FARM CREDIT FOUNDATIONS

BEST TOTAL VALUE IN HR SERVICES

2019 ANNUAL REPORT
Farm Credit Foundations is a collaboration of Farm Credit employers who have come together to create centralized HR shared services focused on meeting their own human capital needs. We are a federally chartered instrumentality of the United States, chartered by the Farm Credit Administration, operating independently since January 1, 2012.

Our participating Farm Credit organizations span 30 states and employ over 9,400 employees. We provide competitive and economic value by acting as one employer.

Farm Credit Foundations employers access HR industry thought leadership and best practices through the expertise and breadth of experience of Foundations team members located in St. Paul, MN. Employers capture the efficiencies and effectiveness of shared benefits design, administration, asset management, payroll services, and related HR offerings. Through Foundations, their organizations are able to stay ahead of an increasingly complex and competitive workforce management environment.

Foundations Consulting offers cost effective, customized solutions in a wide range of HR services to support Farm Credit organizations and agricultural cooperatives. We help ensure Farm Credit offers market competitive compensation and compliance with affirmative action planning and other laws and regulations. Foundations Consulting offers boards the support they need to make decisions on chief executive pay decisions.
“We are grounded in a mutual caring for the people and mission of the Farm Credit System.”

Foundations helps their owners and clients achieve strategic advantage by:

- Designing and offering a competitive benefits package for attraction and retention of talent
- Pooling plan assets in the investment markets to gain economic muscle and lower fee structures
- Leveraging new generation HR information technology to achieve efficiencies and service at economical costs
- Ensuring expertise is readily available for the challenges of benefits, payroll and HRIS
- Providing support and expertise in compensation strategy and HR compliance
- Providing employees and their families with the best network of providers for where they live
- Advocacy for navigating difficult medical issues and complex retirement situations
- Ensuring decisions are made on what is best for our owners businesses and not on profitability
We are pleased to share our 2019 Annual Report. We are proud of the year’s accomplishments in support of our commitment to provide high quality benefit products and HR services that aid our employers in being the employer of choice in the communities they serve. Our strategic imperatives of strong economic value, operational excellence, thought leadership and partnership focus us on bringing our owners the greatest value.

We have performed well against our strategy to bring our employers strong economic value by managing costs while continuing to provide top, quality employee benefits and services. 2019 was a successful year, resulting in $741,357 in patronage paid and employer medical premium rebates of 17% ($17.4 million). Results also include exceeding industry benchmarks for:

- Our benefits’ perceived value by employees, as they viewed our benefits meeting their families’ needs and as providing greater value than what your competitors offer; and
- The value employers receive for the cost of providing employee benefits.

A key strategy was providing thought leadership and expertise to promote employee health and wellness through the right behaviors. To this end, Farm Credit Foundations brought new services to improve medical outcome, decrease medical spending and increase quality of care through ConsumerMedical and the implementation of the Health Advocate service through Blue Cross and Blue Shield of Illinois. We continuously refresh the HealthyReturns wellness program to create engaging content to encourage the behaviors that lead to good health and to maintain our higher than average wellness participation rates.

Building sufficient retirement savings has become critically important to the financial wellness of employees, with less than 17% of employees covered by the legacy pension plans. Our 401(k) plan measures as a top performer in employee participation, rates of deferral and low cost of investment fees.

Finally, our strategic imperative to truly partner with the employers we serve and provide the operational excellence our employers need resulted in 100% of our employers responding that we meet or exceed the needs of their business.

Our success is a reflection of the continued support we receive from our owners. It is with gratitude that we extend our appreciation of your business, your confidence, and your continued partnership.

With deep regard,

Stephanie Wise
Chair, Board of Directors

Teresa Heath-Alva
Chief Executive Officer
As the world of work changes, so does the face of the employees we serve.

Headcount: 9,416

Gender:
- Female: 57%
- Male: 43%

Generation:
- Generation Z: 23%
- Millennial: 38%
- Generation X: 38%
- Baby Boomer: 1%

Generation Z: Born after 1997
Millennial: Born in or between 1982-1997
Generation X: Born in or between 1966-1981
Baby Boomer: Born in between 1945-1965

Includes 10 traditionalists before 1945

Changing Face of the Workforce

Length of Service by Generation

- 0-5 Years: 2%
- 5-10 Years: 45%
- 11-15 Years: 28%
- 16-20 Years: 4%
- 21-30 Years: 47%
- 31+ Years: 6%

Turnover does not include temporary employees or interns. The headcount includes all employees.

Defined Benefit Plan

Active Participants in Defined Benefit Retirement Plans (17% of employee population)

- AgriBank District: 1,578
- Northwest FCS: 14
- Wichita Employers: 117
- Western Employers: 39

Defined Benefit Plan Glide Path Strategy (pension de-risking strategy)

The glide path strategy involves shifting assets from return-seeking assets (equities) to liability-hedging assets (fixed income) over time as the Plans' funded ratios improve. The glide path is triggered when a Plan reaches 80% funded.

Funded Ratio - As of 12/31/2019

- 83.4%: AgriBank District
- 84.1%: Northwest FCS
- 75.4%: Wichita Employers
- 76%: Western Employers

Assets — $1.7B
$100M+ ANNUALLY IN MEDICAL EXPENSES

23,000+ LIVES COVERED
30.7 AVERAGE AGE OF LIVES COVERED
2.8 AVERAGE FAMILY SIZE OF LIVES COVERED
260,000 APPROXIMATE CLAIMS PROCESSED

Cancer & Musculoskeletal (knee and hip replacements) TOP DIAGNOSED CONDITIONS

PROGRAM YEAR 6 AT A GLANCE
(June 1, 2018 – June 1, 2019)

5,365 Employees (59%) took the health assessment.
2.6 Average number of health risks for employees, which is the same as StayWell’s book of business.

PROGRAM YEAR 6 Q1 Results
(data as of 9/26/18)

Health Assessment
3,062 Completions

Biometric Screening
1,558 Completions

Both HA and Screening
1,158 Completions

Healthy Take Action Programs (Unique)
1,637 Completions

YEAR OVER YEAR COMPARISON

PROGRAM YEAR 7 Q1 Results
(data as of 9/30/19)

Health Assessment
4,180 Completions

Biometric Screening
2,389 Completions

Both HA and Screening
2,319 Completions

Healthy Take Action Programs (Unique)
2,711 Completions

34% 44%
17% 25%
13% 25%
18% 29%

Average number of health risks for employees, which is the same as StayWell’s book of business.
Before accounting for what is paid via payroll deductions, the All Benefits Total Value (index of 103) is slightly above the market average. However, because the employee premiums are lower than benchmarks, the resulting net All Benefits Employer-Paid Value is materially better than market with an index of 110.

For highly-valued benefits, the Employer-Paid value is nearly 20% greater than the market average. The retirement savings benefit (3% fixed contribution + 6% match) has an Employer-Paid Value of 119. Similarly, the active medical plan Employer-Paid Value is 118.

Paid Time-Off benefits also contribute significantly to the All Benefits result. Time-off provisions vary by employer but are generally valued near the market average.

Survey gathers perceptions by employees of the Farm Credit Foundations benefits plans, and benchmarking insights of external organizations’ employees.

88% of participants say their overall benefits program is meeting their needs.

97% reporting they view the Farm Credit Foundations benefits program as competitive or better.

Medical and prescription drug coverage is considered most important benefit followed by 401(k), and paid time off.
2019 BOARD OF DIRECTORS

REPRESENTING OUR CLIENT-OWNERS

STEPHANIE WISE
Chair Director
Compeer Financial

GEORGE FONTES
Vice Chair Director
American AgCredit

ANN FINKNER
SVP / Chief Administrative Officer
FCS of America / Frontier Farm Credit

ROD HEBRINK
Chief Executive Officer
Compeer Financial

JAMES MCJUNKINS
President / CEO
Farm Credit Midsouth

KATHY PAYNE
Senior Vice President, Human Resources
Northwest FCS

ED REED
Director
GreenStone Farm Credit Services

TOM TRACY
Chair
Chief Financial Officer
FCS Financial

JEFF MOORE
Chair
Chief Financial Officer
AgBank

AARON JOHNSON
Vice Chair
CFO
Farm Credit Illinois

ROGER BASTOW
Executive Vice President
Chief Administrative Officer
American AgCredit

SUSAN VOSS
Director
FCS of America

DAN WAGNER
Executive Vice President
Chief Operating Officer
Farm Credit MidAmerica

ALLEN “WESS” WELLS
Director
Farm Credit of New Mexico

ANDREW WILSON
Director
Farm Credit MidAmerica

STEVE HARRINGTON
Executive Vice President and Chief Financial Officer
FCS Financial

CRAIG KINNISON
Executive Vice President and Chief Financial Officer
Farm Credit Services of America / Frontier Farm Credit

TOM NAKANO
Executive Vice President
Chief Administrative Officer and CFO
Northwest FCS

KEVIN SWAYNE
President / CEO
High Plains Farm Credit

HEATHER VIDOUERK
Senior Vice President
Human Capital
Farm Credit MidAmerica

JASE WAGNER
CFO
Compeer Financial
REPORT OF AUDIT COMMITTEE
Farm Credit Foundations

The financial statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of a subset of the Board of Directors of Farm Credit Foundations. The Audit Committee oversees the scope of the internal audit program, the approval, and independence of CliftonLarsonAllen as independent auditors, the adequacy of the internal controls and procedures, and the adequacy of management’s actions with respect to recommendations arising from those auditing activities. The Audit Committee’s responsibilities are described more fully in the Internal Control Policy and the Audit Committee Charter.

Management is responsible for internal controls and the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. CliftonLarsonAllen is responsible for performing an independent audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and to issue their report based on their audit. The Audit Committee’s responsibilities include monitoring and overseeing these processes.

In this context, the Audit Committee reviewed and discussed the audited financial statements for the year ended December 31, 2019, with management. The Audit Committee also reviewed with CliftonLarsonAllen the matters required to be discussed by Statement on Auditing Standards No. 114, The Auditor’s Communication with Those Charged with Governance, and the report on significant matters to the Audit Committee.

The Audit Committee had discussions with and received written disclosures from CliftonLarsonAllen confirming its independence. The Audit Committee also reviewed the non-audit services provided by CliftonLarsonAllen, if any, and concluded these services were not incompatible with maintaining CliftonLarsonAllen’s independence. The Audit Committee discussed with management and CliftonLarsonAllen any other matters and received such assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions, and relying thereon, the Audit Committee recommended that the Board of Directors include the audited financial statements in the Annual Report for the year ended December 31, 2019.

Dan Wagner, Chairperson of the Audit Committee

March 3, 2020

REPORT OF MANAGEMENT
Farm Credit Foundations

We prepare the financial statements of Farm Credit Foundations and are responsible for their integrity and objectivity, including amounts that must be based on judgments and estimates. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements, in our opinion, fairly present the financial condition of Farm Credit Foundations. Other financial information included in the Annual Report is consistent with the financial statements.

To meet our responsibility for reliable financial information, we depend on accounting and internal control systems designed to provide reasonable, but not absolute assurance that assets are safeguarded and transactions are properly authorized and recorded. Costs must be reasonable in relation to the benefits derived when designing accounting and internal control systems. Financial operations audits are performed to monitor compliance. CliftonLarsonAllen, our independent auditors, audit the financial statements. They also conduct a review of internal controls to the extent necessary to comply with auditing standards generally accepted in the United States of America. The Farm Credit Administration also performs examinations for safety and soundness as well as compliance with applicable laws and regulations.

The Board of Directors has overall responsibility for our system of internal control and financial reporting. The Board of Directors and its Audit Committee consults regularly with us and meets periodically with the independent auditors and other auditors to review the scope and results of their work. The independent auditors have direct access to the Board of Directors, which is composed solely of directors who are not officers or employees of Farm Credit Foundations.

The undersigned certify we have reviewed Farm Credit Foundations Annual Report and it has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Stephanie Wise,
Chair, Board of Directors, Farm Credit Foundations

Teresa Heath-Alva,
Chief Executive Officer, Farm Credit Foundations

Ken Roth,
Chief Financial Officer, Farm Credit Foundations

March 3, 2020
INDEPENDENT AUDITORS' REPORT

Board of Directors
Farm Credit Foundations
St. Paul, Minnesota

We have audited the accompanying financial statements of Farm Credit Foundations, which comprise the balance sheets as of December 31, 2019, 2018, and 2017, and the related statements of operations, changes in member equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Farm Credit Foundations as of December 31, 2019, 2018, and 2017, and the results of its operations, its member equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Minneapolis, Minnesota

March 3, 2020
### Statements of Changes in Member Equity

#### Years Ended December 31, 2019, 2018, and 2017

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Member Capital Contributed</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unallocated Surplus Designated for Patronage Distributions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,160,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Statement of Operations

#### Years Ended December 31, 2019, 2018, and 2017

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Income</strong></td>
<td>$8,066,873</td>
<td>$7,577,532</td>
<td>$7,706,855</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Employee Benefits</td>
<td>5,405,572</td>
<td>5,379,093</td>
<td>5,367,822</td>
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<tr>
<td>Purchased Services</td>
<td>923,167</td>
<td>663,881</td>
<td>707,267</td>
</tr>
<tr>
<td>Occupancy and Equipment</td>
<td>284,437</td>
<td>284,437</td>
<td>284,437</td>
</tr>
<tr>
<td>Depreciation</td>
<td>134,639</td>
<td>164,593</td>
<td>167,631</td>
</tr>
<tr>
<td>Interest</td>
<td>4,760</td>
<td>5,347</td>
<td>5,921</td>
</tr>
<tr>
<td>Other</td>
<td>542,245</td>
<td>469,698</td>
<td>414,500</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>7,294,820</td>
<td>6,967,049</td>
<td>6,947,578</td>
</tr>
<tr>
<td><strong>Income Before Income Taxes</strong></td>
<td>772,053</td>
<td>610,483</td>
<td>799,277</td>
</tr>
<tr>
<td>Provision for Income Taxes</td>
<td>30,685</td>
<td>25,293</td>
<td>126,867</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$741,358</td>
<td>$585,190</td>
<td>$632,410</td>
</tr>
</tbody>
</table>

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See accompanying Notes to Financial Statements.
NOTE 1 ORGANIZATION AND OPERATIONS

Farm Credit Foundations (the Foundations) is engaged principally in providing human resource services to Farm Credit System institutions on a fee basis. Foundations provides benefits design and administration, payroll processing, HRIS technology, compensation consulting, performance management and compliance support. Capitalization for Foundations was obtained through the sale of stock to certain Farm Credit System entities, including 33 Farm Credit associations, one service corporation (AgVantis), and one Farm Credit Bank (AgriBank, FCB).

The Farm Credit Administration (FCA) chartered Foundations as a service corporation under Section 4.25 of the Farm Credit Act of 1987, as amended. The FCA has authority to charter and regulate the Farm Credit System Banks, Associations, and Service Corporations. The FCA examines the activities of Farm Credit System institutions to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound practices.

The board of directors of Foundations is comprised of 12 directors, who are affiliated with the 36 employee owner entities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Foundations conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires Foundations’ management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes, as applicable. Actual results may differ from those estimates.

Cash
Cash, as included in the financial statements, represents Foundations’ funds invested with Farm Credit Employee Credit Union. The account is interest bearing. At times, the amount will exceed deposit insurance limits.

Furniture and Equipment
Property and equipment are stated at cost. All major expenditures for property and equipment $5,000 and above are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years.

Employee Benefits Plan
The AgriBank District has various post-employment pension related benefit plans in which Foundations employees participate.
NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Recognition of deferred tax assets is based upon management’s belief that it is more likely than not that the tax benefits associated with Foundations’ temporary differences will be realized in the future. A valuation allowance is recorded when it is more likely than not that realization will not occur. The expected future tax consequences of uncertain income tax positions are accrued.

Earnings Patronage

Recognition of deferred tax assets is based upon management’s belief that it is more likely than not that the tax benefits associated with Foundations’ temporary differences will be realized in the future. A valuation allowance is recorded when it is more likely than not that realization will not occur. The expected future tax consequences of uncertain income tax positions are accrued.

Earnings Patronage

Recognition of deferred tax assets is based upon management’s belief that it is more likely than not that the tax benefits associated with Foundations’ temporary differences will be realized in the future. A valuation allowance is recorded when it is more likely than not that realization will not occur. The expected future tax consequences of uncertain income tax positions are accrued.

Income Recognition

Income is recognized on an accrual basis when services are provided and the performance obligations are met related to payroll processing and other consulting and administrative support, and recognized as services are provided, which happens evenly over the course of the year.

Fair Value Measurement

The FASB guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that Foundations has the ability to access at the measurement date. Level 1 assets include assets held in trust funds that relate to deferred compensation and the supplemental retirement plans. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates and (d) inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Unobservable inputs are those that are supported by little or no market activity and that are significant to the determination of the fair value of the assets or liabilities. These unobservable inputs would reflect Foundations’ own assumptions about assumptions that market participants would use in pricing the asset or liability.

The fair value disclosures are presented in Note 8.

Employee Benefits Plan (Continued)

Certain employees also participate in the AgriBank District Retirement Plan. The plan is comprised of two benefit formulas. At their option, employees hired prior to October 1, 2001 are on the cash balance formula or on the final average pay formula. Benefits eligible employees hired between October 1, 2001 and December 31, 2006 are on the cash balance formula. Effective January 1, 2007, the AgriBank District Retirement Plan was closed to new employees. The AgriBank District Retirement Plan utilizes the “Projected Unit Credit” actuarial method for financial reporting and funding purposes.

Foundations also provides certain health insurance benefits to eligible retired employees according to the terms of those benefit plans. The anticipated cost of these benefits is accrued during the employees’ active service period.

The defined contribution plan allows eligible employees to save for their retirement either pre-tax, post-tax, or both, with an employer match on a percentage of the employee’s contributions. We provide benefits under this plan for those employees that do not participate in the AgriBank District Retirement Plan in the form of a fixed percentage of salary contribution in addition to the employer match. Employer contributions are expensed when incurred.

Certain employees also participate in the Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the Internal Revenue Service (IRS), are either a Chief Executive Officer or President of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the retirement savings plan if it were not for certain IRS limitations. Currenty no employees are participating in this plan.

Certain employees also participate in the Nonqualified Defined Benefit Pension Restoration Plan of the AgriBank District. This plan restores retirement benefits to certain highly compensated eligible employees that would have been provided under the qualified plan if such benefits were not above the Internal Revenue Code compensation or other limits. Currently no employees are participating in this plan.

Income Taxes

Foundations has provided for federal and state income taxes. Deferred tax assets and liabilities are established for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Temporary differences are transactions reported for tax purposes in periods different from the periods when such transactions are reported in Foundations’ financial statements. Deferred tax assets represent the tax benefit of future deductible temporary differences.

The fair value disclosures are presented in Note 8.
NOTE 4  INCOME TAXES

The provision for income taxes consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>19,010</td>
<td>30,752</td>
<td>15,751</td>
</tr>
<tr>
<td>State</td>
<td>11,241</td>
<td>18,244</td>
<td>10,932</td>
</tr>
<tr>
<td>Total Current Tax Expense</td>
<td>30,251</td>
<td>48,996</td>
<td>26,683</td>
</tr>
<tr>
<td>Deferred Tax Benefit:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>293</td>
<td>(15,624)</td>
<td>96,578</td>
</tr>
<tr>
<td>State</td>
<td>151</td>
<td>(8,079)</td>
<td>3,606</td>
</tr>
<tr>
<td>Total Deferred Tax Benefit</td>
<td>444</td>
<td>(23,703)</td>
<td>100,184</td>
</tr>
<tr>
<td>Total Provision for Income Taxes</td>
<td>30,695</td>
<td>25,293</td>
<td>126,867</td>
</tr>
</tbody>
</table>

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Tax at Statutory Rate</td>
<td>162,131</td>
<td>128,201</td>
<td>258,154</td>
</tr>
<tr>
<td>State Tax, Net of Federal Benefit</td>
<td>2,376</td>
<td>47,264</td>
<td>49,110</td>
</tr>
<tr>
<td>Permanent Differences between Book and Tax Provision</td>
<td>21,873</td>
<td>(18,022)</td>
<td>-</td>
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<tr>
<td>Deductible Patronage Distributions</td>
<td>(155,685)</td>
<td>(168,194)</td>
<td>(215,019)</td>
</tr>
<tr>
<td>Impact on Deferred Tax Asset from Rate Changes</td>
<td>-</td>
<td>-</td>
<td>85,295</td>
</tr>
<tr>
<td>Effect of Graduated Rates</td>
<td>-</td>
<td>-</td>
<td>(50,673)</td>
</tr>
<tr>
<td>Provision for Income Taxes</td>
<td>30,695</td>
<td>25,293</td>
<td>126,867</td>
</tr>
</tbody>
</table>

Deferred tax assets are comprised from the following:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Incentives</td>
<td>220,533</td>
<td>222,002</td>
<td>199,286</td>
</tr>
<tr>
<td>Accrued Annual Leave</td>
<td>13,821</td>
<td>13,821</td>
<td>13,710</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(2,025)</td>
<td>(3,050)</td>
<td>(3,926)</td>
</tr>
<tr>
<td>Deferred Tax Asset</td>
<td>232,329</td>
<td>232,773</td>
<td>209,070</td>
</tr>
</tbody>
</table>

The calculation of tax assets and liabilities involves various management estimates and assumptions as to the future taxable earnings. A valuation reserve for the deferred tax assets was not necessary at December 31, 2019, 2018, and 2017.

Foundations had no uncertain tax positions to be recognized as of December 31, 2019, 2018, and 2017.
NOTE 5  EMPLOYEE BENEFIT PLANS

Complete financial information for the pension and postemployment benefit plans may be found in the Combined AgriBank and Affiliated Associations 2019 Annual Report (District financial statements).

The Farm Credit Foundations Plan Sponsor and Trust Committees provide oversight of the benefit plans. These governance committees are comprised of elected or appointed representatives (senior leadership and/or board of director members) from the participating organizations. The Plan Sponsor Committee is responsible for employer decisions regarding all benefit plans including retirement benefits. These decisions could include plan design changes, vendor changes, determination of employer subsidies (if any), and termination of specific benefit plans. Any action to change or terminate the retirement plan can only occur at the direction of the AgriBank District participating employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

Pension Plan

Certain employees participate in the AgriBank District Retirement Plan, a District-wide multiple-employer defined benefit retirement plan. The Department of Labor has determined the plan to be a governmental plan; therefore, the plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). As the plan is not subject to ERISA, the plan’s benefits are not insured by the Pension Benefit Guaranty Corporation. Accordingly, the amount of accumulated benefits that participants would receive in the event of the plan’s termination is contingent on the sufficiency of the plan’s net assets to provide benefits at that time. This Plan is noncontributory and covers certain eligible District employees. The assets, liabilities, and costs of the plan are not segregated for any of the participating employers’ retirees at any point in time. Additionally, if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Further, if we choose to stop participating in the plan, we may be required to pay an amount based on the underfunded status of the plan. Because of the nature of the plan, any individual employer is not able to unilaterally change the provisions of the plan. If an employee transfers to another employer within the same plan, the employee benefits under the plan transfer. Benefits are based on salary and years of service. There is no collective bargaining agreement in place as part of this plan.

The unfunded liability reflects the net of the fair value of the plan assets and the projected benefit obligation at the date of these financial statements. The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to the measurement date based on assumed future compensation levels. The accumulated benefit obligation is the actuarial present value of the benefits attributed to employee service rendered before the measurement date and based on current employee service and compensation. The funding status is subject to many variables including performance of plan assets and interest rate levels. Therefore, changes in assumptions could significantly affect these estimates.

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Foundations allocated share of plan expenses is included in Salaries and Employee Benefits” in the statements of operations in the amounts of $282 thousand, $326 thousand, and $295 thousand for 2019, 2018, and 2017, respectively.

Benefits paid to participants in the District were $68.8 million in 2019. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2020 is $50.0 million. Our allocated share of these pension contributions is expected to be $334 thousand. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.

NOTE 5  EMPLOYEE BENEFIT PLANS (CONTINUED)

Pension Plan (Continued)

<table>
<thead>
<tr>
<th>AgriBank District Retirement Plan Information</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>As of December 31</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unfunded liability</td>
<td>$220,794</td>
<td>$272,460</td>
<td>$352,517</td>
</tr>
<tr>
<td>Projected benefit obligation</td>
<td>1,421,126</td>
<td>1,272,063</td>
<td>1,371,013</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>1,200,332</td>
<td>997,613</td>
<td>1,018,497</td>
</tr>
<tr>
<td>Accumulated benefit obligation</td>
<td>1,298,942</td>
<td>1,125,682</td>
<td>1,184,550</td>
</tr>
<tr>
<td>For the year ended December 31</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions by participating employers</td>
<td>90,000</td>
<td>90,000</td>
<td>90,000</td>
</tr>
<tr>
<td>Our allocated share of contributions</td>
<td>334</td>
<td>326</td>
<td>295</td>
</tr>
</tbody>
</table>

Fair value of plan assets 1,200,332 1,018,497 1,184,550
Unfunded liability 220,794 272,460 352,517
Accumulated benefit obligation 1,298,942 1,125,682 1,184,550

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Foundations allocated share of plan expenses is included in Salaries and Employee Benefits” in the statements of operations in the amounts of $282 thousand, $326 thousand, and $295 thousand for 2019, 2018, and 2017, respectively.

Benefits paid to participants in the District were $68.8 million in 2019. While the plan is a governmental plan and is not subject to minimum funding requirements, the employers contribute amounts necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits to be paid to participants. The amount of the total District employer contributions expected to be paid into the pension plan during 2020 is $50.0 million. Our allocated share of these pension contributions is expected to be $334 thousand. The amount ultimately to be contributed and the amount ultimately recognized as expense as well as the timing of those contributions and expenses, are subject to many variables including performance of plan assets and interest rate levels. These variables could result in actual contributions and expenses being greater than or less than the amounts reflected in the District financial statements.
NOTE 5  EMPLOYEE BENEFIT PLANS (CONTINUED)

Retiree Medical Plans
District employers also provide certain health insurance benefits to eligible retired employees according to the terms of the benefit plans. The anticipated costs of these benefits are accrued during the period of the employee’s active status. Postretirement benefit costs are included in Salaries and Employee Benefits in the statements of operations. Our cash contributions are equal to the benefits paid.

Defined Contribution Plans
Foundations participates in a District-wide defined contribution plan. For employees hired before January 1, 2007, employee contributions are matched dollar for dollar up to 2.0% of the employee’s compensation and will match employee contributions dollar for dollar up to a maximum of 6.0% on both pre-tax and post-tax contributions. The maximum employer contribution is 9.0%.

Foundations also participate in a District-wide Nonqualified Deferred Compensation Plan. Eligible participants must meet one of the following criteria: certain salary thresholds as determined by the IRS, are either a chief executive officer or president of a participating employer, or have previously elected pre-tax deferrals in 2006 under predecessor nonqualified deferred compensation plans. Under this plan the employee may defer a portion of his/her salary, bonus, and other compensation. Additionally, the plan provides for supplemental employer matching contributions related to any compensation deferred by the employee that would have been eligible for a matching contribution under the defined contribution plan if it were not for certain IRS limitations.

Employer contribution expenses for the defined contribution plan, included in Salaries and Employee Benefits in the statements of income were $288 thousand, $268 thousand, and $296 thousand in 2019, 2018, and 2017, respectively. These expenses were equal to our cash contributions for each year.

NOTE 6  CAPITAL (CONTINUED)

As of December 31, 2019, 2018, and 2017, Foundations owners held 232,000 shares of Class A Common Stock and no shares of Class B Common Stock. The minimum stock requirement for Class A Common Stock shareholders is 1,453 per shareholder and for Class B Common Stock shareholders is -0- shares per shareholder.

Descriptions of each class of stock authorized by Foundations Bylaws and the number of shares outstanding at December 31, 2019, 2018, and 2017 are provided below.

Class A Common Stock (Voting, 232,000 shares outstanding) – Issued only to owners using services under a Services Agreement when such issues are authorized by a plan approved by the Board of Directors. At the time a Class A Common Stock Services Agreement is terminated (with no renewal), any such relative holder’s Class A Common Stock shall be automatically converted to nonvoting Class B Common Stock.

Class B Common Stock (Nonvoting, no shares outstanding) – Issued solely to shareholders, which are Farm Credit System institutions under the Act.

Patronage Distributions
Foundations accrued patronage distributions of $741,358, $685,190, and $632,410 at December 31, 2019, 2018, and 2017, respectively. Generally, the patronage distributions are paid in cash during the first quarter after year-end. The board of directors may authorize a distribution of earnings provided Foundations meets all statutory and regulatory requirements.

NOTE 7  RELATED PARTY TRANSACTIONS

Foundations primary business is to provide services to other Farm Credit System entities, including 33 Farm Credit associations, one service corporation (AgVantis), and one Farm Credit Bank (AgriBank, FCB). Revenue from these entities was $8,066,873, $7,577,532, and $7,706,855 in 2019, 2018, and 2017, respectively, which includes excess receipts offset by the patronage accrual described in Note 6.

Additionally, Foundations pays AgriBank for services received to support both its operations and services to Employers. Foundations paid AgriBank $326,311, $294,024, and $304,430 for these services in 2019, 2018, and 2017, respectively, which are included in Purchased Services in the statements of operations. Also included in Purchased Services are supervisory and examination costs paid to Farm Credit Administration that totaled $125,000, $95,000, and $50,000 in 2019, 2018, and 2017, respectively.

Foundations leases office space from AgriBank. Included in occupancy and equipment are lease are included in Note 10.

In 2014, the lease terms were amended to revise the premises Foundation occupies as part of the lease. The amended lease expires October 31, 2026 and provides for Foundations to pay $28,300 per month, or $315,600 per year. Foundations’ minimum lease payments over the term of this lease are included in Note 10.
NOTE 10 LEASES

As noted in Note 7, during 2014, Foundations entered into a lease that included office furniture and that portion of the lease qualifies as a financing lease. The furniture portion of the lease requires monthly payments of $2,597 for a term of 148 months. The following summarizes the assets under the lease:

<table>
<thead>
<tr>
<th>Year</th>
<th>Furniture</th>
<th>Accumulated Depreciation</th>
<th>Net Furniture</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$335,349</td>
<td>(149,547)</td>
<td>$185,802</td>
</tr>
<tr>
<td>2018</td>
<td>$335,349</td>
<td>(122,357)</td>
<td>$212,992</td>
</tr>
<tr>
<td>2017</td>
<td>$335,349</td>
<td>(95,166)</td>
<td>$240,183</td>
</tr>
</tbody>
</table>

For the portion of the lease that is considered financing (with a weighted-average discount rate of 2.00%), the future minimum lease obligations for the years ending December 31 are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$31,163</td>
</tr>
<tr>
<td>2021</td>
<td>$31,163</td>
</tr>
<tr>
<td>2022</td>
<td>$31,163</td>
</tr>
<tr>
<td>2023</td>
<td>$31,163</td>
</tr>
<tr>
<td>2024</td>
<td>$31,163</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$57,130</td>
</tr>
<tr>
<td>Total Payments</td>
<td>$212,945</td>
</tr>
<tr>
<td>Less: Interest Portion</td>
<td>$15,733</td>
</tr>
<tr>
<td>Total Lease Obligation</td>
<td>$197,212</td>
</tr>
</tbody>
</table>

This lease also includes space and was amended and now expires October 31, 2026. The lease provides for Foundations to pay $26,300 per month, or $315,600 per year and is considered an operating lease. The following summarizes the assets under the lease:

<table>
<thead>
<tr>
<th>Year</th>
<th>Building</th>
<th>Accumulated Depreciation</th>
<th>Net Building</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$1,674,048</td>
<td>(183,458)</td>
<td>$1,490,590</td>
</tr>
<tr>
<td>2018</td>
<td>$1,674,048</td>
<td>-</td>
<td>$1,674,048</td>
</tr>
<tr>
<td>2017</td>
<td>$1,674,048</td>
<td>-</td>
<td>$1,674,048</td>
</tr>
</tbody>
</table>

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

Foundations entered into a line of credit agreement with AgriBank, FCB. The total line of credit is $1 million and it bears interest on any outstanding balance at a variable rate of AgriBank’s marginal cost of debt plus the bank's spread plus 2.00%, which was 4.16% at December 31, 2019. At December 31, 2019, 2018, and 2017, the outstanding principal borrowed under the line of credit was $0- and it expires March 31, 2020, at which time it may be renewed with AgriBank.

NOTE 8 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 an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The fair value measurement is not an indication of liquidity. FASB 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. See Note 2 – Summary of Significant Accounting Policies for additional information. Foundations has no assets and no liabilities measured at fair value.

NOTE 9 FURNITURE AND EQUIPMENT

Furniture and equipment as of December 31 consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost: Building</td>
<td>$1,674,048</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>383,106</td>
<td>383,106</td>
<td>383,106</td>
</tr>
<tr>
<td>Software</td>
<td>436,685</td>
<td>436,685</td>
<td>427,685</td>
</tr>
<tr>
<td>Total Cost</td>
<td>2,493,839</td>
<td>819,791</td>
<td>810,791</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>(617,533)</td>
<td>(482,893)</td>
<td>(318,301)</td>
</tr>
<tr>
<td>Net Property and Equipment</td>
<td>$1,876,306</td>
<td>$336,898</td>
<td>$492,490</td>
</tr>
</tbody>
</table>

This lease also includes space and was amended and now expires October 31, 2026. The lease provides for Foundations to pay $26,300 per month, or $315,600 per year and is considered an operating lease. The following summarizes the assets under the lease:
NOTE 10 LEASES (CONTINUED)

For the portion of the lease that is considered operating (with a weighted average discount rate of 4.75%), the future minimum lease obligations for the years ending December 31 are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$284,437</td>
</tr>
<tr>
<td>2021</td>
<td>$284,437</td>
</tr>
<tr>
<td>2022</td>
<td>$284,437</td>
</tr>
<tr>
<td>2023</td>
<td>$284,437</td>
</tr>
<tr>
<td>2024</td>
<td>$284,437</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$545,173</td>
</tr>
<tr>
<td>Total Payments</td>
<td>$1,967,358</td>
</tr>
<tr>
<td>Less: Interest Portion</td>
<td>($293,310)</td>
</tr>
<tr>
<td>Total Lease Obligation</td>
<td>$1,674,048</td>
</tr>
</tbody>
</table>

The following table provides additional quantitative information concerning Foundations’ financing and operating leases.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance Lease Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of Right-to-Use Asset</td>
<td>$27,190</td>
<td>$27,191</td>
<td>$27,190</td>
</tr>
<tr>
<td>Interest on Lease Liabilities</td>
<td>4,760</td>
<td>5,347</td>
<td>5,921</td>
</tr>
<tr>
<td>Operating Lease Cost</td>
<td>183,458</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Lease Cost</td>
<td>$215,408</td>
<td>$32,538</td>
<td>$33,111</td>
</tr>
</tbody>
</table>

NOTE 11 CONTRACT COMMITMENT

In 2015, Foundations entered into a contract with a vendor for a human resource information system (HRIS). This system is a cloud-based payroll processing system. The contract requires a three-year commitment by Foundations with annual fees estimated at $1,320,000, of which Foundation’s portion is $68,000. The three-year commitment expired in April 2019, at which time the contract transitioned to a pay-as-you-go contract. Pricing is approximately $110,000 monthly. Foundations must provide a 90-day notice before the contract can be terminated.

NOTE 12 SUBSEQUENT EVENTS

Foundations has evaluated subsequent events through March 3, 2020, which is the date the financial statements were available to be issued, and no material subsequent events were identified.
BEST TOTAL VALUE IN HR SERVICES