FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

FINANCIAL STATEMENTS
AND AUDITORS' REPORT

December 31, 2011 and 2010

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

December 31, 2011 and 2010

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FINANCIAL SECTION

FREDRICKZINK & Associates
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Four Corners Office for Resource Efficiency, 4CORE
Durango, Colorado

We have audited the accompanying balance sheets of Four Corners Office for Resource Efficiency, 4CORE (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits 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 4CORE as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2012 on our consideration of 4CORE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of 4CORE taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
May 1, 2012

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FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY

4 CORE

BALANCE SHEETS

December 31, 2011 and 2010

ASSETS

	2011	2010
Current assets		
Cash and cash equivalents	$ 425,637	$ 247,420
Grants and contracts receivable (Note 8)	356,800	265,091
Total current assets	782,437	512,511
Property and equipment (Notes 3 and 5)		
Property and equipment	184,238	162,276
Accumulated depreciation	(60,987)	(26,094)
Total property and equipment	123,251	136,182
Total assets	**$ 905,688**	$ 648,693

LIABILITIES AND NET ASSETS

	2011	2010
Current liabilities		
Accounts payable (Note 8)	$ 80,305	$ 70,062
Accrued liabilities	27,699	21,370
Deferred revenue (Note 5)	495,028	283,568
Total current liabilities	603,032	375,000
Non-current liabilities		
Deferred revenue (Note 5)	36,360	53,613
Total liabilities	639,392	428,613
Net assets		
Unrestricted net assets	218,046	220,080
Temporarily restricted net assets (Note 6)	48,250	-
Total net assets	266,296	220,080
Total liabilities and net assets	**$ 905,688**	$ 648,693

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

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY

4CORE

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2011 and 2010

	2011	2010
Unrestricted net assets activity:		
Revenue and support		
Government grants and contracts	$ 1,983,830	$ 1,736,336
Contributions	55,510	77,019
Program service fees	4,991	5,493
In-kind contributions (Note 7)	263,771	15,285
Interest earned	875	1,631
Other revenue and support	-	9,097
	2,308,977	1,844,861
Released from restriction in satisfaction of program restrictions	89,800	139,600
Total revenue and support	2,398,777	1,984,461
Expenses and losses		
Program services		
Weatherization	1,777,766	1,606,708
Other programs	406,202	141,752
Total program services	2,183,968	1,748,460
Supporting services		
Management and general	133,570	113,503
Fundraising	83,273	40,046
Total supporting services	216,843	153,549
Total expenses and losses	2,400,811	1,902,009
Change in unrestricted net assets	(2,034)	82,452
Temporarily restricted net assets activity:		
Government grants	89,800	139,600
Contributions	48,250	-
Released from restriction in satisfaction of program restrictions	(89,800)	(139,600)
Change in temporarily restricted net assets	48,250	-
Change in total net assets	**46,216**	82,452
Total net assets, beginning of year	220,080	137,628
Total net assets, end of year	**$ 266,296**	$ 220,080

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

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

Increase (Decrease) in Cash and Cash Equivalents

	2011	2010
Cash flows from operating activities:		
Cash received from contractors and grantors	$ 2,414,032	$ 1,991,442
Cash paid to suppliers and employees	(2,236,690)	(1,839,109)
Interest received	875	1,631
Net cash provided by operating activities	178,217	153,964
Cash flows from investing activities:		
Purchases of property and equipment	-	(141,699)
Net cash used by investing activities	-	(141,699)
Net increase in cash and cash equivalents	**178,217**	**12,265**
Cash and cash equivalents, beginning of year	247,420	235,155
Cash and cash equivalents, end of year	$ 425,637	$ 247,420

Non-cash investing and financing activities:
In 2011, donated software with a fair value of $21,962 was capitalized as a depreciable asset.

	2011	2010
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 46,216	$ 82,452
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	34,893	24,722
Contribution of depreciable assets	(21,962)	-
Increase in contract receivables	(91,709)	(39,552)
Increase in:		
Accounts payable	10,243	12,270
Accrued liabilities	6,329	10,623
Deferred revenue	194,207	63,449
Total adjustments	132,001	71,512
Net cash provided by operating activities	$ 178,217	$ 153,964

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - NATURE OF ACTIVITIES

The Four Corners Office for Resource Efficiency, known as 4CORE, was incorporated in the State of Colorado in 2008 to promote resource conservation, energy efficiency and use of clean, renewable sources of energy in order to decrease the emission of pollutants, protect public health, and strengthen the economy. 4CORE is located in Durango, Colorado and provides services to residents of La Plata, Archuleta, Dolores, Montezuma and San Juan counties. 4CORE is supported primarily by government grants, with additional support from local governments and utilities. In pursuit of the mission; to advance resource efficiency 4CORE offers multiple programs: Low Income Weatherization Assistance through the Department of Energy as a sub-grantee of the Governors' Energy Office (GEO),The Sustainable Building Education Program through an Energy Star New Home Grant, The Resource Smart Business Program through an Environmental Protection Agency, Climate Showcase Community Grant, The Community Energy Coordination - Resource and Energy Action Program through the GEO, as well as informational 'Hub' services related to resource efficiency.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation
The financial statements of 4CORE have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. 4CORE reports information regarding its financial position and activities according to three general classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. There were no permanently restricted net assets in this reporting period.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents
Cash includes money held in demand deposit and money market accounts. 4CORE considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants and contracts receivable
Grants and contracts receivable consist of amounts due in less than one year. 4CORE considers all amounts to be collectible and therefore no allowance for uncollectible contributions or grants has been recorded in the financial statements.

Property and equipment
4CORE follows a practice of capitalizing all expenditures for property and equipment in excess of $5,000 for assets that have a useful life of more than one year. The fair value of donated assets is similarly capitalized. Depreciation of property is provided over the estimated useful lives of the respective assets on a straight-line basis. All of 4CORE’s property and equipment have an estimated useful life of three to five years.

Fair value of financial instruments
Generally accepted accounting principles (GAAP) requires disclosure of an estimate of fair value of certain financial instruments. 4CORE's significant financial instruments are cash, certificates of deposit, receivables, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income taxes
4CORE is exempt from income tax as provided under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. 4CORE adopted accounting requirements that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns, including the position that 4CORE continues to qualify to be treated as a tax-exempt organization for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment. When 4CORE has unrelated business income, the federal Exempt Organization Business Income Tax Returns (Form 990T) would be subject to examination by the Internal Revenue Service for three years after they are filed. Should any penalties and interest be incurred, they would be recognized as management and general expenses.

Based on the results of management's evaluation, the new requirements did not have a material effect on 4CORE's financial statements. Consequently, no liability is recognized in the accompanying balance sheet for uncertain income tax positions.

Revenue recognition
Government grants and contracts are considered individually for classification as an exchange transaction or as a non-reciprocal transaction. Key criteria leading to treatment as an exchange transaction include the degree to which services provided to third-party recipients by 4CORE are specified by the government resource provider and whether payment by the resource provider is based on the value of the goods and services provided by 4CORE to the third-party recipient. Revenue determined to be received in an exchange transaction is reported as unrestricted contract revenue as it is earned. Amounts not yet earned and released by the resource provider are classified as deferred revenue. Grants determined to be non-reciprocal transactions are reported as contributions in the manner described below.

Contributions are unconditional donations of cash and other assets. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the nature of any donor or grantor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. 4CORE had no permanently restricted contributions during this reporting period.

Gifts of services are reported in the financial statements at estimated fair value if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated goods and the free use of facilities are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional reporting of expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events
Management has evaluated subsequent events through May 1, 2012, the date which the financial statements were available to be issued. No events were identified that required additional disclosure.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2011 and 2010:

	2011	2010
Vehicles	$ 134,576	$ 134,576
Equipment	27,700	27,700
Software	21,962	-
	184,238	162,276
Less: Accumulated depreciation	60,987	26,094
Total	$ 123,251	$ 136,182

Certain vehicles and equipment were acquired with American Reinvestment and Recovery Act (ARRA) funds, and as such, are subject to restrictions that are described in Note 5.

NOTE 4 - LINE OF CREDIT

During 2011, 4CORE obtained a $50,000 unsecured revolving line of credit from First National Bank of Durango, which expires in June 2012. The line carries a fixed interest rate of 6.5%. There was no balance outstanding on the line of credit at December 31, 2011.

NOTE 5 - DEFERRED REVENUE

Deferred revenue consisted of the following at December 31, 2011:

	Current	Non-current	Total
Cash advances on grants and contracts	$ 477,774	$ -	$ 477,774
Advances for purchase of capital assets	17,254	36,360	53,614
Total	$ 495,028	$ 36,360	$ 531,388

Deferred revenue consisted of the following at December 31, 2010:

	Current	Non-current	Total
Cash advances on grants and contracts	$ 266,314	$ -	$ 266,314
Advances for purchase of capital assets	17,254	53,613	70,867
Total	$ 283,568	$ 53,613	$ 337,181

NOTE 5 - DEFERRED REVENUE - Continued

Cash advances for operating costs are received periodically from the Governor's Energy Office. Revenue is recognized as it is earned according to contract provisions. Recognition of contract revenue for the purchase of vehicles and equipment with American Reinvestment and Recovery Act (ARRA) funds is deferred because ownership of vehicles and equipment reverts to the resource provider if and when the contract is terminated. Accordingly, the ARRA revenue is recognized ratably over the useful lives of the capital assets. Assets purchased in 2009 and 2010 using ARRA funds totaled $86,271. Revenue in the amount of $17,253 and $14,032 was recognized during the years ended December 31, 2011 and 2010, respectively. As described in Note 3, the purchases were capitalized and are being depreciated on a five-year straight-line basis.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets resulting from grants and contributions reflected in the statement of activities for the year ended December 31, 2011 are available to support the weatherization program.

NOTE 7 - IN-KIND CONTRIBUTIONS

In-kind contributions during the years ended December 31, 2011 and 2010 consisted of the following:

	2011	2010
Facilities	$ 3,729	$ 3,660
Materials and office supplies	27,756	8,440
Professional services and advertising	210,324	3,185
Software (capitalized)	21,962	-
Total	$ 263,771	$ 15,285

NOTE 8 - CONCENTRATION OF RISK

Major resource provider
Approximately 80% of 4CORE's 2011 revenue (88% in 2010) was derived from contracts with the Colorado Governor's Energy Office. Those contracts are funded with resources from the United States Department of Energy. 4CORE's contracts require annual reapplication and renewal each July. The current level of 4CORE's operations and program services could be severely curtailed if the funding is not renewed at a consistent level. Of the balance in contract receivables as of December 31, 2011 and 2010, 95% and 100%, respectively, was due from the Governor's Energy Office.

Major suppliers
Supplier concentrations increase 4CORE's vulnerability to fluctuations in price and supply. 4CORE had significant activity with major suppliers of goods and services which represented the following relationships to total accounts payable as of December 31, 2011, and to total purchases for the year ended:

	Supplier			
	A	B	C	D
Portion of accounts payable	16%	12%	21%	12%
Portion of total purchases	14%	28%	8%	2%

Supplier A and B were also major suppliers during 2010.

SINGLE AUDIT SECTION

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

FEDERAL GRANTOR Pass Through Grantor Program Title	CFDA Number	Control / Grant Number	Federal Expenditures
U.S. DEPARTMENT OF ENERGY			
Pass-through programs from:			
Governor's Energy Office			
Energy Star New Homes			
ARRA - Energy Star New Homes	81.041	10-081	$ 12,884
ARRA - Recharge Colorado Outreach Innovation	81.041	11-129	24,699
			37,583
Energy Efficiency and Conservation Block Grant Program			
ARRA - Community Energy Coordinator	81.128	900656	137,762
ARRA - Community Marketing Grant	81.128	11-035	7,268
			145,030
Weatherization Assistance for Low-Income Persons			
DOE - Weatherization - 2010/2011	81.042	C900711	161,281
ARRA - Weatherization - 2010/2012	81.042	C900723	1,531,283
			1,692,564
TOTAL U.S. DEPARTMENT OF ENERGY			1,875,177
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Pass-through programs from:			
La Plata County			
Climate Showcase Communities Grant Program	66.041	83494101-0	96,908
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			96,908
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,972,085

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of 4CORE under programs of the federal government for the year ended December 31, 2011 . The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Four Corners Office for Resource Efficiency, 4CORE
Durango, Colorado

We have audited the financial statements of Four Corners Office for Resource Efficiency, 4CORE (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 4CORE's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 4CORE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 4CORE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial

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statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

4CORE's response to the finding indentified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit 4CORE's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
May 1, 2012

FREDRICKZINK & Associates

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Four Corners Office for Resource Efficiency, 4CORE
Durango, Colorado

Compliance

We have audited Four Corners Office for Resource Efficiency, 4CORE (a nonprofit organization) compliance of with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that could have a direct and material effect on 4CORE's major federal program for the year ended December 31, 2011. 4CORE's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the 4CORE's management. Our responsibility is to express an opinion on 4CORE's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 4CORE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 4CORE's compliance with those requirements.

In our opinion 4CORE complied, in all material respects, with the compliance requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011.

Internal Control over Compliance

The management of 4CORE is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered 4CORE's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 4CORE's internal control over compliance.

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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
May 1, 2012

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified	____ Yes	X No
• Significant deficiency(ies) identified	X Yes	____ None reported
• Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified	____ Yes	X No
• Significant deficiency(ies) identified	____ Yes	X None reported
• Noncompliance material to financial statements noted?	____ Yes	X No
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	____ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
81.042	Weatherization Assistance for Low-Income Persons

Dollar threshold used to distinguish Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	____ Yes	X No

Section II – Financial Statement Findings

SIGNFICIANT DEFICIENCIES

2011-1 Failure to capitalize asset acquired by donation

Criteria: Generally accepted accounting principles (GAAP) draw a distinction between the acquisition of assets and the expensing of period costs. GAAP requires that *assets* be capitalized, followed by periodic charge off of the cost over the useful life of the asset. This requirement applies to assets acquired through donation as well as purchased assets.

Condition: The value of software acquired through donation was properly reported as in-kind support, but was charged to expense rather than capitalized. As a result, the 2011 financial statements were misstated for GAAP reporting purposes.

Context: As a result of audit procedures performed on non-cash transactions, an adjusting journal entry was proposed to capitalize the donated software, which was valued at $21,962. The new asset represents 2% of total assets as of December 31, 2011.

Effect: Prior to adjustment, total assets were understated $21,962. The effect would have been an 8% understatement of net assets.

Cause: Lack of recognition that software, whether donated or purchased, should be capitalized if it is expected to be used for more than one year and the value meets the organization's capitalization threshold.

Recommendation: We recommend that the staff obtain a better understanding of GAAP as it pertains to capitalization versus recognition of a period cost.

Views of responsible officials and planned corrective actions: Non-cash (in-kind) activity increased by 95% at 4CORE during 2011. Recorded in-kind contributions at 2010 year end totaled $13,899; year end 2011 in-kind match totaled $263,771.

$21,962 of this total was for a database software donation from NetSuite. The value of this donation equals 8% of the total amount of non-cash contributions realized by 4CORE in 2011. The Finance Manager captured the in-kind contribution, but was unaware that the software donation should also be capitalized as the software license is restricted to five users and non-transferrable. Any future capital donations, with a value of $5,000 or greater, received by 4CORE will be capitalized and depreciated in accordance with GAAP as recommended by our financial statement auditors.

In 2012 4CORE's management will continue to expand familiarity and knowledge of GAAP.

Section III – Federal Award Findings and Questioned Costs

None

Schedule of Findings and Questioned Costs - Continued
For the Year Ended December 31, 2011

Section IV – Prior Year Audit Findings

None