Yankee Farm Credit, ACA

289 Hurricane Lane, Suite 102
P.O. Box 467
Williston, Vermont 05495
802/879-4700 FAX 802/878-0360
www.yankeeaca.com

CONSOLIDATED FINANCIAL STATEMENTS
SECOND QUARTER ENDED JUNE 30, 2014

August 6, 2014

Dear Shareholder:

Enclosed are the Association's consolidated financial statements for the second quarter of 2014. These statements should be read in conjunction with the 2013 Annual Report to Shareholders.

The purpose of these financial statements is to provide timely financial information about your Association's financial condition and results of operations. Should you have any questions about these statements, please call us.

Copies of the Association's annual and quarterly reports are available to members at no charge from any of our local offices or by accessing the Association's website at www.yankeeaca.com. The Association's annual reports are available 75 days after year end, and quarterly reports are available 40 days after the end of each calendar quarter. As a shareholder, your investment in the Association is materially affected by the financial condition and results of operations of CoBank, ACB. CoBank's annual and quarterly reports are available at no charge from any of our offices. Our office locations are listed at the end of this report.

The undersigned certify that they have reviewed this report and it has been prepared in accordance with all statutory and regulatory requirements and that the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief. The financial statements, in the opinion of management, fairly present the financial condition of the institution except as noted.

Sincerely,

Rocky Giroux
Rocklyn A. Giroux
Chairperson, Board of Directors

George S. Putnam
George S. Putnam
President and CEO

RockiLee DeWitt
Rocki-Lee DeWitt
Chairperson, Audit Committee

Pamela A. Simek
Acting Chief Financial Officer

YANKEE FARM CREDIT, ACA

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

Second Quarter Ended June 30, 2014
(Dollars in thousands, except as noted)
(Unaudited)

Results of Operations: Second Quarter

Net income for the second quarter of 2014 was $2.008 million, down $154 thousand (7%) from net income of $2.162 million in the second quarter of 2013.

Net interest income before the provision for loan losses was up $170 thousand (5%) in 2014 as compared to 2013. The following table shows the components of this increase:

Changes in net interest income due to:	
Changes in volumes of accrual loans & debt	$ 244
Changes in interest rates on accrual loans & debt	35
Changes in interest income on nonaccrual loans	(108)
Other adjustments	(1)
Total change in net interest income	$ 170

Changes in accrual volumes and rates are shown in the following table:

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013
Average accrual loan volume	$ 403,959	$ 376,949
Average interest rate on loans	4.20%	4.17%
Average interest rate spread	3.48%	3.44%

Average loan volume was higher in 2014, and this contributed an increase of $244 thousand and changes in interest rates on accrual loans contributed $35 thousand to the total change in net interest income as shown in the first table above. These increases were offset by a decrease in interest recognized upon payouts of nonaccrual loans of $108 thousand as shown in the first table above.

There was a provision for credit losses of $569 thousand in the second quarter of 2014, as compared to a provision for credit losses of $145 thousand in the second quarter of 2013.

Other income increased by $205 thousand (25%) in 2014 as compared to 2013. Fees for financial services and patronage refunds from CoBank increased by $210 thousand (27%).

Other expense increased by $105 thousand (5%) in 2014 as compared to 2013. Salaries and employee benefits increased by $74 thousand (6%) and the Farm Credit Insurance Fund premium increased $28 thousand (11%).

Results of Operations: Year-to-Date

Net income through the second quarter of 2014 was $4.402 million, down $18 thousand from net income of $4.420 million through the second quarter of 2013.

There was a provision for credit losses of $732 thousand through the second quarter of 2014, as compared to a provision for credit losses of $161 thousand for the same period in 2013.

Net interest income before the provision for loan losses was up $519 thousand (8%) in 2014 as compared to 2013. The following table shows the components of this increase:

Changes in net interest income due to:		
Changes in volumes of accrual loans & debt	$	522
Changes in interest rates on accrual loans & debt		119
Changes in interest income on nonaccrual loans		(120)
Other adjustments		(2)
Total change in net interest income	$	519

Changes in accrual volumes and rates are shown in the following table:

	Six Months Ended June 30, 2014	2013
Average accrual loan volume	$ 406,818	$ 376,356
Average interest rate on loans	4.21%	4.14%
Average interest rate spread	3.49%	3.41%

Average loan volume was higher in 2014, contributing an increase of $522 thousand and changes in interest rates contributed $119 thousand to the total change in net interest income, as shown in the first table above. These increases to net interest income were offset by a decrease in interest recognized upon payouts on nonaccrual loans of $120 thousand, as shown in the first table above.

Other income increased by $324 thousand (22%) in 2014 as compared to 2013. Fees for financial services and patronage refunds from CoBank increased by $330 thousand ($21%).

Other expense increased by $290 thousand (8%) in 2014 as compared to 2013. Salaries and employee benefits increased by $151 thousand (7%), fees paid to Farm Credit Financial Partners (the Association's service provider) increased $56 thousand (11%) and the Farm Credit Insurance Fund premium increased $49 thousand (10%).

Loan Portfolio and Financial Condition

Loans originated by the Association decreased by $15.2 million (3%) from year-end. Loans purchased decreased by $820 thousand (4%) from year-end, and participations sold decreased by $4.7 million (3%). Loans held by the Association decreased by $11.4 million (3%) from year-end.

The loan portfolio continues to be concentrated in the dairy industry. Farm prices for dairy products increased in the second quarter of 2014. Federal Order 1 prices for the second quarter of 2014 averaged $25.22/cwt, up $2.17/cwt (9%) from the first quarter of 2014, and up $5.69/cwt (29%) from the second quarter of 2013. (Prices quoted do not include the effect of the Milk Income Loss Contract (MILC) program, which began December 1, 2001.) The change in prices received for dairy products has been accompanied by a slight increase in the cost of farm inputs, particularly purchased feed. The composite Feed Index published by the USDA was 119 for the second quarter of 2014, up 4% from the first quarter of 2014, but down 2% from the second quarter of 2013. (Feed Index = 100 for 2011)

Loan quality worsened slightly but remained strong through the second quarter of 2014. Loans graded Substandard or lower were 4.8% of total loans at June 30, 2014, 1.1% worse than year-end. High risk assets comprised 0.8% of loans and related assets at June 30, 2014, unchanged from year-end. (High risk assets include nonaccrual loans, accrual restructured loans, loans delinquent 90 days or more but not yet classified as nonaccrual, and other property owned.) Repayment performance remained satisfactory. Loans (both accrual and nonaccrual) delinquent 30 days or more were 0.7% at June 30, 2014, 1.0% improved from year-end. The 12-month rolling average for this statistic was 1.4% at June 30, 2014, 0.3% worse than year-end. There were charge-offs of $19 thousand and recoveries of $6 thousand in the first two quarters of 2014. There were no charge-offs, but recoveries of $7 thousand in the first two quarters of 2013.

As discussed in the 2013 Annual Report to Shareholders, the Association declared a patronage distribution of $4.934 million based on 2013 earnings, 100% in cash. This was paid on March 25, 2014.

Management’s Discussion & Analysis (cont.)

Members’ equity as a percentage of assets was 20.6% at June 30, 2014 as compared to 19.6% at year-end. The Association’s permanent capital ratio was 19.0% at June 30, 2014, up 0.3% from year-end.

These financial statements were prepared under the oversight of the Audit Committee of the Board of Directors.

YANKEE FARM CREDIT, ACA
CONSOLIDATED BALANCE SHEET
(Unaudited)

	June 30, 2014	December 31, 2013
	(in thousands)	
ASSETS		
Loans originated by the Association	$ 512,589	$ 527,796
Plus loans purchased	18,316	19,136
Less participations sold	128,971	133,628
Loans held by the Association	401,934	413,304
Less allowance for loan losses	5,890	5,186
Net loans	396,044	408,118
Cash	2,165	1,282
Accrued interest receivable	1,067	1,272
Patronage refunds due from CoBank, ACB	1,357	2,135
Investment in CoBank, ACB	15,130	14,952
Mission related investment	663	646
Premises and equipment, less accumulated depreciation	1,567	1,016
Other assets	1,890	1,960
Total assets	$ 419,883	$ 431,381
LIABILITIES		
Note payable to CoBank, ACB	$ 328,686	$ 339,736
Patronage distribution payable	2,326	4,934
Reserve for unfunded commitments	203	188
Other liabilities	1,959	1,893
Total liabilities	333,174	346,751
MEMBERS' EQUITY		
Capital stock and participation certificates	1,071	1,068
Unallocated surplus	87,004	84,928
Accumulated other comprehensive income	(1,366)	(1,366)
Total members' equity	86,709	84,630
Total liabilities and members' equity	$ 419,883	$ 431,381

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

YANKEE FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(in thousands)			
INTEREST INCOME				
Loans	$ 4,264	$ 4,060	$ 8,518	$ 7,929
Total interest income	4,264	4,060	8,518	7,929
INTEREST EXPENSE				
Note payable to CoBank, ACB	597	563	1,198	1,128
Total interest expense	597	563	1,198	1,128
Net interest income	3,667	3,497	7,320	6,801
Provision for credit losses	569	145	732	161
Net interest income after provision for credit losses	3,098	3,352	6,588	6,640
OTHER INCOME				
Patronage refunds from CoBank, ACB	593	521	1,208	1,012
Fees for financial services	407	269	710	576
Loan fees and other income	10	15	24	30
Total other income	1,010	805	1,942	1,618
OTHER EXPENSE				
Salaries and employee benefits	1,248	1,174	2,443	2,292
Occupancy and equipment	82	84	175	186
Farm Credit Insurance Fund premium	87	69	176	127
Fees paid to Farm Credit Financial Partners, Inc.	276	248	552	496
Other expenses	403	416	774	729
Total other expense	2,096	1,991	4,120	3,830
Income before income taxes	2,012	2,166	4,410	4,428
Provision for income taxes	4	4	8	8
Net income	$ 2,008	$ 2,162	$ 4,402	$ 4,420
OTHER COMPREHENSIVE INCOME				
OCI related to pension liabilities	-	-	-	-
Comprehensive income	$ 2,008	$ 2,162	$ 4,402	$ 4,420

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

YANKEE FARM CREDIT, ACA
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
(Unaudited)

	Capital Stock and Participation Certificates	Surplus Allocated	Surplus Unallocated	Accumulated Other Comprehensive Income	Total Members' Equity
			(in thousands)		
Balance at December 31, 2012	$ 1,030	$ -	$ 80,551	$ (1,970)	$ 79,611
Comprehensive income					
Net income	-	-	4,420	-	4,420
Other comprehensive income					
Change in pension liabilities	-	-	-	-	-
Total comprehensive income	-	-	4,420	-	4,420
Capital stock/PCs issued	92	-	-	-	92
Capital stock/PCs retired	(81)	-	-	-	(81)
Patronage distribution accrued					
Cash	-	-	(2,123)	-	(2,123)
Adjustment for Rounding	-	-	-	-	-
Balance at June 30, 2013	$ 1,041	$ -	$ 82,848	$ (1,970)	$ 81,919
Balance at December 31, 2013	$ 1,068	$ -	$ 84,928	$ (1,366)	$ 84,630
Comprehensive income					
Net income	-	-	4,402	-	4,402
Other comprehensive income					
Change in pension liabilities	-	-	-	-	-
Total comprehensive income	-	-	4,402	-	4,402
Capital stock/PCs issued	67	-	-	-	67
Capital stock/PCs retired	(65)	-	-	-	(65)
Patronage distribution accrued					
Cash	-	-	(2,326)	-	(2,326)
Adjustment for rounding	1	-	-	-	1
Balance at June 30, 2014	$ 1,071	$ -	$ 87,004	$ (1,366)	$ 86,709

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

YANKEE FARM CREDIT, ACA

Notes To Consolidated Financial Statements

Second Quarter Ended June 30, 2014
(Dollars in thousands, except as noted)
(Unaudited)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Yankee Farm Credit, ACA (the Association) is a member-owned cooperative within the Farm Credit System. A description of the organization and operations of the Association, the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2013 are contained in the 2013 Annual Report to Shareholders. These unaudited second quarter 2014 financial statements should be read in conjunction with the 2013 Annual Report to Shareholders.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2013 as contained in the 2013 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2014. Descriptions of the significant accounting policies are included in the 2013 Annual Report to Shareholders. 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 Financial Accounting Standards Board (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 non-public 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.

NOTE 2 - LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of loans follows:

	Value at	
	June 30, 2014	December 31, 2013
Long-term farm mortgage	$ 171,143	$ 162,021
Country home	2,383	2,324
Farm related business	20,210	20,880
Production and intermediate term	318,853	342,571
Total loan originated by the Association	512,589	527,796
Plus participations purchased	18,316	19,136
Less participations sold	128,971	133,628
Loans held by the Association	$ 401,934	$ 413,304

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with FCA regulations. All of the Association's loan purchases and sales are with other Farm Credit institutions. The following table presents information regarding the balances of participations purchased and sold:

	Value at			
	June 30, 2014		December 31, 2013	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Long-term farm mortgage	$ 11,677	$ 7,019	$ 10,332	$ 6,871
Farm related business	6,265	111	$ 8,401	$ 149
Production and intermediate term	374	121,841	403	126,608
Total	$ 18,316	$ 128,971	$ 19,136	$ 133,628

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

	Value at	
	June 30, 2014	December 31, 2013
Nonaccrual Loans:		
Long-term farm mortgage	$ 1,188	$ 1,524
Farm related business	826	613
Production and intermediate term	523	636
Total nonaccrual loans	$ 2,537	$ 2,773
Accrual Troubled Debt Restructured Loans:		
Long-term farm mortgage	$ 552	$ 562
Total troubled debt restructured loans	$ 552	$ 562
Accrual Loans ≥ 90 Days Past Due:		
Production and intermediate term	$ -	$ -
Total accrual loans ≥ 90 days past due	$ -	$ -
Total impaired assets	$ 3,089	$ 3,335

A restructuring of a debt constitutes as troubled debt restructuring (TDR) if the Association, for economic or legal reasons related to the member's financial difficulties, grants a concession to the member that it would not otherwise considered. The Association had no new TDR loans through the period ending June 30, 2014.

The following table provides information on outstanding loans restructured in troubled debt restructurings (including accrued interest) as of June 30, 2014:

	Loans Modified as TDRs		TDRs in Nonaccrual Status*	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Long-term farm mortgage	$ 552	$ 825	$ -	$ 263
Farm related business	127	-	127	-
Production and intermediate term	9	12	9	12
Total	$ 688	$ 837	$ 136	$ 275

*represents the portion of loans modified as TDRs (first two columns) that are in nonaccrual status

There were no additional commitments to lend additional funds to members whose loans were classified as troubled debts restructured at June 30, 2014.

The following table provides an age analysis of past due loans (including accrued interest) as of June 30, 2014:

	Past Due		
	30 – 89 Days	≥ 90 Days	Total
Long-term farm mortgage	$ 1,609	$ 21	$ 1,630
Country home	-	-	-
Farm related business	53	615	668
Production and intermediate term	233	285	518
Total loans past due	$ 1,895	$ 921	$ 2,816

There were no loans that were 90 days or more past due but still classified as accrual at June 30, 2014.

The following table shows loans and related accrued interest classified under the FCA Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

	June 30, 2014	December 31, 2013
Long-term farm mortgage		
Acceptable	36.8%	34.2%
OAEM*	1.3%	1.8%
Substandard/doubtful	2.2%	1.4%
	40.3%	37.4%
Country home		
Acceptable	0.5%	0.5%
OAEM*	0.1%	0.1%
Substandard/doubtful	0.0%	0.0%
	0.6%	0.6%
Farm related business		
Acceptable	14.6%	14.0%
OAEM*	0.1%	0.2%
Substandard/doubtful	0.5%	0.4%
	15.2%	14.6%
Production and intermediate term		
Acceptable	40.3%	43.6%
OAEM*	1.5%	1.9%
Substandard/doubtful	2.1%	1.9%
	43.9%	47.4%
Total Loans		
Acceptable	92.2%	92.3%
OAEM*	3.0%	4.0%
Substandard/doubtful	4.8%	3.7%
	100.0%	100.0%

*Other Assets Especially Mentioned

The following tables present information on impaired loans and related amounts in the Allowance for Loan Losses:

	At June 30, 2014		
	Recorded Investment	Unpaid Principal Balance*	Related Allowance
Impaired Loans with a related allowance for loan losses:			
Long-term farm mortgage	$ 1,730	$ 2,213	$ 175
Farm related business	699	808	48
Production and intermediate term	641	1,121	221
Total	$ 3,070	$ 4,142	$ 444
Impaired Loans with no related allowance for loan losses:			
Long-term farm mortgage	$ 10	$ 25	$ -
Production and intermediate term	9	26	-
Total	$ 19	$ 51	$ -
Total Impaired Loans:			
Long-term farm mortgage	$ 1,740	$ 2,238	$ 175
Farm related business	699	808	48
Production and intermediate term	650	1,147	221
Total	$ 3,089	$ 4,193	$ 444

	At December 31, 2013		
	Recorded Investment	Unpaid Principal Balance*	Related Allowance
Impaired Loans with a related allowance for loan losses:			
Long-term farm mortgage	$ 2,075	$ 2,540	$ 219
Farm related business	480	663	36
Production and intermediate term	757	1,222	221
Total	$ 3,312	$ 4,425	$ 476
Impaired Loans with no related allowance for loan losses:			
Long-term farm mortgage	$ 11	$ 26	$ -
Production and intermediate term	12	33	-
Total	$ 23	$ 59	$ -
Total Impaired Loans:			
Long-term farm mortgage	$ 2,086	$ 2,566	$ 219
Farm related business	480	663	36
Production and intermediate term	769	1,255	221
Total	$ 3,335	$ 4,484	$ 476

*Unpaid principal balance represents the borrower's contractual balance of the loan.

The following table presents additional information on impaired loans:

	Three Months Ended			
	June 30, 2014		June 30, 2013	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired Loans with a related allowance for loan losses:				
Long-term farm mortgage	$ 1,958	$ 38	$ 3,774	$ 72
Farm related business	846	-	754	-
Production and intermediate term	573	-	815	74
Total	$ 3,377	$ 38	$ 5,343	$ 146
Impaired Loans with no related allowance for loan losses:				
Long-term farm mortgage	$ 10	$ -	$ 14	$ -
Production and intermediate term	9	-	12	-
Total	$ 19	$ -	$ 26	$ -
Total Impaired Loans:				
Long-term farm mortgage	$ 1,968	$ 38	$ 3,788	$ 72
Farm related business	846	-	754	-
Production and intermediate term	582	-	827	74
Total	$ 3,396	$ 38	$ 5,369	$ 146

	Six Months Ended			
	June 30, 2014		June 30, 2013	
	Average Impaired Loans	Interest Income Recognized	Average Impaired Loans	Interest Income Recognized
Impaired Loans with a related allowance for loan losses:				
Long-term farm mortgage	$ 2,008	$ 45	$ 3,855	$ 91
Farm related business	875	-	757	-
Production and intermediate term	602	-	849	76
Total	$ 3,485	$ 45	$ 5,461	$ 167
Impaired Loans with no related allowance for loan losses:				
Long-term farm mortgage	$ 10	$ -	$ 14	$ -
Production and intermediate term	10	-	12	-
Total	$ 20	$ -	$ 26	$ -
Total Impaired Loans:				
Long-term farm mortgage	$ 2,018	$ 45	$ 3,869	$ 91
Farm related business	875	-	757	-
Production and intermediate term	612	-	861	76
Total	$ 3,505	$ 45	$ 5,487	$ 167

A summary of changes in the allowance for loan losses and period end recorded investment in loans is as follows:

	Long-term Farm Mortgage	Country Home	Farm Related Business	Production & Intermediate Term	Total
Allowance for Loan Losses:					
Balance at March 31, 2014	$ 3,286	$ 44	$ 403	$ 1,631	$ 5,364
Charge-offs	-	-	(19)	-	(19)
Recoveries	-	-	-	-	-
Provision for (reversal of provision for) loan losses	466	1	23	55	545
Balance at June 30, 2014	$ 3,752	$ 45	$ 407	$ 1,686	$ 5,890
Balance at December 31, 2013	$ 3,153	$ 40	$ 374	$ 1,619	$ 5,186
Charge-offs	-	-	(19)	-	(19)
Recoveries	-	-	6	-	6
Provision for (reversal of provision for) loan losses	599	5	46	67	717
Balance at June 30, 2014	$ 3,752	$ 45	$ 407	$ 1,686	$ 5,890
Ending Balance: individually evaluated for impairment	$ 175	$ -	$ 48	$ 220	$ 443
Ending Balance: collectively evaluated for impairment	3,577	45	359	1,466	5,447
Balance at June 30, 2014	$ 3,752	$ 45	$ 407	$ 1,686	$ 5,890
Balance at March 31, 2013	$ 2,724	$ 71	$ 343	$ 1,732	$ 4,870
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Provision for (reversal of provision for) loan losses	340	-	(31)	(142)	167
Balance at June 30, 2013	$ 3,064	$ 71	$ 312	$ 1,590	$ 5,037
Balance at December 31, 2012	$ 2,586	$ 67	$ 238	$ 1,897	$ 4,788
Charge-offs	-	-	-	-	-
Recoveries	-	-	7	-	7
Provision for (reversal of provision for) loan losses	478	4	67	(307)	242
Balance at June 30, 2013	$ 3,064	$ 71	$ 312	$ 1,590	$ 5,037
Ending Balance: individually evaluated for impairment	$ 328	$ -	$ 36	$ 211	$ 575
Ending Balance: collectively evaluated for impairment	2,736	71	276	1,379	4,462
Balance at June 30, 2013	$ 3,064	$ 71	$ 312	$ 1,590	$ 5,037

Recorded Investment in Loans Outstanding:	Long-term Farm Mortgage	Country Home	Farm Related Business	Production & Intermediate Term	Total
			At June 30, 2014		
Ending Balance for loans individually evaluated for impairment	$ 1,737	$ -	$ 699	$ 651	$ 3,087
Ending Balance for loans collectively evaluated for impairment	174,064	2,383	25,665	196,735	398,847
Ending Balance at June 30, 2014	$ 175,064	$ 2,383	$ 26,364	$ 197,386	$ 401,934
			At December 31, 2013		
Ending Balance for loans individually evaluated for impairment	$ 2,084	$ -	$ 480	$ 769	$ 3,333
Ending Balance for loans collectively evaluated for impairment	163,398	2,324	28,562	215,597	409,971
Ending Balance at December 31, 2013	$ 165,483	$ 2,324	$ 29,132	$ 216,366	$ 413,304

The methodology for determining the Allowance for Credit Losses takes into consideration potential losses related to unfunded commitments, and as a result, we have established a separate Reserve for Unfunded Commitments, which is included on the Association's balance sheet.

The provision for the Reserve for Unfunded Commitments is part of the Provision for Credit Losses on the income statement. The components of the Provision for Credit Losses are presented in the table below:

	Six Months Ended June 30,	
	2014	2013
Provision for loan losses	$ 717	$ 242
Provision for unfunded commitments	15	(81)
Total provision for credit losses	$ 732	$ 161

NOTE 3 - CAPITAL

Please see the 2013 Annual Report to Shareholders, particularly Note 7 to the Financial Statements, for a description of the Association's capitalization policies. The Association's requirement for purchased equities (stock and participation certificates) is presently the legal minimum of 2.0% of the loan with a cap of $1 thousand.

The patronage distribution for 2013 was $4.934 million and was distributed 100% in cash on March 25, 2014. A patronage distribution program is also in effect for 2014. The amount of the patronage distribution for 2014 will depend on financial results for the year as a whole and is therefore not known with certainty at this time. However, management estimates that the patronage distribution attributable to the first two quarters of 2014 is approximately $2.326 million. Management believes it is probable that the 2014 patronage distribution will be paid 100% in cash. Therefore, the accompanying financial statements show an interim accrual at the end of the second quarter of 2014 for patronage distribution payable of $2.326 million. The corresponding interim accrual at the end of the first two quarters of 2013 for patronage distribution payable was $2.123 million (also 100% cash).

The Association's regulatory capital ratios were:

	Value At		
	June 30, 2014	December 31, 2013	Regulatory Minimum
Core surplus ratio	18.7%	18.5%	3.5%
Total surplus ratio	18.7%	18.5%	7.0%
Permanent capital ratio	19.0%	18.7%	7.0%

Additionally, for 2014, the Association has established an internal minimum of 16.0% for the permanent capital ratio and a goal range of 17.5% - 19.5%. The ratio at June 30, 2014, as indicated above, is not indicative of the full year.

NOTE 4 - INCOME TAXES

Please see the 2013 Annual Report to Shareholders, particularly Note 8 to the Financial Statements, for a description of the Association's deferred tax assets and liabilities and the corresponding valuation allowance. There were no significant changes in the composition or valuation of tax assets/liabilities during the second quarter of 2014.

NOTE 5 - FAIR VALUE MEASUREMENTS

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. Please see the 2013 Annual Report to Shareholders, particularly Note 2L and Note 11 to the Financial Statements, for a more complete description.

The Association had no assets measured at a fair value on a recurring basis at June 30, 2014 or at December 31, 2013.

Assets measured at a fair value on a non-recurring basis at June 30, 2014 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Impaired loans	$ -	$ -	$ 3,087
Total Assets	$ -	$ -	$ 3,087

Assets measured at a fair value on a non-recurring basis at December 31, 2013 are summarized below:

	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Assets:			
Impaired loans	$ -	$ -	$ 3,333
Total Assets	$ -	$ -	$ 3,333

There were no liabilities measured at fair value on a recurring or non-recurring basis at June 30, 2014.

As more fully discussed in Note 2L and Note 11 of the 2013 Annual Report to Shareholders, accounting 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 Associations' assets.

Impaired Loans: For certain loans evaluated for impairment, the fair value is based upon the underlying collateral since the loans were collateral dependent loans. 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 results, these fair value measurements fall within Level 3 of the hierarchy. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the Balance Sheet for each of the fair value hierarchy values are summarized as follows:

	June 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Loans, net	$ 396,044	$ 396,624	$ 408,118	$ 408,307
Cash	2,165	2,165	1,282	1,282
Investment in CoBank, ACB	15,130	15,130	14,952	14,952
Financial Liabilities:				
Notes payable to CoBank, ACB	$ 328,686	$ 328,462	$ 339,736	$ 338,986

A description of the methods and assumptions used to estimate the fair value of the Association's financial instruments for which it is practicable to estimate that value follows:

Loans: Fair value is estimated by discounting the expected future cash flows using the Association's and/or CoBank's current interest rates at which similar loans would be made to borrowers with similar credit risk. As discount rates are based on the Association's current loan rates as well as management estimates, management has no basis to determine whether the estimated fair values presented would be indicative of assumptions and adjustments that a purchaser of the Association's loans would see in an actual sale, which could be less.

Cash: The carrying value is a reasonable estimate of the fair value.

Note Payable to CoBank, ACB: The note payable is segregated into pricing pools according to the types and terms of the loans (or other assets) which it funds. Fair value of the note payable is estimated by discounting the anticipated cash flows of each pricing pool using the current rate that would be charged for additional borrowings. For purposes of this estimate it is assumed the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures.

NOTE 6 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through August 6, 2014, which is the date the financial statements were available to be issued. No subsequent events were identified that would require additional disclosures or adjustments to the financial statements.

YANKEE FARM CREDIT, ACA
OFFICE LOCATIONS

Yankee Farm Credit, ACA
9784 Route 9
P.O. Box 507
Chazy, NY 12921
(800) 545-8374
(518) 846-7330

Yankee Farm Credit, ACA
1436 Exchange Street
P.O. Box 350
Middlebury, VT 05753
(800) 545-1169
(802) 388-2692

Yankee Farm Credit, ACA
41 Highland Avenue
P.O. Box 537
Newport, VT 05855
(800) 370-2738
(802) 334-8050

Yankee Farm Credit, ACA
130 Upper Welden Street
P.O. Box 240
St. Albans, VT 05478
(800) 545-1097
(802) 524-7800

Yankee Farm Credit, ACA
52 Farmvu Drive
P.O. Box 1009
White River Jct., VT 05001
(800) 370-3276
(802) 295-3670

Yankee Farm Credit, ACA
289 Hurricane Lane, Suite 102
P.O. Box 467
Williston, VT 05495
(800) 639-3053
(802) 879-4700

Website: www.yankeeaca.com