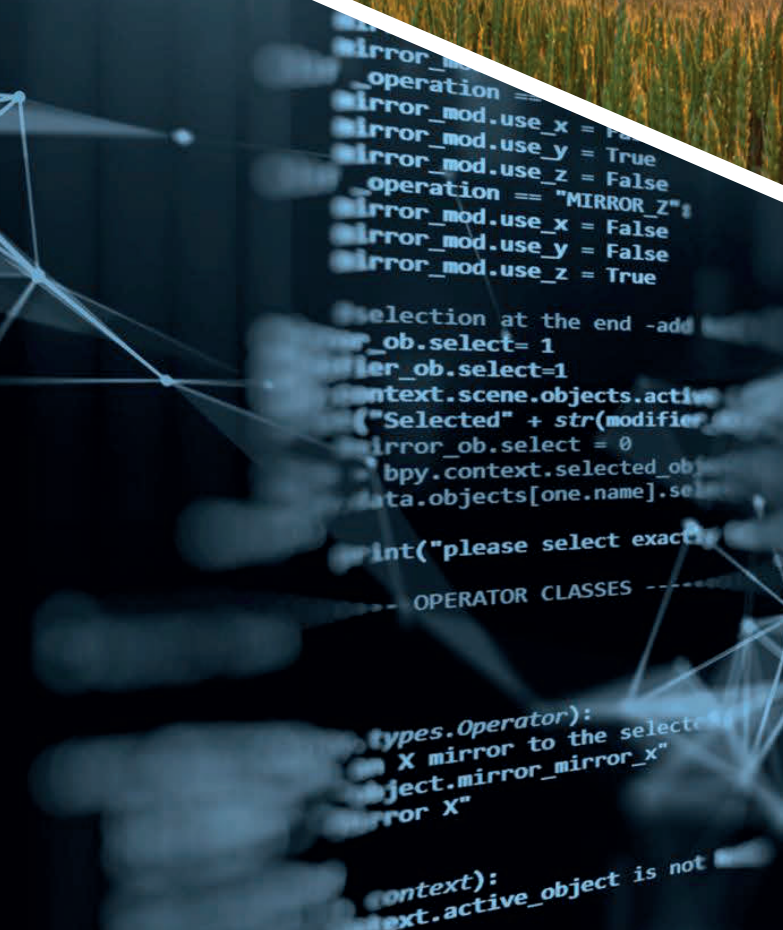




**Where
Agriculture
Meets
Technology**



2020 Annual Report



SunStream Business Services
financial report for the period from
inception on April 1, 2020 through
December 31, 2020

Published March 15, 2021



Home of SunStream Business Services
Wells Fargo Center in St. Paul, Minnesota

Photo by: Bill Christianson
SunStream Principal Financial Analyst



SUNSTREAM Business Services provides applications, technology, and business services to our partners within the Farm Credit System. Core systems such as General Ledger and Loan Accounting, data integration and reporting, specialized loan accounting services, infrastructure support, and security solutions are just a few of the essential services we offer. **Our experienced and dedicated staff deliver top notch critical support so our customers can meet the demands of their business.**

SunStream Business Services is a federally chartered instrumentality of the United States chartered by the Farm Credit Administration, operating independently since April 1, 2020.

Our customers take care of rural America... and trust us to take care of the rest!

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Steve Jensen
President and
CEO



Message from our CEO

Welcome to “the new” SunStream Business Services!

I am both thrilled and humbled to lead this amazing company on behalf of our truly dedicated and talented employees. As you will read in this, our first Annual Report, 2020 truly was an incredible inaugural year as an independent Service Entity supporting you, our Farm Credit partners!

We are grateful for the trust our customers place in us and for the ongoing guidance given by our Board and owners. You have set the bar high, expect excellence in our systems and services, and have challenged us to deliver the value you expect. We expect nothing less of ourselves! We strive to be fully transparent, to communicate our plans, and to collaborate with our customers on providing the best and optimal services.

SunStream operates on four guiding principles... Customer Intimacy, Operational Excellence, Innovation and Growth. It is ingrained in everything we do, from development to delivery, from sales to support, and from consulting to collaboration. We strive to earn your business each and every day.

THANK YOU for your partnership, your patience and your support. Come and grow with us on this journey. **At SunStream...Our customers take care of rural America and trust us to take care of the rest!**

For many years, the Information Services Group (“ISG”) had been operating as a part of AgriBank, serving the back office technology needs of AgriBank and several Farm Credit institutions. In May, 2017, AgriBank applied to the Farm Credit Administration for approval to remove the services provided by AgriBank and charter a new service entity called SunStream Business Services.

Anticipating charter approval, SunStream Business Services began operating as a “virtual entity” on January 1, 2018. We hired our own executive leadership team and established an interim Board of Directors. The charter was approved by the FCA in early 2020. In collaboration with AgriBank and Farm Credit Foundations, we immediately commenced our implementation plan. **On April 1, 2020, SunStream Business Services (“SunStream”) initiated operations as a separate legal entity.**

Our History

SunStream is owned in equal portions by four ownership groups - AgriBank, Compeer Financial, Farm Credit Mid-America, and the CTC Group, a collection of nine district associations. Each ownership group holds one seat on SunStream’s Board and two seats on its Management Council. Owners also participate in various advisory groups specific to certain initiatives to provide business, technical, and financial guidance.

Owners are the primary, but not the only, customer entities of SunStream. Products and services are marketed to entities across the Farm Credit system.



SunStream is a service entity that **was created by our customers, for our customers**, and we would not be anywhere without them. We provide a top-notch customer experience, deliver work in a highly efficient and predictable manner, and inspire innovation and creativity in our solutions.

Our **customers demand** stable, reliable, and secure systems which are critical to operating their businesses. **SunStream delivers** by offering **aggressive service level agreements** and holding our dedicated and professional team to those high standards. We **diligently manage our operational costs** to ensure our budgeted dollars are thoughtfully applied for the right value at the right time. We **invest in the newest technology** to ensure your data is confidential and secure. We encourage our staff to **grow and enhance skillsets** and **promote creativity and innovation** in all that we do. We consistently strive to provide superior value in partnership with our customers.



Vision & Values

Our vision is to be the solution and business service provider that allows our customers to focus on being their very best.

We do this by building

- ☀ a culture in which employees are excited to come to work and are encouraged to excel.
- ☀ a well-managed company delivering services that exceed expectations.
- ☀ a commitment to relentlessly pursue better ways to deliver service.
- ☀ an advisory practice that is worthy of our customer's trust.

The values we embrace at SunStream are simple, and they stand for what we have learned as an organization. We act with integrity, we are committed to our clients, and we conduct our business with efficiency and excellence.

Our Mission

is to be the premier business services partner by providing our customers with innovative, reliable, and cost-effective business solutions that fully meet their needs and consistently exceed their expectations.



We provide several major back-office products and services, along with other ancillary services, on an ala carte basis. While most of our products are used by AgriBank and district associations, the ancillary services such as insurance and tax support are used by several entities across the Farm Credit System.

- ☀ **Cornerstone and Support Systems:** Accounting systems that retail customer transaction activity, including Cornerstone, Related Services Systems, Bank Balancing, Government Reporting, Customer Commitments, Customer Service System and Transaction Gathering.
- ☀ **Mailing Services and Support:** Mailing and support services including insertion and mailing of customer statements, billings, tax documents, rate notices and other communications or marketing materials.
- ☀ **Insurance Operations:** Administration of life insurance programs, insurance systems and technology support, centralized reporting, communications, forms, and procedures.
- ☀ **General Ledger Processing and Support:** Processing and delivery of financial information to monitor customer operations.
- ☀ **Corporate Tax Service:** Cost-effective shared district tax resources, helping customers manage their tax compliance requirements.
- ☀ **Desktop Services:** Support of customer computers and software and certified technical assistance with problem isolation, resolution, upgrades and conversions.
- ☀ **Collateral Services:** Tracking, reviewing and safekeeping services as it relates to holding AgriBank pledged loans pursuant to the Master Custodianship and Control Agreement and the General Financing Agreement to secure Association and OFI Indebtedness.
- ☀ **Technology Services:** Comprehensive technical support services for Microsoft and Linux server infrastructures, messaging systems, desktop support, anti-virus, security services, and various disaster recovery options.
- ☀ **Security Services:** Services and solutions to secure users, reduce risk, protect sensitive information and to enhance customer's overall security posture and solve common problems without the need for customers to build their own security team or manage platforms.
- ☀ **Credit Reporting:** Reporting of customer retail loans to the credit bureau agencies via the Consumer Data Industry Association (CDIA) endorsed METRO2 process.

Products ...



...Services

- ⚙️ **Loan/Lease Accounting Services:** Loan accounting support for disbursement and payment processing including wire origination, participation and syndication loan processing, lease payment processing, cash settlement with outside district investors, high risk loan accounting, asset pool and other specialized accounting services.
- ⚙️ **Assignment Remittance Tracking System (ART):** Automated processing of high-volume recurring assignment payments (dairy, etc.) and exception processing.
- ⚙️ **Lockbox Processing Service:** Exception processing, research and remediation of high-volume retail customer payment activity facilitated through a third-party lockbox provider.
- ⚙️ **Inforte:** Reporting databases, interfaces, stored procedures, and web services that enable customers to utilize unique or local applications to access their data in a secure and flexible manner.
- ⚙️ **Financial and Reporting Applications:** Development, implementation and processing of applications that provide quality and timely financial analysis to support financial decision-making processes including modeling, reporting, budgeting, forecasting, and analysis.
- ⚙️ **Netscore:** Automated scoring of products by combining credit request information with credit bureau reports obtained through an online service to determine a credit score.
- ⚙️ **Service Desk:** Centralized help desk to enable customers to report incidents, ask questions, and submit work requests.
- ⚙️ **Application Support:** Support of AgriBank “bank-only” applications including Cherwell, LaserFiche, Funds Pricing, and Investments, LGD and Minerals applications.
- ⚙️ **Data Access Management:** Processing and storing of data, including Asset Pools, AgDirect, Customer Attribution, Commercial Lending and Financial Reporting.





How We Operate

Our business operations and multi-year strategy is built on a solid foundation and rises on four key operational pillars. We measure our success by the satisfaction of our customers and owners.

Our foundation is a stable and reliable infrastructure, run by a highly tenured and experienced staff that secures the integrity and confidentiality of your data.

We follow four core principles of Customer Intimacy, Operational Excellence, Innovation, and Growth in everything we do.

Customer Intimacy

- ☀ A front-line technology service desk with personalized support that owns problems through resolution and adheres to strict response and resolve service levels
- ☀ Employees throughout the organization trained on customer service protocols and standards and who maintain a customer-centric attitude

Operational Excellence

- ☀ Project management best practices
- ☀ Proactive risk management
- ☀ ITIL Framework driven operations management
- ☀ Full transparency of product and service pricing

Innovation

- ☀ System modernization to improve functionality and enhance customer experience
- ☀ Leverage of cloud platforms where feasible
- ☀ Collaboration with customers to deliver solutions to help manage their business

Growth

- ☀ Wide and increasing variety of cyber-security services, including “CISO as a Service”
- ☀ Data analytics practice to provide valuable insights to customers
- ☀ System wide corporate tax preparation services and crop insurance information
- ☀ Expanding technical services, financial accounting, and project delivery services

We measure our success on the overall satisfaction of our customers and owners. All our employees and management are measured on the same four standards of systems reliability, financial management, project delivery and customer satisfaction.

Having the same evaluation standards ensures that we are working collaboratively toward the same goal...

...exceeding the expectations of our customers!

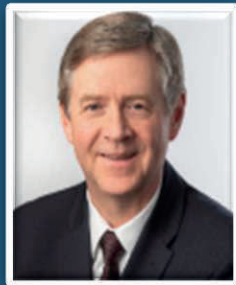


2020 was
Extraordinary!

Accomplishments

- ☀ Received our charter approval and implemented our 90–120-day implementation plan in sixty days
- ☀ Completed our conversion of our legacy general ledger, fixed assets and accounts payable applications to Infor’s CloudSuite system and provisioned access for 900 users
- ☀ Quickly scaled our remote access services to enable AgriBank and our Association entities to move to “work from home” operations with no significant impacts
- ☀ Moved the bulk of our own operations to a remote workforce with no degradation in service to our customers
- ☀ Successfully converted our annual in-person insurance conference to a “virtual” conference and tripled our normal attendance
- ☀ Increased our customer base for insurance and security services
- ☀ Completed over 700 income and sales tax returns with 100% accuracy
- ☀ Developed and estimated the Digital Transformation Strategy, validated with district CIOs, and reviewed with district CFOs
- ☀ Programmed and provided testing support for the new district Current Expected Credit Loss (“CECL”) modeling tool
- ☀ Matured and formulated our risk management process, remediated audit findings and conducted penetration tests
- ☀ Successfully completed our first ever all-remote disaster recovery test
- ☀ Moved our Hyperion Enterprise Performance Management application to Azure cloud
- ☀ Upgraded infrastructure and firewalls for added data protection

Board of Directors



JEFF SWANHORST

*CEO of AgriBank
Board Chair*



DAVE ARMSTRONG

*President and CEO of
GreenStone Financial Services
Board Vice-Chair*



ROD HEBRINK

*President and CEO of
Compeer Financial
Board Audit Committee Chair*

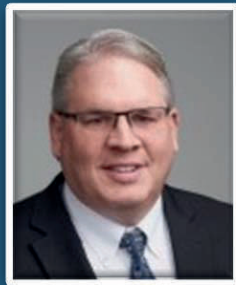


BILL JOHNSON

*President and CEO of Farm
Credit Mid-America
Board Compensation
Committee Chair*

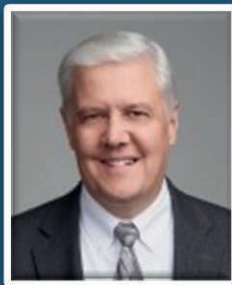
Our Board of Directors represents each of our four ownership groups - AgriBank, Compeer Financial, Farm Credit Mid-America, and the CTC Group. SunStream welcomes Dave Armstrong, President and CEO of GreenStone Financial Services, to our Board effective January 1, 2021. He succeeds Dave Janish, President and CEO of FCS-Financial, as the Director representing the CTC ownership group. We wish to thank Mr. Janish for his leadership and guidance over the past three years.

Executive Leadership



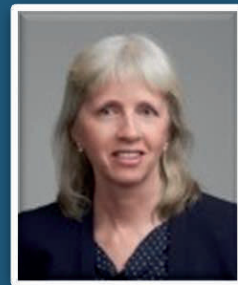
STEVE JENSEN

President and CEO



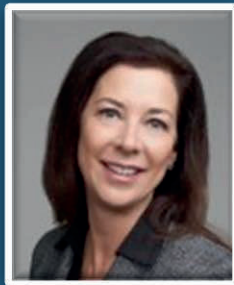
PHIL FROSCH

*VP Finance,
Controller*



RUTH ANDERSON

*VP Product and
Service Delivery*



LOUISE PESAVENTO

*VP Governance
and Risk*



COLE ORNDORFF

*VP Technology
Delivery*

Owners & Customers

Owners *

AgCountry CFG

AgCountry Farm Credit Services

AgFirst Farm Credit Bank

AgHeritage Farm Credit Services *

AgriBank *

American Ag Credit

Capital Farm Credit

CoBank

Compeer Financial *

Delta Agricultural Credit Association *

Farm Credit East

Farm Credit Foundations

Farm Credit Illinois

Farm Credit Mid-America *

Farm Credit Midsouth *

Farm Credit Services of America

Farm Credit Services of Mandan *

Farm Credit Services of North Dakota *

Farm Credit Services of Western Arkansas *

Farm Credit Southeast Missouri *

FCS Financial *

Frontier Farm Credit

GreenStone Farm Credit Services *

Northwest Farm Credit Services

ProPartners



SunStream Business Services
Financial Statements

*From inception on April 1, 2020 through
December 31, 2020*

SunStream Business Services

From inception on April 1, 2020 through December 31, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SunStream Business Services

The following commentary reviews the financial condition and results of operations of SunStream Business Services (SunStream or the Company) and provides additional specific information. The accompanying Financial Statements and Notes to the Financial Statements also contain important information about our financial condition and results of operations.

We operate as part of the Farm Credit System (the System). The System is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. This network of financial cooperatives is owned and governed by the rural customers the System serves. SunStream serves various System entities by providing a comprehensive technology platform, support and related services. The Farm Credit Administration (FCA) is authorized by Congress to regulate the System.

AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District Associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District). SunStream is also part of the AgriBank District.

To request free copies of the Company's financial reports, contact us at:

SunStream Business Services
30 East 7th Street, Suite 700
St. Paul, MN 55101

www.sunstreamservices.com

Our Annual Report is available on our website no later than 75 days after the end of the calendar year and owners are provided a copy of such report no later than 90 days after the end of the calendar year.

FORMATION OF SUNSTREAM

In early 2020, the FCA granted regulatory approval for the formation of SunStream under Section 4.25 of the Farm Credit Act. Effective April 1, 2020 SunStream became a separate entity owned by AgriBank and 11 AgriBank District Associations. SunStream provides technology services and consulting to our owners and certain other Farm Credit institutions. Prior to formation, SunStream operated as a division of AgriBank. These results of operations, cash flows, and equity reflect the results of SunStream from inception on April 1, 2020 through December 31, 2020. As such, a full twelve months has not been included in this Annual Report and pro-forma financial statements were not prepared.

FORWARD-LOOKING INFORMATION

This Annual Report includes forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. Words such as "anticipate", "believe", "estimate", "may", "expect", "intend", "outlook", and similar expressions are used to identify such forward-looking statements. These statements reflect our current views with respect to future events. However, actual results may differ materially from our expectations due to a number of risks and uncertainties which may be beyond our control. These risks and uncertainties include, but are not limited to:

- Political (including trade policies), legal, regulatory, financial markets, and economic conditions and developments in the United States (U.S.) and abroad
- Economic fluctuations in the agricultural, international, and farm-related business sectors
- Changes in U.S. government support of the agricultural industry and the System as a government-sponsored enterprise, as well as investor and rating agency reactions to events involving the U.S. government, other government-sponsored enterprises, and other financial institutions
- Actions taken by the Federal Reserve System in implementing monetary policy
- Length and severity of an epidemic or pandemic

COVID-19 PANDEMIC

When the significance of the COVID-19 situation became apparent, we implemented our Business Continuity Plan. In April, operations transitioned to alternative work environments. To date, the transition to alternative work environments has occurred without significant issues. Our business continuity response has allowed us to continue to serve the Farm Credit mission. The COVID-19 pandemic resulted in a transformation of our workplace as most employees worked remotely for the majority of the year. SunStream was able to quickly scale its remote connectivity and communication tools to not only enable its own remote workforce, but also that of all of its customers. The remote work environment has maintained the health of employees and allowed uninterrupted business functions. We have not had any significant changes to internal controls over financial reporting due to working remotely or due to limited staff.

SunStream's customers are composed primarily of lending institutions within the agriculture sector. This outbreak puts the economy, including the agriculture sector, in uncharted territory. The overall impact of the COVID-19 pandemic on U.S. agriculture will depend on the severity and duration of the outbreak, the continued response by the federal and local governments, and supportive commodity prices, among other factors. To date, the COVID-19 pandemic has not resulted in a material adverse impact to our Financial Statements; however, there could be longer term impacts on the implementation of and investment in

technology. The extent to which the COVID-19 pandemic ultimately impacts us or our customers will depend on future developments that are highly uncertain and cannot be predicted.

YEAR IN REVIEW

2020 was the first partial-year of operation for SunStream as its own legal service entity. As such, the primary focus of our operations in early 2020 was to complete the spin-off from AgriBank, obtain our owner equity investment, take ownership of our assets, establish corporate procedures and policies, formally establish our Board and complete our Charter implementation plan.

In early July, SunStream completed its first major initiative to modernize its application systems by implementing Infor CloudSuite, an integrated General Ledger, Asset Management and Accounts Payable system. Additionally, SunStream moved its Hyperion enterprise performance management application to a cloud platform for better supportability. SunStream, in collaboration with AgriBank, programmed and provided testing support for a new Current Expected Credit Loss (CECL) application to prepare AgriBank and certain association customers for the future implementation of a required allowance for credit losses accounting change.

From an operations perspective, SunStream upgraded infrastructure and firewalls to improve security of systems and data, matured and formulated its Risk Management Process, and successfully completed its first ever all-remote Disaster Recovery test.

Financially, the Company absorbed higher than budgeted expenses (audit/examination, legal and depreciation costs) related to the Charter implementation, additional costs related to the CloudSuite implementation and increased communications costs related to COVID-19. SunStream was able to offset these additional costs with expense savings in other areas and revenues from increased project work and product sales. Cash remained stable and sufficient to maintain operations and the Company did not require any debt financing in 2020.

RESULTS OF OPERATIONS

As a technology and support service organization operating in the Farm Credit System, SunStream targets a breakeven operating income. During the period from inception on April 1, 2020 through December 31, 2020, operating revenues exceeded operating expense, including tax provision, resulting in net income of \$7 thousand. No patronage or dividends were distributed to shareholders during the period from inception on April 1, 2020 through December 31, 2020.

SunStream maintains a core set of application products and services that are sold primarily to AgriBank and District associations, with ancillary products and services sold to Farm Credit entities outside of the AgriBank District. These products and services generate stable and predictable fee revenues that are collected monthly. Additionally, variable revenue is obtained through ad hoc consulting and project work as requested by our customers, as well as revenue from expenses (primarily mailing and postage fees, and insurance conference fees) passed through to our customers.

Operating expenses consist primarily of staff Salaries and Benefits, contracted services, occupancy and office expenses, equipment depreciation and maintenance, software subscription, mailing and communications costs, and audit/examination costs.

Operating Revenue

SunStream customers elect the products and services they use, and sign 3-year renewable contractual agreements. Fees are set annually and collected as standard monthly charges. Fees from consulting and project work are collected monthly in arrears as services are delivered, and revenue from pass-through expenses are collected monthly in arrears as vendor invoices are paid. Our business model strives to fully recover operating expenses.

Operating Expense

Components of Operating Expense

(dollars in thousands)

For the period ended December 31	2020
Salaries and employee benefits	\$ 10,769
Purchased and vendor services	4,794
Occupancy and equipment	6,594
Other	1,971
Total operating expense	<u>\$ 24,128</u>

Salaries and employee benefits are adjusted annually for merit increases, promotions, new hires, retirements and terminations.

Purchased and vendor services include business operations expenses (HR, Payroll Administration, Legal, Internal Audit, etc.) and professional and contract services.

Occupancy and equipment includes equipment and software maintenance as well as subscription costs. SunStream will enter into multi-year committed renewal terms to leverage lower pricing where feasible. Maintenance is generally prepaid annually and recorded as a prepaid asset and amortized as expense over the maintenance term.

Other includes mailing and communications expenses which are impacted by usage and by regulatory fee changes. While communication costs increased due to a COVID-19 mandated remote workforce, they are expected to stabilize over the longer-term. Audit and examination charges, are expected to remain relatively stable going forward.

Other Income (Expense)

Other expense was attributed to the write-off related to the disposal of fixed assets, slightly offset by patronage income paid by Farm Credit Foundations and interest income on cash balances held.

Provision for Income Taxes

Provision for income taxes was related to our estimate of taxes based on taxable income. Additional discussion is included in Note 9 to the Financial Statements.

FUNDING AND LIQUIDITY

Our primary sources of funding are revenue from core services and consulting and capital funding from our owners. In addition, we have the option to borrow from AgriBank, under a note payable, in the form of a line of credit, as described in Note 6 to the financial statements. At December 31, 2020, we had \$8 million available under our line of credit. Due to the cooperative structure of the Farm Credit System, we expect this borrowing relationship to continue into the foreseeable future. We had no borrowings on this line of credit during the period ended December 31, 2020.

OWNERSHIP AND CAPITAL

As of December 31, 2020, SunStream had four primary owners who contributed cash or assets in exchange for equal stock investments, in aggregate totaling \$22.5 million. Ownership is comprised of AgriBank, Farm Credit Mid-America, Compeer Financial, and the CentRic Technology Group (CTC) comprised of nine AgriBank District associations. Refer to Note 7 to the financial statements for detailed discussion of ownership and capital.

The SunStream capital plan provides for continued investment in SunStream strategic products as well as ongoing investments in operations, controls, and information security. Capital levels are adequate for continued operations and approved projects.

RELATIONSHIP WITH AGRIBANK

We may borrow from AgriBank to fund our operations in accordance with the Farm Credit Act. Approval from AgriBank is required for us to borrow elsewhere. A General Financing Agreement (GFA), as discussed in Note 6 to the Financial Statements, governs this lending relationship.

The components of cost of funds under the GFA are a variable rate component and a spread component, which includes cost of servicing, cost of liquidity, and bank profit.

Refer to Note 11 to the Financial Statements for further disclosure regarding services purchased from AgriBank.

GOVERNANCE

The CEO or CEO-designee of each owner or owner-group serves as a member of the SunStream Board of Directors (Board). The Board members are:

- Jeffrey R. Swanhorst, CEO of AgriBank, SunStream Board Chair
- David B. Armstrong, President and CEO of GreenStone Financial Services, SunStream Board Vice Chair
- William L. Johnson, President and CEO of Farm Credit Mid-America, SunStream Board Compensation Committee Chair
- Rodney W. Hebrink, President and CEO of Compeer Financial, SunStream Board Audit Committee Chair

SunStream's Board operates under a committee structure. The committees are:

Audit Committee

The Audit Committee is composed of the full Board. The Audit Committee responsibilities generally include, but are not limited to:

- oversight of the financial reporting risk and the accuracy of the annual shareholder reports;
- the oversight of the internal controls related to the preparation of annual shareholder reports;
- the review and assessment of the impact of accounting and auditing developments on the financial statements;
- the establishment and maintenance of procedures for the receipt, retention and treatment of confidential and anonymous submission of concerns regarding accounting, internal accounting controls or auditing matters; and
- the oversight of the Company's internal audit program, the independence of the outside auditors, the adequacy of the Company's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities.

Compensation Committee

- The Compensation Committee is responsible for the oversight of employee compensation. The Compensation Committee is composed of the full Board. The Committee reviews, evaluates and approves the compensation policies, programs and plans for senior officers and employees, including benefits programs.

SunStream Business Services



We prepare the Financial Statements of SunStream Business Services (the Company) 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 the Company. 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. PricewaterhouseCoopers LLP, 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 the Company.

The undersigned certify we have reviewed the Company's 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.



Jeffrey R. Swanhorst
Board Chair
SunStream Business Services



Steven G. Jensen
President and Chief Executive Officer
SunStream Business Services



Philip W. Frosch
Vice President, Controller
SunStream Business Services

March 15, 2021

REPORT OF AUDIT COMMITTEE

SunStream Business Services



The Financial Statements were prepared under the oversight of the Audit Committee. The Audit Committee is composed of the entire Board of Directors of SunStream Business Services (the Company). The Audit Committee oversees the scope of the Company's internal audit program, the approval, and independence of PricewaterhouseCoopers LLP (PwC) as independent auditors, the adequacy of the Company's system of 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. PwC 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 period ended December 31, 2020, with management. The Audit Committee also reviewed with PwC 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 PwC 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 PwC confirming its independence. The Audit Committee also reviewed the non-audit services provided by PwC, if any, and concluded these services were not incompatible with maintaining PwC's independence. The Audit Committee discussed with management and PwC 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 period ended December 31, 2020.



Rodney W. Hebrink
Audit Committee Chair
SunStream Business Services

Audit Committee Members:
Jeffrey R. Swanhorst
William L. Johnson
David B. Armstrong

March 15, 2021



Report of Independent Auditors

To the Board of Directors of SunStream Business Services,

We have audited the accompanying financial statements of SunStream Business Services (the "Company"), which comprise the statement of condition as of December 31, 2020, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the period April 1, 2020 (commencement of operations) through December 31, 2020.

Management's Responsibility 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; 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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Company'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 Company'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 SunStream Business Services as of December 31, 2020, and the results of its operations and its cash flows for the period April 1, 2020 (commencement of operations) through December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 15, 2021

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STATEMENT OF CONDITION

SunStream Business Services

(in thousands)

As of December 31	2020
ASSETS	
Current assets:	
Cash	\$ 8,814
Intradistrict receivables	14
Prepaid assets	3,447
Total current assets	12,275
Long-term assets:	
Fixed assets, net	3,398
Intangible assets, net	1,779
Right of use assets, net	4,575
Other assets, long-term	84
Total long-term assets	9,836
Total assets	\$ 22,111
LIABILITIES	
Current liabilities:	
Accrued expenses and other liabilities	\$ 285
Accrued employee benefits	1,468
Total current liabilities	1,753
Long-term liabilities:	
Accrued employee benefits, long-term	391
Lease liabilities, net	4,614
Deferred tax liabilities, net	343
Total long-term liabilities	5,348
Total liabilities	7,101
SHAREHOLDERS' EQUITY	
Common stock	22,500
Common stock receivable	(7,500)
Unallocated retained earnings	7
Accumulated other comprehensive income	3
Total shareholders' equity	15,010
Total liabilities and shareholders' equity	\$ 22,111

The accompanying notes are an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

SunStream Business Services

(in thousands)

From inception on April 1 through December 31	2020
Operating revenue	
Core and consulting services	\$ 24,379
Total operating revenue	24,379
Operating expense	
Salaries and employee benefits	10,769
Purchased services	4,794
Occupancy and equipment	6,594
Other operating expense	1,971
Total operating expense	24,128
Other income (expense)	
Interest and patronage income	17
Other losses	(221)
Total other expense	(204)
Income before income taxes	47
Provision for income taxes	40
Net income	\$ 7
Other comprehensive income	
Employee benefit plan activity	3
Comprehensive income	\$ 10

The accompanying notes are an integral part of these Financial Statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

SunStream Business Services

(in thousands)

	Common Stock	Common Stock Receivable	Unallocated Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at inception on April 1, 2020	--	--	--	--	--
Net income	--	--	7	--	7
Other comprehensive income	--	--	--	3	3
Common stock issued	22,500	--	--	--	22,500
Common stock receivable	--	(7,500)	--	--	(7,500)
Balance as of December 31, 2020	\$ 22,500	\$ (7,500)	\$ 7	\$ 3	\$ 15,010

The accompanying notes are an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

SunStream Business Services

(in thousands)

From inception on April 1 through December 31	2020
Cash flows from operating activities	
Net income	\$ 7
Depreciation on fixed assets	1,254
Amortization on intangible assets	394
Loss on sale of fixed assets	222
Depreciation on right of use assets	577
Changes in operating assets and liabilities:	
Increase in intradistrict receivable	(14)
Increase in other assets	(503)
Increase in accrued expenses and other liabilities	1,196
Increase in shareholders' equity from employee benefits	3
Net cash provided by operating activities	3,136
Cash flows from investing activities	
Purchase of investment in other Farm Credit Institutions, net	(16)
Capitalized software development costs	(637)
Purchases of fixed assets, net	(1,260)
Net cash used in investing activities	(1,913)
Cash flows from financing activities	
Common stock issued	9,375
Business formation asset costs, net	(1,784)
Net cash provided by financing activities	7,591
Net change in cash	8,814
Cash at Inception	--
Cash at end of year	\$ 8,814
Supplemental schedule of non-cash activities	
Capitalized right of use assets	\$ 5,151
Impact of business formation transactions:	
Assets acquired	8,162
Liabilities assumed	(753)
Equity issued in exchange for assets	(5,625)
Common Stock receivable	7,500

The accompanying notes are an integral part of these Financial Statements.

NOTES TO FINANCIAL STATEMENTS

SunStream Business Services

NOTE 1: ORGANIZATION AND OPERATIONS

Farm Credit System and District

The Farm Credit System (System) is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations, established by Congress to meet the credit needs of American agriculture. As of January 1, 2021, the System consisted of three Farm Credit Banks, one Agricultural Credit Bank, and 67 borrower-owned cooperative lending institutions (Associations). AgriBank, FCB (AgriBank), a System Farm Credit Bank, and its District Associations are collectively referred to as the AgriBank Farm Credit District (AgriBank District or the District).

SunStream Business Services (SunStream or the Company) is engaged principally in providing information technology, financial services support, and other services to various entities within the System on a fee basis. SunStream provides services primarily to AgriBank and associations in the AgriBank District.

The Farm Credit Administration (FCA) chartered SunStream as a service corporation under Section 4.25 of the Farm Credit Act of 1971, as amended (Act). The FCA has authority under the Act to charter and regulate System banks, associations and service corporations. The activities of SunStream are examined by the FCA, and certain actions by SunStream are subject to prior approval of the FCA and/or SunStream's owners.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Financial Statements include the accounts and operations of SunStream on a stand-alone basis since SunStream's inception on April 1, 2020. SunStream and AgriBank entered into a number of agreements to facilitate the transition of SunStream to an independent business enterprise.

Prior to April 1, 2020, the financial information related to SunStream, when it operated as a segment of AgriBank, was included in the AgriBank Annual and Quarterly Reports, as applicable.

Accounting Principles and Reporting Policies

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the technology services industry. Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Significant Accounting Policies

Cash: Cash represents cash on deposit at banks.

Accounts Receivable: Accounts receivable are stated at amounts management expects to collect on outstanding balances. SunStream evaluates the collectability of its receivables based on its prior experience and assessment of potential future losses and does so through ongoing reviews of its aging analysis. As of December 31, 2020, there was no allowance for uncollectable accounts recorded. We did not write off as bad debt any accounts receivable in the period from inception on April 1, 2020 through December 31, 2020.

Fixed Assets: The carrying amount of fixed assets is at cost, less accumulated depreciation. Calculation of depreciation utilizes the straight-line method over the estimated useful lives of the assets. Gains or losses on disposition are included in "Other losses" in the Statement of Comprehensive Income. Depreciation and maintenance and repair expenses are included in "Occupancy and equipment" in the Statement of Comprehensive Income and improvements are capitalized.

Software Development Costs: SunStream develops new products, which we intend to offer as part of our core services, and are developing significant upgrades and enhancements to its existing software-as-a-service ("SaaS") platform. We follow the guidance of ASC 350-40, Intangibles - Goodwill and Other - Internal-Use Software, for development costs related to these new products. Costs incurred in the planning stage and post-implementation period are expensed as incurred, while costs incurred in the application development stage are capitalized, assuming such costs are deemed to be recoverable. Costs incurred during the application development stage may include software configuration, installation, coding programs, and testing systems. Costs incurred in the operating stage are generally expensed as incurred except for significant upgrades and enhancements. Capitalized software development costs are amortized over the software's estimated useful life, which management has determined to be five years. Approximately \$45 thousand of software development costs were expensed for the period ended December 31, 2020. Capitalized software development costs are included in "Intangible assets, net" in the Statement of Condition and disclosed in more detail in Note 5 to the financial statements.

Leases: We are the lessee in operating leases. We evaluate arrangements from inception on April 1, 2020 through December 31, 2020 to determine if it is a lease and follow the guidance of ASC 842, Leases, in recording the obligation as a capitalized right of use asset. Leases with an initial term of 12 months or less are not recorded on the Statement of Condition with lease expense recognized on a straight-line basis over the lease term. For operating leases with terms greater than 12 months the right-of-use (ROU) assets and lease liabilities are included in the Statement of Condition and are disclosed in more detail in Note 4 to the financial statements.

The ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when it is readily determinable. Our lease terms may include options to extend or terminate the lease. The length of the lease term is modified to include the option when it is reasonably certain that we will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

Post-Employment Benefit Plans: The District has various post-employment benefit plans in which our employees participate. Prior to SunStream's formation, certain eligible employees participated in these various post-employment benefit plans as AgriBank employees. Expenses related to these plans, are included in "Salaries and employee benefits" in the Statement of Comprehensive Income.

Certain employees 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.

We also provide 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.

Income Taxes: The Company is organized as a C corporation for federal income tax purposes. Deferred tax assets and liabilities are recognized for future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. Deferred tax assets are recorded if the deferred tax asset is more likely than not to be realized. If the realization test cannot be met, the deferred tax asset is reduced by a valuation allowance. Valuation allowances are recorded against the gross deferred tax assets that management believes, after considering all available positive and negative objective evidence, historical and prospective, with greater weight given to historical evidence, that it is more likely than not that these assets will not be realized. We had no uncertain income tax positions at December 31, 2020.

Revenue Recognition: We derive revenue from core services and consulting services from our customers, all of which are lending institutions in the Farm Credit System. Revenue is recognized when evidence of an arrangement exists, delivery has occurred, control of these services is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those services. We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

Core Services

Core services revenue primarily consists of fees for financial and retail information technology, collateral, tax reporting, technology and insurance services. We recognize core services revenue on a ratable basis over the contract term beginning on the date that our service is made available to the customer. Our subscription contracts are generally 36 months in duration, are billed monthly and are cancellable with a penalty. We consider various core services in a customer contract to be a series of distinct services which comprise a single performance obligation because they are substantially the same and have the same pattern of transfer. Payments from customers are due on demand.

Consulting Services

Consulting services revenues primarily consist of fees for project-based work. We have determined that an agreement to purchase these professional services constitutes an option to purchase services in accordance with ASC 606, Revenue from Contracts with Customers, rather than an agreement that creates enforceable rights and obligations because of the customer's contractual right to cancel services that have not yet been used. In the limited case of agreements where we determined that the option provides the customer with a material right, we allocate a portion of the transaction price to the material right based upon the relative standalone selling price. Consulting service agreements that do not contain a material right are accounted for when the customer exercises its option to purchase additional services. Revenue is recognized for projects as the service is performed and payments from customers are due on demand.

Concentrations of Credit Risk: Financial instruments which potentially subject SunStream to credit risk consist primarily of cash and accounts receivable. SunStream maintains its cash with high credit quality financial institutions, and monitors credit risk with individual financial institutions and issues. As of December 31, 2020, SunStream had cash balances at certain institutions in excess of federally insured limits; however, it has not experienced any losses in such accounts. As of December 31, 2020, SunStream had \$14 thousand in accounts receivable. See Note 11 to the financial statements for concentrations of revenue.

Impairment of Long-lived Assets: SunStream management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. For the period from inception on April 1, 2020 through December 31, 2020, there were no impairment losses recognized for long-lived assets.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined there were no recently issued or pending pronouncements that would materially impact the Company since its inception on April 1, 2020. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

NOTE 3: PREPAID AND OTHER ASSETS

Prepaid Assets	
(in thousands)	
As of December 31	2020
Maintenance contracts and license fees	\$ 3,407
Postage	40
Total prepaid assets	<u>\$ 3,447</u>

NOTE 4: FIXED AND RIGHT OF USE ASSETS, NET

Fixed Assets	
(in thousands)	
As of December 31	2020
Computer hardware	\$ 3,499
Purchased software	972
Furniture and fixtures	181
Subtotal	4,652
Less: accumulated depreciation	1,254
Fixed assets, net	<u>\$ 3,398</u>

For the period from inception on April 1, 2020 through December 31, 2020, there were disposals of \$221 thousand, resulting in realized losses of the same amount. Depreciation expense related to SunStream's fixed assets was \$1.3 million in 2020.

Right of Use Assets	
(in thousands)	
As of December 31	2020
Facilities and equipment	\$ 5,152
Less: accumulated depreciation	577
Right of use assets, net	<u>\$ 4,575</u>

Based on the current amount of right of use assets, minimum lease payments are expected to be as follows for the years ending December 31:

Future Minimum Lease Payments	
(in thousands)	
2021	\$ 832
2022	846
2023	832
2024	842
2025	858
Thereafter	728
Total future minimum lease payments	<u>\$ 4,938</u>

NOTE 5: INTANGIBLE ASSETS**Intangible Assets**

(in thousands)

As of December 31		2020
Software development costs	\$	2,173
Less: accumulated amortization		394
Intangible assets, net	\$	<u>1,779</u>

Software development costs are typically amortized over a five-year useful life. Amortization expense associated with these assets totaled \$394 thousand for the period from inception on April 1, 2020 through December 31, 2020. For the period from inception on April 1, 2020 through December 31, 2020, there was \$85 thousand capitalized that we were not amortizing, as these products were in the application development stage and not yet placed in service.

Based on the current amount of intangible assets subject to amortization, including those not yet placed in service, amortization expense is expected to be as follows for the years ending December 31:

Amortization of Intangible Assets

(in thousands)

2021	\$	535
2022		435
2023		340
2024		309
2025		160
Total amortization	\$	<u>1,779</u>

NOTE 6: NOTE PAYABLE TO AGRIBANK

We have a line of credit with AgriBank which is scheduled to mature on February 21, 2023. We intend to renegotiate the line of credit no later than the maturity date. The total line of credit is \$8 million and it bears interest on any outstanding balance at a variable rate of the sum of AgriBank's Administered Variable Rate plus AgriBank's spread as determined from time to time by its Board, plus 2.00%. Should we utilize the line of credit, it would be to fund capital expenditures. The line of credit is off-balance sheet until a draw is made resulting in a "Note payable to AgriBank" on the Statement of Condition. We had no outstanding balance under this line of credit during the period from inception on April 1, 2020 through December 31, 2020.

The line of credit is governed by a GFA and substantially all of our assets serve as collateral. The GFA provides for limitations on our ability to borrow funds based on specified factors or formulas relating primarily to outstanding balances and financial condition. Additionally, we have requirements to maintain an effective program of internal controls over financial reporting. From the period of inception on April 1, 2020 through December 31, 2020, we were not declared in default under any GFA covenants or provisions.

NOTE 7: SHAREHOLDERS' EQUITY

The Board of Directors may increase the amount of required investment to the extent authorized in the capital bylaws. All issued common stock is included within shareholders' equity on the Statement of Condition. To the extent stock has been issued, but not paid for in cash or in the form of an interest-bearing receivable, the related stock is reported on as a contra equity item included in "Common stock receivable" on the Statement of Condition and Statement of Changes in Shareholders' Equity. This accounting as a contra equity item has no impact on the capital stock owned by SunStream clients as owners retain all rights afforded to them by our bylaws. The entire portion of outstanding common stock receivable was subsequently collected on January 4, 2021.

Description of Equities

The following represents information regarding classes and number of shares of stock outstanding. All shares are stated at a \$5.00 par value.

Shareholders' Equity

As of December 31		2020
Shares of class A common stock (at-risk)		1,125,000
Shares of class B common stock (at-risk)		3,375,000

Under our bylaws, we are authorized to issue various forms of stock, including:

- 50,000,000 shares of Class A common stock at a par value of \$5 per share and has voting rights. Class A common stock may be issued only to AgriBank. At the time the holder of Class A common stock's Services Agreement is terminated with no renewal, any of such holder's outstanding Class A common stock is converted to nonvoting Class C common stock. Class A common stock may not be sold, retired, or reallocated to any other entity without prior written approval from FCA.

- 50,000,000 shares of Class B common stock at a par value of \$5 per share and has voting rights. Class B common stock may be issued only to an entity that invests in SunStream and obtains services pursuant to a Services Agreement. At the time the holder of Class B common stock's Services Agreement is terminated with no renewal, any of such holder's outstanding Class B common stock is converted to nonvoting Class C common stock.
- 5,000,000 shares each of Class C, Class D, and Class E common stock. Each of these classes of common stock is at-risk, non-convertible and nonvoting with a \$5.00 par value per share. Currently, no stock of these classes has been issued.
- 10,000,000 shares of Class F preferred stock and 5,000,000 shares of Class G preferred stock. Each of these classes of preferred stock is at-risk, non-convertible, and nonvoting with a \$5.00 par value per share. Currently, no stock of this class has been issued.
- 5,000,000 shares each of Series A and Series B participation certificates. Each of these classes of participation certificates is at-risk, non-convertible and nonvoting with a \$5.00 par value per share. Currently, no participation certificates of these classes has been issued.

At formation, SunStream issued 1,125,000 shares of Class A common stock and 3,375,000 shares of Class B common stock. Each owner of Class A and Class B common stock is entitled to a single vote regardless of the number of shares owned in accordance with the bylaws. No shareholder question or matter can be approved without a vote of Class A common stock cast in favor of said shareholder question or matter.

In the event of impairment, losses will be first absorbed equally by each series of participation certificates outstanding, second equally by each share of common stock outstanding, and third equally by each share of preferred stock outstanding. In the event of liquidation or dissolution of SunStream, any assets remaining after payment or retirement of all liabilities shall be distributed first to the holders of preferred stock, second to all holders of common stock and participation certificates, and third to past and present patrons on a patronage basis.

Patronage and Dividend Distributions

Dividends may be paid to any class of stock. Any dividend declared on common stock, preferred stock, or participation certificates is paid equally on a per share basis to all record holders of such stock on which a dividend is declared as of the effective date of declaration, without regard to the length of time such shares have been held by the shareholder. Patronage distributions may be declared from net earnings at the end of the fiscal year and paid to such shareholders and in such amounts as determined, at its sole discretion, by the Board from time to time. Generally, patronage distributions will be paid in cash during the first quarter after year end. The Board of Directors may authorize a distribution of earnings provided we meet all statutory and regulatory requirements. We did not accrue or pay patronage or declare dividends on common stock during the period from inception on April 1, 2020 through December 31, 2020.

NOTE 8: REVENUE RECOGNITION

The following table presents our revenues disaggregated by type of service:

Revenue by Service Type	
(in thousands)	
For the period from April 1 through December 31	2020
Core services	\$ 23,272
Consulting services	1,107
Total Revenue	<u>\$ 24,379</u>

For the period from inception on April 1, 2020 through December 31, 2020, core services revenue represented 95% of our total revenues.

NOTE 9: INCOME TAXES

Provision for Income Taxes

Provision for Income Taxes	
(dollars in thousands)	
For the period from April 1 through December 31	2020
Current:	
Federal	\$ (396)
State	93
Total current	<u>\$ (303)</u>
Deferred:	
Federal	\$ 422
State	(79)
Total deferred	<u>343</u>
Provision for income taxes	<u>\$ 40</u>
Effective tax rate	85.1%

**Reconciliation of Taxes at Federal Statutory Rate to
Provision for Income Taxes**

(in thousands)

For the period period from April 1 through December 31	2020
Federal tax at statutory rates	\$ 10
State tax, net	11
Other	<u>19</u>
Provision for income taxes	<u>\$ 40</u>

Provision for income tax is higher than statutory rate due to certain nondeductible expense.

Deferred Income Taxes

Tax laws require certain items to be included in our tax returns at different times than the items are reflected on our Statement of Comprehensive Income. Some of these items are temporary differences that will reverse over time. We record the tax effect of temporary differences as deferred tax assets and liabilities netted on our Statement of Condition.

Deferred Tax Assets and Liabilities

(in thousands)

As of December 31	2020
Postretirement benefit accrual	\$ 115
Accrued incentive	<u>438</u>
Total deferred tax asset	\$ 553
Accrued pension liability	\$ (18)
Depreciation	<u>(878)</u>
Total deferred tax liability	\$ (896)
Net deferred tax liabilities	<u>\$ (343)</u>

A valuation allowance for the deferred tax assets was not necessary at December 31, 2020.

Our income tax returns are subject to review by various United States taxing authorities. We record accruals for items that we believe may be challenged by these taxing authorities. However, we had no uncertain income tax positions at December 31, 2020.

NOTE 10: EMPLOYEE BENEFIT PLANS

Pension and Post-Employment Benefit Plans

Complete financial information for the pension and post-employment benefit plans may be found in the AgriBank 2020 Annual Report.

Prior to SunStream's formation, certain eligible employees participated in various post-employment benefit plans as AgriBank employees.

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

Pension Plan: Certain employees participate in the AgriBank District Retirement Plan, a District-wide multi-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
Unfunded liability	\$	169,640
Projected benefit obligation		1,563,421
Fair value of plan assets		1,393,781
Accumulated benefit obligation		1,426,270
For the period ended December 31		2020
Total plan expense ⁽¹⁾	\$	42,785
Our allocated share of plan expenses		677
Contributions by participating employers ⁽¹⁾		90,000
Our allocated share of contributions		745

⁽¹⁾ Total plan expense and contributions by participating employers are for the twelve-months ended December 31, 2020.

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

Costs are determined for each individual employer based on costs directly related to their current employees as well as an allocation of the remaining costs based proportionately on the estimated projected liability of the employer under this plan. We recognize our proportional share of expense and contribute a proportional share of funding. Our allocated share of plan expenses is included in "Salaries and employee benefits" in the Statement of Comprehensive Income.

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 \$90.0 million. Our allocated share of these pension contributions is expected to be \$1.3 million. 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.

Retiree Medical Plan Information

(in thousands)

For the period ended December 31		2020
Postretirement benefit expense	\$	15

Postretirement benefit expense is included in "Salaries and employee benefits" in the Statement of Comprehensive Income. Our cash contributions are equal to the benefits paid, of which we had none during the period from inception on April 1, 2020 through December 31, 2020.

Defined Contribution Plans

We participate in a District-wide defined contribution plan. For employees hired in the AgriBank District 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 in the AgriBank District after December 31, 2006, we 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%.

Employer contribution expenses for the defined contribution plan, included in "Salaries and employee benefits" in the Statement of Comprehensive Income, were \$677 thousand for the period ended December 31, 2020. These expenses were equal to our cash contributions for the period from inception on April 1, 2020 through December 31, 2020.

NOTE 11: RELATED PARTY TRANSACTIONS

Effective April 1, 2020, SunStream became a System service corporation. As of the date of inception on April 1, 2020 through December 31, 2020, SunStream was owned by AgriBank, Farm Credit Mid-America, ACA, Compeer Financial, ACA and CentRic Technology Group (CTC), a collaboration of certain AgriBank District Associations. The ownership rights held by the CTC are further divided amongst the Association members of the CTC based on an agreed upon formula. On April 1, 2020, we called the entire required capital investment of \$22.5 million, at which time \$15.0 million was paid in cash and net assets by our owners. The remainder was recorded as a non-interest bearing receivable as of December 31, 2020 and was subsequently collected on January 4, 2021.

On the formation date of SunStream, April 1, 2020, we received net assets in exchange for cash and AgriBank's investment in SunStream. The assets primarily included fixed assets comprised of equipment and software and were recorded at fair value.

For the period from inception on April 1, 2020 through December 31, 2020, we recognized revenue of \$22.9 million, representing 94% of total revenue, from transactions with our owners. As of December 31, 2020, there were no accounts receivable from our owners. Our revenue contracts with major customers reflect a structure similar to that of a cooperative, whereby excess earnings are expected to be distributed to the shareholders, and excess losses are expected to be funded by the customers. No such distributions were made or additional funding received for the period from inception on April 1, 2020 through December 31, 2020.

As discussed in Note 6 to the financial statements, we borrow from AgriBank, in the form of a line of credit, to fund our operations and capital expenditures. We purchase various services from AgriBank including, but not limited to: travel, audit, facilities, human resources, legal, and financial reporting. The total cost of services we purchased from AgriBank was \$1.7 million for the period from inception on April 1, 2020 through December 31, 2020. SunStream also subleases office space from AgriBank. Included in "Occupancy and equipment" on the Statement of Comprehensive Income are tenant fees paid to AgriBank of \$584 thousand. The sublease expires on October 31, 2026 and there is no option to extend.

We also purchase human resource, and benefit, payroll, and workforce management services from Farm Credit Foundations (Foundations), a service entity included in the AgriBank District. The total cost of services purchased from Foundations was \$122 thousand in the period from inception on April 1, 2020 to December 31, 2020. As of December 31, 2020, our investment in Foundations was \$16 thousand.

NOTE 12: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, which may not be reflected in the Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

NOTE 13: SUBSEQUENT EVENTS

We have evaluated subsequent events through March 15, 2021. The only material subsequent event since December 31, 2020 was the collection of all outstanding common stock receivable on January 4, 2021.



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