



**FY 2016**  
**Performance and Accountability**  
**Report**

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January 18, 2017

## Message from the Chair of the Board of Trustees

### **FY 2016 Annual Performance and Accountability Report**

During FY 2016, the Udall Foundation continued to implement a new organizational structure. The new structure has ensured a leaner organization with greater accountability to the Board of Trustees. In addition, the new staff have brought considerable federal experience to the Udall Foundation.

The Board of Trustees has been fully engaged in the management of the Udall Foundation and has worked closely with the management team. I am very proud of the work our staff has done, especially during this time of transition.

I am pleased to submit the Morris K. Udall and Stewart L. Udall Foundation's Annual Performance and Accountability Report (PAR) for FY 2016. This report presents financial and performance information that demonstrates the Udall Foundation's commitment to maintaining the legacies of Morris Udall and Stewart Udall as described in its enabling legislation.

The Udall Foundation continues to pursue high standards for accountability, transparency, and ethics. The Udall Foundation seeks to embody integrity, civility, consensus, public service, and non-partisanship, values that were lived by Morris and Stewart Udall.

It gives me great satisfaction, therefore, to report that the attached audit indicates that financial reporting accurately reflects the operations of the Udall Foundation. The Board extends its thanks to those who have provided support to the Udall Foundation and believes the efforts reported above and in this report justify the continued support of our activities.



Eric D. Eberhard  
Chair of the Board of Trustees

January 18, 2017

## Message from the Executive Director

### **FY 2016 Annual Performance and Accountability Report**

I am pleased to submit the Morris K. Udall and Stewart L. Udall Foundation's Annual Performance and Accountability Report (PAR) for FY 2016. This report presents management, performance, and financial information that demonstrate our commitment to maintaining the legacies of Morris Udall and Stewart Udall as authorized in the Udall Foundation's enabling legislation. It is noteworthy to report the Udall Foundation's 15th consecutive unqualified audit opinion, a reflection of our continuing efforts to ensure good financial stewardship while aligning those efforts with our strategic plan.

The Udall Foundation continues to pursue high standards for accountability, transparency, and ethics. The Udall Foundation seeks to embody integrity, civility, consensus, public service, and non-partisanship, values that were lived by Morris Udall and Stewart Udall. While we continue to improve our internal controls and ethics programs, we also seek greater transparency with the public.

This PAR reports the status of the Udall Foundation's compliance with applicable legal and regulatory requirements and the steps we are taking to improve our financial performance and management, while also providing the measurable results of our programs.

The financial and performance information presented in this report is fundamentally complete and reliable as required by the Office of Management and Budget (OMB). The annual assurance statement required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) concludes that the Udall Foundation can provide reasonable assurance that its systems of management, accounting, and administrative controls, taken as a whole, meet the objectives specified in Section 2 of the FMFIA.



Philip J. Lemanski  
Executive Director

# Section I – Management’s Discussion and Analysis

## Introduction

The Government Performance and Results Modernization Act of 2010 requires each federal agency to report annually on its progress in meeting the goals and objectives established by its Strategic Plan. The Morris K. Udall and Stewart L. Udall Foundation’s (Udall Foundation) Fiscal Year (FY) 2016 Annual Performance and Accountability Report (PAR) presents to Congress, the President, and the American people detailed information about progress in meeting the Udall Foundation’s strategic goals, strategic objectives, performance goals, and related measures.

The Udall Foundation has chosen to produce a combined Annual Performance and Accountability Report (PAR) for FY 2016. The Udall Foundation’s PAR for FY 2016 provides information on the current status of the performance of the Udall Foundation’s strategic goals for its FY 2015-2018 Strategic Plan. This PAR satisfies the reporting requirements as outlined in OMB Circular No. A-11.

The Udall Foundation’s performance management approach links strategic goals to program activities and outcomes. The strategic planning and performance reporting cycle results in ongoing programmatic assessment and continuous operational improvement to deliver meaningful outcomes.

The Udall Foundation’s Strategic Plan establishes overall long-term priorities and performance goals by which the Udall Foundation can gauge progress toward meeting its strategic objectives. The Udall Foundation’s Board of Trustees aligned the Strategic Plan with the Udall Foundation’s enabling legislation and provided a basic framework from which the Udall Foundation staff developed the plan. The Plan was also developed in collaboration with Congress, federal partners, and other stakeholders.

## About This Report

The Morris K. Udall and Stewart L. Udall Foundation’s PAR for FY 2016 provides performance and financial information that enables Congress and the public to assess its performance relative to the resources used. This PAR satisfies the reporting requirements as outlined in Office of Management and Budget (OMB) Circular No. A-136 and meets Government Performance and Results Act requirements.

## Agency and Mission Information

The Morris K. Udall Foundation was established by the U.S. Congress in 1992 as an independent executive branch agency to honor Morris K. Udall's lasting impact on this nation’s environment, public lands, and natural resources, and his support of the rights and self-governance of American Indians and Alaska Natives (P.L. 102-259). The 1998 Environmental Policy and Conflict Resolution Act (P.L. 105-156) created the U.S. Institute for Environmental Conflict Resolution as a program of the Udall Foundation to assist parties in resolving environmental, public lands, and natural resources conflicts nationwide that involve federal agencies or interests. In 2009, Congress enacted legislation to honor Stewart L. Udall and add his name to the Udall Foundation (P.L. 111-90). The agency is now known as the Morris K. Udall and Stewart L.

Udall Foundation. The Udall Foundation's enabling legislation is codified at 20 U.S.C. 5601-5609. The Udall Foundation is located in Tucson, Arizona, and Washington, D.C.

The Udall Foundation awards scholarships, fellowships, and internships for study in fields related to the environment and to American Indians and Alaska Natives in fields related to health care and tribal public policy; provides funding to the Udall Center for Studies in Public Policy and to the Native Nations Institute to conduct environmental policy research, research on American Indian and Alaska Native health care issues and tribal public policy issues, and training; and provides assessment, mediation, training, and other related services through the U.S. Institute for Environmental Conflict Resolution.

The Strategic Plan for fiscal years 2015-2018 establishes an agency-wide vision, direction, and priorities for operations and programs for four years. The Strategic Plan facilitates the integration of our six programmatic areas and the allocation of resources to achieve key goals. Development of the Strategic Plan included consultation with the Udall Foundation's Board of Trustees, agencies, and other stakeholders to incorporate their direction.

Economic trends that began during the previous strategic planning cycle will continue to impact our programs. The Udall Trust Fund is impacted by interest rates. When interest rates on both long-term and short-term Treasury obligations are low, as they have been for several years, Trust Fund revenues decline. Conversely, rising interest rates will increase Trust Fund revenues. As a result, programs funded by Trust Fund revenues are directly impacted by changes in interest rates. In addition, the services that federal agencies seek from the Udall Foundation fluctuates over time due to a number of factors including available resources, need for services, and development of an agency's internal expertise.

The Udall Foundation must try to meet the growing need for its programs by seeking new partnerships to help fund important programs and initiatives as well as developing relationships with new agencies and tribes that require its services.

## Mission Statement

We provide programs to promote leadership, education, collaboration, and conflict resolution in the areas of environment, public lands, and natural resources in order to strengthen Native nations, assist federal agencies and others to resolve environmental conflicts, and to encourage the continued use and appreciation of our nation's rich resources.

## Vision Statement

We foster leaders who embrace, and practices that exemplify, our core values: integrity, civility, consensus, public service, and non-partisanship.

## Values Statement

We are dedicated to embodying and promoting our core values of integrity, civility, consensus, public service, and non-partisanship in everything we do. These core values exemplify the legacy of Morris and Stewart Udall and the way in which they served the public, and they provide a framework upon which all Udall Foundation programs, services, and activities are based. These core values are realized through both internal management and external educational and conflict resolution practices.

## Scope of Responsibilities

The Strategic Plan is based on our enabling legislation, which establishes the Udall Foundation's mission and authority. We accomplish our mission through six programmatic areas:

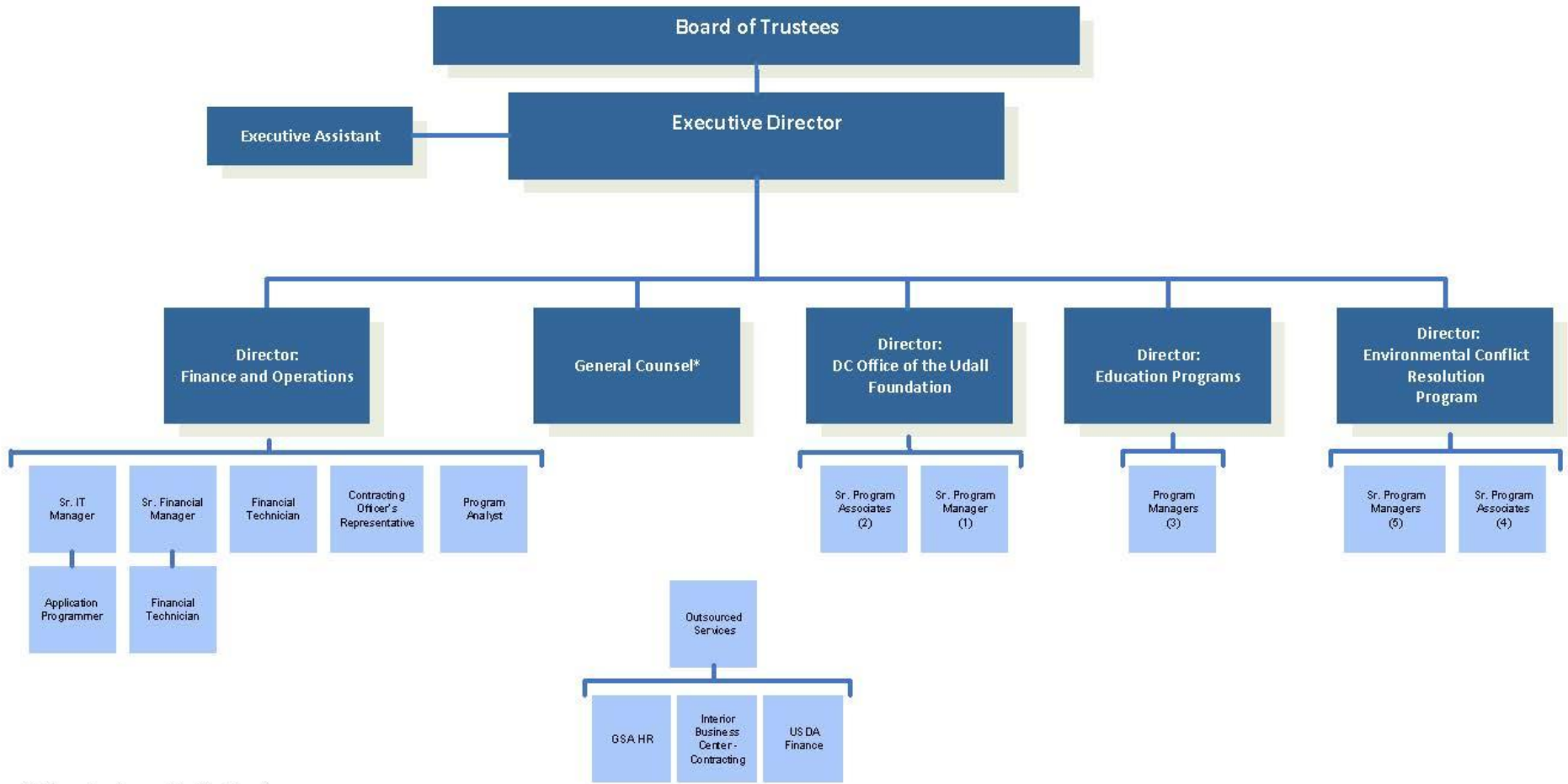
- ***Native American Congressional Internships***, which provide up to 12 internships annually to outstanding Native American and Alaska Native college, graduate, and law students in order to provide them with practical experience with the federal legislative process. Since 1996, 245 interns from 116 Native Nations have participated in the internship program.
- ***The Native Nations Institute for Leadership, Management, and Policy***(NNI) at the University of Arizona, which focuses on executive education for tribal leaders and on policy research. The Udall Foundation and the University of Arizona cofounded NNI, building on the research programs of the Harvard Project on American Indian Economic Development.
- ***Parks in Focus®***, which fosters greater understanding, appreciation, stewardship, and enjoyment of the Nation's natural resources by connecting youth from underserved communities to nature through photography, positive outdoor experiences, and environmental education. Since 1997, approximately 2,763 youth have participated in Parks in Focus®.
- ***Udall Center for Studies in Public Policy*** (Udall Center), a unit of the University of Arizona, Environmental Policy and Conflict Resolution Programs, which supports policy-relevant, interdisciplinary research, science-policy dialogues, and other endeavors that link scholarship and education with decision making, particularly in the areas of water security and management, climate change adaptation and planning, and ecosystem services valuation and protection, primarily in the Southwest and U.S.-Mexico border region.
- ***Udall Undergraduate Scholarships***, which provide up to 60 scholarships annually to outstanding students who intend to pursue careers related to the environment, tribal public policy, or Native American health care. Since 1996, 1,524 scholarships have been awarded.
- ***The U.S. Institute for Environmental Conflict Resolution*** (U.S. Institute), which helps federal agencies and other stakeholders resolve environmental, public lands, and natural resources conflicts and build capacity for environmental collaboration and conflict resolution. The U.S. Institute's range of services include consultations, assessments, process design, convening, neutral selection, mediation, facilitation, training, case management, program design, and other related activities covered by the Udall Foundation's enabling legislation.

## Organizational Structure

In FY 2013, the Board of Trustees approved an organizational structure that increased accountability while reducing management layers. The attached organizational chart illustrates this structure.



The Morris K. Udall and Stewart L. Udall Foundation  
Organizational Chart



\* Also a direct report to the Board

10/4/16

## Section II - Performance

### Education Programs

The Udall Foundation is authorized to award scholarships, fellowships, internships, and grants for educational purposes. The specific areas permitted by the enabling legislation are the following:

Scholarships, which are awarded to college undergraduates who (a) intend to pursue careers related to the environment or (b) are Native American or Alaska Native who intend to pursue careers in health care and tribal public policy;

Internships, including awards to Native American and Alaska Native individuals to participate in internships in federal, state, and local agencies or in offices of major public health or public policy organizations;

Fellowships to Native American and Alaska Native graduate students pursuing advanced degrees in health care and tribal public policy, including law and medicine, and to graduate students pursuing advanced degrees in fields related to the environment; and

Grants to the Udall Center for Studies in Public Policy at the University of Arizona, for various purposes including research on environmental policy, Native American and Alaska Native health care issues, and tribal public policy issues.

Scholarships, Fellowships, and Grants are funded through annual interest earned from the Morris K. Udall and Stewart L. Udall Trust Fund (Trust Fund). Interest is allocated by law as follows: at least 50 percent for scholarships, internships, and fellowships; at least 20 percent for grants to the Udall Center; and a maximum of 15 percent for salaries and other administrative costs. Parks in Focus® and other activities are funded from the remaining 15 percent of Trust Fund income and by gifts, donations, and bequests.

One of the Udall Foundation's purposes is to develop resources to train Native American and Alaska Native professionals in health care and tribal public policy by developing management and leadership training of those involved in tribal leadership and providing assistance and resources for policy analysis. To further this goal, the Udall Foundation cofounded the Native Nations Institute for Leadership, Management, and Policy (NNI) with the University of Arizona in 2000. NNI serves as a self-determination, governance, and development resource. Congress has authorized the Udall Foundation to transfer a portion of its Trust Fund appropriations in each of fiscal years 2001 through 2016 for the purposes of NNI. In 16 years, the Udall Foundation has transferred a total of \$13 million to NNI.

### The U.S. Institute for Environmental Conflict Resolution

The U.S. Institute for Environmental Conflict Resolution (U.S. Institute) provides assessment, mediation, training, and other related services to resolve environmental disputes involving the federal government. Congress has provided annual operating appropriations for the U.S. Institute every year since fiscal 1999. The U.S. Institute is also authorized to collect and retain fees for services it provides.

## Strategic Goals, Strategic Objectives, and Performance Goals

The Udall Foundation's FY 2015-2018 Strategic Plan implements goals that further its mission and purpose. Three strategic goals, with their attendant objectives and performance goals, guide the Udall Foundation's activities. These strategic goals are shown on pages 12-14.

# Udall Foundation Strategic Goals, Strategic Objectives, and Performance Goals

## Strategic Goal 1

Strengthen the appreciation and stewardship of the environment, public lands, and natural resources

### Strategic Objectives

#### 1.1

Provide organizational assistance and information resources to build capacity for collaborative decision making and public participation related to environmental conflicts and natural resources issues involving federal agencies and interests

#### 1.2

Provide services and information resources to resolve environmental, public lands, and natural resources issues among governmental and non-governmental stakeholders

#### 1.3

Provide educational opportunities to promote understanding and appreciation of the environment and natural resources

### Performance Goals

#### 1.1.1

Provide training to further the use of environmental conflict resolution, collaborative decision making, and consensus building

#### 1.1.2

Convene and facilitate policy dialogues and forums, and host conferences to further awareness and use of environmental collaboration and conflict resolution

#### 1.1.3

Conduct research that informs environmental policy and natural resources management

#### 1.2.1

Provide case consultation services and mediator referrals to increase the use of environmental conflict resolution and collaboration by federal agencies

#### 1.2.2

Provide assessment, mediation, and facilitation services that address environmental, public lands, and natural resources conflicts involving federal agencies

#### 1.3.1

Award scholarships to outstanding undergraduate students who intend to pursue careers related to the environment, and provide training and community building to Udall scholars

#### 1.3.2

Award fellowships to outstanding graduate students who intend to pursue advanced degrees in fields related to the environment

#### 1.3.3

Provide outdoor, educational programming to connect youth to nature through photography

## Strategic Goal 2

Strengthen Native Nations to facilitate their self-determination, governance, and human capital goals

### Strategic Objectives

#### 2.1

Provide education and training to Native Nations and non-Native entities or individuals who engage with Native Nations

#### 2.2

Provide information resources and services to resolve environmental, public lands, and natural resources issues that concern Native Nations

### Performance Goals

#### 2.1.1

Provide Native Nations with information resources and tools for leadership and governance that will enable them to achieve their strategic goals

#### 2.1.2

Provide policy analysis and research to support Native Nations

#### 2.1.3

Provide scholarships, training, and community building to Native American and Alaska Native undergraduate students who intend to pursue careers in tribal public policy or health care

#### 2.1.4

Provide internships, training, and community building to Native American and Alaska Native undergraduate, graduate, and law students in the areas of tribal public policy or health care

#### 2.2.1

Provide assessment, mediation, facilitation, and related services on issues that concern Native Nations

#### 2.2.2

Increase the awareness and use of the Native Dispute Resolution Network for environmental conflict resolution and collaboration services

### Strategic Goal 3

Foster the professional development, growth, and ability of Foundation employees within a collegial working environment

#### Strategic Objectives

##### 3.1

Foster an organizational culture that promotes learning and demonstrates a commitment to elevating the capabilities and leadership skills of all employees

#### Performance Goals

##### 3.1.1

Orient and train employees in Foundation and federal policies, values, and procedures

##### 3.1.2

Cross-train employees within key positions to assure continuity and quality of service

##### 3.1.3

Continue to provide professional and career development opportunities

##### 3.1.4

Encourage opportunities for work experience and training with other agencies and organizations

## Performance Structure Overview

The Udall Foundation has established methods and measures to assess progress in meeting its strategic goals, strategic objectives, and performance goals. The visual summary on pages 12 through 14 illustrates the alignment of the differing levels of goals and objectives, and the associated funding sources.

Performance data for the Udall Foundation is collected using output measures such as the number of scholarships, consultations, trainings, and other services, as well as outcome measures that capture participant feedback on the quality and value of services and programs.

The Udall Foundation solicits performance feedback from members of the public and agency representatives who were participants in, and users of, U.S. Institute services, and participants in the various education programs. Service users and education program participants represent an independent external source of evaluative feedback. In designing data collections, the U.S. Institute balances the desire for and value of in-depth feedback with the burden such requests place on the public, as well as the associated administrative costs of such collections.

### Completeness and Reliability of Data

The Udall Foundation evaluates its education programs and environmental collaboration and conflict resolution services in order to measure and report on performance and learn from evaluation responses to improve services. The Udall Foundation's performance data is reasonably complete and reliable, as defined by the Government Performance and Results Act of 1993, and is used regularly by program managers to make both strategic and operational decisions.

### Summary of Performance Evaluations Conducted During FY 2016

To obtain performance data, the U.S. Institute administered surveys to service recipients for completed FY 2016 processes and services as allowed, and when appropriate. Respondents are surveyed at the conclusion of services or at the end of a significant phase of a process or service (e.g., the end of a training, the completion of an assessment or mediation). For more information on the data collections, see the Data Validation and Verification section in Appendix A.

The education programs use a system of debriefings, direct observation, and follow up phone calls to assess the value to and satisfaction of scholarship and internship recipients as well as Parks in Focus® participants.

### External Factors Affecting Progress and Future Actions

If federal appropriations decrease, a corresponding decrease in the budgets of federal agencies that use the Udall Foundation's environmental conflict resolution services is expected to result in reduced funding available for travel, trainings, conferences, forums, and potentially for the Udall Center's research initiatives that are specifically funded by federal agencies. The Udall Foundation must continue to develop new federal and non-federal partnerships to diversify funding sources.

The scholarship and fellowship programs are funded by the interest earned on Trust Fund investments in Treasury obligations. Trust Fund revenues have declined due to low interest rates on both long-term and short-term Treasury obligations. Due to decreasing interest rates and interest earned, the Udall Foundation suspended the fellowship program for Fiscal Years 2012-2016, and reduced scholarship awards to 50 for Fiscal Years 2012-2015. In FY 2016, scholarships were increased from \$5,000 to \$7,000 and the

Udall Foundation now awards 60. These changes were made to ensure the Udall Foundation continues to meet statutory expenditure requirements.

In the face of these challenges, the Udall Foundation will increase awareness of its programs through outreach to research and educational institutions as well as to private foundations and other potential funding partners. In addition, the U.S. Institute, which collects fees for its work, is strengthening and expanding its marketing outreach to a more diverse group of federal agencies. In FY 2016, the Udall Foundation and the Western National Parks Association (WNPA) entered into a Memorandum of Understanding that designated WNPA as the official nonprofit partner of the Parks in Focus® program. Through this agreement, WNPA conducts fundraising activities and provides financial and logistical support to help Parks in Focus® engage new generations with our National Parks and other public lands.

## Management Challenges

While the organizational changes to streamline the Foundation have resulted in greater accountability and reduced cost, ~~the challenge and impact of~~ annual fluctuations in staffing levels have reduced the number of staff providing fee-based work, thus affecting revenue generation. ~~is greater.~~ Furthermore, as a small, independent federal agency, the Udall Foundation must find cost-effective means to comply with a wide variety of laws and statutes. One solution has been to outsource the processing of financial transactions and financial reporting to the U.S. Department of Agriculture (USDA) and human resources needs to the U.S. General Services Administration (GSA). The Udall Foundation has also outsourced contracting to the U.S. Department of the Interior's (DOI) Interior Business Center. In the Spring of 2015, USDA began providing financial reporting functions previously provided by GSA, a change that fortunately has not had an impact on our processes in the short-term. Additionally, we have been informed that GSA will be moving human resource functions to another entity that is yet to be determined. While the services are vital and cost effective, they require a high level of knowledge, coordination and feedback to be fully successful.



## Annual Performance

FY 2018 targets are not included in the 2016 PAR. Those target elements will most likely change as a result of the Udall Foundation’s 2018-2022 Strategic Plan (currently under development).

### Strategic Goal 1: Environmental Dispute Resolution Fund - the U.S. Institute for Environmental Conflict Resolution (ECR) Program

**Strategic Goal 1: Strengthen the appreciation and stewardship of the environment, public lands, and natural resources.**

**Strategic Objective 1.1:** Provide organizational assistance and information resources to build capacity for collaborative decision making and public participation related to environmental conflicts and natural resources issues involving federal agencies and interests.

<b>Performance Goal 1.1.1:</b> Provide training to further the use of environmental conflict resolution, collaborative decision making, and consensus building.	<b>Fiscal Year</b>	<b>Annual Target</b>	<b>Actual Performance</b>
Measure 1: Number of trainings provided.	FY 2013	N/A*	19
	FY 2014		8
	FY 2015	12	5
	FY 2016	12	9
	FY 2017	9	

\* New measure beginning in FY 2015 Past year performance information has been added for context.

Measure 2: Percent of ECR training participants who report what they take away from the training will have a very positive impact on their effectiveness in the future.	FY 2013	87%	91%
	FY 2014		94%
	FY 2015		99%
	FY 2016		98%
	FY 2017		

During FY 2016, the U.S. Institute delivered nine trainings in collaborative problem solving and conflict resolution. This represents an increase from our 2015 performance, but fell short of our 2016 goal. This was due principally to increased project-related workload and fluctuating staff levels resulting from staff turnover. It also is a precursor to a change in strategic approach with the training program which includes a near term focus on refining and improving the training portfolio to reflect changes in the ECCR field, updates to outdated graphics and materials, and the modernization of content to address the evolving needs of federal agencies addressing environmental and public policy related issues. Fewer trainings that are open to the general public are anticipated during this period. And, a greater focus will be placed on providing trainings to specific agencies, departments, and bureaus. This change is reflected in the new training target for FY17. The U.S. Institute solicited feedback from training participants through an end-of-session evaluation questionnaire. Evaluation feedback indicated the U.S. Institute exceeded its performance target, with 98% of respondents indicating that the training will have a very positive impact on their effectiveness in the future.

<b>Performance Goal 1.1.2:</b> Convene and facilitate policy dialogues and forums, and host conferences to further awareness and use of environmental collaboration and conflict resolution.	Fiscal Year	Annual Target	Actual Performance
Measure: Number of initiatives.	FY 2013	6	4
	FY 2014	2	2
	FY 2015	3	3
	FY 2016	At least 3	4
	FY 2017	At least 3	

The U.S. Institute continued its efforts to provide services that further awareness and use of environmental collaboration and conflict resolution within the federal government. Initiatives supported by the U.S. Institute during FY 2016 included the following:

- Assisting with implementation of Executive Order 13604 – Improving performance of Federal permitting and review of infrastructure projects (March 2012).
- Assisting with implementation of the Office of Management and Budget and President’s Council on Environmental Quality Memorandum on Environmental Collaboration and Conflict Resolution (September 2012).
- Facilitating the Federal ECR Facilitator network.
- Supporting the Association for Conflict Resolution, Environment and Public Policy Conference.

In response to budget uncertainty, the Udall Foundation strategically invested resources in this service area during FY 2016. The Udall Foundation considered opportunities that would provide broad benefits to the government with prudent staff and financial investments. For example, the U.S. Institute partnered with the Association for Conflict Resolution to conduct its annual conference instead of continuing its own bi-annual ECR conference series, which would involve a higher degree of resource investment. Formats that leverage virtual participation are among the factors being considered for future events. Budget and staffing considerations also prompted the U.S. Institute to curtail its role in facilitating policy dialogues.

**Strategic Objective 1.2:** Provide services and information resources to resolve environmental, public lands, and natural resources issues among government and non-government stakeholders.

<b>Performance Goal 1.2.1:</b> Provide case consultation services and mediator referrals to increase the use of environmental conflict resolution and collaboration by federal agencies.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of case consultations.	FY 2013	100	82
	FY 2014	80	72
	FY 2015	75	50
	FY 2016	75	39
	FY 2017	60	

For FY 2016, the U.S. Institute provided 39 instances of case consultation and management services toward an annual goal of 75 services. The U.S. Institute’s baseline consultation services are available without charge to help federal agencies and other stakeholders explore the potential benefits of environmental conflict resolution and collaboration. U.S. Institute staffing was not at full capacity throughout the year, and active staff were at or near full capacity with billable project work throughout the year. Therefore, less emphasis was placed on business development in FY 2016, which limited the opportunities for case consultations during the year. We are reducing the FY 2017 target accordingly.

Measure 2: Percent of ECR Roster Professional service users who report the Roster was a valuable resource for identifying qualified ECR professionals to assist them in solving their environmental or natural resources issues.	FY 2013	93%	91%
	FY 2014		100%
	FY 2015		100%
	FY 2016		100%
	FY 2017		

During FY 2016, the U.S. Institute continued to maintain the National Roster of ECR Professionals (Roster), a searchable database that allows any stakeholder to identify qualified mediators and facilitators by geographic area. In FY 2016, 415 searches were conducted using the Roster. Of those who provided evaluative feedback, 100% felt the Roster was a valuable resource for identifying practitioners.

<b>Performance Goal 1.2.2:</b> Provide assessment, mediation, and facilitation services that address environmental, public lands, and natural resources conflicts involving federal agencies.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of assessments, facilitations, and mediations.	FY 2013	N/A*	44
	FY 2014		33
	FY 2015	35	33
	FY 2016	35	35
	FY 2017	35	

\* New measure beginning in FY 2015.

During FY 2016, the U.S. Institute met its goal of providing 35 neutral assessments, mediations, or facilitations to address environmental, public lands, and natural resource conflicts involving federal agencies. This number includes all active cases during the fiscal year.

Measure 2: Percent of assessments for which the majority of responding stakeholders strongly agree that the U.S. Institute helped them determine how best to proceed to resolve their conflict.	FY 2013	88%	100%
	FY 2014		63%
	FY 2015		100%
	FY 2016		100%
	FY 2017		

Measure 3: Percent of mediations/facilitations for which the majority of responding stakeholders report full or partial agreement was reached or progress was made toward addressing the issues or resolving the conflict.	FY 2013	91%	100%
	FY 2014		100%
	FY 2015		100%
	FY 2016		100%
	FY 2017		

During FY 2016, the U.S. Institute provided assessment services on 12 cases and projects to help the associated agencies determine how best to proceed to resolve their dispute or conflict. Of those assessments that were completed and evaluated in FY 2016, all respondents indicated that the assessment helped determine how best to proceed to resolve their conflict. The FY 2016 performance information on completed assessments is based on evaluative feedback solicited from representatives of each organization that requested or participated in assessment services.

During FY 2016, the U.S. Institute was involved in 23 mediation and facilitation processes either directly or through contracted private sector practitioners. Based on feedback received, performance is being met.

## Strategic Goal 2: Environmental Dispute Resolution Fund - the U.S. Institute for Environmental Conflict Resolution Program

**Strategic Goal 2: Strengthen Native Nations to facilitate their self-determination, governance, and human capital goals.**

**Strategic Objective 2.2:** Provide information resources and services to resolve environmental, public lands, and natural resources issues that concern Native Nations.

<b>Performance Goal 2.2.1:</b> Provide assessment, mediation, facilitation, and related services on issues that concern Native Nations.	<b>Fiscal Year</b>	<b>Annual Target</b>	<b>Actual Performance</b>
Measure 1: Number of assessments, facilitations, and mediations that involve Native Nations or Tribal issues.	FY 2013	N/A*	26
	FY 2014		19
	FY 2015	12	9
	FY 2016	15	16
	FY 2017	15	
Measure 2: Percent of assessments for which the majority of responding stakeholders strongly agree that the U.S. Institute helped them determine how best to proceed to resolve their conflict.	FY 2013	N/A*	100%
	FY 2014		33%
	FY 2015	88%	**
	FY 2016	88%	100%
	FY 2017	88%	
Measure 3: Percent of mediations/facilitations for which the majority of responding stakeholders report full or partial agreement was reached or progress was made toward addressing the issues or resolving the conflict.	FY 2013	N/A*	100%
	FY 2014		100%
	FY 2015	91%	**
	FY 2016	91%	**
	FY 2017	91%	

\* New measure beginning in FY 2015. These services had previously been subsumed under general ECR services. Past year performance information has been added for context.

\*\*No data was available since the assessments and mediations were either not appropriate for evaluation or not completed in the fiscal year shown.

Measure 1 is a subset of the assessments, facilitations, and mediations reported in Performance Goal 1.2.2 (Measure 1) that involve Native Nations or Tribal issues.

<b>Performance Goal 2.2.2:</b> Increase the awareness and use of the Native Dispute Resolution Network for environmental conflict resolution and collaboration services.	<b>Fiscal Year</b>	<b>Annual Target</b>	<b>Actual Performance</b>
Measure 1: Number of entities made aware of the referral services available via the Native Dispute Resolution Network.	FY 2013	N/A*	Data not previously tracked
	FY 2014		
	FY 2015	12	12
	FY 2016	12	10
	FY 2017	12	

Measure 2: Percent of ECR Native Dispute Resolution Network users who report the Network was a valuable resource for identifying qualified ECR professionals to assist them in solving their environmental or natural resources issues.	FY 2013	N/A*	100%
	FY 2014		100%
	FY 2015	93%	**
	FY 2016	93%	**
	FY 2017	93%	

\* New measure beginning in FY 2015. Measure 2 had previously been subsumed under general referral services. Past year performance information has been added for context when available.

\*\* No data was available. None of the referrals made to the Native Dispute Resolution Network in FY 2015 or 2016 were evaluated. As a micro-agency with a small staff, one staff member is responsible for this program. Due to the fluctuation of the Native American and Alaskan Native ( NAAN) program staffing, the program did not receive the attention that was planned for these fiscal years. It is the Udall Foundation's intention to revisit the goals and structure of the NAAN Program and the Native Dispute Resolution Network during FY 2017.

## Strategic Goal 1: Trust Fund - Udall Foundation Education Programs

**Strategic Goal 1: Strengthen the appreciation and stewardship of the environment, public lands, and natural resources.**

**Strategic Objective 1.1:** Provide organizational assistance and information resources to build capacity for collaborative decision making and public participation related to environmental conflicts and natural resources issues involving federal agencies and interests.

<b>Performance Goal 1.1.3:</b> Conduct research that informs environmental policy and natural resources management.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of environmental policy presentations or briefings.	FY 2013	N/A*	44
	FY 2014		32
	FY 2015	10	25
	FY 2016	10	55
	FY 2017	40	
Measure 2: Number of collaborating agencies and institutions.	FY 2013	N/A*	42
	FY 2014		37
	FY 2015	10	12
	FY 2016	10	42
	FY 2017	30	
Measure 3: Number of environmental policy publications.	FY 2013	N/A*	48
	FY 2014		41
	FY 2015	10	15
	FY 2016	10	36
	FY 2017	30	

\* New measure beginning in FY 2015. Past year performance information has been added for context when available.

The **Udall Center** supports policy-relevant, interdisciplinary research, science-policy dialogues, and other endeavors that link scholarship and education with decision making, particularly in the areas of water security and management, climate change adaptation and planning, and ecosystem services valuation and protection, primarily in the Southwest and U.S.-Mexico border region. Not less than 20% of the annual interest for the Trust Fund is allocated by law to the Udall Center.

The Udall Foundation's strategic plans prior to FY 2015-2018 did not include the Udall Center or measure its performance.

**Strategic Objective 1.3:** Provide educational opportunities to promote understanding and appreciation of the environment and natural resources.

<b>Performance Goal 1.3.1:</b> Award scholarships to outstanding undergraduate students who intend to pursue careers related to the environment, and provide training and community building to Udall scholars.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of Scholarships.	FY 2013	50	50
	FY 2014	50	50
	FY 2015	50	50
	FY 2016	60	60
	FY 2017	60	

Measure 2: Percent of scholarship recipients who report they received a quality educational experience in their interactions and program activities with the Udall Foundation.	FY 2013	94%	96%
	FY 2014	94%	100%
	FY 2015	94%	100%
	FY 2016	95%	100%
	FY 2017	95%	

The **Udall Undergraduate Scholarship program** reduced the number of scholarships from 80 to 50 in FYs 2013-2015, and discontinued monetary benefits for honorable mention awards due to extremely low interest rates affecting income to the Trust Fund. Beginning in FY 2016, the Udall Foundation increased the number of scholarships awarded to 60 and the award amount from \$5,000 to \$7,000. The scholarships were awarded to outstanding students who intend to pursue careers related to the environment, tribal public policy, or Native American health care. The Udall Scholarship is by nomination only; the designated Udall Faculty Representative at higher education institutions must nominate students

Following the award, scholars convene at the Scholar Orientation to build professional networks with each other, scholarship program alumni, and staff and trustees of the Udall Foundation. Scholars work together on a case study problem to enhance their critical thinking and problem-solving skills. Since 1996, 1,524 scholarships and 904 honorable mentions have been awarded. A total of \$7.69 million has been expended.

<b>Performance Goal 1.3.2:</b> Award fellowships to outstanding graduate students who intend to pursue advanced degrees in fields related to the environment.	Fiscal Year	Annual Target	Actual Performance
Measure: Number of Fellowships.	FY 2013	0*	0
	FY 2014	0*	0
	FY 2015	0*	0
	FY 2016	0*	0
	FY 2017	0*	

\* Fellowship suspended in 2012-2017 due to low Trust Fund interest.

The **Udall Fellowship program** provides fellowships to Ph.D. candidates whose dissertations focus on U.S. environmental policy and/or conflict resolution. From FY 1997 to FY 2011, the Udall Foundation awarded



two \$24,000 fellowships each year. During that time, 30 fellowships were awarded for a total of \$720,000. The Fellowship has been on hiatus since FY 2012 due to low Trust Fund interest.

<b>Performance Goal 1.3.3:</b> Provide outdoor, educational programming to connect youth to nature through photography.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of students.	FY 2013	250	315
	FY 2014	150	578
	FY 2015	150	503
	FY 2016	150	722
	FY 2017	150	

Measure 2: Number of trips.	FY 2013	8	62
	FY 2014	15	108
	FY 2015	15	95
	FY 2016	15	107
	FY 2017	15	

Measure 3: Number of states.	FY 2013	5	5
	FY 2014	4	5
	FY 2015	4	5
	FY 2016	4	6*
	FY 2017	4	

Measure 4: Percent of Parks in Focus® participants who report they received a quality educational experience in their interactions and program activities with the Udall Foundation.	FY 2013	86%	100%
	FY 2014	86%	100%
	FY 2015	86%	100%
	FY 2016	86%	100%
	FY 2017	86%	

\*The Udall Foundation ran activities in Arizona, California, Oklahoma, and Tennessee. Activities in Michigan and Montana were conducted by the Udall Foundation's youth and national park service partners using the Parks in Focus® curriculum.

**The Parks in Focus® program** fosters greater understanding, appreciation, stewardship, and enjoyment of the Nation's natural resources by connecting youth from underserved communities to nature through photography, positive outdoor experiences, and environmental education.

In FY 2016, 722 middle school youth from Boys and Girls Clubs, Big Brothers Big Sisters, and other youth organizations in Arizona, California, Michigan, Montana, Oklahoma, and Tennessee participated in after-school photography lessons and outdoor activities, Saturday field trips, and weekend campouts to nearby parks and scenic areas, monuments, wilderness areas, and other national public lands. Programs outside of Arizona were entirely grant-funded through partnerships with national parks, "friends of" organizations, private foundations, and individual donations. Although Parks in Focus® has continued to exceed anticipated targets in FY 2016, programmatic transitions, including handing off Parks in Focus® activities to partner organizations, necessitate keeping the FY 2017 target at FY 2016 levels.

## Strategic Goal 2: Trust Fund – Udall Foundation Education Programs

**Strategic Goal 2: Strengthen Native Nations to facilitate their self-determination, governance, and human capital goals.**

**Strategic Objective 2.1:** Provide education and training to Native Nations and non-Native entities or individuals who engage with Native Nations.

<b>Performance Goal 2.1.1:</b> Provide Native Nations with information resources and tools for leadership and governance that will enable them to achieve their strategic goals.	<b>Fiscal Year</b>	<b>Annual Target</b>	<b>Actual Performance</b>
Measure 1: Percent of respondents who report NNI is an important resource for them in carrying out their nation-building work.	FY 2013	83%	92%
	FY 2014	83%	94%
	FY 2015	83%	86%
	FY 2016	86%	86%
	FY 2017	86%	

**The Native Nations Institute for Leadership, Management, and Policy (NNI)** at the University of Arizona serves as a self-determination, governance, and development resource. The Udall Foundation and the University of Arizona cofounded NNI, building on the research programs of the Harvard Project on American Indian Economic Development. NNI provides executive education and professional development for leaders of Native Nations; conducts policy analysis and research on successful aspects of nation building and governance; and develops information resources and tools to enable Native Nation leaders to learn the essential elements of successful self-governance.

Measure 2: Number of individuals who enroll in distance-learning courses.	FY 2013	N/A*	137
	FY 2014		330
	FY 2015	150	200
	FY 2016	150	166
	FY 2017	150	

Measure 3: Number of individuals who use the Indigenous Governance database.	FY 2013	N/A*	340
	FY 2014		688
	FY 2015	300	800
	FY 2016	300	994
	FY 2017	300	

\* New measure beginning in FY 2015. Past year performance information has been added for context when available.

NNI’s Rebuilding Native Nations distance-learning course series was established in September 2012 and is in its fourth year. The curriculum is available online and on DVD. The Indigenous Governance Database provides online resources on nation building in video, text, and audio formats.

<b>Performance Goal 2.1.2:</b> Provide policy analysis and research to support Native Nations.	Fiscal Year	Annual Target	Actual Performance
Measure: Number of completed case studies and/or policy-analyses.	FY 2013	N/A*	22
	FY 2014		3
	FY 2015	2	4
	FY 2016	2	7
	FY 2017	5	

\* New measure beginning in FY 2015. Past year performance information has been added for context when available.

During FY 2016, NNI completed five publications—on access to capital and credit, business development, aligning tribal priorities and education missions in tribal colleges and universities, tribal primacy on taxation, and tribal child welfare codes—and two teaching case studies.

<b>Performance Goal 2.1.3:</b> Provide scholarships, training, and community building to Native American and Alaska Native undergraduate students who intend to pursue careers in tribal public policy or health care.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of Scholarships.	FY 2013	N/A*	8
	FY 2014		9
	FY 2015	8	8
	FY 2016	8	20
	FY 2017	10	

Measure 2: Percent of recipients who report they received a quality educational experience in their interactions and program activities with the Udall Foundation.	FY 2013	N/A*	96%
	FY 2014		100%
	FY 2015	94%	100%
	FY 2016	95%	100%
	FY 2017	95%	

\* New measure beginning in FY 2015. Past year performance information has been added for context when available.

Performance goal 2.1.3 is a subset of Performance Goal 1.3.1, the Undergraduate Scholarship program that provides up to 60 scholarships annually to outstanding students who intend to pursue careers related

to the environment, tribal public policy, or Native American health care. Prior to the FY 2015-2018 Strategic Plan, this goal was not measured separately.

<b>Performance Goal 2.1.4:</b> Provide internships, training, and community building to Native American and Alaska Native undergraduate, graduate, and law students in the areas of tribal public policy or health care.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of Internships.	FY 2013	12	12
	FY 2014		12
	FY 2015		12
	FY 2016		12
	FY 2017		
Measure 2: Percent of interns who report they received a quality educational experience through the Native American Congressional Internship Program.	FY 2013	92%	100%
	FY 2014		100%
	FY 2015		100%
	FY 2016		100%
	FY 2017		

**The Native American Congressional Internship program** offers up to 12 internships annually to outstanding Native American and Alaska Native college, graduate, and law students in order to provide them with practical experience with the federal legislative process. The program helps participants develop as Native professionals and future leaders in Indian country. Interns are placed in congressional offices and committees, executive branch departments, and the White House, where they are able to observe government decision-making processes firsthand. The Udall Foundation also arranges policy meetings and discussions with members of Congress, federal agency officials, and staff from national Native organizations.

In FY 2016, the 12 interns were very satisfied with the program. The Udall Foundation uses evaluation feedback from interns and their office supervisors to facilitate continual learning and improvement.

## Section III – Financial

### Other Information

#### Management Reviews

During FY 2015, the Udall Foundation undertook a comprehensive effort to better align employee performance with organizational performance. This included moving to a consolidated PAR, reviewing position descriptions and performance plans for consistency and support of the strategic plan, and an ongoing annual analysis of internal and management controls to ensure efficiency and effectiveness of program implementation.

### Analysis of Systems Controls and Legal Compliance

This section of the report provides the required information on the Udall Foundation's management assurances and compliance with the following legal and regulatory requirements:

- Federal Managers' Financial Integrity Act of 1982 (FMFIA);
- Federal Financial Management Improvement Act of 1996 (FFMIA); and
- Management Challenges Confronting the Udall Foundation (see page 16).

The U.S. Department of Agriculture (USDA) Finance Center, a federal financial management center of excellence, performs necessary financial services for the Udall Foundation. These services include furnishing receipt and disbursement of funds, financial reporting and related accounting functions, and execution of all investments in Treasury obligations. The USDA is considered to be part of the Udall Foundation's financial management; however, Udall Foundation management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

The principal financial statements have been prepared to report the financial position and results of operations of the Udall Foundation, pursuant to the requirements of 31 U.S.C. 3515(b). The statements have been prepared from the books and records of the Udall Foundation in accordance with generally accepted accounting principles for federal entities and the formats prescribed by OMB. These financial statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

### Management Assurances

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to provide an annual statement of assurance regarding internal accounting and administrative controls, including program, operational, and administrative areas as well as accounting and financial management and reporting. The Udall Foundation conducted a review of internal control processes in FY 2016 and is in the process of reviewing and updating standard operating procedures. The assurance statement provided below is based on compliance with the following:

## Federal Managers' Financial Integrity Act of 1982 (FMFIA)

The Udall Foundation believes that maintaining integrity and accountability in all programs and operations (1) is critical for good government; (2) demonstrates responsible safeguarding of assets; (3) ensures high-quality, responsible leadership; (4) ensures the effective delivery of services; and (5) maximizes desired program outcomes.

To achieve these goals, the Udall Foundation has developed and implemented management, administrative, and financial system controls to reasonably ensure that

- Programs and operations achieve intended results efficiently and effectively;
- Resources are used in accordance with the Udall Foundation's mission;
- Programs and resources are protected from waste, fraud, and mismanagement;
- Laws and regulations are followed; and
- Timely, accurate, and reliable data are maintained and used for decision making at all levels.

The Udall Foundation's internal control program is designed to ensure full compliance with the goals, objectives, and requirements of FMFIA and the following:

- OMB Circular No. A-123, *Management's Responsibility for Internal Control*, including Appendix B, Improving the Management of Government Charge Cards and Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments;
- OMB Circular No. A-127, *Financial Management Systems*; and
- OMB Circular No. A-130, *Management of Federal Information Resources*.

## Internal Controls Assessments

The conclusions in the Udall Foundation's FY 2016 Annual FMFIA Assurance Statement are based on improved internal controls resulting from

- A 2012 review by the Department of Interior Office of Inspector General (OIG);
- A 2013 review conducted by the Government Accountability Office (GAO);
- A 2013 third-party review of internal controls;
- A 2015 review by the GAO;
- A 2016 Udall Foundation Risk Assessment of internal controls; and
- The annual financial audit conducted by Rocha and Company, PC.

## FMFIA Material Weaknesses and Accounting System Non-conformances

The Udall Foundation uses the OMB guidelines for material weakness designations and recognizes the importance of correcting material weaknesses in a timely manner. The independent auditors identified no deficiencies in internal controls that are considered a material weakness in financial reporting during their audit for the year ended September 30, 2016.

## Internal Controls over Financial Reporting

Internal controls over financial reporting reasonably ensure the safeguarding of assets from waste, loss, and unauthorized use or misappropriation, as well as compliance with laws and regulations pertaining to financial reporting.

## Federal Financial Management Improvement Act of 1996 (FFMIA)

Federal agencies are required to address compliance with the requirements of FFMIA in the management representations made to the financial statement auditor. The auditor is required to report on compliance with FFMIA requirements in the Independent Auditors' Report. The independent auditor's report found the Udall Foundation in substantial compliance with FFMIA requirements.

### *Major Management Challenges Confronting the Udall Foundation*

Funding uncertainty from historically low Treasury rates and decreases in appropriations and earned revenue has been a major challenge. The Udall Foundation seeks to improve program delivery despite funding challenges. The Udall Foundation is reviewing the marketing plan for the U.S. Institute for Environmental Conflict Resolution to further diversify its customer base.

The Udall Foundation continued to operate effectively despite reduced budgetary resources. Despite Staff vacancies, the Foundation continued to provide support for mission critical objectives and prompt attention to items identified as higher risk.

## FY 2016 Assurance Statement

As the Chief Financial Officer of the Morris K. Udall and Stewart L Udall Foundation, I recognize that the Udall Foundation is responsible for establishing and maintaining effective internal controls to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA).

The FMFIA and its implementing guidance, OMB Circular A-123, Management's Responsibility for Internal Control, require that I evaluate and annually report the results of my evaluation regarding the internal and financial management controls in place.

I am pleased to report that management controls in effect from October 1, 2015, through September 30, 2016, provide reasonable assurance that the Udall Foundation is meeting the objectives of the FMFIA. In general,

- Financial and other resources are safeguarded from unauthorized use or disposition;
- Transactions are executed in accordance with authorizations;
- Records and reports are reliable;
- Applicable laws, rules, regulations, and policies are observed; and
- Resources are efficiently and effectively managed.

I am able to provide an unqualified statement of assurance that operational internal controls of the Udall Foundation meet the objectives of the FMFIA.



Scott Swarens  
Chief Financial Officer

## Goals and the Supporting Financial System Strategies

PMD is a multiuser application that helps manage Foundation-wide financial transactions and provides real-time project-related information to U.S. Institute staff. (The Education Programs also utilizes a separate application to manage project information.) Using PMD, the financial staff completes the various federal forms necessary for USDA to record and process obligations, revenues, and expenses. The financial information needed for the forms is then available to the financial staff for reconciliation and reporting purposes. The data is also available to all staff to assist them in tracking project-related revenues and expenses as well as project data such as contracts and interagency agreements in real time.

The financial sections of PMD maintain segregation of duties by separating the ability to create, review, and approve records depending on a user's login identity. Using a series of electronic in-boxes for the purposes of moving the document from user to user, one user can create a transaction, which is forwarded to a different user for review, and the transaction is automatically forwarded to the next user for final review and approval. PMD establishes budgetary controls for each project before obligations or expenses can be incurred. This system not only ensures segregation of duties, it ensures that transactions are not overlooked, and requires action on the part of the person "receiving" the transaction in his/her in-box. Following approvals, PMD provides receipt and expense supporting documentation necessary for USDA's processing. USDA's internal controls provide a second check on receipts and disbursements. USDA provides monthly financial transaction reports that are reconciled with PMD. USDA also provides quarterly and annual financial reporting to the Udall Foundation.

## Analysis of Financial Statements

### Introduction and Analysis of Statements

The Federal Accounting Standards Advisory Board requires that the agency's financial statements be displayed in several formats. The annual financial statements include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and related notes. The statements are in addition to the internal financial reports to management, which are prepared from the same data.

The Udall Foundation's appropriation is deposited into two funds—the Trust Fund and the Environmental Dispute Resolution Fund (EDRF). The financial statements combine data for both the Trust Fund's Education Programs and the EDRF's U.S. Institute for Environmental Conflict Resolution program. Although both funds invest available balances in Treasury obligations, they differ in how they may be spent: The Environmental Dispute Resolution Fund (U.S. Institute) appropriations remain available until expended and are used for annual operations; the appropriations for the Trust Fund are added to principal and



invested, and only the ~~income~~ interest and earnings may be used to fund the Udall Foundation's Education Programs.

Public Law 102-259 authorized appropriations of \$40 million for the Trust Fund. The initial appropriation in 1994 was approximately \$19.9 million; from FY 1998 through FY 2016, \$40.5 million has been appropriated by Congress, of which \$13 million has been transferred to the Native Nations Institute (NNI) and \$600,000 has been transferred to the Office of Inspector General for financial oversight bringing the total appropriations deposited in the Trust Fund to \$46.8 million. The Trust Fund is invested by law in Treasury obligations.

The U.S. Institute has received annual operating appropriations each year since FY 1999. The U.S. Institute also received a one-time start-up appropriation of \$3 million.

## Overall Significant Trends

Treasury interest rates remained low during FY 2016 and the President's Budget indicated a decrease in our annual appropriation as well. The funding uncertainty and reduced interest along with staffing vacancies forced the Udall Foundation to prioritize work and focus on high priority efforts.

### Trust Fund:

Interest from Treasury obligations remained static with FY 2014 levels. As a result, Education Programs remained reduced (for example, 50 scholarships for FYs 2013-2015 and 60 scholarships for FY 2016 instead of the historical number of 80 scholarships were provided). Net Program Costs for the Education Programs were higher this year, primarily due to shared costs being a larger amount than expected due to a reduced staff in the U.S. Institute. This trend is most evident in the Statement of Net Cost explained below.

### U.S. Institute for Environmental Conflict Resolution:

Over the last few years, the U.S. Institute experienced a significant reduction in staff (from historical levels). There was a focus on filling vacant positions in FY 2016, and a few positions were filled late in the fiscal year but many remain unfilled at this time. In addition, appropriation levels have also decreased. The annual financial statements reflect a reduction in gross costs and an increase in earned revenue.

## Balance Sheet

The Balance Sheet provides a "snapshot" of the Udall Foundation's financial condition as of the end of the fiscal year. The Assets category includes both long-term investments and Treasury balances that are invested on a monthly basis.

The vast majority of the Total Assets shown on the balance sheet are Trust Fund investments, representing both short and long-term Treasury obligations. When the U.S. Institute's Fund balance with Treasury is included, these investments are nearly 84.5% of total assets. Because annual appropriations to the Trust Fund may not be spent, but must be invested, these appropriations increased the fund balance in FY 2016. Since long-term rates were not favorable in FY 2016, and therefore long-term investments were not purchased to replace short-term investments, the increase in Assets is the result of an increase in short-term obligations. In the past, the Udall Foundation established a goal of a 5% yield for long-term investments. With long-term rates far below this threshold, and premium costs at historic highs, additions to the Trust Fund continue to be invested for the short-term. There have been recent changes to long-term

interest treasury rates, and we will continue to monitor rates and will invest additional funds as rates approach a 3 – 3.5% return.

Overall, assets grew by approximately \$1.6 million (nearly 2.8%). The increase in total assets resulted primarily from appropriations paid from the Treasury into the Trust Fund.

Liabilities are primarily related to external accounts payable, accrued but not yet billed. Liabilities related to payroll (leave, taxes payable, and the like) were 9.7% of total liabilities in FY 2016. Payables decreased in FY 2016 as a result of timing in the accrual versus the billing of accounts payable.

## Statement of Net Cost (SNC)

The SNC displays the respective total expenses, net of earned revenues, for the strategic goal.

The overall net cost of operations for the Udall Foundation were 2.1% lower than in FY 2015. The decrease is primarily due to the timing difference between expenditures being incurred and billing for reimbursement. Revenue decreased 8.7% compared to FY 2015.

## Statement of Changes in Net Position (SCNP)

As mentioned above, the Net Cost of Operations decreased in FY 2016. Total Financing Sources was also greater than FY 2015, a result of a decrease in appropriations used. Overall, the ending balances, in our consolidated financial statements, increased by nearly \$2.6 million, the difference between total funding sources and the net cost of operations.

## Statement of Budgetary Resources (SBR)

The SBR provides information to help assess budget execution and compliance with budgetary accounting rules. It provides information on total budgetary resources available, the status of those resources, and outlays. This statement is prepared on an “obligation” basis as opposed to the accrual basis of accounting used for the other statements. Overall, budgetary resources increased approximately 1.6% and net outlays increased approximately 3.4%.

## Controls, Systems, and Legal Compliance Financial Audit

In Fiscal Year 2016, the Udall Foundation had its 15th independent audit of its financial statements. The audit provides additional assurance to its constituents, to Congress, and to the Udall Foundation’s Chief Financial Officer that the Udall Foundation’s financial transactions and management practices are in keeping with established laws, regulations, and practices. The Udall Foundation received unqualified (“clean”) opinions for all years.

## Independent Auditor's Report (FY 2016)

The independent financial statement auditors found the Udall Foundation’s financial statements, including the accompanying notes, present fairly in all material respects, in conformity with U.S. generally accepted accounting principles. They identified no material weaknesses or significant deficiencies in internal controls.

## Possible Future Effects of Existing Events and Conditions

### *Future Effects and Trend Data*

**Education Programs:** The Education scholarship and fellowship programs are funded from interest earned on Treasury investments. These investments are interest-rate sensitive and have been adversely affected by declining Treasury rates since FY 2007.

As a result, the Udall Foundation has been unable to replace long-term investments and the income these generate, due to the combination of extremely low interest rates and unacceptably high purchase premiums for bonds with higher rates of interest. Recently, the Federal Reserve increased long-term bond interest rates and noted that future increases may be in order during 2017. If rates continue to raise on long term bonds the Udall Foundation will invest some of the funds that are currently invested in short-term treasury bonds.

**U.S. Institute for Environmental Conflict Resolution:** Although the U.S. Institute charges fees for all ECR cases and projects that develop beyond the initial consultation stage, it has relied upon a baseline appropriation to support its operations. Since the U.S. Institute has a statutory obligation to use the services of neutrals in the geographic area of the dispute when feasible, the use of contracted service providers leverages the effort of the staff and enables the U.S. Institute to work on a greater number of cases and projects.

There are two unknowns that could affect operations—a reduction of the entity's baseline appropriations, or a reduction in reimbursable fees due to the inability of agencies to prioritize ECR activities. It is anticipated that reductions in agency budgets may impact either the scale or scope of federal ECR efforts. The U.S. Institute is continuing efforts to reach out to a broader array of entities receiving federal funds in order to reduce the likelihood of downward swings in its overall earned revenue. Such diversification may reduce the potential for sudden drops in earned revenue.

### Limitations of the Financial Statements

The enclosed principal financial statements have been prepared to report the financial position and results of operations of the Udall Foundation, as required by 31 U.S.C. 3515(b). The statements have been prepared from the books and records of the Udall Foundation in accordance with accounting principles generally accepted in the United States of America for federal entities and the formats prescribed by the Office of Management and Budget. These financial statements are in addition to other financial reports used to monitor and control budgetary resources that are also prepared from the same books and records.

## Section IV – Other Information

### Appendix A. Data Validation and Verification

#### Environmental Conflict Resolution Program

Since FY 2002, the U.S. Institute has received OMB approval to administer a suite of questionnaires to evaluate environmental collaboration and conflict resolution services. Using these questionnaires, the U.S. Institute solicits performance feedback from members of the public and agency representatives who are participants in, and users of, U.S. Institute services. Respondents are surveyed at the conclusion of services or at the end of a significant phase of a process or service (e.g., the end of a training, the completion of an assessment or mediation). To obtain performance data, the U.S. Institute administered surveys to service recipients for completed FY 2016 processes and services as allowed, and when appropriate.

The evaluative information collected by the U.S. Institute is used to promote improved outcomes. Project-level evaluation reports are generated that summarize respondents' feedback in a detailed, transparent manner. These reports provide program managers and others in-depth feedback on performance as well as insights into why performance was met, exceeded, or fell short of expectations. Such feedback is designed to promote reflective practice so that future processes and applications of ECR are improved. In terms of data reliability, validation, and verification, the U.S. Institute has systems in place to audit the recording, processing, and summarizing of performance information.

#### Education Programs

The Udall Foundation's education programs use both quantitative and qualitative data collections to assess performance and measure success.

Quantitative data consists of numbers of awards and participants, and statistical data such as types of majors and fields of study. The data is entered manually through the scholarship online application and in the Udall Foundation's Scholar and Alumni Tracking database. Data is verified through staff quality control review and programming robustness.

Qualitative data is collected using the following methods:

- Direct observation of participants' behavior and interactions;
- Staff conversations and interactions with individual participants;
- Informal feedback from participants;
- Follow up with program alumni.

The observations and interactions with participants occur over the course of each program, and alumni continue to provide feedback after the programs have ended. Information gathered over time in this way results in a more comprehensive and well-rounded data collection.

# Appendix B. Independent Auditors Report, FY 2016 Consolidated Financial Statements, Notes to the Financial Statements

**Independent Auditor's Report**

Board Members and Executive Director  
The Morris K. Udall and Stewart L. Udall Foundation

**Report on the Financial Statements**

We have audited the accompanying balance sheet of The Morris K. Udall and Stewart L. Udall Foundation (the Foundation) as of September 30, 2016 and 2015, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended. In our audit of the Foundation for the fiscal year ended September 30, 2016, we found:

- The financial statements are presented fairly in all material respects, in conformity with U.S. generally accepted accounting principles.
- No material weaknesses or significant deficiencies in internal control over financial reporting.
- Instances of non-compliance that are detailed in the Compliance with Applicable Laws and Regulations section of this report, the following findings were identified:
  - The Foundation had certain payments to vendors that did not comply with the Prompt Payment Act. During our audit we noted two instances where payments to contractors and vendors were not made within the required 30-day stipulation.

The following sections discuss in more detail our opinion, our consideration of internal control over financial reporting, our tests of compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

**Opinion on the Financial Statements**

In our opinion, the financial statements, including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the financial position of The Morris K. Udall and Stewart L. Udall Foundation as of September 30, 2016 and 2015, and its net costs; changes in net position; and budgetary resources for the year then ended.

**Consideration of Internal Control**

In planning and performing our audit, we considered The Foundation's internal control over financial reporting as a basis for designing our auditing procedures and to comply with the Office of Management and Budget (OMB) audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on internal control and compliance or on management's assertion on internal control included in MD&A. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on the effectiveness of the entity's internal control over financial reporting, or on management's assertion on the internal control included in the MD&A.



A control deficiency 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 misstatements on a timely basis. 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. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance in amounts that would be material to the financial statements.

Our consideration of internal control over financial reporting was for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Foundation's internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted other non-reportable matters involving internal control and its operation that we will communicate in a separate management letter to the Foundation's management.

### **Compliance With Applicable Laws and Regulations**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws and regulations for fiscal year 2016. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The details of these instances of non-compliance are presented in Exhibit A.

### **Consistency of Other Information**

The information in the Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Chairman's Message, Performance Section, and Other Accompanying Information is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

### **Responsibilities**

**Management's Responsibilities.** Management is responsible for the preparation of these financial statements; establishing and maintaining effective internal control over financial reporting; and complying with laws, regulations, contracts, and grant agreements applicable to the Foundation.

**Auditors' Responsibilities.** Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the

United States of America; the standards applicable to financial audits contained in the U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency'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 agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 opinion.

The Foundation's written response to the deficiencies in internal control, instances of noncompliance or other matters identified in our audit is presented attached to our report, and was not subjected to the auditing procedures applied in the audit of the Foundation's financial statements and, accordingly, we express no opinion on it.

*Rocha & Company, PC*

*Gaithersburg, Maryland  
January 9, 2017*



**Independent Auditors' Report**  
**Exhibit A – Instances of Non-Compliance**

**A-1 Non-Compliance with the Prompt Payment Act**

*Conditions:* The Foundation had certain payments to vendors that did not comply with the Prompt Payment Act. During our audit, we noted two instances where payments to vendors were not made within the required time period.

*Criteria:* The Prompt Payment Act and 5 CFR Part 1315 require that payment should be made to vendors within 30 days from the time a proper invoice is received.

*Cause/Effect:* Communication between financial managers and third party administrators responsible for processing payments was not sufficient to ensure compliance. Failure to pay vendors in accordance with the Prompt Payment Act may result in late payment interest penalties.

*Recommendations:* We recommend that the Foundation implement procedures that will ensure that all payments are made within the timeframe prescribed by the Prompt Payment Act.

*Management's Response:* The Udall Foundation did perform research on the Prompt Payment Act non-compliance instances identified by Rocha and Company during the FY2016 Financial Statement Audit. We determined that the non-compliant payments were reviewed, approved, and processed within our office and forwarded to the USDA with significant time remaining for timely processing. When we spoke with the USDA they admitted the error was in fact their responsibility and as such was out of the Udall Foundation's control. We will continue to work with USDA to improve their timely handling of payments. This should hopefully reduce the likelihood of this issue recurring.



**THE MORRIS K. UDALL AND  
STEWART L. UDALL FOUNDATION**

**GENERAL AND TRUST FUND**

**CONSOLIDATED FINANCIAL STATEMENTS**

**As of and For The Years Ended September 30, 2016 and 2015**

# THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION

## BALANCE SHEET

As Of September 30, 2016 and 2015

		2016	2015
<b>Assets:</b>			
<b>Intragovernmental:</b>			
Fund Balance With Treasury	(Note 2)	\$ 32,716,957.51	\$ 30,998,705.23
Investments	(Note 3)	26,651,470.19	26,693,723.15
Accounts Receivable	(Note 4)	526,719.94	496,138.42
<b>Total Intragovernmental</b>		59,895,147.64	58,188,566.80
<b>Assets With The Public:</b>			
Accounts Receivable, net	(Note 4)	32,194.22	67,529.64
General Property, Plant and Equipment	(Note 5)	2,210.07	7,352.35
<b>Total Assets</b>		\$ 59,929,551.93	\$ 58,263,448.79
<b>Liabilities:</b>			
<b>Intragovernmental:</b>			
Accounts Payable	(Note 6)	\$ -	\$ 178,725.35
Other:	(Note 7)		
Employer Contributions and Payroll Taxes Payable		24,802.39	20,715.35
<b>Total Intragovernmental</b>		24,802.39	199,440.70
<b>Liabilities With the Public:</b>			
Accounts Payable		606,220.62	704,094.66
Other:	(Note 7)		
Accrued Funded Payroll and Leave		86,213.60	77,446.46
Employer Contributions and Payroll Taxes Payable		3,575.81	3,237.25
Unfunded Leave		164,147.95	154,202.07
Other Liabilities Without Related Budgetary Obligations		410.00	410.00
<b>Total Liabilities</b>		\$ 885,370.37	\$ 1,138,831.14
<b>Net Position:</b>			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		1,385,363.00	709,456.88
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		57,658,818.56	56,415,160.77
<b>Total Net Position - All Other Funds (Consolidated Totals)</b>		59,044,181.56	57,124,617.65
<b>Total Net Position</b>		59,044,181.56	57,124,617.65
<b>Total Liabilities and Net Position</b>		\$ 59,929,551.93	\$ 58,263,448.79

*The accompanying notes are an integral part of these statements.*

**THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION**  
**STATEMENT OF NET COST**

For The Years Ended September 30, 2016 and 2015

	2016	2015
<b>Program Costs:</b>		
<b>Trust: Strategic Goal 1</b>		
Gross Costs	2,974,032.37	2,729,520.24
Less: Earned Revenue	7,500.00	-
<b>Net Program Costs</b>	2,966,532.37	2,729,520.24
<b>Institute: Strategic Goal 2</b>		
Gross Costs	5,551,953.42	6,206,768.84
Less: Earned Revenue	3,124,757.81	3,425,779.58
<b>Net Program Costs</b>	2,427,195.61	2,780,989.26
<b>Net Cost of Operations</b> (Note 8)	\$ 5,393,727.98	\$ 5,510,509.50

*The accompanying notes are an integral part of these statements.*

**THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION**  
**STATEMENT OF CHANGES IN NET POSITION**  
**For The Years Ended September 30, 2016 and 2015**

FY 2016 (CY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
<b>Cumulative Results of Operations:</b>				
Beginning Balances	\$ -	\$ 56,415,160.77		\$ 56,415,160.77
Beginning balance, as adjusted	-	56,415,160.77	-	56,415,160.77
<b>Budgetary Financing Sources:</b>				
Appropriations used	-	4,519,033.88		4,519,033.88
Nonexchange revenue	-	1,313,297.91		1,313,297.91
Donations and forfeitures of cash and cash equivalents	-	603,112.11		603,112.11
<b>Other Financing Sources (Non-Exchange):</b>				
Imputed financing	-	201,941.87		201,941.87
Total Financing Sources	-	6,637,385.77	-	6,637,385.77
Net Cost of Operations	-	5,393,727.98		5,393,727.98
Net Change	-	1,243,657.79		1,243,657.79
<b>Cumulative Results of Operations</b>	-	57,658,818.56		57,658,818.56
<b>Unexpended Appropriations:</b>				
Beginning Balance	-	709,396.88		709,396.88
Beginning Balance, as adjusted	-	709,396.88	-	709,396.88
<b>Budgetary Financing Sources:</b>				
Appropriations received	-	5,395,000.00		5,395,000.00
Appropriations transferred-in/out	-	(200,000.00)		(200,000.00)
Appropriations used	-	(4,519,033.88)		(4,519,033.88)
Total Budgetary Financing Sources	-	675,966.12		675,966.12
Total Unexpended Appropriations	-	1,385,363.00		1,385,363.00
Net Position	-	59,044,181.56		59,044,181.56

*The accompanying notes are an integral part of these statements.*

**THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION**  
**STATEMENT OF CHANGES IN NET POSITION**  
**For The Years Ended September 30, 2016 and 2015**

FY 2015 (PY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
<b>Cumulative Results of Operations:</b>				
Beginning Balances	\$ -	\$ 52,530,926.49		\$ 52,530,926.49
Beginning balance, as adjusted	-	52,530,926.49	-	52,530,926.49
<b>Budgetary Financing Sources:</b>				
Appropriations used	-	7,885,543.12		7,885,543.12
Nonexchange revenue	-	1,297,154.28		1,297,154.28
Donations and forfeitures of cash and cash equivalents	-	31,405.44		31,405.44
<b>Other Financing Sources (Non-Exchange):</b>				
Imputed financing	-	180,640.94		180,640.94
Total Financing Sources	-	9,394,743.78	-	9,394,743.78
Net Cost of Operations	-	5,510,509.50		5,510,509.50
Net Change	-	3,884,234.28		3,884,234.28
<b>Cumulative Results of Operations</b>	-	56,415,160.77		56,415,160.77
<b>Budgetary Financing Sources:</b>				
Appropriations received	-	5,395,000.00		5,395,000.00
Appropriations transferred-in/out	-	(200,000.00)		(200,000.00)
Appropriations used	-	(7,885,543.12)		(7,885,543.12)
Total Budgetary Financing Sources	-	(2,690,543.12)		(2,690,543.12)
Total Unexpended Appropriations	-	709,456.88		709,456.88
Net Position	-	57,124,617.65		57,124,617.65

*The accompanying notes are an integral part of these statements.*

**THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION**  
**STATEMENT OF BUDGETARY RESOURCES**

For The Years Ended September 30, 2016 and 2015

	<u>2016</u> <u>Budgetary</u>	<u>2015</u> <u>Budgetary</u>
<b>BUDGETARY RESOURCES</b>		
Unobligated balance brought forward, October 1	\$ 6,995,135.69	\$ 6,747,130.13
Adjustment of unobligated balance brought forward, October 1 (+ or -)	-	27,718
Unobligated balance brought forward, October 1, adjusted	6,995,135.69	6,774,848.13
Recoveries of prior year unpaid obligations (unobligated balances)	765,745.51	721,873.30
Unobliged balance from prior year budget authority, net	7,760,881.20	7,496,721.43
Appropriations (discretionary and mandatory)	7,973,619.98	7,281,740.50
Spending authority from offsetting collections	3,168,574.98	3,820,239.08
<b>Total budgetary resources</b>	<b>\$ 18,903,076.16</b>	<b>\$ 18,598,701.01</b>
 <b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations incurred	\$ 11,590,284.62	\$ 11,542,539.56
Apportioned	7,110,434.85	5,279,131.92
Unapportioned	202,356.69	1,777,029.53
Unobligated balance brought forward, end of year	7,312,791.54	7,056,161.45
<b>Total budgetary resources</b>	<b>\$ 18,903,076.16</b>	<b>\$ 18,598,701.01</b>
 <b>CHANGE IN OBLIGATED BALANCE</b>		
Unpaid obligations, brought forward, October 1 (gross)	\$ 3,795,441.96	\$ 3,250,133.21
Obligations incurred	(Note 9) 11,590,284.62	11,542,539.56
Outlays (gross) (-)	(10,368,404.16)	(10,275,417.51)
Recoveries of prior year unpaid obligations (-)	(765,745.51)	(721,873.30)
Unpaid obligations, end of year	(Note 10) 4,251,576.91	3,795,381.96
Uncollected pymts, Fed sources, brought forward, Oct 1 (-)	(496,138.42)	
Change in uncollected pymts, Fed sources	(526,719.94)	(529,386.18)
Uncollected pymts, Fed sources, end of year (-)	(526,719.94)	(529,386.18)
Obligated balance, start of year (net)	3,299,303.54	3,250,133.21
Obligated balance, end of year (net)	<u>\$ 3,724,856.97</u>	<u>\$ 3,265,995.78</u>
 <b>BUDGET AUTHORITY AND OUTLAYS, NET</b>		
Budget authority, gross (discretionary and mandatory)	\$ 11,142,194.96	\$ 11,101,979.58
Actual offsetting collections (discretionary and mandatory) (-)	(3,137,993.46)	(3,290,852.90)
Change in uncollected payments from Federal Sources (discretionary and mandato	(30,581.52)	(529,386.18)
Budget authority, net (discretionary and mandatory)	7,973,619.98	7,281,740.50
Outlays, gross (discretionary and mandatory)	10,368,404.16	10,275,417.51
Actual offsetting collections (discretionary and mandatory) (-)	(3,137,993.46)	(3,290,852.90)
Outlays, net (discretionary and mandatory)	<u>\$ 7,230,410.70</u>	<u>\$ 6,984,564.61</u>
Distributed offsetting receipts (-)	3,727,869.92	5,252,185.02
Agency outlays, net (discretionary and mandatory)	<u>\$ 3,502,540.78</u>	<u>\$ 1,732,379.59</u>

*The accompanying notes are an integral part of these statements.*

**THE MORRIS K. UDALL AND  
STEWART L. UDALL FOUNDATION**

**Note 1 – Significant Accounting Policies**

**Reporting Entity**

The financial reporting entity consists of the Morris K. Udall and Stewart L. Udall Foundation and the U.S. Institute for Environmental Conflict Resolution which collectively are referred to as the Morris K. Udall and Stewart L. Udall Foundation.

The Morris K. Udall and Stewart L. Udall Foundation (the Foundation) was established by the U.S. Congress in 1992 as The Morris K. Udall Foundation and is an executive branch agency. During fiscal year 2009-10 the name was changed to The Morris K. Udall and Stewart L. Udall Foundation. The President of the United States appoints its board of trustees with the advice and consent of the U.S. Senate. The Foundation is committed to educating a new generation of Americans to preserve and protect their national heritage through studies in the environment, Native American health and tribal policy, and effective public policy conflict resolution.

The U.S. Institute for Environmental Conflict Resolution (the Institute) was created by the 1998 Environmental Policy and Conflict Resolution Act to assist parties in resolving environmental conflicts around the country that involve federal agencies or interests. The Institute was established as part of the Foundation to provide a neutral place inside the federal government, but “outside the Beltway” where public and private interests can reach common ground.

**Basis of Presentation**

These financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and the form and content requirements specified by the Office of Management and Budget’s (OMB) Circular No. A-136, revised. U. S. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated as the official accounting standards-setting body for the U. S. Federal Government by the American Institute of Certified Public Accountants.

The Foundation uses both the accrual basis and budgetary basis of accounting to record transactions. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. These financial statements were prepared following accrual basis accounting. The Combined Statements of Budgetary Resources provide information about how budgetary resources were made available as well as their status at the end of the period. Recognition and measurement of budgetary information reported on this statement is



## **Note 1 – Significant Accounting Policies (Continued)**

based on budget terminology definition and guidance in OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*, dated July 2016.

### **Annual Appropriations**

Annual appropriations for the years ended September 30 are as follows:

	<u>2016</u>	<u>2015</u>
Morris K. Udall Scholarship and Excellence in National Environmental Policy Trust Fund	\$ 1,795,000.00	\$ 1,795,000.00
Environmental Dispute Resolution Fund	\$ 3,400,000.00	\$ 3,400,000.00

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions. These estimates affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

### **Fund Balance with the U.S. Treasury**

The Foundation's cash receipts and disbursements are processed by the U.S. Treasury. No cash balances are maintained outside the U.S. Treasury.

### **Accounts and Interest Receivables**

Accounts receivable, including interest receivable, consists of amounts owed to the Foundation by other federal agencies and the public. These balances are presented net of any direct write-offs made.

### **Investments**

Investments that consist of the U.S. Government securities are carried at historical cost in the accompanying financial statements. The unamortized premium (discount) is amortized using the interest yield method as required by the Treasury Financial Manual, Volume 1, Bulletin No. 2007-03.

## **Note 1 – Significant Accounting Policies (Continued)**

### **General Property and Equipment**

Property and equipment purchases are valued at cost and are capitalized when the cost is \$2,500 or more with a useful life of more than two years. Depreciation is calculated on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows: Furniture & Fixtures – seven years, Computer equipment – five years and Telephone System – ten years.

### **Liabilities**

Liabilities are recognized for amount of probable future outflows or other sacrifices of resources as a result of past transactions or events. Since the Foundation is a component of the U.S. Government, a sovereign entity, its liabilities cannot be liquidated without legislation that provides resources to do so. Payment of all liabilities other than contracts can be abrogated by the sovereign entity.

Unfunded liabilities are incurred when funding has not yet been made available through Congressional appropriations or current earnings. The Foundation recognizes such liabilities for employee annual leave earned but not taken and amounts billed by the Department of Labor (DOL) for the worker's compensation benefits. In accordance with Public Law and existing federal accounting standards, a liability is not recorded for any future payment made on behalf of current workers contributing to the Medicare Hospital Insurance Trust Fund.

### **Revenues and Other Financing Sources**

The Foundation has a trust fund, where the primary financing source consists of interest revenue from investments. Other financing sources for The Foundation consist of imputed financing sources which are costs financed by other Federal entities on behalf of The Foundation, as required by Statement of Federal Financial Accounting Standard (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*. The Foundation may also accept private donations for educational activities. Private donations for the work of the Institute and the Native Nations Institute are expressly excluded by 20 U.S.C. 5608 (b). The activities of the U.S. Environmental Conflict Resolution are supported by annual appropriations and fees charged for services.

Financing sources are provided through Congressional appropriations on an annual, multi-year, and no-year basis, or through reimbursable agreements. Annual appropriations are available for incurring obligations during a specified year; multi-year appropriations are generally available for two years or more. No-year or "X-year" appropriations are available for obligations until the purpose for which they are provided is carried out and, therefore, for an indefinite period.

## **Note 1 – Significant Accounting Policies (Continued)**

Reimbursable service agreements generally recognize revenues when goods are delivered or services rendered between the Foundation and other federal agencies and the public. In addition, other financing sources are provided in the form of gifts from the public, interest on investments, and miscellaneous sales. All of these financing sources may be used to finance operating expenses and for capital expenditures, as specified by law.

### **Trust Fund**

The education programs of the Foundation were established by Public Law 102-259, codified at 20 U.S.C.2601 and following.

The Foundation enabling legislation specifically authorizes scholarships, fellowships, internships and grants in the area of the environment and Native American health or tribal policy. The enabling legislation authorized \$40 million for a Trust Fund and directed that the Fund be invested in Treasury obligations, with only the income from the Fund available to operate the education programs. The Foundation is also authorized to accept, hold, administer and utilize gifts. 20 U.S.C. 5608(a)(4).

The annual income is specifically allocated by the law, as follows: at least 50 percent for scholarships, internships and fellowships; at least 20 percent for grants to the Udall Center; and a maximum of 15 percent for administrative costs. Parks in Focus and other activities are funded from the remaining 15 percent of Trust Fund income. Since fiscal year 2001, transfers from appropriations have been made for the purposes of the Native Nations Institute, pursuant to Congressional authorization.

Through FY 2016, approximately \$46.8 million in appropriations has been deposited in the Trust Fund. In addition to the Trust Fund corpus, \$13 million has been appropriated and transferred for the purposes of the Native Nations Institute (NNI), pursuant to Congressional authorization. Transfers to NNI during fiscal year 2016 totaled \$1.0 million.

In FY 2016, the Foundation had three sources of income, donations, interest from investments and grants. All would be considered inflow of resources to the Government.

### **Institute**

The Institute was established by Congress through the Environmental Policy and Conflict Resolution Act of 1998 (Public Law 105-156).

The Institute received appropriations of approximately \$1.3 million a year for operating expenses from fiscal year 1999 through 2005; \$1.9 million for fiscal year 2006 and fiscal year 2007; \$2.1 million for fiscal year 2009; \$3.8 million for fiscal year 2010 through 2013 and \$3.4 million for fiscal year 2014 through 2016. In fiscal year 1999, Congress

## **Note 1 – Significant Accounting Policies (Continued)**

also appropriated \$3 million as a capitalization fund for the Institute, from which the Institute had drawn for program development expenses.

Congress authorized the U.S. Institute to accept and retain fees for conflict resolution services, in addition to its appropriations. All available balances are invested in Treasury obligations.

Of the \$3,124,757.81 being reported as fiscal year 2016 revenue for services provided, \$2,881,330.58 is from federal sources and is the result of Intragovernmental flows. The remaining \$243,427.23 is from non-federal sources and should be considered inflows or resources to the Government.

Of the \$3,425,779.88 being reported as fiscal year 2015 revenue for services provided, \$3,133,352.29 is from federal sources and is the result of Intragovernmental flows. The remaining \$292,427.59 is from non-federal sources and should be considered inflows or resources to the Government.

### **Annual Leave**

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrual annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken. Unused sick leave will be used in the calculation of an employee's or survivor's annuity based on retirement with an immediate annuity or on a death in service. For employees covered by the Civil Service Retirement System (CSRS), credit toward the annuity computation will be based on the full sick leave balance at retirement or death. For employees covered by the Federal Employees Retirement System (FERS), credit toward the annuity computation will be based upon a percentage of the sick leave balance at retirement or death, depending on the date the entitlement to the annuity began-

- 50 percent in the case of an annuity entitlement based on a separation from service from October 28, 2009, through December 31, 2013; and
- 100 percent in the case of an annuity entitlement based on a separation from service occurring on or after January 1, 2014.

## **Note 1 – Significant Accounting Policies (Continued)**

### **Retirement Plans**

All of the Foundation's employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Under CSRS, the Foundation contributes an amount equal to seven percent of the employees' basic pay to the plan. Under FERS, the Foundation contributes the employer's matching share for Social Security and an amount equal to one percent of employee's pay to the Thrift Savings Plan. The Foundation will also match an employee's savings plan contribution up to an additional four percent of pay. OPM is responsible for reporting on FERS plan assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to federal civilian employees.

The FASAB's SFFAS Number 5, *Accounting for Liabilities of the Federal Government*, requires that employing agencies recognize the full cost of pensions, health, and life insurance benefits, during their employee's active years of service. OPM, as the administrator of the FERS plan, the Federal Employee's Health Benefits Program, and the Federal Employee's Group Life Insurance Program must provide the "cost factors" that adjust the agency contribution rate to the full cost for the applicable benefit programs. Accordingly, no liability is reflected on the Foundation's balance sheet, and an imputed cost is reflected in its operating statements.

### **Obligations Related To Canceled Appropriations**

Payments may be required of up to one percent of current year appropriations for valid obligations incurred against prior year appropriations that have been canceled. The Foundation had no canceled appropriations as of September 30, 2016 and 2015.

### **Contingencies**

A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to the Foundation. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. With the exception of pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is more likely than not, and the related future outflow or sacrifice of resources is measurable. For pending, threatened, or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable.

## Note 2 – Fund Balance With Treasury

All of the Foundation’s fund balance with treasury comes from investment interest revenue, appropriations, fees charged for services and donations. The Trust Fund appropriation is unavailable to the Foundation for general use and can be used only for investments.

	2016	2015
A. Fund Balance with Treasury		
Trust Fund	\$ 23,966,546.52	\$ 23,339,736.83
Institute	8,750,410.99	7,658,968.40
Total	<u>\$ 32,716,957.51</u>	<u>\$ 30,998,705.23</u>
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	\$ 7,110,434.85	\$ 5,279,131.92
b) Unavailable	460,756.69	2,032,668.53
2) Obligated Balance not yet Disbursed	3,724,856.97	3,265,995.78
3) Non-Budgetary FBWT	21,420,909.00	20,420,909.00
Total	<u>\$ 32,716,957.51</u>	<u>\$ 30,998,705.23</u>

## Note 3 – Investments

As of September 30, 2016, investments were composed of the following:

	Cost	Amortization Method	Amortized Premium (Discount)	Interest Receivable	Investments, Net	Market Value Disclosure
Intragovernmental Securities:						
Market Based Notes and Bonds	25,507,000.00	Interest-Yield	912,922.06	231,548.13	26,651,470.19	25,507,000.00

As of September 30, 2015, investments were composed of the following:

	Cost	Amortization Method	Amortized Premium (Discount)	Interest Receivable	Investments, Net	Market Value Disclosure
Intragovernmental Securities:						
Market Based Notes and Bonds	25,507,000.00	Interest-Yield	955,175.02	231,548.13	26,693,723.15	25,507,000.00

#### **Note 4 – Accounts Receivable**

Accounts Receivable is represented by Accounts Receivable – Associate Claims and Accounts Receivable – Other, which is where the Institute has billed for services provided. The direct write-off method is used for uncollectible receivables.

Accounts Receivable	<u>2016</u>	<u>2015</u>
Associate Claims:		
Non-federal	2,185.91	1,204.16
Other:		
Federal	526,719.94	496,138.42
Non-federal	30,008.31	66,325.48
Total Receivables	<u>\$ 558,914.16</u>	<u>\$ 563,668.06</u>

#### **Note 5 - General Property, Plant and Equipment, Net**

As of September 30, 2016 general property, plant and equipment were comprised of the following:

<u>2016</u>	<u>Furniture &amp; Fixtures</u>	<u>Computers</u>	<u>Telephone Systems</u>	<u>Assets Under Capital Lease</u>	<u>Total</u>
Cost	145,202.83	216,396.69	21,685.00	36,480.82	419,765.34
Accum. Depr.	<u>(142,992.76)</u>	<u>(216,396.69)</u>	<u>(21,685.00)</u>	<u>(36,480.82)</u>	<u>(417,555.27)</u>
Net Book Value	<u>2,210.07</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,210.07</u>

<u>2015</u>	<u>Furniture &amp; Fixtures</u>	<u>Computers</u>	<u>Telephone Systems</u>	<u>Assets Under Capital Lease</u>	<u>Total</u>
Cost	145,202.55	216,396.69	21,685.00	36,480.82	419,765.06
Accum. Depr.	<u>(140,350.99)</u>	<u>(215,769.90)</u>	<u>(19,811.00)</u>	<u>(36,480.82)</u>	<u>(412,412.71)</u>
Net Book Value	<u>4,851.56</u>	<u>626.79</u>	<u>1,874.00</u>	<u>-</u>	<u>7,352.35</u>

**Note 6 – Liabilities Not Covered by Budgetary Resources**

Liabilities of the Foundation are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2016, the Foundation showed liabilities covered by budgetary resources of \$720,812.42 and liabilities not covered by budgetary resources of \$164,557.95. As of September 30, 2015, the Foundation showed liabilities covered by budgetary resources of \$984,219.07 and liabilities not covered by budgetary resources of \$154,612.07.

	<u>2016</u>	<u>2015</u>
Intragovernmental		
Accounts Payable	-	178,725.35
Employee Contributions & Payroll Taxes	24,802.39	20,715.35
Total Intragovernmental	<u>24,802.39</u>	<u>199,440.70</u>
With the Public		
Accounts Payable	606,220.62	704,094.66
Accrued Funded Payroll & Leave	86,213.60	77,446.46
Unfunded Leave	164,147.95	154,202.07
Employee Contributions & Payroll Taxes	3,575.81	3,237.25
Other Liabilities	410.00	410.00
Total With the Public	<u>860,567.98</u>	<u>939,390.44</u>
Total Liabilities	<u><u>885,370.37</u></u>	<u><u>1,138,831.14</u></u>
Total liabilities not covered by budgetary resources	164,557.95	154,612.07
Total liabilities covered by budgetary resources	<u>720,812.42</u>	<u>984,219.07</u>
Total Liabilities	<u><u>885,370.37</u></u>	<u><u>1,138,831.14</u></u>



**Note 7 – Other Liabilities**

As of September 30, 2016, Other Liabilities with the public consist of Accrued Funded Payroll and Leave of \$86,213.60 a portion of Employer Contributions and Payroll Taxes Payable of \$3,575.81, Unfunded Leave of \$164,147.95, and Other Liabilities of \$410. Other Intragovernmental liabilities consist of a portion of Employer Contributions and Payroll Taxes Payable of \$24,802.39.

As of September 30, 2015, Other Liabilities with the public consist of Accrued Funded Payroll and Leave of \$77,446.46 a portion of Employer Contributions and Payroll Taxes Payable of \$3,237.25, Unfunded Leave of \$154,202.07, and Other Liabilities of \$410. Other Intragovernmental liabilities consist of a portion of Employer Contributions and Payroll Taxes Payable of \$20,715.35.

	With the Public	Non-Current	Current	Total
2016	Other Liabilities	164,557.95	89,789.41	254,347.36
2015	Other Liabilities	154,612.07	80,683.71	235,296.28

	Intragovernmental	Non-Current	Current	Total
2016	Other Liabilities	-	24,802.39	24,802.39
2015	Other Liabilities	-	20,715.35	20,715.35

**Note 8 – Intragovernmental Costs and Exchange Revenue**

Intragovernmental costs are those related to goods/services purchased from a federal entity.

	Total 2016	Total 2015
Program A		
Intragovernmental costs	\$ 3,186,162.18	\$ 3,474,802.84
Public costs	5,339,823.61	5,461,486.24
Total Program A costs	\$ 8,525,985.79	\$ 8,936,289.08
Intragovernmental earned revenue	2,888,830.58	3,133,352.29
Public earned revenue	243,427.23	292,427.29
Total earned revenue	\$ 3,132,257.81	\$ 3,425,779.58
Total Program A	\$ 5,393,727.98	\$ 5,510,509.50

### **Note 9 – Apportionment Categories of Obligations Incurred**

The Foundation is subject to apportionment; therefore, all obligations incurred for the Trust and Foundation are category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the latest SF 132.

	Total 2016	Total 2015
Direct		
Category B	11,590,284.62	11,542,539.56
Total Obligations	<u>11,590,284.62</u>	<u>11,542,539.56</u>

### **Note 10 – Undelivered Orders at the End of the Period**

The amount of Unpaid Obligated Balance, Net, End of Period includes obligations relating to Undelivered Orders (goods and services contracted for but not yet received at the end of the year) and Accounts Payable (amounts owed at the end of the year for goods and services received).

	Undelivered Orders	Accounts Payable	Unpaid Obligated Balance, Net
2016	\$ 3,530,764.49	\$ 720,812.42	\$ 4,251,576.91
2015	\$ 2,811,162.89	\$ 984,219.07	\$ 3,795,381.96

### **Note 11 – Leases**

The Foundation maintains leased office space in Tucson under an operating lease expiring in 2017 and in the District of Columbia expiring in 2018. The rent payment for the office space in the District of Columbia escalates from year to year based on the terms of the lease. The lease may be renewed under a five year option.

Future lease payments are summarized as follows:

2017	351,044.00
2018	61,403.00
<b>Total</b>	<u>\$ 412,447.00</u>

**Note 12 – Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Finance)**

Liabilities not covered by budgetary resources total \$164,557.95 for FY 2016 and \$154,612.07 for FY2015, and the change in components requiring or generating resources in future periods show \$9,945.88 for FY2016 and (\$43,431.91) for FY 2015. The \$9,945.88 is the net increase of future funded expenses – leave between fiscal 2015 and fiscal 2016. Accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations. Whereas, the unfunded leave liability includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

	<u>2016</u>	<u>2015</u>
Liabilities not covered by budgetary resources	164,557.95	154,612.07
Change in components requiring/generating resources	9,945.88	(43,431.91)

	2016	2015
Budgetary Resources Obligated	\$ 11,590,284.62	\$ 11,542,539.56
Spending Authority from Recoveries and Offsetting Collections	(3,934,320.49)	(4,542,112.38)
Distributed Offsetting Receipts	(3,727,869.92)	(5,252,185.02)
Donations and Forfeitures of Property	603,112.11	31,405.44
Imputed Financing from Costs Absorbed by Others	201,941.87	180,640.94
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(719,601.60)	(184,048.01)
Other	3,161,074.98	3,769,045.48
Resources that fund expenses recognized in prior periods	(981.75)	-
Resources that Finance the Acquisition of Assets	-	(913.73)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	1,795,000.00	
Increase in Annual Leave Liability	9,945.88	(43,431.91)
Financing Sources Yet to be Provided	5,142.28	9,569.13
Net Cost of Operations	\$ (5,393,727.98)	\$ (5,510,509.50)

**Note 13 – Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government**

Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting* calls for explanations of material differences between budgetary resources available, status of those resources and outlays as presented in the Statements of Budgetary Resources (SBR) to the related actual balances published in the *Budget of the United States Government* (President's Budget). However, the President's Budget that will include fiscal year 2016 actual budgetary execution information has not yet been published. Accordingly, information required for such disclosures is not available at the time of preparation of these financial statements. There were no material differences between the Foundation's fiscal year 2016 SBR and the related President's Budget.

**Note 14 – Commitments and Contingencies**

The Foundation is not aware of any commitments or contingencies which will have a material adverse effect on the Foundation's financial statements.

**Note 15 – Subsequent Events**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 9, 2017 which is the date the financial statements were available to be issued.