

Morris K. Udall Foundation

CIVILITY, INTEGRITY, CONSENSUS



performance and accountability **report** for fiscal year



2007

Table of Contents

Message from the Chairman of the Board.....1

Message from the Executive Director2

Message from the Chief Financial Officer 3

Management's Discussion and Analysis 4

Annual Program Performance17

Independent Auditor's Reports and Financial Statements



FY 2007 Performance and Accountability Report

Each year, the Foundation transforms modest funding levels into concrete, national achievements. I am proud to say that this tradition continued in FY 2007. The Board is pleased that the Foundation met or exceeded all its performance goals.

In addition, I am pleased to report that the Foundation received an unqualified ("clean") opinion for FY 2007, which assures Congress, the general public and others that the financial statements contained in this report accurately reflect the financial health of the Foundation.

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

A handwritten signature in black ink that reads "Terrence L. Bracy". The signature is written in a cursive style with a prominent horizontal line above the first name.

Terrence L. Bracy
Chairman of the Board



FY 2007 Performance and Accountability Report

I am pleased to report that the Foundation met or exceeded all performance goals for its education and environmental conflict resolution programs. This outstanding performance record is but one measure of the ways in which the Foundation's staff continuously tries to improve its programs every year.

I refer you to the attached Management Discussion and Analysis for a summary of the Foundation's mission, goals and accomplishments, as well as financial data for FY 2007. The financial and performance data included in the report are reliable and complete.

I am pleased to note that the Foundation received an unqualified ("clean") opinion for FY 2007, and that no material weaknesses were identified by the independent auditor. This excellent result assures the Congress and the public that the financial information presented is accurate and reliable. I am also pleased to report that the necessary management controls are in place.

A handwritten signature in black ink, which appears to read "Chris Helms". The signature is fluid and cursive.

Christopher L. Helms
Executive Director



FY 2007 Performance and Accountability Report

The Morris K. Udall Foundation received an unqualified (“clean”) opinion for FY 2007 audit. The audit found no material weaknesses. The Foundation has received unqualified (“clean”) opinions for all audit years.

Since the Foundation has a small financial staff, the U.S. General Services Administration’s Finance Center provides essential payroll and financial services for the Foundation. The communication and coordination between the Foundation and GSA have improved over the years and have resulted in demonstrated efficiencies.

Internally, the Foundation continues to improve its financial processes and systems. Processing time of financial transactions has been optimized and accuracy is excellent. Databases that assist managers to track their work and report on results are continuously improved. This performance is the direct result of staff who are dedicated to provide the tools needed for efficiency.

A handwritten signature in black ink that reads "Philip J. Lemanski". The signature is written in a cursive, flowing style.

Philip J. Lemanski
Chief Financial Officer
and Director of Education Programs

Management Discussion and Analysis

Mission and Organizational Structure

THE MORRIS K. UDALL FOUNDATION

Mission

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

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

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

- increase awareness of the importance of and promote the benefit and enjoyment of the nation's natural resources.
- foster a greater recognition and understanding of the role of the environment, public lands and resources in the development of the U.S.

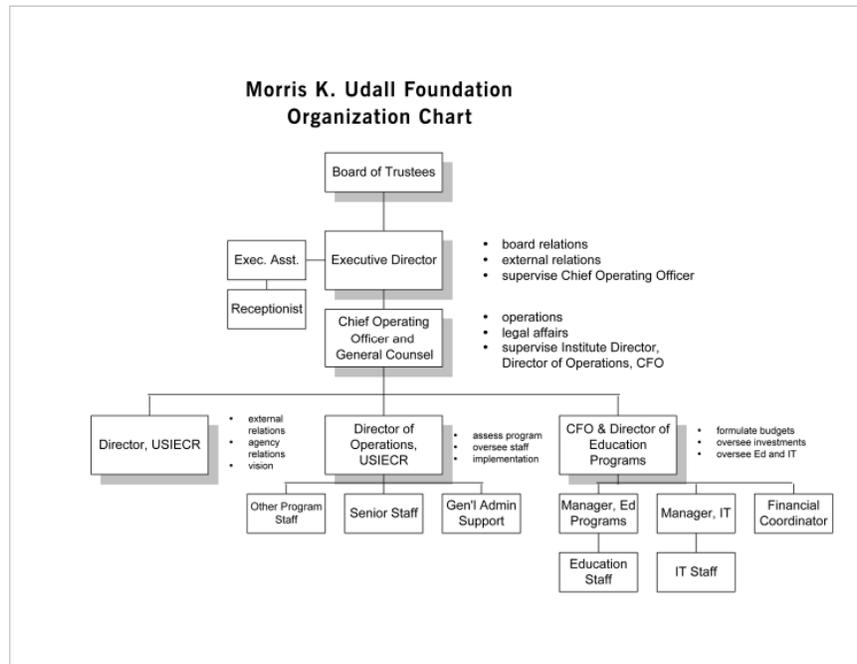
¹ Morris K. Udall Scholarship and Excellence in National Environmental and Native American Public Policy Act of 1992, Public Law 102-259.

² Environmental Policy and Conflict Resolution Act of 1998, Public Law 105-156.

³ Omnibus Indian Advancement Act, Public Law 106-568, Section 817.

- identify critical environmental issues.
- develop resources to properly train professionals in the environmental and related fields.
- provide educational outreach regarding environmental policy.
- develop resources to properly train Native American and Alaska Native professionals in health care and public policy, by conducting management and leadership training of Native Americans, Alaska Natives, and others involved in tribal leadership, providing assistance and resources for policy analysis, and carrying out other appropriate activities to achieve these goals.
- establish the U.S. Institute for Environmental Conflict Resolution to assist the federal government in implementing section 101 of NEPA by providing assessment, mediation, and other related services to resolve environmental disputes involving federal agencies.

Shown below is the current organizational chart for the agency.



Organizational Structure

The Foundation is organized into two distinct program areas: education programs and the U.S. Institute for Environmental Conflict Resolution. In FY 2007, the Foundation had 29 FTEs, all based in Tucson.

Education Programs

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

- Scholarships for college undergraduates in two areas – 1) to those who intend to pursue careers related to the environment and 2) Native Americans and Alaska Natives who intend to pursue careers in health care and tribal public policy.
- Internships, including awards to Native American and Alaska Native individuals participating in internships in federal, state and local agencies or in offices of major public health or public policy organizations.
- Fellowships to graduate students pursuing advanced degrees in fields related to the environment and to Native American and Alaska Native graduate students in health care and tribal public policy, including law and medicine.
- Grants to the Udall Center for Studies in Public Policy at the University of Arizona, for various purposes including research on environmental policy, Native American and Alaska Native health care issues and tribal public policy issues.

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

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

In connection with this purpose, the Udall Foundation co-founded the Native Nations Institute for Leadership Management and Policy with the University of Arizona in 2000. NNI provides executive management and leadership training to tribal leaders, as well as policy analysis. Congress has authorized the Udall Foundation to transfer a portion of its Trust Fund appropriations in each of fiscal years 2001 through 2007 for the purposes of NNI. The Foundation has transferred a total of \$4 million over that period to NNI.

The U.S. Institute for Environmental Conflict Resolution

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

Performance Goals, Objectives and Results

Performance Goals

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

These strategic goals and objectives are:

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

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

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

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

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

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

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

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

Performance Results

Education Activities

FY 2007 objectives for education opportunities (Strategic Goal 1) focused on:

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

The Foundation met all of its FY 2007 scholarship and fellowship objectives. As targeted, 80 undergraduate scholarships of up to \$5,000 each, 50 honorable mention awards of \$350 each, and two dissertation fellowships of \$24,000 each were awarded during FY 2007. 100% of scholars and fellows reported they received a quality educational experience in their program activities and interactions with the Foundation. Higher education institutions appointed 1,126 faculty representatives to guide and advise students on Udall scholarship opportunities, exceeding the Foundation's FY 2007 target.

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

A significant part of the Foundation's mission is to provide educational resources for Native Americans and Alaska Natives related to health care and tribal public policy, with a particular focus on management and leadership training. As targeted for FY 2007, internship opportunities were extended to 12 Native American and Alaska Native students in Congressional offices and

agencies that could provide the interns a comprehensive legislative experience. 100% of the interns reported they received a quality educational experience through the Native American Congressional Internship Program.

During FY 2007, the Foundation also exceeded its performance objective related to management and leadership training provided to Native American tribes through the Native Nations Institute for Leadership, Management, and Policy (NNI). Eighty-four percent of respondents reported that the Native Nations Institute is an important resource for them in carrying out their nation building work.

Environmental Conflict Resolution Activities

FY 2007 objectives for environmental conflict resolution (Strategic Goal 2) focused on:

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

The U.S. Institute achieved its FY 2007 performance target by increasing to 81 the number of case consultations provided to enable federal agencies and other affected stakeholders to effectively engage in ECR. These services included early advice, consultation and convening services that are necessary to begin a conflict resolution process (and are generally not reimbursable). The U.S. Institute also exceeded targets for referral services, assessments and mediation/facilitation services. In combination, these case support services help federal agencies and other stakeholders increase the appropriate use of ECR by: (a) providing advice on whether ECR is appropriate in a given situation, (b) connecting stakeholders with qualified mediators, (c) analyzing conflicts and designing conflict resolution strategies, and (d) bringing parties to the table and mediating environmental disputes.

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

Two major activities were undertaken in connection with this goal. They included ECR training services and programmatic support services (e.g., assistance with designing federal ECR programs). The U.S. Institute's FY 2007 training included agency-requested sessions aimed at specific needs, capacity building efforts integrated into conflict resolution processes, and training for those involved in the field of ECR, including practitioners and ECR leaders in government agencies.

For FY 2007 the U.S. Institute exceeded its performance target by eight points with 94% of participants who experience an ECR training reporting "what they take away from the training will have a very positive impact on their effectiveness in the future." The performance measure for programmatic support services was also exceeded. One-hundred percent of federal agency representatives reported that the programmatic support provided by the U.S. Institute has improved the effectiveness of their ECR efforts.

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

In connection with objective 2c, the U.S. Institute targeted four major activities to be undertaken during FY 2007. As targeted, these activities included: (1) Assisting the Council on Environmental Quality (CEQ) and the Office of Management and Budget (OMB) in their efforts to engage leadership throughout the federal government to discuss ways to more systematically prevent or reduce environmental conflict as directed by the November 2005 ECR policy memorandum (please see page 33 for further details). (2) Co-leading an interagency working group at the request of the President's Council on Environmental Quality to complete a Handbook on NEPA and Collaboration. (3) Engaged multiple agencies in an ECR Evaluation Study designed to advance the effective use of ECR. (4) Continued to participate on several federal interagency committees to further the effective use of ECR, including the Interagency ADR Working Group Steering Committee and the Executive Team for Cooperative Conservation and two of its working groups.

Analysis of Financial Statements and Stewardship Information

Introduction and Analysis of Statements

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

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

Public Law 102-259 authorized appropriations of \$40 million for the Foundation Trust Fund. The initial appropriation in 1994 was approximately \$19.9 million; from FY 1998 through FY 2007, Congress appropriated another \$17.7 million, for total appropriations to date of approximately \$37.6 million. The Trust Fund is invested by law in Treasury obligations. As mentioned above, the Foundation has transferred a total of \$4 million to NNI, thus \$33.6 million in appropriations were deposited in the Trust Fund.

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

Balance Sheet

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

Overall, assets grew by approximately \$2.65 million (7.3%), while liabilities increased by approximately \$203,000. The increase in liabilities was primarily due to an increase in accounts payable.

The vast majority of the Total Assets shown on the balance sheet are Trust Fund investments, both short and long term (presented as Fund Balance with Treasury and Investments, respectively). Because annual appropriations (\$2 million less a rescission of \$20,000 plus a salary adjustment of approximately \$4,000 in FY 2007) to the Trust Fund may not be spent, but must be invested, these appropriations increased the fund balance in FY 2007.

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

Statement of Net Cost

The statement displays the respective total expenses, net of earned revenues. Overall, the net cost of operations increased by approximately \$265,000 in FY 2007, a change of approximately 6%.

Most of the increase results from an increase in the Institute's expenses. These expenses include the salaries for a new training initiative's coordinator and a conference planner (which is a one-year position), as well as one-time items such as a new phone system.

At the same time, even though the Education Programs managed a complex 10-year anniversary of the Foundation's education programs, overall costs increased less than 1%. The celebration of the anniversary raised the visibility of the Foundation, thus ensuring that more highly qualified students become aware of its programs. The celebration also furthered the purposes of the Foundation by increasing the public's awareness of environmental issues and the importance and benefit of the Nation's natural resources.

Of the total Trust Fund budget, approximately 86% of total expenses was related to Education Programs. Of the U.S. Institute's budget, 59% was for operations and 41% was for project expenses and program development costs.

Statement of Changes in Net Position

Overall, the ending balances increased in FY 2007 by \$2.45 million. This increase included a one-time adjustment for the Trust Fund (\$1.2 million) resulting from using an interest-yield amortization calculation instead of a straight-line amortization (as required by TFM Volume 1 Bulletin No. 2007-03). Appropriations to the Trust Fund and U.S. Institute were the same as the prior year.

Statement of Budgetary Resources

The statement provides information to help assess budget execution and compliance with budgetary accounting rules. This statement provides information on total budgetary resources available, the status of those resources, and outlays. This statement is prepared on an "obligation" basis as opposed to the accrual basis of accounting for most other statements. Net outlays decreased approximately 1% as a result of a decrease in Education Program's outlays and an increase in the Institute's offsetting receipts.

Controls, Systems, and Legal Compliance

Financial Audit

In fiscal year 2007, the Foundation had its fourth independent audit of its financial statements. The audit provides additional assurance to its constituents, to Congress, and to the Foundation's Chief Financial Officer that the Foundation's financial transactions and management practices are in keeping with established laws, regulations, and practices. The Foundation received unqualified ("clean") opinions for all years.

Auditor's Reportable Condition (FY 2007)

The independent auditors identified no material weakness in the financial reporting during their audit for the year ended September 30, 2007.

Condition

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

available to the Foundation. Management considers GSA to be part of the Foundation's financial management.

Statement of Assurance

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



Christopher L. Helms
Executive Director

Possible Future Effects of Existing Events and Conditions

Future Effects and Trend Data

Since most of the Trust Fund balance is invested in long-term obligations, short-term fluctuations in interest rates are not a major factor in estimating annual investment income. The current income stream is sufficient for existing programs; however, costs will continue to escalate due to inflation. If the Trust Fund does not receive annual appropriations to offset rising costs, Education Programs could suffer (as noted earlier, by law 85% of income is allocated to programs).

Although the U.S. Institute charges fees for all ECR cases and projects that develop beyond the initial consultation stage, it relies upon a baseline appropriation to support its operations. Since the U.S. Institute has a statutory obligation to use the services of neutrals in the geographic area of the dispute when feasible, and because use of contracted service providers

leverages the effort of the small staff and enables the Institute to work on a far larger number of cases and projects, the majority of project revenue -- approximately 70% to 80% (with the exact percentage each year depending on the relative levels of contracted services on projects versus Institute staff services) -- passes through to contracted neutrals. The portion retained is not sufficient to maintain operations.

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

Limitations of the Financial Statements

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

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Morris K. Udall Foundation

FY 2007 Performance Results

Background

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

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

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

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

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

Table 1. Foundation's Goals

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

Strategic Goal 2 (Environmental Conflict Resolution Mission)
Resolve environmental conflicts and improve environmental decision making through mediation, training and related activities.



Objective Goal 2a

Objective Goal 2b

Objective Goal 2c

Resolve environmental conflicts and improve environmental decision making by:

Increasing the appropriate use of ECR through U.S. Institute case services.

Increasing the capacity of agencies and other affected stakeholders and practitioners to manage and resolve conflicts through the appropriate use of ECR.

Providing leadership to guide ECR practice and policy development within the federal government.

Performance goal 1: Case Consultations
 Increase the case consultation and management services provided to stakeholders seeking the resolution of conflicts through the appropriate use of ECR.

Performance Goal 2: Referral Services
 Increase the percent of those using ECR practitioner referral services who report the roster gives them confidence they have identified a sufficient array of mediators with appropriate experience to assist them in resolving their conflict.

Performance Goal 3: Case Assessments
 Increase the percentage of assessments for which the majority of stakeholders strongly agree that the U.S. Institute helped them determine how best to proceed to resolve their conflict.

Performance Goal 4: Mediations/Facilitations
 Increase the percentage of mediations for which the majority of stakeholders report full or partial agreement was reached or progress was made towards addressing the issues or resolving the conflict.

Performance Goal 1: Build Institutional Capacity within the Federal Government
 Increase the percentage of federal agency representatives who report the Dispute Systems Designs (programmatic support - systems design and program development work) provided by the U.S. Institute have improved the effectiveness of their ECR efforts.

Performance Goal 2: Build Capacity at a Stakeholder Level
 Increase the percent of participants who experience an ECR training and report what they take away from the training will have a very positive impact on their effectiveness in the future.

Performance Goal 1: Leadership Initiatives
 Resolve environmental conflicts and improve environmental decision making by increasing the number of federal ECR leadership initiatives assisted through the U.S. Institute.

Performance Results

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

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

Scholarships and Fellowships

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

Performance Goal 1

Increase award opportunities for students pursuing careers related to the environment, and tribal public policy and health care.	Fiscal Year	Annual Target			Actual Performance		
		(a)	(b)	(c)	(a)	(b)	(c)
(a) <i>Undergraduate Scholarships</i> (b) <i>Undergraduate Honor Mention Awards</i> (c) <i>Graduate Fellowships</i>	FY2003	80	30	2	80	30	2
	FY2004	80	30	2	80	50	2
	FY2005	80	50	2	81	50	2
	FY2006	80	50	2	80	50	2
	FY2007	80	50	2	80	50	2

Increase the percent of scholarship and fellowship recipients who report they received a quality educational experience in their interactions and program activities with the Foundation.	Fiscal Year	Annual Target	Actual Performance
		FY2003	N/A
FY2004	90%	90%	
FY2005	90%	99%	
FY2006	92%	100%	
FY2007	92%	100%	

Performance Goals 1 focuses on the number of award opportunities and the quality of the educational experience provided to scholars. As detailed in the graphic representation above, the Foundation met the FY 2007 annual targets for scholarships and fellowships.

Performance Goal 2

Increase the number of higher education institutions dedicating faculty representatives to guide and advise students on Udall scholarship opportunities.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	603
	FY2004	N/A	655
	FY2005	700	850
	FY2006	875	1,072
	FY2007	900	1,126

The scholarship selection process is highly competitive; in 2007, 434 nominees competed for the 80 scholarships. These nominees represent the top one or two students from a college or university, who have survived their school’s own screening process and received their school’s recommendation for the Udall scholarship. Because all candidates must be nominated by their college or university, the Foundation emphasizes development of a strong network of faculty advisors designated by their schools as representatives to the Udall scholarship.

The achievement of Performance Goal 2 in FY 2007 is attributed to the increased recruitment activities undertaken by Foundation staff, including personal contacts during visits to colleges and universities and academic conferences, e-mail contacts and mailings.

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

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

Native American Congressional Internship Program

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

Performance Goal 1

Provide summer internship opportunities for Native American and Alaska Native students in congressional offices and agencies that provide a comprehensive legislative experience to the interns.	Fiscal Year	Annual Target	Actual Performance
	FY2003	12	12
	FY2004		12
	FY2005		12
	FY2006		12
	FY2007		12

Increase the percent of interns who report they received a quality educational experience through the Native American Congressional Internship Program.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	67%
	FY2004	85%	90%
	FY2005	90%	100%
	FY2006	92%	100%
	FY2007	92%	100%

As detailed in the graphical representation above the Foundation met its FY 2007 performance goals. During FY 2007, the internship program featured enrichment and curriculum components in addition to the interns' work in Congressional and executive branch offices, including:

- A one-on-one orientation for internship coordinators in congressional and other placement offices to introduce them to the principal goals and mission of the internship program and the Udall Foundation;
- improved weekly enrichment activities, a unique and indispensable component of the internship program, which included meetings with P. Lynn Scarlett, deputy secretary, Department of the Interior; Representative Dale Kildee, co-chair of the House Native American Caucus; and Senator Byron Dorgan, chair of the Senate Committee on Indian Affairs; and

- a research and writing component. Interns wrote and presented research on topics including diabetes within Indian communities, the Indian Healthcare Improvement Act, revitalizing indigenous languages, tribal implementation of NEPA to protect natural resources, and law enforcement on tribal lands.

Native Nations Institute for Leadership, Management, and Policy

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

Performance Goal 2

	Fiscal Year	Annual Target	Actual Performance
The Native Nations Institute for Leadership, Management, and Policy (NNI)	FY2003	Executive education program continues operations.	Operational
	FY2004		
	FY2005	Develop and test executive education curriculum tailored to needs of newly elected tribal councilors and chairs.	Completed
	FY2006	Continue implementation of pilot (See below)	Continued
	FY2007	80% of respondents report the Native Nations Institute is an important resource for them in carrying out their nation building work.	84%

During FY 2007 the Native Nations Institute (NNI) continued to work in three program areas: 1) leadership and management training (includes executive education for tribal leaders, entrepreneurship training, and the Native American Congressional Internships); 2) research and policy analysis (produces a large quantity of materials that are used by Indian Nations to improve governance and economic development performance and that inform all of NNI's other programs); and 3) strategic and organizational development (works with Indian nations on issues ranging from constitutional reform to government design, from intergovernmental relations to economic and community development).

As detailed in the graphical representation above, the FY 2007 performance goal for NNI was exceeded. This figure reflects responses from 550 attendees who participated in 11 executive education seminars. Seminars were conducted for tribes located in Idaho (Nez Perce), Oklahoma (Osage), Minnesota (Red Lake), Wisconsin (Oneida), New Mexico (Laguna), Arizona (Tohono O'odham), a regional seminar for the tribes in the Northwestern states (at Portland), the Morris K. Udall Foundation's Native American Congressional Interns, and the annual "open" Nation Building seminar in Tucson.

Highlights for FY 2007 include:

- the piloting of a regional executive education seminar (Portland-Northwest),
- the inaugural "Emerging Leaders" seminar which was combined with the annual Nation Building seminar,
- a new seminar on "Building and Sustaining Tribal Enterprises,"
- the piloting of a forum to discuss issues such as Sovereign Immunity,
- a two-day version of the Native American Youth Entrepreneur Camp for the Yakima Nation in Washington, and
- delivery of over a dozen multi-media based educational presentations to the NNI on-line curricular resources library (available via ArizonaNativeNet.com).

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

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

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

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

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

Case Services Highlights for FY 2007

During FY 2007, the **U.S. Institute provided case support services for more than 80 environmental conflicts.**

Case support services **help federal agencies and other stakeholders increase the appropriate use of ECR** by:

- providing advice on whether ECR is appropriate in a given situation,
- connecting stakeholders with qualified mediators,
- analyzing conflicts and designing conflict resolution strategies, and
- bringing parties to the table and mediating environmental disputes.

During the year, approximately **200** users benefited from the U.S. Institute's **referral services to identify mediators and facilitators** for an array of projects. More than 95% of these users accessed the U.S. Institute's online referral service. In the words of users:

“The roster system enables agency staff to benefit from the years of experience ECR staff have in dealing with mediation and conflict resolution situations. The roster puts all this information at my finger tips in an easily accessible format that is very useful. It is an excellent resource.”

“Hiring a mediator/facilitator is not often done by most agency personnel. The roster provides a great source of potential contractors.”

Several of the cases worked on by the U.S. Institute during FY 2007 were of **regional or national scope and significance**. For example, the U.S. Institute:

Worked with the Federal Highway Administration's Office of Real Estate Services to assess conflict surrounding its Outdoor Advertising Control Program. Since the inception of the Highway Beautification Act (HBA) in 1965, the Federal Highway Administration, state regulators, the outdoor advertising industry, and various interest groups have been at odds over the interpretation and enforcement of the HBA and related laws. The assessment identified key dimensions of the conflict and pointed the way toward possible solutions.



In the words of a Federal Highway administrator, “We applaud the work of the U.S. Institute, which, by helping to improve our Outdoor Advertising Control Program, will lead to safer highways.”

The following FY 2007 case example illustrates how **ECR can positively affect the conflictual setting faced by federal agencies and other stakeholders.**



The U.S. Institute partnered with the Interior Board of Land Appeals to design a mediation process and facilitate a resolution to a controversial land sale involving the Bureau of Land Management, the Bridgeport Paiute Indian Colony, and the local community of Bridgeport, California.

- In the words of one participant, the mediation helped the parties negotiate “*a binding, legally enforceable agreement.*”
- In addition to resolving the land sale conflict, the participants anticipate an “*improvement in community relationships with BLM.*”
- Participants attributed their success to the mediator’s ability to get them to “*think outside the box, which resulted in an innovative solution to the conflict.*”
- In the absence of the mediation, the participants reported this conflict would likely have resulted in a costly and divisive legal dispute.
- The participants reported the mediation alternative allowed them to more effectively address the conflict at less cost.
- As a result of this experience the participants reported mediation would be their tool of choice if faced with a similar type of conflict in the future.

Case Consultation and Management Services

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

Performance Goal 1

Resolve environmental conflicts and improve environmental decision making by increasing the case consultation and management services provided to stakeholders seeking the resolution of conflicts through the appropriate use of ECR.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	26
	FY2004	50	73
	FY2005	70	77
	FY2006	70	78
	FY2007	80	81

The U.S. Institute achieved its FY 2007 annual performance goal by providing 81 instances of case consultation and management services.¹ These services include early advice, consultation and convening services that are necessary to begin a conflict resolution process but are generally not reimbursable.

National Roster - ECR Practitioner Referral Services

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

¹ Includes consultations for U.S. Institute managed cases, as well as assisted referral and other general consultations for cases managed external to the U.S. Institute.

Performance Goal 2

Resolve environmental conflicts and improve environmental decision making <i>by increasing the percent of those using ECR practitioner referral services who report the roster gives them confidence they have identified a sufficient array of mediators with appropriate experience to assist them in resolving their conflict.</i>	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	N/A
	FY2004	90%	83%
	FY2005	90%	86%
	FY2006	92%	89%
	FY2007	92%	94%

Evaluation feedback on referral services indicates the U.S. Institute exceeded its FY 2007 performance goal. Referral services help federal agencies and other affected stakeholders identify qualified environmental mediators or facilitators for environmental conflicts. Referral services are available online through a searchable database of practitioner profiles. Personalized referral services are also available from U.S. Institute staff. The personalized service includes referrals from the Native Dispute Resolution Network, a resource for identifying practitioners to assist in resolving environmental disputes that involve Native people.

Case Assessment Services

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

Performance Goal 3

Resolve environmental conflicts and improve environmental decision making <i>by increasing the percent of assessments for which the majority of stakeholders strongly agree that the U.S. Institute helped them determine how best to proceed to resolve their conflict.</i>	Fiscal Year	Annual Target	Actual Performance
	FY2003	75%	78%
	FY2004	85%	100%
	FY2005	85%	86%
	FY2006	87%	50%
	FY2007	87%	100%

During FY 2007, the U.S. Institute worked on 16 conflict assessments. Eight of the 16 assessments were completed during the fiscal year and the remaining will continue into FY 2008. Evaluation feedback indicates the U.S. Institute exceeded its FY 2007 target for assessments.

Mediation and Facilitation Services

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

Performance Goal 4

Resolve environmental conflicts and improve environmental decision making by increasing the percent of mediations/facilitations for which the majority of responding stakeholders report full or partial agreement was reached or progress was made toward addressing the issues or resolving the conflict. ²	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	N/A
	FY2004	85%	85%
	FY2005	85%	100%
	FY2006	90%	91%
	FY2007	90%	100%

During FY 2007, the U.S. Institute was involved in just over 20 mediation and facilitation processes, of which four have been completed and the remaining will continue into FY 2008.³ The U.S. Institute provided these services directly or through its contracted private-sector practitioners. Evaluation feedback indicates the U.S. Institute exceeded the FY 2007 performance target for mediations and facilitations.

² Agreements include any written or unwritten agreement reached by participants in the process, including plans, proposals, recommendations, procedures, collaborative decisions to work together and settlements.

³ Note that “completed” refers to the end of the U.S. Institute’s direct responsibility for a given project. Some of these projects are complex, multi-party and multi-phase efforts that continue after the U.S. Institute’s role ends (e.g., the mediation/facilitation process is established, an initial phase is completed).

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

Program Highlights for FY 2007

During FY 2007, the U.S. Institute continued to develop and deliver training designed to help federal agencies and other affected stakeholders prevent, manage and resolve environmental conflicts.

The U.S. Institute's FY 2007 training included agency-requested sessions aimed at specific needs, capacity building efforts integrated into conflict resolution processes, and training for those involved in the field of ECR, including practitioners and ECR leaders in government agencies. Examples of this work include:

- Conflict management trainings provided on behalf of the Air Force Negotiation Center of Excellence (NCE) as part of its efforts to develop negotiation, collaboration, and problem-solving skills as core competencies throughout the Air Force.
- Collaborative skills orientations to prepare stakeholders to participate in a National Park Service negotiated rulemaking to address off-road vehicle use on the Cape Hatteras National Seashore in North Carolina.
- Customized training in multiparty negotiations provided at the request of the Department of Defense as part of its sustainable military readiness efforts, and at the request of the Department of Interior's Office of the Solicitor and its Office of Collaborative Action and Dispute Resolution.
- The third annual Native Skills Exchange Workshop designed to bring together individuals who work in tribal governments and Native communities, as well as members of the U.S. Institute's Native Dispute Resolution Network, to share skills and current practices for effective engagement in collaborative dispute resolution processes.

During FY 2007, the U.S. Institute also dedicated considerable staff resources to developing a training program that improves core ECR competencies within the federal government. Key training modules include: (1) collaboration competencies for agency staff, (2) multiparty negotiation, (3) government-to-government consultation (with tribal governments), and (4) NEPA collaboration.

Build Institutional Capacity within the Federal Government

Performance Goal 1

Resolve environmental conflicts and improve environmental decision making <i>by increasing the percent of federal agency representatives who report the programmatic support (systems design and program development work) provided by the U.S. Institute has improved the effectiveness of their ECR efforts.</i>	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	Measure being developed
	FY2004	N/A	Measure being developed
	FY2005	85%	100%
	FY2006	90%	89%
	FY2007	90%	100%

Programmatic support includes assistance with designing, implementing, evaluating, and/or refining federal ECR programs, systems for handling administrative disputes, or approaches for managing environmental decision making (e.g., with NEPA processes). Evaluation feedback indicates the U.S. Institute exceeded its FY2007 performance goal.

Performance Goal 2

Resolve environmental conflicts and improve environmental decision making <i>by increasing the percent of participants who experience an ECR training and report what they take away from the training will have a very positive impact on their effectiveness in the future.</i>	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	N/A
	FY2004	85%	100%
	FY2005	85%	84%
	FY2006	86%	90%
	FY2007	86%	94%

During FY 2007, the U.S. Institute provided numerous trainings, workshops and informational capacity-building services. The U.S. Institute evaluates all sessions of three hours or more. Evaluation feedback on these sessions indicates the U.S. Institute exceeded its FY 2007 performance goal.

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

Leadership Initiatives Highlights for FY 2007

Through its leadership in ECR, the U.S. Institute:

Assisted the Council on Environmental Quality (CEQ) and the Office of Management and Budget (OMB) in their efforts to engage leadership throughout the federal government to discuss ways to more systematically prevent or reduce environmental conflict as directed by the November 2005 ECR policy memorandum.

Co-led an interagency working group at the request of the President’s Council on Environmental Quality to complete a Handbook on NEPA and Collaboration.

Engaged multiple agencies in an ECR Evaluation Study designed to advance the effective use of ECR.

Continued to participate on several federal interagency committees to further the effective use of ECR, including the Interagency ADR Working Group Steering Committee and the Executive Team for Cooperative Conservation and two of its working groups.

Performance Goal 1 - Resolve environmental conflicts and improve environmental decision making by providing leadership to guide ECR practice and policy development within the federal government.

	Fiscal Year	Annual Target	Actual Performance
Resolve environmental conflicts and improve environmental decision making <i>by increasing the number of federal ECR leadership initiatives assisted through the U.S. Institute.</i>	FY2003	-	-
	FY2004	-	-
	FY2005	3	3
	FY2006	3	3
	FY2007	4	4

During FY 2007, the U.S. Institute expanded its efforts to provide leadership to guide ECR practice and policy development within the federal government.

The U.S. Institute supported four major initiatives during FY 2007:

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

In November 2005, OMB and CEQ jointly issued a memorandum directing all federal agencies to increase the effective use of environmental conflict resolution and build institutional capacity for collaborative problem solving. During FY 2007, the U.S. Institute supported the implementation of the OMB-CEQ ECR Policy Memorandum by:

- convening three quarterly forums for agency ECR Points of Contact in Washington, D.C.;
- facilitating three meetings of the informal ECR evaluation discussion group;
- reviewing the 2006 ECR agency reports and assisting with the synthesis of the report;
- providing briefings directly to agencies and the professional ECR community on the OMB-CEQ memorandum; and
- assisting with the development of the 2007 ECR Report template.

Increase Collaborative Decision Making Regarding NEPA

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

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

In FY 2003, the Udall Foundation chartered an advisory committee to solicit advice on how the U.S. Institute might address its statutory mandate regarding NEPA. During FY 2005, the National Environmental Conflict Resolution Advisory Committee (NECRAC) completed its final report detailing findings and recommendations from its two-year effort.

During FY 2007, the U.S. Institute continued implementation of the committee's recommendations. Chief among these activities was to co-lead an interagency working group at the request of CEQ to complete a Handbook on NEPA and Collaboration. The Handbook was completed and noticed in the Federal Register by CEQ for comment.

Multi-Agency ECR Evaluation Effort

The U.S. Institute has engaged several federal and state agencies in a multi-case evaluation effort to assess ECR performance and to understand what factors contribute to effective ECR. In FY 2007, the U.S. Institute put together a data set of over 50 evaluated cases and has begun the task of documenting results and implications for ECR practice and ECR programs.

National Policy Work

During FY 2007, the U.S. Institute continued to participate on several federal interagency committees to further the effective use of ECR, including the Interagency ADR Working Group Steering Committee and the Executive Team for Cooperative Conservation and two of its working groups.

Means and Strategies

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

Evaluation - Validation and Verification

During FY 2005, the U.S. Institute implemented an enhanced program evaluation system. The enhanced system draws on evaluation instruments approved by OMB in June 2005 to better measure, report and improve conflict resolution services. With enhanced evaluation instruments the U.S. Institute has improved key measures used to report on performance. The U.S. Institute made every effort to strengthen measures while maintaining the general ability to compare measures from prior years.

During FY 2005, the U.S. Institute submitted six Information Collection Requests (ICRs) to OMB, corresponding to 11 individual questionnaires. In the listing below, the questionnaires are organized into six activity areas, indicating the recipients of the questionnaires and, in parentheses, the frequency of administration per respondent.

Mediation/Facilitation Services (OMB control number 3320-0004)

- (1) Mediations/Facilitations - Participants, at the conclusion of the process (once)
- (2) Mediations/Facilitations - Participants, subsequent to the conclusion of the process (once)
- (3) Mediations/Facilitations - Facilitators/Mediators (Neutral Practitioners) at the conclusion of the process (once)

Situation/Conflict Assessment Services (OMB control number 3320-0003)

- (4) Assessment - Initiating Organizations and Key Participants, at the conclusion of the assessment (once)
- (5) Assessment - Assessor (Neutral Practitioner) at the conclusion of the assessment (once)

Training and Workshop Services (OMB control number 3320-0006)

- (6) Training/Workshop - Participants, at the conclusion (once)

Facilitated Meeting Services (OMB control number 3320-0007)

- (7) Facilitated Meeting - Meeting Attendees, at the conclusion of the process (once)

Roster Program Services (OMB control number 3320-0005)

- (8) Roster - Members (once annually)
- (9) Roster - Users, at the end of the search (once)
- (10) Roster - Users, subsequent to the search (once)

Program Support and System Design Services (OMB control number 3320-0009)

- (11) Program Support and System Design - Agency Representatives and Key Participants, annually or at the conclusion of the project if the project is completed in less than 12 months (once annually for length of project)

The U.S. Institute has worked in partnership with several state and federal agencies to collaboratively develop the evaluation system. The sharing of evaluation resources and expertise is advantageous on several fronts: (a) design and development efforts are not duplicated across agencies; (b) common methods for evaluating collaborative processes are

established; (c) knowledge, expertise and resources are shared, realizing cost-efficiencies for the collaborating agencies; and (d) learning and improvement on a broader scale will be facilitated through the sharing of comparable multi-agency findings. As part of this partnership, the U.S. Institute requested OMB permission to administer evaluation instruments on behalf of agencies that either do not have the internal capacity to administer their own instruments, or are seeking evaluation assistance while in the process of launching their own internal evaluation systems. This work is being underwritten with grant funds from the William and Flora Hewlett Foundation.

The FY 2007 performance evaluation information included in this report was collected from members of the public and agency representatives who were participants in, and users of, U.S. Institute services. Service users represent an independent external source of evaluative feedback. Evaluation data is also gathered from service providers (e.g., trainers, mediators). The service provider feedback, while not included here, is gathered to help us learn more about what factors promote success and how services can be continually improved.

THE MORRIS K. UDALL FOUNDATION
Tucson, Arizona

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS**
September 30, 2007 and 2006

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report.....	1
Independent Auditor's Report on Compliance and Other Matters.....	3
Independent Auditor's Report on Internal Control over Financial Reporting	4
• Other Comments	5
Financial Statements.....	6
Other Accompanying Information.....	22
Appendix A – Management Response to Auditor Internal Control Report	28

Independent Auditor's Report

To The Morris K. Udall Foundation

We have audited the accompanying balance sheets of The Morris K. Udall Foundation (the Foundation) as of September 30, 2007 and 2006 and the related statements of net costs, changes in net position, and budgetary resources for the years ended September 30, 2007 and 2006 (collectively the financial statements). These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2007 and 2006, and its net cost, changes in net position and budgetary resources for the years ended September 30, 2007 and 2006, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 14, 2007 on our consideration of the Foundation's internal control over financial reporting, and on our tests of the Foundation's compliance with certain provisions of laws and regulations and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Clifton Henderson LLP

Tucson, Arizona
November 14, 2007

Independent Auditor's Report on Compliance and Other Matters

To The Morris K. Udall Foundation

We have audited the financial statements of The Morris K. Udall Foundation (the Foundation) as of and for the year ended September 30, 2007, and have issued our report thereon dated November 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

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

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

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

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

Clifton Gunderson LLP

Tucson, Arizona
November 14, 2007

Independent Auditor's Report on Internal Control over Financial Reporting

To The Morris K. Udall Foundation

We have audited the financial statements of The Morris K. Udall Foundation (the Foundation), as of and for the year ended September 30, 2007, and have issued our report thereon dated November 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States; and, applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

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

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

With respect to internal controls related to performance measures reported in the Foundation's Annual Program Performance Report, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

OTHER COMMENTS

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

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

OMB Bulletin No. 06-03 requires that we compare the material weaknesses in the agency's controls and material non-conformances on the agency's financial management systems in the Foundation's Integrity Act report to our report on internal control dated November 14, 2007. The Integrity Act report has not been completed and the comparison of reports was not performed.

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

* * * * *

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

Clifton Henderson LLP

Tucson, Arizona
November 14, 2007

**THE MORRIS K. UDALL FOUNDATION
FINANCIAL STATEMENTS
September 30, 2007 and 2006**

TABLE OF CONTENTS

	PAGE
Balance Sheets.....	7
Statements of Net Costs	8
Statements of Changes in Net Position.....	9
Statements of Budgetary Resources.....	10
Notes to Financial Statements	11
OTHER ACCOMPANYING INFORMATION	22
Combining Balance Sheet	23
Combining Schedule of Net Costs	24
Combining Schedule of Changes in Net Position.....	25
Combining Schedule of Budgetary Resources.....	27

**THE MORRIS K. UDALL FOUNDATION
BALANCE SHEETS
September 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
Intra-governmental:		
Fund balance with Treasury (Note 2)	\$ 4,863,072	\$ 3,338,604
Investments (Note 3)	33,422,467	32,265,603
Interest receivable	291,299	291,299
Accounts receivable	<u>256,486</u>	<u>279,628</u>
Total intra-governmental	38,833,324	36,175,134
Grants receivable	15,000	10,000
Accounts receivable	8,485	33,669
Other	400	400
General property and equipment, net (Note 4)	<u>65,840</u>	<u>55,450</u>
TOTAL ASSETS	<u>\$ 38,923,049</u>	<u>\$ 36,274,653</u>
LIABILITIES (Notes 5, 6, and 9)		
Intra-governmental:		
Accounts payable	\$ -	\$ -
Accounts payable	459,684	377,088
Accrued payroll and benefits	99,534	96,097
Accrued annual leave	127,405	120,069
Other	<u>187,206</u>	<u>77,845</u>
Total liabilities	<u>873,829</u>	<u>671,099</u>
NET POSITION		
Unexpended appropriations (Note 7)	37,774,625	35,790,745
Cumulative results of operations	<u>274,595</u>	<u>(187,191)</u>
Total net position	<u>38,049,220</u>	<u>35,603,554</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 38,923,049</u>	<u>\$ 36,274,653</u>

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

THE MORRIS K. UDALL FOUNDATION
STATEMENTS OF NET COSTS
For the Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
PROGRAM COSTS		
Gross costs	\$ 7,191,573	\$ 6,937,260
Less: earned revenue	<u>2,580,052</u>	<u>2,590,781</u>
Net program costs	<u>4,611,521</u>	<u>4,346,479</u>
 NET COST OF OPERATIONS	 <u>\$ 4,611,521</u>	 <u>\$ 4,346,479</u>

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

THE MORRIS K. UDALL FOUNDATION
STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2007 and 2006

	2007			2006	
	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total	Consolidated Total
CUMULATIVE RESULTS OF OPERATIONS:					
Beginning balances	\$ (187,191)	\$ -	\$ -	\$ (187,191)	\$ 491,935
Change in accounting principle	<u>1,203,545</u>	<u>-</u>	<u>-</u>	<u>1,203,545</u>	<u>-</u>
Beginning balances as adjusted	<u>1,016,354</u>	<u>-</u>	<u>-</u>	<u>1,016,354</u>	<u>491,935</u>
Budgetary Financing Sources:					
Non-exchange revenue	1,730,248	-	-	1,730,248	1,649,118
Donations and forfeitures	95,830	-	-	95,830	17,631
Appropriations used	1,895,904	-	-	1,895,904	1,881,000
Other Financing Sources (Non-Exchange):					
Imputed financing	<u>147,780</u>	<u>-</u>	<u>-</u>	<u>147,780</u>	<u>119,604</u>
Total financing sources	3,869,762	-	-	3,869,762	3,667,353
Net cost of operations	<u>(4,611,521)</u>	<u>-</u>	<u>-</u>	<u>(4,611,521)</u>	<u>(4,346,479)</u>
Net change	<u>(741,759)</u>	<u>-</u>	<u>-</u>	<u>(741,759)</u>	<u>(679,126)</u>
Cumulative results of operations	<u>\$ 274,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,595</u>	<u>\$ (187,191)</u>
UNEXPENDED APPROPRIATIONS:					
Beginning balance	<u>\$ 35,790,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,790,745</u>	<u>\$ 33,810,745</u>
Budgetary Financing Sources:					
Appropriations received	3,879,784	-	-	3,879,784	3,900,000
Other adjustments	-	-	-	-	(39,000)
Appropriations used	<u>(1,895,904)</u>	<u>-</u>	<u>-</u>	<u>(1,895,904)</u>	<u>(1,881,000)</u>
Total financing sources	<u>1,983,880</u>	<u>-</u>	<u>-</u>	<u>1,983,880</u>	<u>1,980,000</u>
Unexpended Appropriations	<u>\$ 37,774,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,774,625</u>	<u>\$ 35,790,745</u>
Net Position	<u>\$ 38,049,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,049,220</u>	<u>\$ 35,603,554</u>

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

THE MORRIS K. UDALL FOUNDATION
STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
BUDGETARY RESOURCES		
Unobligated balances – beginning of period	\$ 2,676,672	\$ 2,793,190
Recoveries of prior year obligations	66,824	511,835
Budget authority:		
Appropriations received	7,264,187	6,397,183
Spending authority from offsetting collections:		
Earned:		
Collections	1,050	10
Permanently not available	<u>-</u>	<u>(19,000)</u>
Total budgetary resources	<u>\$ 10,008,733</u>	<u>\$ 9,683,218</u>
STATUS OF BUDGETARY RESOURCES		
Obligations incurred:		
Direct	\$ 7,956,373	\$ 6,980,390
Unobligated balance:		
Apportioned	1,984,486	2,190,983
Unobligated balances not available	<u>67,874</u>	<u>511,845</u>
Total status of budgetary resources	<u>\$ 10,008,733</u>	<u>\$ 9,683,218</u>
CHANGE IN OBLIGATED BALANCES		
Obligated balance, net, beginning of period:		
Unpaid obligations	\$ 80,898	\$ 302,952
Obligations incurred	7,956,373	6,980,390
Gross outlays	(6,952,768)	(6,690,609)
Recoveries of prior-year unpaid obligations	<u>(66,824)</u>	<u>(511,835)</u>
Obligated balance, net, end of period:		
Unpaid obligations	<u>\$ 1,017,679</u>	<u>\$ 80,898</u>
Net outlays:		
Gross outlays	\$ 6,952,768	\$ 6,690,609
Less: offsetting collections	(1,050)	(10)
Less: distributed offsetting receipts	<u>(2,580,052)</u>	<u>(2,274,209)</u>
Net outlays	<u>\$ 4,371,666</u>	<u>\$ 4,416,390</u>

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

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Basis of Presentation

The financial statements of the Foundation have been prepared from its accounting records to report its financial position. Such financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), the form and content requirements specified by the Office of Management and Budget’s (OMB) Circular A-136, as amended. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated as the official accounting standards-setting body for the U.S. Federal Government by the American Institute of Certified Public Accountants.

The Foundation uses both the accrual basis and budgetary basis of accounting to record transactions. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. These financial statements were prepared following accrual accounting. Certain budgetary account balances are included in the net position section of the balance sheet.

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

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annual Appropriations

Annual appropriations for September 30 are as follows:

	<u>2007</u>	<u>2006</u>
Morris K. Udall Scholarship and Excellence in National Environmental Policy Trust Fund	\$ 1,983,880	\$ 2,000,000
Environmental Dispute Resolution Fund	\$ 1,895,904	\$ 1,900,000

Budgets and Budgetary Accounting

Financing sources are provided through Congressional appropriations on an annual, multi-year, and no-year basis, or through reimbursable agreements. Annual appropriations are available for incurring obligations during a specified year; multi-year appropriations are generally available for two years. No-year or “X-year” appropriations are available for obligations until the purpose for which they are provided is carried out and, therefore, for an indefinite period. For financial statement purposes, appropriations are recognized as financing sources as expenses are incurred. In addition, the Foundation uses budget-clearing accounts as needed.

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

Use of Estimates in Preparing Financial Statements

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

Fund Balances with the U. S. Treasury

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

Accounts and Grants Receivable

Accounts and grants receivable, including interest receivable, consists of amounts owed to the Foundation by other federal agencies and the public. These balances are presented, net of allowances for uncollectible accounts. The allowance estimates are based on past collection experience and/or an aging analysis of the outstanding balances.

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are carried at historical cost in the accompanying financial statements. The unamortized premium (discount) is amortized on a straight-line basis.

General Property and Equipment

Property and equipment purchases are valued at cost and are capitalized when cost is \$2,500 or more with a useful life of more than two years. Equipment depreciation is calculated on a straight-line basis over their estimated useful lives of 7 years.

Liabilities

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

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

Revenues and Other Financing Sources

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

Employee Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken. Any liability for sick leave that is accrued but not taken by a CSRS-covered employee is transferred to the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of FERS-covered employees.

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans

All of the Foundation employees participate in the Federal Employees Retirement System (FERS). Under FERS, the Foundation contributes the employer's matching share for Social Security and an amount equal to one percent of employee's pay to the Thrift Savings Plan. The Foundation will also match an employee's savings plan contribution up to an additional 4 percent of pay. The Office of Personnel Management (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 employees' active years of service. OPM, as the administrator of the FERS plan, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program must provide the "cost factors" that adjust the agency contribution rate to the full cost for the applicable benefit programs. Accordingly, no liability is reflected on the Foundation's balance sheets, and an imputed personal cost is reflected in its operating statements.

Payroll Processing

The General Services Administration computes employee payroll and benefits.

Obligations Related To Canceled Appropriations

Payments may be required of up to 1% 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, 2007 and 2006.

Contingencies

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

Reclassifications

Certain amounts from the 2006 financial statements have been reclassified to conform to the 2007 presentation, with no impact on the 2006 net position.

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

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>2007</u>	<u>2006</u>
Fund balance with Treasury:		
Trust fund	\$ 2,936,456	\$ 1,624,005
Institute	<u>1,926,616</u>	<u>1,714,599</u>
Total	<u>\$ 4,863,072</u>	<u>\$ 3,338,604</u>
Status of fund balance with Treasury:		
Unobligated balance:		
Available	\$ 3,262,667	\$ 1,926,114
Unavailable	67,874	511,845
Obligated balance not yet disbursed	<u>1,532,531</u>	<u>900,645</u>
Total	<u>\$ 4,863,072</u>	<u>\$ 3,338,604</u>

NOTE 3 – INVESTMENTS

As of September 30 investments were composed of the following:

	<u>Cost</u>	<u>Unamortized Premium (Discount)</u>	<u>Investments Net</u>
<u>2007</u>			
Intragovernmental Securities:			
Market based notes and bonds	\$ 33,422,467	\$ 1,256,467	\$ 32,166,000
Accrued interest	<u>291,299</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 33,713,766</u>	<u>\$ 1,256,467</u>	<u>\$ 32,166,000</u>
<u>2006</u>			
Intragovernmental Securities:			
Market based notes and bonds	\$ 32,265,603	\$ 99,603	\$ 32,166,000
Accrued interest	<u>291,299</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 32,556,902</u>	<u>\$ 99,603</u>	<u>\$ 32,166,000</u>

**THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006**

NOTE 4 – GENERAL PROPERTY AND EQUIPMENT

2007

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

2006

<u>ASSETS</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Equipment	\$ 282,397	\$ (232,438)	\$ 49,959
Equipment under capital lease	<u>21,968</u>	<u>(16,477)</u>	<u>5,491</u>
Total	<u>\$ 304,365</u>	<u>\$ (248,915)</u>	<u>\$ 55,450</u>

NOTE 5 – 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, 2007, the Foundation showed liabilities covered by budgetary resources of \$746,424 and liabilities not covered by budgetary resources of \$127,405. As of September 30, 2006, the Foundation showed liabilities covered by budgetary resources of \$551,030 and liabilities not covered by budgetary resources of \$120,069.

At September 30, 2007 and 2006, liabilities covered by budgetary resources are composed of accounts payable and other liabilities of \$646,890 and \$454,933, respectively, and accrued funded payroll and leave of \$99,534 and \$96,097, respectively.

	<u>2007</u>	<u>2006</u>
With the public:		
Other (unfunded leave liability)	\$ 127,405	\$ 120,069
Total liabilities not covered by budgetary resources	\$ 127,405	\$ 120,069
Total liabilities covered by budgetary resources	\$ 746,424	\$ 551,030
Total liabilities	\$ 873,829	\$ 671,099

NOTE 6 – OTHER LIABILITIES

As of September 30, 2007 and 2006, other liabilities with the public consist of deferred rent liability of \$85,670 and \$77,845, respectively.

<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2007:			
Other liabilities	\$ 187,206	\$ -	\$187,206
2006:			
Other liabilities	\$ 77,845	\$ -	\$ 77,845

**THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006**

NOTE 7 – EARMARKED FUNDS

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.

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

The Institute received appropriations of approximately \$1.3 million a year for operating expenses from fiscal year 1999 through 2005. In fiscal year 1999, Congress also appropriated \$3 million as a capitalization fund for the Institute, from which the Institute had drawn for program development expenses. Congress authorized the U.S. Institute to accept and retain fees for conflict resolution services, in addition to its appropriations.

<u>Fiscal Year 2007</u>	<u>Earmarked Funds</u>	<u>Other Funds</u>	<u>Eliminations</u>	<u>Total Earmarked Funds</u>
Balance Sheet as of September 30, 2007				
Assets				
Fund balance with Treasury	\$ 4,863,072	\$ -	\$ -	\$ 4,863,072
Investments	33,422,467	-	-	33,422,467
Taxes and interest receivable	291,299	-	-	291,299
Other assets	<u>346,211</u>	<u>-</u>	<u>-</u>	<u>346,211</u>
Total assets	<u>\$ 38,923,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,923,049</u>
Other liabilities	<u>\$ 873,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 873,829</u>
Total liabilities	873,829	-	-	873,829
Unexpended appropriations	37,774,625	-	-	37,774,625
Cumulative results of operations	<u>274,595</u>	<u>-</u>	<u>-</u>	<u>274,595</u>
Total liabilities and net position	<u>\$ 38,923,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,923,049</u>

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

NOTE 7 – EARMARKED FUNDS (CONTINUED)

<u>Fiscal Year 2007</u>	<u>Earmarked Funds</u>	<u>Other Funds</u>	<u>Eliminations</u>	<u>Total Earmarked Funds</u>
Statements of Net Costs for the Period Ended September 30, 2007				
Gross program costs	\$ 7,043,793	\$ 147,780	\$ -	\$ 7,191,573
Less earned revenues	<u>2,580,052</u>	<u>-</u>	<u>-</u>	<u>2,580,052</u>
Net program costs	<u>4,463,741</u>	<u>147,780</u>	<u>-</u>	<u>4,611,521</u>
Net cost of operations	<u>\$ 4,463,741</u>	<u>\$ 147,780</u>	<u>\$ -</u>	<u>\$ 4,611,521</u>
Statement of Changes in Net Position for the Period Ended September 30, 2007				
Net position, beginning of period	\$ 36,807,099	\$ -	\$ -	\$ 36,807,099
Non-exchange revenue	1,730,248	-	-	1,730,248
Donations of cash	95,830	-	-	95,830
Transfers in without reimbursement	3,879,784	-	-	3,879,784
Other financing sources	-	147,780	-	147,780
Net cost of operations	<u>(4,463,741)</u>	<u>(147,780)</u>	<u>-</u>	<u>(4,611,521)</u>
Change in net position	<u>\$ 1,242,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,242,121</u>
Net position, end of period	<u>\$ 38,049,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,049,220</u>

NOTE 8 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	<u>2007</u>	<u>2006</u>
Program A:		
Intragovernmental costs	\$ 231,194	\$ 108,295
Public costs	<u>6,960,379</u>	<u>6,828,965</u>
Total program costs	7,191,573	6,937,260
Intragovernmental earned revenue	2,108,901	2,557,879
Public earned revenue	<u>471,151</u>	<u>32,902</u>
Total Program A	<u>\$ 4,611,521</u>	<u>\$ 4,346,479</u>

**THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006**

NOTE 9 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

The Foundation is subject to apportionment; therefore, all obligations incurred totaling \$7,956,373 and \$6,980,390 at September 30, 2007 and 2006, respectively, are category A, which is the amount of direct obligations incurred against amounts apportioned under category A on the latest SF 132.

NOTE 10 – RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET

Liabilities not covered by budgetary resources total \$127,405 for 2007 and \$120,069 for 2006, and the change in components requiring or generating resources in future periods show \$15,164 for 2007 and \$3,962 for 2006. The \$15,164 is the net increase of future funded expenses – leave between fiscal 2006 and fiscal 2007 and the \$3,962 is the net increase of future funded expenses – leave between fiscal 2005 and fiscal 2006. 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>2007</u>	<u>2006</u>
Liabilities not covered by budgetary resources	\$ 127,405	\$ 120,069
Change in components requiring/generating resources	\$ 15,161	\$ 3,962

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

**NOTE 10 – RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET-
CONTINUED**

	<u>2007</u>	<u>2006</u>
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary resources obligated:		
Obligations incurred	\$ 7,956,373	\$ 6,980,390
Less: Spending authority from offsetting collections and recoveries	<u>(67,874)</u>	<u>(791,473)</u>
Obligations net of offsetting collections and recoveries	7,888,499	6,188,917
Less: Offsetting receipts	<u>(2,580,052)</u>	<u>(2,274,209)</u>
Net obligations	5,308,447	3,914,708
Other resources:		
Imputed financing from costs absorbed by others	<u>147,780</u>	<u>119,604</u>
Total resources used to finance activities	<u>5,456,227</u>	<u>4,034,312</u>
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in budgetary resources obligated for goods, services, and benefits ordered by not yet provided	(851,705)	313,587
Resources that finance the acquisition of assets or liquidation of liabilities	<u>(28,660)</u>	<u>(32,819)</u>
Total resources used to finance items not part of the net cost of operations	<u>(880,365)</u>	<u>280,768</u>
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components requiring or generating resources in future periods:		
Increase in annual leave liability	15,164	3,962
Components not requiring or generating resources:		
Depreciation and amortization	<u>20,495</u>	<u>27,437</u>
Total components of net cost of operations that will not require or generate resources in the current period	<u>35,659</u>	<u>31,399</u>
NET COST OF OPERATIONS	<u>\$ 4,611,521</u>	<u>\$ 4,346,479</u>

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

NOTE 11 – LEASES

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

Future payments due:

2008	\$ 272,516
2009	278,853
2010	278,853
2011	278,853
2012	<u>348,566</u>
Total	<u>\$ 1,457,641</u>

NOTE 12 – 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 2006 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in January 2007. 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 2006 SBR and the related Presidents' Budget.

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

OTHER ACCOMPANYING INFORMATION

**THE MORRIS K. UDALL FOUNDATION
COMBINING BALANCE SHEET
September 30, 2007**

	<u>Trust</u>	<u>Institute</u>	<u>Total</u>
ASSETS			
Intra-governmental:			
Fund balance with Treasury	\$ 2,936,456	\$ 1,926,616	\$ 4,863,072
Investments	33,422,467	-	33,422,467
Interest receivable	291,299	-	291,299
Accounts receivable	<u>-</u>	<u>256,486</u>	<u>256,486</u>
Total intra-governmental	36,650,222	2,183,102	38,833,324
Grants receivable	15,000	-	15,000
Accounts receivable	767	7,718	8,485
Other	-	400	400
General property and equipment, net	<u>794</u>	<u>65,046</u>	<u>65,840</u>
TOTAL ASSETS	<u>\$ 36,666,783</u>	<u>\$ 2,256,266</u>	<u>\$ 38,923,049</u>
LIABILITIES			
Accounts payable	\$ 213,040	\$ 246,644	\$ 459,684
Accrued payroll and benefits	19,857	79,677	99,534
Accrued annual leave	25,890	101,515	127,405
Other	<u>85,670</u>	<u>101,536</u>	<u>187,206</u>
Total liabilities	<u>344,457</u>	<u>529,372</u>	<u>873,829</u>
NET POSITION			
Unexpended appropriations	35,752,019	2,022,606	37,774,625
Cumulative results of operations	<u>570,307</u>	<u>(295,712)</u>	<u>274,595</u>
Total net position	<u>36,322,326</u>	<u>1,726,894</u>	<u>38,049,220</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 36,666,783</u>	<u>\$ 2,256,266</u>	<u>\$ 38,923,049</u>

**THE MORRIS K. UDALL FOUNDATION
COMBINING SCHEDULE OF NET COSTS
For the Year Ended September 30, 2007**

	<u>Trust</u>	<u>Institute</u>	<u>Total</u>
PROGRAM COSTS			
Gross costs	\$ 2,503,409	\$ 4,688,164	\$ 7,191,573
Less: earned revenue	<u>-</u>	<u>2,580,052</u>	<u>2,580,052</u>
Net program costs	<u>2,503,409</u>	<u>2,108,112</u>	<u>4,611,521</u>
 NET COST OF OPERATIONS	 <u>\$ 2,503,409</u>	 <u>\$ 2,108,112</u>	 <u>\$ 4,611,521</u>

THE MORRIS K. UDALL FOUNDATION
COMBINING SCHEDULE OF CHANGES IN NET POSITION
For the Year Ended September 30, 2007

	Trust			
	<u>Earmarked Funds</u>	<u>All Other Funds</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
CUMULATIVE RESULTS OF OPERATIONS:				
Beginning balance	\$ 200,979	\$ -	\$ -	\$ 200,979
Change in accounting principle	<u>1,203,545</u>	<u>-</u>	<u>-</u>	<u>1,203,545</u>
Beginning balances as adjusted	<u>1,404,524</u>	<u>-</u>	<u>-</u>	<u>1,404,524</u>
Budgetary Financing Sources:				
Non-exchange revenue	1,682,487	-	-	1,682,487
Donations and forfeitures	95,830	-	-	95,830
Appropriations used	-	-	-	-
Transfers in/out	(147,292)	-	-	(147,292)
Other Financing Sources (Non-Exchange):				
Imputed financing	<u>-</u>	<u>38,167</u>	<u>-</u>	<u>38,167</u>
Total financing sources	1,631,025	38,167	-	1,669,192
Net cost of operations	<u>(2,465,242)</u>	<u>(38,167)</u>	<u>-</u>	<u>(2,503,409)</u>
Net change	<u>(834,217)</u>	<u>-</u>	<u>-</u>	<u>(834,217)</u>
Cumulative Results of Operations	<u>\$ 570,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 570,307</u>
UNEXPENDED APPROPRIATIONS:				
Beginning balances	<u>\$ 33,768,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,768,139</u>
Budgetary Financing Sources:				
Appropriations received	1,983,880	-	-	1,983,880
Other adjustments	-	-	-	-
Appropriations used	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financing sources	<u>1,983,880</u>	<u>-</u>	<u>-</u>	<u>1,983,880</u>
Unexpended Appropriations	<u>\$ 35,752,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,752,019</u>
Net Position	<u>\$ 36,469,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,469,618</u>

Institute

<u>Earmarked Funds</u>	<u>All Other Funds</u>	<u>Eliminations</u>	<u>Consolidated Total</u>	<u>Combined Total</u>
\$ (388,170)	\$ -	\$ -	\$ (388,170)	\$ (187,191)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,203,545</u>
<u>(388,170)</u>	<u>-</u>	<u>-</u>	<u>(388,170)</u>	<u>1,016,354</u>
47,761	-	-	47,761	1,730,248
-	-	-	-	95,830
1,895,904	-	-	1,895,904	1,895,904
147,292	-	-	147,292	-
<u>-</u>	<u>109,613</u>	<u>-</u>	<u>109,613</u>	<u>147,780</u>
2,090,957	109,613	-	2,200,570	3,869,762
<u>(1,998,499)</u>	<u>(109,613)</u>	<u>-</u>	<u>(2,108,112)</u>	<u>(4,611,521)</u>
<u>92,458</u>	<u>-</u>	<u>-</u>	<u>92,458</u>	<u>(741,759)</u>
<u>\$ (295,712)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (295,712)</u>	<u>\$ 274,595</u>
<u>\$ 2,022,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,022,606</u>	<u>\$ 35,790,745</u>
1,895,904	-	-	1,895,904	3,879,784
-	-	-	-	-
<u>(1,895,904)</u>	<u>-</u>	<u>-</u>	<u>(1,895,904)</u>	<u>(1,895,904)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,983,880</u>
<u>\$ 2,022,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,022,606</u>	<u>\$ 37,774,625</u>
<u>\$ 1,726,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,726,894</u>	<u>\$ 38,049,220</u>

THE MORRIS K. UDALL FOUNDATION
COMBINING SCHEDULE OF BUDGETARY RESOURCES
For the Year Ended September 30, 2007

	<u>Trust</u>	<u>Institute</u>	<u>Total</u>
BUDGETARY RESOURCES			
Unobligated balances – beginning of period	\$ 1,171,431	\$ 1,505,241	\$ 2,676,672
Recoveries of prior year obligations	26,482	40,342	66,824
Budget authority:			
Appropriations received	2,590,608	4,673,579	7,264,187
Spending authority from offsetting collections:			
Earned:			
Collections	350	700	1,050
Permanently not available	-	-	-
Total budgetary resources	<u>\$ 3,788,871</u>	<u>\$ 6,219,862</u>	<u>\$ 10,008,733</u>
STATUS OF BUDGETARY RESOURCES			
Obligations incurred:			
Direct	\$ 2,556,150	\$ 5,400,223	\$ 7,956,373
Unobligated balance:			
Apportioned	1,205,889	778,597	1,984,486
Unobligated balances not available	<u>26,832</u>	<u>41,042</u>	<u>67,874</u>
Total status of budgetary resources	<u>\$ 3,788,871</u>	<u>\$ 6,219,862</u>	<u>\$ 10,008,733</u>
CHANGE IN OBLIGATED BALANCES:			
Obligated balance, net, beginning of period:			
Unpaid obligations	\$ 184,145	\$ (103,247)	\$ 80,898
Obligations incurred	2,556,150	5,400,223	7,956,373
Gross outlays	(2,344,691)	(4,608,077)	(6,952,768)
Recoveries of prior-year unpaid obligations	<u>(26,482)</u>	<u>(40,342)</u>	<u>(66,824)</u>
Obligated balance, net, end of period:			
Unpaid obligations	<u>\$ 369,122</u>	<u>\$ 648,557</u>	<u>\$ 1,017,679</u>
Net outlays:			
Gross outlays	\$ 2,344,691	\$ 4,608,077	\$ 6,952,768
Less: offsetting collections	(350)	(700)	(1,050)
Less: distributed offsetting receipts	<u>-</u>	<u>(2,580,052)</u>	<u>(2,580,052)</u>
Net outlays	<u>\$ 2,344,341</u>	<u>\$ 2,027,325</u>	<u>\$ 4,371,666</u>

APPENDIX A
MANAGEMENT RESPONSE TO AUDITOR
INTERNAL CONTROL REPORT
September 30, 2007

APPENDIX A
THE MORRIS K. UDALL FOUNDATION
MANAGEMENT RESPONSE TO AUDITOR
INTERNAL CONTROL REPORT
September 30, 2007

This section of the report represents Management Response to the Conditions and Recommendations included in the Independent Auditor's Report on Internal Control dated November 14, 2007, beginning on page 5 of this document. No specific condition or recommendation was noted that require management responses.



Morris K. Udall Foundation

CIVILITY, INTEGRITY, CONSENSUS

130 South Scott Avenue, Tucson, AZ 85701
Telephone: 520.901.8500 Fax: 520.670.5530
Website: www.udall.gov

