



FY 2014
AGENCY FINANCIAL REPORT

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January 27, 2015

Message from the Chair of the Board of Trustees

FY 2014 Agency Financial Report

During FY 2014, the Udall Foundation implemented a new organizational structure and hired Directors for the Environmental Conflict Resolution program and for Finance and Operations. The new structure has ensured a leaner organization with greater accountability to the Board of Trustees. In addition, the new staff have brought considerable federal experience to the Udall Foundation. While progress has already been made, the full effect of these organizational changes will be more fully evident in the next fiscal year.

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

I am pleased to submit the Morris K. Udall and Stewart L. Udall Foundation's Annual Financial Report (AFR) for FY 2014. This report presents financial and performance information that demonstrates the Udall Foundation's commitment to maintaining the legacy of Morris and Stewart Udall as described in its enabling legislation.

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

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



Eric D. Eberhard
Chair of the Board of Trustees

January 27, 2015

Message from the Executive Director

FY 2014 Agency Financial Report

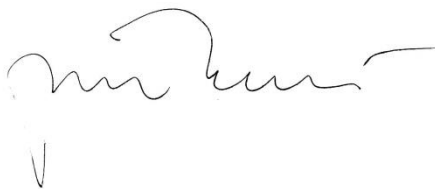
I am pleased to submit the Morris K. Udall and Stewart L. Udall Foundation's (Udall Foundation) Agency Financial Report (AFR) for Fiscal Year 2014. This report presents management, performance, and financial information that demonstrate our commitment to maintaining the legacy of Morris Udall and Stewart Udall as described in the enabling legislation. It is noteworthy to report the Udall Foundation's 12th consecutive unqualified audit opinion, a reflection of our continuing efforts to ensure good financial stewardship while aligning those efforts with our strategic plan.

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

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

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

I hope the reader will review this report and agree we have made best efforts to fulfill that mission in the most efficient and effective way possible.



Philip J. Lemanski
Executive Director

About this report

The Morris K. Udall and Stewart L. Udall Foundation's Agency Financial Report (AFR) for FY 2014 provides performance and financial information that enables Congress and the public to assess its performance relative to the resources used. This AFR satisfies the reporting requirements as outlined in Office of Management and Budget (OMB) Circular No. A-136.

Rather than submitting an annual Performance and Accountability Report, the Udall Foundation has elected to provide a separate AFR and Annual Performance Report. This structure meets Government Performance and Results Act requirements and is transmitted with the Congressional Budget Justification. The AFR may be viewed online at <http://www.udall.gov/documents/PDF/UdallPerformanceReportFY2013.pdf>.

Management's Discussion and Analysis

Mission and Organizational Structure

Introduction

The Morris K. Udall Foundation (Udall Foundation) was established by the U.S. Congress in 1992 as an independent executive branch agency to honor Morris K. Udall's lasting impact on this nation's environment, public lands, and natural resources, and his support of the rights and self-governance of American Indians and Alaska Natives (P.L. 102-259). The 1998 Environmental Policy and Conflict Resolution Act (P.L. 105-156) created the U.S. Institute for Environmental Conflict Resolution as a program of the Udall Foundation to assist parties in resolving environmental, public lands, and natural resources conflicts nationwide that involve federal agencies or interests. In 2009, Congress enacted legislation to honor Stewart L. Udall and add his name to the Udall Foundation (P.L. 111-90). The agency is now known as the Morris K. Udall and Stewart L. Udall Foundation. The Udall Foundation's enabling legislation is codified at 20 U.S.C. 5601-5609. The Udall Foundation is located in Tucson, Ariz., and Washington, D.C.

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

Mission Statement

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

Vision Statement

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

Values Statement

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

Scope of Responsibilities

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

- ***Native American Congressional Internships***, which provide up to 12 annual internships to outstanding American Indian and Alaska Native college, graduate, and law students with the opportunity to gain practical experience with the federal legislative process. Since 1996, 221 interns from 110 Native nations have participated in the internship program.
- ***The Native Nations Institute for Leadership, Management, and Policy*** (NNI) at the University of Arizona, which focuses on executive education for tribal leaders and on policy research. The Udall Foundation and the University of Arizona cofounded NNI, building on the research programs of the Harvard Project on American Indian Economic Development.
- ***Parks in Focus***, which fosters greater understanding, appreciation, stewardship, and enjoyment of the Nation's natural resources by connecting youth from underserved communities to nature through photography, positive outdoor experiences, and environmental education. Since 1999, approximately 1538 youth have participated in Parks in Focus.
- ***Udall Center for Studies in Public Policy*** (Udall Center), a unit of the University of Arizona, Environmental Policy and Conflict Resolution Programs, which supports policy-relevant, interdisciplinary research, science-policy dialogues, and other endeavors that link scholarship and education with decision making, particularly in the areas of water security and management, climate change adaptation and planning, and ecosystem

services valuation and protection, primarily in the Southwest and U.S.-Mexico border region.

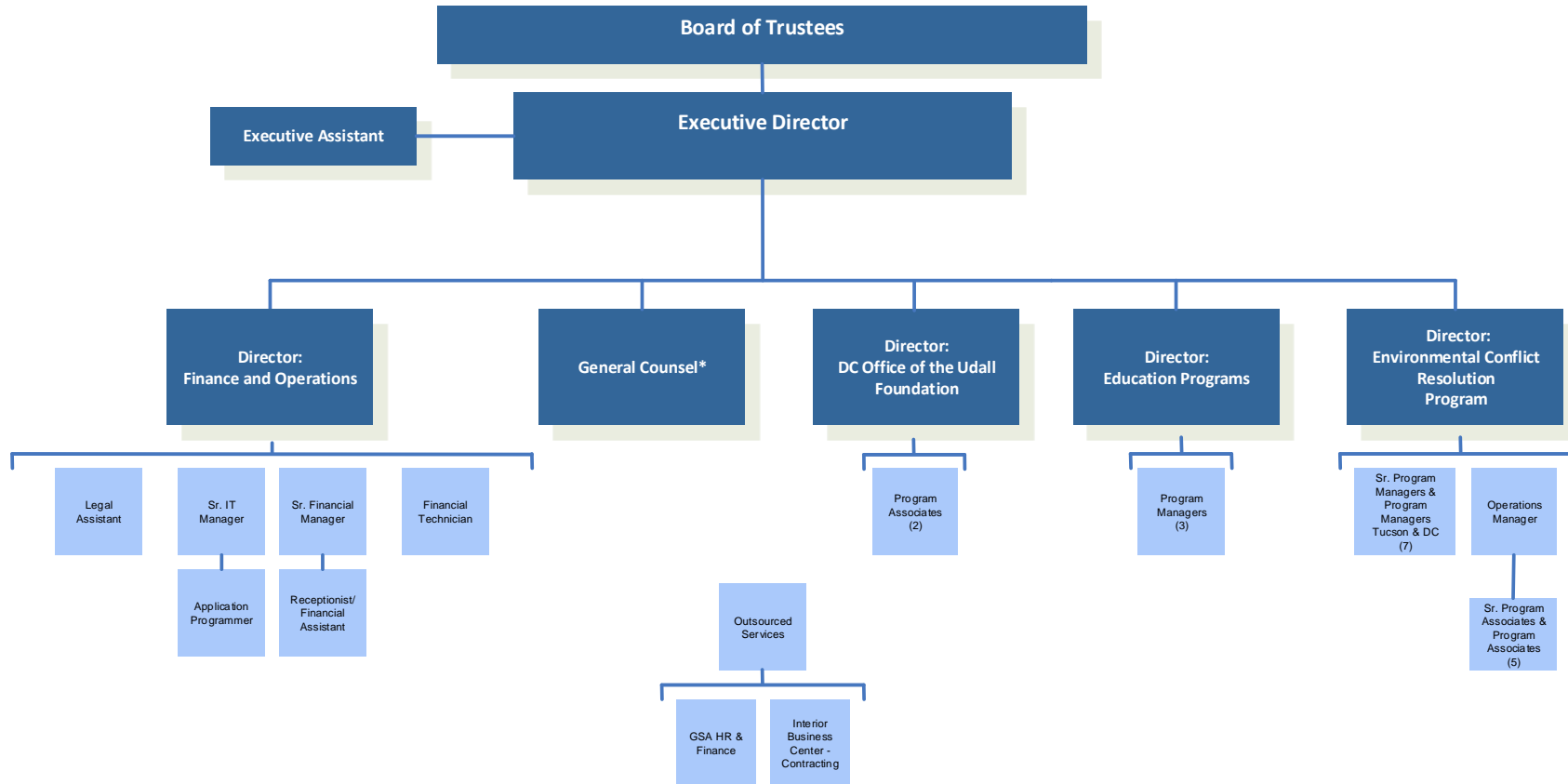
- ***Udall Undergraduate Scholarships***, which provide up to 50 annual scholarships to outstanding students who intend to pursue careers related to the environment, tribal public policy, or American Indian health care. Since 1996, 1414 scholarships have been awarded.
- ***The U.S. Institute for Environmental Conflict Resolution*** (U.S. Institute), which helps federal agencies and other stakeholders resolve environmental, public lands, and natural resources conflicts and build capacity for environmental collaboration and conflict resolution. The U.S. Institute's range of services include consultations, assessments, process design, convening, neutral selection, mediation, facilitation, training, case management, program design, and other related activities covered by the Udall Foundation's enabling legislation.

Organizational Structure

In FY 2014, the Udall Foundation had 26.4 FTEs. Shown on the next page is the FY 2014 organizational chart for the agency.

The Morris K. Udall and Stewart L. Udall Foundation

Organizational Chart



* Also a direct report to the Board

1/21/15

Education Programs

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

Scholarships, which are awarded to college undergraduates who intend to pursue careers related to the environment and to American Indians and Alaska Natives who intend to pursue careers in health care and tribal public policy;

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

Fellowships to graduate students pursuing advanced degrees in fields related to the environment; and

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

All of the education programs listed above are funded by the annual income from the Morris K. Udall and Stewart L. Udall Trust Fund (Trust Fund). The annual income is specifically allocated by law, as follows: at least 50 percent for scholarships, internships, and fellowships; at least 20 percent for grants to the Udall Center; and a maximum of 15 percent for salaries and other administrative costs. Parks in Focus and other activities are funded from the remaining 15 percent of Trust Fund income.

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

To further this goal, the Udall Foundation cofounded the Native Nations Institute for Leadership, Management, and Policy (NNI) with the University of Arizona in 2000. NNI 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 2014 for the purposes of NNI. In 14 years, the Udall Foundation has transferred a total of \$11 million to NNI.

The U.S. Institute for Environmental Conflict Resolution

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

Strategic Goals, Strategic Objectives, and Performance Goals

The Udall Foundation's FY 2015-2018 Strategic Plan implements goals that further its mission and purpose. Three strategic goals, with their attendant objectives and performance goals, guide the Udall Foundation's activities. These strategic goals are shown on pages 10-12.

Udall Foundation Strategic Goals, Strategic Objectives, and Performance Goals

Strategic Goal 1

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

Strategic Objectives

1.1

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

1.2

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

1.3

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

Performance Goals

1.1.1

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

1.1.2

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

1.1.3

Conduct research that informs environmental policy and natural resources management

1.2.1

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

1.2.2

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

1.3.1

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

1.3.2

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

1.3.3

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

Funding Source: **Red** = Environmental Dispute Resolution Fund; **Blue** = Udall Foundation Trust Fund

Strategic Goal 2

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

Strategic Objectives

2.1

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

2.2

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

Performance Goals

2.1.1

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

2.1.2

Provide policy analysis and research to support Native nations

2.1.3

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

2.1.4

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

2.2.1

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

2.2.2

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

Funding Source: **Red** = Environmental Dispute Resolution Fund; **Blue** = Udall Foundation Trust Fund

Strategic Goal 3

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

Strategic Objectives

3.1

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

Performance Goals

3.1.1

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

3.1.2

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

3.1.3

Continue to provide professional and career development opportunities

3.1.4

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

Funding Source: **Red** = Environmental Dispute Resolution Fund; **Blue** = Udall Foundation Trust Fund

Performance Structure Overview

The Udall Foundation has established methods and measures to assess progress in meeting its strategic goals, strategic objectives, and performance goals. The visual summary on pages 8 through 10 illustrates the alignment of the differing levels of goals and objectives, and the associated funding sources.

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

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

Completeness and Reliability of Data

The Udall Foundation's performance data is reasonably complete and reliable, as defined by the Government Performance and Results Act of 1993, and is used regularly by program managers to make both strategic and operational decisions. If there are instances where full and complete data for a measure is not available, updated results will be reported in subsequent compliance reports.

Summary of Performance Evaluations Conducted During FY 2014

To obtain performance data, the U.S. Institute administered surveys to service recipients for all completed FY 2014 processes and services. Respondents were surveyed at the conclusion of services (e.g., the conclusion of a training, the completion of a mediation). For more information on the data collections, see the Validation and Verification section in Appendix A.

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

Management Challenges

As a small, independent federal agency, the Udall Foundation must find cost-effective means to comply with a wide variety of laws and statutes. One solution has been to outsource the processing of financial transactions and financial reporting, as well as human resources needs, to the U.S. General Services Administration (GSA). The Udall Foundation has also outsourced contracting to the U.S. Department of the Interior's (DOI) Interior Business Center.

In anticipation of a reduction in appropriations and loss of earned revenue, the Board of Trustees instituted a hiring freeze in FY 2012. During FY 2013 and into FY2014, there was significant staff attrition. In spite of the loss, the Udall Foundation continued to perform effectively and efficiently. The hiring freeze was lifted in the first quarter of FY 2014 and several of the key vacant positions were filled.

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

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

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

Performance Goal 1.1.1: Provide training to further the use of environmental conflict resolution, collaborative decision making, and consensus building.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of trainings provided.	FY 2014	N/A*	8

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

Measure 2: Percent of ECR training participants who report what they take away from the training will have a very positive impact on their effectiveness in the future.	FY 2014	87%	94%
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During FY 2014, the U.S. Institute delivered eight trainings in collaborative problem solving and conflict resolution. The U.S. Institute solicited feedback from training participants through an end-of-session evaluation questionnaire. Evaluation feedback indicated the U.S. Institute exceeded its performance target, with 94% of respondents indicating that the training will have a very positive impact on their effectiveness in the future.

Performance Goal 1.1.2: Convene and facilitate policy dialogues and forums, and host conferences to further awareness and use of environmental collaboration and conflict resolution.	Fiscal Year	Annual Target	Actual Performance
Measure: Number of initiatives.	FY 2014	2	2

The U.S. Institute continued its efforts to provide services that further awareness and use of environmental collaboration and conflict resolution within the federal government. Initiatives supported by the U.S. Institute during FY 2014 included the following:

- Assisting with the continued implementation of the March 2012 Executive Order – Improving Performance of Federal Permitting and Review of Infrastructure Projects; and
- Assisting with the continued implementation of the September 2012 Memorandum on Environmental Collaboration and Conflict Resolution.

In response to budget uncertainty, the Udall Foundation conservatively invested resources in this service area during FY 2014. For example, the U.S. Institute is taking this juncture to reassess the format, location, and interval scheduling of the ECR conference series. Formats that leverage virtual participation are among the factors being considered for future events. Budget and staffing considerations also prompted the U.S. Institute to curtail its role in facilitating policy dialogues.

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

Performance Goal 1.2.1: Provide case consultation services and mediator referrals to increase the use of environmental conflict resolution and collaboration by federal agencies.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of case consultations.	FY 2014	80	72

For FY 2014, the U.S. Institute provided 72 instances of case consultation and management services toward an annual goal of 80 services. The U.S. Institute’s baseline consultation services are available without charge to help federal agencies and other stakeholders explore the potential benefits of collaborative conflict resolution.

Measure 2: Percent of ECR Roster Professional service users who report the Roster was a valuable resource for identifying qualified ECR professionals to assist them in solving their environmental or natural resources issues.	FY 2014	93%	100%
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During FY 2014, the U.S. Institute continued to maintain the National Roster of ECR Professionals (Roster), a searchable database that allows any stakeholder to identify qualified mediators and facilitators by geographic area. In FY 2014, 559 searches were conducted using the Roster. Of those who provided evaluative feedback, 100% felt the Roster was a valuable resource for identifying practitioners.

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

* New measure beginning in FY 2015. The above metric represents, for FY 2014, the number of active assessment and mediation/facilitation services provided. Sometimes, both assessment and mediation/facilitation services are provided on a project. Each service component is counted in the metric above.

Measure 2: Percent of assessments for which the majority of responding stakeholders strongly agree that the U.S. Institute helped them determine how best to proceed to resolve their conflict.	FY 2014	88%	63%
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Measure 3: Percent of mediations/facilitations for which the majority of responding stakeholders report full or partial agreement was reached or progress was made toward addressing the issues or resolving the conflict.	FY 2014	91%	100%
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During FY 2014, the U.S. Institute provided assessment services on 11 cases and projects to help the associated agencies determine how best to proceed to resolve their dispute or conflict. Eight assessments were completed and evaluated during FY 2014. The FY 2014 performance information on completed assessments is based on evaluative feedback solicited from a representative of each organization that requested assessment services. Evaluative feedback on completed assessments for FY 2014 indicates that performance was lower than targeted. Examination of responses has indicated concerns about the time needed to establish assessment contracts and quality of at least one assessment report. Improvements have been implemented in the efficiency of the contracting process, in quality control of assessment reports and other deliverables, and in establishing assessment report expectations.

During FY 2014, the U.S. Institute was involved in 22 mediation and facilitation processes either directly or through contracted private sector practitioners. The U.S. Institute has solicited feedback from stakeholders associated with 10 processes or process components that concluded during FY 2014. Based on feedback received, our performance goal is being achieved.

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

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

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

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

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

Performance Goal 2.2.2: Increase the awareness and use of the Native Dispute Resolution Network for environmental conflict resolution and collaboration services.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of entities made aware of the referral services available via the Native Dispute Resolution Network.	FY 2014	N/A*	N/A*

Measure 2: Percent of ECR Native Dispute Resolution Network users who report the Network was a valuable resource for identifying qualified ECR professionals to assist them in solving their environmental or natural resources issues.	FY 2014	N/A*	100%
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* New measure beginning in FY 2015. Current year performance information has been provided for context. Measure 2 had previously been subsumed under general referral services. Past year performance information has been added for context when available.

Strategic Goal 1: Trust Fund - Udall Foundation Education Programs

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

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

Performance Goal 1.1.3: Conduct research that informs environmental policy and natural resources management.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of environmental policy presentations or briefings.	FY 2014	N/A*	32

Measure 2: Number of collaborating agencies and institutions.	FY 2014	N/A*	37
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Measure 3: Number of environmental policy publications.	FY 2014	N/A*	41
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* New measure beginning in FY 2015. Current year performance information has been added for context.

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

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

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

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

Measure 2: Percent of scholarship recipients who report they received a quality educational experience in their interactions and program activities with the Udall Foundation.	FY 2014	94%	100%
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The Udall Undergraduate Scholarship program provides up to 50 scholarships annually to outstanding students who intend to pursue careers related to the environment, tribal public policy, or American Indian health care. The Udall Scholarship is by nomination only; the designated Udall Faculty Representative at higher education institutions must nominate students. The Udall Foundation also awards 50 honorable mentions, due to the extraordinarily competitive applicant pool.

Following the award, the 50 scholars convene at the August Scholar Orientation to build professional networks with each other, scholarship program alumni, staff, and trustees of the Udall Foundation. Scholars work together on a case study problem to enhance their critical thinking and problem-solving skills.

The Udall Foundation reduced the number of scholarships from 80 to 50 in FY 2013 and FY 2014, and discontinued monetary benefits for honorable mention awards due to extremely low interest rates affecting income to the Trust Fund. Since 1996, 1,414 scholarships and 797 honorable mentions have been awarded. A total of \$7.09 million has been expended for scholarships and honorable mentions.

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

* Fellowship suspended in 2012-2016 due to low Trust Fund interest.

The Udall Fellowship program provides fellowships to Ph.D. candidates whose dissertations focus on U.S. environmental policy and/or conflict resolution. From FY 1997 to FY 2011, the Udall Foundation awarded two \$24,000 fellowships each year. During that time, 30 fellowships were awarded for a total of \$720,000.

Performance Goal 1.3.3: Provide outdoor, educational programs to connect youth to nature through photography.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of students.	FY 2014	150	578

Measure 2: Number of trips.	FY 2014	15	108
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Measure 3: Number of states.	FY 2014	4	5
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Measure 4: Percent of Parks in Focus participants who report they received a quality educational experience in their interactions and program activities with the Udall Foundation.	FY 2014	86%	100%
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The Parks in Focus program fosters greater understanding, appreciation, stewardship, and enjoyment of the Nation’s natural resources by connecting youth from underserved communities to nature through photography, positive outdoor experiences, and environmental education.

In FY 2014, 578 middle school youth from Boys and Girls Clubs, Big Brothers Big Sisters, and other youth organizations in Arizona, California, Michigan, Montana, and Oklahoma participated in after-school photography lessons and outdoor activities, Saturday field trips, and weekend campouts to nearby parks and scenic areas, monuments, wilderness areas, and other national public lands. Programs outside of Arizona were entirely grant-funded through partnerships with national parks, “friends of” organizations, private foundations, and individual donations. Parks in Focus exceeded the FY 2014 target for the number of students who participated in the program.

Strategic Goal 2: Trust Fund – Udall Foundation Education Programs

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

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

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

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

Measure 2: Number of individuals who enroll in distance-learning courses.	FY 2014	N/A*	330
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Measure 3: Number of individuals who use the Indigenous Governance database.	FY 2014	N/A*	688
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* New measure beginning in FY 2015. Current year performance information has been added for context.

NNI's Rebuilding Native Nations distance-learning course is in its seventh year. The curriculum is available online and on DVD. The Indigenous Governance Database provides online resources on nation building in video, text, and audio formats.

Performance Goal 2.1.2: Provide policy analysis and research to support Native nations.	Fiscal Year	Annual Target	Actual Performance
Measure: Number of completed case studies and/or policy-analyses.	FY 2014	N/A*	3

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

During FY 2014, NNI conducted research on health policy in order to assist tribes in improving community health care. An analysis of tribal access to financial capital was partially supported by the Community Development Financial Institution Fund at the U.S. Department of Treasury. NNI also completed three case studies in FY 2014.

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

Measure 2: Percent of recipients who report they received a quality educational experience in their interactions and program activities with the Udall Foundation.	FY 2014	N/A*	100%
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* New measure beginning in FY 2015. Current year performance information has been added for context.

Performance goal 2.1.3 is a subset of Performance Goal 1.3.1, the Undergraduate Scholarship program that provides up to 50 scholarships annually to outstanding students who intend to pursue careers related to the environment, tribal public policy, or American Indian health care. Prior to the FY 2015-2018 Strategic Plan, this goal was not measured separately.

Performance Goal 2.1.4: Provide internships, training, and community building to American Indian and Alaska Native undergraduate, graduate, and law students in the areas of tribal public policy or health care.	Fiscal Year	Annual Target	Actual Performance
Measure 1: Number of Internships.	FY 2014	12	12

Measure 2: Percent of interns who report they received a quality educational experience through the Native American Congressional Internship Program.	FY 2014	92%	100%
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The Native American Congressional Internship program offers up to 12 internships annually to outstanding American Indian and Alaska Native college, graduate, and law students in order to provide them with practical experience with the federal legislative process. The program helps participants develop as Native professionals and future leaders in Indian country. Interns are placed in congressional offices and committees, executive branch departments, and the White House, where they are able to observe government decision-making processes firsthand. The Udall Foundation also arranges policy meetings and discussions with members of Congress, federal agency officials, and staff from national Native organizations.

In FY 2014, the 12 interns were very satisfied with the program. The Udall Foundation uses evaluation feedback from interns and their office supervisors to facilitate continual learning and improvement.

Analysis of Systems Controls and Legal Compliance

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

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

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 Udall Foundation. These services include 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. GSA is considered to be part of the Udall Foundation's financial management; however, Udall Foundation management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

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

Management Assurances

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to provide an annual statement of assurance regarding internal accounting and administrative controls, including program, operational, and administrative areas as well as accounting and financial management and reporting. The Udall Foundation conducted a review of internal control processes in FY 2014 and is in the process of reviewing and updating standard operating procedures. The assurance statement provided below is based on compliance with:

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

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

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

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

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

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

Internal Controls Assessments

The conclusions in the Udall Foundation’s FY 2014 Annual FMFIA Assurance Statement are based on improved internal controls resulting from

- A 2012 review by the Department of Interior Office of Inspector General (OIG);
- A 2013 review conducted by GAO;
- A 2013 third party review of internal controls;
- A 2014 Udall Foundation Risk Assessment of internal controls; and
- The annual financial audit conducted by Rocha and Company, PC.

FMFIA Material Weaknesses and Accounting System Non-conformances

The Udall Foundation uses the OMB guidelines for material weakness designations and recognizes the importance of correcting material weaknesses in a timely manner. The independent auditors identified no deficiencies in internal controls that are considered a material weakness in financial reporting during their audit for the year ended September 30, 2014.

Internal Controls over Financial Reporting

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

GAO conducted an evaluation of the Udall Foundation's Internal Controls over FY 2012 financial controls during the fourth quarter of FY 2013. Management has implemented the related recommendations.

Federal Financial Management Improvement Act of 1996 (FFMIA)

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

Major Management Challenges Confronting the Udall Foundation

Funding uncertainty from historically low Treasury rates and decreases in appropriations and earned revenue has been a major challenge. The Udall Foundation seeks to improve program delivery in the midst of funding challenges. The Udall Foundation is reviewing the marketing plan for the U.S. Institute for Environmental Conflict Resolution to further diversify its customer base. In addition, the Udall Foundation rewrote all position descriptions and is tying them to performance standards to better achieve its objectives.

The Udall Foundation continued to operate effectively despite facing reduced budgetary resources, a hiring freeze continuing through part of the year, and reduced staffing (fewer than 27 FTEs). The existing staff provided support for mission critical objectives and critical care to items of high risk. This condition is temporary: as we are now filling critical vacancies, such as two senior manager positions.

FY 2014 Assurance Statement

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

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

I am pleased to report that management controls in effect from October 1, 2013 through September 30, 2014, provide reasonable assurance that the Udall Foundation is meeting the objectives of the FMFIA. In general:

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

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



Goals and the Supporting Financial System Strategies

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

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

Analysis of Financial Statements

Introduction and Analysis of Statements

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

The Udall Foundation’s appropriation is deposited into two funds—the Trust Fund and the Environmental Dispute Resolution Fund (EDRF). The financial statements combine data for both the Trust Fund’s Education Programs and the EDRF’s U.S. Institute for Environmental Conflict Resolution program. Although both funds invest available balances in Treasury obligations, they differ in how they may be spent: 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 Udall Foundation’s Education Programs.

Public Law 102-259 authorized appropriations of \$40 million for the Trust Fund. The initial appropriation in 1994 was approximately \$19.9 million; from FY 1998 through FY 2013, an additional \$36.3 million has been appropriated by the Congress, of which \$11 million has been transferred to the Native Nations Institute (NNI), bringing the total appropriations deposited in the Trust Fund to \$45.2 million. The Trust Fund is invested by law in Treasury obligations.

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

Overall Significant Trends

Recognizing that Treasury interest rates were likely to remain low during FY 2014, and in anticipation of a reduction in appropriations in FY 2014 and beyond, the Board of Trustees established a hiring freeze for the Udall Foundation that was in effect from FY 2013 until mid FY 2014. The federal funding uncertainty and the hiring freeze contributed to staff attrition.

Trust Fund:

Interest from Treasury obligations fell approximately 13% from FY 2013 levels. As a result, Education Programs were reduced (for example, 50 instead of 80 scholarships were provided), and Education staff FTEs have fallen by 13.5%. As a result, overall expenses decreased versus FY 2013. Net Program Costs for the Education Programs were higher this year primarily due to the timing of expenditures incurred and billed for reimbursement by the Native Nations Institute, The Udall Center, and the Moore Foundation. This trend is most evident in the Statement of Net Cost explained below.

U.S. Institute for Environmental Conflict Resolution:

The U.S. Institute has seen a 33% reduction in staff (nearly all of whom left federal employment). As a result of budget uncertainty for federal agencies that use and pay fees for the U.S. Institute’s services as well as major changes in contracting practices and the reduction of staff, there was a significant reduction in earned revenue from previous years. As a result, overall, the financial statements reflect both a reduction in gross costs and reductions in earned revenue.

Balance Sheet

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

The vast majority (87.3%) of the Total Assets shown on the balance sheet are Trust Fund investments, representing both short- and long-term Treasury obligations. When the U.S. Institute's Fund balance with Treasury is included, these investments are nearly 99.3% of total assets. Because annual appropriations to the Trust Fund may not be spent, but must be invested, these appropriations increased the fund balance in FY 2014. Since long-term rates were not favorable in FY 2014, and therefore long-term investments were not purchased to replace short-term investments, the increase in Assets is the result of an increase in short-term obligations. In the past, the Udall Foundation established a goal of a 5% yield for long-term investments. With long-term rates far below this threshold, and premium costs at historic highs, additions to the Trust Fund continue to be invested for the short-term.

Overall, assets grew by approximately \$840 thousand (nearly 1.5%). The increase in total assets resulted primarily from appropriations paid from the Treasury into the Trust Fund.

Liabilities are primarily related to external accounts payable, accrued but not yet billed. Liabilities related to payroll (leave, taxes payable, and the like) were 32% of total liabilities in FY 2014. Payables increased in FY 2014 as a result of timing in the accrual versus the billing of accounts payable.

Statement of Net Cost (SNC)

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

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. This strategic goal is associated with the Udall Foundation Education Trust Fund, which supports the Udall Foundation Education Programs.

Net Program Costs for the Education Programs were approximately 221% higher than in FY 2013. This increase is primarily due to the timing of expenditures incurred and billed for reimbursement by the Native Nations Institute, The Udall Center, and the Moore Foundation.

Strategic Goal 2: Resolve environmental conflicts and improve environmental decision making through mediation, training and related activities. This strategic goal is associated with the Udall Foundation Environmental Dispute Resolution Fund, which supports the U.S. Institute for Environmental Conflict Resolution.

The U.S. Institute's Gross Costs and Earned Revenue both fell from the FY 2013 levels. Gross Costs were reduced 15.2%, which resulted in part from a reduction in staff and program costs were also reduced; however, since earned revenue decreased nearly 36%, the overall net program cost decreased about 11.9%. The reduction in earned revenue resulted from decreased staffing and from federal agencies reluctance to dedicate funding while appropriation levels are less certain (thus less revenue received) The U.S. Institute's current marketing plan seeks to diversify revenues over a larger number of agencies.

Overall, the net cost of operations for the Udall Foundation increased by approximately 35.9% in FY 2014.

Statement of Changes in Net Position (SCNP)

As mentioned above, the Net Cost of Operations increased in FY 2013. The Total Financing Sources was also less than FY 2013, a result of reductions in appropriations (from a sequester reduction and a rescission). Overall, however, the ending balances increased by nearly \$459 thousand, the result of the difference between total funding sources and the net cost of operations

Statement of Budgetary Resources (SBR)

The SBR provides information to help assess budget execution and compliance with budgetary accounting rules. It provides information on total budgetary resources available, the status of those resources, and outlays. This statement is prepared on an "obligation" basis as opposed to the accrual basis of accounting used for the other statements. Overall, budgetary resources increased approximately 8.6% and net outlays increased approximately 18.2%.

Controls, Systems, and Legal Compliance Financial Audit

In Fiscal Year 2014, the Udall Foundation had its 12th independent audit of its financial statements. The audit provides additional assurance to its constituents, to Congress, and to the Udall Foundation's Chief Financial Officer that the Udall Foundation's financial transactions and management practices are in keeping with established laws, regulations, and practices. The Udall Foundation received unqualified ("clean") opinions for all years.

Independent Auditor's Report (FY 2014)

The independent financial statement auditors found the Udall Foundation's financial statements, including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. They identified no material weaknesses or significant deficiencies in internal controls. The auditors identified one issue of non-compliance with respect to the Prompt Payment Act, the financial statements were not affected by this issue. Going forward, the Udall Foundation will work closely with GSA to assure payments are timely processed to assure compliance with the Act.

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 Udall Foundation. These services include 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. GSA is considered to be part of the Udall Foundation's financial management; however, Udall Foundation management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

Possible Future Effects of Existing Events and Conditions

Future Effects and Trend Data

Education Programs: All the Education programs are funded by the interest on Treasury investments. These investments are interest rate sensitive and have been adversely affected by declining Treasury rates since FY 2007. Given the Federal Reserve's policy that it will gradually ease the policies that are reducing the interest on long-term bonds but will maintain extremely low short-term rates, purchase premiums have increased for long-term instruments. This has exacerbated the reduced availability of long-term, higher-yield instruments, which limits the ability to distribute risk by buying bonds with different maturity dates.

The Udall Foundation therefore has not been able to replace long-term investments and the income these generate, due to the combination of extremely low interest rates and unacceptably high purchase premiums for bonds with higher rates of interest. In summary, there have been no reasonable investment options available in the current market environment for Treasury instruments, which are the only investment available to the Udall Foundation.

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

There are, therefore, two unknowns that could adversely affect operations—a significant reduction of the entity's baseline appropriations or a sharp reduction in fees due to the inability of agencies to pay. It is anticipated that actual reductions in agency budgets, or the uncertainty that budgets will be reduced, may continue to reduce either the scale or scope of federal ECR efforts. 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 its 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 Udall Foundation, as required by 31 U.S.C. 3515(b). The statements have been prepared from the books and records of the Udall Foundation in accordance with accounting principles generally accepted in the United States of America for federal entities and the formats prescribed by the Office of Management and Budget. These financial statements are in addition to other financial reports used to monitor and control budgetary resources that are also prepared from the same books and records.

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying balance sheet of The Morris K. Udall and Stewart L. Udall Foundation (the Foundation) as of September 30, 2014, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended. In our audit of the Foundation for the fiscal year ended September 30, 2014, we found:

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

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

Opinion on the Financial Statements

In our opinion, the financial statements, including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the financial position of The Morris K. Udall and Stewart L. Udall Foundation as of September 30, 2014, and its net costs; changes in net position; and budgetary resources for the year then ended.

The financial statements of The Morris K. Udall and Stewart L. Udall Foundation as of September 30, 2013 were audited by other auditors whose report dated March 31, 2014, expressed an unqualified opinion on those statements.

Consideration of Internal Control

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

control over financial reporting and compliance or on management's assertion on the effectiveness of the entity's internal control over financial reporting, or on management's assertion on the internal control included in the MD&A.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance in amounts that would be material to the financial statements.

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

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

Compliance With Applicable Laws and Regulations

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws and regulations for fiscal year 2014. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Consistency of Other Information

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

The information in the Chairman's Message, Performance Section, and Other Accompanying Information is presented for purposes of additional analysis and is not required as part of the financial statements.

This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Responsibilities

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

Auditors' Responsibilities. Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we do not express an opinion on such internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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


Kacha & Company, PC
Gaithersburg, Maryland
January 7, 2015

Independent Auditors' Report

Introduction to Exhibits on Internal Control and Compliance and Other Matters

Our report on internal control over financial reporting and compliance and other matters is presented in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. The internal control weaknesses and findings related to compliance with certain laws and regulations, presented herein were identified during our audit of The Morris K. Udall and Stewart L. Udall Foundation (the Foundation's) financial statements as of, and for the year ended, September 30, 2014. Our findings and the status of prior year findings are presented in two exhibits:

Exhibit A: Instances of non-compliance identified during the audit of the Foundation.

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

A-1 Non-Compliance with the Prompt Payment Act

Conditions: The Foundation does not appear to comply with the Prompt Payment Act. During our audit, we noted four instances where payments to vendors were not made within the required time period.

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

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

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

Management's Response: The Morris K. Udall and Stewart L. Udall Foundation (Foundation) is a Federal micro-agency with a current staff of 27 people. As a small agency with limited resources, the Foundation has procured financial services from the General Services Administration (GSA). The terms of our agreement specify that the processing of expenditures is a function performed by the GSA on the Foundation's behalf.

In the sampling of expenditures, auditors noted four examples where payment was not provided within 30 days. As such, the Foundation did not meet the intent of the Prompt Payment Act. We do not believe this is a meaningful indicator of the Foundation's compliance with the Act.

Three of the four payments were processed three days late on average. These payments were provided to the GSA with adequate time for processing for payment to be made within 30 days. The fourth example that did not meet the 30-day Prompt Payment Act requirement was a final contract payment. The Foundation asked the contractor to sign a release of claim certifying final invoice and that no additional costs would be billed. The contractor did not provide the requested document in a timely manner and as such the payment was delayed.

The Foundation will work with GSA to determine the cause of the delayed payments and work to resolve any related issues.



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

GENERAL, TRUST AND SPECIAL FUND

CONSOLIDATED FINANCIAL STATEMENTS

As of and For the Years Ended September 30, 2014 and 2013

THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION

BALANCE SHEET

As Of September 30, 2014 and 2013

		2014		2013
Assets:				
Intragovernmental:				
Fund Balance With Treasury	(Note 2)	\$ 29,624,454	\$	26,512,747
Investments	(Note 3)	26,733,979		28,721,850
Accounts Receivable	(Note 4)	314,088		576,694
Total Intragovernmental		56,672,521		55,811,291
Assets With The Public:				
Accounts Receivable, net	(Note 4)	62,546		68,277
General Property, Plant and Equipment	(Note 5)	16,921		31,788
Total Assets		\$ 56,751,988	\$	55,911,356
Liabilities:				
Intragovernmental:				
Accounts Payable	(Note 6)	1,715		25
Other:	(Note 7)			
Employer Contributions and Payroll Taxes Payable		16,050		13,288
Total Intragovernmental		17,765		13,313
Liabilities With the Public:				
Accounts Payable		539,451		102,872
Other:	(Note 7)			
Accrued Funded Payroll and Leave		63,194		122,916
Employer Contributions and Payroll Taxes Payable		2,608		2,194
Unfunded Leave		197,634		197,845
Other Liabilities Without Related Budgetary Obligations		410		410
Total Liabilities		\$ 821,062	\$	439,550
Net Position:				
Cumulative Results of Operations - All Other				
Funds (Consolidated Totals)		55,930,926		55,471,806
Total Net Position - All Other Funds (Consolidated Totals)		55,930,926		55,471,806
Total Net Position		55,930,926		55,471,806
Total Liabilities and Net Position		\$ 56,751,988	\$	55,911,356

The accompanying notes are an integral part of these statements.

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

As Of And For The Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Program Costs:		
Trust: Strategic Goal 1		
Gross Costs	3,783,953	1,712,510
Net Program Costs	3,783,953	1,712,510
Institute: Strategic Goal 2		
Gross Costs	5,658,396	6,673,782
Less: Earned Revenue	2,972,363	3,624,232
Net Program Costs	2,686,033	3,049,550
Net Cost of Operations	(Note 8) \$ 6,469,986	\$ 4,762,060

The accompanying notes are an integral part of these statements.

THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION
STATEMENT OF CHANGES IN NET POSITION
As Of And For The Years Ended September 30, 2014 and 2013

FY 2014 (CY)

	Collections (Consolidated Totals)	Funds From Dedicated All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$	55,471,805	\$	55,471,805
Beginning balance, as adjusted		55,471,805		55,471,805
Budgetary Financing Sources:				
Appropriations used		5,300,000		5,300,000
Nonexchange revenue		1,348,813		1,348,813
Donations and forfeitures of cash and cash equivalents		78,020		78,020
Other Financing Sources (Non-Exchange):				
Imputed financing		202,274		202,274
Total Financing Sources		6,929,107		6,929,107
Net Cost of Operations		6,469,986		6,469,986
Net Change		459,121		459,121
Cumulative Results of Operations		55,930,926		55,930,926
Appropriations received		5,500,000		5,500,000
Appropriations transferred-in/out		(200,000)		(200,000)
Appropriations used		(5,300,000)		(5,300,000)
Total Budgetary Financing Sources				
Total Unexpended Appropriations				
Net Position		55,930,926		55,930,926

The accompanying notes are an integral part of these statements.

THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION
STATEMENT OF CHANGES IN NET POSITION
As Of And For The Years Ended September 30, 2014 and 2013

FY 2013 (PY)

	Collections (Consolidated Totals)	Funds From Dedicated All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$	52,703,393	\$	52,703,393
Beginning balance, as adjusted		52,703,393		52,703,393
Budgetary Financing Sources:				
Appropriations used		5,869,343		5,869,343
Nonexchange revenue		1,382,412		1,382,412
Donations and forfeitures of cash and cash equivalents		92,559		92,559
Other Financing Sources (Non-Exchange):				
Imputed financing		186,159		186,159
Total Financing Sources		7,530,473		7,530,473
Net Cost of Operations		4,762,060		4,762,060
Net Change		2,768,413		2,768,413
Cumulative Results of Operations		55,471,806		55,471,806
Budgetary Financing Sources:				
Appropriations received		5,992,000		5,992,000
Other adjustments		(122,657)		(122,657)
Appropriations used		(5,869,343)		(5,869,343)
Total Budgetary Financing Sources				
Total Unexpended Appropriations				
Net Position		55,471,806		55,471,806

The accompanying notes are an integral part of these statements.

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

As Of And For The Years Ended September 30, 2014 and 2013

	2014 Budgetary		2013 Budgetary
BUDGETARY RESOURCES			
Unobligated balance brought forward, October 1	\$ 7,687,964	\$	5,716,757
Adjustment of unobligated balance brought forward, October 1 (+ or -)	(27,718)		
Unobligated balance brought forward, October 1, adjusted	7,660,246		5,716,757
Recoveries of prior year unpaid obligations (unobligated balances)	592,962		615,483
Unobligated balance from prior year budget authority, net	8,253,208		6,332,240
Appropriations (discretionary and mandatory)	11,056,841		11,452,153
Spending authority from offsetting collections	9,728		3,451
Total budgetary resources	\$ 19,319,777	\$	17,787,844
 STATUS OF BUDGETARY RESOURCES			
Obligations incurred	\$ 12,628,083	\$	10,099,880
Apportioned	6,325,181		5,461,547
Unapportioned	366,513		2,226,417
Unobligated balance brought forward, end of year	6,691,694		7,687,964
Total budgetary resources	\$ 19,319,777	\$	17,787,844
 CHANGE IN OBLIGATED BALANCE			
Unpaid obligations, brought forward, October 1 (gross)	\$ 1,968,113	\$	2,974,245
Obligations incurred	(Note 9) 12,628,083		10,099,880
Outlays (gross) (-)	(10,753,101)		(10,490,529)
Recoveries of prior year unpaid obligations (-)	(592,962)		(615,483)
Unpaid obligations, end of year	(Note 10) 3,250,133		1,968,113
Obligated balance, start of year (net)	1,968,113		2,974,245
Obligated balance, end of year (net)	\$ 3,250,133	\$	1,968,113
 BUDGET AUTHORITY AND OUTLAYS, NET			
Budget authority, gross (discretionary and mandatory)	\$ 11,066,569	\$	11,455,604
Actual offsetting collections (discretionary and mandatory) (-)	(9,728)		(3,451)
Budget authority, net (discretionary and mandatory)	11,056,841		11,452,153
Outlays, gross (discretionary and mandatory)	10,753,101		10,490,528
Actual offsetting collections (discretionary and mandatory) (-)	(9,728)		(3,451)
Outlays, net (discretionary and mandatory)	\$ 10,743,373	\$	10,487,077
Distributed offsetting receipts (-)	5,203,868		5,801,717
Agency outlays, net (discretionary and mandatory)	\$ 5,539,505	\$	4,685,360

The accompanying notes are an integral part of these statements.

THE MORRIS K. UDALL AND STEWART L. UDALL FOUNDATION

Note 1 – Significant Accounting Policies

Reporting Entity

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

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

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

Basis of Presentation

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

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

Note 1 – Significant Accounting Policies (Continued)

based on budget terminology definition and guidance in OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*, dated July 25, 2014.

Annual Appropriations

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

	<u>2014</u>	<u>2013</u>
Morris K. Udall Scholarship and Excellence in National Environmental Policy Trust Fund	\$1,900,000	\$2,084,927
Environmental Dispute Resolution Fund	\$3,400,000	\$3,784,416

Use of Estimates

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

Fund Balance with the U.S. Treasury

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

Accounts and Interest Receivables

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

Investments

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

Note 1 – Significant Accounting Policies (Continued)

General Property and Equipment

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

Liabilities

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

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

Revenues and Other Financing Sources

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

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

Note 1 – Significant Accounting Policies (Continued)

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

Trust Fund

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

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

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

Through FY 2014, approximately \$45.2 million in appropriations has been deposited in the Trust Fund. In addition to the Trust Fund corpus, \$11 million has been appropriated and transferred for the purposes of the Native Nations Institute (NNI), pursuant to Congressional authorization. Transfers to NNI during fiscal year 2014 totaled \$1.0 million.

In FY 2014, the Foundation had three sources of income: donations, interest from investments and grants. All would be considered inflow of resources to the Government.

Institute

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

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

Note 1 – Significant Accounting Policies (Continued)

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 \$1,528,618 being reported as fiscal year 2014 revenue for services provided, \$1,476,499 is from federal sources and is the result of Intragovernmental flows. The remaining \$52,119 is from non-federal sources and should be considered inflows or resources to the Government.

Of the \$3,287,619 being reported as fiscal year 2013 revenue for services provided, \$3,263,866 is from federal sources and is the result of Intragovernmental flows. The remaining \$23,753 is from non-federal sources and should be considered inflows or resources to the Government.

Annual Leave

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

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

Note 1 – Significant Accounting Policies (Continued)

Retirement Plans

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

The FASAB's SFFAS Number 5, *Accounting for Liabilities of the Federal Government*, requires that employing agencies recognize the full cost of pensions, health, and life insurance benefits, during their employee's active years of service. OPM, as the administrator of the FERS plan, the Federal Employee's Health Benefits Program, and

the Federal Employee's Group Life Insurance Program must provide the "cost factors" that adjust the agency contribution rate to the full cost for the applicable benefit programs. Accordingly, no liability is reflected on the Foundation's balance sheet, and an imputed cost is reflected in its operating statements.

Obligations Related To Canceled Appropriations

Payments may be required of up to one percent of current year appropriations for valid obligations incurred against prior year appropriations that have been canceled. The Foundation had no canceled appropriations as of September 30, 2014 and 2013.

Contingencies

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

Note 1 – Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to 2013 financial statement presentation to correspond to the current year's format. Total net position and net cost of operations are unchanged due to these reclassifications.

Funds from Dedicated Collections

SFFAS 43 replaced SFFAS 27 and resulted in a significant change in the definition of what was previously known as "earmarked funding." SFFAS 43 states that funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the government's general revenues.

As of FY 2014 it was determined that the Udall Foundation funding that previously was designated "earmarked" did not qualify under the new definition for "Funds from Dedicated Collections" and are not presented separately in these financial statements.

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.

	<u>2014</u>	<u>2013</u>
A. Fund Balance with Treasury		
Trust Fund	\$22,827,122	\$21,052,015
Institute	<u>6,797,332</u>	<u>5,460,732</u>
Total	<u><u>\$29,624,454</u></u>	<u><u>\$26,512,747</u></u>
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	\$6,325,181	\$5,461,547
b) Unavailable	628,231	2,621,178
2) Obligated Balance not yet Disbursed	3,250,133	1,968,113
3) Non-Budgetary FBWT	<u>19,420,909</u>	<u>16,461,909</u>
Total	<u><u>\$29,624,454</u></u>	<u><u>\$26,512,747</u></u>

Note 3 – Investments

As of September 30, 2014, investments were composed of the following:

	Cost	Amortization Method	Amortized Premium (Discount)	Interest Receivable	Investments, Net	Market Value Disclosure
Intragovernmental Securities:						
Market Based Notes and Bonds	25,507,000	Interest-Yield	995,431	231,548	26,733,979	25,507,000

As of September 30, 2013, investments were composed of the following:

	Cost	Amortization Method	Amortized Premium (Discount)	Interest Receivable	Investments, Net	Market Value Disclosure
Intragovernmental Securities:						
Market Based Notes and Bonds	27,416,000	Interest-Yield	1,040,298	265,552	28,721,850	27,416,000

Note 4 – Accounts Receivable

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

Accounts Receivable	<u>2014</u>	<u>2013</u>
Associate Claims:		
Non-federal	291	499
Other:		
Federal	314,088	576,695
Non-federal	62,255	67,778
Total Receivables	<u>\$376,635</u> *	<u>\$644,971</u> *

*Rounding

Note 5 - General Property, Plant and Equipment, Net

As of September 30, 2014 general property, plant and equipment were comprised of the following:

<u>2014</u>	Furniture & Fixtures	Computers	Telephone Systems	Assets Under Capital Lease	<u>Total</u>
Cost	145,203	216,397	\$21,685	\$36,481	\$419,765 *
Accum. Depr.	(137,105)	(211,576)	(\$17,682)	(\$36,481)	(\$402,844)
Net Book Value	<u>\$8,097</u> *	<u>\$4,821</u>	<u>\$4,003</u>	<u>\$0</u>	<u>\$16,921</u>

<u>2013</u>	Furniture & Fixtures	Computers	Telephone Systems	Assets Under Capital Lease	<u>Total</u>
Cost	145,203	216,397	\$21,685	\$36,481	\$419,765 *
Accum. Depr.	(133,633)	(202,311)	(\$15,552)	(\$36,481)	(\$387,977)
Net Book Value	<u>\$11,570</u>	<u>\$14,086</u>	<u>\$6,133</u>	<u>\$0</u>	<u>\$31,788</u>

*Rounding

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, 2014, the Foundation showed liabilities covered by budgetary resources of \$623,018 and liabilities not covered by budgetary resources of \$198,044. As of September 30, 2013, the Foundation showed liabilities covered by budgetary resources of \$241,296 and liabilities not covered by budgetary resources of \$198,255.

	<u>2014</u>	<u>2013</u>
Intragovernmental		
Accounts Payable	1,715	25
Employee Contributions & Payroll Taxes	<u>16,050</u>	<u>13,288</u>
Total Intragovernmental	17,765	13,313
With the Public		
Accounts Payable	539,451	102,872
Accrued Funded Payroll & Leave	63,194	122,916
Unfunded Leave	197,634	197,845
Employee Contributions & Payroll Taxes	2,608	2,195
Other Liabilities	<u>410</u>	<u>410</u>
Total With the Public	<u>803,297</u>	<u>426,238</u>
Total Liabilities	<u><u>821,062</u></u>	<u><u>439,551</u></u>
Total liabilities not covered by budgetary resources	198,044	198,255
Total liabilities covered by budgetary resources	<u>623,018</u>	<u>241,296</u>
Total Liabilities	<u><u>821,062</u></u>	<u><u>439,551</u></u>

Note 7 – Other Liabilities

As of September 30, 2014, Other Liabilities with the public consist of Accrued Funded Payroll and Leave of \$63,194 a portion of Employer Contributions and Payroll Taxes Payable of \$2,608, Unfunded Leave of \$197,634, and Other Liabilities of \$410. Other Intragovernmental liabilities consist of a portion of Employer Contributions and Payroll Taxes Payable of \$16,050.

As of September 30, 2013, Other Liabilities with the public consist of Accrued Funded Payroll and Leave of \$122,916 a portion of Employer Contributions and Payroll Taxes Payable of \$2,195, Unfunded Leave of \$197,845, and Other Liabilities of \$410. Other Intragovernmental liabilities consist of a portion of Employer Contributions and Payroll Taxes Payable of \$13,288.

	With the Public	Non-Current	Current	Total	
2014	Other Liabilities	198,044	65,802	\$263,847	*
2013	Other Liabilities	198,255	125,110	\$323,365	

*Rounding

	Intragovernmental	Non-Current	Current	Total
2014	Other Liabilities	0	16,050	\$16,050
2013	Other Liabilities	0	13,288	\$13,288

Note 8 – Intragovernmental Costs and Exchange Revenue

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

	2014	2013
Program A		
Intragovernmental costs	\$ 2,365,423	\$ 1,311,021
Public costs	7,076,926	7,075,271
Total Program A costs	\$ 9,442,349	\$ 8,386,292
Intragovernmental earned revenue	2,499,589	3,593,210
Public earned revenue	472,774	31,022
Total earned revenue	\$ 2,972,363	\$ 3,624,232
Total Program A	\$ 6,469,986	\$ 4,762,060

Note 9 – Apportionment Categories of Obligations Incurred

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

	Total 2014	Total 2013
Direct		
Category B	12,628,083	10,099,880
Total Obligations	<u>\$12,628,083</u>	<u>\$10,099,880</u>

Note 10 – Undelivered Orders at the End of the Period

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

	Undelivered Orders	Accounts Payable	Unpaid Obligated Balance, Net
2014	\$2,627,115	623,018	\$3,250,133
2013	\$1,726,818	241,295	\$1,968,113

Note 11 – Leases

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

Future lease payments are summarized as follows:

2015	347,563
2016	349,280
2017	351,044
2018	61,403
Total	<u><u>\$1,109,290</u></u>

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

Liabilities not covered by budgetary resources total \$198,044 for FY 2014 and \$198,255 for FY2013, and the change in components requiring or generating resources in future periods show (\$211) for FY2014 and (\$34,049) for FY 2013. The (\$211) is the net decrease of future funded expenses – leave between fiscal 2013 and fiscal 2014. Accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations. Whereas, the unfunded leave liability includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

	<u>2014</u>	<u>2013</u>
Liabilities not covered by budgetary resources	198,044	198,255
Change in components requiring/generating resources	(211)	(34,049)

	2014	2013
Budgetary Resources Obligated	\$ 12,628,082	\$ 10,099,880
Spending Authority from Recoveries and Offsetting Collections	(602,689)	(618,934)
Distributed Offsetting Receipts	(5,203,868)	(5,801,718)
Donations and Forfeitures of Property	78,020	92,559
Imputed Financing from Costs Absorbed by Others	202,274	186,159
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(900,297)	818,240
Resources that Finance the Acquisition of Assets	209	(1,333)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	253,485	
Increase in Annual Leave Liability	(211)	(34,049)
Financing Sources Yet to be Provided	14,981	21,256
Net Cost of Operations	\$ 6,469,986	\$ 4,762,060

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

Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting* calls for explanations of material differences between budgetary resources available, status of those resources and outlays as presented in the Statements of Budgetary Resources (SBR) to the related actual balances published in the *Budget of the United States Government* (President’s Budget). However, the President’s Budget that will include fiscal year 2014 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in March 2015. 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 2012 SBR and the related President’s Budget.

Note 14 – Commitments and Contingencies

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