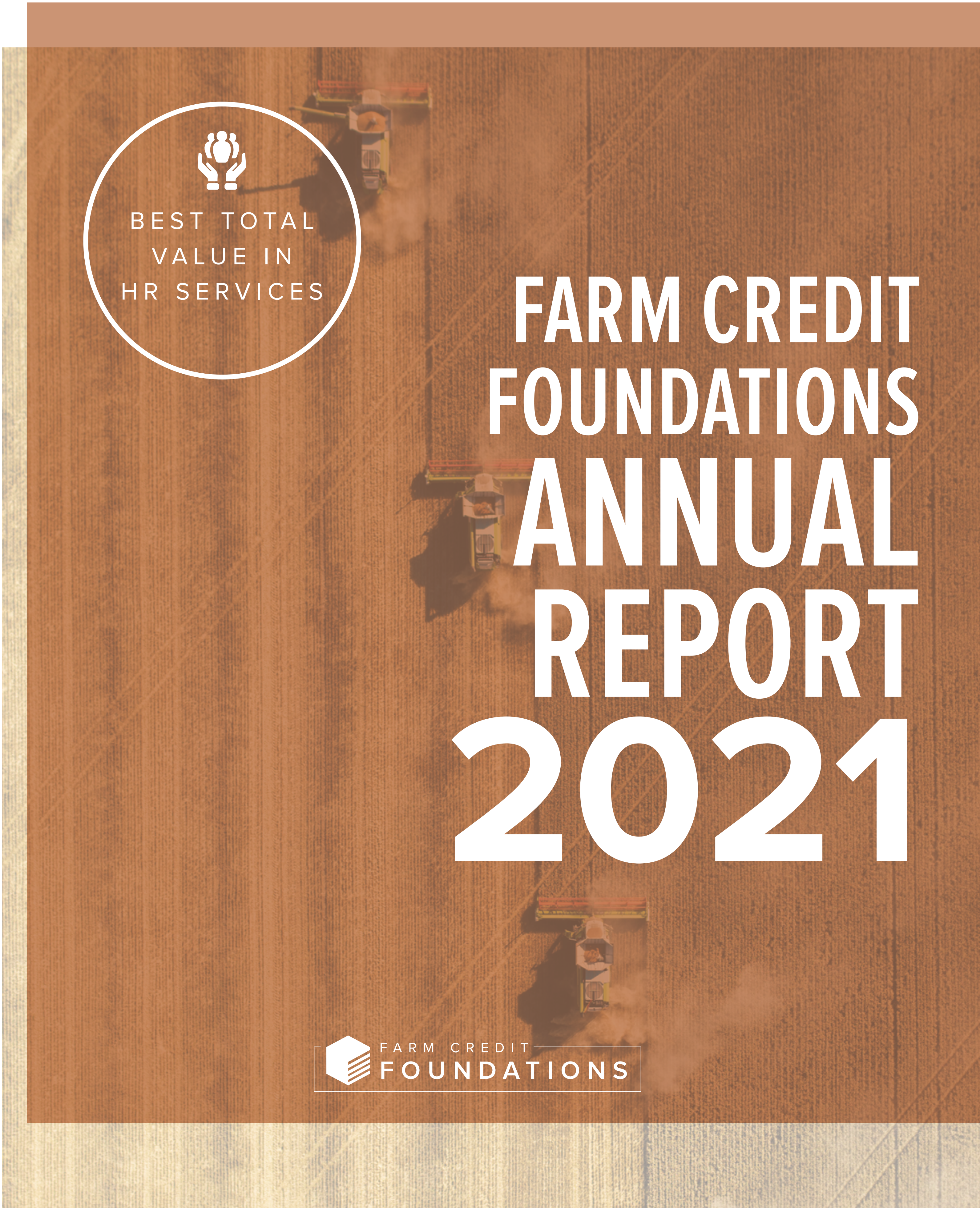


BEST TOTAL VALUE IN HR SERVICES

FARM CREDIT FOUNDATIONS ANNUAL REPORT 2021

FARM CREDIT FOUNDATIONS

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.

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 FOUNDATION DELIVERS

BEST TOTAL VALUE

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

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

Letter from

Chair & CEO

DECEMBER 2021

2021 was a year of transition as we continued to navigate uncertainty around COVID-19 and addressed it's influences as yet another volatility factor in the regular course of business. We responded by setting clear priorities, putting measures in place to keep our focus where it needs to be and continuing to provide critical support to our employers, HR Partners and employees of Farm Credit.

We are grounded in a mutual caring for the people and mission of the Farm Credit System. Our value model relies on five tenets, allowing Farm Credit Foundations to deliver the BEST TOTAL VALUE in HR services and enabling our employers to be the employers of choice for those who serve Rural America.

1. **Economies of scale**
2. **Deep expertise**
3. **Access to top tier vendors**
4. **Owner governance**
5. **Commitment to those serving rural America**

From those tenets, we are pleased to report highlights of our successes:

- The design of the FCF benefits package is highly competitive and delivers greater value than your competitors,
- Pooled plan assets have netted noteworthy gains with exceptionally low investment fees,
- FCF operations and reporting capabilities have effectively managed compliance risk,
- You have captured the greatest efficiencies and expertise through the FCF model of shared benefits administration, payroll services, HR technologies, and consulting services.

Important achievements this past year, include no increase to medical premiums for employers and employees, a substantial increase in the funding level of the legacy pension plans, with one hitting 100% funded, and all $1,443,511 of net income, patronaged back to owners.

continued on page 6

continued from page 5

Providing the programs and actions that encourage employees' well-being in physical, mental and financial areas is critical to the value we bring to Farm Credit owners. The 401(k) plan shows 92.8% of your employees are on track to retire with adequate funds, well above the industry benchmark of 67.6%. We end the year with a well-funded medical/dental trust. The year included $9.9 million in premium contributions returned to employers' bottom line due to the better use of healthcare services by employees and their families. We launched new communication websites for employees, HR Partners and co-operative clients, successfully increasing our communication ability and decreasing our risk exposure.

2021 presented challenges that included many new federal, state and local regulations, the continuing effects of COVID-19 and greater demand for technology solutions and information. We see the complexities of providing our services increasing rather than moderating as we move into 2022, and we are confident in our ability to meet the challenges and serve your organizations well.

Finally, we thank you for your support and participation in Farm Credit Foundations. Together we have built a unique solution and continue to develop the strategies and innovations to bring long-term success and meet the needs of our Farm Credit organizations.

All our best to you,

Stephanie Wise
Board Chair

Teresa Heath-Alva
CEO

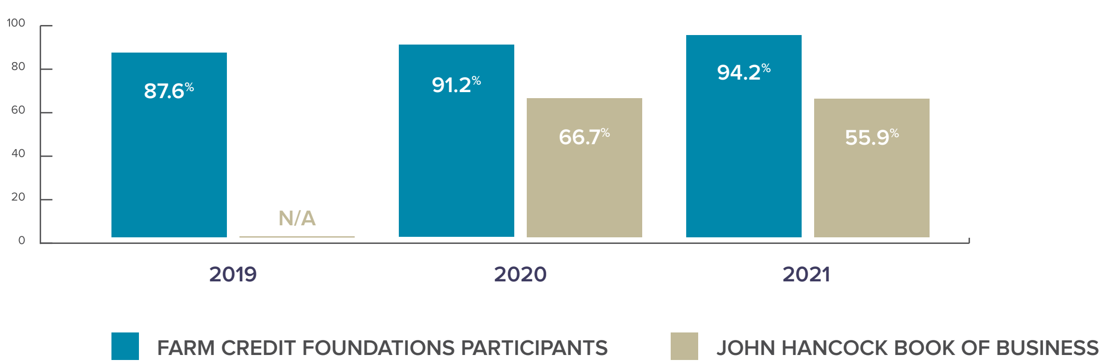
401(k) Plan | $3.3B Assets

2021 DATA AS OF 12/31/21

Participation Rate

Average Contribution Rate

Retirement Readiness (>70% replacement)



Defined Benefit Plan | $2.16B Assets

2021 DATA AS OF 12/31/21

ACTIVE PARTICIPANTS IN DEFINED BENEFIT RETIREMENT PLANS (15% of employee population)

AgriBank District	Northwest FCS	Wichita Employers	Western Employers
1,334	6	84	26

TOTAL = 1,450

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.

	AgriBank District	Northwest FCS	Wichita Employers	Western Employers
2021	97%	102%	98%	97%
2020	85%	89%	79%	80%

Medical Plan

$115M
ANNUALLY IN MEDICAL EXPENSES

31
AVERAGE AGE OF LIVES COVERED

24,992
LIVES COVERED

2.7
AVERAGE FAMILY SIZE OF LIVES COVERED

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

Member Rewards

Employees are incented to find a quality provider at a lower cost in order to save on common services.

311 employees used Member Rewards and received...

$36,360 in incentives for being actively engaged in their healthcare while...

saving the plan **$217,618** in claims costs.

Health Savings Account

8,236 employees have an active Health Savings Account totalling more than...

$45 million dollars that can be used to support medical costs or saved for retirement, when medical costs are often larger.

Benefit Education

8,248 Employees Attended Educational Webinars

- New Hire Benefit Orientation
- New Hire 401(k) Orientation
- Retirement Planning
- Retirement Workshop
- HealthyReturns Program
- ConsumerMedical Education
- HSA Education
- 401(k) Education

Expertise & Support

100%
Client
Satisfaction

120+
paroll audits each
pay period to
provide accuracy

HR audits and
best practices for
organizations

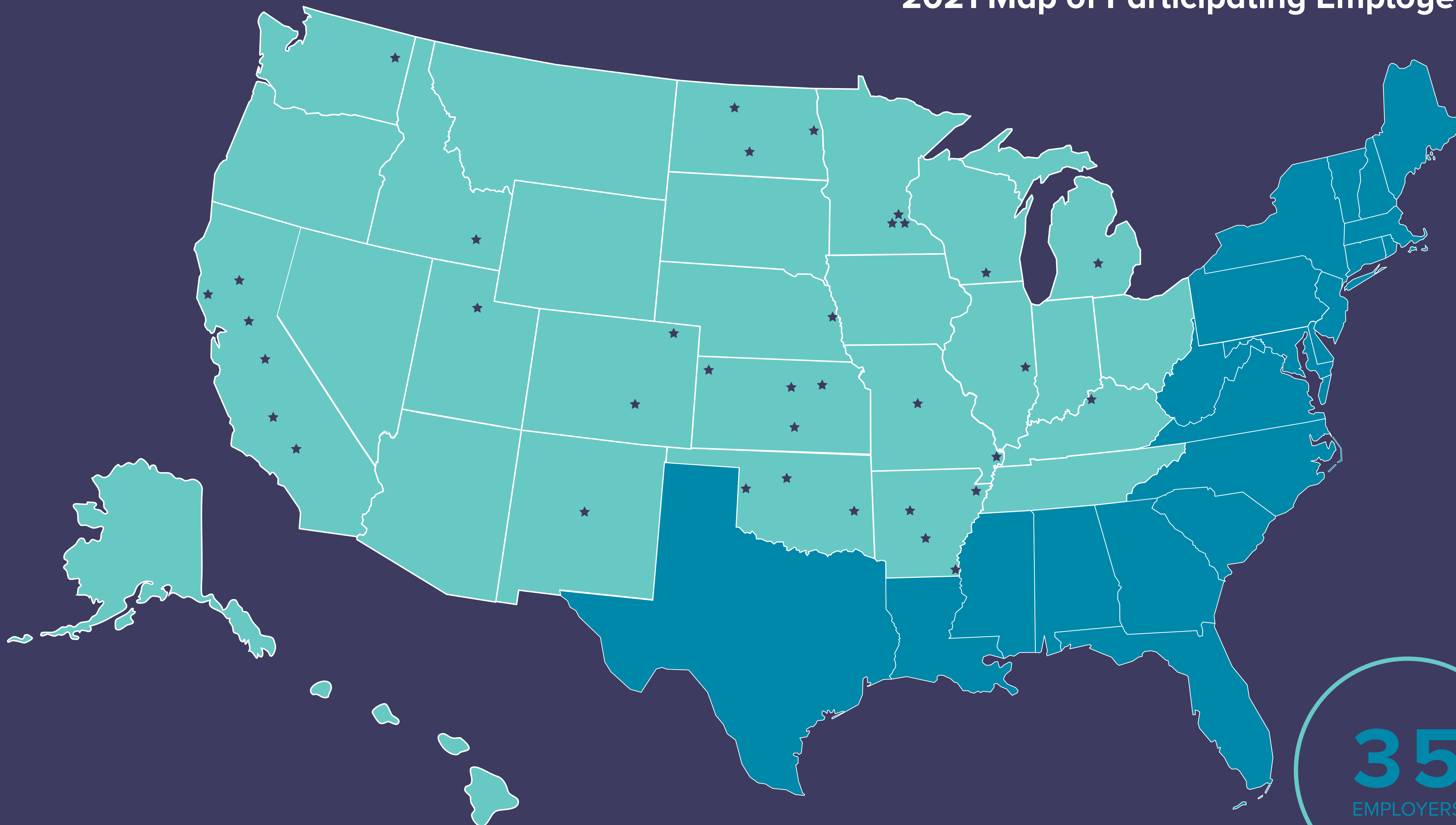
7
indepedent annual
audits create
assurance for your
financial records

Affirmative action
reporting for all owner
organizations

Providing critical support
during pandemic and
with mental health

"Bringing our employers strong economic value by managing costs while continuing to provide top quality employee benefits and service."

2021 Map of Participating Employers



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EMPLOYERS

FARM CREDIT FOUNDATIONS

2021 Board of Directors / Plan Sponsor Committee

The Board of Directors and Plan Sponsor Committee are two distinct governance bodies with separate responsibilities. However, the members are the same individuals. The Board is responsible for the safe and sound operation of FCF and for ensuring FCF fulfills its mission. In meeting these responsibilities, the Board is accountable to its stockholders.

The Plan Sponsor Committee governs the employee benefits. The Plan Sponsor Committee determines what benefits are to be offered, who is eligible, and under what conditions and how cost is shared between employers and employees.

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

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

PATRICK ZEKA

President and CEO
Oklahoma AgCredit

2021 Trust Committee

The Trust Committee serves as the fiduciary for the benefits plans and assets held in trust for employee medical and retirement benefits. Oversight of investments and administration of the plans.

JEFF MOORE

Chair
Chief Financial Officer
AgriBank

AARON JOHNSON

Vice Chair
President / CEO
Farm Credit Illinois

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

JERRY ROSE

Executive Vice President
Chief Strategy Officer
American AgCredit

KEVIN SWAYNE

President / CEO
High Plains Farm Credit

HEATHER VIDOUREK

Executive Vice President
Human Capital
Farm Credit Mid-America

JASE WAGNER

CFO
Compeer Financial

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, 2021, 2020, 2019

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 necessarily 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 that in 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 consider internal controls to the extent necessary to design audit procedures that 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, which has been prepared in accordance with all applicable statutory or regulatory requirements. 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 1, 2022

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 Farm Credit Foundations internal audit program, the approval, and independence of CliftonLarsonAllen as independent auditors, the adequacy of Farm Credits Foundations 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, 2021, with management. The Audit Committee also reviewed with CliftonLarsonAllen the matters required to be discussed by Statement on Auditing Standards AU-C 260, *The Auditor's Communication with Those Charged with Governance*, and both CliftonLarsonAllen and the internal auditors directly provided reports on any 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 nonaudit 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 any 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, 2021.

Daniel Wagner

Dan Wagner,
Chairperson of the Audit Committee
Farm Credit Foundations

Committee Members
Ed Reed
Lisa Shinn
Tracy Sparks

March 1, 2022

INDEPENDENT AUDITORS' REPORT

Board of Directors
Farm Credit Foundations
St. Paul, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Farm Credit Foundations, which comprise the balance sheets as of December 31, 2021 and 2020, and 2019 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.

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, 2021 and 2020, and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Farm Credit Foundations and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Farm Credit Foundations' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Board of Directors
Farm Credit Foundations

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Farm Credit Foundations' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Farm Credit Foundations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 1, 2022

FARM CREDIT FOUNDATIONS
BALANCE SHEETS
DECEMBER 31, 2021, 2020, AND 2019

	2021	2020	2019
ASSETS			
ASSETS			
Cash	$ 3,045,888	$ 2,876,102	$ 2,815,604
Deferred Tax Asset	248,997	253,944	232,329
Accounts Receivable	283,044	165,665	194,386
Prepaids and Other Assets	51,191	19,130	26,179
Furniture and Equipment, Net	485,953	242,325	202,258
Right of Use Asset, Net	1,244,999	1,464,607	1,674,048
Total Assets	$ 5,360,072	$ 5,021,773	$ 5,144,804
LIABILITIES AND MEMBER EQUITY			
LIABILITIES			
Accounts Payable	$ 26,526	$ 41,655	$ 24,650
Accrued Salaries	838,940	821,822	767,286
Accrued Annual Leave	64,326	64,879	53,633
Current Tax Liability	-	15,962	-
Death Benefit Liability	33,042	38,042	40,542
Patronage Liability	1,443,510	851,152	741,358
Benefits Liability	352,143	345,823	455,713
Lease Liability - Financing	142,593	170,212	197,212
Lease Liability - Operating	1,244,999	1,464,607	1,674,048
Other Liabilities	38,188	31,814	30,362
Total Liabilities	4,184,267	3,845,968	3,984,804
MEMBER EQUITY			
A Stock	1,175,805	1,175,805	1,160,000
Total Liabilities and Member Equity	$ 5,360,072	$ 5,021,773	$ 5,144,804

See accompanying Notes to Financial Statements.

FARM CREDIT FOUNDATIONS
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019

	2021	2020	2019
OPERATING INCOME	$ 9,444,022	$ 8,417,098	$ 8,066,873
OPERATING EXPENSES			
Salaries and Employee Benefits	6,441,810	5,986,621	5,405,572
Purchased Services	893,000	812,749	923,167
Occupancy and Equipment	284,437	284,438	284,437
Depreciation	35,982	35,778	134,639
Interest	3,546	4,160	4,760
Other	313,704	415,754	542,245
Total Operating Expenses	7,972,479	7,539,500	7,294,820
INCOME BEFORE INCOME TAXES	1,471,543	877,598	772,053
Provision for Income Taxes	28,033	26,446	30,695
NET INCOME	$ 1,443,510	$ 851,152	$ 741,358

See accompanying Notes to Financial Statements.

FARM CREDIT FOUNDATIONS
STATEMENTS OF CHANGES IN MEMBER EQUITY
YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019

	Class A Stock	Class B Stock	Unallocated Surplus	Total Member Equity
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
BALANCE AT DECEMBER 31, 2020	$ 1,175,805	$ -	$ -	$ 1,175,805
Member Capital Contributed	-	-	-	-
Net Income	-	-	1,443,510	1,443,510
Unallocated Surplus Designated for Patronage Distributions	-	-	(1,443,510)	(1,443,510)
BALANCE AT DECEMBER 31, 2021	$ 1,175,805	$ -	$ -	$ 1,175,805

See accompanying Notes to Financial Statements.

FARM CREDIT FOUNDATIONS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019

	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$ 1,443,510	$ 851,152	$ 741,358
Adjustments to Reconcile Net Income to			
Net Cash Provided by Operating Activities:			
Depreciation	255,591	245,219	318,097
Patronage Accrual	(1,443,510)	(851,152)	(741,358)
Principal Paid on Operating Lease	(219,611)	(209,441)	(183,458)
Net Change in:			
Deferred Tax Asset	4,947	(21,615)	444
Accounts Receivable	(117,379)	28,721	(22,649)
Prepaids and Other Assets	(32,061)	7,049	(25,276)
Accounts Payable	(15,129)	17,007	1,648
Accrued Salaries	17,118	54,536	(5,111)
Patronage Liability	592,358	109,794	156,168
Benefits Liability	6,320	(109,890)	153,451
Other Liabilities	(15,141)	26,160	(37,756)
Net Cash Provided by Operating Activities	477,013	147,540	355,558
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Fixed Assets	(279,610)	(75,845)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Member Capital Contributions	-	15,805	-
Principal Paid on Financing Lease	(27,617)	(27,002)	(26,402)
Net Cash Used by Financing Activities	(27,617)	(11,197)	(26,402)
NET INCREASE IN CASH	169,786	60,498	329,156
Cash - Beginning of Year	2,876,102	2,815,604	2,486,448
CASH - END OF YEAR	$ 3,045,888	$ 2,876,102	$ 2,815,604
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Amounts Paid for Taxes	$ 55,014	$ 32,098	$ 54,674
Cash Paid for Interest	$ 68,374	$ 79,157	$ 105,739

See accompanying Notes to Financial Statements.

FARM CREDIT FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020, AND 2019

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 31 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 34 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:

	2021	2020	2019
Current:			
Federal	$ 10,895	$ 30,226	$ 19,010
State	12,167	17,836	11,241
Total Current Tax Expense	23,062	48,062	30,251
Deferred Tax Benefit:			
Federal	6,061	(14,243)	293
State	(1,090)	(7,373)	151
Total Deferred Tax Benefit	4,971	(21,616)	444
Total Provision for Income Taxes	$ 28,033	$ 26,446	$ 30,695

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.

	2021	2020	2019
Federal Tax at Statutory Rate	$ 310,716	$ 184,296	$ 162,131
State Tax, Net of Federal Benefit	2,170	2,047	2,376
Permanent Differences between Book and Tax Provision	18,284	18,845	21,873
Deductible Patronage Distributions	(303,137)	(178,742)	(155,685)
Provision for Income Taxes	$ 28,033	$ 26,446	$ 30,695

NOTE 3 INCOME TAXES (CONTINUED)

Deferred tax assets are comprised from the following:

	2021	2020	2019
Accrued Incentives	$ 241,128	$ 236,207	$ 220,533
Accrued Annual Leave	18,489	18,648	13,821
Depreciation	(10,620)	(911)	(2,025)
Deferred Tax Asset	$ 248,997	$ 253,944	$ 232,329

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, 2021, 2020, and 2019.

Foundations had no uncertain tax positions to be recognized as of December 31, 2021, 2020, and 2019.

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 2021 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	2021	2020	2019
Unfunded Liability	$ 46,421	$ 169,640	$ 220,794
Projected Benefit Obligation	1,500,238	1,563,421	1,421,126
Fair Value of Plan Assets	1,453,817	1,393,781	1,200,332
Accumulated Benefit Obligation	1,384,554	1,426,270	1,298,942

For the year ended December 31	2021	2020	2019
Contributions by Participating Employers	$ 90,000	$ 90,000	$ 90,000
Our Allocated Share of Contributions	403	358	334

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 $358 thousand, $323 thousand, and $282 thousand for 2021, 2020, and 2019, respectively.

Benefits paid to participants in the District were $88.6 million in 2021. 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 2022 is $90 million. Our allocated share of these pension contributions is expected to be $403 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 operations were $340 thousand, $311 thousand, and $286 thousand in 2021, 2020, and 2019, 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, 2021, 2020, and 2019, 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, 2021, 2020, and 2019 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 $1,443,510, $851,152, and $741,358 at December 31, 2021, 2020, and 2019, 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 $9,444,022, $8,417,098, and $8,066,873 in 2021, 2020, and 2019, 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 $424,518, $445,775, and $326,311 for these services in 2021, 2020, and 2019, 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 $46,250, $68,750, and $125,000 in 2021, 2020, and 2019, respectively.

Foundations leases office space from AgriBank. Included in occupancy and equipment are tenant fees paid to AgriBank of $284,438 in 2021, 2020, and 2019. 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, 2021. At December 31, 2021, 2020, and 2019, 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:

	2021	2020	2019
Cost:			
Building	$ 1,244,999	$ 1,464,607	$ 1,674,048
Furniture and Equipment	458,950	458,950	383,106
Software	716,295	436,685	436,685
Total Cost	2,420,244	2,360,242	2,493,839
Less: Accumulated Depreciation	(689,292)	(653,310)	(617,533)
Net Property and Equipment	$ 1,730,952	$ 1,706,932	$ 1,876,306

NOTE 9 LEASES

As noted in Note 6, 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:

	2021	2020	2019
Furniture	$ 335,349	$ 335,349	$ 335,349
Accumulated Depreciation	(203,928)	(176,738)	(149,547)
Net Furniture	$ 131,421	$ 158,611	$ 185,802

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
2022	$ 31,163
2023	31,163
2024	31,163
2025	31,163
2026	25,969
Total Payments	150,621
Less: Interest Portion	(8,027)
Total Lease Obligation	$ 142,594

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:

	2021	2020	2019
Building	$ 1,857,506	$ 1,857,506	$ 1,857,506
Accumulated Depreciation	(612,507)	(392,899)	(183,458)
Net Building	$ 1,244,999	$ 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
2022	$ 284,437
2023	284,437
2024	284,437
2025	284,437
2026	260,736
Total Payments	1,398,484
Less: Interest Portion	(153,486)
Total Lease Obligation	$ 1,244,998

NOTE 9 LEASES (CONTINUED)

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

	2021	2020	2019
Lease Cost:			
Finance Lease Cost:			
Amortization of Right-to-Use Asset	$ 27,190	$ 27,191	$ 27,190
Interest on Lease Liabilities	3,546	4,160	4,760
Operating Lease Cost	219,608	209,441	183,458
Total Lease Cost	$ 250,344	$ 240,792	$ 215,408

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 1, 2022, 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

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

FARM CREDIT
FOUNDATIONS