Farm Credit Foundations
Defined Contribution / 401(k) Plan

Financial Statements
December 31, 2018 and 2017
INDEPENDENT AUDITORS' REPORT

Participants and Farm Credit Foundations Trust Committee
Farm Credit Foundations Defined Contribution/401(k) Plan
St. Paul, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of Farm Credit Foundations Defined Contribution/401(k) Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2018 and 2017, 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 audit 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, 2018 and 2017, 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 8, 2019
## Statements of Net Assets Available for Benefits

**Farm Credit Foundations Defined Contribution / 401(k) Plan**

**December 31, 2018 and 2017**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
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<tr>
<td>Investments at fair value</td>
<td>$2,039,037,770</td>
<td>$2,196,615,768</td>
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<tr>
<td>Investments at contract value</td>
<td>431,368,819</td>
<td>434,059,341</td>
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<td>Receivables:</td>
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<td>Notes from participants</td>
<td>24,106,731</td>
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<td>Employer contributions</td>
<td>54,582</td>
<td>71,784</td>
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<td><strong>Total assets</strong></td>
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<td>$2,653,746,365</td>
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<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
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<tr>
<td>Accrued expenses</td>
<td>378,619</td>
<td>224,390</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td>378,619</td>
<td>224,390</td>
</tr>
<tr>
<td><strong>Net assets available for benefits</strong></td>
<td>$2,494,189,283</td>
<td>$2,653,521,975</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements.
<table>
<thead>
<tr>
<th>Statement</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets available for benefits, beginning of year</td>
<td>$ 2,653,521,975</td>
<td>$ 2,257,242,829</td>
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<tr>
<td><strong>Net investment (loss) income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (depreciation) appreciation in fair value of investments</td>
<td>(163,744,588)</td>
<td>329,016,773</td>
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<tr>
<td>Interest and dividends</td>
<td>29,886,735</td>
<td>33,195,106</td>
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<tr>
<td>Interest on notes receivable to participants</td>
<td>927,772</td>
<td>812,879</td>
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<tr>
<td>Total net investment (loss) income</td>
<td>(132,930,081)</td>
<td>363,024,758</td>
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<tr>
<td><strong>Contributions</strong></td>
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<td></td>
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<tr>
<td>Participant</td>
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<td>105,960,009</td>
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<td>Employer</td>
<td>65,028,319</td>
<td>61,308,064</td>
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<tr>
<td>Total contributions</td>
<td>164,546,359</td>
<td>167,268,073</td>
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<tr>
<td><strong>Deductions</strong></td>
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<td></td>
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<tr>
<td>Benefits paid to participants</td>
<td>188,422,850</td>
<td>132,345,626</td>
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<tr>
<td>Administrative expenses</td>
<td>2,526,120</td>
<td>1,668,059</td>
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<tr>
<td>Total deductions</td>
<td>190,948,970</td>
<td>134,013,685</td>
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<tr>
<td>Net (decrease) increase</td>
<td>(159,332,692)</td>
<td>396,279,146</td>
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<tr>
<td><strong>Net assets available for benefits, end of year</strong></td>
<td>$ 2,494,189,283</td>
<td>$ 2,653,521,975</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 Defined Contribution / 401(k) Plan (the 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 AgriBank, FCB (AgriBank) and affiliated associations, former Ninth and Eleventh District Employers and affiliated associations, Northwest Farm Credit Services, ACA (Northwest, FCS), and other employers within the federal Farm Credit System. The Plan is intended to conform to and qualify under § 401 and § 501 of the Internal Revenue Code (IRC) of 1986, as amended. The Plan was most recently restated effective January 1, 2014, and amended effective January 1, 2019. The Farm Credit Foundations Plan Sponsor Committee (Plan Sponsor Committee) approved amendments to the Plan document to allow participating employers the ability to make discretionary nonelective contributions to their participants on either an ongoing basis, as previously permitted by the Plan, or on a periodic basis. Either type of contribution would be limited to no more than 4% of a participant’s compensation.

The participating employers are 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 § 3(32) of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. As such, the Plan is not subject to the provisions of Title I of ERISA.

Plan Governance
The Farm Credit Foundations Trust Committee (Trust Committee) and Plan Sponsor 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, 2018, there were 37 participating employers across 29 states with over 9,000 active employees, which Farm Credit Foundations served. 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 employers. The Trust Committee is responsible for fiduciary and plan administrative functions.

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 (John Hancock) is the custodian and third party plan administrator of the Plan.

Eligibility
Regular full-time and certain part-time employees are eligible to participate and may begin making employee contributions as soon as administratively possible following their date of hire.

The following are not eligible to participate in the Plan: temporary employees, part-time employees without benefits, leased employees, non-resident aliens, employees of entities acquired by foreclosure, other individuals who for any period are classified as an independent contractor, employees covered by a collective bargaining agreement (unless the terms of the bargaining agreement otherwise provides), interns, externs, and cooperative students.
Contributions
The provisions of the Plan are summarized below:

- Any eligible employee that is not participating in the AgriBank District Retirement Plan, the Eleventh Farm Credit District Employees’ Retirement Plan, the Ninth Farm Credit District Pension Plan, or the Northwest Farm Credit Services Retirement Plan receives additional employer contributions each pay period. For qualified employees, contributions are made at a rate of 3% of compensation.

- Participants may contribute up to 75% of the eligible earnings on a pre-tax basis and up to 75% of eligible earnings on a post-tax basis (Roth 401(k) contributions). Total participant contributions may not exceed 75% of eligible earnings.

- Employer matching contributions are equal to 100% of total participant contributions, up to 6% of eligible earnings for participants not accruing benefits in their employer’s closed defined benefit plan.

- For employees hired prior to January 1, 2007, and who participate in their employer’s closed defined benefit retirement plan the employer matching contributions are equal to 100% of employee contributions up to 2% of eligible pay; plus 50% of the next 4% of eligible pay (maximum 4% total employer match).

- All participants who fail to make a deferral election will be automatically enrolled in the Plan.
  
  o The automatic deferral starts at 3% of pre-tax earnings for participants with a plan entry date prior to January 1, 2013. The automatic deferral starts at 6% of pre-tax earnings for participants with a plan entry date after January 1, 2013. Automatically enrolled participant contributions increase annually by 1% of pre-tax earnings until their contribution reaches 15% of pre-tax earnings. Participants may change the deferral percentage at any time.

  o Effective June 1, 2017, the Plan Sponsor Committee may, from time to time, direct the Plan Administrator to implement an automatic enrollment (“sweep”) for participants not making a salary deferral. The automatic deferral percentage is determined by the Plan Sponsor Committee. Automatically enrolled participant contributions increase annually by 1% of pre-tax earnings on the anniversary of the “sweep” until their contribution reaches 15% of pre-tax earnings. Participants may change the deferral percentage at any time.

Grandfathered provisions for certain employee groups:

- For qualified employees of Farm Credit Services of America, ACA (FCS of America) an employer in the AgriBank District, who began participation prior to January 1, 1991, contributions are up to a maximum of 13% of earnings.

- All employees of Northwest, FCS, FCS of America, American AgCredit, Farm Credit Services of Hawaii, Farm Credit West, FCS Colusa Glenn, Fresno Madera Farm Credit, Golden State Farm Credit, Idaho AgCredit, Western AgCredit, and Yosemite hired prior to January 1, 2007, who were not employed by an organization which merged into these employers and who do not participate in their employer’s closed defined benefit plan, receive an additional 3% integrated contribution of salary that exceeds the Social Security taxable wage base for the year.

  o The integrated additional contribution is credited to participants’ 401(k) accounts beginning with the pay period that their benefits eligible wages exceed the social security wage base.

Farm Credit Services of Hawaii and Western AgCredit (those who have Internal Revenue Service (IRS) private letter rulings) are allowed to make paid-leave contributions to participant accounts. In general, paid-leave contributions are made in an amount equal to the dollar value of paid-leave accrued at December 31 in excess of the paid-leave that can be carried forward under the employers’ paid-leave policy.

All participant and employer contributions are subject to limits set forth by the IRC. Participants may also contribute amounts representing eligible rollover distributions from other qualified plans.

Participants in the Plan may direct employee and employer contributions in 1% increments to any of the Plan’s investment options. The Plan’s investments in each option are maintained under the direction of the participants.
Participant Accounts
Each participant’s account is credited with the participant’s contribution, related employer contributions, and Plan allocations of earnings or losses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the vested portion of the participant’s account. Participant accounts are valued on a daily basis.

Vesting
The vesting provisions of the Plan are as follows:

- Participants are immediately vested in participant contributions, paid-leave contributions, and investment income earned thereon.
- Participants vest 100% in employer matching contributions and employer contributions after four years of service. Participants with less than four years of service vest in the employer contributions at a rate of 25% for each full year of service.
- Participants are immediately vested upon death, disability, or retirement.

Notes Receivable from Participants
The Plan allows participants to borrow the lesser of $50,000 or 50% of their vested account balance subject to limitations set forth by the Plan and the IRC. Notes are secured by the balance in the participants’ accounts and generally bear interest at the prime rate. Repayment of notes receivable from participants, including monthly interest charges, is made semi-monthly in the form of payroll withholding. Notes are generally made for a term of five years or less, except for notes for a principal residence, which may be made for a term of up to 25 years.

Payment of Benefits
The participant’s account value will be distributed to the participant upon termination. The Plan participant or a beneficiary may elect distribution under one, or any combination, of the following methods: by payment in a lump sum or by payment in monthly installments over a fixed reasonable period of time, not exceeding the life expectancy of the participant. All distributions will be paid in the form of a check drawn on the Trust. In the case of death, distributions will be made to the designated beneficiary.

The Plan allows for in-service withdrawals upon financial hardship, as defined in the Plan, or upon attainment of age 59 1/2. The Plan also allows for in-service withdrawals of post-tax, rollover, or deductible employee contributions and certain matching contributions, as defined in the Plan.

Forfeited Accounts
Nonvested employer contributions are forfeited by terminating participants. Forfeited accounts are held in an account at John Hancock until used to either pay Plan administrative expenses or to reduce employer contributions. Forfeited accounts were $985,336 and $1,126,858 at December 31, 2018, and 2017, respectively. Forfeited accounts were used to offset administrative expenses of $438,908 and $294,503 during 2018 and 2017, respectively. Forfeited accounts totaling $1,124,099 and $940,015 were used to reduce employer contributions during 2018 and 2017, respectively.

Plan Termination
Although there has been no expression of intent to do so, the Plan Sponsor Committee has the right under the Plan to discontinue contributions at any time and to terminate the Plan subject to the plan provisions. Upon either full or partial termination of the Plan, or, if applicable, upon complete discontinuance of profit sharing plan contributions to the Plan, an affected participant’s right to his/her account balance is 100% vested, irrespective of the vested percentage which otherwise would apply. 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 or liabilities 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 or liability either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- 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, quoted prices are not current, or principal market information is not released publicly
- Inputs other than quoted prices that are observable for the asset or liability
- 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 or liabilities. These unobservable inputs reflect the Plan's own assumptions about judgments that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are 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 or liability'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, 2018, and 2017.

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

Commingled trust funds, mutual funds, and separate accounts are valued at their published net asset value of shares held by the Plan at year end.

Self-directed brokerage accounts are comprised of investments selected by participants through retail brokerage accounts. These investments primarily include corporate stocks, mutual funds, money market accounts, and certificates of deposit. These investments are typically actively traded in public markets and thus valued at daily closing market prices.

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

Insurance Contracts
The Plan maintains two group annuity contracts (insurance contracts) with New York Life, one of which, New York Life maintains a portion of the contributions in a "guaranteed account", and the other, New York Life maintains a portion of the contributions in a "stable value account". These contracts are included in the financial statements at contract value, (which represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses), because they are fully benefit responsive.

The guaranteed account is credited with interest, as determined by New York Life, and charged for Plan withdrawals and administrative expenses. 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.
The stable value account is credited with interest, as determined by New York Life, and charged for Plan withdrawals and administrative expenses. Upon a participant’s termination of the contract, the lump sum liquidation value shall be equal to the participant’s accumulation value on the liquidation date. There are no reserves against contract value for credit risk of the contract issuer or otherwise.

**Notes Receivable from Participants**

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as distributions based upon the terms of the Plan document.

**Benefits and Expenses**

Benefit payments to participants are recorded upon distribution. Administrative and other eligible expenses of the Plan are paid from the Plan assets to the extent of forfeited employer contributions. Expenses in excess of forfeitures are either paid from Plan assets or directly by the employers. Costs paid directly by the employers are not recorded in the Statements of Changes in Net Assets Available for Benefits. Administrative and other expenses of the Plan consist of legal, auditing, recordkeeping, and custodial fees.

**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 IRS has determined and informed the Farm Credit Foundations Plan Sponsor and Trust Committees by a letter dated May 12, 2014, that the Plan and related trust are designed in accordance with applicable sections of the IRC. Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan’s tax counsel believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

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, 2018, or 2017. 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 OF FINANCIAL INSTRUMENTS

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 tables present the fair value hierarchy for the balances of assets of the plan measured at fair value on a recurring basis.

<table>
<thead>
<tr>
<th>As of December 31, 2018</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commingled trust funds</td>
<td>$ -</td>
<td>$ 1,158,467,648</td>
<td>$ -</td>
<td>$ 1,158,467,648</td>
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<tr>
<td>Mutual funds</td>
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<td>-</td>
<td>13,162,709</td>
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<tr>
<td>Separate accounts</td>
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<td>790,439,092</td>
<td>-</td>
<td>790,439,092</td>
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<td>Self directed brokerage accounts</td>
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<td>467,628</td>
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<td>Total investments at fair value</td>
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<td>$ 2,039,037,770</td>
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<table>
<thead>
<tr>
<th>As of December 31, 2017</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Commingled trust funds</td>
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<td>$ 907,489,219</td>
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<td>$ 907,489,219</td>
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<tr>
<td>Separate accounts</td>
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<td>497,501,510</td>
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<td>Self directed brokerage accounts</td>
<td>82,561,979</td>
<td>331,219</td>
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<td>82,893,198</td>
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<td>Total investments at fair value</td>
<td>$ 791,293,820</td>
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<td>$ -</td>
<td>$ 2,196,615,768</td>
</tr>
</tbody>
</table>

NOTE 7: SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through August 8, 2019, 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.