Morris K. Udall Foundation

CIVILITY, INTEGRITY, CONSENSUS

FY 2008

# PERFORMANCE AND ACCOUNTABILITY REPORT

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Morris K. Udall Foundation
CIVILITY, INTEGRITY, CONSENSUS

# FY 2008 Performance and Accountability Report

Our nation faces tremendous challenges – developing policies to respond and adapt to climate change, making sustainable energy a reality, and better managing and preserving our natural resources. Addressing these challenges will require educating future leaders and innovators and moving beyond conflict to constructive dialogue for informed decision making.

These two requirements are central to the goals and accomplishments of the Udall Foundation, which 1) helps educate the next generation of America's environmental and Native American leaders and 2) assists in resolving federal environmental disputes and better preventing and managing conflict. In 2008, the Foundation again translated modest funding levels into concrete national achievements in these areas.

In addition, I am pleased to report that the Foundation received an unqualified ("clean") opinion for FY 2008, which assures Congress, the general public and others that the financial statements contained in this report accurately reflect the financial health of the Foundation.

The Board extends its thanks to those who have provided support to the Foundation and believes this performance and accountability report justifies the continued support of our operations.

Terrence L. Bracy
Chairman of the Board

Morris K. Udall Foundation
CIVILITY, INTEGRITY, CONSENSUS

# FY 2008 Performance and Accountability Report

As in prior years, the Foundation achieved an outstanding performance record in FY 2008, exceeding most performance goals. This outstanding performance record is but one measure of the ways in which the Foundation's staff continuously tries to improve its programs every year.

I refer you to the attached Management Discussion and Analysis for a summary of the Foundation's mission, goals and accomplishments, as well as financial data for FY 2008. The financial and performance data included in the report are reliable and complete.

I am pleased to note that the Foundation received an unqualified ("clean") opinion for FY 2008, and that no material weaknesses were identified by the independent auditor. This excellent result assures the Congress and the public that the financial information presented is accurate and reliable. I am also pleased to report that the necessary management controls are in place.

Ellen K. Wheeler

Ellen K. Wheeler
Executive Director

Morris K. Udall Foundation
CIVILITY, INTEGRITY, CONSENSUS

# FY 2008 Performance and Accountability Report

The Morris K. Udall Foundation received an unqualified ("clean") opinion for FY 2008 audit. The audit found no material weaknesses. The Foundation has received unqualified ("clean") opinions for all audit years.

Since the Foundation has a small financial staff, the U.S. General Services Administration's Finance Center provides essential payroll and financial services for the Foundation. The partnership with GSA has allowed the Foundation's financial operations to concentrate on timeliness and efficiency.

The Foundation has continued to ensure that its internal controls are well documented and enforced. The Foundation also continues to use its Information Technology talent to ensure efficient operations and that operational data is available to decision-makers on a timely basis.

Philip J. Lemanski
Deputy Executive Director for
Finance and Education Programs

# Management Discussion and Analysis

## Mission and Organizational Structure

### THE MORRIS K. UDALL FOUNDATION

### Mission

In 1992, Congress created the Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation.[1] In 1998, Congress amended the enabling legislation to create the U.S. Institute for Environmental Conflict Resolution as a program of the Udall Foundation.[2] Congress again modified the Udall Foundation's enabling legislation in 2000, authorizing management and leadership training, assistance and resources for policy analysis, and other appropriate activities related to Native American health care and tribal leadership.[3] All of this authorizing legislation is codified at 20 U.S.C. 5601-5609.

The law gives governing authority for the Foundation to a Board of Trustees, appointed by the President with the advice and consent of the U.S. Senate.

The purposes, as set forth in the law, of the Morris K. Udall Foundation are to:

- increase awareness of the importance of and promote the benefit and enjoyment of the nation's natural resources.
- foster a greater recognition and understanding of the role of the environment, public lands and resources in the development of the U.S.
- identify critical environmental issues.
- develop resources to properly train professionals in the environmental and related fields.
- provide educational outreach regarding environmental policy.
- develop resources to properly train Native American and Alaska Native professionals in health care and public policy, by conducting management and leadership training of Native Americans, Alaska Natives, and others involved in tribal leadership, providing assistance and resources for policy analysis, and carrying out other appropriate activities to achieve these goals.

[1] Morris K. Udall Scholarship and Excellence in National Environmental and Native American Public Policy Act of 1992, Public Law 102-259.
[2] Environmental Policy and Conflict Resolution Act of 1998, Public Law 105-156.
[3] Omnibus Indian Advancement Act, Public Law 106-568, Section 817.

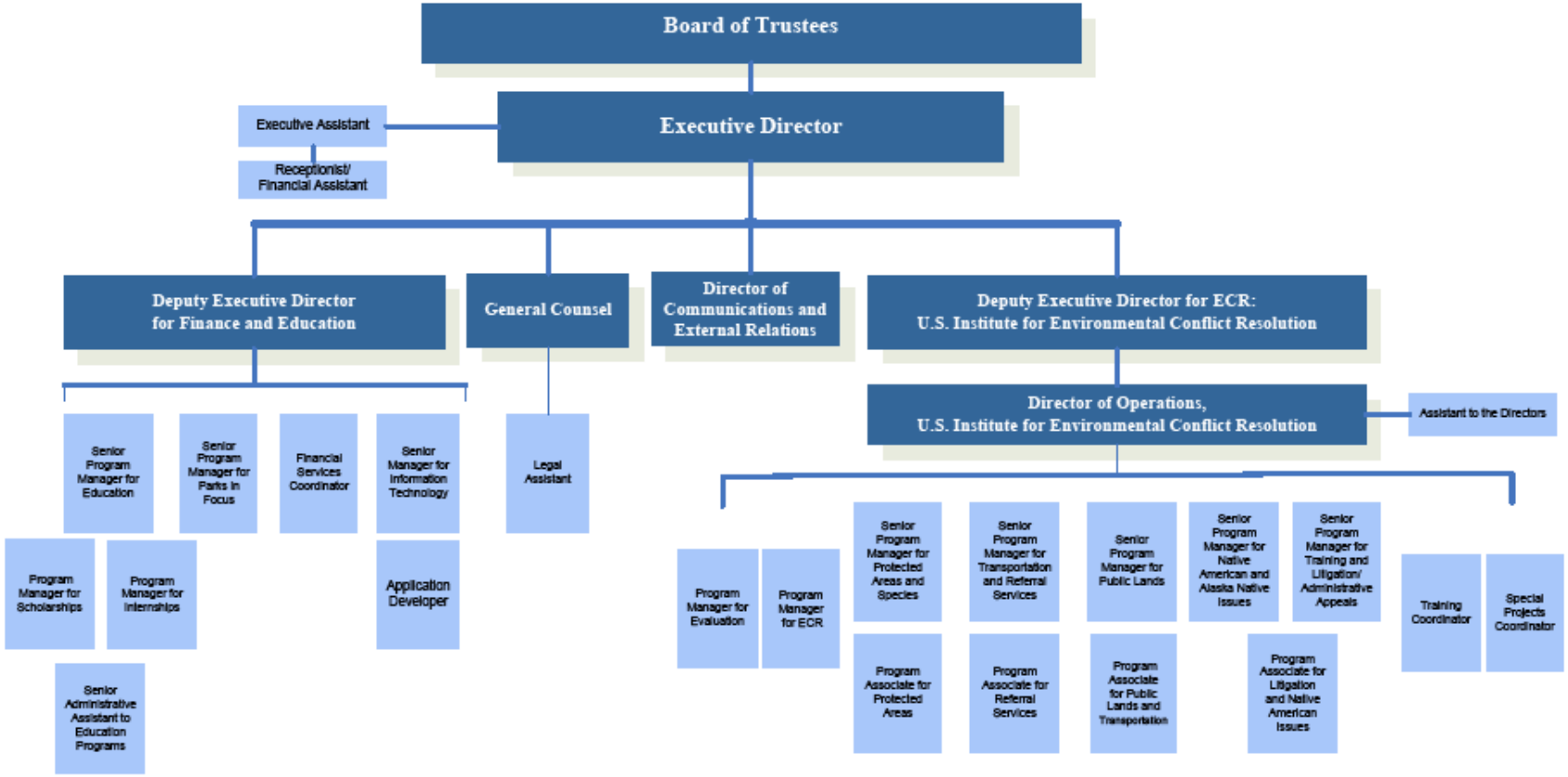
- establish the U.S. Institute for Environmental Conflict Resolution to assist the federal government in implementing section 101 of NEPA by providing assessment, mediation, and other related services to resolve environmental disputes involving federal agencies.

## Organizational Structure

The Foundation is organized into two distinct program areas: education programs and the U.S. Institute for Environmental Conflict Resolution. In FY 2008, the Foundation had 29 FTEs, all based in Tucson.

Shown on the next page is the current organizational chart for the agency.

# Organization Chart



## Education Programs

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

- Scholarships for college undergraduates in two areas – 1) to those who intend to pursue careers related to the environment and 2) Native Americans and Alaska Natives who intend to pursue careers in health care and tribal public policy.

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

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

- 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.

All of the above education programs are funded by the annual income from the Trust Fund. 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 salaries and other administrative costs. Parks in Focus and other activities are funded from the remaining 15 percent of Trust Fund income.

One of the Foundation's purposes is to develop resources to properly train Native American and Alaska Native professionals in health care and public policy by developing management and leadership training of those involved in tribal leadership and providing assistance and resources for policy analysis.

In connection with this purpose, the Udall Foundation co-founded the Native Nations Institute for Leadership Management and Policy with the University of Arizona in 2000. NNI provides executive management and leadership training to tribal leaders, as well as policy analysis. Congress has authorized the Udall Foundation to transfer a portion of its Trust Fund appropriations in each of fiscal years 2001 through 2008 for the purposes of NNI. The Foundation has transferred a total of $5 million over that period to NNI.

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

The U.S. Institute for Environmental Conflict Resolution provides services such as assessment, mediation, and training 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.

# Performance Goals, Objectives and Results

## Performance Goals

The Foundation has two overarching strategic goals with associated objectives that contribute to the Foundation's efforts to meet its mission.

These strategic goals and objectives are:

**Strategic Goal 1:** Provide educational opportunities to promote careers related to environmental policy and natural resources, Native American health care, and Native American tribal policy.

Objective Goal 1a: Increase educational opportunities that promote understanding and appreciation of the environment, environmental policy, natural resources and public lands through scholarships and fellowships.

Objective Goal 1b: Increase educational opportunities for Native Americans and Alaska Natives in health care and tribal public policy.

**Strategic Goal 2:** Resolve environmental conflicts and improve environmental decision making through mediation, training and related activities.

Objective Goal 2a: Resolve environmental conflicts and improve environmental decision making by increasing the appropriate use of ECR through U.S. Institute case services.

Objective Goal 2b: Resolve environmental conflicts and improve environmental decision making by increasing the capacity of agencies and other affected stakeholders and practitioners to manage and resolve conflicts through the appropriate use of ECR.

Objective Goal 2c: Resolve environmental conflicts and improve environmental decision making by providing leadership to guide ECR practice and policy development within the federal government.

Detailed performance measures, targets and timeframes are defined for each goal.

# Performance Results

## Education Activities

FY 2008 objectives for education opportunities (Strategic Goal 1) focused on:

Objective Goal 1a. Increasing educational opportunities that promote understanding and appreciation of the environment, environmental policy, natural resources and public lands through scholarships and fellowships.

The Foundation met or exceeded all of its FY 2008 scholarship and fellowship objectives. As targeted for FY 2008, 80 undergraduate scholarships of up to $5,000 each, 50 honorable mention awards of $350 each, and two dissertation fellowships of $24,000 each were awarded. In terms of quality, the Foundation exceeded its performance target with 95% of scholars and fellows reporting they received a quality educational experience in their program activities and interactions with the Foundation. Higher education institutions appointed 1,199 faculty representatives to guide and advise students on Udall scholarship opportunities, exceeding the Foundation's FY 2008 target.

Objective Goal 1b. Increasing educational opportunities for Native Americans and Alaska Natives in health care and tribal public policy.

A significant part of the Foundation's mission is to provide educational resources for Native Americans and Alaska Natives related to health care and tribal public policy, with a particular focus on management and leadership training. As targeted for FY 2008, internship opportunities were extended to 12 Native American and Alaska Native students in Congressional offices and agencies that could provide the interns a comprehensive legislative experience. 100% of the interns reported they received a quality educational experience through the Native American Congressional Internship Program, exceeding the Foundation's FY 2008 target.

During FY 2008, the Foundation also exceeded its performance objective related to management and leadership training provided to Native American tribes through the Native Nations Institute for Leadership, Management, and Policy (NNI). 88% of respondents reported that the Native Nations Institute is an important resource for them in carrying out their nation building work.

## Environmental Conflict Resolution Activities

FY 2008 objectives for environmental conflict resolution (Strategic Goal 2) focused on:

Objective Goal 2a. Resolving environmental conflicts and improving environmental decision-making by increasing the appropriate use of ECR through U.S. Institute case services.

The U.S. Institute exceeded its FY 2008 performance target by increasing to 82 the number of case consultations provided to enable federal agencies and other affected stakeholders to effectively engage in ECR. These services included early advice, consultation and convening services that are necessary to begin a conflict resolution process (and are generally not reimbursable). The U.S. Institute also exceeded targets for referral services and assessments. Actual performance for mediations and facilitations was 89%, just one point below the FY 2008 target. Detailed performance feedback solicited from service recipients has been shared with program managers to promote greater understanding of what has worked well and to provide insight where results fell short of expectations. In combination, these case support services help federal agencies and other stakeholders increase the appropriate use of ECR by: (a) providing advice on whether ECR is appropriate in a given situation, (b) connecting stakeholders with qualified mediators, (c) analyzing conflicts and designing conflict resolution strategies, and (d) bringing parties to the table and mediating environmental disputes.

Objective Goal 2b. Resolving environmental conflicts and improving environmental decision making by increasing the capacity of agencies and other affected stakeholders and practitioners to manage and resolve conflicts through the appropriate use of ECR.

Two major activities were undertaken in connection with this goal. They included ECR training services and programmatic support services (e.g., assistance with designing federal ECR programs). The U.S. Institute's FY 2008 training included agency-requested sessions aimed at specific needs, capacity building efforts integrated into conflict resolution processes, and training for those involved in the field of ECR, including practitioners and ECR leaders in government agencies.

For FY 2008 the U.S. Institute exceeded its performance target by two points with 88% of participants who experience an ECR training reporting "what they take away from the training will have a very positive impact on their effectiveness in the future." The performance measure for programmatic support services was also exceeded with 100% of federal agency representatives reporting that the programmatic support provided by the U.S. Institute has improved the effectiveness of their ECR efforts.

Objective Goal 2c. Resolving environmental conflicts and improving environmental decision making by providing leadership to guide ECR practice and policy development within the federal government.

In connection with objective 2c, the U.S. Institute targeted four major activities to be undertaken during FY 2008. As targeted, these activities included: (1) Assisting the Council on Environmental Quality (CEQ) and the Office of Management and Budget (OMB) in their

efforts to engage leadership throughout the federal government to discuss ways to more systematically prevent or reduce environmental conflict as directed by the November 2005 ECR policy memorandum. (2) In May 2008 the U.S. Institute and the Morris K. Udall Foundation hosted their Fifth National ECR Conference. Close to 300 participants attended the 3-day conference. (3) Co-leading an interagency working group at the request of the President's Council on Environmental Quality to complete a Handbook on NEPA. During FY 2008, the U.S. Institute helped disseminate and deliver training and informational sessions on the use of the handbook. (4) Engaged multiple agencies in an ECR Evaluation Study designed to build capacity to systematically evaluate ECR performance.

# Analysis of Financial Statements and Stewardship Information

## 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 statements combine data for both the Trust Fund and the U.S. Institute for Environmental Conflict Resolution (U.S. Institute); however, the Trust Fund and U.S. Institute receive separate appropriations, and the appropriations are deposited into separate funds. Although both funds invest available balances in Treasury obligations, they differ in how they may be spent: 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 may be used to fund the Foundation's educational programs.

Public Law 102-259 authorized appropriations of $40 million for the Foundation Trust Fund. The initial appropriation in 1994 was approximately $19.9 million; from FY 1998 through FY 2008, an additional $21.4 million has been appropriated by the Congress, of which $5 million has been transferred to the Native Nations Institute (NNI), bringing the total appropriations deposited in the Trust Fund to $36.3 million. The Trust Fund is invested by law in Treasury obligations.

The U.S. Institute has received annual operating appropriations of approximately $1.3 million each year from FY 1999 through FY 2005, $1.9 million in FY 2006 through FY 2007 and $2 million in FY 2008. The U.S. Institute also received a one-time start-up appropriation of $3 million.

## Balance Sheet

The Balance Sheet provides a "snapshot" of the 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.

Overall, assets grew by approximately $2.8 million (7.2%). The vast majority of the Total Assets shown on the balance sheet are Trust Fund investments, both short and long term (presented as Fund Balance with Treasury and Investments, respectively). Because annual appropriations to the Trust Fund may not be spent, but must be invested, these appropriations increased the fund balance in FY 2008. Since long-term rates were not favorable in FY 2008 and therefore not purchased, the increase in Assets is reflected in the Fund Balance with Treasury (short-term obligations). Short-term obligations will be used to purchase long-term obligations when rates are equal to or greater than 5%. With long-term rates below this threshold, additions to the Trust Fund continue to be invested for the short-term.

Liabilities decreased by approximately $315,000 primarily due to a decrease in accounts payable, reflecting efficiencies in payment processing and a decrease in outstanding payables to contractors at year-end, primarily for the U.S. Institute.

The U.S. Institute has not spent all of its one-time start-up appropriation, and the balance is invested on a monthly basis and therefore included in assets. In addition, the U.S. Institute is authorized to collect and retain fees from federal agencies for its work. All available balances are invested monthly.

## Statement of Net Cost

The statement displays the respective total expenses, net of earned revenues. Overall, the net cost of operations decreased by approximately $119,000 in FY 2008, a change of approximately 2.6%.

Most of the decrease results from a decrease in the Trust Fund's expenses. In 2007, the Education Programs managed a complex 10-year anniversary of the Foundation's education programs, which increased costs. The celebration of the anniversary raised the visibility of the Foundation, thus ensuring that more highly qualified students become aware of its programs. The celebration also furthered the purposes of the Foundation by increasing the public's awareness of environmental issues and the importance and benefit of the Nation's natural resources.

As the result of a biannual national conference, both revenue and costs increased for the U.S. Institute. Overall, net costs for the U.S. Institute increased 1.4%. Of the total Trust Fund budget, approximately 85% of total expenses was related to Education Programs. Of the U.S. Institute's budget, 55% was for operations and 45% was for project expenses and program development costs.

## Statement of Changes in Net Position

Overall, the ending balances increased in FY 2008 by $3.1 million. Appropriations to the Trust Fund and U.S. Institute increased over the prior year. In the prior year, there was a one-time adjustment for the Trust Fund ($1.2 million) resulting from using an interest-yield amortization calculation instead of a straight-line amortization (as required by TFM Volume 1 Bulletin No. 2007-03).

## Statement of Budgetary Resources

The statement provides information to help assess budget execution and compliance with budgetary accounting rules. This statement 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 for the other statements. Net outlays increased approximately 4% as a result of an increase in the Institute's outlays for the biannual conference.

# Controls, Systems, and Legal Compliance

## Financial Audit

In fiscal year 2008, the Foundation had its fifth independent audit of its financial statements. The audit provides additional assurance to its constituents, to Congress, and to the Foundation's Chief Financial Officer that the Foundation's financial transactions and management practices are in keeping with established laws, regulations, and practices. The Foundation received unqualified ("clean") opinions for all years.

## Auditor's Reportable Condition (FY 2008)

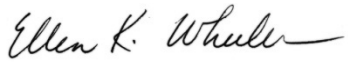
The independent auditors identified no material weakness in the financial reporting during their audit for the year ended September 30, 2008. The auditors observed that adjustments, that were more than inconsequential, needed to be made in FY08; accordingly, they made recommendations that the Foundation ensure that vendors submit bills in a timely way and that GSA be promptly informed so that accruals are made correctly. Management expects continuous improvement in financial processes and is confident that all necessary steps will be taken to follow the recommendations of the audit and to achieve further improvement.

## Condition

The U.S. General Services Administration's (GSA) Finance Center, a federal financial management center of excellence, performs necessary payroll and financial services for the Foundation. Examples of the services are: Furnishing all necessary payroll support functions; receipt and disbursement of funds; financial reporting and related accounting functions; and execution of all investments in Treasury obligations, the only investment vehicle available to the Foundation. Management considers GSA to be part of the Foundation's financial management.

## Statement of Assurance

The Morris K. Udall Foundation's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal managers' financial Integrity Act (FMFIA). The Foundation conducted its assessment of the effectiveness of internal controls and financial management systems and it is determined that the results meet the objectives of FMFIA, section 2 and 4, and no material weaknesses were found in the design and operation of the internal controls.



Ellen Wheeler
Executive Director

## Possible Future Effects of Existing Events and Conditions

### Future Effects and Trend Data

Since most of the Trust Fund balance is invested in long-term obligations, ordinarily short-term fluctuations in interest rates are not a major factor in estimating annual investment income; however, the recent precipitous drop in short-term rates will reduce the interest available in FY 2009 by about 4%. The income stream should be sufficient for existing programs; however, costs will continue to escalate due to inflation and if short-term rates remain at historic lows in FY 2010, the Foundation will need to closely examine its budget. In addition, if the Trust Fund does not receive annual appropriations to offset rising costs, Education Programs could suffer (as noted earlier, by law 85% of income is allocated to programs).

Although the U.S. Institute charges fees for all ECR cases and projects that develop beyond the initial consultation stage, it relies 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, and because use of contracted service providers leverages the effort of the small staff and enables the Institute to work on a far larger number of cases and projects, the majority of project revenue -- approximately 70% to 80% (with the exact percentage each year depending on the relative levels of contracted services on projects versus Institute staff services) -- passes through to contracted neutrals. The portion retained is not sufficient to maintain operations.

There are, therefore, two unknowns that could adversely affect operations – a significant reduction of its baseline appropriation or a sharp reduction in fees due to the inability of agencies to pay. Restricted budgets result in delays to large projects and/or fewer projects. The U.S. Institute is continuing efforts to reach out to a broader array of agencies in order to reduce the likelihood of downward swings in the Institute's overall earned revenue. Such diversification will reduce the potential for sudden drops in earned revenue, all other factors being held constant.

### Limitations of the Financial Statements

The enclosed principal financial statements have been prepared to report the financial position and results of operations of the Foundation, as required by 31 U.S.C. 3515(b). The statements have been prepared from the books and records of the Foundation in accordance with accounting principles generally accepted in the United States of America (GAAP) 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.

# FY 2008 Performance Results

## Background

The mission of the Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation, an independent agency of the executive branch, is established by its enabling legislation, codified at 20 U.S.C. 5601 et seq. The law focuses the Foundation's programs in two major areas:

- *Providing educational opportunities* related to environmental policy, Native American health care, and Native American tribal policy, and
- *Assisting to resolve environmental disputes that involve federal agencies* through mediation and related services.

To meet its education mission, the Foundation administers a national scholarship and fellowship program, conducts a summer Native American internship program in Washington, D.C., and supports the Native Nations Institute, which provides executive and leadership training and policy analysis assistance for American Indian Tribes. The Foundation also sponsors "Parks in Focus," a program intended to foster an interest in and appreciation for the environment and natural resources in young people through photography-centered visits to national parks.

The Foundation's environmental conflict resolution mission is addressed by the U.S. Institute for Environmental Conflict Resolution, a Foundation program created by Congress in 1998 to provide mediation, facilitation, training and related services to assist in resolving environmental, natural resources, and public lands conflicts involving federal agencies. The Institute's mission complements the policy established by President Bush's Executive Order on Facilitation of Cooperation Conservation (August 26, 2004). As an independent, third-party neutral, the U.S. Institute is able to assist all parties (private-sector entities, state, local and tribal governments, and federal agencies) to collaborate more effectively on decisions affecting the environment and natural resources.

The Foundation has two overarching strategic goals, each with associated objectives and performance goals that contribute to the Foundation's efforts to meet its mission (Table 1).

**Table 1. Foundation's Goals**

| **Strategic Goal 1 (Education Mission)**<br>**Provide educational opportunities to promote careers related to environmental policy and natural resources, Native American health care, and Native American tribal policy.** | |
|---|---|
| | |
| **Objective Goal 1a**<br>Increase educational opportunities that promote understanding and appreciation of the environment, environmental policy, natural resources and public lands through scholarships and fellowships. | **Objective Goal 1b**<br>Increase educational opportunities for Native Americans and Alaska Natives in health care and tribal public policy. |
| *Performance Goal 1: Scholarships and Fellowships*<br>Provide award opportunities for students pursuing careers related to the environment, and tribal public policy and health care.<br>Increase the percent of scholarship and fellowship recipients who report they are satisfied they received a quality educational experience in their interactions and program activities with the Foundation.<br>*Performance Goal 2: Faculty Advisors*<br>Increase the number of higher education institutions dedicating faculty representatives to guide and advise students on Udall scholarship opportunities, so that students have more opportunities to learn about and compete for scholarship awards. | *Performance Goal 1: Native American Congressional Internship Program*<br>Provide 12 summer internship opportunities for Native American and Alaska Native students in Congressional offices and agencies that provide a comprehensive legislative experience to the interns.<br>Increase the percentage of interns who report they are satisfied they received a quality educational experience through the Native American Congressional Internship Program.<br>*Performance Goal 2: Native Nations Institute for Leadership, Management, and Policy*<br>Develop and test executive education curriculum tailored to needs of newly elected tribal councilors and chairs. |

| **Strategic Goal 2 (Environmental Conflict Resolution Mission)**<br><br>**Resolve environmental conflicts and improve environmental decision making through mediation, training and related activities.** | | |
|---|---|---|
| | | |
| **Objective Goal 2a**<br>Resolve environmental conflicts and improve environmental decision making by increasing the appropriate use of ECR through U.S. Institute case services. | **Objective Goal 2b**<br>Resolve environmental conflicts and improve environmental decision making by increasing the capacity of agencies and other affected stakeholders and practitioners to manage and resolve conflicts through the appropriate use of ECR. | **Objective Goal 2c**<br>Resolve environmental conflicts and improve environmental decision making by providing leadership to guide ECR practice and policy development within the federal government. |
| *Performance Goal 1: Consultations*<br>Increase the case consultation and management services provided to stakeholders seeking the resolution of conflicts using ECR.<br>*Performance Goal 2: Referrals*<br>Increase the percent of those using ECR practitioner referral services who report the roster gives them confidence they have identified a sufficient array of mediators with appropriate experience to assist them in resolving their conflict.<br>*Performance Goal 3: Assessments*<br>Increase the percentage of assessments for which the majority of stakeholders strongly agree that the U.S. Institute helped them determine how best to proceed to resolve their conflict.<br>*Performance Goal 4: Mediations*<br>Increase the percentage of mediations for which the majority of stakeholders report full or partial agreement was reached or progress was made towards addressing the issues or resolving the conflict. | *Performance Goal 1: Build Institutional Capacity within the Federal Government*<br>Increase the percentage of federal agency representatives who report the Dispute Systems Designs (programmatic support - systems design and program development work) provided by the U.S. Institute have improved the effectiveness of their ECR efforts.<br>*Performance Goal 2: Build Capacity at a Stakeholder Level*<br>Increase the percent of participants who experience an ECR training and report what they take away from the training will have a very positive impact on their effectiveness in the future. | *Performance Goal 1: Leadership Initiatives*<br>Resolve environmental conflicts and improve environmental decision making by increasing the number of federal ECR leadership initiatives assisted through the U.S. Institute. |

## Performance Results

**Strategic Goal 1 (Education Programs):**
**Provide educational opportunities to promote careers related to environmental policy and natural resources, Native American health care, and Native American tribal policy.**

**<u>Objective Goal 1a:</u>**
**Increase educational opportunities that promote understanding and appreciation of the environment, environmental policy, natural resources and public lands through scholarships and fellowships.**

*Provide merit-based awards for (1) undergraduate scholarship recipients who intend to pursue careers related to the environment, and Native American and Alaska Native scholarship recipients who intend to pursue careers in tribal public policy and health care, and (2) Ph.D. candidate award recipients whose dissertations focus on U.S. environmental policy and/or conflict resolution. The Udall scholarship is by nomination only: the designated Udall Faculty Representative at higher education institutions must nominate students.*

Performance Goal 1 – Scholarships and Fellowships

| Increase award opportunities for students pursuing careers related to the environment, and Native American students in tribal public policy and health care.<br>a) *Undergraduate* Scholarships<br>b) *Undergraduate* Honor Mention Awards<br>c) *Graduate* Fellowships | Fiscal Year | Annual Target | | | Actual Performance | | |
|---|---|---|---|---|---|---|---|
| | | (a) | (b) | (c) | (a) | (b) | (c) |
| | FY 2004 | 80 | 30 | 2 | 80 | 50 | 2 |
| | FY 2005 | 80 | 50 | 2 | 81 | 50 | 2 |
| | FY 2006 | 80 | 50 | 2 | 80 | 50 | 2 |
| | FY 2007 | 80 | 50 | 2 | 80 | 50 | 2 |
| | FY 2008 | 80 | 50 | 2 | 80 | 50 | 2 |

| Increase the percent of scholarship and fellowship recipients who report they received a quality educational experience in their interactions and program activities with the Foundation. | Fiscal Year | Annual Target | Actual Performance |
|---|---|---|---|
| | FY 2004 | 90% | 90% |
| | FY 2005 | 90% | 99% |
| | FY 2006 | 92% | 100% |
| | FY 2007 | 92% | 100% |
| | FY 2008 | 92% | 95% |

Performance Goals 1 focuses on the number of award opportunities and the quality of the educational experience provided to scholars. As detailed in the graphic representation above, the Foundation met the FY 2008 annual targets for scholarships and fellowships.

Performance Goal 2

| Increase the number of higher education institutions dedicating faculty representatives to guide and advise students on Udall scholarship opportunities. | Fiscal Year | Annual Target | Actual Performance |
|---|---|---|---|
| | FY 2004 | N/A | 655 |
| | FY 2005 | 700 | 850 |
| | FY 2006 | 875 | 1,072 |
| | FY 2007 | 900 | 1,126 |
| | FY 2008 | 1,100 | 1,199 |

The scholarship selection process is highly competitive; in 2008, 513 nominees competed for the 80 scholarships. These nominees represent the top one or two students from a college or university, who have survived their school's own screening process and received their school's recommendation for the Udall scholarship. Because all candidates must be nominated by their college or university, the Foundation emphasizes development of a strong network of faculty advisors designated by their schools as representatives for the Udall scholarship. The achievement of Performance Goal 2 in FY 2008 is attributed to the increased recruitment activities undertaken by Foundation staff, including personal contacts during visits to colleges and universities and academic conferences, e-mail contacts and mailings.

**Objective Goal 1b:**
**Increase educational opportunities for Native Americans and Alaska Natives in health care and tribal public policy.**

A significant part of the Foundation's mission is to provide educational resources for Native Americans and Alaska Natives related to health care and tribal public policy, with a particular focus on management and leadership training for those involved in tribal leadership, assistance and resources for policy analysis, and related activities.

**Native American Congressional Internship Program**

*The Native American Congressional Internship Program provides quality opportunities for Native American and Alaska Native students to build their leadership skills by gaining practical experience in the federal legislative process, congressional matters, and governmental proceedings through internships at congressional offices and agencies in Washington, D.C.*

Performance Goal 1

| Provide summer internship opportunities for Native American and Alaska Native students in congressional offices and agencies that provide a comprehensive legislative experience to the interns. | Fiscal Year | Annual Target | Actual Performance |
|---|---|---|---|
| | FY 2004 | 12 | 12 |
| | FY 2005 | | 12 |
| | FY 2006 | | 12 |
| | FY 2007 | | 12 |
| | FY 2008 | | 12 |

| Increase the percent of interns who report they received a quality educational experience through the Native American Congressional Internship Program. | Fiscal Year | Annual Target | Actual Performance |
|---|---|---|---|
| | FY 2004 | 85% | 90% |
| | FY 2005 | 90% | 100% |
| | FY 2006 | 92% | 100% |
| | FY 2007 | 92% | 100% |
| | FY 2008 | 92% | 100% |

As detailed in the graphical representation above the Foundation met its FY 2008 performance goals. During FY 2008, the internship program featured enrichment and curriculum components in addition to the interns' work in Congressional and executive branch offices, including:

- A one-on-one orientation for internship coordinators in congressional and other placement offices to introduce them to the principal goals and mission of the internship program and the Udall Foundation;

- Weekly enrichment activities, which are a unique and indispensable component of the internship program, included meetings with P. Lynn Scarlett, Deputy Secretary of the Department of the Interior; Representative Dale Kildee, co-chair of the House Native American Caucus; Robert McSwain, Acting Director of the Indian Health Service; and Kevin Gover, Director of the National Museum of the American Indian; and

- A research and writing component. Interns wrote research papers and presented their findings on topics that included economic development among Montana tribes, the Indian Healthcare Improvement Act, renewable energy development on tribal lands, the federal recognition process, and uranium mining on the Navajo Nation.

Native Nations Institute for Leadership, Management, and Policy

The Native Nations Institute for Leadership, Management, and Policy (NNI) focuses on building the capacity of tribal councilors, chairs, and other senior officials to manage tribal governance and nation-building efforts, develop sustainable economies, and reduce their dependence on federal funds and decision-makers through executive education and distance learning opportunities for Native American tribes.

Performance Goal 2

| | Fiscal Year | Annual Target | Actual Performance |
|---|---|---|---|
| Increase executive education opportunities for tribal councilors and chairs to build their capacity in tribal governance and nation building. | FY 2004 | Executive education program continues operations. | Operational |
| | FY 2005 | Develop and test executive education curriculum | Completed |
| | FY 2006 | Continue implementation of pilot | Continued |
| | FY 2007 | 80% of respondents report the Native Nations Institute is an important resource for them in carrying out their nation building work. | 84% |
| | FY 2008 | 80% of respondents report the Native Nations Institute is an important resource for them in carrying out their nation building work. | 88% |

Eighty-eight percent (88%) of respondents attending an NNI executive education seminar reported that the Native Nations Institute is an important resource for them in carrying out their nation building work.

As detailed in the graphical representation above, the FY 2008 performance goal for NNI was exceeded. This figure reflects responses from 426 attendees who participated in nine executive education seminars. Seminars were conducted for tribes located in Oregon (Confederated Tribes of Warm Springs); Oklahoma (Ponca Tribe); Texas (two for Ysleta del Sur Pueblo community and Council/staff); the Morris K. Udall Foundation's Native American Congressional Interns in Washington, DC; an inter-tribal session for six tribes from Idaho, Michigan, Nevada, Oregon, Washington, and Utah hosted by the Northwestern Band of Shoshone Nation in Park City, Utah; and an inter-tribal session for Canadian First Nations hosted by the Aboriginal Leadership Institute in Winnipeg, Manitoba. NNI also sponsored the following – its annual "open" Nation Building seminar held in October 2007 in Tucson; the annual "Emerging Leaders" seminar in

March 2008 in Tucson; and an open-registration regional session for the Plains tribes was held during September 2008 at Rapid City, South Dakota.

Strategic planning sessions were conducted for the Pueblo of Laguna (New Mexico) and Ysleta del Sur Pueblo (Texas), reaching an additional 75 participants.

Highlights for FY 2008 include:

- Thematic forums introduced in 2007 continued with the assistance of MKUF and a grant from the Salt River Pima-Maricopa Indian Community. This included: 1) a forum on "Per Capita Distribution for Tribal Revenue" (with the National Congress of American Indians Policy Research Center) in May in Tucson for 30 participants; and 2) collaboration with the Harvard Project on American Indian Economic Development to host a forum for 20 Native educators on "Indigenous Education Governance" in August in Tucson.

- In conjunction with the Summer Policy Academy at the Santa Fe Indian School, NNI held the first annual Native American Youth Governance Camp (NAYGC) in June on the UA campus. In addition to hearing presentations by NNI's executive education team, the students met Native leaders from across the United States and Canada. Thirty-eight (38) students from 20 Native nations from Arizona, California, Hawaii, New Mexico, Minnesota, Oregon, and Wisconsin, attended the Camp. The Morris K. Udall Foundation and Salt River Pima-Maricopa Indian Community provided financial support for this year's camp.

- A one-day version of the Youth Governance Camp was replicated for 12 students at the Ysleta del Sur Pueblo in El Paso, Texas, in June.

- NNI convened its 12th Native American Youth Entrepreneur Camp in July. Twenty-eight (28) students representing 11 Native nations from the states of Arizona, California, Nebraska, Oklahoma, South Dakota, Texas, and British Columbia, Canada attended the Camp.

- NNI recently unveiled its Indigenous Leadership Fellows Program (ILFP) designed to broaden Native nations' awareness of what it takes to exercise effective self-governance and achieve sustainable community and economic development by documenting the experiences and perspectives of key leaders of ground-breaking Native nations. Fellows spend time in residence at the Udall Center, enabling NNI to gain valuable insight into the wisdom, knowledge, innovation, and resiliency Native leaders have demonstrated on behalf of their nations. In turn, NNI disseminates the critical lessons these leaders share with other Native nations that are confronting the tremendous challenges of nation building.

- Delivery of more than 20 multi-media based educational presentations to NNI's on-line educational resources center (at ArizonaNativeNet.com).

**Strategic Goal 2 (U.S. Institute for Environmental Conflict Resolution): Resolve environmental conflicts and improve environmental decision making through mediation, training and related activities.**

The U.S. Institute for Environmental Conflict Resolution was established by Congress in FY 1999 by the Environmental Policy and Conflict Resolution Act of 1998 (Public Law 105-156). The mission of the Institute is to assist in the resolution of environmental conflicts involving the federal government. To meet its mission the U.S. Institute provides alternative dispute resolution services, also referred to as environmental conflict resolution (ECR), including preliminary consultation, conflict assessment, ECR process design and guidance, process facilitation or mediation, and case management. The U.S. Institute also designs dispute resolution systems, develops policies and principles for ECR practice, and designs and delivers training on ECR.

Collectively, these services are used to advance the work of the U.S. Institute by:

1. Providing case support services to assist federal agencies and other stakeholders to *resolve current environmental conflicts*.
2. Increasing the capacity of federal agencies and other stakeholders to *manage and resolve future environmental conflicts*.
3. Providing leadership to assist the Federal government to *develop ECR policies and practices to promote broadscale effective use of ECR and to improve environmental decision making.*

**Objective Goal 2a:**

**Resolve environmental conflicts and improve environmental decision making by increasing the appropriate use of ECR through U.S. Institute case services.**

**ECR Case Highlights for FY 2008**

During FY 2008, the U.S. Institute provided **case support** for more than **80 environmental conflicts,** assisting an estimated **1,000 stakeholders** nationwide. For example, the U.S. Institute:

Managed an assisted negotiation process that helped the Confederated Salish and Kootenai Tribes and the U.S. Fish and Wildlife Service reach a three-year agreement to share management of the National Bison Range in Montana. According to Interior Secretary Dirk Kempthorne, "*Forging this agreement was no simple task*." In the words of Tribal Chairman James Steele, the signed agreement is a "*historic opportunity,*" and he added that "*it is a day of great pride for many people because we will now be able to demonstrate that we can be innovative partners.*"

DOI Bison Range Management Assisted Negotiation

Convened eight states, 28 tribal nations, and numerous other stakeholders to explore ways to work collaboratively with the U.S. Army Corps of Engineers to modify the operations of six Missouri River dams, bringing the dams into compliance with the Endangered Species Act. In the words of one participant, "*This process facilitated collaboration between groups that have been on opposite sides of a number of previous management decisions. Hopefully, this collaboration will carry over to the work of the entire basin.*"

Missouri River Recovery Implementation Committee

Worked with a diverse group of stakeholders to find areas of agreement on complex resource management issues related to the North Bank Habitat Management Area located northeast of Roseburg, Oregon. According to one participant, *"The agreement should protect the resources and conditions.... The path selected should be less expensive over time. Once committees are established, should require less time and energy to maintain."*

BLM Roseburg North Bank Habitat ACEC

Worked with the Bureau of Indian Affairs (BIA) to assess the viability of using a negotiated rulemaking process to develop regulations for facility construction and management of Indian schools. The U.S. Institute's work was regarded as *"thorough, and it considered all important and relevant factors … and [the assessment was] instrumental*" to determining the most appropriate next steps for BIA.

BIA Negotiated Rulemaking

Case Consultation and Management Services

*Environmental issues, particularly complex multiparty conflicts, can be challenging to resolve. Case consultation and management reflects a continuum of services, from early case diagnostic assistance to comprehensive case management, designed to enable federal agencies and other affected stakeholders to effectively engage in ECR.*

Performance Goal 1

| | Fiscal Year | Annual Target | Actual Performance |
|---|---|---|---|
| Resolve environmental conflicts and improve environmental decision making *by increasing the case consultation and management services provided to stakeholders seeking the resolution of conflicts through the appropriate use of ECR*. | FY 2004 | 50 | 73 |
| | FY 2005 | 70 | 77 |
| | FY 2006 | 70 | 78 |
| | FY 2007 | 80 | 81 |
| | FY 2008 | 80 | 82 |

The U.S. Institute exceeded its FY 2008 annual performance goal by providing 82 instances of case consultation and management services. These services include early advice, consultation and convening services that are necessary to begin a conflict resolution process but are generally not reimbursable.

The U.S. Institute is an important resource for federal agencies and other affected stakeholders considering ECR. For example, the November 2005 OMB/CEQ ECR policy memorandum encourages federal agencies to draw on the services of the U.S. Institute to help review strategies for increasing the appropriate use of ECR. Similarly, the Department of Homeland Security's environmental planning procedures call for use of alternative dispute resolution to resolve interagency disputes and specifically refer staff to the U.S. Institute for assistance with these conflicts, emphasizing the goal of resolving conflicts at the lowest organizational level possible. Most recently, the Department of Energy issued a revised Statement of Policy on Alternative Dispute Resolution to reaffirm its commitment to the use of ECR and other collaborative processes for resolving conflicts in a fair, timely, and cost efficient manner. The Department of Energy's statement also refers staff to the U.S. Institute as a federal ECR resource.

National Roster – ECR Practitioner Referral Services

*ECR practitioners with appropriate experience can be efficiently identified to work on environmental conflicts. The U.S. Institute's National Roster of environmental dispute resolution practitioners, now publicly accessible online, and Native Dispute Resolution Network empower all stakeholders to identify qualified mediators or facilitators to assist with their environmental conflict or issue.*

Performance Goal 2

| Resolve environmental conflicts and improve environmental decision making *by increasing the percent of those using ECR practitioner referral services who report the roster gives them confidence they have identified a sufficient array of mediators with appropriate experience to assist them in resolving their conflict.* | Fiscal Year | Annual Target | Actual Performance |
|---|---|---|---|
| | FY 2004 | 90% | 83% |
| | FY 2005 | 90% | 86% |
| | FY 2006 | 92% | 89% |
| | FY 2007 | 92% | 94% |
| | FY 2008 | 92% | 97% |

The U.S. Institute's referral services are available online through a searchable database of practitioner profiles. In addition, personalized referral services are also available from U.S. Institute staff. The personalized service includes referrals from the Native Dispute Resolution Network, a resource for identifying practitioners to assist in resolving environmental disputes that involve Native people.

During FY 2008, more than 250 users searched the roster. Evaluation feedback on referral services indicates the U.S. Institute exceeded its FY 2008 performance goal.

Case Assessment Services

*Assessments promote the effective use of resources to resolve conflicts. Resources (time and money) are scarce for agencies and other affected stakeholders involved in environmental conflicts. Assessments help stakeholders determine (a) if a collaborative approach is a viable option for solving their problem or resolving their conflict, and (b) how best to proceed with collaboration, if appropriate.*

Performance Goal 3

| Resolve environmental conflicts and improve environmental decision making *by increasing the percent of assessments for which the majority of stakeholders strongly agree that the U.S. Institute helped them determine how best to proceed to resolve their conflict.* | Fiscal Year | Annual Target | Actual Performance |
|---|---|---|---|
| | FY 2004 | 85% | 100% |
| | FY 2005 | 85% | 86% |
| | FY 2006 | 87% | 50% |
| | FY 2007 | 87% | 100% |
| | FY 2008 | 87% | 100% |

During FY 2008, the U.S. Institute worked on nine assessments. Four of the nine assessments were completed and evaluated during the fiscal year, and the remainder will continue into FY 2009. Evaluation feedback indicates the U.S. Institute exceeded its FY 2008 performance target for assessments.

Mediation and Facilitation Services

*Environmental issues, if not dealt with effectively, are often divisive, protracted, and costly to resolve. Collaborative planning, rulemaking, and assisted negotiation are examples of areas where ECR can engage, inform, and proactively or reactively deal with problems, producing productive working relationships and results that solve conflicts now and help manage issues in the future.*

Performance Goal 4

| Resolve environmental conflicts and improve environmental decision making *by increasing the 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*.[4] | Fiscal Year | Annual Target | Actual Performance |
|---|---|---|---|
| | FY 2004 | 85% | 85% |
| | FY 2005 | 85% | 100% |
| | FY 2006 | 90% | 91% |
| | FY 2007 | 90% | 100% |
| | FY 2008 | 90% | 89% |

During FY 2008, the U.S. Institute was involved in 23 mediation and facilitation processes, of which nine have been completed and evaluated, and the remaining will continue into FY 2009.

The Institute provides these services directly or through its contracted private-sector practitioners. Evaluation feedback indicates that performance is one percentage point under target. Detailed performance feedback solicited from service recipients has been shared with program managers to promote greater understanding of what has worked well and to provide insight where results fell short of expectations.

[4] Agreements include any written or unwritten agreement reached by participants in the process, including plans, proposals, recommendations, procedures, collaborative decisions to work together and settlements.

**Objective Goal 2b:**
**Resolve environmental conflicts and improve environmental decision making *by increasing the capacity of agencies and other affected stakeholders and practitioners to manage and resolve conflicts through the appropriate use of ECR.***

**Program Highlights for FY 2008**

Each year the U.S. Institute provides ECR training at the request of federal agencies and other stakeholders. The training is intended to increase the appropriate and effective use of collaborative problem solving and conflict resolution processes and to help prevent, manage and resolve environmental conflicts. Examples of the U.S. Institute's FY 2008 work include:

**Multi-Party Negotiation Trainings**
Helping the Department of Interior develop negotiation, collaboration, and problem-solving skills as core competencies at all staff levels.

**Interest-Based Negotiations Collaboration Workshop**
Working with regional offices of EPA to develop interest-based negotiation and collaboration as core competencies.

**Multi Party Negotiation Training**
Building negotiation and conflict management skills to help the Department of Defense meet its sustainable military readiness goals.

**National Environmental Policy Act (NEPA) Workshops**
Promoting effective collaboration in environmental planning processes on behalf of the President's Council on Environmental Quality (CEQ) and individual agencies such as the U.S. Army Corp of Engineers.

**Government-to-Government Consultation Workshops**
Helping federal agencies and federally recognized tribes improve communication and collaboration on shared environmental issues.

**ESA Consultation Collaboration Workshop**
Designing and facilitating a pilot workshop program to streamline ESA Section 7 consultations on behalf of FHWA. This pilot involves creating interagency teams to work on biological assessments and biological opinions for new transportation projects

**ECR Training Testimonials for FY 2008**

*"We have difficult controversial public meetings and contact coming up. Skills learned today will benefit staff achieving successful outcomes."*

EPA Section 309 Reviewer Training

*"I used the skills I learned this morning on a conference call with NPS (vis-à-vis a complex 3-party matter) to clarify the positions of all stakeholders"*

DOI – Multi Party Negotiation Training

*"I will take away a few more tools that will help in dealings with the public, agencies and tribes."*

DOD Army National Guard - Multi Party Negotiation Workshop

*"The techniques of interest-based negotiation are extremely useful for an individual or organization and can translate across just about any substantive issue."*

Open Enrollment – Advanced Multi-Party Negotiation Workshop

"*There are factors we can consider/evaluate that give us a better idea of whether or not collaboration will be successful."*

ECR 2008 National Conference Workshop – NEPA and Collaboration

*"If people really do learn how to find common ground and shared interests, more rational decisions may be made more efficiently."*

EPA Office of Federal Activities – Interest Based Negotiation Workshop

*"It will help avoid permitting road blocks and unexpected problems with permitting."*

FHWA, NOAA and DOT – ESA Consultation Collaboration

**Build Institutional Capacity within the Federal Government**

Performance Goal 1

| Resolve environmental conflicts and improve environmental decision making *by increasing the percent of federal agency representatives who report the programmatic support (systems design and program development work) provided by the U.S. Institute has improved the effectiveness of their ECR efforts.* | Fiscal Year | Annual Target | Actual Performance |
|---|---|---|---|
| | FY 2004 | n/a | n/a |
| | FY 2005 | 85% | 100% |
| | FY 2006 | 90% | 89% |
| | FY 2007 | 90% | 100% |
| | FY 2008 | 90% | 100% |

Programmatic support includes assistance with designing, implementing, and/or refining federal ECR programs, systems for handling administrative disputes, or approaches for managing environmental decision making (e.g., with NEPA processes). Evaluation feedback for FY 2008 indicates the U.S. Institute exceeded its performance target.

Performance Goal 2

| Resolve environmental conflicts and improve environmental decision making *by increasing the percent of participants who experience an ECR training and report what they take away from the training will have a very positive impact on their effectiveness in the future.* | Fiscal Year | Annual Target | Actual Performance |
|---|---|---|---|
| | FY 2004 | 85% | 100% |
| | FY 2005 | 85% | 84% |
| | FY 2006 | 86% | 90% |
| | FY 2007 | 86% | 94% |
| | FY 2008 | 86% | 88% |

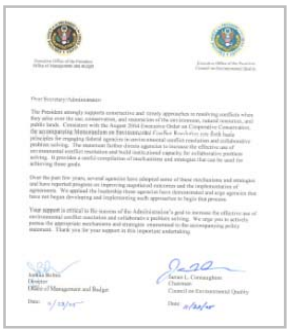
During FY 2008, the U.S. Institute continued to develop and deliver training designed to help federal agencies and other affected stakeholders prevent, manage and resolve environmental conflicts. The U.S. Institute evaluates all sessions of three hours or more. Evaluation feedback on the FY 2008 sessions indicates the U.S. Institute exceeded its performance target.

**Objective Goal 2c:**
**Resolve environmental conflicts and improve environmental decision making *by providing leadership to guide ECR practice and policy development within the federal government.***

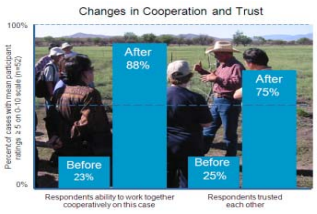
**ECR Leadership Highlights for FY 2008**

The U. S. Institute provides leadership that guides ECR practice and policy development within the federal government. Examples of this FY 2008 work include:

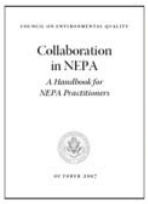
**National ECR Conference**
In May 2008 the U.S. Institute and the Morris K. Udall Foundation hosted their Fifth National ECR Conference. Close to 300 participants attended the 3-day conference. Positive participant feedback included:
*"I'm an attorney with federal government - gave me a great introduction about ECR and related processes."*
*"Gave me insight and inspiration for some upcoming projects. The Tuesday workshops, especially, gave me some tools. Made me think."*
*"Exposure to people (practitioners, brokers such as [the U.S. Institute for] ECR, and stakeholder/users such as EPA) working to advance collaboration provided access to many new ideas and approaches."*



**OMB CEQ ECR Policy Memorandum Forum**
During FY 2008, the U.S. Institute continued to support implementation of the Memorandum on Environmental Conflict Resolution jointly issued by the Office of Management and Budget (OMB) and Council on Environmental Quality (CEQ) in November 2005. The memorandum directs all federal agencies to increase the effective use of environmental conflict resolution and to build institutional capacity for collaborative problem solving.




**Multi-Agency Study of ECR Performance**
Engaged multiple agencies in an effort to build capacity to systematically evaluate ECR performance. Evaluated 50 recently completed ECR cases and began disseminating lessons learned and implications for practice.



**NEPA and Collaboration**
Co-led an interagency working group at the request of CEQ to complete a Handbook on NEPA and Collaboration. During FY 2008, the U.S. Institute helped disseminate and deliver training and informational sessions on the use of the handbook.

Leadership to guide ECR practice and policy development within the federal government

Performance Goal 1

| | Fiscal Year | Annual Target | Actual Performance |
|---|---|---|---|
| Resolve environmental conflicts and improve environmental decision making *by maintaining the number of federal ECR leadership initiatives assisted through the U.S. Institute.* | FY 2004 | - | - |
| | FY 2005 | 3 | 3 |
| | FY 2006 | 3 | 3 |
| | FY 2007 | 4 | 4 |
| | FY 2008 | 4 | 4 |

During FY 2008, the U.S. Institute continued its efforts to provide leadership to guide ECR practice and policy development within the federal government. The U.S. Institute supported four major initiatives during FY 2008:

*Assist with the implementation of the November 2005 OMB/CEQ ECR Policy Memorandum*

In November 2005, OMB and CEQ jointly issued a memorandum directing all federal agencies to increase the effective use of environmental conflict resolution and build institutional capacity for collaborative problem solving. During FY 2008, the U.S. Institute supported the implementation of the OMB-CEQ ECR Policy Memorandum by:

- convening quarterly forums for agency ECR Points of Contact;
- providing briefings to agencies and the ECR community on the memorandum;
- assisting with the synthesis of the FY 2007 ECR agency reports; and
- helping develop the FY 2008 ECR Report template.

*Fifth National Environmental Conflict Resolution Conference*

In May 2008 the U.S. Institute and the Morris K. Udall Foundation hosted their Fifth National ECR Conference in Tucson, Arizona. About 300 participants met for the three-day conference, which featured cutting-edge training workshops, dynamic panel sessions, interactive roundtable discussions and federal agency meetings. Discussions were held on topics and issues ranging from new tools and technology used in ECR processes, to global warming and climate change. Conference sessions were organized along three conference tracks:

- Technology, Tools and Innovations in ECR
- Evaluating ECR: What's in it for me?
- Matching the Process to the Problem: Navigating Process Choices

Federal agency co-sponsors include the U.S. Department of the Interior, U.S. Environmental Protection Agency, U.S. Department of Transportation Federal Highway Administration, and the U.S.D.A. Forest Service. Additional agency partners assisting with developing the conference program were the Council on Environmental Quality, U.S. Navy, U.S. Air Force, U.S. Department of Justice, U.S. Department of Defense, Nuclear Regulatory Commission, U.S. Army Corps of Engineers, National Oceanic and Atmospheric Administration and the Federal Energy Regulatory Commission.

*Increase Collaborative Decision Making Regarding NEPA*

One part of the U.S. Institute's mission is to assist the federal government in implementing section 101 of the National Environmental Policy Act of 1969 (42 U.S.C. 4331), which declares, in part, that it is the:

> … policy of the federal government, in cooperation with state and local governments, and other concerned public and private organizations, to use all practicable means and measures … to create and maintain conditions under which man and nature can exist in productive harmony, and fulfill the social, economic and other requirements of present and future generations of Americans.

In FY 2003, the Udall Foundation chartered an advisory committee to solicit advice on how the U.S. Institute might address its statutory mandate regarding NEPA. During FY 2005, the National Environmental Conflict Resolution Advisory Committee (NECRAC) completed its final report detailing findings and recommendations from its two-year effort. During FY 2008, the U.S. Institute continued implementation of the committee's recommendations. Chief among these activities was the dissemination of a recently published Handbook on NEPA and Collaboration, and related trainings and informational sessions.

*Multi-Agency ECR Evaluation Effort*

This past year marked a major milestone for the U.S. Institute's evaluation efforts. In FY 2008 the U.S. Institute began disseminating findings from the multi-agency ECR evaluation study (MAES) of 52 recently completed cases. The findings shed light on how ECR performs, identify key factors that contribute to ECR success, and distill feedback from participants and practitioners that can be used to improve future conflict resolution processes. Details on this evaluation effort were reported in an article in *Conflict Resolution Quarterly* in early 2008, and a second article is forthcoming in early 2009. Highlights were also presented at the U.S. Institute's National ECR2008 Conference.

**Environmental Conflict Resolution: Means/Strategies and Evaluation**

Means and Strategies

*Practitioner Referral Services* The U.S. Institute's small professional staff accomplishes much of its work through partnering and subcontracting with private-sector mediators who have substantial experience in environmental conflict resolution and have qualified for the National Roster for ECR Practitioners, a roster developed and maintained by the U.S. Institute. The Roster provides a central source where appropriate experienced environmental mediators, facilitators, consensus builders, process designers, conflict assessors, system designers, neutral evaluators/fact finders, Superfund allocators, and regulatory negotiation neutrals can be identified.
*Interagency Service Agreements* – Through interagency service agreements (IAGs), the U.S. Institute provides mechanisms for agencies (e.g., Federal Highway Administration, U.S. Environmental Protection Agency, and Department of Interior's Office of Collaborative Action and Dispute Resolution) to have access to the full range of ECR services. The U.S. Institute can also pool funds from several sources to facilitate the shared funding of individual cases and projects across several agencies and organizations. The U.S. Institute also works with agencies to provide services via project-by-project intergovernmental orders (IGOs) when appropriate.
*Efficiency Strategies* – Improvements and streamlining of U.S. Institute services (based on information system refinements, program evaluation feedback, and personnel development) are designed to facilitate incremental increases in the quality and quantity of services delivered.

Evaluation

(a) Validation and Verification

In FY 2002 and again in FY 2005, the U.S. Institute received OMB approval to administer a suite of evaluation questionnaires to measure, report and improve conflict resolution services. Recently, an information collection request was submitted to OMB to continue this collection, with minor revisions, for another three years. The U.S. Institute made every effort to strengthen measures while maintaining the general ability to compare measures from prior years.

In the listing below, the questionnaires are organized into seven activity areas, the recipients of the questionnaires and, in parentheses, the frequency of administration per respondent.

*Mediation Services* (OMB control number 3320-0004)
(1) Participants, at the conclusion of the process (once)
(2) Mediators (Neutral Practitioners) at the conclusion of the process (once)

*Facilitation Services* (Proposed New Collection)
(1) Participants, at the conclusion of the process (once)
(2) Facilitator (Neutral Practitioners) at the conclusion of the process (once)

*Assessment Services* (OMB control number 3320-0003)
(4) Initiating Organizations and Key Participants, at the conclusion of the assessment (once)
(5) Assessor (Neutral Practitioner) at the conclusion of the assessment (once)

*Training and Workshop Services* (OMB control number 3320-0006)
(6) Participants, at the conclusion of the training/workshop (once)

*Facilitated Meeting Services* (OMB control number 3320-0007)
(7) Meeting Attendees, at the conclusion of the process (once)

*Roster Program Services* (OMB control number 3320-0005)
(8) Roster Members (once annually)
(9) Roster Users, subsequent to the search (once)

*Program Support and System Design Services* (OMB control number 3320-0009)
(11) Agency Representatives and Key Participants (once annually for length of project)

The U.S. Institute has worked in partnership with several state and federal agencies to collaboratively develop the evaluation system. The sharing of evaluation resources and expertise is advantageous on several fronts: (a) design and development efforts are not duplicated across agencies; (b) common methods for evaluating collaborative processes are established; (c) knowledge, expertise and resources are shared, realizing cost-efficiencies for the collaborating agencies; and (d) learning and improvement on a broader scale will be facilitated through the sharing of comparable multi-agency findings. As part of this partnership, the U.S. Institute requested OMB permission to administer evaluation instruments on behalf of agencies that either do not have the internal capacity to administer their own instruments, or are seeking evaluation assistance while in the process of launching their own internal evaluation systems. Much of the multi-agency evaluation work was underwritten with grant funds from the William and Flora Hewlett Foundation.

The FY 2008 performance evaluation information included in this report was collected from members of the public and agency representatives who were participants in, and users of, U.S. Institute services. Service users represent an independent external source of evaluative feedback. Evaluation data is also gathered from service providers (e.g., trainers, mediators). The service provider feedback, while not included here, is gathered to help the Institute learn more about what factors promote success and how services can be continually improved.

# Independent Auditor's Reports and Financial Statements

# THE MORRIS K. UDALL FOUNDATION
**Tucson, Arizona**

## INDEPENDENT AUDITOR'S REPORTS AND FINANCIAL STATEMENTS
**September 30, 2008 and 2007**

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Clifton Gunderson LLP
Certified Public Accountants & Consultants

## Independent Auditor's Report

To The Morris K. Udall Foundation

We have audited the accompanying balance sheets of The Morris K. Udall Foundation (the Foundation) as of September 30, 2008 and 2007 and the related statements of net cost, changes in net position, and budgetary resources for the years ended September 30, 2008 and 2007 (collectively the financial statements). These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to the financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements,* as amended. Those standards and OMB Bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits of the financial statements noted above provide a reasonable basis for our opinion.

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, 2008 and 2007, and its net cost, changes in net position and budgetary resources for the years ended, in conformity with accounting principles generally accepted in the United States of America.

As more fully disclosed in Note 1, the Foundation changed its method of accounting for amortization of investment premiums and discounts during fiscal year 2007.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 12, 2008 on our consideration of the Foundation's internal control over financial reporting, and on our tests of the Foundation's compliance with certain provisions of laws and regulations and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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The information in the Management Discussion and Analysis, and Required Supplementary Information sections is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America and OMB Circular No. A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in the Message from the Chairman of the Board, the Director and the Chief Financial Officer, Annual Program Performance Section is presented for purposes of additional analysis and is not required as a part of the basic financial statements. This information has not been subjected to audting procedures and, accordingly, we express no opinon on it.

Clifton Gunderson LLP

Tucson, Arizona
November 12, 2008

Clifton Gunderson LLP
Certified Public Accountants & Consultants

## Independent Auditor's Report on Compliance and Other Matters

To The Morris K. Udall Foundation

We have audited the financial statements of The Morris K. Udall Foundation (the Foundation) as of and for the year ended September 30, 2008, and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The management of the Foundation is responsible for complying with laws and regulations applicable to the Foundation. As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material affect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 07-04, as amended. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to the Foundation.

The results of our tests of compliance disclosed no instances of noncompliance with the laws and regulations described in the preceding paragraph, or other matters, that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended.

**********

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the management of The Morris K. Udall Foundation, Government Accountability Office, OMB, and Congress and is not intended to be, and should not be, used by anyone other than these specified parties.

Clifton Gunderson LLP

Tucson, Arizona
November 12, 2008



Offices in 17 states and Washington, DC

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## Independent Auditor's Report on Internal Control over Financial Reporting

To The Morris K. Udall Foundation

We have audited the financial statements of The Morris K. Udall Foundation (the Foundation), as of and for the year ended September 30, 2008, and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards;* issued by the Comptroller General of the United States; and, applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures the purpose of expressing our opinion on the financial statements and to comply with OMB Bulletin No. 07-04, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act* (FMFIA) (31 U.S.C. 3512), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Accordingly, we do not express and opinion on the effectiveness of the Foundation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

We consider the control deficiency described below to be significant deficiency in internal control over financial reporting.

### Audit Adjustments

### Observation

Adjustments, that were more than inconsequential, were proposed and recorded by Management, so that the financial statements were fairly stated in accordance with Federal Accounting Standards.

**Recommendation**
We recommend that the Foundation's management ensure expenses and, where applicable, revenues are recorded for all work performed during the current fiscal year, by requesting contractors and other vendors to submit bills to the Foundation. In addition, the Foundation should ensure that Government Services Administration (GAS) are informed on a timely basis of all changes to contracts, and other transactions, that affect the accounting records, so that the appropriate entries can be made in the general ledger.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

**********

## OTHER COMMENTS

### Federal Managers' Financial Integrity Act (31 U.S.C. 3512) (Integrity Act) Compliance and Reporting

OMB Circular No. A-123 provides the reporting guidance for the Integrity Act. OMB Circular A-123 states that annually, by December 31, the head of each executive agency submit to the President and the Congress (i) a statement on whether there is reasonable assurance that the agency's controls are achieving their intended objectives; (ii) a report on material weaknesses in the agency's controls, and (iii) whether the agency's financial management systems conform with government-wide requirements.

OMB Bulletin No. 07-04 as amended requires that we compare the material weaknesses in the agency's controls and material non-conformances on the agency's financial management systems in the Foundation's Integrity Act report to our report on internal control dated November 12, 2008. The Integrity Act report has not been completed and the comparison of reports was not performed.

Attached to this report is Management's Response to the finding and recommendation summarized above. We have reviewed Management's Response, considered their points, and reevaluated our finding or recommendation. We have concluded that no change is needed to our original finding or recommendation. We will work closely with management to help them fully understand the key points of our recommendation.

* * * * *

This report is intended solely for the information and use of the management of The Morris K. Udall Foundation, Government Accountability Office, OMB, and Congress and is not intended to be, and should not be, used by anyone other than these specified parties.

Clifton Gunderson LLP

Tucson, Arizona
November 12, 2008

**THE MORRIS K. UDALL FOUNDATION**
**FINANCIAL STATEMENTS**
**September 30, 2008 and 2007**

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**THE MORRIS K. UDALL FOUNDATION**
**BALANCE SHEETS**
**September 30, 2008 and 2007**

| | 2008 | 2007 |
|---|---|---|
| **ASSETS** | | |
| Intra-governmental: | | |
| Fund balance with Treasury | $ 7,804,929 | $ 4,863,072 |
| Investments | 33,380,122 | 33,422,467 |
| Interest receivable | 293,404 | 291,299 |
| Accounts receivable | 185,562 | 256,486 |
| Total intra-governmental | 41,664,017 | 38,833,324 |
| Grants receivable | - | 15,000 |
| Accounts receivable | 1,733 | 8,485 |
| Other | - | 400 |
| General property and equipment, net | 54,366 | 65,840 |
| **TOTAL ASSETS** | $ 41,720,116 | $ 38,923,049 |
| **LIABILITIES** | | |
| Accounts payable | $ 336,177 | $ 459,684 |
| Accrued payroll and benefits | 118,481 | 99,534 |
| Accrued annual leave | 104,179 | 127,405 |
| Other | - | 187,206 |
| Total liabilities | 558,837 | 873,829 |
| **NET POSITION** | | |
| Unexpended appropriations | 41,524,625 | 37,774,625 |
| Cumulative results of operations | (363,346) | 274,595 |
| Total net position | 41,161,279 | 38,049,220 |
| **TOTAL LIABILITIES AND NET POSITION** | $ 41,720,116 | $ 38,923,049 |

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

**THE MORRIS K. UDALL FOUNDATION**
**STATEMENTS OF NET COST**
**For the Years Ended September 30, 2008 and 2007**

| | 2008 | 2007 |
|---|---|---|
| **PROGRAM COSTS** | | |
| Gross costs | $ 7,575,184 | $ 7,191,573 |
| Less: earned revenue | 3,082,929 | 2,580,052 |
| Net program costs | 4,492,255 | 4,611,521 |
| **NET COST OF OPERATIONS** | $ 4,492,255 | $ 4,611,521 |

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

**THE MORRIS K. UDALL FOUNDATION**
**STATEMENTS OF CHANGES IN NET POSITION**
**For the Years Ended September 30, 2008 and 2007**

| | 2008 | | | | 2007 |
|---|---|---|---|---|---|
| | Earmarked Funds | All Other Funds | Eliminations | Consolidated Total | Consolidated Total |
| **CUMULATIVE RESULTS OF OPERATIONS:** | | | | | |
| Beginning balances | $ 274,595 | $ - | $ - | $ 274,595 | $ (187,191) |
| Change in accounting principle, 2007 | - | - | - | - | 1,203,545 |
| Beginning balances as adjusted, 2007 | 274,595 | - | - | 274,595 | 1,016,354 |
| **Budgetary Financing Sources:** | | | | | |
| Non-exchange revenue | 1,704,141 | - | - | 1,704,141 | 1,730,248 |
| Donations and forfeitures | 13 | - | - | 13 | 95,830 |
| Appropriations used | 2,000,000 | - | - | 2,000,000 | 1,895,904 |
| **Other Financing Sources (Non-Exchange):** | | | | | |
| Imputed financing | 150,160 | - | - | 150,160 | 147,780 |
| Total financing sources | 3,854,314 | - | - | 3,854,314 | 3,869,762 |
| Net cost of operations | (4,492,255) | - | - | (4,492,255) | (4,611,521) |
| Net change | (637,941) | - | - | (637,941) | (741,759) |
| **Cumulative results of operations** | $ (363,346) | $ - | $ - | $ (363,346) | $ 274,595 |
| **UNEXPENDED APPROPRIATIONS:** | | | | | |
| Beginning balance | $ 37,774,625 | $ - | $ - | $ 37,774,625 | $ 35,790,745 |
| **Budgetary Financing Sources:** | | | | | |
| Appropriations received | 5,750,000 | - | - | 5,750,000 | 3,879,784 |
| Other adjustments | - | - | - | - | - |
| Appropriations used | (2,000,000) | - | - | (2,000,000) | (1,895,904) |
| Total financing sources | 3,750,000 | - | - | 3,750,000 | 1,983,880 |
| **Unexpended Appropriations** | $ 41,524,625 | $ - | $ - | $ 41,524,625 | $ 37,774,625 |
| **Net Position** | $ 41,161,279 | $ - | $ - | $ 41,161,279 | $ 38,049,220 |

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

**THE MORRIS K. UDALL FOUNDATION**
**STATEMENTS OF BUDGETARY RESOURCES**
**For the Years Ended September 30, 2008 and 2007**

| | 2008 | 2007 |
|---|---|---|
| **BUDGETARY RESOURCES** | | |
| Unobligated balances - beginning of period | $ 2,052,360 | $ 2,676,672 |
| Recoveries of prior year obligations | 387,551 | 66,824 |
| Budget authority: | | |
| Appropriations received | 5,750,000 | 3,879,784 |
| Budgetary revenue | 4,817,912 | 6,580,283 |
| Less appropriations not available for obligation | (2,726,800) | (3,195,880) |
| Total budget authority | 7,841,112 | 7,264,187 |
| Spending authority from offsetting collections: | | |
| Earned: | | |
| Collections | 12,100 | 1,050 |
| Total budgetary resources | $ 10,293,123 | $ 10,008,733 |
| **STATUS OF BUDGETARY RESOURCES** | | |
| Obligations incurred: | | |
| Direct | $ 7,779,082 | $ 7,956,373 |
| Unobligated balance: | | |
| Apportioned | 2,114,390 | 1,984,486 |
| Unobligated balances not available | 399,651 | 67,874 |
| Total status of budgetary resources | $ 10,293,123 | $ 10,008,733 |
| **CHANGE IN OBLIGATED BALANCES** | | |
| Obligated balance, net, beginning of period: | | |
| Unpaid obligations | $ 1,532,531 | $ 595,749 |
| Obligations incurred | 7,779,082 | 7,956,373 |
| Gross outlays | (7,638,990) | (6,952,768) |
| Recoveries of prior-year unpaid obligations | (387,551) | (66,823) |
| Obligated balance, net, end of period: | | |
| Unpaid obligations | $ 1,285,072 | $ 1,532,531 |
| Net outlays: | | |
| Gross outlays | $ 7,638,990 | $ 6,952,768 |
| Less: offsetting collections | (12,100) | (1,050) |
| Less: distributed offsetting receipts | (3,082,929) | (2,580,052) |
| Net outlays | $ 4,543,961 | $ 4,371,666 |

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

**THE MORRIS K. UDALL FOUNDATION**
**NOTES TO FINANCIAL STATEMENTS**
**September 30, 2008 and 2007**

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

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

The Morris K. Udall Foundation (the Foundation) was established by the U.S. Congress in 1992 and is an executive branch agency. 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 from its accounting records to report its financial position. Such financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), the form and content requirements specified by the Office of Management and Budget's (OMB) Circular A-136, as amended. 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 accounting. Certain budgetary account balances are included in the net position section of the balance sheet.

The Statement of Changes in Net Position, for 2007, reflects a restatement of beginning Net Assets totaling $1,203,545. This restatement is the result of switching from straight line amortization of premiums and discounts to the interest yield method as required by the Treasury Financial Manual, Volume 1, Bulletin No. 2007-03.

### Annual Appropriations

Annual appropriations for September 30 are as follows:

| | 2008 | 2007 |
|---|---|---|
| Morris K. Udall Scholarship and Excellence in National Environmental Policy Trust Fund | $ 3,750,000 | $ 1,983,880 |
| Environmental Dispute Resolution Fund | $ 2,000,000 | $ 1,895,904 |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Budgets and Budgetary Accounting

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. 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. For financial statement purposes, appropriations are recognized as financing sources as expenses are incurred. In addition, the Foundation uses budget-clearing accounts as needed.

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.

### Use of Estimates in Preparing Financial Statements

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make a number of estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the 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 Grants Receivable

Accounts and grants 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. The allowance estimates are based on past collection experience and/or an aging analysis of the outstanding balances.

### Investments

Investments 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 cost is $2,500 or more with a useful life of more than two years. Equipment depreciation is calculated on a straight-line basis over their estimated useful lives ranging from two to seven years.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 to 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. The activities of the U.S. Institute for Environmental Conflict Resolution, are supported by annual appropriations and fees charged for services.

### Employee 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 Federal Employees Retirement System (FERS) covered employees.

### Retirement Plans

All of the Foundation 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 Employees Health Benefits Program, and the Federal Employees 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 personal cost is reflected in its operating statements.

### Payroll Processing

The General Services Administration computes 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, 2008 and 2007.

### 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 amounts in the 2007 financial statements have been reclassified to conform to the 2008 presentation. Net position and net changes in net position were not affected.

## 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.

| | 2008 | 2007 |
|---|---|---|
| Fund balance with Treasury: | | |
| Trust fund | $ 5,999,099 | $ 2,936,456 |
| Institute | 1,805,830 | 1,926,616 |
| **Total** | $ 7,804,929 | $ 4,863,072 |
| Status of fund balance with Treasury: | | |
| Unobligated balance: | | |
| Available | $ 6,119,372 | $ 3,262,667 |
| Unavailable | 399,651 | 67,874 |
| Obligated balance not yet disbursed | 1,285,906 | 1,532,531 |
| **Total** | $ 7,804,929 | $ 4,863,072 |

## NOTE 3 – INVESTMENTS

As of September 30 investments were composed of the following:

| 2008 | Cost | Unamortized Premium (Discount) | Investments Net |
|---|---|---|---|
| Intragovernmental Securities: | | | |
| Market based notes and bonds | $ 33,380,122 | $ 1,214,123 | $ 32,166,000 |
| Accrued interest | 293,404 | - | - |
| **Total** | $ 33,673,526 | $ 1,214,123 | $ 32,166,000 |

| 2007 | Cost | Unamortized Premium (Discount) | Investments Net |
|---|---|---|---|
| Intragovernmental Securities: | | | |
| Market based notes and bonds | $ 33,422,467 | $ 1,256,467 | $ 32,166,000 |
| Accrued interest | 291,299 | - | - |
| **Total** | $ 33,713,766 | $ 1,256,467 | $ 32,166,000 |

## NOTE 4 – ACCOUNTS RECEIVABLE, NET

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.

| | 2008 | 2007 |
|---|---|---|
| Claims: | | |
| Non-federal | $ 158 | $ 158 |
| Other: | | |
| Federal | 167,852 | 256,486 |
| Non-federal | 19,285 | 8,327 |
| Total accounts receivable | $ 187,295 | $ 264,971 |

## NOTE 5 – GENERAL PROPERTY AND EQUIPMENT

**2008**

| ASSETS | Acquisition Cost | Accumulated Depreciation | Book Value |
|---|---|---|---|
| Equipment | $ 303,078 | $ (260,711) | $ 42,367 |
| Equipment under capital lease | 29,889 | (17,890) | 11,999 |
| **Total** | $ 332,967 | $ (278,601) | $ 54,366 |

**2007**

| ASSETS | Acquisition Cost | Accumulated Depreciation | Book Value |
|---|---|---|---|
| Equipment | $ 290,847 | $ (247,175) | $ 43,672 |
| Equipment under capital lease | 29,889 | (7,721) | 22,168 |
| **Total** | $ 320,736 | $ (254,896) | $ 65,840 |

## 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, 2008, the Foundation showed liabilities covered by budgetary resources of $454,658 and liabilities not covered by budgetary resources of $104,179. As of September 30, 2007, the Foundation showed liabilities covered by budgetary resources of $559,218 and liabilities not covered by budgetary resources of $314,611.

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

At September 30, 2008 and 2007, liabilities covered by budgetary resources are composed of accounts payable and other liabilities of $336,177 and $646,890, respectively, and accrued funded payroll and leave of $118,481 and $99,534, respectively.

| | 2008 | 2007 |
|---|---|---|
| With the public: | | |
| Other | $ 104,179 | $ 314,611 |
| Total liabilities not covered by budgetary resources | $ 104,179 | $ 314,611 |
| Total liabilities covered by budgetary resources | 454,658 | 559,218 |
| Total liabilities | $ 558,837 | $ 873,829 |

## NOTE 7 – OTHER LIABILITIES

Other liabilities at September 30 include:

| With the Public | Non-Current | Current | Total |
|---|---|---|---|
| 2008: | | | |
| Other liabilities | $ 104,179 | $ 118,481 | $ 307,330 |
| 2007: | | | |
| Other liabilities | $ 127,405 | $ 185,204 | $ 312,609 |

| Intragovernmental | Non-Current | Current | Total |
|---|---|---|---|
| 2008: | | | |
| Other liabilities | $ - | $ - | $ - |
| 2007: | | | |
| Other liabilities | $ - | $ 101,536 | $ 101,536 |

## 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 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).

**NOTE 8 – EARMARKED FUNDS** (CONTINUED)

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.

Congress has authorized $40 million in appropriations for the Trust Fund. Through FY 2006, approximately $32.5 million in appropriations has been deposited in the Trust Fund. In addition to the Trust Fund corpus, $3.25 million has been appropriated and transferred for the purposes of the Native Nations Institute, pursuant to Congressional authorization.

In fiscal year 2008, the Foundation had two sources of income, 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. 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 $3,082,929 being reported as fiscal year 2008 revenue for services provided, $2,577,465 is from federal sources and is the result of Intragovernmental flows. The remaining $505,464 is from non-federal sources and should be considered inflows or resources to the Government.

Of the $2,580,052 being reported as fiscal year 2007 revenue for services provided, $2,108,901 is from federal sources and is the result of Intragovernmental flows. The remaining $471,151 is from non-federal sources and should be considered inflows or resources to the Government.

## NOTE 8 – EARMARKED FUNDS (CONTINUED)

| Fiscal Year 2008 | Earmarked Funds | Other Funds | Eliminations | Total Earmarked Funds |
|---|---|---|---|---|
| **Balance Sheet as of September 30, 2008** | | | | |
| Assets | | | | |
| Fund balance with Treasury | $ 7,804,929 | $ - | $ - | $ 7,804,929 |
| Investments | 33,380,122 | - | - | 33,380,122 |
| Interest receivable | 293,404 | - | - | 293,404 |
| Other assets | 241,661 | - | - | 241,661 |
| Total assets | $ 41,720,116 | $ - | $ - | $ 41,720,116 |
| Liabilities | | | | |
| Accounts payable | $ 336,177 | - | - | $ 336,177 |
| Other liabilities | 222,660 | - | - | 222,660 |
| Total liabilities | 558,837 | - | - | 558,837 |
| Unexpended appropriations | 41,524,625 | - | - | 41,524,625 |
| Cumulative results of operations | (363,346) | - | - | (363,346) |
| Total liabilities and net position | $ 41,720,116 | $ - | $ - | $ 41,720,116 |
| **Statement of Net Cost for the Period Ended September 30, 2008** | | | | |
| Gross program costs | $ 7,425,024 | $ 150,160 | $ - | $ 7,575,184 |
| Less earned revenues | 3,082,929 | - | - | 3,082,929 |
| Net program costs | 4,342,095 | 150,160 | - | 4,492,255 |
| **Net cost of operations** | $ 4,342,095 | $ 150,160 | $ - | $ 4,492,255 |
| **Statement of Changes in Net Position for the Period Ended September 30, 2008** | | | | |
| Net position, beginning of period | $ 38,049,220 | $ - | $ - | $ 38,049,220 |
| Non-exchange revenue | 1,704,141 | - | - | 1,704,141 |
| Donations of cash | 13 | - | - | 13 |
| Transfers in without reimbursement | 5,750,000 | - | - | 5,750,000 |
| Other financing sources | - | 150,160 | - | 150,160 |
| Net cost of operations | (4,342,095) | (150,160) | - | (4,492,255) |
| Change in net position | $ 3,112,059 | $ - | $ - | $ 3,112,059 |
| Net position, end of period | $ 41,161,279 | $ - | $ - | $ 41,161,279 |

## NOTE 9 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

| | 2008 | 2007 |
|---|---|---|
| Program A: | | |
| Intragovernmental costs | $ 295,480 | $ 231,194 |
| Public costs | 7,279,704 | 6,960,379 |
| Total program costs | 7,575,184 | 7,191,573 |
| Intragovernmental earned revenue | 2,577,465 | 2,108,901 |
| Public earned revenue | 505,464 | 471,151 |
| Total program revenue | 3,082,929 | 2,580,052 |
| **Total Program A** | $ 4,492,255 | $ 4,611,521 |

## NOTE 10 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

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

| | 2008 | 2007 |
|---|---|---|
| Direct | | |
| Category A (Trust) | $ 2,553,170 | $ 2,556,150 |
| Category B (Institute) | 5,225,912 | 5,400,223 |
| Total Obligations | $ 7,779,082 | $ 7,956,373 |

## 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) |
|---|---|---|---|
| 2008 | $ 830,414 | $ 454,658 | $ 1,285,072 |
| 2007 | $ 973,313 | $ 559,218 | $ 1,532,531 |

## NOTE 12 – LEASES

The Foundation maintains leased office space. Future lease payments due are summarized as follows:

Future payments due:

| Years Ending September 30, | |
|---|---|
| 2009 | $ 278,853 |
| 2010 | 278,853 |
| 2011 | 278,853 |
| 2012 | 278,853 |
| 2013 | 299,813 |
| **Total** | $ 1,415,225 |

## NOTE 13 – RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Liabilities not covered by budgetary resources total $104,179 for 2008 and $314,611 for 2007, and the change in components requiring or generating resources in future periods show $(23,226) for 2008 and $15,161 for 2007. The $23,226 is the net decrease of future funded expenses – leave between fiscal 2007 and fiscal 2008. 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.

| | 2008 | 2007 |
|---|---|---|
| Liabilities not covered by budgetary resources | $ 104,179 | $ 314,611 |
| Change in components requiring/generating resources | $ (23,226) | $ 15,161 |

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

| | 2008 | 2007 |
|---|---|---|
| **RESOURCES USED TO FINANCE ACTIVITIES** | | |
| Budgetary resources obligated: | | |
| Obligations incurred | $ 7,779,082 | $ 7,956,373 |
| Less: Spending authority from offsetting collections and recoveries | (399,651) | (67,874) |
| Obligations net of offsetting collections and revenues | 7,379,431 | 7,888,499 |
| Less: Offsetting receipts | (3,082,929) | (2,580,052) |
| Net obligations | 4,296,502 | 5,308,447 |
| Other resources: | | |
| Imputed financing from costs absorbed by others | 150,160 | 147,780 |
| Total resources used to finance activities | 4,446,662 | 5,456,227 |
| **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 | (142,898) | 851,705 |
| Resources that finance the acquisition of assets or liquidation of liabilities | 12,115 | 28,660 |
| Total resources used to finance items not part of the net cost of operations | (130,783) | 880,365 |
| Total resources used to finance the net cost of operations | 4,577,445 | 4,575,862 |
| **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 (decrease) in annual leave liability | (23,226) | 15,164 |
| Increase (decrease) in other liabilities | (85,670) | - |
| Total components requiring or generating resources in future periods: | (108,896) | 15,164 |
| Components not requiring or generating resources: | | |
| Depreciation and amortization | 23,706 | 20,495 |
| Total components of net cost of operations that will not require or generate resources in the current period | (85,190) | 35,659 |
| **NET COST OF OPERATIONS** | $ 4,492,255 | $ 4,611,521 |

## 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 2008 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in January 2009. 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 2008 SBR and the related Presidents' Budget.

## OTHER ACCOMPANYING INFORMATION

**THE MORRIS K. UDALL FOUNDATION**
**COMBINING BALANCE SHEET**
**September 30, 2008**

| | Trust | Institute | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Intra-governmental: | | | |
| Fund balance with Treasury (Note 2) | $ 5,999,099 | $ 1,805,830 | $ 7,804,929 |
| Investments | 33,380,122 | - | 33,380,122 |
| Interest receivable | 293,404 | - | 293,404 |
| Accounts receivable | - | 185,562 | 185,562 |
| Total intra-governmental | 39,672,625 | 1,991,392 | 41,664,017 |
| Grants receivable | - | - | - |
| Accounts receivable | 216 | 1,517 | 1,733 |
| General property and equipment, net | 397 | 53,969 | 54,366 |
| **TOTAL ASSETS** | $ 39,673,238 | $ 2,046,878 | $ 41,720,116 |
| **LIABILITIES** | | | |
| Accounts payable | $ 220,480 | $ 115,697 | $ 336,177 |
| Accrued payroll and benefits | 14,543 | 103,938 | 118,481 |
| Accrued annual leave | 15,419 | 88,760 | 104,179 |
| Other | - | - | - |
| Total liabilities | 250,442 | 308,395 | 558,837 |
| **NET POSITION** | | | |
| Unexpended appropriations | 39,502,019 | 2,022,606 | 41,524,625 |
| Cumulative results of operations | (79,223) | (284,123) | (363,346) |
| Total net position | 39,422,796 | 1,738,483 | $ 41,161,279 |
| **TOTAL LIABILITIES AND NET POSITION** | $ 39,673,238 | $ 2,046,878 | $ 41,720,116 |

**THE MORRIS K. UDALL FOUNDATION**
**COMBINING STATEMENT OF NET COST**
**For the Year Ended September 30, 2008**

| | Trust | Institute | Total |
|---|---|---|---|
| **PROGRAM COSTS** | | | |
| Gross costs | $ 2,354,348 | $ 5,220,836 | $ 7,575,184 |
| Less: earned revenue | - | 3,082,929 | 3,082,929 |
| Net program costs | 2,354,348 | 2,137,907 | 4,492,255 |
| **NET COST OF OPERATIONS** | $ 2,354,348 | $ 2,137,907 | $ 4,492,255 |

**THE MORRIS K. UDALL FOUNDATION**
**COMBINING STATEMENT OF CHANGES IN NET POSITION**
**For the Year Ended September 30, 2008**

| | Trust | | | | Institute | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Earmarked Funds | All Other Funds | Eliminations | Consolidated Total | Earmarked Funds | All Other Funds | Eliminations | Consolidated Total | Combined Total |
| **CUMULATIVE RESULTS OF OPERATIONS:** | | | | | | | | | |
| Beginning balance | $ 570,307 | $ - | $ - | $ 570,307 | $ (295,712) | $ - | $ - | $ (295,712) | $ 274,595 |
| **Budgetary Financing Sources:** | | | | | | | | | |
| Non-exchange revenue | 1,678,174 | - | - | 1,678,174 | 25,967 | - | - | 25,967 | 1,704,141 |
| Donations and forfeitures | 13 | - | - | 13 | - | - | - | - | 13 |
| Appropriations used | - | - | - | - | 2,000,000 | - | - | 2,000,000 | 2,000,000 |
| Transfers in/out | - | - | - | - | - | - | - | - | - |
| **Other Financing Sources (Non-Exchange):** | | | | | | | | | |
| Imputed financing | - | 26,631 | - | 26,631 | - | 123,529 | - | 123,529 | 150,160 |
| Total financing sources | 1,678,187 | 26,631 | - | 1,704,818 | 2,025,967 | 123,529 | - | 2,149,496 | 3,854,314 |
| Net cost of operations | (2,327,717) | (26,631) | - | (2,354,348) | (2,014,378) | (123,529) | - | (2,137,907) | (4,492,255) |
| Net change | (649,530) | - | - | (649,530) | 11,589 | - | - | 11,589 | (637,941) |
| **Cumulative results of operations** | $ (79,223) | $ - | $ - | $ (79,223) | $ (284,123) | $ - | $ - | $ (284,123) | $ (363,346) |
| **UNEXPENDED APPROPRIATIONS:** | | | | | | | | | |
| Beginning balances | $ 35,752,019 | $ - | $ - | $ 35,752,019 | $ 2,022,606 | $ - | $ - | $ 2,022,606 | $ 37,774,625 |
| **Budgetary Financing Sources:** | | | | | | | | | |
| Appropriations received | 3,750,000 | - | - | 3,750,000 | 2,000,000 | - | - | 2,000,000 | 5,750,000 |
| Appropriations used | - | - | - | - | (2,000,000) | - | - | (2,000,000) | (2,000,000) |
| Total financing sources | 3,750,000 | - | - | 3,750,000 | - | - | - | - | 3,750,000 |
| **Unexpended Appropriations** | $ 39,502,019 | $ - | $ - | $ 39,502,019 | $ 2,022,606 | $ - | $ - | $ 2,022,606 | $ 41,524,625 |
| **Net Position** | $ 39,422,796 | $ - | $ - | $ 39,422,796 | $ 1,738,483 | $ - | $ - | $ 1,738,483 | $ 41,161,279 |

**THE MORRIS K. UDALL FOUNDATION**
**COMBINING STATEMENT OF BUDGETARY RESOURCES**
**For the Year Ended September 30, 2008**

| | Trust | Institute | Total |
|---|---|---|---|
| **BUDGETARY RESOURCES** | | | |
| Unobligated balances - beginning of period | $ 1,232,721 | $ 819,639 | $ 2,052,360 |
| Recoveries of prior year obligations | 169,057 | 218,494 | 387,551 |
| Budget authority: | | | |
| Appropriations received | 3,750,000 | 2,000,000 | 5,750,000 |
| Budgetary revenue | 1,733,427 | 3,084,485 | 4,817,912 |
| less not available for obligation | (2,726,800) | - | (2,726,800) |
| Total budget authority | 2,756,627 | 5,084,485 | 7,841,112 |
| Spending authority from offsetting collections: | | | |
| Earned: | | | |
| Collections | 12,100 | - | 12,100 |
| Total budgetary resources | $ 4,170,505 | $ 6,122,618 | $ 10,293,123 |
| **STATUS OF BUDGETARY RESOURCES** | | | |
| Obligations incurred: | | | |
| Direct | $ 2,553,171 | $ 5,225,911 | $ 7,779,082 |
| Unobligated balance: | | | |
| Apportioned | 1,436,177 | 678,213 | 2,114,390 |
| Unobligated balances not available | 181,157 | 218,494 | 399,651 |
| Total status of budgetary resources | $ 4,170,505 | $ 6,122,618 | $ 10,293,123 |
| **CHANGE IN OBLIGATED BALANCES** | | | |
| Obligated balance, net, beginning of period: | | | |
| Unpaid obligations | $ 425,553 | $ 1,106,978 | $ 1,532,531 |
| Obligations incurred | 2,553,171 | 5,225,911 | 7,779,082 |
| Gross outlays | (2,433,318) | (5,205,672) | (7,638,990) |
| Recoveries of prior-year unpaid obligations | (169,057) | (218,494) | (387,551) |
| Obligated balance, net, end of period: | | | |
| Unpaid obligations | $ 376,349 | $ 908,723 | $ 1,285,072 |
| Net outlays: | | | |
| Gross outlays | $ 2,433,318 | $ 5,205,672 | $ 7,638,990 |
| Less: offsetting collections | (12,100) | - | (12,100) |
| Less: distributed offsetting receipts | - | (3,082,929) | (3,082,929) |
| Net outlays | $ 2,421,218 | $ 2,122,743 | $ 4,543,961 |

**APPENDIX A**
**MANAGEMENT RESPONSE TO AUDITOR**
**INTERNAL CONTROL REPORT**
**September 30, 2008**

**APPENDIX A**
**THE MORRIS K. UDALL FOUNDATION**
**MANAGEMENT RESPONSE TO AUDITOR**
**INTERNAL CONTROL REPORT**
**September 30, 2008**

This section of the report represents Management Response to the Conditions and Recommendations included in the Independent Auditor's Report on Internal Control dated November 12, 2008, beginning on page five of this document.

**Response**

The auditors observed that adjustments, that were more than inconsequential, needed to be made in FY08; accordingly, they made recommendations that the Foundation ensure that vendors submit bills in a timely way and that GSA be promptly informed so that accruals are made correctly.

Management expects continuous improvement in financial processes and is confident that all necessary steps will be taken to follow the recommendation of the audit and to achieve further improvement.

Morris K. Udall Foundation

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