, 2021	**$364,000**	**$56,860,200**	**$11,550**	**$3,871,032**	**$647,984**	**$9,515,680**	**$71,270,446**
Appropriation of net income	—	—	—	—	—	1,411,315	1,411,315
Patronage refunds allocated	—	3,870,500	532	8,390,334	—	—	12,261,366
Patronage refunds payable in cash	—	—	—	(6,501,998)	—	—	(6,501,998)
Redemption of equity	—	(1,000,000)	—	—	—	—	(1,000,000)
Equity exchange	(6,000)	6,100	(100)	—	—	—	—
Equity conversion	(2,000)	2,000	—	—	—	—	—
Issuance of equities	2,000	6,000	—	—	—	—	8,000
Balance at August 31, 2022	**$358,000**	**$59,744,800**	**$11,982**	**$5,759,368**	**$647,984**	**$10,926,995**	**$77,449,129**

See accompanying notes to financial statements.

11.

STATEMENTS OF CASH FLOWS

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Years ended August 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net income	**$ 13,672,681**	$ 9,642,246
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**595,241**	794,293
Provision for loan losses	**(206,513)**	972,952
Patronage refunds received in equities	**(502,832)**	(713,666)
Amortization of prepaid credit insurance premium	**826,460**	579,670
Payment of cloud computing implementation costs	**(1,058,096)**	—
Changes in other assets and liabilities:		
Accrued interest receivable and other assets	**(6,803,130)**	(3,652,784)
Accrued interest payable and other liabilities	**297,993**	214,251
Net cash provided by operating activities	**6,821,804**	7,836,962
Cash flows from investing activities:		
Net increase in loans	**(28,195,049)**	(12,088,792)
Payment of debt issuance costs	**(1,125,500)**	(40,000)
Purchase of software and equipment	**(32,664)**	(271,589)
Net cash used in investing activities	**(29,353,213)**	(12,400,381)
Cash flows from financing activities:		
Net proceeds from credit facility	**28,700,000**	9,500,000
Payments of patronage refunds	**(4,835,036)**	(3,599,876)
Retirement of equities	**(1,000,000)**	(1,000,000)
Issuance of Class A and Class B common stock	**8,000**	14,000
Net cash provided by financing activities	**22,872,964**	4,914,124
Net increase in cash	**341,555**	350,705
Cash at beginning of year	**962,128**	611,423
Cash at end of year	**$ 1,303,683**	$ 962,128
Supplemental cash flow information:		
Cash paid for interest	**$ 8,111,974**	$ 6,466,929
Cash paid for income taxes	**$ 308,846**	$ 260,719
Noncash activities: Debt issuance costs incurred and not yet paid	**$ 79,750**	$ —

See accompanying notes to financial statements.

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Organization and Basis of Presentation

As a cooperative incorporated under the Kansas Cooperative Marketing Act, The Cooperative Finance Association, Inc. (CFA) makes agricultural-related loans for the benefit of its stockholder members as patrons and equity holders of CFA. A majority of the loans are to borrowers in the heartland of the United States and are secured by the agricultural resources and production of that geographical region. Loans include those of a seasonal nature for operating purposes and those of a term nature to finance property, plant and equipment. Accounting and reporting policies conform with accounting principles generally accepted in the United States of America (GAAP). Certain prior year amounts disclosing information about impaired and nonaccrual loans have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

(b) Loans

Loans are recorded at their principal amount outstanding as CFA has the intent to hold until maturity. Interest income is recorded on an accrual basis in accordance with the terms of the loans. Loans are evaluated regularly by management and are generally placed on non-accrual status when the collection of interest or principal is 90 days or more past due. When a loan is placed on non-accrual status, any interest previously accrued but not collected is reversed against current income. Payments received on non-accrual loans are applied to principal unless the remaining principal balance has been determined to be fully collectible. Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the loans' contractual terms.

CFA recognizes origination fees charged to borrowers for loans when collected and direct origination costs on loans are recognized as incurred. As loan terms are generally less than 16 months, CFA's accounting method for deferred loan fees is not materially different from fees and expenses that would have been recognized under the provisions of Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 310-20 *"Nonrefundable Fees and Other Costs."*

(c) Allowance for Loan Losses

The allowance for loan losses is maintained at a level believed to be appropriate by management to provide for probable loan losses inherent in the portfolio as of the balance sheet date. It consists of two components: a) the specific valuation allowance relates to loans with known credit quality deterioration that are classified as impaired and the estimated discounted cash flows or collateral values are less than the respective loan's outstanding balance, and b) the general component relates to performing loans and is estimated based on a variety of factors, including historical loan loss experience, portfolio quality and composition, current economic trends, and environmental factors. The allowance is based on management's evaluation of the loan portfolio, which generally considers loan types, current payment trends, credit quality, analysis of impaired loans, the contractual provisions of credit enhancements, specific industry conditions, general economic and political conditions, and other factors.

Changes to the estimated levels of the allowance are made through the provision for loan losses. Loan losses are recorded against the allowance when management believes the loss is confirmed. Subsequent recoveries, if any, are added to the allowance.

Generally, CFA's borrowers are financially dependent on the U.S. agricultural economy. Although management believes it has reasonable credit policies, the credit risk in CFA's portfolio can be difficult to assess because of uncertainties related to economic conditions, collateral values, and estimated future cash flows on loans that become impaired. Therefore, the allowance for loan losses is inherently subjective and is susceptible to revision as facts and circumstances change.

(d) Cash

Cash consists of cash on hand and demand deposits with financial institutions. At times, CFA maintains deposits in financial institutions in excess of federally insured limits. Management monitors the soundness of these financial institutions and believes CFA's risk is negligible.

(e) Investment in CoBank

The investment in CoBank is required to be maintained in order to retain borrowing availability. The investment is recorded at cost and increased by patronage refunds received in the form of equity and reduced by equity redemptions. There is no available market for the investment but it may be redeemed at the discretion of CoBank. CFA periodically evaluates the carrying amounts of the investment for impairment and has determined that no impairment occurred during the years ended August 31, 2022 or 2021.

(f) Other Assets

Other assets consisted of the following as of August 31, 2022 and 2021:

	2022	2021
Deferred financing costs	**$ 996,182**	$ 226,060
Other assets and prepaid items	**3,995,615**	1,293,750
Software and equipment	**427,377**	986,151
Total	**$5,419,174**	$2,505,961

CFA has incurred $1,125,500 in financing costs, which are amortized on a straight-line basis over the remaining term of the financing agreement. Software and equipment are carried at cost and amortized/depreciated on a straight-line basis over their estimated useful lives, generally three years for software costs meeting no impairment triggering event and three to five years for equipment.

(g) Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from CFA and are put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) CFA does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

(h) Income Taxes

CFA operates as a cooperative which is not exempt from Federal and state income taxes and, therefore, is subject to taxes on all income not paid or allocated to patrons. Deferred income taxes are recognized for the tax consequences of "temporary differences," as adjusted for anticipated patronage refunds by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. Deferred income taxes are not significant as CFA expects to pay or distribute substantially all future income to its patrons.

(i) Use of Estimates

Management of CFA has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

2. LOANS AND ALLOWANCE FOR LOAN LOSSES

CFA's loan portfolio consists of two segments representing loans to agriculture related entities primarily located in the Midwest. Loans summarized by contractual maturities as of August 31, 2022 and 2021 are as follows:

	2022	2021
Agribusiness:		
Maturing within one year	**$ 10,419,705**	$ 15,303,846
Maturing one to five years	**1,886,093**	2,407,160
Maturing five to ten years	**1,740,000**	—
Production Agriculture:		
Maturing within one year	**467,755,753**	436,029,501
Maturing one to five years	**7,820,746**	7,766,347
Maturing after ten years	**332,327**	365,827
Balance at end of year	**$489,954,624**	$461,872,681

The agribusiness portfolio focuses on loans provided to cooperative associations who are either stockholders or entities sponsored by stockholders of CFA. Loans maturing within one year are primarily comprised of operating and grain loans that provide financing for seasonal inventory and receivables and are typically secured by those assets. Loans maturing after one year are generally provided for plant and equipment needs and permanent working capital and are typically secured by all of the assets of the borrower. Multiple lines of credit with a single borrower are typically cross collateralized. During the fiscal years ended August 31, 2022 and 2021, interest income of $1,331,518 and $1,524,479 respectively was earned on the agribusiness portfolio.

The production agriculture portfolio focuses on loans to agricultural producers, almost all of which are sponsored by stockholders of CFA (Local Associations). Sponsored loans are designed to provide Local Associations with an effective and flexible tool to provide credit support for their marketing efforts in selling crop inputs such as fertilizer, seed, and crop protectants and nutrients. These loans are made to members of the Local Associations to fill short and intermediate term credit needs. Sponsored loans provide funding for production needs primarily for crops and to a limited extent, livestock production activities and are typically secured by the resultant production and blanket liens against borrower assets. Loans maturing after one year generally provide financing for equipment, facilities, and permanent working capital and are typically secured by the land, equipment, and real property of the borrower. Multiple lines of credit with a single borrower are typically cross collateralized. During the fiscal years ended August 31, 2022 and 2021, interest income of $22,785,874 and $18,941,424, respectively was earned on the production agriculture portfolio.

CFA uses the following five-tiered classification system to rate all loans by credit risk.

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Special Mention – 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 weakness 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.

A summary of loans and related allowance for loan losses follows:

2022	Principal	Allowance
Agribusiness:		
Acceptable	$ 14,045,798	$ 34,046
Special Mention	–	–
Substandard	–	–
Doubtful	–	–
Production Agriculture:		
Acceptable	470,457,244	740,123
Special Mention	–	–
Substandard	3,215,986	90,048
Doubtful	2,235,596	1,274,534
Balance at end of year	$489,954,624	$2,138,751
2021	**Principal**	**Allowance**
Agribusiness:		
Acceptable	$ 17,711,005	$ 19,706
Special Mention	–	–
Substandard	–	–
Doubtful	–	–
Production Agriculture:		
Acceptable	435,597,671	668,840
Special Mention	–	–
Substandard	5,491,562	197,696
Doubtful	3,072,443	1,572,128
Balance at end of year	$461,872,681	$2,458,370

Two credit enhancement programs mitigate production agricultural credit risk. The first is a contractual relationship between CFA and the Local Associations who act as agents in the origination of loans to their patrons. The Local Associations generally assume a portion of the risk of loss on these loans on a pro-rata basis up to a maximum per their individual contract. As of August 31, 2022 and 2021, the following principal balances were subject to guarantees by Local Agents:

	2022	2021
Principal Subject to Guarantee:		
0%	$ 58,051,700	$ 55,898,270
20% to 50%	400,995,863	372,910,066
100%	11,644,415	12,550,839
Balance at end of year	$470,691,978	$441,359,175

Secondly, CFA maintains a credit insurance policy intended to mitigate bad debt losses related to production agricultural loans. The policy includes the following provisions:

- The claim period extends 24 months after the end of the policy.
- The insurance covers 90% of losses, including certain accrued interest.
- The loss limit is $10 million.

Substantially all of the production agricultural portfolio is covered under the insurance contract. As of August 31, 2022 and 2021, the prepaid premium of $967,139 and $925,628, respectively is classified with other assets on the balance sheets and is being amortized over a 24-month period. The credit enhancement provided by the insurance contract is considered in estimating the expected credit losses in the production agricultural portfolio as management has determined that the contract is not separately exercisable from the loan advances.

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CFA has entered into Master Non Recourse Loan Participation Agreements with Local Associations and Farm Credit Associations whereby CFA and these associations may offer to sell to the other party participations in loans made or owned by the other. CFA generally sells participation interests under these arrangements and does so primarily as a part of its risk management and in light of its loan concentration policy. The outstanding principal portion of participated loans sold under these arrangements ($285,346,164 and $149,052,307 as of August 31, 2022 and 2021, respectively) is not included on CFA's balance sheets nor is the interest income related thereto included in the accompanying statements of operations.

CFA does not generally provide significant financing on a fixed-rate basis except on the occasion of a very short duration. As such, almost all loans outstanding carry a variable rate that adjusts with changes in the prevailing interest rate markets.

Generally, CFA classifies loans greater than 90 days past due as nonaccrual loans and reverses all accrued interest receivable on these loans. When loans are in nonaccrual status, any payments received are applied against the principal balance. Until the principal balance has been fully recovered, no interest income is recognized.

Substandard and Doubtful loans are considered impaired based on significant delays in anticipated collection of principal and interest. Management evaluates potential impairment of these loans by comparing collateral values or present value of expected future cash flows against the loans' carrying amounts. A specific valuation allowance is established on Doubtful loans equal to the difference that the carrying amount exceeds the expected future cash flows or collateral values. Management's evaluation of impairment of Substandard and Doubtful loans includes any available credit enhancements. Loans are charged off when collection efforts are exhausted.

Information about impaired and nonaccrual loans as of August 31 is as follows:

	2022	2021
Impaired loans with a specific valuation allowance	**$ 2,235,596**	$ 3,072,443
Impaired loans without a specific valuation allowance	**$ 3,215,986**	$ 5,491,562
Valuation allowance related to impaired loans	**$ 1,364,582**	$ 1,769,824
Average balance of impaired loans	**$ 7,007,793**	$ 9,074,221
Nonaccrual loans at August 31	**$ 5,451,582**	$ 8,564,005
Cumulative foregone interest on nonaccrual loans	**$ 518,492**	$ 574,251
Loans past due more than 90 days and still accruing	**$ –**	$ 2,240

There were no material commitments to lend additional funds to debtors whose loans were identified as impaired as of August 31, 2022 or 2021.

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NOTES TO FINANCIAL STATEMENTS

Activity in the allowance for loan losses during 2022 and 2021 is as follows:

	AGRIBUSINESS	PRODUCTION AGRICULTURE	TOTAL
Balance at August 31, 2020	$ 51,422	$ 2,481,234	$ 2,532,656
Provision for loan losses	(31,716)	1,004,668	972,952
Charge-offs	—	(1,084,949)	(1,084,949)
Recoveries	—	37,711	37,711
Balance at August 31, 2021	$ 19,706	$ 2,438,664	$ 2,458,370
Provision for loan losses	14,340	(220,853)	(206,513)
Charge-offs	—	(670,176)	(670,176)
Recoveries	—	557,070	557,070
Balance at August 31, 2022	**$ 34,046**	**$ 2,104,705**	**$ 2,138,751**

CFA's borrowers are financially dependent on the agricultural economy and therefore their ability to fulfill their obligations to CFA is influenced by numerous factors beyond their control, including the economic and environmental conditions of their respective geographic regions, international trade policies, volatility in commodity markets, and governmental regulations.

Management exercises significant judgment when evaluating the effects of qualitative factors on the amount of the allowance for loan losses. Such judgments are heavily affected by management's outlook for the agriculture economy and commodity prices that have a direct effect on collateral margins and the ability of borrowers to perform on their loan obligations. Due to the level of uncertainty inherent in the allowance for loan loss estimate, a significant portion of the allowance is attributable to environmental factors.

3. INVESTMENT IN COBANK

As a customer of CoBank, CFA is required to maintain an investment in CoBank through an ownership interest equal to a target equity level set annually by CoBank's board of directors. Investments in stock are obtained through direct purchases of stock and patronage refunds received in the form of equity. To the extent that CFA's equity in CoBank exceeds the target, the excess is repurchased by CoBank for cash. Retirements under the CoBank capital plan are redeemed at cost and begin in the year following the year when the credit facility is paid in full, and continue over an 11-year period, subject to board approval. As one of the banks of the Farm Credit System, a nationwide system of cooperatively owned banks and associations established by an Act of the United States Congress subject to the provisions of the Farm Credit Act of 1971, as amended, a substantial portion of CoBank's business is dependent on the agribusiness economic sector. As of August 31, 2022 and 2021, CFA held $12,470,897 and $11,968,065 investment in CoBank, respectively.

Information related to CFA's patronage refund received from CoBank is as follows:

	2022	2021
Patronage Refunds:		
CoBank:		
Cash portion	**$3,402,819**	$2,425,356
Equity portion	**502,832**	713,666
Total for the year	**$3,905,651**	$3,139,022

4. RELATED PARTY TRANSACTIONS

As required by CFA's Bylaws, the board of directors is comprised of members who are directors, officers or board members of CFA's voting shareholders. As a group, the shareholder members that board members are affiliated with held 12% of the common stock and capital credits, representing 12% of the voting power and were responsible for 23% of the interest income for the year ended August 31, 2022. As of August 31, 2021, shareholder members that the then current board members were affiliated with held 10% of the common stock and capital credits, representing 13% of the voting power and were responsible for 16% of the interest income. As of August 31, 2022 and 2021, CFA had no outstanding loan commitments or outstanding principal balances with the member cooperatives affiliated with board members.

Within the production agriculture program which lends directly to agriculture producers, the Local Associations affiliated with members of CFA's board of directors sponsored $273,600,000 and $262,600,000 of commitments as of August 31, 2022 and 2021, respectively.

As part of their marketing strategies, various Local Associations enter into interest rate subsidy agreements on certain production agricultural loans in which they agreed to pay a portion of the loans' interest. Amounts included in interest income from subsidy agreements totaled $9,727,070 and $6,670,800 in 2022 and 2021, respectively. Amounts receivable under the agreements were $7,120,431 and $4,843,961 as of August 31, 2022 and 2021, respectively.

In addition, as an agricultural finance cooperative, CFA exists primarily for the purpose of accessing and delivering financing to its stockholders. During the years ended August 31, 2022 and 2021, 99.8% and 99.9% of all interest income was derived from loans made directly to or sponsored by CFA stockholders, respectively.

Management believes that all loans entered into during 2022 and 2021 were made at an arm's length basis.

5. FINANCING AGREEMENTS

As of August 31, 2022, CFA's credit facility agreement with a syndication of lenders led by CoBank provided CFA with a $450,000,000, three-year revolving facility maturing on May 13, 2025. The credit facility agreement also provides CFA with the ability to request a temporary revolving increase in the funding capacity of the credit facility in the amount of $20,000,000. The temporary revolving increase is only available to CFA between September 1st and March 31st of each year prior to maturity and repayment is due in full at the end of each year's period of availability.

The credit agreement was arranged to provide variable rate funding for loans to CFA borrowers based on a credit quality dictated advance rate and cost of funds and is secured by all such borrower notes. As of August 31, 2022 and 2021, the amount outstanding under this credit agreement was $432,200,000 and $403,500,000, respectively, with an interest rate as of August 31, 2022 of 3.87%. As of August 31, 2022

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and 2021, CFA had pledged loans with an outstanding balance of $489,954,624 and $461,872,681, respectively.

The current credit agreement includes restrictive covenants that require total capital shares and equities plus the allowance for loan losses (Risk Funds) to be no less than $65,000,000 and the maintenance of the ratio of total loans to Risk Funds of not greater than 6 to 1. In addition, the credit agreement limits individual customer commitment concentration by CFA to 15% of Risk Funds (25% for short-term special circumstance exceptions) and provides for a 50% and 100% limitation of adverse (i.e., the principal balance of loans classified as Substandard, Doubtful and Loss) and criticized loans (i.e., the principal balance of loans classified as Special Mention, Substandard, Doubtful and Loss), respectively, to Risk Funds. CFA was in compliance with all restrictive covenants of the credit agreement as of August 31, 2022.

6. INCOME TAXES

The provision for income taxes for the years ended August 31, 2022 and 2021 consists of the following:

	2022	2021
Current income tax expense:		
Federal	**$276,000**	$233,000
State	**65,000**	53,000
Provision for income taxes	**$341,000**	$286,000

The provision for income taxes differs from the federal income tax expense computed by applying statutory rates to pre-tax income for the years ended August 31, 2022 and 2021. The tax provision components consist of the following:

	2022	2021
Federal tax at statutory rate	**$2,942,873**	$ 2,084,932
Patronage refund deduction	**(2,574,702)**	(1,828,274)
Allowance for loan losses	**(67,120)**	(15,600)
State income tax	**13,789**	12,024
Other, net	**26,160**	32,918
Provision for income taxes	**$ 341,000**	$ 286,000

The tax effects of temporary differences that give rise to deferred taxes are not significant at August 31, 2022 or 2021 as substantially all profits are expected to be paid through patronage refunds.

7. COMMITMENTS AND CONTINGENT LIABILITIES

On August 31, 2022 and 2021, CFA had outstanding commitments to originate loans of $828,983,274 and $862,558,959, respectively. In connection with these outstanding commitments to originate loans, CFA has sold loan commitments of $495,531,245 and $233,312,162 as of August 31, 2022 and 2021, respectively, under its Master Non Recourse Loan Participation Agreements. Loan commitments generally have fixed expiration dates or other termination clauses. Because a significant amount of the commitments is expected to expire without being drawn, the total commitment amounts do not necessarily represent future cash requirements. Management monitors seasonal liquidity needs to manage cash flow requirements and participation relationships. A large portion of outstanding commitments to originate loans relate to seasonal borrowing needs of CFA borrowers for the last agricultural production cycle and are expected to expire without further draws. For the remaining commitments, management anticipates seasonal loan originations and adjusts its credit facility and loan participation agreements to meet expected loan originations. At August 31, 2022 and 2021, CFA had an available borrowing capacity of $17,800,000 and $26,500,000, respectively, under its existing credit agreements, subject to available collateral.

CFA leases certain premises and equipment, all of which were classified as operating leases. The rent expense under such arrangements amounted to $177,160 and $183,206 as of August 31, 2022 and 2021, respectively. A summary of the minimum lease commitments follows:

YEAR ENDING AUGUST 31,	
2023	**$ 216,117**
2024	**216,578**
2025	**216,520**
2026	**218,227**
2027	**221,428**
After	**1,412,681**
Total	**$2,501,551**

8. CAPITAL SHARES AND EQUITIES

Class A common stockholders are entitled to one vote per share plus one additional vote for each share of Class B common stock. Class B common stock is nonvoting except when the stockholder owns a share of Class A common stock. Holders of Class A common stock who do not conduct business with CFA in a 24-month period or who have failed to meet their financial commitments to CFA may have their Class A common stock converted into Class B common stock or capital credits of equal par value by the board of directors. In addition, subject to board approval, capital credits and Class B shares can be converted into Class A shares.

For the year ended August 31, 2022, 1 Class A share and 60 Class B shares were issued for cash. In addition, 4 Class A shares were converted into 81 Class B shares and no Class B shares were converted into Class A shares. For the year ended August 31, 2021, 6 Class A shares and 20 Class B shares were issued for cash. In addition, 3 Class A shares were converted into 61 Class B shares and no Class B shares were converted into Class A shares.

CFA has established a Base Capital Plan under which patrons provide capital (common stock and/or capital credits) in amounts determined in accordance with their relative usage of CFA products. The Base Capital Plan as approved by the board of directors establishes a patron's annual capital requirement using a 10.0% capitalization rate based on the patron's high credit of the then current and preceding two fiscal years (Base Capital Requirement or BCR). The satisfaction of the individual patron's BCR is then used to determine the cash portion of patronage refunds. The following table details the percent of cash patronage refunds paid to patrons based on their BCR rate for the years ended August 31, 2022 and 2021.

BASE CAPITAL REQUIREMENT	PERCENT OF CASH PATRONAGE
Less than 80%	50%
80% to 100%	80%
Greater than 100%	100%

Patronage refunds for the year ended August 31, 2022 were $12,261,366, consisting of $6,501,998 to be paid in cash and $5,759,368 in CFA equities. Patronage refunds for the year ended August 31, 2021 were $8,706,068, consisting of $4,835,036 to be paid in cash and $3,871,032 in CFA equities. Patronage refunds to be paid in CFA equities are identified as patronage refunds for reinvestment in the statement of capital shares and

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NOTES TO FINANCIAL STATEMENTS

equities until the equities are allocated to individual stockholders. The equity portion of patronage dividends is paid in Class B common stock with capital credits issued for fractional shares.

Equity may be redeemed at the discretion of the board of directors based on its assessment of CFA's capital needs. Equity is redeemed at cost plus any patronage received in the form of equity. Equity retirements of $1,000,000 were approved by the board and paid during both of the years ended August 31, 2022 and 2021.

Paid-in capital of $647,984 represents the excess of the par value over the book value of equities exchanged when CFA was recapitalized on December 1, 1993.

9. EMPLOYEE BENEFIT PLANS

CFA is one of approximately 350 employers that contribute to the Co-op Retirement Plan, EIN 01-0689331, Plan Number 001, (Co-op Plan), which is a defined benefit plan constituting a "multiple employer plan" under the Internal Revenue Code of 1986, as amended, and a "multiemployer plan" under the FASB Accounting Standards Master Glossary. The risks of participating in these multiemployer plans are different from single-employer plans as follows:

a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers;

b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and

c) If CFA chooses to stop participating in the multiemployer plan, CFA may be required to pay the Co-op Plan an amount based on the underfunded status of the Co-op Plan, referred to as a withdrawal liability.

CFA's contributions for the years ended August 31, 2022 and 2021 were $255,659 and $254,909, respectively, constituting its total contribution to the multiemployer plan and represented less than 5% of total contributions to the Co-op Plan as indicated in the Co-op Plan's most recently available annual report (Form 5500). Plan level information is included in the Form 5500 and therefore is available in the public domain. There have been no significant changes that affect the comparability of the 2022 and 2021 contributions.

This plan covers employees of CFA who work a minimum of 1,000 hours per year and is funded by contributions from CFA and its employees. Normal retirement benefits payable under this plan are based on years of service and the employee's average compensation during the highest four of the employee's last ten years of eligible employment. Under the Co-op Plan, participating employers are allowed to annually elect a retirement benefit accrual rate for their eligible employees. CFA elected a 1.75% annual benefit accrual rate for the years ended August 31, 2022 and 2021.

CFA adopted The Restated Thrift/Profit Sharing Plan for Cooperatives in 2004. Generally, eligible employees may elect to contribute up to 80% of their earnings under this plan subject to IRS limitations. CFA will match up to 50% of the first 6% of each employee's earnings contributed to the plan. Employees vest in CFA's contribution after three years of service with distributions generally being made at retirement, disability, death or termination of employment whichever comes first. For the years ended August 31, 2022 and 2021, CFA's contributions amounted to $89,243 and $84,755, respectively, to this plan.

CFA has established a comprehensive wage plan under which certain employees are eligible to receive a supplemental cash bonus that is generally based on the employee's duties and responsibilities and CFA's operating results. Distributions are made annually after the close of each fiscal year. For the years ended August 31, 2022 and 2021, CFA charged $1,197,000 and $990,000 (to include related benefit accruals), respectively, against income under this plan.

10. FAIR VALUE MEASUREMENT

CFA generally does not record any of its assets or liabilities at fair value on a recurring basis. Occasionally, some assets and liabilities are subject to fair value adjustment under certain circumstances on a nonrecurring basis. When fair value adjustments are required by GAAP, CFA estimates fair value in accordance with FASB ASC 820-10 "Fair Value Measurements." Fair value measurements involve various valuation techniques and assume that the transactions would occur between market participants in the most advantageous market. The standard establishes a fair value hierarchy and prioritizes the inputs into valuation techniques used to measure fair value into three broad levels: 1) Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities that CFA has the ability to access at the measurement date; 2) Level 2 inputs include quoted prices in active markets for similar assets or liabilities and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and 3) Level 3 inputs are unobservable and are used if there is little, if any, market activity for the asset or liability at the measurement date. Level 3 inputs include internally developed pricing models and discounted cash flow methodologies. By their nature, Level 3 inputs require significant management judgment.

GAAP requires the maximization of observable inputs when calculating fair value for assets and liabilities. Loans are not recorded at fair value on a recurring basis. However, nonrecurring fair value adjustments are recorded on certain loans classified as Doubtful to reflect impairments that are based on management's assessment of the collectible cash flows or the respective loan collateral value, which are considered a Level 3 input. At August 31, 2022 and 2021, CFA had impaired loans of $2,235,596 and $3,072,443 that were impaired by an estimated $1,274,534 and $1,572,128, respectively.

11. SUBSEQUENT EVENTS

Management of CFA has evaluated subsequent events through October 21, 2022, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure or adjustment to the financial statements during this evaluation.

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BECOME A MEMBER of CFA

As a cooperative, CFA is committed to the long-term financial success of our members. From flexible loans to hands-on support, we provide reliable products that exceed expectations. Additionally, we give our members the opportunity to offer custom production ag loans to their member-owners in order to support their need for additional funding for their farming enterprises.

ELIGIBILITY

CFA membership is exclusive to agricultural cooperatives. To become a member, one must purchase a Class A Common Stock share for $2,000.

BASE CAPITAL PLAN

CFA has established a Base Capital Plan for the purpose of obtaining the equity capital needed for its business. A minimal stock investment of $2,000 is required for most financial commitments.

PATRONAGE

CFA conducts the majority of its business on a patronage basis. A substantial portion of our annual earnings are returned to our members as a patronage refund. The patronage refund consists of both cash and Class B Common Stock.

PRODUCTS AND SERVICES

Members have full access to CFA's wide range of financial products and services, including commercial agribusiness loans and input finance loans. Additionally, our member cooperatives can offer dedicated financing options to their customers.

THE COOPERATIVE FINANCE ASSOCIATION