THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION
Tucson, Arizona

FINANCIAL STATEMENTS
September 30, 2012 and 2011

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Independent Auditors' Report

Board of Trustees
The Morris K. Udall and Stewart L. Udall Foundation

We have audited the accompanying balance sheets of The Morris K. Udall and Stewart L. Udall Foundation (the Foundation) as of September 30, 2012 and 2011, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended. The objective of our audit was to express an opinion on the fairness of these financial statements. In connection with our audit, we also considered the internal control over financial reporting and considered the Foundation's compliance with laws and regulations. In our audit, we found:

- The financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S.);
- No material weakness or significant deficiency in internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations; and
- No instances of reportable noncompliance with selected provisions of laws, regulations, contracts, and grant agreements tested or other matters, including the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA).

The following sections discuss in more detail: (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis (MD&A) and other accompanying information, (3) our responsibility for the audit, and (4) management's responsibility for the financial statements.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2012 and 2011, and its net costs; changes in net position; and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the U.S.

Report on Internal Control

In planning and performing our audit, we considered the Foundation's internal control over financial reporting and compliance (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Report on Compliance and Other Matters

In connection with our audit, we performed tests of the Foundation's compliance with certain provisions of laws and regulations. The results of our tests disclosed no instances of noncompliance that are required to be reported in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States or OMB Bulletin No. 07-04 *Audit Requirements for Federal Financial Statements,* as amended (OMB Bulletin 07-04). However, the objective of our audit was not to provide an opinion on compliance with laws and regulations. Accordingly, we do not express such an opinion.

Under FFMIA, we are required to report whether the financial management systems used by the Foundation substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Standard General Ledger (USSGL) at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

The objective of our audit was not to provide an opinion on the Foundation's compliance with FFMIA. Accordingly, we do not express such an opinion. However, our work disclosed no instances in which the Foundation's financial management systems did not substantially comply with (1) Federal financial management systems requirements, (2) Federal accounting standards, or (3) the USSGL at the transaction level.

Other Information

The Foundation's MD&A and other accompanying information on pages 25 through 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other is Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Management's Responsibility for the Financial Statements

The Foundation's management is responsible for (1) preparing the financial statements in conformity with accounting principles generally accepted in the U.S., (2) designing, implementing, and maintaining internal control to provide reasonable assurance that the broad control objectives of FMFIA are met, and (3) complying with other applicable laws and regulations.

Auditor's Responsibility

We are responsible for conducting our audit in accordance with auditing standards generally accepted in the U.S.; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 07-04. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the U.S. We are also responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB Bulletin 07-04 requires testing, and (3) performing limited procedures with respect to certain other information appearing in the financial statements and other accompanying information (pages 25 through 29).

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessed the appropriateness of the accounting policies used and the reasonableness of significant estimates made by management; (3) evaluated the overall presentation of the financial statements; (4) obtained an understanding of the Foundation and its operations, including its internal control related to financial reporting (including safeguarding of assets) and compliance with laws and regulations (including execution of transactions in accordance with budget authority); (5) evaluated the effectiveness of the design of internal control; (6) tested the operating effectiveness of relevant internal controls over financial reporting and compliance; (7) considered the design of the process for evaluating and reporting on internal control and financial management systems under FMFIA; and (8) tested compliance with selected provisions of certain laws and regulations. The procedures selected depend on the auditors' judgment, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. We believe we obtained sufficient and appropriate audit evidence on which to base our opinion.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the Foundation. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 07-04 that we deemed applicable to the Foundation's financial statements for the fiscal year ended September 30, 2012. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

This report is intended solely for the information and use of the Foundation's management, the Board of Trustees, Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Tucson, Arizona
November 14, 2012

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THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION
BALANCE SHEETS
September 30, 2012 and 2011

	2012	2011
ASSETS		
Intragovernmental:		
Fund balance with U.S. Treasury (Note 2)	$ 24,067,984	$ 16,293,138
Investments (Note 3)	28,502,960	33,300,451
Interest receivable (Note 3)	265,552	291,529
Accounts receivable (Note 4)	8,427	49,317
Total intragovernmental	52,844,923	49,934,435
Accounts receivable (Note 4)	468,040	766,705
General property and equipment, net (Note 5)	51,919	73,365
Other	5,500	112,778
TOTAL ASSETS	$ 53,370,382	$ 50,887,283
LIABILITIES		
Intragovernmental:		
Accounts payable	$ -	$ 18,456
Other	13,781	13,025
Total intragovernmental liabilities	13,781	31,481
Liabilities with the public:		
Accounts payable	363,773	1,114,918
Accrued funded payroll and benefits	54,739	52,578
Accrued unfunded annual leave	232,304	191,115
Other	2,393	2,284
Total liabilities with the public	653,209	1,360,895
Total liabilities (Notes 6 and 7)	666,990	1,392,376
NET POSITION		
Unexpended appropriations	52,469,625	50,269,625
Cumulative results of operations	233,767	(774,718)
Total net position (Note 8)	52,703,392	49,494,907
TOTAL LIABILITIES AND NET POSITION	$ 53,370,382	$ 50,887,283

The accompanying notes are an integral part of the financial statements.

THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION
STATEMENTS OF NET COST
For the Years Ended September 30, 2012 and 2011

	2012	2011
PROGRAM COSTS		
Gross costs (Note 9)	$ 9,989,170	$ 11,107,589
Less: earned revenue	5,117,189	6,296,627
Net program costs	4,871,981	4,810,962
NET COST OF OPERATIONS	$ 4,871,981	$ 4,810,962

The accompanying notes are an integral part of the financial statements.

THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION
STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2012 and 2011

	2012			2011
	Earmarked Funds	**All Other Funds**	**Consolidated Total**	**Consolidated Total**
CUMULATIVE RESULTS OF OPERATIONS:				
Beginning balances	$ (774,718)	$ -	$ (774,718)	$ (1,910,769)
Budgetary Financing Sources:				
Appropriations used	3,792,000	-	3,792,000	3,792,400
Non-exchange revenue	1,809,405	-	1,809,405	1,892,949
Donations and forfeitures	55,975	-	55,975	15,545
Other Financing Sources (Non-Exchange):				
Imputed financing	-	223,086	223,086	246,119
Total financing sources	5,657,380	223,086	5,880,466	5,947,013
Net cost of operations	(4,648,895)	(223,086)	(4,871,981)	(4,810,962)
Net change	1,008,485	-	1,008,485	1,136,051
Cumulative results of operations	$ 233,767	$ -	$ 233,767	$ (774,718)
UNEXPENDED APPROPRIATIONS:				
Beginning balance	$ 50,269,625	$ -	$ 50,269,625	$ 47,774,625
Budgetary Financing Sources:				
Appropriations received	5,992,000	-	5,992,000	6,295,000
Rescissions	-	-	-	(7,600)
Appropriations used	(3,792,000)	-	(3,792,000)	(3,792,400)
Total financing sources	2,200,000	-	2,200,000	2,495,000
Unexpended appropriations	$ 52,469,625	$ -	$ 52,469,625	$ 50,269,625
Net position	$ 52,703,392	$ -	$ 52,703,392	$ 49,494,907

The accompanying notes are an integral part of the financial statements.

THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION
STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2012 and 2011

	2012	2011
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1, 2011	$ 2,804,364	$ 1,265,958
Recoveries of prior year unpaid obligations (unobligated balances)	835,938	914,444
Unobliged balance from prior year budget authority, net	3,640,302	2,180,402
Appropriations (discretionary and mandatory)	12,187,815	13,405,485
Spending authority from offsetting collections	39,413	(416)
Total budgetary resources	$ 15,867,530	$ 15,585,471
STATUS OF BUDGETARY RESOURCES		
Obligations incurred	$ 10,150,774	$ 12,781,107
Unobligated balance:		
Apportioned	2,966,392	2,580,410
Unapportioned	2,750,364	223,954
Unobligated balance brought forward, end of year	5,716,756	2,804,364
Total budgetary resources	$ 15,867,530	$ 15,585,471
CHANGE IN OBLIGATED BALANCE		
Unpaid obligations, brought forward, October 1, 2011	$ 4,061,315	$ 2,684,509
Adjustment to obligated balance, start of year (net)	473	-
Obligated balance, start of year (net), as adjusted	4,061,788	2,684,509
Obligation incurred	10,150,774	12,781,107
Outlays (gross)	(10,402,381)	(10,489,857)
Recoveries of prior year unpaid obligations	(835,938)	(914,444)
Obligated balance, end of year (net)	$ 2,974,243	$ 4,061,315
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	$ 12,227,228	$ 13,407,594
Actual offsetting collections (discretionary and mandatory)	(39,413)	(2,109)
Budget authority, net (discretionary and mandatory)	12,187,815	13,405,485
Outlays, gross (discretionary and mandatory)	10,402,381	10,489,857
Actual offsetting collections (discretionary and mandatory)	(39,413)	(2,109)
Outlays, net (discretionary and mandatory)	$ 10,362,968	$ 10,487,748
Distributed offsetting receipts	(5,117,189)	(6,296,627)
Agency outlays, net (discretionary and mandatory)	5,245,779	4,191,121

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF 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

The 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 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 based on budget terminology definitions and guidance in OMB Circular A-11, *Preparation, Submission and Execution of the Budget,* dated August 2012.

Annual Appropriations

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

	2012	2011
Morris K. Udall Scholarship and Excellence in National Environmental Policy Trust Fund	$ 2,200,000	$ 2,495,000
Environmental Dispute Resolution Fund	$ 3,792,000	$ 3,800,000

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Balances 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 of 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 allowances for uncollectible accounts related to receivables from the public. The allowance estimates are based on past collection experience and/or an aging analysis of the outstanding balances.

Investments

Investments that consist of 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.

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 ranging from two to ten years.

Liabilities

Liabilities are recognized for amounts 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The activities of the U.S. Institute for 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.

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.

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 accrued 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. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS) covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of employees covered by the Federal Employees Retirement System (FERS).

Retirement Plans

All of the Foundation’s employees participate in the FERS. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans (Continued)

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 employees' 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 sheets, and an imputed cost is reflected in its operating statements.

Payroll Processing

The General Services Administration processes employee payroll and benefits.

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, 2012 and 2011.

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.

Reclassifications

Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the current year's format. Total net position and net cost of operations are unchanged due to these reclassifications.

NOTE 2 – FUND BALANCE WITH U.S. 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.

	2012	**2011**
Fund balance with U.S. Treasury:		
Trust fund	$ 19,189,100	$ 12,366,013
Institute	4,878,884	3,927,125
Total with U.S. Treasury	24,067,984	16,293,138
Corpus	(15,376,985)	(9,427,459)
Total	$ 8,690,999	$ 6,865,679
Status of fund balance with U.S. Treasury:		
Unobligated balance:		
Available	$ 2,966,392	$ 2,580,410
Unavailable	2,750,364	223,954
Obligated balance not yet disbursed	2,974,243	4,061,315
Total	$ 8,690,999	$ 6,865,679

NOTE 3 – INVESTMENTS

As of September 30, investments were comprised of the following:

2012	**Cost**	**Unamortized Premium**	**Investments, Net**
Intragovernmental Securities:			
Market based notes and bonds	$ 27,416,000	$ 1,086,960	$ 28,502,960
Accrued interest	265,552	-	265,552
Total	$ 27,681,552	$ 1,086,960	$ 28,768,512
2011			
Intragovernmental Securities:			
Market based notes and bonds	$ 32,166,000	$ 1,134,451	$ 33,300,451
Accrued interest	291,529	-	291,529
Total	$ 32,457,529	$ 1,134,451	$ 33,591,980

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts Receivable is represented by Accounts Receivable – Associated 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.

	2012	2011
Associated Claims:		
Non-federal	$ 290	$ 69
Other:		
Non-federal	467,750	766,636
Federal	8,427	49,317
Total accounts receivable	$ 476,467	$ 816,022

NOTE 5 – GENERAL PROPERTY AND EQUIPMENT

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

2012 ASSETS	Acquisition Cost	Accumulated Depreciation	Book Value
Equipment	$ 383,284	$ (333,059)	$ 50,225
Equipment under capital lease	35,356	(33,662)	1,694
Total	$ 418,640	$ (366,721)	$ 51,919
2011 ASSETS			
Equipment	$ 383,284	$ (312,968)	$ 70,316
Equipment under capital lease	32,037	(28,988)	3,049
Total	$ 415,321	$ (341,956)	$ 73,365

Depreciation expense was $24,765 and $19,238 for the years ended September 30, 2012 and 2011, respectively.

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, 2012, the Foundation showed liabilities covered by budgetary resources of $434,686 and liabilities not covered by budgetary resources of $232,304. As of September 30, 2011, the Foundation showed liabilities covered by budgetary resources of $1,201,261 and liabilities not covered by budgetary resources of $191,115.

NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES (CONTINUED)

	2012	2011
Intragovernmental:		
Accounts payable	$ -	$ 18,456
Employer contributions and payroll taxes	13,781	13,025
Total intragovernmental	13,781	31,481
With the public:		
Accounts payable	363,773	1,114,918
Accrued funded payroll and leave	54,739	52,578
Unfunded leave	232,304	191,115
Other	2,393	2,284
Total with the public	653,209	1,360,895
Total liabilities	$ 666,990	$ 1,392,376
Total liabilities not covered by budgetary resources	$ 232,304	$ 191,115
Total liabilities covered by budgetary resources	434,686	1,201,261
Total liabilities	$ 666,990	$ 1,392,376

NOTE 7 – OTHER LIABILITIES

Other liabilities with the public consist of accrued funded payroll and leave of $54,739, a portion of employer contributions and payroll taxes of $2,393 and unfunded leave in the amount of $232,304. Other intergovernmental liabilities consist of a portion of employer contributions and payroll taxes of $13,781.

Other liabilities at September 30 include:

With the Public	Non-Current	Current	Total
2012:			
Other liabilities	$ 232,532	$ 56,904	$ 289,436
2011:			
Other liabilities	$ 191,115	$ 52,578	$ 243,693
Intragovernmental			
2012:			
Other liabilities	$ -	$ 13,781	$ 13,781
2011:			
Other liabilities	$ -	$ 15,310	$ 15,310

NOTE 8 – EARMARKED FUNDS

Trust Fund

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

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 fiscal year 2012, approximately $43.3 million in appropriations has been deposited in the Trust Fund. In addition to the Trust Fund corpus, $9 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 2012 totaled $1.2 million.

In fiscal year 2012, the Foundation had three sources of income, donations, interest from investments and grants. Both 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 and $3.8 million for fiscal year 2010 through 2012. In fiscal year 1999, Congress 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 $5,117,189 being reported as fiscal year 2012 revenue for services provided, $4,649,439 is from federal sources and is the result of Intragovernmental flows. The remaining $467,750 is from non-federal sources and should be considered inflows or resources to the Government.

Of the $6,296,627 being reported as fiscal year 2011 revenue for services provided, $5,735,226 is from federal sources and is the result of Intragovernmental flows. The remaining $561,401 is from non-federal sources and should be considered inflows or resources to the Government.

NOTE 8 – EARMARKED FUNDS (CONTINUED)

	Earmarked Funds	Total Funds
Balance Sheet as of September 30, 2012		
ASSETS		
Intragovernmental:		
Fund balance with U.S. Treasury	$ 24,067,984	$ 24,067,984
Investments	28,502,960	28,502,960
Interest receivable	265,552	265,552
Accounts receivable	8,427	533,886
Total intragovernmental	52,844,923	52,844,923
Accounts receivable	468,040	468,040
General property and equipment, net	51,919	51,919
Other	5,500	5,500
TOTAL ASSETS	$ 53,370,382	$ 53,370,382
LIABILITIES		
Intragovernmental:		
Other	$ 13,781	$ 13,781
Total intragovernmental liabilities	13,781	13,781
Liabilities with the public:		
Accounts payable	363,773	363,773
Accrued funded payroll and benefits	54,739	54,739
Accrued unfunded annual leave	232,304	232,304
Other	2,393	2,393
Total liabilities with the public	653,209	653,209
Total liabilities	$ 666,990	$ 666,990
NET POSITION		
Unexpended appropriations	52,469,625	52,469,625
Cumulative results of operations	233,767	233,767
Total net position	52,703,392	52,703,392
TOTAL LIABILITIES AND NET POSITION	$ 53,370,382	$ 53,370,382

NOTE 8 – EARMARKED FUNDS (CONTINUED)

	Earmarked Funds	Other Funds	Eliminations	Total Funds
Statement of Net Cost for the Period Ended September 30, 2012				
Gross program costs	$ 9,766,084	$ 223,086	$ -	$ 9,989,170
Less earned revenues	5,117,189	-	-	5,117,189
Net program costs	4,648,895	223,086	-	4,871,981
Net cost of operations	$ 4,648,895	$ 223,086	$ -	$ 4,871,981
Statement of Changes in Net Position for the Period Ended September 30, 2012				
Net position, beginning of period	$ 49,494,907	$ -	$ -	$49,494,907
Non-exchange revenue	1,809,405	-	-	1,809,405
Donations and forfeitures	55,975	-	-	55,975
Transfers in without reimbursement	5,992,000	-	-	5,992,000
Other financing sources	-	223,086	-	223,086
Rescissions	-	-	-	-
Net cost of operations	(4,648,895)	(223,086)	-	(4,871,981)
Change in net position	3,208,485	-	-	3,208,485
Net position, end of period	$ 52,703,392	$ -	$ -	$52,703,392

NOTE 8 – EARMARKED FUNDS (CONTINUED)

	Earmarked Funds	Total Funds
Balance Sheet as of September 30, 2011		
ASSETS		
Intragovernmental:		
Fund balance with U.S. Treasury	$ 16,293,138	$ 16,293,138
Investments	33,300,451	33,300,451
Interest receivable	291,529	291,529
Accounts receivable	49,317	49,317
Total intragovernmental	49,934,435	49,934,435
Accounts receivable	766,705	766,705
General property and equipment, net	73,365	73,365
Other	112,778	112,778
TOTAL ASSETS	$ 50,887,283	$ 50,887,283
LIABILITIES		
Intragovernmental:		
Accounts payable	$ 18,456	$ 18,456
Other	13,025	13,025
Total intragovernmental liabilities	31,481	31,481
Liabilities with the public:		
Accounts payable	1,114,918	1,114,918
Accrued funded payroll and benefits	52,578	52,578
Accrued unfunded annual leave	191,115	191,115
Other	2,284	2,284
Total liabilities with the public	1,360,895	1,360,895
Total liabilities	$ 1,392,376	$ 1,392,376
NET POSITION		
Unexpended appropriations	50,277,225	50,277,225
Cumulative results of operations	(782,318)	(782,318)
Total net position	49,494,907	49,494,907
TOTAL LIABILITIES AND NET POSITION	$ 50,887,283	$ 50,887,283

NOTE 8 – EARMARKED FUNDS (CONTINUED)

	Earmarked Funds	Other Funds	Eliminations	Total Funds
Statement of Net Cost for the Period Ended September 30, 2011				
Gross program costs	$ 10,861,470	$ 246,119	$ -	$ 11,107,589
Less earned revenues	6,296,627	-	-	6,296,627
Net program costs	4,564,843	246,119	-	4,810,962
Net cost of operations	$ 4,564,843	$ 246,119	$ -	$ 4,810,962
Statement of Changes in Net Position for the Period Ended September 30, 2011				
Net position, beginning of period	$ 45,863,856	$ -	$ -	$ 45,863,856
Non-exchange revenue	1,892,949	-	-	1,892,949
Donations and forfeitures	15,545	-	-	15,545
Transfers in without reimbursement	6,295,000	-	-	6,295,000
Other financing sources	-	246,119	-	246,119
Rescissions	(7,600)	-	-	(7,600)
Net cost of operations	(4,564,843)	(246,119)	-	(4,810,962)
Change in net position	3,631,051	-	-	3,631,051
Net position, end of period	$ 49,494,907	$ -	$ -	$ 49,494,907

NOTE 9 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	2012	2011
Foundation Program:		
Intragovernmental earned revenue	$ 4,649,439	$ 5,735,226
Public earned revenue	467,750	561,401
Total program revenue	5,117,189	6,296,627
Intragovernmental costs	1,183,238	1,549,468
Public costs	8,805,932	9,558,121
Total program costs	9,989,170	11,107,589
Total Foundation Program	$ (4,871,981)	$ (4,810,962)

NOTE 10 – 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.

	2012	2011
Direct		
Category B (Trust and Institute)	$ 10,150,774	$ 12,781,107
Total obligations	$ 10,150,774	$ 12,781,107

NOTE 11 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of Unpaid Obligated Balance, Net, End of Period includes obligations relating to Undelivered Orders (good 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)
2012	$ 2,539,557	$ 434,686	$ 2,974,243
2011	$ 2,860,054	$ 1,201,261	$ 4,061,315

NOTE 12 – LEASES

The Foundation maintains leased office space in Tucson under an operating lease expiring in 2017 and in the District of Columbia expiring in 2013. 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 due at September 30, 2012 are summarized as follows:

2013	$ 344,447
2014	278,853
2015	278,853
2016	278,853
2017	278,853
Thereafter	3,291,053
Total	$ 4,750,912

NOTE 13 – RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Liabilities not covered by budgetary resources total $232,304 for 2012 and $190,705 for 2011, and the change in components requiring or generating resources in future periods show $41,189 for 2012 and $15,474 for 2011. The $41,189 is the net increase of future funded expenses – leave between fiscal 2011 and fiscal 2012. 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.

	2012	2011
Liabilities not covered by budgetary resources	$ 232,304	$ 191,115
Change in components requiring/generating resources	$ 41,189	$ 15,474

NOTE 13 – RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET (CONTINUED)

	2012	2011
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary resources obligated:		
Obligations incurred	$ 10,150,774	$ 12,781,107
Less: Spending authority from offsetting collections and recoveries	(875,351)	(914,029)
Obligations net of offsetting collections and revenues	9,275,423	11,867,078
Less: Offsetting receipts	(5,117,189)	(6,296,627)
Net obligations	4,158,234	5,570,451
Other resources:		
Imputed financing from costs absorbed by others	223,086	246,119
Total resources used to finance activities	4,381,320	5,816,570
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in budgetary resources obligated for goods, services, and benefits ordered but not yet provided	(428,248)	1,025,975
Change in resources that finance the acquisition of assets or liquidation of liabilities	3,541	11,820
Total resources used to finance items not part of the net cost of operations	(424,707)	1,037,795
Total resources used to finance the net cost of operations	4,806,027	4,778,775
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components requiring or generating resources in future periods:		
Increase in annual leave liability	41,189	12,949
Components not requiring or generating resources:		
Depreciation and amortization	24,765	19,238
Total components of net cost of operations that will not require or generate resources in the current period	65,954	32,187
NET COST OF OPERATIONS	$ 4,871,981	$ 4,810,962

NOTE 14 – 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 2012 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in January 2013. 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 2011 SBR and the related Presidents' Budget.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation
The Foundation is party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of the pending or threatened lawsuits will not have a material adverse effect on the Foundation's financial statements.

OTHER ACCOMPANYING INFORMATION

THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION
COMBINING BALANCE SHEET
September 30, 2012

	Trust	Institute	Total
ASSETS			
Intragovernmental:			
Fund balance with U.S. Treasury	$ 19,189,100	$ 4,878,884	$ 24,067,984
Investments	28,502,960	-	28,502,960
Interest receivable	265,552	-	265,552
Accounts receivable	-	8,427	8,427
Total intragovernmental	47,957,612	4,887,311	52,844,923
Accounts receivable	-	468,040	468,040
General property and equipment, net	-	51,919	51,919
Other	5,500	-	5,500
TOTAL ASSETS	$ 47,963,112	$ 5,407,270	$ 53,370,382
LIABILITIES			
Intragovernmental:			
Accounts payable	$ -	$ -	$ -
Other	1,438	12,343	13,781
Total intragovernmental liabilities	1,438	12,343	13,781
Liabilities with the public:			
Accounts payable	149,422	214,351	363,773
Accrued funded payroll and benefits	5,372	49,367	54,739
Accrued unfunded annual leave	13,153	219,151	232,304
Other	228	2,165	2,393
Total liabilities with the public	168,175	485,034	653,209
Total liabilities	169,613	497,377	666,990
NET POSITION			
Unexpended appropriations	50,447,019	2,022,606	52,469,625
Cumulative results of operations	(2,653,520)	2,887,287	233,767
Total net position	47,793,499	4,909,893	52,703,392
TOTAL LIABILITIES AND NET POSITION	$ 47,963,112	$ 5,407,270	$ 53,370,382

Seeindependent auditors' report on supplementary information.

THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION
COMBINING STATEMENT OF NET COST
For the Year Ended September 30, 2012

	Trust	Institute	Total
PROGRAM COSTS			
Gross costs	$ 1,829,647	$ 8,159,523	$ 9,989,170
Less: earned revenue	-	5,117,189	5,117,189
Net program costs	1,829,647	3,042,334	4,871,981
NET COST OF OPERATIONS	$ 1,829,647	$ 3,042,334	$ 4,871,981

See independent auditors' report on supplementary information.

THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended September 30, 2012

	Trust				Institute				
	Earmarked Funds	All Other Funds	Eliminations	Total	Earmarked Funds	All Other Funds	Eliminations	Total	Consolidated Total
CUMULATIVE RESULTS OF OPERATIONS:									
Beginning balance	$ (2,467,547)	$ -	$ -	$ (2,467,547)	$ 1,692,829	$ -	$ -	$ 1,692,829	$ (774,718)
Budgetary Financing Sources:									
Appropriations used	-	-	-	-	3,792,000	-	-	3,792,000	3,792,000
Non-exchange revenue	1,563,248	-	-	1,563,248	246,157	-	-	246,157	1,809,405
Donations and forfeitures	41,875	-	-	41,875	14,100	-	-	14,100	55,975
Other	-	-	-	-	-	-	-	-	-
Other Financing Sources (Non-Exchange):									
Imputed financing	-	38,551	-	38,551	-	184,535	-	184,535	223,086
Total financing sources	1,605,123	38,551	-	1,643,674	4,052,257	184,535	-	4,236,792	5,880,466
Net cost of operations	(1,791,096)	(38,551)	-	(1,829,647)	(2,857,799)	(184,535)	-	(3,042,334)	(4,871,981)
Net change	(185,973)	-	-	(185,973)	1,194,458	-	-	1,194,458	1,008,485
Cumulative results of operations	$ (2,653,520)	$ -	$ -	$ (2,653,520)	$ 2,887,287	$ -	$ -	$ 2,887,287	$ 233,767
UNEXPENDED APPROPRIATIONS:									
Beginning balances	$ 48,247,019	$ -	$ -	$ 48,247,019	$ 2,022,606	$ -	$ -	$ 2,022,606	$ 50,269,625
Budgetary Financing Sources:									
Appropriations received	2,200,000	-	-	2,200,000	3,792,000	-	-	3,792,000	5,992,000
Rescissions	-	-	-	-	-	-	-	-	-
Appropriations used	-	-	-	-	(3,792,000)	-	-	(3,792,000)	(3,792,000)
Total financing sources	2,200,000	-	-	2,200,000	-	-	-	-	2,200,000
Unexpended appropriations	$ 50,447,019	$ -	$ -	$ 50,447,019	$ 2,022,606	$ -	$ -	$ 2,022,606	$ 52,469,625
Net position	$ 47,793,499	$ -	$ -	$ 47,793,499	$ 4,909,893	$ -	$ -	$ 4,909,893	$ 52,703,392

See independent auditors' report on supplementary information.

THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION
COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2012

	Trust	Institute	Total
BUDGETARY RESOURCES			
Unobligated balance brought forward, October 1, 2011	$ 1,963,406	$ 840,958	$ 2,804,364
Recoveries of prior year unpaid obligations (unobligated balances)	65,696	770,242	835,938
Unobliged balance from prior year budget authority, net	2,029,102	1,611,200	3,640,302
Appropriations (discretionary and mandatory)	2,678,592	9,509,223	12,187,815
Spending authority from offsetting collections	1,136	38,277	39,413
Total budgetary resources	$ 4,708,830	$ 11,158,700	$ 15,867,530
STATUS OF BUDGETARY RESOURCES			
Obligations incurred	$ 1,405,973	$ 8,744,801	$ 10,150,774
Unobligated balance:			
Apportioned	2,300,111	666,281	2,966,392
Unapportioned	1,002,746	1,747,618	2,750,364
Unobligated balance brought forward, end of year	3,302,857	2,413,899	5,716,756
Total budgetary resources	$ 4,708,830	$ 11,158,700	$ 15,867,530
CHANGE IN OBLIGATED BALANCE			
Unpaid obligations, brought forward, October 1, 2011	$ 975,983	$ 3,085,332	$ 4,061,315
Adjustment to obligated balance, start of year (net)	(360)	833	473
Obligated balance, start of year (net), as adjusted	975,623	3,086,165	4,061,788
Obligation incurred	1,405,973	8,744,801	10,150,774
Outlays (gross)	(1,806,640)	(8,595,741)	(10,402,381)
Recoveries of prior year unpaid obligations	(65,696)	(770,242)	(835,938)
Obligated balance, end of year (net)	$ 509,260	$ 2,464,983	$ 2,974,243
BUDGET AUTHORITY AND OUTLAYS, NET			
Budget authority, gross (discretionary and mandatory)	$ 2,679,728	$ 9,547,500	$ 12,227,228
Actual offsetting collections (discretionary and mandatory)	(1,136)	(38,277)	(39,413)
Budget authority, net (discretionary and mandatory)	2,678,592	9,509,223	12,187,815
Outlays, gross (discretionary and mandatory)	1,806,640	8,595,741	10,402,381
Actual offsetting collections (discretionary and mandatory)	(1,136)	(38,277)	(39,413)
Outlays, net (discretionary and mandatory)	$ 1,805,504	$ 8,557,464	$ 10,362,968
Distributed offsetting receipts	-	(5,117,189)	(5,117,189)
Agency outlays, net (discretionary and mandatory)	1,805,504	3,440,275	5,245,779

See independent auditors' report on supplementary information.