



Kansas Grain Sorghum Commission
Legislative Report
March 11, 2014

by Greg Graff of Leoti, KS serving as District II Commissioner

Thank you for the opportunity to provide an annual report from the Kansas Grain Sorghum Commission. My name is Greg Graff and I am a second district commissioner of the Kansas Grain Sorghum Commission. My family farm is near Leoti, Kansas in Wichita County. Here with me today is the Kansas Grain Sorghum Commission (KGSC) Administrator Jill Barnhardt.

In addition to copies of my written testimony, we have presented you with our 2014 annual report and our annual financial audit completed by Varney & Associates of Manhattan, KS.

In 2007, due to an extreme shortage of money to fund sorghum research, the KGSC voted to support the formation of a national sorghum checkoff and to suspend the state checkoff in favor of a Sorghum Checkoff. This suspension occurred on July 1, 2008. The United Sorghum Checkoff Program was formed and is funded by a non-refundable assessment of 0.6 percent of the net market value of grain sorghum. The Sorghum Checkoff is required to hold a referendum. The first referendum was voted on in February 2011 and the next referendum will be held in 2015.

Kansas is well represented in the United Sorghum Checkoff Program. As the top grain sorghum producing state Kansas holds 5 out of 13 board seats. The Sorghum Checkoff has two regional field staff in Kansas that cover the state working with sorghum producers, researchers and stakeholders. One of these staff members is jointly employed by the Sorghum Checkoff and the KGSC and is both group's liaison with KSU and the state of Kansas. Kansas producers, researchers and private industry are involved on Sorghum Checkoff committees. I am pleased to share that Kansas had 7 of the 15 graduates in the first Leadership Sorghum Program. Leadership Sorghum exposed farmers to the sorghum industry and future leadership opportunities. KGSC looks forward to having Kansans apply for the upcoming class that will start fall 2014.

The United Sorghum Checkoff program has benefited Kansas sorghum producers by facilitating a focused industry including; a unified voice in sorghum promotion and market development, elimination of duplicative state research and greater resources for higher investment research initiatives. The Sorghum Checkoff board can pass back a maximum of 25% of the funds received from a state to that state's qualified organization. The Sorghum Checkoff board has elected annually to pass back the maximum providing the Kansas Grain Sorghum Commission with a total of over 4 million dollars in the past five years. The Sorghum Checkoff and Kansas Commission work closely together to strategically invest sorghum dollars. Separate from KGSC's investments, USCP has invested 1.6 million dollars to research at Kansas State University.

Over the past five years, the Kansas Commission has funded over 2.8 million dollars in research with Kansas State University. KSU is home to the Center for Sorghum Improvement, with adequate funding they are positioned to be a key leader in sorghum research. The Commission has focused research efforts towards increasing yield, cold and drought tolerance, weed control and sorghum management.

The Commission is a member of the US Grains Council. US Grains Council provides foreign market promotion for grain sorghum. This past fall Commissioner Jeff Casten hosted a delegation of South Americans to showcase the Kansas sorghum crop for these potential buyers. The commission also helps fund the International Grains Program at KSU that hosts schools for many foreign grain purchasers.

Kansas remains the number one producer of grain sorghum in the United States growing 40-50% of the United States annual production. According to USDA in 2013 Kansas harvested 2.80 million acres up 33% from last year and 165



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million bushels, more than doubles last year's production. The Kansas sorghum industry is being driven by export opportunities, ethanol demand and the water sipping attributes that sorghum offers farmers. Due to sorghums water use efficiency it will play a role in maintaining and growing the Kansas agricultural economy as more progress is made in "conserving and extending" our water supplies.

The Kansas Grain Sorghum Commission plays a vital role in the future of grain sorghum production in Kansas by providing the sorghum producer with information and education. The commission also provides the seed and chemical industry with vital traits and technology that will be made available to the sorghum growers. Farmers need to have the confidence that the grain sorghum they plant will be both productive and profitable on their farms.

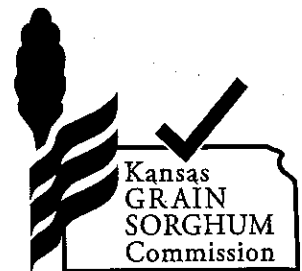
Thanks to the committee for your interest in sorghum. The Commission is proud to work on behalf of Kansas sorghum producers. At this time I would be glad to address any questions the committee may have.

Kansas

GRAIN SORGHUM

Year in and year out, Kansas ranks as the No. 1 grain sorghum producing state, representing nearly 43 percent of U.S. sorghum production in 2013. Sorghum is used to produce many products including ethanol, packing materials and livestock feed, and it is exported around the world. One of the best qualities of this crop is its efficient use of water and ability to withstand Kansas' hot summer days.

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#1

Kansas is the No. 1 grain sorghum producing state in the U.S.



Kansas farmers harvested 2.8 million acres of grain sorghum, yielding 165 million bushels in 2013.



As an ancient, gluten-free grain, sorghum is found in cereals, snack bars and other food products.



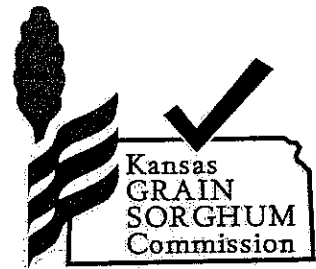
Sorghum requires only 6 inches of water to produce the first bushel of grain.



Information source: USDA NASS 2011-2013 Sorghum Crop Production Summary

Kansas Grain Sorghum Commission

2014 Annual Report



Vision: The Kansas Grain Sorghum Commission is focused on increasing grain sorghum profitability and being recognized as a valuable asset by the Kansas grain sorghum producer.

Mission: The Kansas Grain Sorghum Commission directs the investment of funds generated by the grain sorghum check-off to enhance the profitability of the Kansas grain sorghum producer.

From the Chairman of the Kansas Grain Sorghum Commission: Clayton Short, second generation sorghum producer from Assaria, KS. Clayton states, "Grain sorghum farmers had a great year in 2013. Acres planted increased and grain production per acre was up. It continues to be the crop of choice in water stressed environments in Kansas. Grain sorghum production is not without challenges. Increasing yields and herbicide options are still common themes in sorghum grower's conversations. The Kansas Commission continues to direct its funds toward these and other research priorities. Additional research funds are needed to continue improving this crop, and to keep adding acres in drought stressed areas of Kansas."

Kansas Passback Dollars

The United Sorghum Checkoff Program (USCP) distributes national checkoff dollars based on a percentage of production to those states that have been approved by the USDA as qualified state organizations. These states use the funds for additional research, market development and education. Kansas works in conjunction with USCP to benefit the local producer. Kansas remains the largest collection state after five years of the sorghum checkoff. Collection is based on the amount collected during the fiscal year, which is October 1 to September 30. The sorghum assessment is 0.6 percent of the net market value of the grain sorghum.

| Fiscal Year | Kansas Passback | Kansas Total Collection Percentage |
|--------------|------------------------|------------------------------------|
| FY2013 | \$781,105.00 | 39% |
| FY2012 | \$863,052.00 | 51% |
| FY2011 | \$1,110,049.67 | 52% |
| FY2010 | \$855,655.59 | 54% |
| FY2009 | \$557,104.00 | 43% |
| TOTAL | \$ 4,136,963.26 | |

Kansas Investment

The KGSC approved \$713,831.00 for research, market promotion, and education. A full funded project listing can be found on page three. Research contracts follow the Commission's fiscal year, starting on October 1, 2013 and will be completed on September 30, 2014.

The Commission works to ensure reserves for continual sorghum research in years when yields are reduced such as a drought year. This year the Commission used reserve funds to continue funding research projects important to the sorghum industry. The Board will continue to be diligent to prepare for crop year hardships and provide for continued research investment.

Kansas continues to rank first in grain sorghum production in the United States with over 43 percent of the production. Kansas production totaled 165 million bushels in 2013, an increase from last year. The Kansas Grain Sorghum Commission continues to work with research partners to increase sorghum production in Kansas, as it is a vital part of the Kansas economy.



Leadership Sorghum

Last December the United Sorghum Checkoff (USCP) graduated the first Leadership Sorghum Class. This program was developed to cultivate the next generation of leaders for the sorghum industry. Leadership Sorghum exposes sorghum farmer participants to various aspects of the industry through hands-on and classroom style education. Participants gain a better understanding of how sorghum moves through the value chain, industry interaction with checkoffs and interest organizations, and the industry's future direction. The Leadership Sorghum Class was a sixteen month program with five sessions. It began in

September of 2012 and ran through December 2013. Kansas is proud to have been well represented in a very strong first class. Class I Kansas participants are Tanner Ehmke, Healy; Stephen Bigge, Stockton; Josh Levin, Kensington; Pat Damman, Clifton; Matt Splitter, Lyons; Martin Kerschen, Garden Plain; and Shayne Suppes, Dighton. Leadership Sorghum graduate, Martin Kerschen states, "The Leadership Sorghum Class I showed 15 producers how the sorghum industry can and will grow. Seeing the seed productions, exports, research and other key parts of our industry prepared me to be a more effective industry leader. Now, as a USCP board member, I can assist in making decisions that drive producer profitability and productivity." Several Kansas class members are working on committees and other boards to increase sorghum awareness. Leadership Sorghum Program is taking application for Class II starting in March 2014. Class II session will begin in September 2014.

Referendum

The USDA Sorghum Promotion, Research and Information Order requires a referendum be conducted no later than three years after the beginning of assessments. The order requires a simple majority vote in favor of the program for USCP to continue. Sorghum producers had the opportunity to vote in the month of February 2011 to continue the program. The next referendum will be in 2015.

United Sorghum Checkoff Program (USCP)

The USCP board is comprised of 13 sorghum growers with five Kansas board members. The Kansas board members are Adam Baldwin, McPherson; Bill Greving, Prairie View; Martin Kerschen, Garden Plains; Greg Shelor, Minneola; and Clayton Short, Assaria. USCP Kansas board members serve in other areas throughout the industry. There are two serving as KGSC board members Clayton Short, Chairman from Assaria and Bill Greving, Prairie View. Greg Shelor from Minneola serves as President of the Kansas Grain Sorghum Producers Association board. Kansas is fortunate to have our leaders involved at the national level. USCP has two staff members in Kansas: Jesse McCurry and Sarah Bowser. USCP staff work very closely with the commission in promoting and marketing sorghum in the state. Bowser serves in a dual role working for both the Commission and USCP.

Kansas is well represented on USCP Committees through external committee member seats.

- Crop Improvement Committee – Dr. Rob Aiken, Kansas State University, Colby, KS
- Renewables Committee – Matt Durler, Conestoga Energy Partners, LLC, Liberal, KS; Scott Anderson, Pratt Energy, LLC, Pratt, KS; and Steve Seabrook, POET Ethanol Products, Wichita, KS
- High Value Committee – J.J. Jones, Kansas Department of Agriculture, Topeka, KS; and Dr. Timothy Dalton, Kansas State University, Manhattan, KS

| Research Project Title | | |
|--|--|----------------------|
| Remote Sensing Screening Tools for Sorghum Breeding Programs | KSU - Aiken, Price, Co-Merwe, Tesso, Perumal | \$ 36,000.00 |
| Screen Exotic Sorghum Germplasm to Identify New Sources of Stalk Rot Resistance | KSU - Little, Perumal, Tesso | \$ 39,785.00 |
| Expansion and Validation of an Automated Trapping System for Monitoring Sorghum Headworm | KSU - McCornack | \$ 10,000.00 |
| Maximizing Sorghum Yield and Profitability through Efficient N Fertilization | KSU - Mengel | \$ 31,956.00 |
| Comparison of Yield, Water Use, and Profitability of Grain Sorghum and Drought-Tolerant Corn in Dryland and Limited Irrigation Systems in Central Kansas | KSU - Nelson, Cramer | \$ 30,066.00 |
| Evaluation of Nitrogen and Iron Use Efficiency in Advanced Sorghum Lines | KSU - Obour, Perumal, Prasad | \$ 37,221.00 |
| Development of sorghum parental (A/B and R) lines with enhanced drought and cold tolerance | KSU - Perumal, Aiken, Little | \$ 98,000.00 |
| Improving Yield Potential of Grain Sorghum through Drought and Heat Tolerance | KSU - Prasad, Tesso, Perumal | \$ 52,000.00 |
| Sorghum Hybrid and Wheat Variety Traits for Planting Wheat after Sorghum in No-Till | KSU - Roozeboom, Jennings | \$ 18,835.00 |
| Effect of Chinch Bug Feeding and Drought on Sorghum Stand Establishment and Yield | KSU - Smith, Whitworth, McCornack | \$ 22,344.00 |
| Development of genomic tools to facilitate drought tolerance and ALS resistance breeding in sorghum | KSU - Tesso, Prasad, Jugulam | \$ 57,250.00 |
| Breeding Sorghum for Improved Production and Utilization | KSU - Tesso, Prasad, Roozeboom | \$ 83,200.00 |
| Development of Utilization of Sorghum as Feedstock for Biofuel Production | KSU - Wang, Tesso | \$ 25,000.00 |
| Diagnosing Sorghum Production Problems in Kansas | KSU - Ciampitti | \$ 8,000.00 |
| Center for Sorghum Improvement | KSU | \$ 50,000.00 |
| Sorghum Doubled Haploid Technology for Kansas Farmers | Heartland Plant Innovations | \$ 25,000.00 |
| USDA - Development of a Long Term USDA ARS PSGD Sorghum Breeding Presence in Kansas | USDA ARS Lubbock, TX | \$ 21,500.00 |
| Total Research | | \$ 646,157.00 |
| Market Promotion | | |
| US Grain Council | | \$ 20,000.00 |
| International Grain Program | KSU - Fowler, Oneil, Campabadal | \$ 30,000.00 |
| Kansas FFA Foundation | | \$ 3,000.00 |
| TOTAL Market Promotion | | \$ 53,000.00 |
| Education | | |
| Sorghum Production Schools for Kansas | KSU - Ciampitti, Thompson, Roozeboom | \$ 12,174.00 |
| Kansas Foundation for Ag in the Classroom | | \$ 2,500.00 |
| TOTAL Education | | \$ 14,674.00 |

*Commission may approve additional research, market promotion, or education items during fiscal year.

Sorghum Market Distribution

The U.S. sorghum industry is comprised of a variety of markets. The U.S. sorghum crop usage is dominated by ethanol, feed and exports. Sorghum used for ethanol production has increased to 31 percent and sorghum used for livestock feed has maintained at 27 percent. Export markets have showed a huge increase to 40 percent with 100 million bushels estimated to be sold to China in 2013-2014 marketing year (as of January 9, 2014). The four percent balance of the market is food industry market share.

International Grain Program (IGP)

The IGP mission is to provide innovative and relevant education and technical programs to enhance the market preference, consumption and utilization of U.S. cereal grains, oilseeds and their value-added products for the global grain industry. KGSC continues to support IGP in its activities. In 2013, IGP hosted 47 courses with 1072 participants from 34 different countries. These numbers include onsite and outreach programs. Program topics fall in 3 different categories: Flour Milling and Grain Processing, Grain Marketing and Risk Management, and Feed Manufacturing and Grain Management. The KGSC is on the IGP Advisory Board. In addition, IGP hosted several courses in partnership with the U.S. Grains Council, of which KGSC is a member.

U.S. Grain Council (USGC)

The growing global middle class continues to permeate business for the primary target opportunity for growth. As global economies improve, commodities like sorghum will prove to be a valuable resource. All over the world, people are switching from a plant starch based diet to an animal protein based diet. Kansas sorghum producers are uniquely positioned to capitalize on this rapidly growing trend. Intense market education and trading sophistication is necessary to elevate new and old partners alike for them to take advantage of the US farmers' incredible productivity. In mid-October, the KGSC was joined by the Sorghum Checkoff and U.S. Grains Council in hosting a Latin American trade team. This team



had representatives from Ecuador, Colombia, Panama, Perú, and Venezuela. The team's primary interest was with feed grain nutrition for poultry and swine. The Sorghum Checkoff sponsored Dr. Scott Beyer, Kansas State poultry nutritionist to provide technical information on sorghum ration inclusion. The trip's highlight was visiting Commissioner Jeff Casten's farm. Casten highlighted his field management and the team valued the chance to see sorghum in the field.

Kansas Commissioners

District 1 – Lonnie Wilson, Colby; District 2 - Greg Graff, Leoti; District 3 - Boyd Funk, Garden City; Secretary / Treasurer; District 4 - Bill Greving, Prairie View; District 5 – Clayton Short, Assaria, Chairman; District 6 - Dennis Siefkes, Hudson; District 7 – Nathan Larson, Riley; District 8 - Jeff Casten, Quenemo, Vice-chairperson; District 9 - Gary Kilgore, Chanute Administrator - Jill Barnhardt, jill@ksgrainsorghum.org

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KANSAS GRAIN SORGHUM COMMISSION

Lebo, Kansas

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

September 30, 2013 and 2012

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas



January 8, 2013

To the Commissioners
Kansas Grain Sorghum Commission
Lebo, Kansas

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Kansas Grain Sorghum Commission (the Commission), a commission of the State of Kansas, which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Commission, as of September 30, 2013 and 2012, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

Members American Institute of Certified Public Accountants • Kansas Society of Certified Public Accountants

120 N. Juliette Avenue • Manhattan, KS 66502 • 785-537-2202 • fax 785-537-1877

email: admin@varney.com • <http://www.varney.com>

Independent Auditor's Report

KANSAS GRAIN SORGHUM COMMISSION
 Lebo, Kansas
STATEMENTS OF FINANCIAL POSITION
 September 30,

| | 2013 | 2012 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash in checking | \$ 754,457 | \$ 592,202 |
| TOTAL ASSETS | \$ 754,457 | \$ 592,202 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | \$ - | \$ - |
| Unrestricted Net Assets | \$ 754,457 | \$ 592,202 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 754,457 | \$ 592,202 |

Financial Statements

KANSAS GRAIN SORGHUM COMMISSION

Lebo, Kansas

STATEMENTS OF ACTIVITIES

For the Years Ended September 30,

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|---------------------|
| CHANGES IN NET ASSETS | | |
| REVENUE | | |
| United Sorghum Check-off Program | \$ 912,452 | \$ 1,059,171 |
| Interest income | 29 | 55 |
| Total Revenues | <u>\$ 912,481</u> | <u>\$ 1,059,226</u> |
| EXPENSES | | |
| Refunds of check-off collections | \$ - | \$ - |
| Programs Investment | | |
| KSU research | 502,404 | 486,924 |
| KSU Sorghum Improvement Center | 50,000 | 50,000 |
| Education | 14,500 | 4,625 |
| USDA | 16,125 | 3,091 |
| Administrative Expenses | | |
| Promotion | 35,495 | 35,427 |
| Special projects | 179 | 179 |
| Administration | 37,489 | 35,305 |
| Commissioner travel | 5,642 | 3,811 |
| Contractor travel | 6,479 | 5,634 |
| Field staff | 22,164 | - |
| Legal and accounting fees | 2,900 | 2,900 |
| Meeting expense | 1,849 | 2,908 |
| Postage and delivery | 1,097 | 3,233 |
| Bank fees | 1,981 | 2,390 |
| Total Expenses | <u>\$ 750,226</u> | <u>\$ 708,621</u> |
| INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS | \$ 162,255 | \$ 350,605 |
| UNRESTRICTED NET ASSETS - BEGINNING OF FISCAL YEAR | <u>592,202</u> | <u>241,597</u> |
| UNRESTRICTED NET ASSETS - END OF FISCAL YEAR | <u>\$ 754,457</u> | <u>\$ 592,202</u> |

Financial Statements

KANSAS GRAIN SORGHUM COMMISSION
 Lebo, Kansas
STATEMENTS OF CASH FLOWS
 For the Years Ended September 30,

| | 2013 | 2012 |
|--|------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in unrestricted net assets | \$ 162,255 | \$ 350,605 |
| NET INCREASE (DECREASE) IN CASH | \$ 162,255 | \$ 350,605 |
| CASH BALANCE - BEGINNING OF FISCAL YEAR | 592,202 | 241,597 |
| CASH BALANCE - END OF FISCAL YEAR | \$ 754,457 | \$ 592,202 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Interest paid | \$ - | \$ - |
| Taxes paid | \$ - | \$ - |

Financial Statements

KANSAS GRAIN SORGHUM COMMISSION
Lebo, Kansas
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

Note 1: Summary of Significant Accounting Policies

Organization

The Kansas Grain Sorghum Commission (the Commission) is organized as a commission of the State of Kansas to conduct a campaign of grain sorghum promotion and market development through research, education and information.

Method of Accounting

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board.

Cash and Cash Equivalents

Cash includes all deposits in the bank and highly liquid investments with original maturities of three months or less. The carrying value of cash approximates fair value because of the short maturities of those financial instruments.

Net Assets

The Commission reports the changes in its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represents the amount of resources which are available for current uses. Temporarily restricted net assets are cash or other assets received with a donor-imposed restriction that limits their use to a specific purpose or period of time. Permanently restricted net assets are cash or other assets received with a donor-imposed restriction that requires the Commission to hold the asset in perpetuity.

For each of the years ended September 30, 2013 and 2012, there were no temporarily or permanently restricted net assets, or changes thereof.

Income Taxes

The Commission is an entity created by the State of Kansas, action of which is codified in K.S.A. 2-3002. The Commission is not subject to income tax and, accordingly, no provision has been made for income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The Commission's advertising costs are expensed as incurred and are separately reported on the statement of activities as promotion expense.

Subsequent Events

Subsequent events were evaluated through January 8, 2013, which is the date the financial statements were available to be issued.

KANSAS GRAIN SORGHUM COMMISSION
Lebo, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013 and 2012

Note 2: Cash

At September 30, 2013, the carrying amount of the Commission's cash account was \$754,457 and the bank balance was \$774,023. Of the bank balance, \$250,000 was secured by FDIC insurance and the remaining \$524,023 was secured by the bank's pledge of marketable securities having a fair market value of \$1,055,784.

At September 30, 2012, the carrying amount of the Commission's cash account was \$592,202 and the bank balance was \$631,730. Of the bank balance, \$730 was secured by FDIC insurance and the remaining \$631,000 was invested overnight in a repurchase agreement with the bank.

Note 3: Research Contracts

The Commission contracts with Kansas State University (KSU) for research activities each fiscal year. The final payment on these contracts is due upon the Commission's receipt of KSU's final activity report and final expenditure report. Because the reports had not been received as of September 30, 2013 and 2012, no liabilities have been accrued on these dates.

On October 31, 2013, the Commission paid \$131,838 as final payment for open research contracts related to fiscal year 2013.

On November 30, 2012, the Commission paid \$129,508 as final payment for open research contracts related to fiscal year 2012.

Note 4: Commitments

During 2012, the Commission approved a \$45,000 appropriation for renovation of the multi-purpose room at the KSU International Grains Program.

As of September 30, 2012, the Commission has paid \$32,194 towards this project leaving an outstanding commitment of \$12,606.

On January 10, 2013, the Commission issued a final payment of \$11,984 to the KSU International Grains Program and cancelled the remaining unused appropriation of \$822.

Note 5: Concentration of Support

For each of the years ended September 30, 2013 and 2012, the Commission received substantially all of its support from passback revenues from the United Sorghum Check-off Program.

The amount of passback revenues received by the Commission is dependent upon the amount of grain sorghum produced and sold in Kansas. The Commission may be adversely affected if the production and sale of grain sorghum drops significantly. The Commission's management feels that the likelihood of this occurring is remote.

KANSAS GRAIN SORGHUM COMMISSION
Lebo, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2013 and 2012

Note 6: Stewardship, Compliance, and Accountability

Budget

In accordance with K.S.A. 2-3005, the Commission approved and maintained an operating budget for each of the years ended September 30, 2013 and 2012.

Reserve

In accordance with K.S.A. 2-3005, the Commission maintains a reserve of cash which does not exceed 125% of the previous five-year average for annual disbursements.

As of September 30, 2013, the cash balance was \$754,457, or 113% of the five year average disbursements of \$667,750. As of September 30, 2012, the cash balance was \$592,202, or 91% of the five year average disbursements of \$648,695.

Depository Security Coverage

In accordance with K.S.A. 2-3008(b), the Commission maintains depository security coverage for its banking deposits as explained in detail in note 2 of these financial statements.