



## Kansas Grain Sorghum Commission Annual Report

2018 Testimony

House Agriculture Committee

January 24, 2018

Nathan Larson, KANSAS GRAIN SORGHUM COMMISSIONER

Chairman Hoffman and members of the committee, thank you for this opportunity to provide an annual report from Kansas Grain Sorghum Commission. My name is Nathan Larson, and I am Treasurer of the Kansas Grain Sorghum Commission. I farm around a thousand crop acres of corn, grain sorghum, soybeans, wheat and alfalfa. I also run a cow-calf herd. I have been farming grain sorghum for forty years. Sorghum is drought hardy. We can raise grain sorghum. We used it for feed and still do. We market through the local elevator because we do not have enough on-farm storage. Recently I have taken a leadership role within the U.S. Grains Council representing Kansas. Here with me today is Jesse McCurry, our Executive Director.

In addition to copies of this testimony, we have presented you with a copy of our Audit and additional materials in your packet.

The Kansas Grain Sorghum Commission was established in Kansas law “to conduct a campaign of grain commodity promotion and market development through research, education and information.” With the creation of the national United Sorghum Checkoff Program in 2007-2008, we suspended the state checkoff and are now funded through “passback” funds from United Sorghum Checkoff. The United Sorghum Checkoff is funded by a non-refundable assessment of 0.6% of the net market value of grain sorghum.

As the largest producer and thus largest funded state of the Sorghum Checkoff, Kansas is well represented in the national board. Kansans sit in five of the thirteen board seats and are instrumental in the strategic direction of Sorghum Checkoff. Leadership Sorghum Class III graduates include eight Kansas farmers, a dynamic set among the graduating class of fifteen. We honor the memory of our dearly departed Leadership Sorghum class member Mark Scott of Manhattan. He will be missed.

I graduated from Class II of Leadership Sorghum. I heard about the program from staff and I was interested. It taught me a whole lot! I learned more about the seed industry, port operations, U.S. Grains Council and some of our opponents in production agriculture. It did open doors and helped me become a better leader. It was one of the best programs I have ever been through and we are actively recruiting for the next class if you know anyone interested.

Our budget priorities reflect our board's desire to "move the needle" on research toward weed control, sugarcane aphid, yield, standability, cold tolerance and double haploid. In 2017 we also began to emphasize container shipment opportunities and supported many in-bound trade teams to sell grain sorghum overseas.

The cornerstone of our investment funding is with Kansas State University through the Center for Sorghum Improvement. The Commission invests \$200,000 a year in the Collaborative Sorghum Investment Program (CSIP) coupled with key partners to advance sorghum in Kansas. USCP also matches this funding. The Commission sits on the CSIP board and we are confident this mechanism will grow funding and results for Kansas farmers.

Kansas helped host at least six trade teams, most from China, in 2017. China accounts for around 70% of our trade. Since China became a U.S. sorghum buyer in 2013, it has taken delivery of 1 billion bushels. As a member of the U.S. Grains Council, we work closely with our "international marketing arm" to drive exports and trade. Our largest trade partners are China, Mexico and Japan. We want to acknowledge the support of the Kansas Department of Agriculture in helping exploit international opportunities for grain sorghum.

Ag Statistics estimates Kansans harvested 2.45 million acres, down 17 percent from 2016. Sorghum for grain is forecast at 201 million bushels, down 25 percent from last year. Yield is forecast at 82 bushels per acre, down 9 bushels from last year.

Despite year-to-year declines, we are poised to grow grain sorghum acreage in Kansas. The relative lack of the sugarcane aphid pest coupled with stronger demand and basis has many Kansas farmers looking carefully at sorghum in the crop mix. The fundamental support of the Kansas Legislature can help move this crop into better prominence as we seek value and return on investment. Our grower-leaders are determined to focus strategically and relentlessly to improve yields and demand.

Thank you for your interest in sorghum. The Commission is proud to work closely with many players to ensure a better future and we would be happy to answer any of your questions.



# 2018 ANNUAL REPORT

## Vision

The Kansas Grain Sorghum Commission (KGSC) vision is to be the best stewards of financial resources, ensuring sorghum is a long-lasting, profitable crop for Kansas.

## Mission

To enhance the profitability of the Kansas grain sorghum producer.

## 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 eight 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.

2017 passback	\$924,449.65
Total Collections - KS	\$3,781,075.54

## From the Chairman

Stephen Bigge, fifth generation sorghum producer and Leadership Sorghum Class I graduate from Stockton, states, “This has been an extraordinary year in many ways. While challenges remain, Kansas Grain Sorghum Commission is committed to advancing sorghum for more value and profitability. The Commission has invested significant dollars in programs in the state to ‘move the needle’ and expect great things from these institutional, long-term efforts. Sorghum is not going away.”

## Kansas Investment

The KGSC approved \$603,695 for research, market promotion, and education. In addition, KGSC continues to fund the Center for Sorghum Improvement at \$200,000/year. Research contracts follow the Commission’s fiscal year, starting on October 1, 2017 and will be completed on September 30, 2018.

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.

The KGSC leverages investments to secure state and federal grants.

# LEADERSHIP

## U.S Grains Council

Kansas is active in the U.S. Grains Council – “expanding trade, expanding opportunities.” Founded in 1960, the council is a private, nonprofit organization with 10 international offices and programs in more than 50 countries and the EU. Its annual export market development program is valued at nearly \$29 million. Sorghum farmers from Kansas are leaders in the organization.

U.S. Grains Council, Kansas Grain Sorghum Commission and state partners hosted dozens of visitors from overseas as export interest continues from more countries. In October a Chinese delegation touring the US sorghum belt visited central Kansas. During their Kansas visit, they toured Kansas Ethanol LLC and ADM in Hutchinson. Xu Ying of Guangzhou Renyi Import and Export Trading Co Ltd., a member of the delegation said, “we are very interested in sorghum quality. What we learned is Kansas sorghum is very good quality. There are no toxins, and the color is light, which our customers prefer.”



As Chinese demand continues the Kansas Grain Sorghum Commission is receiving a significant volume of interest in a container program. The USGC continues to develop markets; enabling trade and improving lives as stated in the mission statement.

## International Grains Program

The IGP Institute’s 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

2017, the IGP Institute hosted specific courses on-site and on location, and via distance with valuable results. Program topics fall in three main categories: Flour Milling and Grain Processing, Grain Marketing and Risk Management, and Feed Manufacturing and Grain Quality Management. The KGSC is on the IGP Advisory Board.

## United Sorghum Checkoff Program

The USCP board is comprised of 13 sorghum growers with five board members from Kansas. The Kansas board members are Craig Poore, Alton, Secretary; Clayton Short, Assaria; Boyd Funk, Garden City; Martin Kerschen, Garden Plain; Shayne Suppes, Scott City. Kansas board members serve in other areas throughout the industry. Kansas is fortunate to have our leaders involved at the national level. USCP works closely with the commission in promoting and marketing sorghum in the state.

Kansas is well represented on USCP Committees through external committee member seats. Crop Improvement Committee – Dr. Gary Pierzynski, Kansas State University, Manhattan. Renewables Committee – Matt Durler, Conestoga Energy Partners, LLC, Liberal, KS. Market Development Committee – Kerry Wefald, Kansas Department of Agriculture, Topeka, KS; and Dr. Timothy Dalton, Kansas State University, Manhattan, KS.



# MARKET & FUNDING

## Sorghum Market

U.S. sorghum exports dropped year-over-year to 238 million bushels, but remained above the five-year average of 209 million bushels. The top sorghum exported for the 2016/2017 year was China at 189

million bushels. 22 different countries purchased U.S. sorghum in the 2016/2017 year. According to the U.S. Grains Council, sorghum accounted for 5.3% of grain exported from the U.S.

Research		
Evaluation of New USDA Material for SCA Tolerance	Chad Hayes, USDA_ARC	\$25,000.00
Characterization of G.S. for Enhancing Heat and Drought Stress Resilience	KSU- Jagadish, Prasad, Perumal	\$55,000.00
Germplasm Screening for Stalk Rot	KSU- Little, Perumal, Tesso	\$45,100.00
Improving Cold and Drought Tolerance using Genomics and Phenomics	KSU- Morris, Perumal	\$82,300.00
Development of Parental Lines with Enhanced Drought and Cold Tolerance	KSU- Perumal, Aiken, Little	\$99,000.00
Breeding Sorghum for Improved Dryland Productivity and Utilization	KSU- Tesso, Jagadish, Roozeboom	\$97,700.00
Mechanism of Mesotriene Tolerance in Sorghum and Screening Sorghum Germplasm for Tolerance	KSU- Jugulam, Thompson	\$25,000.00
Double Haploid ID	HPI	\$15,000.00
Double Haploid Development via Genomics	HPI	\$40,000.00
<b>Total</b>		\$484,100

Market Promotion	
U.S. Grains Council	\$25,000.00
International Grains Program	\$30,000.00
Trade Team Support	\$5,000.00
<b>Total</b>	\$60,000.00

Education	
Sorghum Schools	\$10,091.00
Kansas FFA, Radio spots, School Materials, Ethanol, State Fair, etc.	\$33,050.00
<b>Total</b>	\$43,141.00






### Kansas Commissioners


District 1 - Lonnie Wilson, Colby (2nd from L)  
 District 2 - Greg Graff, Leoti (1st from L)  
 District 3 - Mike O'Brate, Ingalls (not pictured)  
 District 4 - Stephen Bigge, Stockton, Chairman (6th from L)  
 District 5 - Clayton Short, Assaria, Vice Chair (5th from L)

District 6 - Jay Zimmerman, S. Haven (8th from L)  
 District 7 - Nathan Larson, Riley, Treas. (3rd from L);  
 District 8 - Kevin Kniebel, White City (8th from L)  
 District 9 - Gary Kilgore, Chanute (4th from L)


## SORGHUM & CONSERVATION



**WILDLIFE HABITAT** Sorghum stalks provide structural cover that shelters game birds during winter.



**WATER** Sorghum can produce more grain per inch than comparable grain crops in low water settings.



**SOIL** Sorghum fits well in no-till operations, helping reduce both wind and water erosion and limiting runoff.

### Kansas Grain Sorghum Commission Staff

Executive Director - Jesse McCurry, Colwich, KS;  
[jesse@ksgrainsorghum.org](mailto:jesse@ksgrainsorghum.org)  
 Field Director - Pat Damman, Clifton, KS;  
[pat@ksgrainsorghum.org](mailto:pat@ksgrainsorghum.org)

# SORGHUM: THE SMART CHOICE

**Kansas Grain Sorghum Commission, 501 Dawn Lane, Colwich, KS 67030**  
**(785) 477-9474, [www.ksgrainsorghum.org](http://www.ksgrainsorghum.org)**

# Spotlight On Sorghum

*The U.S. Grains Council worked with the United Sorghum Checkoff Program to promote sorghum exports throughout the world. Thanks to continued purchasing by 22 countries, the United States exported 238 million bushels of sorghum in 2016/2017.*

## **Pet Food Formulations**

Worked with USCP and IGP Institute in Manhattan, KS, to connect Mexican pet food formulators with U.S. counterparts to learn about using sorghum in their formulas.

## **Kansas Sorghum Meetings**

Discussed market trends and opportunities at Kansas Sorghum Board meeting in Garden City, Kansas, in July 2017.

## **Chinese Sorghum Team**

Organized a team composed of leading sorghum importers and end-users representing more than 50 percent of Chinese imports from the United States to travel to Kansas and Texas in June and July 2017 to strengthen relationships and support increased sales.



## **Sorghum Ethanol**

Promoted sorghum as a feedstock for ethanol in Mexico, where domestic supplies of corn are prohibited for ethanol production.



## **EU Food Sorghum**

Developed program at IGP Institute in Manhattan, KS, to train Spanish pastry and bread producers on using sorghum flour in their products.

## **K-State Sorghum Schools**

Presented on relevance and value of international trade in cities across Western Kansas in January and February 2017.

## **China Feed Grain Buyers**

Brought leading importers of sorghum, corn and DDGS to Kansas, Iowa and Louisiana in October 2017 to gain a better understanding of sorghum as a feed ingredient and learn about 2017/2018 crop conditions.

## **Promoting Sorghum Exports In Mexico**

Provided end-users in Mexico with the latest information on U.S. sorghum and identified constraints preventing direct sales to end-users in addition to other potential opportunities for sorghum exports.



January 17, 2018

Kansas Grain Sorghum Commission  
501 Dawn Lane,  
Colwich, KS 67030

We have audited the financial statements of Kansas Grain Sorghum Commission, (the Commission) as of and for the year ended September 30, 2017, and have issued our report thereon dated January 17, 2018. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated August 16, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Commission solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

#### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

#### **Qualitative Aspects of the Entity's Significant Accounting Practices**

##### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.



### **Qualitative Aspects of the Entity's Significant Accounting Practices (Continued)**

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

We did not identify any such estimates.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users.

We did not identify any such disclosures.

### **Identified or Suspected Fraud**

We have not identified or obtained information that indicates any fraud may have occurred.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected financial misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- The balance in the escrow liability account was adjusted by \$3,011 to match the balance in the Legacy Bank account.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Commission's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in a separate letter dated January 17, 2018.

January 17, 2018  
Kansas Grain Sorghum Commission  
Page three

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings or Issues**

In the normal course of our professional association with the Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the Commission, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Commission's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Varney & Associates, CPAs, LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants  
Manhattan, Kansas

**KANSAS GRAIN SORGHUM COMMISSION**

Colwich, Kansas

**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

September 30, 2017 and 2016



January 17, 2018

To the Commissioners  
Kansas Grain Sorghum Commission  
Colwich, 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, 2017 and 2016, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017 and 2016, 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

*Independent Auditor's Report*



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

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash in checking	\$ 605,137	\$ 589,556
<b>TOTAL ASSETS</b>	<u>\$ 605,137</u>	<u>\$ 589,556</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accrued liabilities	\$ -	\$ 1,715
Escrow account	7,554	5,036
<b>Total Liabilities</b>	<u>\$ 7,554</u>	<u>\$ 6,751</u>
<b>Unrestricted Net Assets</b>	<u>\$ 597,583</u>	<u>\$ 582,805</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 605,137</u>	<u>\$ 589,556</u>

# Financial Statements

**KANSAS GRAIN SORGHUM COMMISSION**

Colwich, Kansas

**STATEMENTS OF ACTIVITIES**

For the Years Ended September 30,

	<u>2017</u>	<u>2016</u>
<b>CHANGES IN NET ASSETS</b>		
<b>REVENUE</b>		
United Sorghum Check-off Program	\$ 1,153,821	\$ 999,510
Salary for Association Business	43,296	21,176
Miscellaneous Income	-	38,000
Interest income	18	15
<b>Total Revenues</b>	<u>\$ 1,197,135</u>	<u>\$ 1,058,701</u>
<b>EXPENSES</b>		
Programs Investment		
Foreign market development	\$ 57,465	\$ 54,190
KGSPA	4,468	9,764
KSU research	533,370	596,261
KSU Sorghum Improvement Center	240,000	65,000
Domestic Market Developments	1,922	2,590
Heartland Plant Innovation	49,982	43,746
Education	21,281	31,928
USDA	25,000	24,125
Administrative Expenses		
Promotion	49,011	50,036
Payroll expense	146,071	69,447
Administration	17,962	51,635
Executive Director	6,837	-
Commissioner travel	6,686	7,253
Contractor travel	414	2,107
Field staff	15,022	21,799
Legal and accounting fees	4,424	4,318
Meeting expense	1,559	1,913
Postage and delivery	862	1,312
Bank fees	21	80
<b>Total Expenses</b>	<u>\$ 1,182,357</u>	<u>\$ 1,037,504</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	\$ 14,778	\$ 21,197
<b>NET ASSETS - BEGINNING OF FISCAL YEAR</b>	<u>582,805</u>	<u>561,608</u>
<b>NET ASSETS - END OF FISCAL YEAR</b>	<u><u>\$ 597,583</u></u>	<u><u>\$ 582,805</u></u>

*Financial Statements*

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

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 14,778	\$ 21,197
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Increase (decrease) in accrued liabilities	\$ (1,715)	\$ 880
Increase (decrease) in escrow account	2,518	15
<b>Total Adjustments</b>	<u>\$ 803</u>	<u>\$ 895</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 15,581</u>	<u>\$ 22,092</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	\$ 15,581	\$ 22,092
<b>CASH BALANCE - BEGINNING OF FISCAL YEAR</b>	<u>589,556</u>	<u>567,464</u>
<b>CASH BALANCE - END OF FISCAL YEAR</b>	<u><u>\$ 605,137</u></u>	<u><u>\$ 589,556</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

# Financial Statements

**KANSAS GRAIN SORGHUM COMMISSION**  
Colwich, Kansas  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2017 and 2016

*Notes to Financial Statements*

**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, 2017 and 2016, 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 17, 2018, which is the date the financial statements were available to be issued.



**KANSAS GRAIN SORGHUM COMMISSION**  
Colwich, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
September 30, 2017 and 2016

*Notes to Financial Statements*

**Note 2: Cash**

At September 30, 2017, the carrying amount of the Commission's cash accounts was \$605,137 and the bank balance was \$630,528. Of the bank balance, \$257,555 was secured by FDIC insurance and the remaining \$372,973 was secured by the bank's pledge of marketable securities having a fair market value of \$1,118,781.

At September 30, 2016, the carrying amount of the Commission's cash accounts was \$589,556 and the bank balance was \$609,539. Of the bank balance, \$255,036 was secured by FDIC insurance and the remaining \$354,503 was secured by the bank's pledge of marketable securities having a fair market value of \$1,375,993.

**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, 2016 and 2015, no liabilities have been accrued on these dates.

On October 24, 2017, the Commission paid \$139,720 as final payment for open research contracts related to fiscal year 2016.

On November 30, 2016, the Commission paid \$135,456 as final payment for open research contracts related to fiscal year 2016.

**Note 4: Concentration of Support**

For each of the years ended September 30, 2017 and 2016, 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.

**Note 5: 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, 2017 and 2016.

**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, 2017, the cash balance was \$605,137 or 62% of the five year average disbursements of \$969,382. As of September 30, 2016, the cash balance was \$589,556 or 67% of the five year average disbursements of \$874,635

**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.

**KANSAS GRAIN SORGHUM COMMISSION**  
Colwich, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
September 30, 2017 and 2016

**Note 6: Reclassification**

Prior period financial statement amounts have been reclassified to conform to current period presentation. These reclassifications had no effect on the reported results of operations.