FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

FINANCIAL STATEMENTS
AND AUDITORS' REPORT

December 31, 2012 and 2011

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

December 31, 2012

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FREDRICKZINK & Associates
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Four Corners Office for Resource Efficiency, 4CORE (a Colorado nonprofit organization) which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Four Corners Office for Resource Efficiency, 4CORE as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 10, 2013, on our consideration of ABC Organization'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering ABC Organization's internal control over financial reporting and compliance.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
April 10, 2013

FINANCIAL SECTION

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY

4 CORE

STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

ASSETS

	2012	2011
Current assets		
Cash and cash equivalents	$ 139,214	$ 425,637
Grants and contracts receivable (Note 8)	183,633	356,800
Prepaid expenses	11,238	-
Total current assets	334,085	782,437
Property and equipment (Notes 3 and 5)		
Property and equipment	184,238	184,238
Accumulated depreciation	(100,761)	(60,987)
Total property and equipment	83,477	123,251
Total assets	**$ 417,562**	$ 905,688

LIABILITIES AND NET ASSETS

	2012	2011
Current liabilities		
Accounts payable (Note 8)	$ 115,121	$ 80,305
Accrued liabilities	15,784	27,699
Deferred revenue (Note 5)	17,254	495,028
Total current liabilities	148,159	603,032
Non-current liabilities		
Deferred revenue (Note 5)	19,107	36,360
Total liabilities	167,266	639,392
Net assets		
Unrestricted net assets	250,296	218,046
Temporarily restricted net assets (Note 6)	-	48,250
Total net assets	250,296	266,296
Total liabilities and net assets	**$ 417,562**	$ 905,688

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, 2012 and 2011

	2012	2011
Unrestricted net assets activity:		
Revenue and support		
Government grants and contracts	$ 1,353,782	$ 1,983,830
Contributions	71,737	55,510
Program service fees	30,765	4,991
In-kind contributions (Note 7)	154,110	263,771
Other revenue	1,315	875
	1,611,709	2,308,977
Released from restriction in satisfaction of program restrictions	149,038	89,800
Total revenue and support	1,760,747	2,398,777
Expenses and losses		
Program services		
Weatherization	1,065,778	1,777,766
Other programs	473,805	406,202
Total program services	1,539,583	2,183,968
Supporting services		
Management and general	93,113	133,570
Fundraising	95,801	83,273
Total supporting services	188,914	216,843
Total expenses and losses	1,728,497	2,400,811
Change in unrestricted net assets	32,250	(2,034)
Temporarily restricted net assets activity:		
Government grants	47,500	89,800
Contributions	53,288	48,250
Released from restriction in satisfaction of program restrictions	(149,038)	(89,800)
Change in temporarily restricted net assets	(48,250)	48,250
Change in total net assets	**(16,000)**	46,216
Total net assets, beginning of year	266,296	220,080
Total net assets, end of year	**$ 250,296**	$ 266,296

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, 2012 and 2011

Increase (Decrease) in Cash and Cash Equivalents

	2012	2011
Cash flows from operating activities:		
Cash received from contractors and grantors	$ 1,235,968	$ 2,414,032
Cash paid to suppliers and employees	(1,522,949)	(2,236,690)
Interest received	558	875
Net cash provided (used) by operating activities	(286,423)	178,217
Net increase (decrease) in cash and cash equivalents	**(286,423)**	**178,217**
Cash and cash equivalents, beginning of year	425,637	247,420
Cash and cash equivalents, end of year	$ 139,214	$ 425,637

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

	2012	2011
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	$ (16,000)	$ 46,216
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	39,774	34,893
Contribution of depreciable assets	-	(21,962)
Decrease (increase) in:		
Grants and contracts receivable	173,167	(91,709)
Prepaid expenses	(11,238)	-
Increase in:		
Accounts payable	34,817	10,243
Accrued liabilities	(11,915)	6,329
Deferred revenue	(495,028)	194,207
Total adjustments	(270,423)	132,001
Net cash provided (used) by operating activities	$ (286,423)	$ 178,217

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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 Colorado Energy Office (CEO), formerly known as the Governors' Energy Office (GEO),The Sustainable Building Education Program through our local partners, 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 CEO, 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, these 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 April 10, 2013, the date which the financial statements were available to be issued. Except as described in Note 9, no other events were identified that required additional disclosure.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2012 and 2011:

	2012	2011
Vehicles	$ 134,576	$ 134,576
Equipment	27,700	27,700
Software	21,962	21,962
	184,238	184,238
Less: Accumulated depreciation	100,761	60,987
Total	$ 83,477	$ 123,251

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 and Note 9.

NOTE 4 - LINE OF CREDIT

During 2012, 4CORE renewed a $50,000 unsecured revolving line of credit from First National Bank of Durango, which expires in June 2013. The line carries a fixed interest rate of 6.5%. There was no balance outstanding on the line of credit at December 31, 2012 and 2011.

NOTE 5 - DEFERRED REVENUE

Deferred revenue consisted of the following at December 31, 2012:

	Current	Non-current	Total
Advances for purchase of capital assets	$ 17,254	$ 19,107	$ 36,361

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

NOTE 5 - DEFERRED REVENUE - Continued

Cash advances for operating costs are received periodically from the Colorado Energy Office. Revenue is recognized as it is earned according to contract provisions. All cash advances on grants and contracts were paid back in full to the Colorado Energy Office during the year ended December 31, 2012.

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 was recognized during each of the years ended December 31, 2012 and 2011. As described in Note 3, the purchases were capitalized and are being depreciated on a five-year straight-line basis. As described in Note 9, the contract was terminated subsequent to year end.

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. These funds were spent during the year ended December 31, 2012. There were no temporarily restricted net assets as of December 31, 2012.

NOTE 7 - IN-KIND CONTRIBUTIONS

In-kind contributions during the years ended December 31, 2012 and 2011 consisted of the following:

	2012	2011
Facilities	$ 1,500	$ 3,729
Materials and office supplies	13,744	27,756
Professional services and advertising	138,866	210,324
Software (capitalized)	-	21,962
Total	$ 154,110	$ 263,771

For 2012, $138,866 was recorded for in-kind professional services and advertising. The majority of these services were provided by the sub-grantees of the Climate Showcase Communities (CSC) and Recharge Colorado Initiative (RCI) grants to fulfill those program's match obligations.

NOTE 8 - CONCENTRATION OF RISK

Major resource provider

Approximately 61% of 4CORE's 2012 revenue (80% in 2011) 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 9, the current level of 4CORE's operations and program services will be significantly curtailed because the funding will not be renewed. Of the balance in contract receivables as of December 31, 2012 and 2011, 68% and 95%, respectively, was due from the Colorado Energy Office.

NOTE 8 - CONCENTRATION OF RISK - Continued

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, 2012, and to total purchases for the year ended:

	Supplier	
	A	B
Portion of accounts payable	52%	24%
Portion of total purchases	30%	7%

Supplier A was also a major supplier during 2011.

NOTE 9 - SUBSEQUENT EVENT

The Organization was notified in January 2013 that the Weatherization contract with the United States Department of Energy through the Colorado Energy Office will not be renewed in July 2013 due to consolidation of the state's weatherization regions. 4CORE's region (4.5) is being consolidated with Region 4 based in Grand Junction. The state's consolidation decision is based on economics and is not performance based. Revenue recognized under Weatherization contracts in 2012 totaled $1,004,590 or 59% of total revenue. The Organization expects to scale down its operations and will continue providing all other program services as has been done in conjunction with the Weatherization project. The equivalent of 6.5 Weatherization staff will leave 4CORE on June 30, 2013 and an estimated equivalent of 3.5 employees will remain to provide ongoing program services out of a smaller office location. As a result of the consolidation five vehicles that were purchased with Weatherization grant funds will transfer to Region 4 in Grand Junction. The impact of the reversion on the 2013 financial statements of 4CORE will be nil as it will consist of the write off of the remaining $22,734 book value of the vehicles at June 30, 2013 offset by the write-off of an equal amount of unrecognized deferred revenue.

The line of credit described in Note 4 is dependent on the Weatherization contract with the United States Department of Energy. Since the contract with the Department of Energy will end as the line expires, the ability of the Organization to renew the line is uncertain. The Organization currently has no plans or intentions to borrow against the line in 2013. The Organization has no plans or intentions to borrow against the line in 2013 and intends to terminate the line with the termination of the Weatherization contract.

SINGLE AUDIT SECTION

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

FEDERAL GRANTOR Pass Through Grantor Program Title	CFDA Number	Control / Grant Number	Federal Expenditures
U.S. DEPARTMENT OF ENERGY			
Pass-through programs from:			
Colorado Energy Office			
Energy Star New Homes			
ARRA - Recharge Colorado Outreach Innovation	81.041	11-129	$ 4,376
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance			
Southwest Solar Transition Initiative	81.117	EE0005682	1,223
Energy Efficiency and Conservation Block Grant Program			
ARRA - Community Energy Coordinator	81.128	900656	56,053
Weatherization Assistance for Low-Income Persons			
DOE - Weatherization - 2012/2013	81.042	C900820	468,841
ARRA - Weatherization - 2010/2012	81.042	C900723	518,496
Total Weatherization Assistance			987,337
TOTAL U.S. DEPARTMENT OF ENERGY			1,048,989
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Pass-through programs from:			
La Plata County			
Climate Showcase Communities Grant Program	66.041	AF 83494101-0	214,993
Colorado Department of Public Health and Safety			
Performance Partnership Grants - Indoor Radon	66.605	BG-99847411-D	15,219
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			230,212
U.S. DEPARTMENT OF LABOR			
Pass-through programs from:			
Southwest Conservation Corps			
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	66.041	AF 83494101-0	19,328
TOTAL U.S. DEPARTMENT OF LABOR			19,328
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,298,529

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, 2012 . 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, 2012, and have issued our report thereon dated April 10, 2013. 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

Management of 4CORE is responsible for establishing and maintaining effective 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 internal control over financial reporting 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 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.

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. There were no significant deficiencies identified during the audit.

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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of

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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."

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.

Fredrick Zink & Associates, PC

FredrickZink & Associates, PC
April 10, 2013

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATRIAL 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 the compliance of Four Corners Office for Resource Efficiency, 4CORE (a nonprofit organization) 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, 2012. 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 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 could have a direct and material effect on its major federal program for the year ended December 31, 2012.

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
April 10, 2013

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

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	____ Yes	X 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?	X Yes	____ No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Schedule of Findings and Questioned Costs - Continued
For the Year Ended December 31, 2012

Section IV – Prior Year Audit Findings

FINDING 2011-1 Failure to capitalize asset acquired by donation

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 Generally Accepted Accounting Principles (GAAP) reporting purposes.

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

Current Status: The staff continues to obtain a better understanding of in-kind support reporting as required for GAAP purposes. All capital donations valued at $5,000 or greater received by 4CORE are capitalized and depreciated in accordance with GAAP.