

**FOUR CORNERS OFFICE FOR
RESOURCE EFFICIENCY
4CORE**

FINANCIAL STATEMENTS AND INDEPENDENT
ACCOUNTANT'S REVIEW REPORT

December 31, 2014 and 2013



FREDRICKZINK & Associates

A professional corporation. CPAs

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statement of financial position of Four Corners Office for Resource Efficiency, 4CORE (a Colorado nonprofit organization) as of December 31, 2014, and the related statements of activities, and of cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2013, were audited by us, and we expressed an unmodified opinion on them in our report dated May 22, 2014, but we have not performed any auditing procedures since that date.



FredrickZink & Associates, PC

June 3, 2015

FINANCIAL STATEMENTS

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4 CORE

STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

| | <u>ASSETS</u> | 2014 (Reviewed) | 2013 (Audited) |
|--|----------------------|----------------------|--------------------------|
| Current assets | | | |
| Cash - operating..... | \$ | 16,965 | \$ 59,096 |
| Cash - reserves..... | | 37,003 | 57,000 |
| Grants, contributions and contracts receivable (Note 8)..... | | 10,980 | 34,160 |
| Prepaid expenses..... | | - | 2,908 |
| Total current assets..... | | <u>64,948</u> | <u>153,164</u> |
| Property and equipment (Notes 4 and 6)..... | | - | - |
| Total assets | \$ | <u>64,948</u> | \$ <u>153,164</u> |

LIABILITIES AND NET ASSETS

| | | | |
|---|-----------|----------------------|--------------------------|
| Current liabilities | | | |
| Accounts payable (Note 8)..... | \$ | 4,487 | \$ 3,720 |
| Accrued liabilities..... | | 1,094 | 6,298 |
| Deferred revenue (Note 6)..... | | 360 | 6,875 |
| Total current liabilities..... | | <u>5,941</u> | <u>16,893</u> |
| Net assets | | | |
| Unrestricted net assets available for current operations..... | | 20,904 | 75,771 |
| Board designated net assets..... | | 37,003 | 57,000 |
| Total unrestricted net assets..... | | <u>57,907</u> | <u>132,771</u> |
| Temporarily restricted net assets (time restricted)..... | | 1,100 | 3,500 |
| Total net assets..... | | <u>59,007</u> | <u>136,271</u> |
| Total liabilities and net assets | \$ | <u>64,948</u> | \$ <u>153,164</u> |

See accompanying notes and independent accountant's review report.

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|-------------------------|--------------------------|
| | (Reviewed) | (Audited) |
| Unrestricted net assets activity: | | |
| Revenue and support | | |
| Government grants and contracts..... | \$ 87,030 | \$ 674,869 |
| Contributions..... | 20,763 | 53,663 |
| Program service fees..... | 51,927 | 13,699 |
| In-kind contributions (Note 7)..... | 4,126 | 65,494 |
| Other revenue..... | 11,413 | 1,471 |
| | <u>175,259</u> | <u>809,196</u> |
| Released from restriction in satisfaction of program restrictions..... | 35,300 | 54,400 |
| Total revenue and support..... | <u>210,559</u> | <u>863,596</u> |
| Expenses and losses | | |
| Program services | | |
| Weatherization..... | 16,670 | 481,244 |
| Other programs..... | 151,958 | 296,257 |
| Total program services..... | <u>168,628</u> | <u>777,501</u> |
| Supporting services | | |
| Management and general..... | 91,601 | 102,734 |
| Fundraising..... | 25,194 | 65,030 |
| Total supporting services..... | <u>116,795</u> | <u>167,764</u> |
| Loss on disposition of property..... | - | 35,856 |
| Total expenses and losses..... | <u>285,423</u> | <u>981,121</u> |
| Change in unrestricted net assets..... | <u>(74,864)</u> | <u>(117,525)</u> |
| Temporarily restricted net assets activity: | | |
| Government grants | 27,900 | 28,900 |
| Contributions..... | 5,000 | 29,000 |
| Released from restriction in satisfaction of program restrictions..... | <u>(35,300)</u> | <u>(54,400)</u> |
| Change in temporarily restricted net assets..... | <u>(2,400)</u> | <u>3,500</u> |
| Change in total net assets..... | <u>(77,264)</u> | <u>(114,025)</u> |
| Total net assets, beginning of year..... | <u>136,271</u> | <u>250,296</u> |
| Total net assets, end of year..... | <u>\$ 59,007</u> | <u>\$ 136,271</u> |

See accompanying notes and independent accountant's review report.

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

Increase (Decrease) in Cash and Cash Equivalents

| | <u>2014</u> (Reviewed) | <u>2013</u> (Audited) |
|---|---------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Cash received from contractors and grantors..... | \$ 220,637 | \$ 985,019 |
| Cash paid to suppliers and employees..... | (282,826) | (1,008,297) |
| Interest received..... | 61 | 160 |
| Net cash used by operating activities..... | <u>(62,128)</u> | <u>(23,118)</u> |
| Net decrease in cash and cash equivalents..... | (62,128) | (23,118) |
| Cash and cash equivalents, beginning of year..... | <u>116,096</u> | <u>139,214</u> |
| Cash and cash equivalents, end of year..... | <u>\$ 53,968</u> | <u>\$ 116,096</u> |
| Cash as reported in the statement of financial position: | | |
| Cash - operating..... | \$ 16,965 | \$ 59,096 |
| Cash - reserves..... | 37,003 | 57,000 |
| Total cash and cash equivalents..... | <u>\$ 53,968</u> | <u>\$ 116,096</u> |
| Reconciliation of change in net assets to net cash used by operating activities: | | |
| Change in net assets..... | <u>\$ (77,264)</u> | <u>\$ (114,025)</u> |
| Adjustments to reconcile change in net assets to net cash provided used by operating activities: | | |
| Depreciation and amortization..... | - | 19,887 |
| Loss on transfer of government owned property..... | - | 27,315 |
| Loss on disposition of other property..... | - | 8,541 |
| Decrease (increase) in: | | |
| Grants, contributions and contracts receivable..... | 23,180 | 149,473 |
| Prepaid expenses..... | 2,908 | 8,330 |
| Increase (decrease) in: | | |
| Accounts payable..... | 767 | (111,401) |
| Accrued liabilities..... | (5,204) | (9,486) |
| Deferred revenue..... | (6,515) | (1,752) |
| Total adjustments..... | <u>15,136</u> | <u>90,907</u> |
| Net cash used by operating activities..... | <u>\$ (62,128)</u> | <u>\$ (23,118)</u> |

See accompanying notes and independent accountant's review report.

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (Reviewed) and 2013 (Audited)

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 diversifying its support, from being funded primarily by government grants, to increasing support from local governments and utilities, revenue from fees for services, and sponsorships. In pursuit of the mission, 4CORE serves Southwest Colorado as the leading resource for the effective and efficient use of energy to promote and sustain vibrant local communities.

4CORE has four defined focus areas:

- Energy Efficiency for commercial and residential buildings.
- Innovative Solutions to promote forward thinking energy solutions such as solar and alternative fuel vehicles.
- Resource Efficiency Education including general and technical presentations as well as shining a spotlight on advances in building technologies.
- Energy Information Hub where 4CORE provides accurate regularly updated information to contractors, information to the general public about rebates and incentives, and information of the latest developments in resource efficiency.

Under oversight and guidance from an all volunteer board of directors, 4CORE is maturing and evolving, while working to diversify and stabilize revenue streams in a non-profit business climate of significantly reduced grant opportunities.

During the last quarter of 2009, 4CORE was availed an opportunity to provide weatherization services to the low-income population in the region through a Department of Energy Weatherization Assistance Program. This program, overseen by the Colorado Energy Office, received an influx of funds through the American Recovery and Reinvestment Act (ARRA) which sunsetted in 2013. With the end of ARRA, the State of Colorado's weatherization program regions were consolidated and Southwest Colorado's region was merged with Region 4 headquartered in Grand Junction, Colorado.

As a result of the consolidation, 4CORE reorganized during the second half of 2013, implementing the four focus areas listed above and positioned itself to continue the mission in a reduced state.

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. Temporarily restricted net assets held at year end are time restricted, to be used in the subsequent year. There were no permanently restricted net assets in this reporting period.

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (Reviewed) and 2013 (Audited)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures 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. The Board elected to segregate from operating cash an amount for operating reserves and termination reserves.

Grants, contributions and contracts receivable

Grants, contributions 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 accounts 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 (three to five years) on a straight-line basis during the period the asset is in use.

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.

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, these requirements did not have a material effect on 4CORE's financial statements. Consequently, no liability is recognized in the accompanying statements of financial position for uncertain income tax positions.

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (Reviewed) and 2013 (Audited)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. No permanently restricted contributions have been received.

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.

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 June 3, 2015, the date which the financial statements were available to be issued. No events were identified that required additional disclosure.

NOTE 3 - STRATEGIC CHANGES

The Organization was notified in January 2013 that the Weatherization contract with the United States Department of Energy through the Colorado Energy Office would not be renewed in July 2013 due to consolidation of the state's weatherization regions. 4CORE's region (Region 4.5) was consolidated with Region 4 based in Grand Junction. The state's consolidation decision was based on economics and was not performance based. Revenue recognized under Weatherization contracts in 2013 totaled \$446,925 (52%) of total revenue.

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (Reviewed) and 2013 (Audited)

NOTE 3 - STRATEGIC CHANGES - Continued

Management evaluated the situation and shifted focus to the four areas described in Note 1. The Organization scaled down its operations but continues to make available some program services that had been provided in conjunction with the Weatherization project. 4CORE's strategy for program diversification is described in Note 1. The equivalent of 4 Weatherization staff left 4CORE on June 30, 2013 and an approximate equivalent of 4.2 employees remained to provide ongoing program services out of a smaller office location. Further staff reductions were implemented and office costs were reduced during 2014. Management and the Board were aware that the Organization needed to downsize in order to match expected revenue for 2015, while seeking additional revenue and grant opportunities.

As a result of the program consolidation, five vehicles that were purchased with Weatherization grant funds were transferred to Region 4. The impact on the 2013 financial statements of the reversion of the assets acquired with ARRA funds, described in Note 6, was nil as it consisted of the write off of the remaining \$27,734 book value of the vehicles at June 30, 2013 offset by the write-off of an equal amount of unrecognized deferred revenue. Other assets transferred to Region 4 had a book value of \$27,315 at the date of transfer. Accordingly, 4CORE recognized that amount as a loss on transfer.

NOTE 4 - PROPERTY AND EQUIPMENT

All capitalized property and equipment was transferred or disposed of during 2013. Depreciation and amortization expense for the year ended December 31, 2013 totaled \$19,887.

Certain vehicles and equipment were acquired with American Reinvestment and Recovery Act (ARRA) funds, and as such, those assets were subject to restrictions that are described in Notes 3 and 6. On July 1, 2013, all vehicles and capitalized equipment were transferred to Housing Resources of Western Colorado in Grand Junction, Colorado. The software was deemed no longer useful to 4CORE so the remaining book value was written off at a loss of \$8,541.

NOTE 5 - LINE OF CREDIT

In June 2013, the line of credit with First National Bank of Durango matured and was closed. The line carried a fixed interest rate of 6.5%. There was no balance outstanding on the line of credit at any time during 2013.

NOTE 6 - DEFERRED REVENUE

Deferred revenue of \$360 and \$6,875 at December 31, 2014 and 2013, respectively, represents federal grant funds received for which the revenue will be earned in 2015 and 2014, respectively.

Recognition of contract revenue for the purchase of vehicles and equipment with American Reinvestment and Recovery Act (ARRA) funds was deferred because ownership of vehicles and equipment reverts to the resource provider if and when the contract is terminated. Accordingly, the ARRA revenue was being 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 \$8,627 was recognized during the year ended December 31, 2013.

As described in Note 4, the purchases were capitalized and were being depreciated on a five-year straight-line basis. As described in Note 3, the contract was terminated in June 2013 at which time ownership of the vehicles and equipment was transferred.

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (Reviewed) and 2013 (Audited)

NOTE 7 - IN-KIND CONTRIBUTIONS

In-kind contributions during the years ended December 31, 2014 and 2013 consisted of the following:

| | <u>2014</u> | <u>2013</u> |
|---------------------------------------|-----------------|------------------|
| Professional services and advertising | \$ 2,106 | \$ 60,195 |
| Facilities | 2,020 | - |
| Materials and office supplies | - | 5,299 |
| Total | <u>\$ 4,126</u> | <u>\$ 65,494</u> |

In 2014 and 2013, the majority of in-kind professional services and advertising were provided by the sub-grantees of the Climate Showcase Communities (CSC) and Recharge Colorado Initiative (RCI) grants to fulfill the match obligations under those programs.

NOTE 8 - CONCENTRATION OF RISK

Major resource provider

Approximately 52% of 4CORE's 2013 revenue and 9% of 2014 revenue was derived from contracts with the Colorado Energy Office. Those contracts are funded with resources from the United States Department of Energy and State of Colorado LEAP and Severance tax funds. 4CORE's contracts require annual reapplication and renewal each July. As described in Note 3, the current level of 4CORE's operations and program services were significantly curtailed because the funding was not renewed in July 2013. The Organization received \$14,722 in 2014 for costs incurred to close out the program.

La Plata County was a major resource provider in 2013 and continued to be a major provider in 2014, acting as the pass-through agency for EPA Climate Showcase Community federal funds. Amounts due from La Plata County represented 34% of the receivables balance outstanding at December 31, 2014 and 26% of total revenue for the year ended December 31, 2014. Amounts due from La Plata County represented 58% of the receivables balance outstanding at December 31, 2013 and 17% of total revenue for the year ended December 31, 2013. This concentration makes the Organization vulnerable to the risk of a near-term financial impact when coupled with the Colorado Energy Office contracts noted above.