



Kansas Grain Sorghum Commission
Legislative Report
March 9, 2015
by Clayton Short of Assaria, KS serving as District V Commissioner

Thank you for the opportunity to provide an annual report from the Kansas Grain Sorghum Commission. My name is Clayton Short and I am the fifth district commissioner of the Kansas Grain Sorghum Commission and I am also on the United Sorghum Checkoff Board. My family farm is near Assaria, Kansas in Saline County. Here with me today is the Kansas Grain Sorghum Director Pat Damman.

In addition to copies of my written testimony, we have presented you with our 2015 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 spring 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. Kansas producers, researchers and private industry are involved on Sorghum Checkoff committees. I am pleased to share that Kansas has 7 of the 15 participants in the second Leadership Sorghum Program. Leadership Sorghum exposed farmers to the sorghum industry and future leadership opportunities. This class will graduate in December 2016.

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 duplicate 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 5 million dollars in the past six years. The Sorghum Checkoff and Kansas Commission work closely together to strategically invest sorghum dollars. Separate from KGSC's investments, USCP has invested over 1.75 million dollars to research at Kansas State University.

Over the past six years, the Kansas Commission has funded over 3.5 million dollars in research with Kansas State University and \$50,000 to Heartland Plant Innovations in Manhattan, KS. 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.



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The Commission is a member of the US Grains Council. US Grains Council provides foreign market promotion for grain sorghum. This past fall, a USCP board Member hosted a delegation from China to showcase the Kansas sorghum crop for these potential buyers. The commission also helps fund the International Grains Program at KSU that offers educational opportunities 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 the USDA in 2014, Kansas harvested 2.70 million acres down 5% from last year and 200 million bushels, an increase of 19 % from the previous year. The Kansas sorghum industry is being driven by export opportunities. China currently has imported 64.7 % of total US sorghum production totaling 280 million bushels. Sorghum is also standing out because of its water sipping attributes. 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. As mentioned in the water vision, we need additional research funds for sorghum to continue to conserve the water in Kansas.

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 be confident 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 that the committee may have.

Kansas Grain Sorghum Commission

2015 Annual Report



Vision: The Kansas Grain Sorghum Commission (KGSC) 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 another great year in 2014. Grain sorghum production increased by almost 19% over 2013 and on average the yields were up by about 15 bushels per acre compared to last year also. I feel that we are going to continue to see an increase in sorghum acres in the state. We have a lot of factors playing in to this. Exports markets increasing and the topic of water is on everyone's mind now as we learn more about the Kansas Water Vision."

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 six 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
FY 2014	\$934,107.00	40%
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	\$ 5,101,073.26	

Kansas Investment

The KGSC approved \$759,783 for research, market promotion, and education. Research contracts follow the Commission's fiscal year, starting on October 1, 2015 and will be completed on September 30, 2016. See insert for a list of current KGSC projects.

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 40 percent of the production. Kansas production totaled 200 million bushels in 2014, 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

In September of 2014 the United Sorghum Checkoff (USCP) started the second session of the 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 II is a sixteen month program with five sessions beginning in September of 2014 and running through December 2016. Kansas has a very strong second class of leaders. Class II Kansas participants are Dan Atkisson, Stockton; Kelsey Baker, Scott City; Casey Crossland, WaKeeney; Nathan Larson, Riley; Craig Poore, Alton; Lance Russell, Hays and Jessica Wyrill, Kirwin. Leadership Sorghum Class II member, Nathan Larson says, "As a grain sorghum producer this program has introduced me to the full spectrum of our industry, knowledge of seed production, domestic and foreign markets and the opportunity to learn more about the government's role. This is making me a better producer while developing my leadership skills in the industry." Several current and past Leadership Sorghum Class members hold leadership roles in Kansas sorghum. Leadership Sorghum Class I - Martin Kerschen is serving on the USCP board, Stephen Bigge is a commissioner on the Kansas Grain Sorghum Commission (KGSC) and is on the National Sorghum Producers (NSP) legislative committee, and Pat Damman was recently hired as the director of Kansas Grain Sorghum. Leadership Sorghum Class II – Nathan Larson is a commissioner on the KGSC, Craig Poore and Lance Russell serve on the Kansas Grain Sorghum Producers Association (KGSPA) board, and Dan Atkisson is serving on the NSP board of directors. Leadership sorghum is growing leaders in Kansas.

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 Spring 2015.

United Sorghum Checkoff Program (USCP)

The USCP board is comprised of 13 sorghum growers with five board members from Kansas. The Kansas board members are Adam Baldwin, McPherson; Bill Greving, Prairie View; Martin Kerschen, Garden Plain; Greg Shelor, Minneola; and Clayton Short, Assaria. USCP Kansas board members serve in other areas throughout the industry. Clayton Short is Chairman of the KGSC and Greg Shelor is currently President of Kansas Grain Sorghum Producers Association. Kansas is fortunate to have our leaders involved at the national level. USCP has two staff members in Kansas: Sarah Sexton-Bowser and Jesse McCurry. USCP staff work very 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; Derek Peine, Western Plains Energy, LLC, Oakley
- High Value Committee – Kerry Wefald, Kansas Department of Agriculture, Topeka, KS; and Dr. Timothy Dalton, Kansas State University, Manhattan, KS

Kansas Grain Sorghum Commission, Association Joined in Cooperative Agreement

The Kansas Grain Sorghum Commission (KGSC) and the Kansas Grain Sorghum Producers Association (KGSPA) joined into a cooperative agreement that allows the two organizations to share office space and staff effective May 1, 2014. Discussions between the leaders of the two groups began in January 2014. KGSC will be the administrator of the two organizations. The two groups operate as Kansas Grain Sorghum.

The association was established by Kansas grain sorghum growers to represent members in legislative and regulatory issues. The commission and association continue to have separate boards and budgets.



The KGSPA has shared staff and office space with the Kansas Corn Growers Association for several years.

“Corn and sorghum are both feed grains with our main customers being livestock, ethanol and exports. Because of our shared customers and issues, this has been a good fit,”

according to KGSPA President Greg Shelor of Minneola. “The Kansas Grain Sorghum Commission offered an opportunity to bring both of our sorghum groups under one roof.”

KGSC Chairman Clayton Short of Assaria said the Kansas Grain Sorghum Producers Association and Commission are joining efforts to improve production and profitability for Kansas growers.

“I expect this partnership to function as a very efficient group with joint staff, focused research projects, and provide a unified voice for sorghum growers,” Short said. “Grain Sorghum has several traits and characteristics that allow it to excel in the tough Kansas water and heat stressed environments. I look forward to working together with the association, commission and all Kansas growers to improve profitability of grain sorghum.”

Check out Kansas Grain Sorghum website at www.ksgrainsorghum.org.

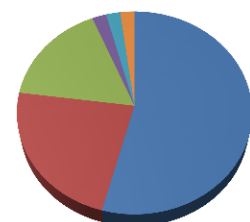
Sorghum Market Growth Driven by Exports

The market place for sorghum both domestically and internationally has steadily increased within the last five years. Demand for the 2014 crop has exploded. In fact, it took only four months into the 2014-2015 marketing year for exports of U.S. grain sorghum to surpass last year’s total.

“Demand for sorghum is at an all-time high,” said Florentino Lopez, Sorghum Checkoff executive director. “This demand is revealed through the purchasing patterns of the export market.” Commitments for U.S. grain sorghum have already surpassed last year’s total by 28 percent at 291.4 million bushels. China currently has imported 64.7 percent of total U.S. sorghum production totaling 280 million bushels.

Five years ago, the export sector accounted for 30 percent of the U.S. grain sorghum market. At that time, an additional 30 percent went into livestock feed and 30 percent into ethanol with the remaining going to end uses such as food aid, pet food and the food industry. However, in 2013 sorghum exports skyrocketed when Gun Jen Juee Agriculture Trading Company became the first company to import U.S. sorghum into China. China purchases have exceeded 60 percent of the 2014 sorghum crop and new crop bids are reflecting continued demand for the 2015 crop.

Sorghum Market Distribution



This record demand has increased basis across the sorghum belt by a documented 43 cents per bushel. Lopez said demand today exceeds supply, and the Sorghum Checkoff will continue to maintain and increase opportunities for producers to strengthen supply and fill the growing demand for sorghum in all marketplaces.

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 2014, IGP hosted 62 courses with 1687 participants from 45 different countries. These numbers have increased significantly since 2013, this includes onsite and outreach programs. New in 2014, IGP offered on-location courses to better accommodate participants. 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 host several course in partnership with the U.S. Grains Council, of which KGSC is a member.

U.S. Grain Council (USGC)



The US Grain Council (USGC) hosted visitors from China to learn more about Kansas sorghum. On October 24 a Chinese delegation touring the US sorghum belt visited central Kansas. During their Kansas visit, they toured Kansas Ethanol LLC, ADM in Hutchinson and United Sorghum Checkoff Program (USCP) Board Member and Kansas grower Adam Baldwin's farm. The highlight for the group was visiting the Baldwin's sorghum fields where they saw an excellent crop followed by dinner and conversation about sorghum production. The Kansas Grain Sorghum Commission sponsored lunch.

As Chinese demand continues to surge the Kansas Grain Sorghum Commission is receiving a significant volume of interest. The USGC continues to develop markets; enabling trade and improving lives as stated in the mission statement. They have 10 international offices, one being in China.

Kansas Commissioners

District 1 – Lonnie Wilson, Colby; District 2 - Greg Graff, Leoti; District 3 - Boyd Funk, Garden City, Secretary / Treasurer; District 4 - Stephen Bigge, Stockton; District 5 – Clayton Short, Assaria, Chairman; District 6 – Jay Zimmerman, South Haven; District 7 – Nathan Larson, Riley; District 8 - Jeff Casten, Quenemo, Vice-chairperson; District 9 - Gary Kilgore, Chanute.

Kansas Grain Sorghum Commission Staff

Administrator - Jill Barnhardt, Lebo, KS; jill@ksgrainsorghum.org

Director - Pat Damman, Clifton, KS; pat@ksgrainsorghum.org





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2015 - 2016 Priorities

1. Weed Control
 - a. Research focusing on the identification of new genetic sources for resistance to available grass control herbicides.
 - b. Management research addressing herbicide treatment and farm based weed control.
2. Yield
 - a. Genetic and breeding research targeted towards increased yields in both high yielding and limited resource environments.
 - b. Research focusing on best farm management practices for top yields. This priority can include but is not limited to: farm trials, extension meetings and on-farm management case studies.
 - c. Identify best management practices for both full and limited irrigation practices.
3. Standability
 - a. Researching the key components attributed to standability.
 - b. Proposal directed toward ensuring genetics in producers' fields have strong standability.
4. Sorghum Economics and Profitability
 - a. Production economics focusing on farm profitability and sorghum return relative to other crops.
 - b. Water economics to include but not limited to: water response curves and limited irrigation returns.
 - c. Basis drivers evaluating the impact of ethanol, feed markets, exports and other market drivers on interior Kansas basis markets.
5. Disease Control
 - a. Evaluate how plant health and disease resistance are influenced by management including but not limited to fertilizer, seed treatment, and seeding rates.
 - b. Genetic research targeted toward plant health and disease resistance.
6. Insect Control
 - a. Evaluation of economic threshold for treatment and insect control related to profitability.
 - b. Chinch bug management and control.

Research proposals outside of these priorities will be considered. Strong proposals will provide a linkage and vision for commercialization of project outcomes. For further clarification or questions regarding your proposal please contact the commission.

Research, Market Promotion and Education Funded - Oct 2015 to Sept 2016

Research Project Title	PI	Amount
Remote Sensing Screening Tools for Sorghum Breeding Programs	KSU - Aiken, Co- Prasad, Merwe, Tesso, Perumal, Price (RoboFlight)	\$ 36,000.00
Best Management Practices for Top-Yields in Sorghum	KSU - Ciampitti, Diaz, Adee, Cramer	\$ 16,725.00
Sorghum Yield and Profitability Response to Water Supply and Irrigation Management	KSU - Cramer, Kisekka, Golden, many other co Pis	\$ 149,982.00
Germplasm Screening Host-Plant Interactions and Inoculation Techniques for Sorghum Stalk Rot Diseases in Kansas	KSU - Little, Permual, Tesso	\$ 39,867.00
Evaluation of Sorghum Germplasm for Herbicide Tolerance (KGSC and United Sorghum Checkoff has jointly funded this project.)	KSU - Jugulam, Prasad, Thompson	\$ 30,000.00
Improved Genomic Mapping and Marker-Assisted Selection for Cold Tolerance in Grain Sorghum	KSU - Morris, Perumal, Tesso, Prasad	\$ 79,000.00
Evaluating Nitrogen and Iron Use Efficiency in Advanced Sorghum Lines	KSU - Obour, Schlegel, Diaz	\$ 48,620.00
Development of sorghum parental (A/B and R) lines with enhanced drought and cold tolerance	KSU - Perumal, Aiken, Little	\$ 99,000.00
Improving Yield Potential of Grain Sorghum through Drought and Heat Tolerance	KSU - Prasad, Tesso, Perumal	\$ 52,000.00
Breeding Sorghum for Improved Production and Utilization	KSU - Tesso, Prasad, Roozeboom, Little	\$ 89,700.00
Effect of Chinch Bug Feeding and Drought on Sorghum Stand Establishment and Yield	KSU - Smith, Whitworth, McCornack	\$ 22,344.00
KSU - Center for Sorghum Improvement	KSU	\$ 50,000.00
Development of Long-Term USDA ARS PSGD Sorghum Breeding Presence in Kansas	USDA- Hayes	\$ 21,500.00
Sorghum Double Haploid Technology for Kansas Farmers	Heartland Plant Innovations	\$ 25,000.00
Total Research		\$ 759,738.00
Market Promotion		
US Grains Council		\$ 20,000.00
International Grains Program		\$ 30,000.00
Kansas FFA Foundation		\$ 3,000.00
Total Market Promotion		\$ 53,000.00
Education		
Sorghum Production Schools for Kansas	KSU - Ciampitti, Thompson, Diaz	\$ 12,188.00
Kansas Foundation for Ag in the Classroom		\$ 2,500.00
Total Education		\$ 14,688.00
*Commission may approve additional research, market promotion, or educational items during fiscal year.		

KANSAS GRAIN SORGHUM COMMISSION

Lebo, Kansas

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

September 30, 2014 and 2013

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas



January 21, 2015

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, 2014 and 2013, 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, 2014 and 2013, 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

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

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash in checking	<u>\$ 675,301</u>	<u>\$ 754,457</u>
TOTAL ASSETS	<u><u>\$ 675,301</u></u>	<u><u>\$ 754,457</u></u>
LIABILITIES AND NET ASSETS		
Long-Term Liabilities		
Escrow account	<u>\$ 8,047</u>	<u>\$ -</u>
Unrestricted Net Assets	<u>\$ 667,254</u>	<u>\$ 754,457</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 675,301</u></u>	<u><u>\$ 754,457</u></u>

Financial Statements

KANSAS GRAIN SORGHUM COMMISSION

Lebo, Kansas

STATEMENTS OF ACTIVITIES

For the Years Ended September 30,

	<u>2014</u>	<u>2013</u>
CHANGES IN NET ASSETS		
REVENUE		
United Sorghum Check-off Program	\$ 773,492	\$ 912,452
Interest income	6	29
Total Revenues	<u>\$ 773,498</u>	<u>\$ 912,481</u>
EXPENSES		
Programs Investment		
Foreign market development	\$ 47,500	\$ 51,922
KSU research	544,542	502,404
KSU Sorghum Improvement Center	50,000	50,000
Heartland Plant Innovation	18,750	-
Education	21,754	14,500
USDA	26,875	16,125
Administrative Expenses		
Promotion	34,815	35,495
Special projects	179	179
Administration	60,833	37,489
Commissioner travel	6,278	5,642
Contractor travel	11,065	6,479
Field staff	27,422	22,164
Legal and accounting fees	5,407	2,900
Meeting expense	3,341	1,849
Postage and delivery	1,304	1,097
Bank fees	636	1,981
Total Expenses	<u>\$ 860,701</u>	<u>\$ 750,226</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ (87,203)	\$ 162,255
UNRESTRICTED NET ASSETS - BEGINNING OF FISCAL YEAR	<u>754,457</u>	<u>592,202</u>
UNRESTRICTED NET ASSETS - END OF FISCAL YEAR	<u><u>\$ 667,254</u></u>	<u><u>\$ 754,457</u></u>

Financial Statements

KANSAS GRAIN SORGHUM COMMISSION

Lebo, Kansas

STATEMENTS OF CASH FLOWS

For the Years Ended September 30,

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ (87,203)	\$ 162,255
Increase (decrease) in escrow account	<u>8,047</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	\$ (79,156)	\$ 162,255
CASH BALANCE - BEGINNING OF FISCAL YEAR	<u>754,457</u>	<u>592,202</u>
CASH BALANCE - END OF FISCAL YEAR	<u><u>\$ 675,301</u></u>	<u><u>\$ 754,457</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

KANSAS GRAIN SORGHUM COMMISSION

Lebo, Kansas

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

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, 2014 and 2013, 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 21, 2015, 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, 2014 and 2013

Notes to Financial Statements

Note 2: Cash

At September 30, 2014, the carrying amount of the Commission's cash accounts was \$675,301 and the bank balance was \$680,436. Of the bank balance, \$254,975 was secured by FDIC insurance and the remaining \$425,461 was secured by the bank's pledge of marketable securities having a fair market value of \$797,117.

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.

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, 2014 and 2013, no liabilities have been accrued on these dates.

On November 11, 2014, the Commission paid \$98,139 as final payment for open research contracts related to fiscal year 2014.

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

Note 4: Concentration of Support

For each of the years ended September 30, 2014 and 2013, 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, 2014 and 2013.

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, 2014, the cash balance was \$675,301, or 95% of the five year average disbursements of \$710,246. As of September 30, 2013, the cash balance was \$754,457, or 113% of the five year average disbursements of \$667,750.

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.