FARM CREDIT FOUNDATIONS

BEST TOTAL VALUE IN HR SERVICES

2020 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 41 states and employ over 10,000 employees. We provide competitive and economic value by acting as one employer.

41 STATES — **10,000** EMPLOYEES

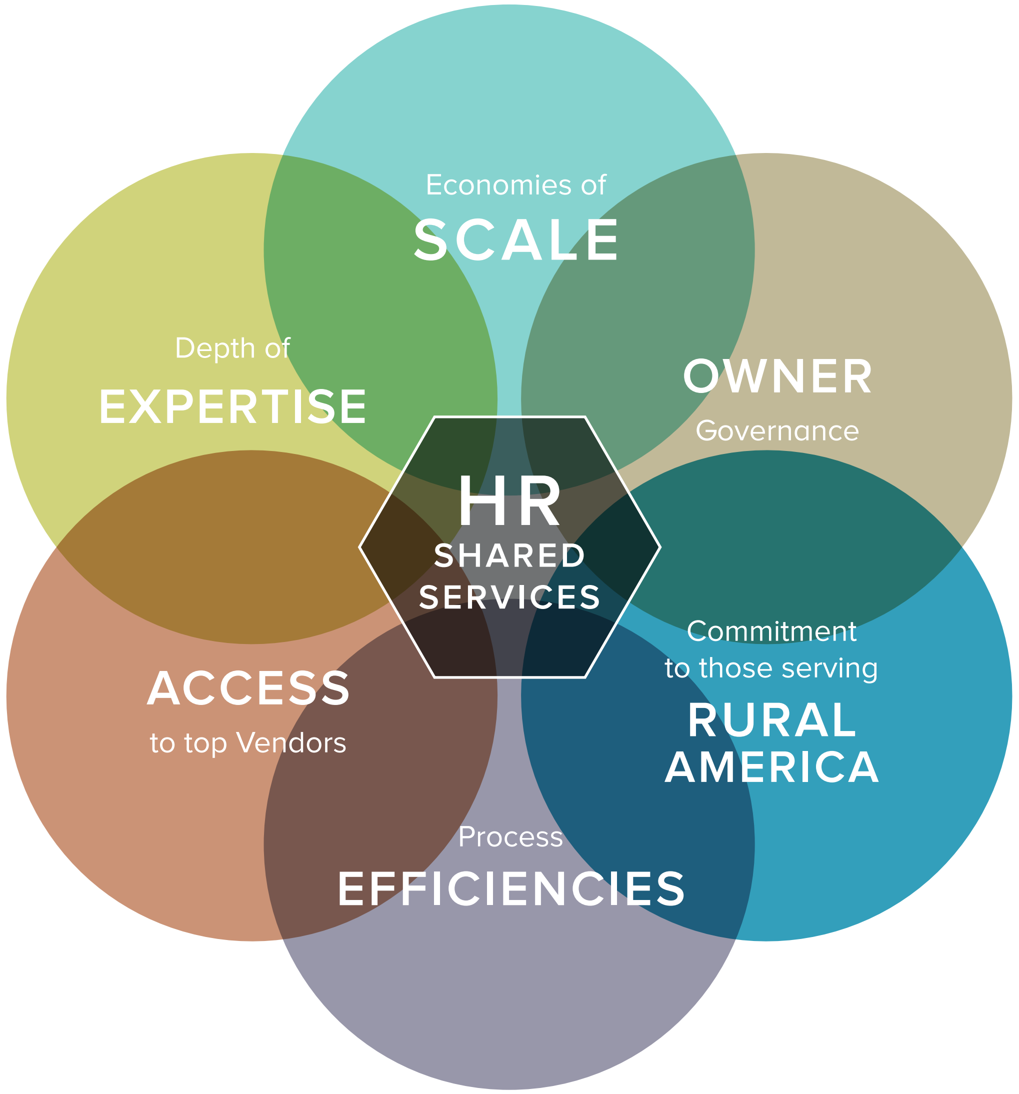
Farm Credit Foundations employers access HR industry thought leadership and best practices through the expertise and breadth of experience of Foundations team members located in St. Paul, MN. Employers capture the efficiencies and effectiveness of shared benefits design, administration, asset management, 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.

FARM CREDIT FOUNDATIONS DELIVERS

BEST TOTAL VALUE

Human resource services that enable our clients to be the employers of choice for those who serve rural America.



“Supporting you and your family is at the very heart of what it means to be Farm Credit.”

HOW WE BRING **VALUE**

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 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

MESSAGE FROM CEO AND BOARD CHAIR

DECEMBER 2020

2020 brought significant shifts in the way we work, live and interact. When we reflect on how Foundations managed these tetanic shifts, the response is with gratitude. Gratitude for the professional and personal relationships in our lives that helped us get through this most challenging year. It is notable that in a year in which our divisions have been so visible, our bonds have rooted deeper.

We are grateful the virus did not stop our organization from working. We find tremendous purpose in the work we do to serve our owners and their employees, and we are grateful that we are still able to thrive in pursuing that purpose. Our successful 2020 goals were to design benefits and deliver HR services that provide your organization competitive advantage, to manage and reduce risk, to increase efficiency, to provide programs that encourage well-being and grow education, and finally to lend our expertise and support to meet your business initiatives. The leaders of Farm Credit have been open, communicative, and encouraging during this time and we have grown and learned more every day.

We are grateful for the opportunity to work for a company and a System that allows career, life and work to blend. This includes kids popping into Zoom meetings, spouses coming to deliver lunch to hard-working colleagues, and pets looking for affection during a key point in a meeting. It is truly humanizing and made our business interactions more intimate and authentic than ever.

Our gratitude for our families, colleagues, customers and owners clearly offers reasons for optimism as we enter 2021. We thank you for the opportunity to make a difference in your life.

Life is fragile, humans are fallible, and we should be so grateful for every single day we live and for what life offers us.

With appreciation,

Stephanie Wise
Chair, Board of Directors

Teresa Heath-Alva
Chief Executive Officer

FARM CREDIT FOUNDATIONS TEAM

COVID-19 ACTION PLAN

In adapting to the effects of COVID-19, Farm Credit Foundations established new norms for conducting business, administering our benefit plans, and providing critical support to our customers.

- **Fast tracking of mental health therapy / support via telemedicine from MDLIVE.**
- **Waiving the deductible and co-insurance for COVID-19 testing and treatments for all medical plan participants.**

100% coverage for COVID-19 testing

100% coverage for COVID-19 related facility charges

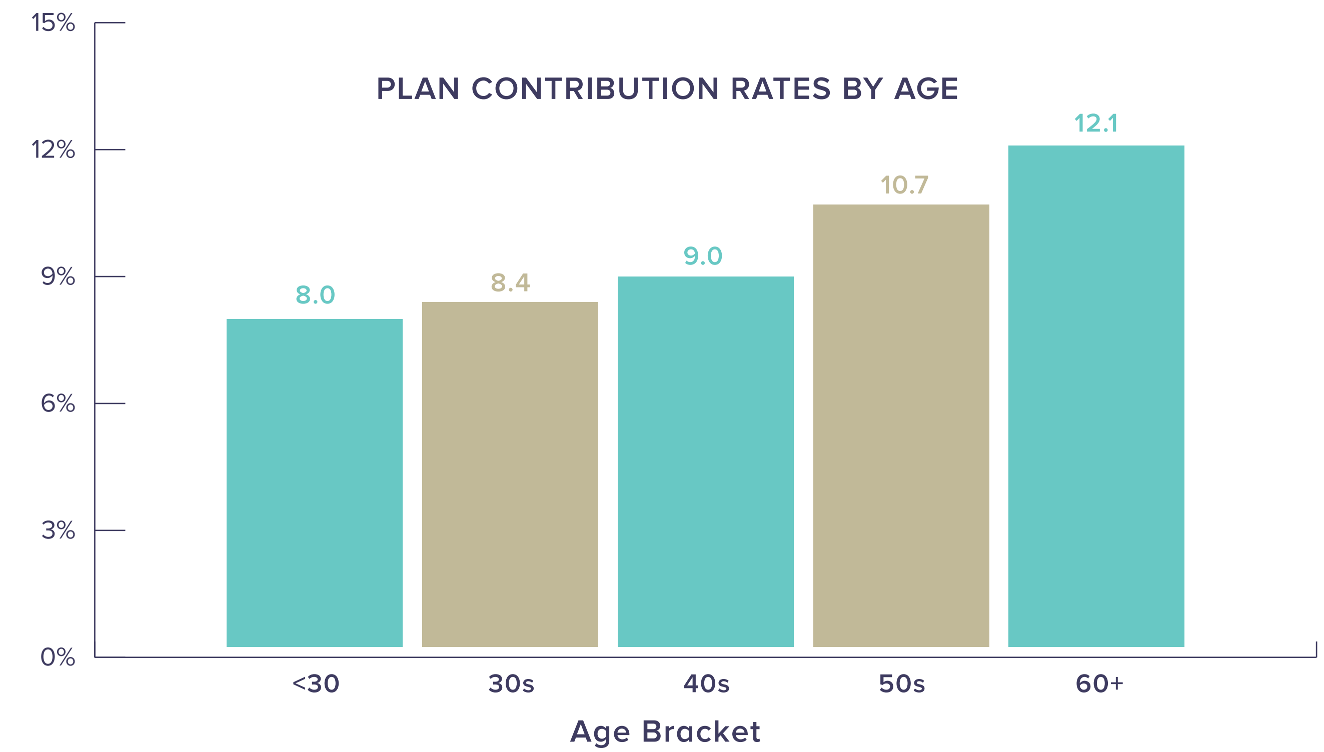
100% coverage for COVID-19 treatment

- **Amending the 401(k) plan to provide employees impacted by COVID-19 options to use their accounts as a financial resource.**
- **Providing networking opportunities and collaboration tools such as Workforce Roundtable, HR Conference, and Basecamp for all Farm Credit organizations to communicate and learn from each other in a remote work environment.**
- **Producing support material and communications about COVID-19 for your HR teams and employees about medical questions, financial concerns and the stress of coping with the pandemic.**

401(k) PLAN

2020 Data As Of 12/31/2020

$3.3B	98%	9.5%
ASSETS	EMPLOYEE PARTICIPATION	AVERAGE EMPLOYEE DEFERRAL RATE



DEFINED BENEFIT PLAN

2020 Data As Of 12/31/2020

Assets — $2B

ACTIVE PARTICIPANTS IN DEFINED BENEFIT RETIREMENT PLANS (16% of employee population)

1,453	9	93	35
AgriBank District	Northwest FCS	Wichita Employers	Western Employers

RETIREMENT PLANS 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.

88%	91.8%	83.3%	84.1%
AgriBank District	Northwest FCS	Wichita Employers	Western Employers

FUNDED RATIO - AS OF 12/31/2020

MEDICAL PLAN

$115M
ANNUALLY IN MEDICAL EXPENSES

31
AVERAGE AGE OF LIVES COVERED

23,665
LIVES COVERED

2.8
AVERAGE FAMILY SIZE OF LIVES COVERED

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

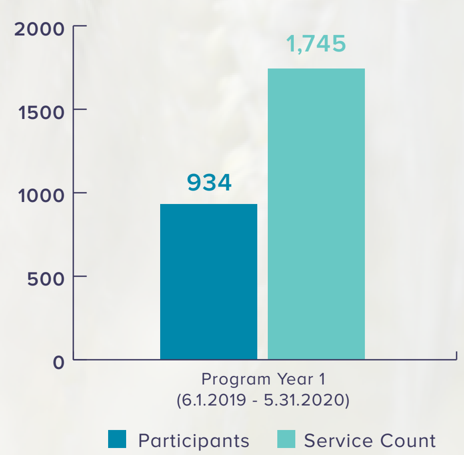
CHRONIC CONDITIONS

Hypertension was the most prevalent chronic condition but was **8.3% below benchmark**

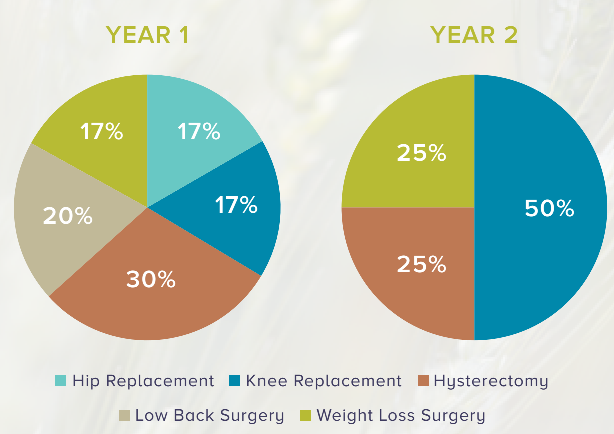
Congestive Heart Failure was the most costly chronic condition on a paid claimant basis but was **25.0% below the benchmark**

ConsumerMedical Utilization

ENGAGEMENT



SURGERY DECISION SUPPORT



*HEALTHY*RETURNS PROGRAM

PROGRAM YEAR 7 AT A GLANCE

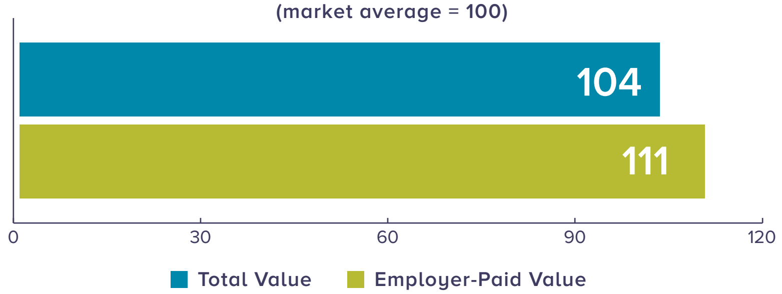
5,655
Employees **(59%)** took the health assessment.

3.57
Average number of health risks for employees

BENEFITS INDEX

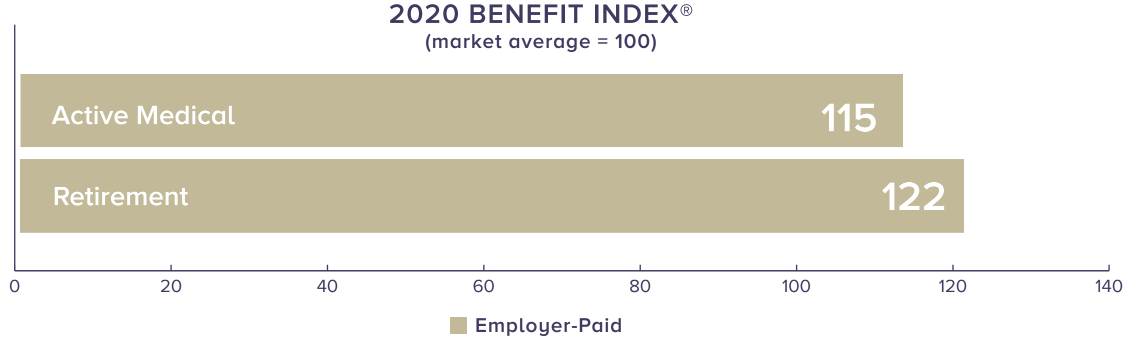
The Benefit Index® compares the benefits package offered by Farm Credit Foundations employers to 20 agricultural and banking/lending organizations. The average benefit value provided by this comparator group is assigned an index of 100. The Plan Sponsor Committee targets Employer-Paid benefit values that are at or above the market average with highly-valued benefits (medical and retirement) positioned above market average.

2020 BENEFIT INDEX®
(market average = 100)



Before accounting for what is paid via payroll deductions, the All Benefits Total Value (index of 104) 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 111.

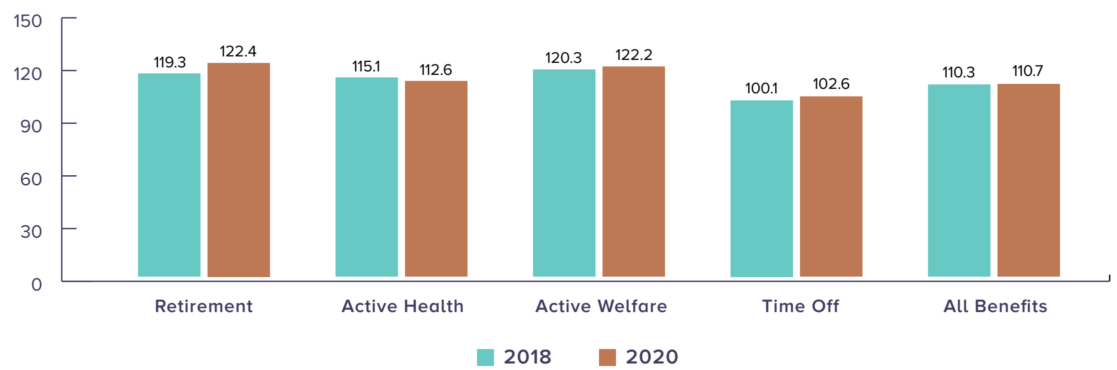
2020 BENEFIT INDEX®
(market average = 100)



For highly-valued benefits, the Employer-Paid value are 15% to 22% greater than the market average. The retirement savings benefit (3% fixed contribution + 6% match) has an Employer-Paid Value of 122. Similarly, the active medical plan Employer-Paid Value is 115.

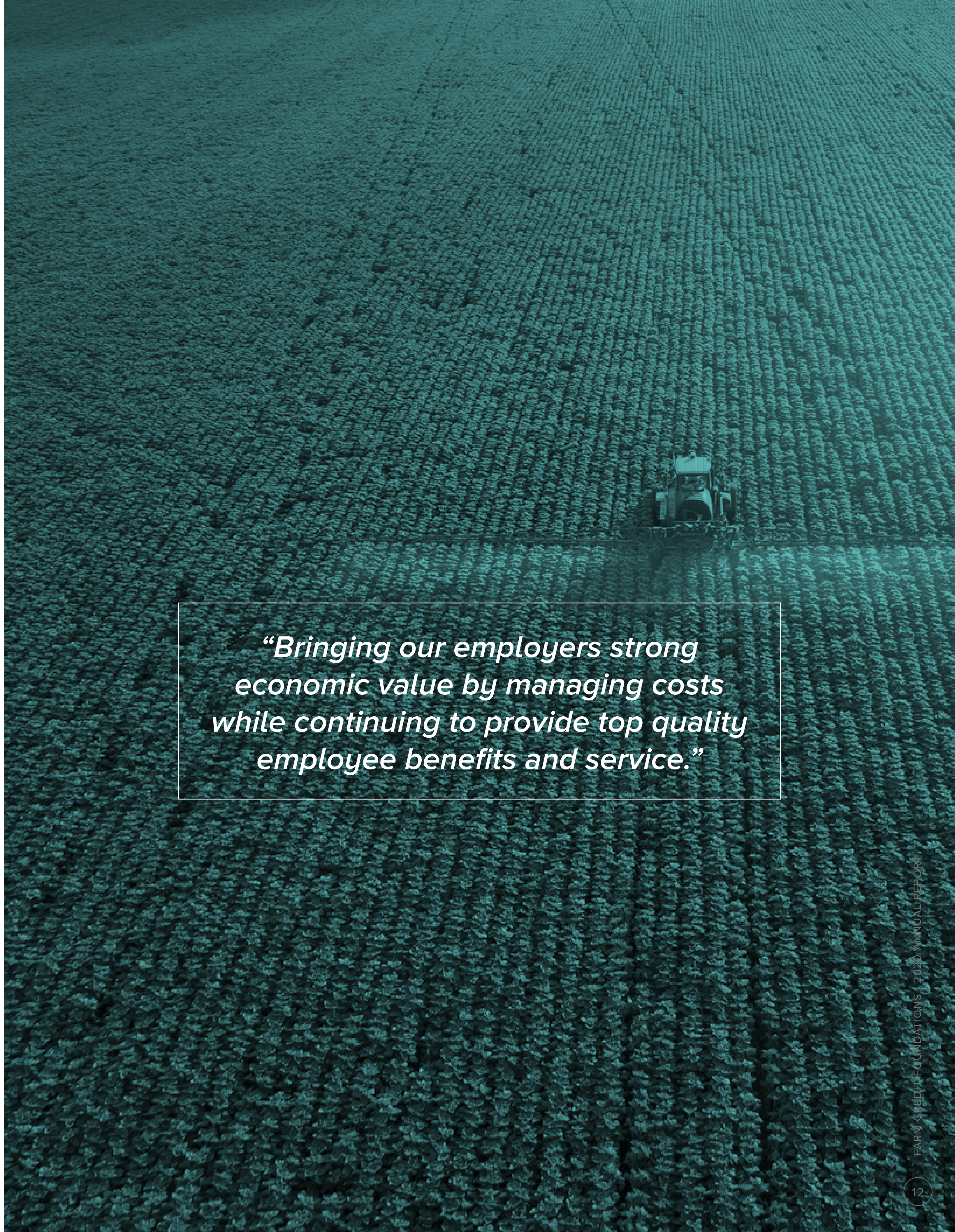
Paid Time-Off benefits also contribute significantly to the All Benefits result. Time-off provisions vary by employer but are generally valued near the market average.

CHANGES SINCE 2018: EMPLOYER PAID VALUE

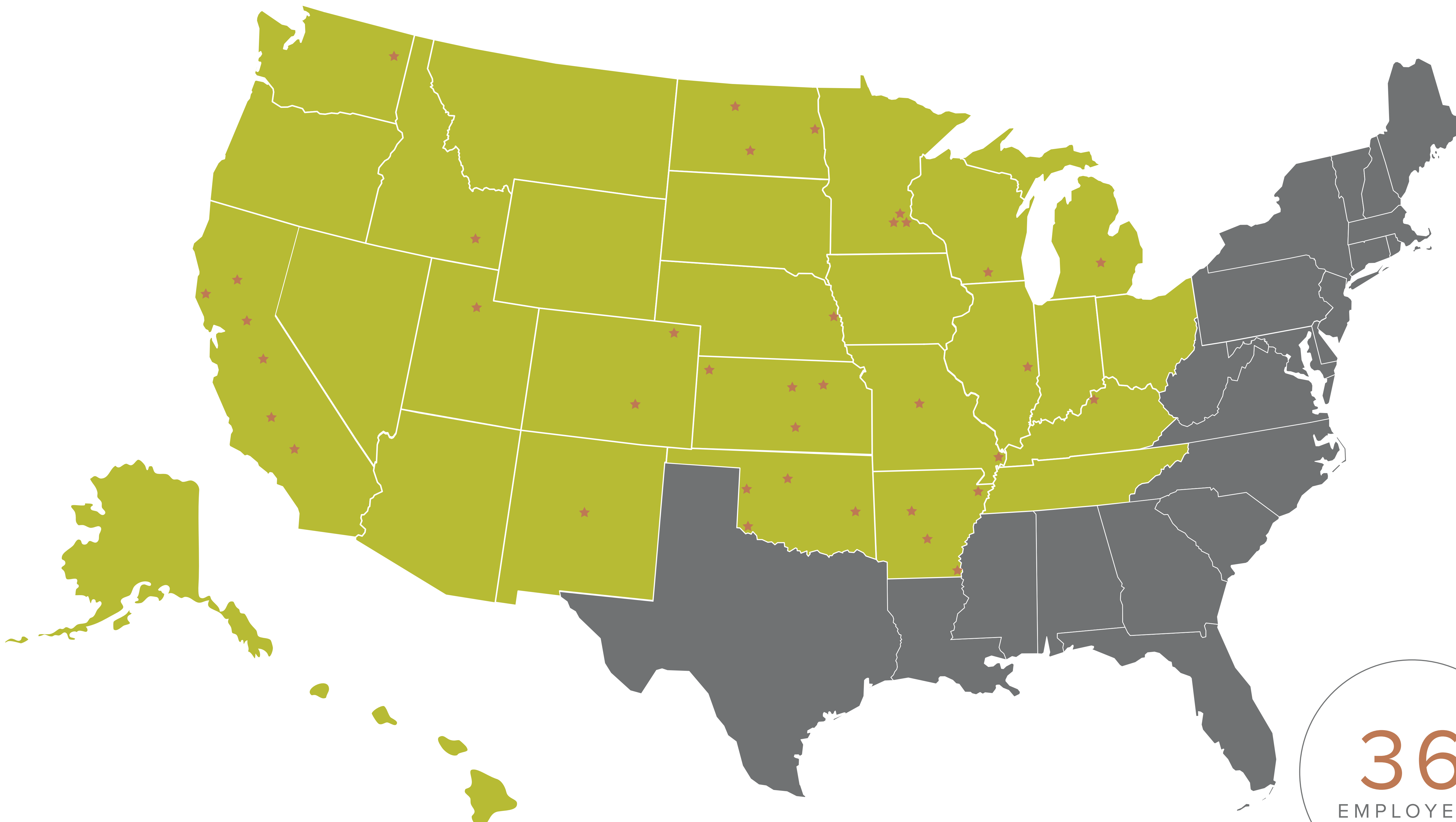


The 2020 All Benefits Index result is comparable to 2018 due to off-setting movement in the retirement and health indices.

- **Retirement value increased due to changes at comparator organizations**
- **Health value decreased due to annual indexing of the deductibles within the medical plan**



2020 MAP OF PARTICIPATING EMPLOYERS



36
EMPLOYERS

2020 BOARD OF DIRECTORS

REPRESENTING OUR CLIENT-OWNERS

STEPHANIE WISE

Chair Director
Compeer Financial

GEORGE FONTES

Vice Chair Director
American AgCredit

SCOTT BINDER

Executive Vice President and Chief Operating 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

LISA SHINN

Director
Premier Farm Credit

TRACY SPARKS

President and CEO
Yosemite Farm Credit

SUSAN VOSS

Director
FCS of America

DAN WAGNER

Executive Vice President
Chief Operating Officer
Farm Credit Mid-America

ANDREW WILSON

Director
Farm Credit Mid-America

2020 TRUST COMMITTEE

REPRESENTING OUR CLIENT-OWNERS

JEFF MOORE

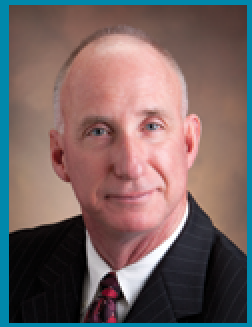
Chair
Chief Financial Officer
AgriBank

AARON JOHNSON

Vice Chair
President / CEO
Farm Credit Illinois

ROGER BASTOW

Executive Vice President
Chief Administrative Officer
American AgCredit



STEVE HARRINGTON

Executive Vice President
FCS Financial

CRAIG KINNISON

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

JOHN PHELAN

Executive Vice President
Chief Risk and Credit Officer
Northwest Farm Credit Services

KEVIN SWAYNE

President / CEO
High Plains Farm Credit

HEATHER VIDOUREK

Executive Vice President
Human Capital
Farm Credit Mid-America

JASE WAGNER

CFO
Compeer Finanicial

FOUNDATIONS OFFICERS

TERESA HEATH-ALVA

Chief Executive Officer

CINDY BURKEL

Senior Vice President Employee Benefits

SANDY ENGEN

Director, Governance and Corporate Administration / Corporate Secretary

BETH OSTREM

Vice President Consulting

KEN ROTH

Vice President Chief Financial Officer

FARM CREDIT FOUNDATIONS FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020, 2019 and 2018

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 2, 2021

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, 2020, 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, 2020.

Dan Wagner,
Chairperson of the Audit Committee

Committee Members
Ed Reed
Lisa Shinn
Tracy Sparks

March 2, 2021

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, 2020, 2019, and 2018, 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, 2020, 2019, and 2018, 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 2, 2021

FARM CREDIT FOUNDATIONS
BALANCE SHEETS
DECEMBER 31, 2020, 2019, AND 2018

	2020	2019	2018
ASSETS			
Cash	$ 2,876,102	$ 2,815,604	$ 2,486,448
Deferred Tax Asset	253,944	232,329	232,773
Accounts Receivable	165,665	194,386	171,737
Prepaids and Other Assets	19,130	26,179	903
Furniture and Equipment, Net	242,325	202,258	336,898
Right of Use Asset, Net	1,464,607	1,674,048	-
Total Assets	$ 5,021,773	$ 5,144,804	$ 3,228,759
LIABILITIES AND MEMBER EQUITY			
LIABILITIES			
Accounts Payable	$ 41,657	$ 24,650	$ 23,002
Accrued Salaries	821,822	767,286	772,397
Accrued Annual Leave	64,879	53,633	48,085
Current Tax Liability	15,962	-	39,942
Death Benefit Liability	38,042	40,542	40,542
Patronage Liability	851,152	741,358	585,190
Benefits Liability	345,823	455,713	302,262
Lease Liability - Financing	170,210	197,212	223,615
Lease Liability - Operating	1,464,607	1,674,048	-
Other Liabilities	31,814	30,362	33,724
Total Liabilities	3,845,968	3,984,804	2,068,759
MEMBER EQUITY			
A Stock	1,175,805	1,160,000	1,160,000
Total Liabilities and Member Equity	$ 5,021,773	$ 5,144,804	$ 3,228,759

See accompanying Notes to Financial Statements.

FARM CREDIT FOUNDATIONS
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018

	2020	2019	2018
OPERATING INCOME	$ 8,417,098	$ 8,066,873	$ 7,577,532
OPERATING EXPENSES			
Salaries and Employee Benefits	5,986,621	5,405,572	5,379,093
Purchased Services	812,749	923,167	663,881
Occupancy and Equipment	284,438	284,437	284,437
Depreciation	35,778	134,639	164,593
Interest	4,160	4,760	5,347
Other	415,754	542,245	469,698
Total Operating Expenses	7,539,500	7,294,820	6,967,049
INCOME BEFORE INCOME TAXES	877,598	772,053	610,483
Provision for Income Taxes	26,446	30,695	25,293
NET INCOME	$ 851,152	$ 741,358	$ 585,190

See accompanying Notes to Financial Statements.

FARM CREDIT FOUNDATIONS
STATEMENTS OF CHANGES IN MEMBER EQUITY
YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018

	Class A Stock	Class B Stock	Unallocated Surplus	Total Member Equity
BALANCE AT DECEMBER 31, 2017	$ 1,160,000	$ -	$ -	$ 1,160,000
Member Capital Contributed	-	-	-	-
Net Income	-	-	585,190	585,190
Unallocated Surplus Designated for Patronage Distributions	-	-	(585,190)	(585,190)
BALANCE AT DECEMBER 31, 2018	$ 1,160,000	$ -	$ -	$ 1,160,000
BALANCE AT DECEMBER 31, 2018	$ 1,160,000	$ -	$ -	$ 1,160,000
Member Capital Contributed	-	-	-	-
Net Income	-	-	741,358	741,358
Unallocated Surplus Designated for Patronage Distributions	-	-	(741,358)	(741,358)
BALANCE AT DECEMBER 31, 2019	$ 1,160,000	$ -	$ -	$ 1,160,000
BALANCE AT DECEMBER 31, 2019	$ 1,160,000	$ -	$ -	$ 1,160,000
Member Capital Contributed	15,805	-	-	15,805
Net Income	-	-	851,152	851,152
Unallocated Surplus Designated for Patronage Distributions	-	-	(851,152)	(851,152)
BALANCE AT DECEMBER 31, 2020	$ 1,175,805	$ -	$ -	$ 1,175,805

See accompanying Notes to Financial Statements.

FARM CREDIT FOUNDATIONS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018

	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$ 851,152	$ 741,358	$ 585,190
Adjustments to Reconcile Net Income to Net			
Cash Provided (Used) by Operating Activities:			
Depreciation	245,219	318,097	164,593
Patronage Accrual	(851,152)	(741,358)	(585,190)
Net Change in:			
Deferred Tax Asset	(21,615)	444	(23,703)
Accounts Receivable	28,721	(22,649)	63,404
Prepaids and Other Assets	7,049	(25,276)	-
Accounts Payable	17,007	1,648	(66,067)
Accrued Salaries	54,536	(5,111)	79,037
Patronage Liability	109,794	156,168	(47,220)
Benefits Liability	(109,890)	153,451	(1,184,616)
Other Liabilities	26,160	(37,756)	39,208
Net Cash Provided (Used) by Operating Activities	356,981	539,016	(975,364)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Fixed Assets	(75,845)	-	(9,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Member Capital Contributions	15,805	-	-
Principal Paid on Financing Lease	(27,002)	(26,402)	(25,816)
Principal Paid on Operating Lease	(209,441)	(183,458)	-
Net Cash Used by Financing Activities	(220,638)	(209,860)	(25,816)
NET INCREASE (DECREASE) IN CASH	60,498	329,156	(1,010,180)
Cash - Beginning of Year	2,815,604	2,486,448	3,496,628
CASH - END OF YEAR	$ 2,876,102	$ 2,815,604	$ 2,486,448
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Amounts Paid for Taxes	$ 32,098	$ 54,674	$ 9,301
Cash Paid for Interest	$ 79,157	$ 105,739	$ 5,347

See accompanying Notes to Financial Statements.

FARM CREDIT FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020, 2019, AND 2018

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, two service corporations (AgVantis and SunStream Business Services), 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 $8,000 and above are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven 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)

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. Currently 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.

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

Foundations accrues patronage distributions according to a prescribed formula approved by the board of directors. Generally, accrued patronage distributions are paid during the first quarter subsequent to year-end.

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 7.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Foundations determines if an arrangement is a lease at inception. The assets are recorded within property and equipment on the balance sheet and are also detailed out in Note 10.

These assets represent Foundations' right to use an underlying asset for the lease term and lease liabilities represent Foundations' obligation to make lease payments arising from the lease. The assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Foundations will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

NOTE 3 INCOME TAXES

The provision for income taxes consisted of the following:

	2020	2019	2018
Current:			
Federal	$ 30,226	$ 19,010	$ 30,752
State	17,836	11,241	18,244
Total Current Tax Expense	48,062	30,251	48,996
Deferred Tax Benefit:			
Federal	(14,243)	293	(15,624)
State	(7,373)	151	(8,079)
Total Deferred Tax Benefit	(21,616)	444	(23,703)
Total Provision for Income Taxes	$ 26,446	$ 30,695	$ 25,293

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.

	2020	2019	2018
Federal Tax at Statutory Rate	$ 184,296	$ 162,131	$ 128,201
State Tax, Net of Federal Benefit	2,047	2,376	47,264
Permanent Differences between Book and Tax Provision	18,845	21,873	18,022
Deductible Patronage Distributions	(178,742)	(155,685)	(168,194)
Provision for Income Taxes	$ 26,446	$ 30,695	$ 25,293

NOTE 3 INCOME TAXES (CONTINUED)

Deferred tax assets are comprised from the following:

	2020	2019	2018
Accrued Incentives	$ 236,207	$ 220,533	$ 222,002
Accrued Annual Leave	18,648	13,821	13,821
Depreciation	(911)	(2,025)	(3,050)
Deferred Tax Asset	$ 253,944	$ 232,329	$ 232,773

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, 2020, 2019, and 2018.

Foundations had no uncertain tax positions to be recognized as of December 31, 2020, 2019, and 2018.

NOTE 4 EMPLOYEE BENEFIT PLANS

Complete financial information for the pension and postemployment benefit plans may be found in the Combined AgriBank and Affiliated Associations 2020 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.

NOTE 4 EMPLOYEE BENEFIT PLANS (CONTINUED)

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 by participating entities. As such, plan assets are available 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.

AgriBank District Retirement Plan Information			
(in thousands)			
As of December 31	2020	2019	2018
Unfunded liability	$ 169,640	$ 220,794	$ 272,460
Projected benefit obligation	1,563,421	1,421,126	1,272,063
Fair value of plan assets	1,393,781	1,200,332	997,613
Accumulated benefit obligation	1,426,270	1,298,942	1,125,682
For the year ended December 31	2020	2019	2018
Contributions by participating employers	90,000	90,000	90,000
Our allocated share of contributions	358	334	326

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.

NOTE 4 EMPLOYEE BENEFIT PLANS (CONTINUED)

Pension Plan (Continued)

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 $323 thousand, $282 thousand, and $326 thousand for 2020, 2019, and 2018, respectively.

Benefits paid to participants in the District were $70.9 million in 2020. 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 2021 is $90 million. Our allocated share of these pension contributions is expected to be $358 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.

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% and 50 cents on the dollar on the next 4.0% on both pre-tax and post-tax contributions. The maximum employer match is 4.0%. For employees hired after December 31, 2006, Foundations contribute 3.0% 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%.

NOTE 4 EMPLOYEE BENEFIT PLANS (CONTINUED)

Defined Contribution Plans (Continued)

Foundations also participates 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 $311 thousand, $286 thousand, and $268 thousand in 2020, 2019, and 2018, respectively. These expenses were equal to our cash contributions for each year.

NOTE 5 CAPITAL

Foundations is authorized to issue 232,000 shares each of Class A Common Stock, and no Class B Common Stock. All classes of stock have a par value of $5.00. Dividends may be paid on shares as determined by a board of directors' resolution. Outstanding shares shall be retired at the sole discretion of the board. Losses which result in any impairment of Foundations' stock shall be borne: first equally by each share of common stock outstanding; and second equally by each share of Class D and Class E Preferred Stock outstanding, on a pro rata basis. Impaired stock shall be restored in the reverse order until each share of stock has a book value equal to the par value.

As of December 31, 2020, 2019, and 2018, 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 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, 2020, 2019, and 2018 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.

NOTE 5 CAPITAL (CONTINUED)

Patronage Distributions

Foundations accrued patronage distributions of $851,152, $741,358, and $585,190 at December 31, 2020, 2019, and 2018, 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 6 RELATED PARTY TRANSACTIONS

Foundations primary business is to provide services to other Farm Credit System entities, including 33 Farm Credit associations, two service corporation (AgVantis and SunStream Business Services), and one Farm Credit Bank (AgriBank, FCB). Revenue from these entities was $8,417,098, $8,066,873, and $7,577,532 in 2020, 2019, and 2018, 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 $445,775, $326,311, and $294,024 for these services in 2020, 2019, and 2018, 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 $68,750, $125,000, and $95,000 in 2020, 2019, and 2018, respectively.

Foundations leases office space from AgriBank. Included in occupancy and equipment are tenant fees paid to AgriBank of $284,438 in 2020, 2019, and 2018. 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 $26,300 per month, or $315,600 per year. Foundations' minimum lease payments over the term of this lease are included in Note 9.

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, 2020. At December 31, 2020, 2019, and 2018, the outstanding principal borrowed under the line of credit was $-0- and it expires March 31, 2023, at which time it may be renewed with AgriBank.

NOTE 7 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 8 FURNITURE AND EQUIPMENT

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

	2020	2019	2018
Cost:			
Building	$ 1,464,607	$ 1,674,048	$ -
Furniture and Equipment	458,950	383,106	383,106
Software	436,685	436,685	436,685
Total Cost	2,360,242	2,493,839	819,791
Less: Accumulated Depreciation	(653,310)	(617,533)	(482,893)
Net Property and Equipment	$ 1,706,932	$ 1,876,306	$ 336,898

NOTE 9 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:

	2020	2019	2018
Furniture	$ 335,349	$ 335,349	$ 335,349
Accumulated Depreciation	(176,738)	(149,547)	(122,357)
Net Furniture	$ 158,611	$ 185,802	$ 212,992

NOTE 9 LEASES (CONTINUED)

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:

Year	Amount
2021	$ 31,163
2022	31,163
2023	31,163
2024	31,163
2025	31,163
Thereafter	25,967
Total Payments	181,782
Less: Interest Portion	(11,572)
Total Lease Obligation	$ 170,210

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:

	2020	2019	2018
Building	$ 1,857,506	$ 1,857,506	$ -
Accumulated Depreciation	(392,899)	(183,458)	-
Net Building	$ 1,464,607	$ 1,674,048	$ -

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:

Year	Amount
2021	$ 284,437
2022	284,437
2023	284,437
2024	284,437
2025	284,437
Thereafter	260,736
Total Payments	1,682,921
Less: Interest Portion	(218,314)
Total Lease Obligation	$ 1,464,607

FARM CREDIT FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 LEASES (CONTINUED)

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

	2020	2019	2018
Lease Cost			
Finance Lease Cost			
Amortization of Right-to-Use Asset	$ 27,191	$ 27,190	$ 27,191
Interest on Lease Liabilities	4,160	4,760	5,347
Operating Lease Cost	209,441	183,458	-
Total Lease Cost	$ 240,792	$ 215,408	$ 32,538

NOTE 10 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 11 SUBSEQUENT EVENTS

Foundations has evaluated subsequent events through March 2, 2021, which is the date the financial statements were available to be issued, and no material subsequent events were identified.

FARM CREDIT FOUNDATIONS OWNERS

AgCountry Farm Credit Services

AgHeritage Farm Credit Services

AgPreference

AgriBank

AgVantis

American AgCredit

Compeer Financial

Delta Farm Credit Services

Farm Credit Illinois

Farm Credit Mid-America

Farm Credit Midsouth

Farm Credit of Enid

Farm Credit of New Mexico

Farm Credit of Southern Colorado

Farm Credit of Western Kansas

Farm Credit of Western Oklahoma

Farm Credit Services of America / Frontier Farm Credit

Farm Credit Services of Mandan

Farm Credit Services of North Dakota

Farm Credit Services of Western Arkansas

Farm Credit Southeast Missouri

Farm Credit West

FCS Financial

FCS of Colusa Glenn

Fresno Madera Farm Credit

Golden State Farm Credit

GreenStone Farm Credit Services

High Plains Farm Credit

Idaho AgCredit

Northwest Farm Credit Services

Oklahoma AgCredit

Premier Farm Credit

SunStream Business Services

Western AgCredit

Yosemite Farm Credit

BEST TOTAL VALUE IN HR SERVICES

FARM CREDIT FOUNDATIONS