

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,

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

Financial Statements

The accompanying notes are an integral part of these financial statements.
 See Independent Auditor's Report.

KANSAS GRAIN SORGHUM COMMISSION

Colwich, Kansas

STATEMENTS OF ACTIVITIES

For the Years Ended September 30,

	<u>2017</u>	<u>2016</u>
CHANGES IN NET ASSETS		
REVENUE		
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
Total Revenues	<u>\$ 1,197,135</u>	<u>\$ 1,058,701</u>
EXPENSES		
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
Total Expenses	<u>\$ 1,182,357</u>	<u>\$ 1,037,504</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 14,778	\$ 21,197
NET ASSETS - BEGINNING OF FISCAL YEAR	<u>582,805</u>	<u>561,608</u>
NET ASSETS - END OF FISCAL YEAR	<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,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
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
Total Adjustments	\$ 803	\$ 895
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 15,581	\$ 22,092
NET INCREASE (DECREASE) IN CASH	\$ 15,581	\$ 22,092
CASH BALANCE - BEGINNING OF FISCAL YEAR	589,556	567,464
CASH BALANCE - END OF FISCAL YEAR	\$ 605,137	\$ 589,556
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

Financial Statements

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

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

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.