

**3CORE
(A NONPROFIT CORPORATION)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2010

3CORE
(A Nonprofit Corporation)

FINANCIAL STATEMENTS
June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
3CORE

We have audited the accompanying statement of financial position of 3CORE (a nonprofit corporation) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of 3CORE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

HARRISON-
DAILEY-WRIGHT
accountancy
corporation



CERTIFIED PUBLIC
ACCOUNTANTS

Michael E. Wright
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CPA

FOUNDED IN
1977 BY

RETIRED PRINCIPALS

Richard L. Harrison
George F. Dailey

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 3CORE (a nonprofit corporation) as of June 30, 2010, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2010, on our consideration of 3CORE's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of 3CORE, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

HARRISON-DAILEY-WRIGHT
Accountancy Corporation

December 14, 2010

3CORE
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
June 30, 2010

ASSETS

Current Assets:

Cash	\$ 117,836	
Accounts receivable	101,508	
Deposits and prepaid expenses	<u>4,207</u>	
Total Current Assets		\$ 223,551

Restricted Assets - Revolving Loan and Grant Programs:

Cash	1,717,863	
Cash - loan loss reserve	70,450	
North Valley Community Foundation Loan Confidence Fund	173,390	
Land	42,000	
Loans receivable	<u>3,186,807</u>	
Total Restricted Assets - Revolving Loan and Grant Programs		5,190,510

Fixed Assets:

Equipment	95,044	
Leasehold improvements	1,279	
Accumulated depreciation	<u>(71,484)</u>	
Total Fixed Assets		24,839

Other Asset - North Valley Community Foundation

24,298

TOTAL ASSETS

\$ 5,463,198

The accompanying notes are an integral part of this statement.

3CORE
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
June 30, 2010

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 27,704
Accrued payroll liabilities	23,365
Line of credit	75,000
Notes payable	<u>24,667</u>

Total Current Liabilities \$ 150,736

Other Liabilities:

Deposits in trust	649,939
Notes payable	2,176,407
Loan loss reserve deposits	33,930
Willows Cascade Passthrough Fund	27,639
Refundable advances	<u>37,004</u>

Total Other Liabilities 2,924,919

Total Liabilities 3,075,655

Net Assets:

Unrestricted	235,170
Temporarily restricted	193,652
Permanently restricted	<u>1,958,721</u>

Total Net Assets 2,387,543

TOTAL LIABILITIES AND NET ASSETS \$ 5,463,198

The accompanying notes are an integral part of this statement.

3CORE
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STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Support, Gains, Losses and Other				
Reclassifications:				
Federal grants:				
Planning	\$ 77,189			\$ 77,189
Sub-Recipient	340,080	\$ 39,520		379,600
Local grants	22,743			22,743
Interest income:				
Loan programs:				
Loans		190,864		190,864
Bank	171	7,071		7,242
Late and prepayment fees		462		462
Fee for services, loan fees:				
Loan program	7,062	31,548		38,610
Fee for service	199,300	26,132		225,432
Contributions	26,000			26,000
Gain on investments	1,840			1,840
Net assets released from restrictions:				
Restrictions satisfied by payments	279,386	(279,386)		-
Total Revenues, Support, Gains, Losses and Other	953,771	16,211		969,982
Expenses:				
Program services	897,329			897,329
Management and general	46,161			46,161
Total Expenses	943,490			943,490
Changes in Net Assets	10,281	16,211		26,492
Net Assets, Beginning of Year	224,889	177,441	\$ 1,958,721	2,361,051
Net Assets, End of Year	\$ 235,170	\$ 193,652	\$ 1,958,721	\$ 2,387,543

The accompanying notes are an integral part of this statement.

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(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

	Program Services					
	Activity Delivery	Application Preparation	Business Technical Assistance	Collections	Loan	Portfolio Management
Salaries	\$ 86,104	\$ 4,263	\$ 32,120	\$ 15,870	\$ 143,721	\$ 17,439
Payroll taxes	7,283	394	2,651	1,280	11,542	1,293
Medical insurance	4,918	547	3,575	1,826	14,736	1,083
Workers' compensation	575	32	215	95	889	105
Total Salary Cost	98,880	5,236	38,561	19,071	170,888	19,920
Bank charges	44	1	17	4	644	126
Contract labor	65,205	7,835	167,554	617	9,648	16,890
Depreciation	2,885	147	980	192	1,926	335
Dues/Subscriptions	2,212	8	696	53	1,902	3,064
Equipment lease	2,165	75	631	337	3,284	476
Insurance	2,178	28	732	392	2,467	978
Interest	10		700	3	39,822	14
Legal/Accounting	2,734	110	2,512	72	1,174	1,102
Licenses/Permits/Fees	504	7	64	21	1,047	65
Loan costs					3,563	31
Office supplies	3,829	154	1,382	697	3,440	2,264
Postage	310	30	61	24	492	5
Promotion/Publicity	3,109	144	383	55	817	26
Rent	10,997	493	3,677	795	7,363	1,359
Repairs/Maintenance	3,249	105	1,023	355	3,632	866
Seminars/Meetings	1,014	24	220	58	444	100
Software maintenance	1,609		496	567	2,986	683
Telephone	2,628	107	902	189	1,778	312
Training/Development	503		247	151	1,320	431
Travel	3,380	175	708	333	3,606	519
Utilities	1,380	46	495	115	903	209
Total	\$ 208,825	\$ 14,725	\$ 222,041	\$ 24,101	\$ 263,146	\$ 49,775

The accompanying notes are an integral part of this statement.

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(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

	<u>Program Services</u>		<u>Management and General</u>	
	<u>Planning</u>	<u>Total</u>	<u>General</u>	<u>Total</u>
Salaries	\$ 68,195	\$ 367,712	\$ 18,244	\$ 385,956
Payroll taxes	5,322	29,765	1,147	30,912
Medical insurance	5,903	32,588	1,303	33,891
Workers' compensation	414	2,325	90	2,415
Total Salary Cost	<u>79,834</u>	<u>432,390</u>	<u>20,784</u>	<u>453,174</u>
Bank charges	23	859	74	933
Contract labor	3,599	271,348	3,393	274,741
Depreciation	2,147	8,612	2,583	11,195
Dues/Subscriptions	1,444	9,379	1,835	11,214
Equipment lease	1,367	8,335	1,822	10,157
Insurance	1,370	8,145	264	8,409
Interest	10	40,559	5,002	45,561
Legal/Accounting	1,776	9,480	1,331	10,811
Licenses/Permits/Fees	127	1,835	1,839	3,674
Loan costs		3,594		3,594
Office supplies	2,756	14,522	2,679	17,201
Postage	460	1,382	44	1,426
Promotion/Publicity	1,002	5,536	754	6,290
Rent	7,758	32,442	1,656	34,098
Repairs/Maintenance	2,756	11,986	494	12,480
Seminars/Meetings	1,728	3,588	1,292	4,880
Software maintenance	734	7,075	145	7,220
Telephone	1,852	7,768	391	8,159
Training/Development	398	3,050	84	3,134
Travel	2,601	11,322	(511)	10,811
Utilities	974	4,122	206	4,328
Total	<u>\$ 114,716</u>	<u>\$ 897,329</u>	<u>\$ 46,161</u>	<u>\$ 943,490</u>

The accompanying notes are an integral part of this statement.

3CORE
(A Nonprofit Corporation)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash Flows from Operating Activities:		
Change in net assets	\$ 26,492	
Noncash expense - depreciation	11,195	
Increase in accounts receivable	(33,849)	
Decrease in deposits and prepaid expenses	1,628	
Increase in payables and refundable advances	<u>5,199</u>	
Net Cash Provided by Operating Activities		\$ 10,665
Cash Flows from Investing Activities:		
Decrease in restricted assets	610,538	
Purchase of fixed assets	(11,667)	
Increase in foundation fund	<u>(8,799)</u>	
Net Cash Provided by Investing Activities		590,072
Cash Flows from Financing Activities:		
Decrease in deposits in trust	(136,986)	
Repayment of notes payable	(424,752)	
Increase in credit line	47,500	
Loan loss reserve deposits	5,100	
Willows Fascade Passthrough Fund	<u>(19,964)</u>	
Net Cash Used by Financing Activities		<u>(529,102)</u>
Net Increase in Cash		71,635
Cash at June 30, 2009		<u>46,201</u>
Cash at June 30, 2010		<u><u>\$ 117,836</u></u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest		\$ 49,279

The accompanying notes are an integral part of this statement.

3CORE
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATIONAL INFORMATION

The Corporation was organized and established in 1985 as a private nonprofit organization serving the three county region of Butte, Glenn and Tehama. The specific purpose of this corporation is to be an intermediary for public and private investments that foster a stable and diversified local economy, to improve social economic, and employment conditions through collaborative partnerships and to implement a sound, long-term strategy that can address identified community needs through the private, public, and non-profit organizations principally located within Butte, Glenn and Tehama counties.

Services related to economic development are primarily funded through various federal grants. The Corporation was designated as an economic development district by the Economic Development Administration under the provisions of the Public Works and Economic Development Act of 1965. Funds provided are to be used to foster economic planning and coordination services.

The Corporation also has established a revolving loan program in which funds are made available to local businesses. The funds for the program are derived from a U.S. Department of Commerce Economic Development Administration Grant, U.S. Department of Housing and Urban Development Community Development Block Grants, various local grant funds, local matching funds, refundable loans and reinvestment of interest and loan packaging fees. The funds available for these programs are identified on the statement of financial position as Restricted Assets-Revolving Loan Programs.

The Corporation also provides contract services, primarily to local government units, related to obtaining and administering grant projects.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Name Change

Effective on October 1, 2009 Tri County Economic Development Corporation legally changed its corporate name to 3CORE.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

During the period beginning July 1, 1996, the Corporation adopted Statement of Financial Accounting Standards Board (SFAS) No. 117, Financial Statements for Not-For-Profit Organizations. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

At June 30, 2010 the permanently restricted net assets consist of loan program revenues received from multiple federal sources, which are required to be used for capitalization of the revolving loan programs.

At June 30, 2010 the temporarily restricted net assets consist of the cumulative net revenues exceeding expenses for specific program activities which are contractually required to be restricted in use to future year activities for such programs.

3CORE
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The Organization has been classified as an organization that is not a private foundation under Section 509(a)(2).

Such exempt organizations may be subject to taxation from unrelated business activities or excess benefit transactions. The Organization has recorded no tax liabilities from such events and believes it has appropriate support for the position, and as such, does not have any uncertain tax positions that are material to the financial statements.

Expense Allocation

The Corporation has adopted a cost allocation policy which has been approved by the U.S. Department of Commerce Economic Development Administration. The policy provides for direct expenses to be charged to programs for which they relate. Indirect expenses are identified and allocated to each program and general administration based upon contemporaneous time studies.

Accounts Receivable

The Corporation utilized the allowance method with respect to its accounts receivable. The allowance represents an estimated amount of accounts receivable deemed to be uncollectible. As accounts receivable at June 30, 2010 are from local governmental agencies, no allowance was deemed necessary.

Loans Receivable

Loans are stated at principal balances outstanding. Interest is accrued daily based upon outstanding loan balances. However, when, in the opinion of management, loans are considered to be impaired and the future collectibility of interest and principal is in serious doubt, loans are placed on nonaccrual status and the accrual of interest income is suspended. Any interest accrued but unpaid is charged against income. Payments received are applied to reduce principal to the extent necessary to ensure collection. Subsequent payments on these loans, or payments received on nonaccrual loans for which the ultimate collectibility of principal is not in doubt, are applied first to earned but unpaid interest and then to principal.

A loan is considered impaired when, based on current information and events, it is probable that the Organization will be unable to collect all amounts due (including both principal and interest) in accordance with the contractual terms of the loan agreement. An impaired loan is measured based on the present value of expected future cash flows discounted at the loan's effective rate or, as a practical matter, at the loan's observable market price or the fair value of collateral if the loan is collateral dependent.

Allowance for Loan Losses

Regarding loans originating from governmental funding sources, the Organization reviews the loan portfolio at year end and writes off loan balances deemed uncollectible. Such write offs are taken as a charge against permanently restricted net assets on the statement of activities.

Loans originating from non governmental sources are reviewed at year end to assess whether an allowance for loan losses should be established. The determination of the allowance is based on estimates made by management, to include consideration of the character of the loan portfolio, specifically identified problem loans, potential losses inherent in the portfolio taken as a whole and economic conditions in the Organization's service area.

3CORE
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans determined to be impaired or classified are individually evaluated by management for specific risk of loss. In addition, reserve factors are assigned to currently performing loans based on management's assessment of the following for each identified loan type: (1) inherent credit risk, (2) historical losses and (3) where the Organization has not experienced losses, the loss experience of similar peer organizations.

These estimates are particularly susceptible to changes in economic environment and market conditions.

Additionally, the Organization has established restricted cash and investment accounts designated as loan loss reserves and loan confidence accounts in order to fund actual loan losses incurred.

Based on management's review of the loan portfolio at June 30, 2010, an allowance for loan losses was not deemed necessary.

Fixed Assets

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful life of the asset, generally over periods of 3 to 5 years.

The Organization has established a dollar threshold of \$1,000 for capitalization of fixed assets. The cost of maintenance and repairs are charged to expense as incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

NOTE 3 - CASH

At June 30, 2010, the Corporation maintained cash accounts at Wells Fargo Bank which exceeded FDIC Insurance coverage by \$79,612. Cash accounts maintained at Butte Community Bank in excess of the FDIC insurance limits have been fully collateralized by alternate agreement with the bank. Additionally, various grant agreements require that the grant funds be maintained in separate bank accounts. The Corporation has complied with all such requirements.

NOTE 4 - RESTRICTED ASSETS

Restrictions on uses of assets are made on certain funds received from federal and local governmental units and private company loans. Restricted assets identified by the RLF designation represent funds received for use in connection with the revolving loan program and are specifically available only for use in providing loans.

3SCORE
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CASH LOAN LOSS RESERVE/LOAN LOSS RESERVE DEPOSITS

The Organization began participation in a program to establish a cash reserve to be used to cover loan losses for enrolled loans. Deposits to the reserve are received from the Organization, participating loan recipients and the State of California. The portion of deposits received from the loan recipients is refundable to the recipients if the program is terminated and excess deposits remain in the reserve account.

NOTE 6 - DEPOSITS IN TRUST

The Corporation has received funds from various government agencies to be used in the revolving loan programs. The Corporation earns a management fee related to administration of the funds, however, the fund advances, plus certain excess earnings, are refundable to the government agencies.

NOTE 7 – NOTES PAYABLE

IRP Promissory Note

The Corporation has entered into a lending agreement with the United States Department of Agriculture to provide up to \$500,000 in loan funds. Loan proceeds are restricted and may be used only for the purpose of making loans to businesses meeting certain eligibility requirements. Interest only payments of one percent are due on December 20, 1997, 1998 and 1999, and thereafter payments of \$21,225, including one percent interest, are due on December 20 of each year beginning in the year 2000. The note is collateralized by the loans made from the loan proceeds and is included in the Restricted Assets - Revolving Loan Programs, in the statement of financial position.

IRP Promissory Note

The projected repayment of principal as of June 30, 2010, is as follows:

June 30, 2011	\$ 17,936
2012	18,116
2013	18,298
2014	18,482
2015	18,672
Remaining	<u>235,976</u>
Total	<u><u>\$ 327,480</u></u>

IRP Promissory Note

The Corporation has entered into a lending agreement with the United States Department of Agriculture to provide up to \$300,000 in loan funds. Loan proceeds are restricted and may be used only for the purpose of making loans to businesses meeting certain eligibility requirements. Interest only payments of one percent are due on June 17, 2003, 2004 and 2005 and \$7,959 thereafter on June 17 of each year until principal and interest are fully paid. The note is collateralized by the loans made from the loan proceeds and are included in the Restricted Assets – Revolving Loan Programs, in the statement of financial position.

3CORE
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – NOTES PAYABLE (Continued)

The projected repayment of principal as of June 30, 2010, is as follows:

June 30, 2011	\$ 6,731
2012	6,799
2013	6,867
2014	6,936
2015	7,011
Remaining	<u>89,250</u>
Total	<u>\$ 123,594</u>

Wells Fargo Community Development Corporation Note

The Corporation has entered into a lending agreement on December 1, 2002, with Wells Fargo Community Development Corporation to provide loan funding of \$500,000. Loan proceeds are restricted and may be used only for the purpose of making loans to businesses meeting certain eligibility requirements. Interest only payments at two percent are due quarterly. At the end of the initial ten year (December 1, 2012) period all interest and principal are due, unless Wells Fargo elects to extend the loan with an adjustment to the interest rate to the treasury rate minus 3.5%.

Wells Fargo Community Development Corporation Note

The Corporation has entered into a lending agreement on August 22, 2006, with Wells Fargo Community Development Corporation to provide loan funding of \$500,000. Loan proceeds are restricted and may be used only for the purpose of making loans to businesses meeting certain eligibility requirements. Interest only payments at two percent are due quarterly. At the end of the initial ten year (August 22, 2016) period all interest and principal are due, unless Wells Fargo elects to extend the loan with an adjustment to the interest rate to the treasury rate minus 3.5%.

Butte Community Bank

The Corporation has entered into a lending agreement on February 28, 2008, with Butte Community Bank to provide loan funding of \$750,000. Loan proceeds are restricted and may be used only for the purpose of making loans to businesses meeting certain eligibility requirements. Interest only payments at four percent are due quarterly until February 28, 2013 at which time all outstanding principal and interest are due.

Current maturities for all long term debt for the next five years and thereafter are as follows:

Years Ending June 30,	
2011	\$ 24,667
2012	24,915
2013	1,275,165
2014	25,418
2015	25,683
Remaining	<u>825,226</u>
Total	<u>\$ 2,201,074</u>

3CORE
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NOTES TO FINANCIAL STATEMENTS

NOTE 8 – CREDIT LINE

At June 30, 2010, the Corporation has two credit line accounts with Butte Community Bank totaling the amount of \$110,000, with a maturity date of May 10, 2011. Variable interest rates apply to the outstanding balance and interest is due monthly. At June 30, 2010, there was an outstanding balance of \$75,000 on the accounts.

NOTE 9 - OPERATING LEASES

On June 23, 2003, the Corporation entered into a lease agreement on a new facility, effective for the period October 1, 2003, through August 30, 2011. Rent expense for the year ended June 30, 2010 was \$34,098.

Future minimum lease payments under this non-cancelable operating lease are as follows:

Fiscal Years Ending June 30,	
2011	\$ 35,472
2012	5,912

NOTE 10 – FAIR VALUE MEASUREMENT

Fair Value of Financial Instruments

The estimated carrying and fair values of the Organization's financial instruments are as follows:

	Carrying Amount	Fair Value
Financial assets		
Cash	\$ 1,906,149	\$ 1,906,149
Loans	3,186,807	3,186,807
North Valley Community Foundation Fund	197,688	197,688
Financial liabilities		
Deposits in trust	\$ 649,939	\$ 649,939
Notes payable	2,201,074	2,201,074

The following methods and assumptions were used to estimate the fair value of financial instruments. For cash and cash equivalents, variable-rate loans, deposits in trust and notes payable, the carrying amount is estimated to be fair value. For the North Valley Community Foundation Fund the foundation values the holdings based on quoted market prices for similar securities and indications of value provided by brokers. The fair value for fixed-rate loans are estimated at carrying value as management believes that such values are similar to the estimated discounted cash flow value using interest rates currently being offered at each reporting date for loans with similar terms to borrowers comparable creditworthiness.

Fair Value Hierarchy

In accordance with SFAS No. 157 the Organization groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. Valuations within these levels are based upon:

Level 1 – Quoted market prices for identical instruments traded in active exchange markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

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NOTES TO FINANCIAL STATEMENTS

NOTE 10 – FAIR VALUE MEASUREMENT (Continued)

Level 3 – Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Organization's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

Assets Recorded at Fair Value

The following table presents information about the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2010:

Recurring Basis

The Organization is required or permitted to record the following assets at fair value on a recurring basis under other accounting pronouncements.

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
North Valley Community Foundation Fund	<u>\$ 197,688</u>	<u>\$ -</u>	<u>\$ 197,688</u>	<u>\$ -</u>

NOTE 11 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

North Valley Community Foundation

North Valley Community Foundation – represents monies transferred by the Organization or received from third party donors to the Foundation. The purpose of the fund is to provide ongoing and growing source of funds for support of the programs and operations of the Organization. Distributions from the Foundation to the Organization are made at the discretion of the Foundation in accordance with the distribution policy adopted by the Foundation board. The agreement may be terminated by the Organization's board of directors with reversion of all remaining fund assets.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events were evaluated through January 5, 2011, which is the date the financial statements were available to be issued.

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(A Nonprofit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Commerce</u>				
Direct Programs:				
Planning Assistance	11.302	N/A	\$ 77,189	\$ 77,189
Economic Assistance	11.307	N/A	1,384,022	1,384,022
Subtotal - U.S. Department of Commerce			1,461,211	1,461,211
 <u>U.S. Department of Agriculture</u>				
Rural Business Enterprise Grant:				
Pass-through City of Orland	10.769	N/A	45,000	43,655
National Forest	10.670	N/A	778,668	778,668
Intermediate Relending	10.767	N/A	501,456	501,456
Subtotal - U.S. Department of Agriculture			1,325,124	1,323,779
 <u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grant:				
Pass-through entities				
County of Butte		N/A	791,750	211,259
County of Glenn		N/A	83,453	71,460
City of Gridley		N/A	30,000	9,379
City of Biggs		N/A	35,000	33,212
County of Tehama		N/A	10,635	10,635
Subtotal - U.S. Department of Housing and Urban Development			950,838	335,945
Totals			\$ 3,737,173	\$ 3,120,935

NOTE 1

The Corporation has received in prior years federal funds used in revolving loan programs. Failure of the Corporation to continue to use the grant funds for the intended purposes would result in a requirement to repay the grant amounts to the federal agencies.

NOTE 2

Refer to notes to financial statements for summary of significant accounting policies.

The accompanying notes are an integral part of this statement.

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

HARRISON-
DAILEY-WRIGHT
accountancy
corporation



CERTIFIED PUBLIC
ACCOUNTANTS

Michael E. Wright
CPA

John G. Woodmansee
CPA

Susan M. Farr
CPA

Ruth Wright
CPA

Lisanne M. Kelly
CPA

FOUNDED IN
1977 BY
RETIRED PRINCIPALS

Richard L. Harrison
George F. Dailey

To the Board of Directors
3CORE

We have audited the financial statements of 3CORE (a nonprofit corporation) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 3CORE'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 3CORE'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 3CORE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants and agreements, noncompliance with which could have a direct and material effect on 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 that are required to be reported under Government Auditing Standards.

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



HARRISON-DAILEY-WRIGHT
Accountancy Corporation

December 14, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
3CORE

HARRISON-
DAILEY-WRIGHT
accountancy
corporation



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Compliance

We have audited the compliance of 3CORE (a nonprofit corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. 3CORE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 3CORE's management. Our responsibility is to express an opinion on 3CORE'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 3CORE'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 3CORE's compliance with those requirements.

In our opinion, 3CORE complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of 3CORE is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered 3CORE's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 3CORE'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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, Board of Directors and federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.



HARRISON-DAILEY-WRIGHT
Accountancy Corporation

December 14, 2010

3CORE
(A Nonprofit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

(1) Summary of Auditor's Results

- (i) The Auditors' report expresses an unqualified opinion on the financial statements of 3CORE.
 - (ii) No reportable conditions in internal control were disclosed by the audit of the financial statements.
 - (iii) No instances of noncompliance material to the financial statements of 3CORE were disclosed during the audit.
 - (iv) No reportable conditions relating to the audit of major federal award programs were disclosed by the audit.
 - (v) The auditor's report on compliance for the major federal award programs for 3CORE expresses an unqualified opinion on all major federal programs.
 - (vi) The audit did not disclose any audit findings required to be reported under Sections 510 (a) of OMB Circular A-133.
 - (vii) The major programs tested are as follows:

U.S. Department of Agriculture:	
National Forest	10.670
Intermediate Relending Program	10.767
U.S. Department of Commerce:	
Economic Assistance	11.307
 - (viii) The threshold for distinguishing Type A and Type B programs, \$300,000.
 - (ix) 3CORE was determined to be a low-risk auditee.
- (2) There were no findings disclosed relating to the financial statements which are required to be reported in accordance with GAGAS.
- (3) There were no findings or questioned costs related to federal awards disclosed by the audit.

SCORE
(A Nonprofit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2010

The audit for the June 30, 2009 year disclosed no findings.