



February 6, 2020

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, 2019, and have issued our report thereon dated February 6, 2020. 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 November 22, 2019, 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.

As described in Note 1 to the financial statements, during the year, management adopted the financial reporting provision of FASB ASU 2016-14. The primary effects of this change are described in Note 1 and are intended to enhance net asset classification and improve disclosure for the Commission's liquidity and availability of resources. 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 was one uncorrected misstatement noted in regards to an error in reporting of retirement contributions to the executive director.

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. There we no such corrected financial misstatements.

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 February 6, 2020.

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.

February 6, 2020
Kansas Grain Sorghum Commission
Page three

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 "Vainey & 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, 2019 and 2018



February 6, 2020

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, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018, 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,

	2019	2018
ASSETS		
Current Assets		
Cash in checking	\$ 484,218	\$ 557,078
TOTAL ASSETS	\$ 484,218	\$ 557,078
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued liabilities	\$ 4,785	\$ 83
Escrow	3,500	7,554
Total Liabilities	\$ 8,285	\$ 7,637
Net Assets - Without Donor Restrictions	\$ 475,933	\$ 549,441
TOTAL LIABILITIES AND NET ASSETS	\$ 484,218	\$ 557,078

Financial Statements

KANSAS GRAIN SORGHUM COMMISSION
 Colwich, Kansas
STATEMENTS OF ACTIVITIES
 For the Years Ended September 30,

	2019	2018
CHANGES IN NET ASSETS		
REVENUE		
United Sorghum Check-off Program	\$ 866,255	\$ 977,222
Salary for Association Business	38,007	43,928
Miscellaneous income	9,246	1,052
Interest income	14	118
Total Revenues	\$ 913,522	\$ 1,022,320
EXPENSES		
Program	\$ 934,065	\$ 1,010,713
Administrative	52,965	59,749
Total Expenses	\$ 987,030	\$ 1,070,462
INCREASE (DECREASE) IN NET ASSETS	\$ (73,508)	\$ (48,142)
NET ASSETS - BEGINNING OF FISCAL YEAR	549,441	597,583
NET ASSETS - END OF FISCAL YEAR	\$ 475,933	\$ 549,441

Financial Statements

KANSAS GRAIN SORGHUM COMMISSION
Colwich, Kansas
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2019

	<u>Program Services</u>	<u>Management Services</u>	<u>Total</u>
Foreign market development	\$ 47,116	\$ -	\$ 47,116
KSU research	392,416	-	392,416
KSU Sorghum Improvement Center	202,875	-	202,875
Domestic Market Developments	27,700	-	27,700
Heartland Plant Innovation	37,750	-	37,750
Education	15,735	-	15,735
USDA	38,200	-	38,200
Promotion	34,678	-	34,678
Payroll expense *	106,837	35,612	142,449
Administration	-	4,551	4,551
Executive Director *	13,245	5,677	18,922
Commissioner travel *	4,806	534	5,340
Field staff *	7,614	846	8,460
Legal and accounting fees	-	4,879	4,879
Meeting expense *	4,562	507	5,069
Postage and delivery *	531	227	758
Bank fees	-	132	132
	<u>\$ 934,065</u>	<u>\$ 52,965</u>	<u>\$ 987,030</u>

* Each of these expense lines contains costs that are attributed to more than one program or support function and these joint costs have been allocated on the basis of estimates of time and effort.

KANSAS GRAIN SORGHUM COMMISSION
 Colwich, Kansas
STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended September 30, 2018

	<u>Program Services</u>	<u>Management Services</u>	<u>Total</u>
Foreign market development	\$ 52,780	\$ -	\$ 52,780
KSU research	444,660	-	444,660
KSU Sorghum Improvement Center	205,625	-	205,625
Domestic Market Developments	4,170	-	4,170
Heartland Plant Innovation	65,750	-	65,750
Education	18,382	-	18,382
USDA	25,000	-	25,000
Promotion	30,026	-	30,026
Payroll expense	* 129,235	43,078	172,313
Administration	-	5,499	5,499
Executive Director	* 6,822	2,924	9,745
Commissioner travel	* 3,975	442	4,417
Field staff	* 15,388	1,710	17,098
Legal and accounting fees	-	4,853	4,853
Meeting expense	* 8,422	936	9,358
Postage and delivery	* 478	205	683
Bank fees	-	103	103
	<u>\$ 1,010,713</u>	<u>\$ 59,749</u>	<u>\$ 1,070,462</u>

* Each of these expense lines contains costs that are attributed to more than one program or support function and these joint costs have been allocated on the basis of estimates of time and effort.

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (73,508)	\$ (48,142)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Increase (decrease) in accrued liabilities	\$ 4,702	\$ 83
Increase (decrease) in escrow account	(4,054)	-
Total Adjustments	\$ 648	\$ 83
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (72,860)	\$ (48,059)
NET INCREASE (DECREASE) IN CASH	\$ (72,860)	\$ (48,059)
CASH BALANCE - BEGINNING OF FISCAL YEAR	557,078	605,137
CASH BALANCE - END OF FISCAL YEAR	\$ 484,218	\$ 557,078
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

Financial Statements

KANSAS GRAIN SORGHUM COMMISSION
Colwich, Kansas
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

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.

During 2019, the Commission adopted part of the financial reporting provisions of FASB ASU 2016-14. The primary change includes the reclassification of net assets according to donor restrictions. FASB ASU 2016-14 also requires an analysis of expenses by their functional nature, which the Commission includes as a statement of functional expense.

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 one class of net assets as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Functional Allocation of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 February 6, 2020, 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, 2019 and 2018

Note 2: Cash

At September 30, 2019, the carrying amount of the Commission's cash accounts was \$484,218 and the bank balance was \$494,976. Of the bank balance, \$250,00 was secured by FDIC insurance and the remaining \$244,976 was secured by the bank's pledge of marketable securities having a fair market value of \$ 747,153.

At September 30, 2018, the carrying amount of the Commission's cash accounts was \$557,078 and the bank balance was \$581,900. Of the bank balance, \$257,578 was secured by FDIC insurance and the remaining \$324,322 was secured by the bank's pledge of marketable securities having a fair market value of \$880,307.

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, 2019 and 2018, no liabilities have been accrued on these dates.

On November 21, 2019, the Commission paid \$112,923 as final payment for open research contracts related to fiscal year 2019.

On November 11, 2018, the Commission paid \$112,923 as final payment for open research contracts related to fiscal year 2018.

Note 4: Concentration of Support

For each of the years ended September 30, 2019 and 2018, 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, 2019 and 2018.

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, 2019, the cash balance was \$484,218 or 46% of the five year average disbursements of \$1,058,695. As of September 30, 2018, the cash balance was \$557,078 or 54% of the five year average disbursements of \$1,033,430.

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, 2019 and 2018

Note 6: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date is comprised of cash of \$484,218 at June 30, 2019.

As part of the Commission's liquidity management plan, cash in excess of daily requirements is maintained in interest bearing accounts.