Farm Credit Foundations  
Nonqualified Deferred Compensation Plan  

Financial Statements  
December 31, 2017 and 2016
INDEPENDENT AUDITORS’ REPORT

Participants and Farm Credit Foundations Trust Committee
Farm Credit Foundations Nonqualified
   Deferred Compensation Plan
St. Paul, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of Farm Credit Foundations Nonqualified Deferred Compensation Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2017 and 2016, and the related statements of changes in net assets available for benefits 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 Plan’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 Plan’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 net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP
Minneapolis, Minnesota
August 30, 2018
## Statements of Net Assets Available for Benefits
Farm Credit Foundations Nonqualified Deferred Compensation Plan
December 31, 2017 and 2016

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments at contract value</td>
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<td>$10,245,203</td>
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<tr>
<td>Investments at fair value</td>
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<td>56,598,688</td>
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<tr>
<td><strong>Net assets available for benefits</strong></td>
<td><strong>$79,537,259</strong></td>
<td><strong>$66,843,891</strong></td>
</tr>
</tbody>
</table>
Statements of Changes in Net Assets Available for Benefits
Farm Credit Foundations Nonqualified Deferred Compensation Plan
Years Ended December 31, 2017 and 2016

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets available for benefits, beginning of year</td>
<td>$66,843,891</td>
<td>$55,055,151</td>
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<tr>
<td>Net investment income</td>
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<tr>
<td>Net appreciation in fair value of investments</td>
<td>$8,153,028</td>
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<td>Interest and dividend income</td>
<td>$1,462,485</td>
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<td>Total net investment income</td>
<td>$9,615,513</td>
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<td>Contributions</td>
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<td>Participant</td>
<td>$6,091,211</td>
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<td>Employer</td>
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<td>Total contributions</td>
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<td>$8,108,123</td>
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<td>Deductions</td>
<td></td>
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<td>Benefits paid to participants</td>
<td>$6,199,041</td>
<td>$2,568,469</td>
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<tr>
<td>Administrative fees</td>
<td>$4,566</td>
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<tr>
<td>Total deductions</td>
<td>$6,203,607</td>
<td>$2,568,469</td>
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<tr>
<td>Net increase</td>
<td>$12,693,368</td>
<td>$11,788,740</td>
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<tr>
<td>Net assets available for benefits, end of year</td>
<td>$79,537,259</td>
<td>$66,843,891</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
NOTE 1: DESCRIPTION OF THE PLAN

The following description of the Farm Credit Foundations Nonqualified Deferred Compensation Plan (the Plan or NQDC Plan) provides general information regarding the Plan. Refer to the Plan document for a complete description of Plan provisions.

General
The Plan is sponsored and maintained by the participating employers in this Plan for the benefit of their eligible employees. The Plan is intended to be an unfunded nonqualified deferred compensation plan for tax purposes and is not intended to meet the qualification requirements of Internal Revenue Code (Code) § 401(a).

The Plan resulted from the merger of the Ninth Farm Credit District Nonqualified Deferred Compensation Plan, (the Ninth District Plan), the Farm Credit Consolidated Supplemental Retirement Savings Plan (the Consolidated Plan), and the AgHeritage Farm Credit Services Deferred Compensation Plan (the AgHeritage Plan), which was effective January 1, 2007. Upon the merger of the three plans, the name was changed to the Farm Credit Foundations Nonqualified Deferred Compensation Plan. The Plan is considered an amendment and restatement of the three plans. The Plan was last amended effective January 1, 2014.

The Ninth District Plan was established on July 1, 1996, by the Farm Credit Bank of Wichita, which later changed its name to U.S. AgBank, FCB (AgBank). Effective January 1, 2012, AgBank merged with CoBank, ACB. The Ninth District Plan was split, effective January 1, 2007, between this Plan and the Farm Credit Foundations Pre-409A Frozen Nonqualified Deferred Compensation Plan (the Pre-409A Plan).

The Consolidated Plan resulted from an earlier merger of the AgAmerica District Supplemental Executive Retirement Plan, the AgAmerica District Benefit Restoration Plan, and the Eleventh Farm Credit District Supplemental Retirement Savings Plan, which was effective January 1, 2003. The Consolidated Plan was split, effective January 1, 2007, between this Plan and the Pre-409A Plan.

Amounts that were earned and vested under the Ninth District Plan and the Consolidated Plan prior to January 1, 2005, have been “grandfathered” under Code § 409A and are accounted for in the Pre-409A Plan. Amounts that were not earned and vested prior to January 1, 2005, have been transferred into accounts in the NQDC Plan, effective January 1, 2007.

The AgHeritage Plan was established on January 1, 2005, by AgHeritage Farm Credit Services. All amounts in the AgHeritage Plan that were not distributed on or prior to December 31, 2006, have been transferred into accounts in this Plan, effective January 1, 2007.

The primary purpose of this Plan is to restore benefits under the Farm Credit Foundations Defined Contribution / 401(k) Plan (the 401(k) Plan) that are limited by Codes § 401, 402, and 415 and by the exclusion of contributions to deferred compensation plans from the definition of “Compensation” in the 401(k) Plan. To accomplish this purpose, the Plan provides the following: the definition of “Compensation” in this Plan includes amounts that are excluded from the definition of “Compensation” in the 401(k) Plan, eligible employees may make simultaneous, overlapping, or consecutive deferrals of base salary, bonuses, and/or long-term incentive program (LTIP) payments into this Plan and into the 401(k) Plan, and participating employers that have not opted out of offering the Plan to their employees are required to restore in this Plan any participating employer matching contributions and non-elective contributions made in the 401(k) Plan on behalf of eligible employees that are limited by Codes § 401 and 415. An additional purpose of this Plan is to allow participating employers that have not opted out of offering the Plan to their employees to provide discretionary contributions of deferred compensation to eligible employees.

In agreeing to the provisions of the Administrative Agreement, the participating employers agreed to the establishment of the Farm Credit Foundations Trust for Nonqualified Plans (the Trust) for the purpose of contributing assets that may be used to satisfy the liabilities they have incurred, or expect to incur, under their respective nonqualified deferred compensation plans, including supplemental executive retirement plans. The participating employers intend that any assets that are so contributed will be held in trust, subject to the claims of their respective creditors in the event of a party’s insolvency, until paid to participants in their respective nonqualified deferred compensation plans and their beneficiaries in such manner and at such times as specified in the applicable plan. It is the intention of the participating employers that contributions made by each employer for a specific plan will be available solely for the purpose of providing benefits to participants and/or beneficiaries of that participating employer.
and for that specific plan, subject only to the claims of that participating employer’s creditors in the event of that employer’s insolvency, and that contributions made by one participating employer may not be used for the purpose of satisfying claims made against any other participating employer.

Plan Governance
The Farm Credit Foundations Plan Sponsor Committee (Plan Sponsor Committee) and the Farm Credit Foundations Trust Committee (Trust Committee) provide consideration and oversight of the benefit plans offered by participating employers as defined by the Farm Credit Foundations Administrative Agreement. As of December 31, 2017, Farm Credit Foundations served 37 participating employers across 29 states with over 8,700 active employees. The governance committees are either elected or appointed representatives (senior leadership and/or Board of Director members) from the participating organizations. The Plan Sponsor Committee is responsible for decisions regarding benefits at the direction of the participating employer. The Trust Committee is responsible for fiduciary and plan administrative functions.

Plan Eligibility
Employees must satisfy at least one of the following eligibility criteria as of November 1 prior to the year for which eligibility is being determined: (1) The employee’s base salary must be at least 70% of the compensation limit under Code § 401(a)(17); or (2) The employee’s job title must be CEO or President; or (3) The employee must have made elective pre-tax deferrals during 2006 under one of the predecessor nonqualified deferred compensation plans: the Ninth District Plan, the Consolidated Plan, or the AgHeritage Plan.

In addition, an employee will become eligible if the sum of the following amounts equals or exceeds the total compensation threshold:

(A) The employees annualized base salary as of November 1 of the Plan year immediately preceding the year for which eligibility is being determined; and
(B) The employee’s variable pay for the Plan year that is two years prior to the year for which eligibility is being determined.

Contributions
The provisions of the Plan are summarized below:

(A) **Base Salary Deferral Amount.** A base salary deferral amount must be elected as a whole percentage of base salary, which percentage may not exceed 60% and may not be less than 5%. An employee may elect the specific pay period of the plan year in which to begin deferrals; provided, however, if such an election is not made, the election shall apply to all base salary earned during that plan year.

(B) **Additional Deferral Amount.** A bonus deferral amount must be elected as a whole percentage of bonuses, which percentage may not exceed 100% and may not be less than 10%.

(C) **LTIP Payment Deferral Amount.** An LTIP payment deferral amount must be elected as a whole percentage of LTIP payments, which percentage may not exceed 100% and may not be less than 10%.

(D) **Restored Employer Contribution.** If matching contributions or non-elective contributions made by a participating employer on behalf of an employee into the 401(k) Plan for a plan year (except for a plan year for which such participating employer has opted out) are limited due to Codes § 401 or 415, such participating employer shall contribute to the employee’s account an amount equal to the restored employer contribution calculated as follows:

**Calculation of Restored Employer Contribution.** The restored employer contribution for a plan year is calculated as follows: (A) The amount of participating employer matching contributions and non-elective contributions that would have been made on behalf of the employee into the 401(k) Plan for the plan year, without regard to Codes § 401 and 415; less (B) The amount of participating employer matching contributions and non-elective contributions actually made on behalf of the employee into the 401(k) Plan for the plan year. For purposes of determining the amount in subsection (A), after-tax contributions made on behalf of the employee into the 401(k) Plan and elective deferral amounts credited to the employee’s account in this Plan shall be treated as eligible for matching under the 401(k) Plan and the 401(k) Plan’s limitations on the amount of matching contributions shall not be disregarded.
(E) **Discretionary Amounts.** Each plan year, a participating employer that has not opted out for such plan year may, in its sole discretion, contribute discretionary amounts to the account of one or more participants employed by such participating employer.

**Investment Direction**

Participants in the Plan may direct employee and employer contributions in one percent increments to any of the Plan’s investment options. Participant’s direction of investments must apply to an entire account and cannot apply only to portions of such account including, but not limited to, individual subaccounts.

**Participant Accounts and Subaccounts**

One retirement subaccount shall be established in each participant’s account for each plan year and an in-service subaccount may also be established in such participant’s account for each plan year. Amounts in a participant’s account will be placed in a retirement subaccount. Each participant’s account and subaccount are credited with the participant’s contribution, related employer contribution, and Plan allocations of earnings or losses. Allocations are based on participant earnings or account subaccount balances, as defined. The benefit to which a participant is entitled is the vested portion of the participant’s account and subaccount. Participant accounts and subaccounts are valued on a daily basis.

**Vesting**

The vesting provisions of the Plan are as follows:

A participant has a 100% vested interest at all times in his/her account balance that is attributable to elective deferral amounts, discretionary amounts, AgHeritage Accounts, and Ninth District Accounts, including any earnings thereon.

An employee of a Ninth District participating employer hired before January 1, 2007, is 100% vested at all times in his/her account balance attributable to restored employer contributions.

All other participants will become vested in his/her consolidated account and/or restored employer contributions that are credited to his/her account (including any earnings thereon) based on the participant’s years of service, according to the following vesting schedule:

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Vesting %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
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</tr>
<tr>
<td>1</td>
<td>25%</td>
</tr>
<tr>
<td>2</td>
<td>50%</td>
</tr>
<tr>
<td>3</td>
<td>75%</td>
</tr>
<tr>
<td>4 +</td>
<td>100%</td>
</tr>
</tbody>
</table>

Vesting will cease upon the participant’s separation from service.

**Payment of Benefits**

**Form of Distribution.** Except as otherwise provided in the Plan document, the balance of a participant’s account and retirement subaccount shall only be distributed in one of the following alternate forms of distribution:

(A) A lump sum payment or

(B) Installment payments over a two to ten year installment period, subject to the following:

(1) One installment payment shall be made during each month of January in the installment period elected by the participant, beginning with the month of January immediately following the participant’s separation from service; and

(2) The amount of each installment payment shall be calculated as of the December 31st immediately preceding the month of January in which the installment payment is payable by dividing the balance of the participant’s account by the number of remaining installment payments to be made (including the installment payment that is being calculated).

The vested balance of a participant’s in-service subaccount shall be distributed in a lump sum payment if January 1 of the plan year elected by the participant for such subaccount occurs prior to or concurrently with the participant’s separation from service. However, if the participant’s separation from service occurs prior to such January, then the
vested balance of such in-service subaccount shall be distributed in the same form of distribution as the form of distribution for the retirement subaccount that was established for the same plan year as such in-service subaccount.

Subject to Plan provisions, the Plan Administrator may accelerate distributions.

**Election as to Form of Distribution.** Each participant may make an election as to the form of distribution that shall apply to all distributions from the participant’s account. Each participant may make elections each plan year as to the form of distribution that shall apply to all amounts credited to the participant’s account for such plan year. A participant is not permitted to make an election as to the form of distribution for an in-service subaccount.

**Default Form of Distribution.** If a participant fails to make a valid election, the default form of distribution of the participant’s benefit under this Plan (including earnings attributable thereto) shall be as if the participant elected installment payments over a three year installment period.

**Time of Distribution.** Time of distribution for the balance of a participant’s account shall be any day during the month of January that is in the plan year immediately following the plan year in which the participant’s separation from service occurs. The actual date of payment (or payments, in the case of annual installment payments) may be later than such month if there are administrative delays in calculating the benefit or for other delays permitted by Code §409A and the Internal Revenue Service (IRS) and U.S. Treasury guidance issued thereunder.

A participant may elect to change the time of distribution of any subaccount in his/her account, but cannot elect to change the time of distribution of an in-service subaccount such that it would become a retirement subaccount.

**Regulatory Compliance**

This merged, amended, and restated Plan has been drafted to comply with provisions of Code § 409A and the IRS and Treasury guidance issued thereunder. The amendments were made within the transition period provided by IRS Notice 2005-1, as extended by IRS Notice 2006-79. Under the provisions of the Farm Credit Act of 1971, AgriBank and those Participating Employers that are Farm Credit Banks are defined and declared to be an “instrumentality of the United States.” Those Participating Employers that are Production Credit Associations and/or Federal Land Bank Associations are also defined and declared by statute to be “federally chartered instrumentalities of the United States.” Those Participating Employers that are Agricultural Credit Associations and Federal Land Credit Associations are also defined and declared to be “instrumentalities of the United States” in the charters issued to them by the Farm Credit Administration. For this reason, the Plan is intended to be a “governmental plan” as that term is defined in Code § 414(d). For the same reason, the Plan is also intended to be a “governmental plan” as that term is defined in the Employee Retirement Income Security Act of 1974, as amended (ERISA) § 3(22). As such, the Plan is not subject to the provisions of Title I of ERISA.

**Plan Administration**

The Plan provides that an employee of a participating employer, who has satisfied the Plan’s eligibility requirements, will have rights to benefits under the Plan. Farm Credit Foundations serves as Plan Administrator. The Trust Committee has primary responsibility for administration and interpretation of the Plan and investment of the Plan assets.

The Trust Committee is the trustee for the Plan assets. The trustee supervises and administers all investments and related activities, including such functions as purchases, sales, reinvestment, and collection of investment income. John Hancock Trust Company, LLC is the third party administrator and custodian for the Plan assets.

**Plan Termination**

Although there has been no expression of intent to do so, the Plan Sponsor Committee may amend or terminate this Plan at any time in accordance with the Administrative Agreement. No amendment or termination shall be made except as permitted by Code § 409A and the IRS and Treasury guidance issued thereunder. Any approved change will be added to the Plan in writing and communicated to participants at such time and in such manner as the Plan Administrator deems necessary.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, income is recorded in the year earned and expenses are recorded in the year incurred.
Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, as well as disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

Fair Value Measurements
The accounting guidance describes three levels of inputs that may be used to measure fair value.

Level 1: Unadjusted quoted prices in active markets for identical assets that the Plan has the ability to access at the measurement date.

Level 2: Observable inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets in markets that are not active so that they are traded less frequently than exchange-traded instruments, quoted prices are not current, or principal market information is not released publicly
- Inputs other than quoted prices that are observable for the asset
- Inputs derived principally from or corroborated by observable market data by correlation or other means

Level 3: Unobservable inputs are supported by little or no market activity and are significant to the fair value of the assets. These unobservable inputs reflect the Plan’s own judgments about assumptions that market participants would use in pricing the asset. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at December 31, 2017, and 2016.

Investment Valuation and Income Recognition
The Plan's investments are measured at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Mutual funds are measured at the daily published net asset value of shares held by the Plan at year end.

Purchases and sales of investments are recorded on a trade date basis. Interest income is accrued based on the terms of the underlying instruments and dividend income is recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments purchased and sold as well as held during the year.

Insurance Contract
The Plan maintains a group annuity contract (insurance contract) with New York Life. As part of the contract, New York Life maintains a portion of the contributions in a "guaranteed account." The account is credited with interest, as determined by New York Life, and charged for Plan withdrawals and administrative expenses. The guaranteed account is included in the financial statements at contract value, (which represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses), because it is fully benefit responsive. Upon termination of the contract, the lump sum liquidation value of the general account portion of the participant’s accumulation value shall be equal to the product of the participant’s general account accumulation value on the liquidation date. There are no reserves against contract value for credit risk of the contract issuer or otherwise.

Benefits and Expenses
Benefit payments to participants are recorded upon distribution. Administrative and other expenses of the Plan consisting of legal, auditing, recordkeeping, and custodial fees, are paid by the participating employers.

Recently Issued or Adopted Accounting Pronouncements
We have assessed the potential impact of accounting standards that have been issued, but are not yet effective, and have determined that no such standards are expected to have a material impact to our financial statements.
NOTE 3: INCOME TAX STATUS

The Trust qualifies as an irrevocable grantor trust under the guidelines of the Code. Earnings of the Trust are allocated to participating employers. The participating employers are considered non-taxable entities. Contributions by participating employers to the Trust on behalf of the participants are not taxable to participants until the participant or beneficiary receives payment.

GAAP requires the Trust Committee to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. We had no uncertain income tax positions at December 31, 2017, or 2016. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 4: RISKS AND UNCERTAINTIES

The Plan provides for investment in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect participants’ account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

NOTE 5: RELATED PARTY

Farm Credit Foundations paid certain expenses on behalf of the Plan and was reimbursed by the participating employers for those expenses.

NOTE 6: FAIR VALUE

The Plan uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Plan measures fair value refer to Note 2.

The following table presents the fair value hierarchy for the assets of the Plan measured at fair value on a recurring basis as of December 31:

<table>
<thead>
<tr>
<th>Assets:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds</td>
<td>$ 66,419,728</td>
<td>$ -</td>
<td>$ -</td>
<td>$66,419,728</td>
</tr>
<tr>
<td>Total investment assets at fair value</td>
<td>$ 66,419,728</td>
<td>$ -</td>
<td>$ -</td>
<td>$66,419,728</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets:</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds</td>
<td>$ 56,598,688</td>
<td>$ -</td>
<td>$ -</td>
<td>$56,598,688</td>
</tr>
<tr>
<td>Total investment assets at fair value</td>
<td>$ 56,598,688</td>
<td>$ -</td>
<td>$ -</td>
<td>$56,598,688</td>
</tr>
</tbody>
</table>

NOTE 7: SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through August 30, 2018, the date the financial statements were available to be issued. There have been no material subsequent events that would require recognition in these financial statements or disclosure in the Notes to Financial Statements.