

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2013 and 2012

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

December 31, 2013

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Four Corners Office for Resource Efficiency, 4CORE (a Colorado nonprofit organization), which are comprised of the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and of 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 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 May 22, 2014, on our consideration of Four Corners Office for Resource Efficiency'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 Four Corners Office for Resource Efficiency's internal control over financial reporting and compliance.

Fredrick Zink & Associates, PC

FredrickZink & Associates, PC
May 22, 2014

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4 CORE

STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets		
Cash - operating.....	\$ 59,096	\$ 139,214
Cash - reserves.....	57,000	-
Grants, contributions and contracts receivable (Note 8).....	34,160	183,633
Prepaid expenses.....	2,908	11,238
Total current assets.....	<u>153,164</u>	<u>334,085</u>
 Property and equipment (Notes 4 and 6)		
Property and equipment.....	-	184,238
Accumulated depreciation.....	-	(100,761)
Total property and equipment.....	<u>-</u>	<u>83,477</u>
 Total assets.....	<u>\$ 153,164</u>	<u>\$ 417,562</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable (Note 8).....	\$ 3,720	\$ 115,121
Accrued liabilities.....	6,298	15,784
Deferred revenue (Note 6).....	6,875	17,254
Total current liabilities.....	<u>16,893</u>	<u>148,159</u>
 Non-current liabilities		
Deferred revenue (Note 6).....	-	19,107
Total liabilities.....	<u>16,893</u>	<u>167,266</u>
 Net assets		
Unrestricted net assets available for current operations.....	75,771	250,296
Board designated net assets.....	57,000	-
Total unrestricted net assets.....	<u>132,771</u>	<u>250,296</u>
 Temporarily restricted net assets (time restricted).....	3,500	-
Total net assets.....	<u>136,271</u>	<u>250,296</u>
 Total liabilities and net assets.....	<u>\$ 153,164</u>	<u>\$ 417,562</u>

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, 2013 and 2012

	2013	2012
Unrestricted net assets activity:		
Revenue and support		
Government grants and contracts.....	\$ 674,869	\$ 1,353,782
Contributions.....	53,663	71,737
Program service fees.....	13,699	30,765
In-kind contributions (Note 7).....	65,494	154,110
Other revenue.....	1,471	1,315
	809,196	1,611,709
Released from restriction in satisfaction of program restrictions.....	54,400	149,038
Total revenue and support.....	863,596	1,760,747
Expenses and losses		
Program services		
Weatherization.....	481,244	1,065,778
Other programs.....	296,257	473,805
Total program services.....	777,501	1,539,583
Supporting services		
Management and general.....	102,734	93,113
Fundraising.....	65,030	95,801
Total supporting services.....	167,764	188,914
Loss on disposition of property.....	35,856	-
Total expenses and losses.....	981,121	1,728,497
Change in unrestricted net assets.....	(117,525)	32,250
Temporarily restricted net assets activity:		
Government grants	28,900	47,500
Contributions.....	29,000	53,288
Released from restriction in satisfaction of program restrictions.....	(54,400)	(149,038)
Change in temporarily restricted net assets.....	3,500	(48,250)
Change in total net assets.....	(114,025)	(16,000)
Total net assets, beginning of year.....	250,296	266,296
Total net assets, end of year.....	\$ 136,271	\$ 250,296

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, 2013 and 2012

Increase (Decrease) in Cash and Cash Equivalents

	2013	2012
Cash flows from operating activities:		
Cash received from contractors and grantors.....	\$ 985,019	\$ 1,235,968
Cash paid to suppliers and employees.....	(1,008,297)	(1,522,949)
Interest received.....	160	558
Net cash used by operating activities.....	(23,118)	(286,423)
Net decrease in cash and cash equivalents.....	(23,118)	(286,423)
Cash and cash equivalents, beginning of year.....	139,214	425,637
Cash and cash equivalents, end of year.....	\$ 116,096	\$ 139,214
Cash as reported in the statement of financial position:		
Cash - operating.....	\$ 59,096	\$ 139,214
Cash - reserves.....	57,000	-
Total cash and cash equivalents.....	\$ 116,096	\$ 139,214
Reconciliation of change in net assets to net cash used by operating activities:		
Change in net assets.....	\$ (114,025)	\$ (16,000)
Adjustments to reconcile change in net assets to net cash provided used by operating activities:		
Depreciation and amortization.....	19,887	39,774
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.....	149,473	173,167
Prepaid expenses.....	8,330	(11,238)
Increase (decrease) in:		
Accounts payable.....	(111,401)	34,817
Accrued liabilities.....	(9,486)	(11,915)
Deferred revenue.....	(1,752)	(495,028)
Total adjustments.....	90,907	(270,423)
Net cash used by operating activities.....	\$ (23,118)	\$ (286,423)

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

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 contractor, 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 of 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, 2013 and 2012

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 on a straight-line basis during the period the asset is in use. 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.

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
4CORE

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 May 22, 2014, 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) is being 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 and 2012 totaled \$446,925 (52%) and \$1,004,590 (59%), respectively, of total revenue.

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 3 - STRATEGIC CHANGES – Continued

Management has evaluated the situation and expects to focus on four areas as described in Note 1. The Organization scaled down its operations but continues to make available 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 and office relocation are contemplated for 2014. Management and the Board are aware that the Organization must downsize in order to match expected revenue for 2014, 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. Property and equipment consisted of the following at December 31, 2012:

	<u>2012</u>
Vehicles	\$ 134,576
Equipment	27,700
Software	<u>21,962</u>
	184,238
Less: Accumulated depreciation	<u>100,761</u>
Total	<u>\$ 83,477</u>

Depreciation and amortization expense for the years ended December 31, 2013 and 2012 totaled \$19,887 and 39,774, respectively.

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 not renewed. The line carried a fixed interest rate of 6.5%. There was no balance outstanding on the line of credit at December 31, 2012 or at any time during 2013.

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 6 - DEFERRED REVENUE

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

Deferred revenue at December 31, 2012 consisted of \$36,361 of advances for the purchase of capital assets; \$17,254 classified as current and \$19,107 classified as non-current. 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 and \$17,253 was recognized during the years ended December 31, 2013 and 2012, respectively.

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.

NOTE 7 - IN-KIND CONTRIBUTIONS

In-kind contributions during the years ended December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Facilities	\$ -	\$ 1,500
Materials and office supplies	5,299	13,744
Professional services and advertising	60,195	138,866
Total	<u>\$ 65,494</u>	<u>\$ 154,110</u>

In 2013 and 2012, 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 (61% in 2012) 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. Of the balance in receivables as of December 31, 2012, 68% was due from the Colorado Energy Office. There was \$42 due from the Colorado Energy Office at December 31, 2013 for initial costs of closing the program. The Organization expects to receive \$12,065 in 2014 for additional costs incurred at that time.

La Plata County became a major resource provider in 2013, acting as the pass-through agency for EPA Climate Showcase Community federal funds. 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.

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 two major suppliers of goods and services which represented 30% of accounts payable and 47% of total purchases as of December 31, 2013. Neither supplier is a sole source.

SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Four Corners Office for Resource Efficiency, 4CORE (a nonprofit organization), which are composed of the statement of financial position as of December 31, 2013, and the related statements of activities, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 4CORE's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fredrick Zink & Associates, PC

FredrickZink & Associates, PC
May 22, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Four Corners Office for Resource Efficiency's, 4CORE (a nonprofit organization), compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of 4CORE's major federal programs for the year ended December 31, 2013. 4CORE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 4CORE's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of 4CORE's compliance.

Opinion on Each Major Federal Program

In our opinion, 4CORE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of 4CORE is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 4CORE's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
May 22, 2014

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

FEDERAL GRANTOR	CFDA	Control / Grant	Federal
<u>Pass Through Grantor</u>	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
Program Title			
U.S. DEPARTMENT OF ENERGY			
Pass-through programs from:			
<u>Colorado Energy Office</u>			
Weatherization Assistance for Low-Income Persons			
DOE - Weatherization - 2012/2013	81.042	C900820	\$ 438,298
Wx Purchase Order	81.042	PO #14-003	2,657
Total Weatherization Assistance			<u>440,955</u>
<u>Optony, Inc.</u>			
Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	#EE0005682	8,777
Conservation Research and Development (CLEER)	81.086	#EE0006090	6,363
TOTAL U.S. DEPARTMENT OF ENERGY			<u>456,095</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Pass-through programs from:			
<u>La Plata County</u>			
Climate Showcase Communities Grant Program	66.041	AF 83494101-0	144,625
<u>US Environmental Protection Agency</u>			
Indoor Air Quality Grant	66.604	96818101	12,427
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>157,052</u>
USDA RURAL DEVELOPMENT			
USDA Rural Housing Preservation Grant	10.433	05-002- 81324795	50,000
TOTAL USDA RURAL DEVELOPMENT			<u>50,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 663,147</u>

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, 2013. 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*. Because the Schedule presents only a selected portion of the operations of 4CORE, it is not intended to and does not present the financial position, changes in net assets, or cash flows of 4CORE.

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.

FOUR CORNERS OFFICE FOR RESOURCE EFFICIENCY
4CORE

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified Yes No
- Significant deficiency(ies) identified Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified Yes No
- Significant deficiency(ies) identified Yes None reported
- Noncompliance material to financial statements noted? Yes 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 No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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 No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV - Prior Audit Findings

None