



March 15, 2022

NREC Council Meeting

Held in person:

Illinois Department of Agriculture – FFA Room

AND via ZOOM

MINUTES

Chairman Jeff Kirwan called the meeting to order at 10:02 a.m. Council members present in-person include Jeff Kirwan, Don Guinnip, David Wessel, Scott Lager, Matt Duncan, Chris Matlock, Jake Vossenkemper, Chuck Cawley. Council members present online include Al Grosboll, Tim Laatsch, and Cindy Skrukud. Staff members Julie Hewitt and Shani Golovay were also present.

In addition, Austin Omer (ILFB), Bethany Jaeger (KEB), Drew Thomason (KEB), Liz Hobart (GROWMARK), Brenda Eller (IDOA), Kate Ward (KEB) and Jeff Squibb (IDOA) and John Rassi (CLA) were also present.

After introductions, Chairman Kirwan reviewed the agenda.

Secretary Chuck Cawley reviewed the minutes from the December 16, 2021 meeting and moved to accept the minutes as presented. Matt Duncan seconded that motion and the motion passed.

Chuck Cawley provided an update on the collection of invoicing and collections of the assessment fees. He reported that the uncollected past due balances now account for less than .3% of the reported fees and that most of them have been determined to be uncollectable due to bankruptcy and business' no longer in operation. He provided an update on the reporting process that is in place for NREC, IDOA and KEB. This new system has created additional efficiencies and streamlined the process of reviewing collections.

John Rassi of Clifton, Larson, Allen LLP presented his firm's findings of the 2021 Audit. A copy of the audit findings are attached to the minutes. Scott Lager moved to approve the Audit as presented and make it a part of the permanent council records. David Wessel seconded the motion, and it was approved by the council.

The remaining portion of the meeting was held in a Strategic Planning retreat which was facilitated by Bethany Jaeger and Drew Thomason of KEB. The notes from that session are attached as Attachment B.

Don Guinnip moved to adjourn the meeting at 2:45 p.m. David Wessel seconded.

**ILLINOIS NUTRIENT RESEARCH
AND EDUCATION COUNCIL**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

**ILLINOIS NUTRIENT RESEARCH AND EDUCATION COUNCIL
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YEAR ENDED SEPTEMBER 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Illinois Nutrient Research and Education Council
Bloomington, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Illinois Nutrient Research and Education Council (the Council), which comprise the statement of financial position—cash basis as of September 30, 2021, and the related statement of activities—cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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 described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 opinion.

Board of Directors
Illinois Nutrient Research and Education Council

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Illinois Nutrient Research and Education Council as of September 30, 2021, and the changes in its net assets for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

Bloomington, Illinois

**ILLINOIS NUTRIENT RESEARCH AND EDUCATION COUNCIL
STATEMENT OF FINANCIAL POSITION
CASH BASIS
SEPTEMBER 30, 2021**

ASSETS

Cash	\$ 299,891
Certificates of Deposit	<u>2,739,000</u>
Total Assets	<u><u>\$ 3,038,891</u></u>

NET ASSETS

NET ASSETS	
Without Donor Restriction	<u><u>\$ 3,038,891</u></u>

See accompanying Notes to Financial Statements.

**ILLINOIS NUTRIENT RESEARCH AND EDUCATION COUNCIL
STATEMENT OF ACTIVITIES
CASH BASIS
YEAR ENDED SEPTEMBER 30, 2021**

REVENUES

Tonnage Assessment	\$ 3,454,338
Interest Income	39,978
Miscellaneous Receipts	12,196
Total Revenues	3,506,512

EXPENSES

Program Services:	
Research Contracts	3,944,579

Management and General

Administrative Management Service	6,338
Salaries	192,856
Payroll Taxes	15,011
Payroll Expenses	84
Legal Fees	8,500
Meeting Expense	3,192
Travel	3,648
Web Design	512
Insurance	13,562
Communication	61,949
Employee Professional Development	770
Accounting Fees	35,190
Peer Review Honorarium	9,600
Printing and Postage	213
Office Supplies	1,645
Total Management and General	353,070

Total Expenses	4,297,649
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CHANGE IN NET ASSETS	(791,137)
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Net Assets - Beginning of Year	3,830,028
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NET ASSETS - END OF YEAR	\$ 3,038,891
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See accompanying Notes to Financial Statements.

ILLINOIS NUTRIENT RESEARCH AND EDUCATION COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Illinois Nutrient Research and Education Council (the Council) is a tax-exempt organization under Section 501(c)(5) of the Internal Revenue Code.

The mission of the Council is to organize and coordinate agricultural research and education programs with certified crop advisors, crop production professionals, agricultural producers and other individuals associated with agriculture and agribusiness. The purpose is to pursue nutrient and research educational programs to ensure the adoption and implementation of practices that optimize nutrient use efficiency, ensure soil fertility, and address environmental concerns with regard to fertilizer use. The Council also prioritizes nutrient research and education needs and solicits research proposals to general findings and make recommendations to the industry based on those findings.

Basis of Accounting

The cash basis of accounting is used by the Council. Consequently, revenues are recorded when received rather than when earned and expense is recognized when paid rather than when the obligation is incurred.

Certificates of Deposit

Certificates of deposit are carried at cost plus reinvested interest, which approximates fair value.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets presently available for use by the Council at the discretion of management.

Net Assets With Donor Restrictions – Net assets subject to donor restrictions that will be satisfied either by the passage of time or by actions of the Council. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Council reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restrictions contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Council has elected to present restricted contributions, which are fulfilled in the same time period, within the net assets without donor restrictions class.

**ILLINOIS NUTRIENT RESEARCH AND EDUCATION COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Tonnage Assessment

The Illinois Department of Agriculture is allowed to levy an assessment on fertilizer sales within the state of Illinois through Public Act 97-0960, which amends the Illinois Fertilizer Act of 1961. Once the levy receipts are collected by the Department of Agriculture, they are remitted to the Council to fund its mission and purpose. Amounts are usually received in February and August.

Subsequent Events

Management evaluated subsequent events through REPORT DATE, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Council regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Council considers all expenditures related to its ongoing activities to be general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of September 30, 2021:

Cash	\$ 299,891
Certificates of Deposit	<u>2,739,000</u>
Total Available	<u><u>\$ 3,038,891</u></u>

Board of Directors and Management
Illinois Nutrient Research and Education Council
Springfield, Illinois

In planning and performing our audit of the financial statements of Illinois Nutrient Research and Education Council (the Council) as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiencies

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Council's internal control to be a significant deficiency:

Preparation of Financial Statements and Disclosures

The board of directors and management share the ultimate responsibility for the Council's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The Council engages CliftonLarsonAllen LLP (CLA) to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the Council's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the Council has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the Council's activities and operations.

The Council's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the Council's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

* * *

This communication is intended solely for the information and use of management, the board of directors, and others within the Council, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Bloomington, Illinois

**Summary of the Strategic Planning Retreat
Of the Illinois Nutrient Research and Education Council
March 15, 2022**

The Illinois Nutrient Research and Education Council (the Council) met for a strategic planning retreat on March 15, 2022 at the Illinois Department of Agriculture. Council members in attendance included Chairman Jeff Kirwan, Treasurer Don Guinnip, Vice-Chairman Matt Duncan, Secretary Chuck Cawley, Allen Grosboll, Scott Lagger, Lisa Martin, Chris Matlock, Tim Laatch, Trevor Sample, Cindy Skrukud, Dr. Jake Vossenkemper, and David Wessel. Guests Austin Omer of Illinois Farm Bureau, Liz Hobart of GROWMARK, and John Rassi of CLA also attended. NREC staff Julie Hewitt, Executive Director, and Dr. Shani Golovay, Research Manager, also were present. Management consultants Bethany Jaeger and Drew Thomason of KEB facilitated the retreat.

The retreat was the first of three phases in the process. The purpose of the retreat was to review the status of the 2016 strategic plan, set common expectations for the process of updating the strategic plan, and establish priorities that will guide the rest of the process.

A summary of the key take-aways and preliminary decisions made during the retreat follows.

Decisions About the Strategic Planning Process

1. The Council agreed that the updated strategic plan will have a horizon of four years, with the understanding that the plan and Council priorities will continue to evolve as circumstances change and new information becomes available. Some goals will likely be achieved within the term of the plan, while the implementation of other goals will extend beyond four years. Also, the timeframe of 2022 to 2026 aligns with the next report of NLRs benchmarks, which are expected in 2025. Those benchmarks could inform NREC's next full strategic plan that would take effect after 2026.
2. The Governance Committee and the Executive Director will have lead responsibility for maintaining the strategic plan and reviewing the status of goal attainment annually.
3. The Governance Committee will also have lead responsibility from April through December 2022 for developing the goals, objectives and tactics based on the Council's direction set during the retreat.
4. Each priority identified during the retreat will result in a strategic goal, an approach for achieving that goal, specific actions steps, measurable outcomes and an estimate of the human and financial resources required to launch and sustain each activity.

5. The Governance Committee will share a draft strategic plan with the full Council to be discussed and revised at the Council's August 2022 meeting. The Governance Committee will incorporate the Council's input and present a final draft plan for approval at the December 2022 meeting.

Decisions About NREC's Vision

The current vision for NREC is:

Farmers and others who utilize fertilizer products adopt and implement best practices to optimize nutrient efficiency, maximize crop yields and protect water quality by minimizing nutrient loss.

6. The Council agreed that its experience over the past six years and the current context around nutrient management calls for a refinement of its vision to be more specific in to whom it applies and its scope.
7. The Council agreed to that "farmers and others who utilize fertilizer products" could be refined to include retailers of fertilizer because, in many cases, the retailers recommend which fertilizers to use and are the entities that apply fertilizers. The suggestion was made to alter the first clause of the vision to, "Those who manage agricultural and turf systems."
8. The Council discussed expanding the scope of the vision beyond water quality to air and environmental quality. The point was raised that the law establishing NREC explicitly charges the Council with addressing water quality. The decision was made for the Governance Committee to consider and propose whether to add new language that would expand the scope of NREC's vision to include the ideal outcome of water quality measures supporting the more global environmental quality—without departing from the legal obligations of the Council and without needing to amend state statute.
9. The point was raised that maximizing crop yields is not always in the best interest of the farmer or the environment. The Council agreed to explore updating the phrase "maximize crop yields" with language around maximizing crop efficiency *and* economic efficiency.
10. The Governance Committee will share a draft update of the vision with the full Council to be discussed and revised at the Council's August 2022 meeting. The Governance Committee will incorporate the Council's input and present a final revised vision for approval at the December 2022 meeting.

Decisions About Priorities

11. The Council preliminarily identified five priority issues, including to which functional area each belonged and the timeframe for addressing each. A summary table is provided as Attachment 1 to this summary.
12. The Governance Committee will discuss and refine these priorities, formulate draft goals and objectives around each. This includes enriching the proposed goals through stakeholder engagement.

Decisions about Stakeholder Input

13. The Council considered a list of NREC stakeholders, which are organizations who would have an interest in, be affected by or be integral to the implementation of NREC's renewed strategic plan. A preliminary list of stakeholders to engage in this planning process is included as Attachment 2 to this summary.
14. The Council identified stakeholder engagement as an ongoing priority. Specifically, the Council identified the opportunity to leverage the networks of existing stakeholder groups and their affiliates to support a broader, more systemic adoption of conservation practices developed through NREC-funded research. One example is to collaborate with and train certified crop advisers (CCAs), agronomists, Extension agents and retailers to take a more defined role in implementation of best practices that are supported by NREC-funded research results.
 - a. Implementation activities could include training the individuals who are most trusted by farmers to provide direct technical assistance in the field. This concept was built into the preliminary priorities and goals as a starting point for exploration during the strategic planning process.
 - b. GROWMARK has an existing training program that could serve as a starting point for learning best practices and networks to inform the gradual development of a technical assistance program.

Next Steps

15. The Governance Committee will meet in April to incorporate the Council's preliminary priority issues and plan stakeholder outreach. Julie and KEB will confirm the meeting schedule with the Governance Committee as soon as possible.

Attachment 1
Preliminary Priorities to Address in the Next 4 Years

Functional Area	Priority	Goal	Example Action Steps
Governance / Research	1. NREC policies to guide the strategic allocation of funds	Clarify NREC’s policies around the use of funds for research, demonstrations and cost-sharing programs	<input type="checkbox"/> 20% policy <input type="checkbox"/> Basic/applied research policy <input type="checkbox"/> Proprietary nutrients or management policy
Education	2. NREC’s role in translating research to education and adoption	Develop structures to leverage affiliate organizations and businesses to foster the adoption and implementation of NREC research-proven practices by ensuring those most trusted by farmers have the right knowledge to provide technical assistance.	<input type="checkbox"/> Identify existing training programs and best practices <input type="checkbox"/> Strengthen relationships with individuals/groups that are most trusted by farmers <input type="checkbox"/> Develop a train-the-trainer program
Governance / Operations	3. Continuous improvement of NREC’s operations and staff resources	Establish generative board practices, and continuously evaluate operations for efficiencies, staff resources and professional development.	<input type="checkbox"/> Formalize transition plans and recruitment of new board members <input type="checkbox"/> Enhance an onboarding of new board members <input type="checkbox"/> Establish succession plans for key staff and board officers <input type="checkbox"/> Designate resources for professional development and continuous education of staff

Immediate – Within six months

Long term – Three-plus years

Short term – One year (aligned with the next funding cycle)

Ongoing – Start now and become routine

Attachment 2
2022 Stakeholder Outreach Plan

Stakeholder Group	Input Sought
<p>Commodities IFB, Corn Growers, Soybean, Wheat, Crop Advisors, Illinois Department of Agriculture</p>	<ul style="list-style-type: none"> • Barriers to change • Cost of adopting certain practices • Other efforts being done • Rank importance of NREC priorities to their own work • Awareness of NREC • Ideas for improvement • Partnership ideas
<p>Fertilizer Industry Illinois Fertilizer & Chemical Association, The Fertilizer Institute, Agricultural Retailers Association, National Alliance of Independent Crop Consultants, American Society of Agronomy, Illinois CCA's</p>	<ul style="list-style-type: none"> • Barriers to change • Cost of adopting certain practices • Other outreach efforts being done • Rank importance of NREC priorities to their own work • Awareness of NREC • Percent of growers adopting and implementing certain practices • Ideas for improvement • Partnership ideas
<p>Water Utilities Municipalities, Water districts, Illinois Association of Wastewater Agencies, Illinois Section American Waterworks Association, Illinois Association of Drainage Districts, Utilities</p>	<ul style="list-style-type: none"> • Biggest concerns to them • Barriers to change • Cost of adopting certain practices • Potential partnerships for outreach • How they want to hear from NREC • How they want to provide input to NREC • Rank importance of NREC priorities to their own work • Awareness of NREC • Increase their awareness of NREC through basic education of purpose, vision and activities • Ideas for improvement • Partnership ideas
<p>Land Stewardship Illinois Environmental Council, Illinois Stewardship Alliance, Association of Illinois Soil and Water Conservation Districts, Illinois Sustainable Ag Partnership, American Farmland Trust, The Nature Conservancy</p>	