



KANSAS WHEAT

Rediscover Wheat

**Kansas Wheat Commission Annual Report
Presented to the Senate Committee on Agriculture and Natural Resources
Wednesday, January 18, 2023
By Brian Linin, Goodland
Kansas Wheat Commission Past Chairman**

Chairman Kerschen and Members of the Committee, thank you for the opportunity to provide an annual report from the Kansas Wheat Commission. My name is Brian Linin; I am a Past Chairman of the Kansas Wheat Commission, and I farm in Northwest Kansas and Northeast Colorado.

The Kansas Wheat Commission was established by the Kansas legislature in 1957 to represent the state's wheat producers in the areas of research, domestic and international marketing, education and communication. It is funded by the wheat assessment, which collects two cents per bushel of wheat at the first point of sale. The Kansas farmers who grow wheat are our stakeholders, and our nine-member commission represents these farmers.

This year, the Kansas Wheat Commission finalized a statewide effort to gather Kansas wheat farmer feedback on the future — positioning the commission to continue finding innovative solutions to position wheat growers for success. The roundtable discussions indicated Kansas wheat farmers particularly appreciate programs highlighting best practices, provide opportunities to connect with others in the industry and offer guidance specific to operations or regions.

In addition to copies of this testimony, we have presented you with a copy of our 2022 Annual Report, the executive summary of the producer roundtables and our FY 2022 annual audit.

Winter wheat production for 2022 was 244 million bushels, down 33% percent from the previous year's crop, due to devastating drought conditions which have continued into the 2023 growing season.

Area for grain, at 6.6 million harvested acres, was down slightly from the previous year, but planted acres were up from 2020, when we had the lowest planted acres in a century. Yield was 37 bushels per acre, 15 bushels below the previous year.

Each year Kansas farmers export roughly half of the Kansas wheat crop, making export promotion through U.S. Wheat Associates essential. U.S. Wheat Associates is an organization of 17 state wheat commissions that leverages farmer and federal foreign market development dollars to promote wheat exports.

Overall, wheat exports were down 24% this marketing year (June 1, 2021 – May 31, 2022). Hard red winter wheat exports were down 14% from last year at 275 million bushels this year. Top customers included #1 Mexico, #2 Philippines, #3 Japan and #4 Nigeria, who continue to be steady buyers of hard red winter wheat.

With the Russian invasion of Ukraine in February 2022, basic supply and demand, in addition to numerous other factors, put the commodity markets into unprecedented instability. That volatility has continued in the market and has had an impact on world supplies.

We work very closely with the IGP Institute of K-State's Grain Science and Industry Department to provide educational opportunities for domestic and international milling groups, grain buyers and farmers. The proximity of our building to the IGP Institute headquarters – we are just across the driveway – lends itself to even greater cooperation in the future.

Because of the importance of exports, trade issues have been on the forefront of our efforts over the past year. We believe it is in the best interests of wheat farmers to renegotiate trade agreements and maintain relationships with our international customers. Kansans serve in trade policy leadership positions with U.S. Wheat Associates and the National Association of Wheat Growers.

The difference between a hotdog bun that falls apart and one that can stretch and hold its form comes down to one micro ingredient — wheat protein. Amber Wave is constructing a new wheat mill in Phillipsburg. A celebration of the new facility took place in August 2022, with Gov. Laura Kelly, Sen. Jerry Moran and others in attendance. The new plant is expected to be fully operational in summer 2023. Amber Wave observed that U.S. food manufacturers used wheat protein products, and more than 70 percent of that was imported. Dependence on overseas suppliers became a problem when supply chain disruptions hit. In this case, the solution was to generate a domestic source of wheat protein. The

company began researching how to produce more food-grade wheat protein domestically while integrating renewable fuel production. In July 2021, Amber Wave found the site to do so when it purchased an existing corn ethanol plant in Phillipsburg. Many know that wheat protein products are used in baking breads, pastas and snacks, but they are also important in pet food and aquaculture.

Another wheat protein plant in Russell, PureField Ingredients, is the largest domestic supplier of wheat protein in the United States, producing about 75 million pounds of wheat protein annually. PureField is helping customers address increasing consumer demand for high-protein, plant-based and non-GMO foods. These two protein facilities are looking to source high-protein wheat from Kansas, and at capacity could potentially use 10% of Kansas wheat production.

In addition, nutrition education continues to be an important focus for the Kansas Wheat Commission. Our Kansas Wheat Innovation Center is equipped with a test kitchen, and we have a full-time nutrition educator on staff. We are one of the few state wheat commissions to continue to make nutrition education a priority; this is vital as we continue to battle fad diets such as the low carb and gluten-free trends. We have taken advantage of our test kitchen to video tape baking demonstration videos to share with consumers and give tips on home baking. Fortunately, the gluten-free trend is falling in popularity.

The Kansas Wheat Commission belongs to two national consumer-education organizations: the Wheat Foods Council and the Home Baking Association, both of which have remained vigilant on these diet topics and have been instrumental in disseminating accurate nutrition information regarding wheat and wheat foods. The Wheat Foods Council's research shows that consumers are looking toward Personal Trainers for diet information, even though many have no nutrition education. Their program plan focuses on influencing the influencers through Personal Trainers.

For National Agriculture Day, we worked with the other four commodity groups represented here today as well as livestock groups, Kansas Farm Bureau and the Kansas Department of Agriculture through the Kansas Farm Food Connection to take our agriculture message to consumers. 250 Farm Food Crates were distributed to consumers across Kansas. These crates contained promotional items from all our groups, activity books and a video message from a farm family about making pizza. Kansas Wheat secured bags of flour from Stafford County Flour Mills and donated bowl scrapers so each family could make their own pizza crust.

Kansas Wheat Commission continues to be a top supporter of Kansas Foundation for Agriculture in the Classroom, which shares our ag messages with students aged Kindergarten through 12th grade. The KFAC office is located in our Kansas Wheat Innovation Center in Manhattan.

Board and staff members from Kansas Wheat continue to serve in leadership positions for many of these national and state organizations.

Research also shows consumers are more interested in learning about where their food comes from than ever before. While they are interested in the farm-to-fork story, studies have shown that shared values are 3-5 times more important to consumers than facts. We are leveraging this information to share farming practices with our consumers online through a campaign called EatWheat, where we are showcasing the story of the American wheat farmer.

All of our efforts to improve the productivity and profitability of Kansas wheat farmers continue to center around research. In December, we celebrated our tenth year in the Kansas Wheat Innovation Center, located in Manhattan, just north of Bill Snyder Family Stadium on ground owned by Kansas State University. This center, paid for by farmers through the wheat assessment, is designed from the ground up to be the nation's home for wheat-based collaboration and innovation, including conducting cutting-edge research in wheat variety development. It has 37,000 square-feet of laboratory and greenhouse space, and a dozen full- and part-time plant scientists are working to create wheat "doubled haploids," speeding up the time it takes to create new wheat varieties from 12 years to 6 years. We also celebrated the conclusion of a \$4 million Fields Forward campaign for private investment in wheat research with the debut of a virtual tour of the innovation center.

Kansas State University is emerging as the world's foremost location for global food systems and bio-security innovations — and as a premier economic driver for the state of Kansas. The Kansas Wheat Commission and Kansas Association of Wheat Growers have pledged \$1.5 million dollars over the next five years to support this plan for signature research and innovation partnership centers. With these private commitments, Kansas State University was able to qualify for an additional state 3:1 funding match, which will diversify Kansas' value-added food and agricultural economy, expand growth in the state's top economic sectors, and support key pillars of K-State's Economic Prosperity Plan by attracting businesses to the state throughout the entire value-added food chain. Kansas wheat farmers are very supportive of these efforts to modernize facilities at Kansas State University.

The Kansas Wheat Innovation Center represents the single largest investment by wheat producers in this nation, but it is not the only way in which wheat farmers invest in wheat research. Each year, the Kansas Wheat Commission hears from more than two dozen researchers from Kansas State University, USDA and other key entities about a variety of research proposals that help wheat farmers increase yields and improve profitability, plus ensure the quality and integrity of Kansas-grown wheat to end-users and consumers. Again, as in past years, the Kansas Wheat Commission has invested more than \$1.3 million – more than 20% of our budget – in these research proposals.

Included in these research proposals is funding toward K-State's wheat breeding programs in Manhattan and Hays. Other Kansas Wheat-funded research projects are leading the way toward identifying genes that improve resistance to viruses, engineering resistance to pests, and phenotyping wild wheat ancestors for drought, disease resistance and other traits.

This year we launched Kansas Wheat Rx, a partnership between Kansas Wheat and K-State Research and Extension to disseminate the latest research recommendations for high-yielding and high-quality wheat to Kansas wheat farmers. This effort is a combination of suggested management practices for economical and sustainable production of high-quality winter wheat in Kansas. Wheat Rx is a series of Extension publications and other educational outreach designed to address key management areas of hard winter wheat. These publications contain recent data based on novel research funded in part by wheat farmers through the Kansas Wheat check-off. In February 2022, we held the first of these farmer meetings, with excellent attendance.

These are just a few examples of how the Kansas Wheat Commission is working on behalf of farmers to spur innovation and make a positive difference in our industry. If you haven't had a chance to visit the Kansas Wheat Innovation Center, we invite you to visit Manhattan for a tour of the facility.

It is currently estimated this year's winter wheat seeded area is 7.5 million acres, up 3% from last year's seeded area of 7.3 million acres. We are hopeful Mother Nature will help us grow a bountiful crop this year so that we can do our part to feed a hungry and growing world.

This concludes my report. Thank you once again for your support, this opportunity to share with you our efforts and your leadership in the future as we continue to work together. I'd be glad to answer any questions the committee may have.



2022 ANNUAL REPORT

Kansas Wheat Commission and
Kansas Association of Wheat Growers

DROUGHT: 2022 CONDITIONS



There are several counties in the far southwest corner of Kansas where very little wheat made it to harvest. Farmers got in touch with their crop adjusters earlier than normal, and fields were adjusted from zero to 5 bushels per acre across the area.

Gary Millershaski, a farmer north of Lakin in Kearny County, was on the north edge of the worst areas. Several of his fields didn't go to harvest, but others provided below average yields. Many farmers in the area didn't apply full rates of topdress nitrogen to maximize the wheat's potential because of limited rainfall and high input prices.

Farther west in Stanton County, Jim Sipes, who farms and grows seed wheat west of Manter, painted a bleak picture. A trip to his seed operation showed open soil with only a few wheat plants scattered across. Treated wheat seeds drilled last fall scatter the soil, as they never even sprouted in the fall. What did emerge had very little root structure. The emerged plants didn't come up until the last couple

weeks of winter, missing out on full winter vernalization. With the exception of just a couple fields, all of Sipes' wheat was lost. The adjuster came out and many fields had been zeroed out completely or had been adjusted to just 1 or 2 bushels per acre. He was left with the painfully impossible decision of whether to destroy the wheat and plant grain sorghum into exceptionally dry conditions or to leave the wheat plants in place in an attempt to keep the soil from blowing in the vicious daily up to 70 mile per hour winds. He wondered if he would be able to secure wheat seed from other growers to provide it to his customers.

Crop conditions such as these spread across the western half of the state. During harvest, there was a decrease in harvested acres going from around 7 million acres in 2021 down to about 6.6 million acres in 2022.

STUNTED

WHEAT FROM KEARNY CO. WAS
SHORT AND SPOTTY DUE TO
DROUGHT CONDITIONS.



WHEAT RX SEMINAR SERIES



2022 brought new outreach efforts, including the Wheat Rx seminar series. Inaugural seminars took place in Wichita and Hays in February, then Phillipsburg and Garden City in August.

Kansas Wheat Rx — a program that disseminates to Kansas wheat farmers the latest research recommendations for producing high-yielding and high-quality wheat — provides additional guidance on how producers can use information like the annual K-State report to select the best varieties.

The seminar highlighted important factors through the whole cycle in wheat farming all the way from wheat seed selection, to managing wheat to be the best quality for milling.

With proper management of wheat, farmers will be able to maximize their profitability, and, at the same time, produce the quality customers require for their end products. Together, researchers, farmers and millers can achieve both high quality and high yielding wheat.



KANSAS WHEAT COMMISSION

RESULTS OF OPERATIONS & NET ASSETS ROLL FORWARD

JULY 1, 2021 TO JUNE 30, 2022

Net Assets at July 1, 2021		16,738,654
Wheat assessment collected	7,062,991	
Refunds of wheat assessments	(390,256)	
Building related income	214,122	
Other income	106,171	
Sponsorship income	2,535	
Total income, net		6,995,563
International marketing	1,684,473	
Research	2,606,748	
Administration	673,159	
Domestic marketing	1,447,580	
Special projects	5,000	
Public issues	375,225	
Net investment loss	247,398	
Total expenses		7,039,583
Net effect of operations		(44,020)
Net assets at June 30, 2022*		16,694,634

*Assets included: KWIC offices, labs and greenhouses.

FARMER ROUNDTABLES

The Kansas Wheat Commission embarked on a statewide effort to gather Kansas wheat farmer feedback on the future — positioning the commission to continue finding innovative solutions to position wheat growers for success.

Farmers shared insights on obstacles like infrastructure, market volatility and supply chain disruptions as well as the value they

see in improved genetics, sustainable production practices and regionally specific management practices.

Based on the feedback, the Kansas Wheat team will continue to focus on research, education and information services that address farmers’ concerns and promote market development.

PROTEIN PLANTS

Two new protein plants will be offering new opportunities for Kansas farmers to market their wheat.

PureField Ingredients in Russell is the largest domestic supplier of wheat protein in the United States, producing about 75 million pounds of wheat protein annually. That is more than half the domestic production, and the facility recently completed an expansion that increased production capacity by 50 percent. In

addition to the wheat protein manufacturing plant, the Russell compound also includes an ethanol plant, which means the plant takes in wheat and produces wheat protein, high-quality ethanol and livestock feed.

Amber Wave, formally known as Prairie Horizon Agri-Energy, in Phillipsburg is the largest wheat protein plant in North America. They are set to start receiving grain beginning in Summer.

INVASION, DROUGHT & PRICE SPIKES

WORLD WHEAT MARKET REMAINS UNDER CLOSE SCRUTINY

The world was watching and wondering about the 2022 wheat harvest — both in Kansas and abroad. The combination of expanding drought conditions and steep input prices in the United States and the continued impact of the Russian invasion of Ukraine had the markets — and farmers on both sides of the world — on edge. A collection of resources from policy-makers and analysts offers insights into the economic impacts of current geopolitics.

“Continued disruption in Ukraine through their wheat harvest combined with expanding drought conditions here at home will continue to weigh on the world wheat market,” said Kansas Wheat CEO Justin Gilpin. “This growing season has the unprecedented combination of geopolitics, weather and some of the highest fertilizer prices and chemical inputs — but farmers here and abroad will remain resilient reminders of the importance of agriculture as a constant in a world full of conflict.”

The world consumes about 787.4 million metric tons (28.9 billion bushels) of wheat each year. Russia and Ukraine are the world’s top and fifth exporters, respectively, according to the most recent available stats from the Food and Agriculture Organization of the United Nations (FAO). Together, Russia and

Ukraine make up around one-third of the world’s wheat production.

Ukrainian and Kansas wheat farmers follow similar timelines for winter wheat production. The crops planted last fall should be green and growing — marching toward harvest in late June or early July. Following harvest, milling quality wheat from Ukraine is typically exported to the Middle East, Africa and Bangladesh and feed quality wheat to other Asian countries, according to the USDA’s Foreign Agricultural Service (FAS) in an April 6 international trade report.

The impacts of the Russian invasion of Ukraine and disruption of these trading channels are yet to be fully calculated, but will likely extend beyond this year’s harvest.

“On an aggregate level, global wheat production has been adequate in 2020/21 and only one percent below consumption requirements in 2021/22,” the report read. “However, wheat stocks among major global exporters have tightened in recent years as international trade has grown. Major exporters’ stocks in 2021/22 are forecast to be at their lowest levels in 10 years, putting upward pressure on global prices.”

Unknowns about how intensely and how long the conflict will affect world wheat production are compounded by the moisture concerns Kansas wheat farmers know all too well.

“While the Russia-Ukraine conflict remains the biggest driver of wheat futures prices, U.S. winter wheat in drought conditions across the Plains is becoming an increasingly bullish factor,” wrote Michael Anderson, U.S. Wheat Associates (USW). “This latest concern is likely to overshadow USDA’s recent estimate for a slight increase in winter wheat acres with potentially serious implications for supplies heading into summer.”





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MAKE A DIFFERENCE IN THE WHEAT INDUSTRY FOR ONLY \$100/YR

You can join at www.kswheat.com/join

Your membership includes:

Attendance to Wheat Rx Seminars | Subscription to The *Wheat Farmer/Row Crop Farmer* Monthly Newsletter and *Wheat Varieties for Kansas and the Great Plains- Your Best Choices* Book| Subscription to the Maltby Update

Farmer Stakeholder Feedback Executive Summary

8

round tables



126



producers and other industry
stakeholders participating

In recognition of the upcoming 10-year anniversary of the Kansas Wheat Innovation Center, Kansas Wheat initiated a series of producer roundtables. Held in locations around the state, sessions were designed to identify the current and future interests and priorities of Kansas Wheat producers to inform the work of the Kansas Wheat staff and Kansas Wheat Commission and Kansas Association of Wheat Growers boards.

Kansas Wheat farmer stakeholder sessions confirmed the commitment and resiliency of Kansas Wheat farmers.

Kansas Wheat farmers have a long tradition of demonstrated commitment to producing a safe, nutritious product that meets the needs of consumers. Today, Kansas Wheat farmers are using cutting edge research to purposely select wheat varieties and use regionally specific management practices to produce the best wheat crop possible.

Kansas Wheat farmers recognize that there are new markets for wheat with an increasing relevance

in the food and fuel markets. There is a commitment to exploring new marketing opportunities presented by preferred variety programs and producing high protein wheat to meet market demand.

Kansas Wheat farmers use sustainable practices and the latest research to protect natural resources. There is a commitment to making agronomic decisions and applying research to reduce inputs and to select wheat varieties that will perform well in their region.

Kansas Wheat farmers recognize the increasing interest of consumers in understanding where and how their food is produced. There is commitment to transparency with consumers to share the story of how a safe, nutritious wheat crop is produced.

Kansas Wheat farmers have a long tradition of demonstrated resilience. Weather has always been a factor impacting production, yet extreme weather events over the past few years have put increasing pressure on Kansas Wheat farmers. Additional pressures have resulted from market volatility, disruption of supply chain, increased cost of inputs, and workforce availability.

These factors have created an increasingly challenging environments to produce wheat.

To address these challenges, Kansas Wheat will continue to provide leadership in promotion and market development through research, education, and information. The Kansas Wheat Innovation Center will continue to work to get improved wheat varieties into the hand of farmers faster. Kansas Wheat will help producers practically apply research innovation to their on-farm management decisions through regionally held Wheat Rx programs and other outreach.

The voice of Kansas Wheat producers is the foundation for the work of Kansas Wheat. Kansas Wheat will continue to host farmer stakeholder roundtables to gain insight into current state of wheat production in Kansas. Producer input from the roundtables will be used to identify priorities for future investment in research, educational programming, support for market development, and advocacy.



KANSAS WHEAT COMMISSION

Manhattan, Kansas

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

June 30, 2022 and 2021



January 5, 2023

To the Commissioners
Kansas Wheat Commission
Manhattan, Kansas

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the business-type activities of Kansas Wheat Commission (the Commission), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Commission as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

January 5, 2023
Kansas Wheat Commission
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Varyney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

KANSAS WHEAT COMMISSION
Manhattan, Kansas
STATEMENTS OF FINANCIAL POSITION
As of June 30,

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,207,008	\$ 6,211,798
Other receivables	6,201	128,290
Prepaid expenses	58,787	20,442
Total Current Assets	<u>\$ 3,271,996</u>	<u>\$ 6,360,530</u>
Non-Current Assets		
Property, Plant, and Equipment		
Construction in progress	\$ -	\$ 30,240
Office equipment	337,370	329,362
Lab equipment	1,144,893	1,113,126
Vehicles	112,415	108,488
Furniture and fixtures	388,342	388,342
Building	14,978,964	14,939,012
Accumulated depreciation	(7,543,002)	(6,785,751)
Total Property, Plant, and Equipment	<u>\$ 9,418,982</u>	<u>\$ 10,122,819</u>
Investments		
Investments - Related to Deferred Compensation	\$ 118,286	\$ 113,735
Investment in marketable securities	4,000,000	-
Investment in HPI	146,777	396,907
Total Investments	<u>\$ 4,265,063</u>	<u>\$ 510,642</u>
Total Non-Current Assets	<u>\$ 13,684,045</u>	<u>\$ 10,633,461</u>
TOTAL ASSETS	<u><u>\$ 16,956,041</u></u>	<u><u>\$ 16,993,991</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 32,417	\$ -
Payroll payable	28,715	42,313
Total Current Liabilities	<u>\$ 61,132</u>	<u>\$ 42,313</u>
Non-Current Liabilities		
Compensated absences payable	\$ 105,471	\$ 117,530
Accrued liabilities	47,490	50,000
Deferred compensation	47,314	45,494
Total Non-Current Assets	<u>\$ 200,275</u>	<u>\$ 213,024</u>
Total Liabilities	<u>\$ 261,407</u>	<u>\$ 255,337</u>
Net Assets		
Without Donor Restrictions	<u>\$ 16,694,634</u>	<u>\$ 16,738,654</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 16,956,041</u></u>	<u><u>\$ 16,993,991</u></u>

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

KANSAS WHEAT COMMISSION
Manhattan, Kansas
STATEMENTS OF ACTIVITIES
For Each of the Years Ended June 30,

	<u>2022</u>	<u>2021</u>
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUE		
Wheat assessments	\$ 7,062,991	\$ 5,650,482
Refunds of wheat assessments	(390,256)	(350,829)
Net Wheat Assessments	<u>\$ 6,672,735</u>	<u>\$ 5,299,653</u>
Grant income	1,398	-
HPI licensing agreement	240,000	240,000
KAWG cooperative agreement	70,000	70,000
Sponsorships	2,535	35,500
Building related income	214,122	302,367
Interest	34,741	38,010
Miscellaneous	32	35,372
Total Revenues	<u>\$ 7,235,563</u>	<u>\$ 6,020,902</u>
EXPENSES		
Program Services		
Special projects	\$ 5,000	\$ 5,000
Public issues	375,225	347,726
Research	2,606,748	2,054,307
International marketing	1,684,473	1,644,920
Domestic marketing	1,447,580	1,382,814
Total Program Services	<u>\$ 6,119,026</u>	<u>\$ 5,434,767</u>
General and administrative	<u>\$ 673,159</u>	<u>\$ 628,308</u>
Total Expenses	<u>\$ 6,792,185</u>	<u>\$ 6,063,075</u>
OTHER CHANGES IN NET ASSETS		
Net investment return (loss)	<u>\$ (487,398)</u>	<u>\$ (156,693)</u>
CHANGE IN NET ASSETS	<u>\$ (44,020)</u>	<u>\$ (198,866)</u>
NET ASSETS - BEGINNING	<u>16,738,654</u>	<u>16,937,520</u>
NET ASSETS - ENDING	<u><u>\$ 16,694,634</u></u>	<u><u>\$ 16,738,654</u></u>

KANSAS WHEAT COMMISSION
Manhattan, Kansas
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services					Supporting Services	
	Special Projects	Public Issues	Research	International Marketing	Domestic Marketing	Management & General	Total
Grants and other assistance to domestic organizations	\$ 5,000	\$ 6,994	\$ 2,245,053	\$ 37,245	\$ 46,225	\$ -	\$ 2,340,517
Memberships contracts	-	-	-	1,241,149	543,711	22,999	1,807,859
Board expense	-	4,297	4,271	4,815	8,058	7,671	29,112
Salary and wages	-	132,538	131,729	148,521	248,553	236,610	897,951
Retirement benefit	-	7,840	7,792	8,785	14,703	13,996	53,116
Other employee benefits	-	10,209	10,147	11,441	19,146	18,226	69,169
Fees for Services	-	3,330	3,310	3,732	6,245	5,945	22,562
Advertising and promotion	-	-	-	63	142,806	423	143,292
Supplies and office expense	-	7,390	7,345	8,281	13,859	13,193	50,068
Information technology	-	4,958	4,926	5,554	9,295	8,849	33,582
Occupancy	-	60,617	60,248	67,927	113,678	108,216	410,686
Travel	-	8,138	3,796	2,496	8,871	-	23,301
Conferences and meetings	-	-	-	-	29,962	563	30,525
Depreciation	-	121,269	120,530	135,894	227,421	216,493	821,607
Insurance	-	7,647	7,601	8,570	14,342	13,652	51,812
Other expenses	-	-	-	-	705	6,323	7,028
	<u>\$ 5,000</u>	<u>\$ 375,225</u>	<u>\$ 2,606,748</u>	<u>\$ 1,684,473</u>	<u>\$ 1,447,580</u>	<u>\$ 673,159</u>	<u>\$ 6,792,187</u>

* This expense line contains joint 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.

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

KANSAS WHEAT COMMISSION
Manhattan, Kansas
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Services					Supporting Services	
	Special Projects	Public Issues	Research	International Marketing	Domestic Marketing	Management & General	Total
Grants and other assistance to domestic organizations	\$ 5,000	\$ 5,000	\$ 1,712,499	\$ 37,245	\$ 135,220	\$ -	\$ 1,894,964
Membership contracts	-	-	-	1,223,617	466,001	-	1,689,618
Board expense	-	1,747	1,736	1,958	3,276	3,119	8,717
Salary and wages	-	126,671	125,899	141,947	237,551	226,137	632,068
Retirement benefit	-	8,351	8,300	9,358	15,661	14,909	41,670
Other employee benefits	-	10,461	10,397	11,722	19,617	18,675	52,197
Fees for services	-	2,911	2,893	3,262	5,459	5,196	14,525
Advertising and promotion	-	-	-	-	117,769	-	117,769
Supplies and office expense	-	5,118	5,087	5,735	9,598	9,137	25,538
Information technology	-	4,132	4,107	4,631	7,749	7,377	20,619
Occupancy	-	56,168	55,825	62,941	105,333	100,272	280,267
Travel	-	-	-	-	378	-	378
Conferences and meetings	-	-	-	-	20,244	2,164	22,408
Payments to affiliates	-	-	1,172	-	-	-	1,172
Depreciation	-	119,943	119,212	134,408	224,935	214,127	598,498
Insurance	-	7,224	7,180	8,096	13,548	12,897	36,048
Other expenses	-	-	-	-	475	14,298	475
	<u>\$ 5,000</u>	<u>\$ 347,726</u>	<u>\$ 2,054,307</u>	<u>\$ 1,644,920</u>	<u>\$ 1,382,814</u>	<u>\$ 628,308</u>	<u>\$ 5,434,767</u>
							<u>\$ 6,063,075</u>

* This expense line contains joint 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.

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

KANSAS WHEAT COMMISSION
Manhattan, Kansas
STATEMENTS OF CASH FLOWS
For Each of the Years Ended June 30,

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (44,020)	\$ (198,866)
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operations		
Depreciation expense	\$ 821,606	\$ 812,625
(Gain) loss on investments	485,579	111,199
Changes in operating assets and liabilities		
Grants receivable	(264)	-
Other receivables	122,353	(10,896)
Prepaid expenses	(38,345)	9,734
Accounts payable	32,417	(36,299)
Payroll payable	(13,598)	(876)
Compensated absences	(12,059)	18,758
Accrued liabilities	(2,510)	50,000
Deferred compensation	1,820	25,815
Total Adjustments	<u>\$ 1,396,999</u>	<u>\$ 980,060</u>
Cash Provided by Operating Activities	<u>\$ 1,352,979</u>	<u>\$ 781,194</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in HPI investment	\$ (240,000)	\$ (240,000)
Change in The Trust Company investment	(4,000,000)	-
Disposal of property and equipment	-	11,340
Cash paid for purchases of property and equipment	(117,769)	(390,280)
Cash Used in Investing Activities	<u>\$ (4,357,769)</u>	<u>\$ (618,940)</u>
NET INCREASE (DECREASE) IN CASH	\$ (3,004,790)	\$ 162,254
CASH AND CASH EQUIVALENTS - BEGINNING	<u>6,211,798</u>	<u>6,049,544</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 3,207,008</u></u>	<u><u>\$ 6,211,798</u></u>

KANSAS WHEAT COMMISSION
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

Note 1: Summary of Significant Accounting Policies

Organization

The Kansas Wheat Commission (the Commission) is organized as a commission of the State of Kansas to conduct a campaign of wheat promotion and market development through research, education, and information. The Commission receives an assessment that is levied on wheat marketed through commercial channels in the State of Kansas. Each wheat producer may obtain a refund of assessments paid upon proper submission of documentation within one year of sale as long as the refund requested is \$5 or more.

Method of Accounting

The financial statements are prepared using the accrual basis of accounting and the financial reporting provisions prescribed by the Financial Accounting Standards Board. This basis of accounting is commonly known as generally accepted accounting principles (GAAP).

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 these deposits approximates fair value because of the short maturities of those financial instruments.

Sponsorships Receivable and Revenue Recognition

Sponsorships receivable consist of amounts due from third party supporters and promoters of events operated by the Commission. Revenues are recognized when the sponsor has committed to a contribution amount and the Commission has completed the event.

Grants Receivable and Revenue Recognition

Grants receivable consist of amounts due from third party grantors for reimbursement of qualifying grant award costs. Revenues are recognized when qualifying reimbursable costs are incurred.

Other Receivables and Allowance

Other receivables consist of amounts due from other third parties that are not considered sponsorships or grants receivable. These receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Commission provides for losses on other receivables using the allowance method. The allowance is based on historical experience, third-party contracts, and other circumstances, which may affect the ability of the third party to meet their obligation. It is the Commission's policy to charge off uncollectible receivables when management determines the receivable will not be collected. The allowance for doubtful accounts at June 30, 2022 and 2021 is estimated at \$0, indicating management's expectation that all accounts are fully collectible.

Wheat Assessment Revenue Recognition

The Commission records wheat assessment revenues when monies have been collected by the State of Kansas and have been distributed to the Commission's banking accounts. Refunds of assessments are tracked separately and are reported as a reduction of the gross amounts of wheat assessment revenues.

KANSAS WHEAT COMMISSION
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Property, Plant, and Equipment

The cost of property and equipment purchases are capitalized at historical cost. The cost of major renewals and betterments that extend the lives of property and equipment are also capitalized. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are reduced and any resulting gain or loss is recognized as a change in the net assets in the period of disposal. The cost of maintenance and repairs is expensed as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Property Classification</u>	<u>(Years)</u>
Office equipment	3 - 10
Lab equipment	5 - 10
Vehicles	5
Furniture and fixtures	7 - 10
Building	25

Investment in HPI

The investment in HPI is reported using the equity method of investment accounting. The Commission reports its ownership portion of the equity of Heartland Plant Innovations (HPI) as of each reporting date.

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.

Advertising

The Commission's advertising costs are expensed as incurred and are separately reported on the statements of activities as domestic and international marketing.

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.

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.

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.

KANSAS WHEAT COMMISSION
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect assumptions that market participants would use in pricing an asset or liability. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

See note 2 for further disclosure of the fair value of financial investments.

Note 2: Fair Value Measurements

The following table provides the hierarchy and fair value for each major category of assets measured at fair value at June 30, 2022 and 2021:

		2022	
		Fair Value Level	Amount
Investments in marketable securities			
Cash and cash equivalents	Level 1	\$	12,735
Fixed income	Level 1		4,105,551
			<u>\$ 4,118,286</u>
		2021	
		Fair Value Level	Amount
Investments in marketable securities			
Cash and cash equivalents	Level 1	\$	979
Fixed income	Level 1		112,756
			<u>\$ 113,735</u>

Cash and cash equivalents include insured cash account funds which are valued at the closing price reported by the fund sponsor from an actively traded exchange (Level 1). Investments in fixed income corporate bonds and are valued using market prices on active markets (Level 1).

KANSAS WHEAT COMMISSION
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

Note 3: Cash and Certificates of Deposit

Cash and certificates of deposit are maintained at KS State Bank located in Manhattan, Kansas and UMB Bank located in Kansas City, Missouri.

The bank balance at June 30, 2022 in checking accounts totaled \$3,260,850. Of that balance, \$300,502 was covered by FDIC insurance and the remaining balance was covered by a letter of credit.

The bank balance at June 30, 2021 in checking accounts totaled \$5,842,351. Of that balance, \$250,717 was covered by FDIC insurance and the remaining balance was covered by three letters of credit.

For June 30, 2022, the balances were secured as follows:

	KS State Bank	UMB Bank	Total
FDIC insurance	\$ 250,000	\$ 50,502	\$ 300,502
Collateralized by Federal Home Loan Bank letter of credit	2,960,348	-	2,960,348
Total	<u><u>\$ 3,210,348</u></u>	<u><u>\$ 50,502</u></u>	<u><u>\$ 3,260,850</u></u>

For June 30, 2021, the balances were secured as follows:

	KS State Bank	UMB Bank	Total
FDIC insurance	\$ 250,000	\$ 717	\$ 250,717
Collateralized by Federal Home Loan Bank letter of credit	5,591,634	-	5,591,634
Total	<u><u>\$ 5,841,634</u></u>	<u><u>\$ 717</u></u>	<u><u>\$ 5,842,351</u></u>

Funds on deposit at UMB Bank are swept nightly when target balances are reached, invested in repurchase agreements, and swept back when required for payment of checks to transfer funds to KS State Bank.

Note 4: 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, comprise the following:

	2022
Cash and cash equivalents	\$ 3,207,008
Other receivables	6,201
	<u><u>\$ 3,213,209</u></u>

As part of the Commission's liquidity management plan, they invest cash in excess of daily requirements in an interest bearing account.

KANSAS WHEAT COMMISSION
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

Note 5: Property, Plant, and Equipment

Changes in property, plant, and equipment for the year ended June 30, 2022 were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Construction in progress	\$ 30,240	\$ -	\$ 30,240	\$ -
Office equipment	329,362	40,790	32,782	337,370
Lab equipment	1,113,126	31,767	-	1,144,893
Vehicles	108,488	35,500	31,573	112,415
Furniture and fixtures	388,342	-	-	388,342
Building	14,939,012	39,952	-	14,978,964
Accumulated depreciation	(6,785,751)	(821,606)	(64,355)	(7,543,002)
Net Book Value	\$ 10,122,819	\$ (673,597)	\$ 30,240	\$ 9,418,982

Changes in property, plant, and equipment for the year ended June 30, 2021 were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Construction in progress	\$ 41,580	\$ -	\$ 11,340	\$ 30,240
Office equipment	329,362	-	-	329,362
Lab equipment	1,113,126	-	-	1,113,126
Vehicles	108,488	-	-	108,488
Furniture and fixtures	388,342	-	-	388,342
Building	14,548,732	390,280	-	14,939,012
Accumulated depreciation	(5,973,126)	(812,625)	-	(6,785,751)
Net Book Value	\$ 10,556,504	\$ (422,345)	\$ 11,340	\$ 10,122,819

Note 6: Investment in HPI

The Commission owns shares of stock issued by Heartland Plant Innovations (HPI), a related party as the board chairman is also the CEO of the Commission. This stock was acquired through a facilities lease agreement, effective for both 2022 and 2021, whereby the Commission provides the use of its facilities to HPI in exchange for \$240,000 of HPI stock each year.

As discussed in Note 1, the Commission accounts for this investment using the equity method of investment accounting. The Commission's ownership percentage of HPI as of June 30, 2022 and 2021 is 59.36% and 55.59%, respectively. The Commission's equity basis in this investment at June 30, 2022 and 2021 is \$146,777 and \$396,907. The Commission recorded a gain/(loss) on investment in HPI of (\$490,130) and (\$165,896) for the years ended June 30, 2022 and 2021, respectively. The Commission's cost basis in this investment at June 30, 2022 and 2021 is \$1,680,000 and \$1,440,000, respectively.

Refer to Note 13 for additional detail on related party transactions between the Commission and HPI.

Note 7: 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 June 30, 2022 and 2021.

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 June 30, 2022, the five-year average of annual disbursements was \$6,211,866 and the cash balance was \$3,207,008. As of June 30, 2021, the five-year average annual disbursements was \$6,114,529 and the cash balance was \$6,211,798.

KANSAS WHEAT COMMISSION
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

Note 7: Stewardship, Compliance, and Accountability (Continued)

Refund Recordkeeping

In accordance with K.S.A. 2-3007(b), the Commission maintains complete records of all refunds of wheat assessments paid to wheat producers for a period of time not less than two years.

Note 8: Related Party Transactions

Kansas Association of Wheat Growers

The Kansas Association of Wheat Growers (the Association) is a separate legal entity that has the same internal management as the Commission. The Commission provides certain administration and management services for the Association under the terms of a cooperative agreement. The Commission received \$70,000 under this agreement for both of the years ended June 30, 2022 and 2021.

The Commission contracts with the Association for program services. The amounts paid under these contracts in the years ended June 30, 2022 and 2021 were \$324,000 and \$234,500, respectively.

Kansas Wheat Commission Research Foundation

The Kansas Wheat Commission Research Foundation (the Foundation) was established during the year ended June 30, 2011. The Foundation is legally separate from the Commission but was organized primarily for its benefit.

The Commission provided a donation to the Foundation. The amounts paid in the years ended June 30, 2022 and 2021 were \$1,000,000 and \$0, respectively.

Note 9: Deferred Compensation

The Commission entered into an Executive Incentive Agreement with the CEO to provide a long term retention benefit. The investment account is funded by both employer and employee contributions. The funds contributed to this account are invested in marketable securities. The terms of the agreement allow for the participant to contribute up to \$10,000 per year with a 2 to 1 match from the Commission. The employee becomes vested based on the terms of the agreement along an agreed upon vesting schedule. The amount of the employee's vested balance is shown as a deferred compensation liability, while the remaining unvested portion is reported as investments related to deferred compensation.

Note 10: Compensated Absences Payable

The Commission's policy allows employees to accumulate annual and sick leave as follows:

Annual Time:

- 0 - 5 years of service accrue 2 weeks per year
- 6 - 15 years of service accrue 3 weeks per year
- 15 or more years of service accrue 4 weeks per year
- Employees can accumulate 90 days maximum
- Employees can only carryover 1/2 of what is accrued each year
- Maximum payout is 30 days when an employee terminates employment or at retirement

Sick Leave:

- Employees initially accumulate 7 days per year
- Once an employee has accumulated 12 days of sick leave or has 3 years of continuous employment, whichever comes first, the employee accrues 14 days per year
- Maximum accumulation is 150 days
- Sick leave is paid at the employee's base rate of pay
- Maximum payout is 2 weeks upon termination of employment or 4 weeks upon retirement

Compensated absences have been accrued for the balances due upon termination, \$61,715 in annual time and \$43,757 in sick leave for a total of \$105,472 for the year ended June 30, 2022 and \$88,148 in annual time and \$29,832 in sick leave for a total of \$117,530 for the year ended June 30, 2021.

KANSAS WHEAT COMMISSION
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022 and 2021

Note 11: Pension Plan Expense

On January 1, 2008, the Commission established a Section 457 plan and a section 401(a) plan. The plan allows employees to contribute an amount from their wages to the plan. The maximum amount is established by the Internal Revenue Service. The Commission contributes a matching amount for each employee participating in the plan up to 7% of the employee's gross wages.

The Commission's expense for the years ended June 30, 2022 and 2021 was \$49,352 and \$51,821, respectively.

Note 12: Concentration of Support

For the years ended June 30, 2022 and 2021, the Commission received 92% and 88%, respectively, of its total revenues from wheat assessments.

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

Note 13: Related Party Transactions

Heartland Plant Innovations

Heartland Plant Innovations (HPI) is an incorporated for-profit subsidiary of the Commission. The President of the Commission is on the Board of Directors of HPI.

The Commission leases the use of laboratory equipment to HPI under an agreement with HPI. The Commission received utilities and license agreement payments of \$240,000 and \$240,000 for the years ended June 30, 2022 and 2021, respectively.

The Commission provides research funding to HPI. The Commission issued total research grants to HPI of \$50,000 and \$182,000, for the years ended June 30, 2022 and 2021, respectively.

Refer to Note 6 for further details regarding the investment in HPI.

Note 14: Line of Credit

Effective October 12, 2016, the Commission entered into an operating line of credit agreement with KS State Bank with a maximum available principal of \$3,500,000. The line of credit is due on demand and has a variable interest rate equal to 0.050 percentage points under the Prime Rate with a floor of 3.45%. The interest rate was 4.70% as of June 30, 2022. The Commission must pay quarterly payments of all accrued unpaid interest due as of each payment date beginning January 12, 2017. The line of credit is secured by the Kansas Wheat Innovation Center. The Commission has not drawn on the line of credit. The balance outstanding as of June 30, 2022 and 2021 is \$0.

Note 15: Subsequent Events

The Commission's activities subsequent to June 30, 2022 have been evaluated through January 5, 2023, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

KANSAS WHEAT COMMISSION
Manhattan, Kansas
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE -
ACTUAL AND BUDGET
For the Year Ended June 30, 2022

	Actual	Budget	(Over)/Under Variance
RECEIPTS			
Wheat assessments	\$ 7,062,991	\$ 6,620,000	\$ (442,991)
Wheat assessment refunds	(390,256)	(397,200)	(6,944)
KAWG cooperative agreement	70,000	70,000	-
Grants	1,398	-	(1,398)
Sponsorships	2,535	20,000	17,465
Building related	214,122	266,050	51,928
Interest	34,741	-	(34,741)
Miscellaneous	32	2,500	2,468
Total Receipts	<u>\$ 6,995,563</u>	<u>\$ 6,581,350</u>	<u>\$ (414,213)</u>
DISBURSEMENTS			
Building related - Net of reimbursements	\$ -	\$ 50,000	\$ 50,000
Special projects	27,999	28,000	1
Public issues	6,994	10,000	3,006
Research	2,248,849	2,356,661	107,812
Administrative	6,456	8,000	1,544
Domestic marketing	772,280	809,744	37,464
International marketing	1,289,091	1,359,745	70,654
Facility support	593,226	674,250	81,024
Payroll	1,020,236	1,006,850	(13,386)
Miscellaneous	5,448	5,000	(448)
Total Disbursements	<u>\$ 5,970,579</u>	<u>\$ 6,308,250</u>	<u>\$ 337,671</u>
NET INCREASE (DECREASE) IN CASH	<u>\$ 1,024,984</u>	<u>\$ 273,100</u>	<u>\$ (751,884)</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>6,211,798</u>		
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 7,236,782</u>		



January 5, 2023

Kansas Wheat Commission
1990 Kimball Ave., Suite A
Manhattan, KS 66502

We have audited the financial statements of Kansas Wheat Commission as of and for the year ended June 30, 2022, and have issued our report thereon dated January 5, 2023. 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 June 10, 2022, 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 entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Kansas Wheat 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 Kansas Wheat 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 2022. 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. The most sensitive disclosures affecting Kansas Wheat Commission's financial statements relate to: (1) the accounting for the equity method investment in Note 6, (2) the compliance with state statutes as disclosed in Note 7, and (3) the related party transactions as disclosed in Note 8.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We did not identify any significant unusual transactions.

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. Management has corrected all identified misstatements. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

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 Schedule A summarizes the material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

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 Kansas Wheat 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 the same as this letter.

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.

January 5, 2023
Kansas Wheat Commission
Page three

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Kansas Wheat Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, 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 auditors.

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

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

Kansas Wheat Commission
6/30/22 Audit Kansas Wheat Commission
Schedule A

Account	Description	Debit	Credit
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Adjusting Journal Entries

Adjusting Journal Entries JE # 1

To record CY depreciation amounts,

1350	Accumulated Depreciation:Accum Depreciation - Office Eqp	4,362.00	
1355	Accumulated Depreciation:Accum Depr - Lab Equip	11,780.00	
1360	Accumulated Depreciation:Accum Depreciation - Vehicles	2,668.00	
1365	Accumulated Depreciation:Accum Depr - Furniture & Fixtur	52.00	
1370	Accumulated Depreciation:Accum Depr - Building		16,371.00
5900	Depreciation Expense		2,491.00
1375	Accumulated Depreciation		
Total		18,862.00	18,862.00

Adjusting Journal Entries JE # 2

To adjust HPI investment balances to actual.

1400	Investment in HPI	2,637.00	
5915	Gain (Loss) on investment		2,637.00
Total		174,190.00	174,190.00

Adjusting Journal Entries JE # 3

To record an item in repair expenses as an asset.

1320	Building	8,200.00	
5560	Facility Support:Maintenance/Services		8,200.00
Total		8,200.00	8,200.00

Adjusting Journal Entries JE # 4

To adjust compensated absences to match calculated absences

5661	Payroll Expenses:Change in Compensated Absences	20,794.00	
2035	Payroll Liabilities:Compensated Absences		20,794.00
Total		22,615.00	22,615.00

Adjusting Journal Entries JE # 5

To record deferred comp balance.

2056	Accrued Liabilities	45,494.00	
5915	Gain (Loss) on investment	1,820.00	
2150	Deferred Comp		47,314.00
Total		47,314.00	47,314.00

Adjusting Journal Entries JE # 6

To roll forward net assets.

3000	Retained Earnings	1,480.00	
4060	Miscellaneous Income		1,480.00
Total		1,480.00	1,480.00
Total Adjusting Journal Entries		99,287.00	99,287.00
Total All Journal Entries		99,287.00	99,287.00