

**OIL REGION ALLIANCE OF
BUSINESS, INDUSTRY AND TOURISM**

Oil City, Pennsylvania

FINANCIAL STATEMENTS

December 31, 2017 and 2016

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
FINANCIAL STATEMENTS
December 31, 2017 and 2016

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May & Company
Certified Public Accountants
Oil City, Pennsylvania

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Oil Region Alliance of Business, Industry and Tourism

Report on the Financial Statements

We have audited the accompanying financial statements of Oil Region Alliance of Business, Industry and Tourism (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 policies 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 Oil Region Alliance of Business, Industry and Tourism as of December 31, 2017 and 2016, 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.

May & Company

August 6, 2018

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 41,376	\$ 160,431
Investments in limited partnerships	(2,110)	(2,853)
Accounts, rents and grants receivable	650,908	606,066
Note receivable	25,000	25,000
Rts 8 & 62 RLF loans receivable	13,356	20,948
Prepaid expenses	8,676	7,598
Loan acquisition fee	-	270
Building and improvements	213,654	213,654
Office equipment	124,513	124,513
Buildings held for investment	929,709	833,671
Development Projects:		
Land and improvements	1,052,271	1,094,956
Owned projects	122,483	-
Less, accumulated depreciation and amortization	<u>(235,615)</u>	<u>(226,938)</u>
 Total Assets	 <u>\$ 2,944,221</u>	 <u>\$ 2,857,316</u>

LIABILITIES AND NET ASSETS

Liabilities	<u>2017</u>	<u>2016</u>
Accounts payable	\$ 18,624	\$ 102,196
Payroll and payroll tax liabilities	9,068	9,137
Unearned revenue	1,053,736	1,066,956
Advance from limited partnership	345,500	345,500
Other liabilities	1,674	1,813
Notes payable	286,758	264,743
Line of credit	<u>100</u>	<u>100</u>
 Total Liabilities	 <u>1,715,460</u>	 <u>1,790,445</u>
 Net Assets		
Unrestricted	1,191,035	1,029,145
Temporarily restricted	-	-
Permanently restricted	<u>37,726</u>	<u>37,726</u>
 Total Net Assets	 <u>1,228,761</u>	 <u>1,066,871</u>
 Total Liabilities and Net Assets	 <u>\$ 2,944,221</u>	 <u>\$ 2,857,316</u>

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

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Grants	\$ -	\$ 777,705	\$ -	\$ 777,705
Hotel tax	-	142,860	-	142,860
VIDA contributions	5,000	-	-	5,000
Other contributions - cash	2,427	27,052	-	29,479
Other contributions - non-cash	70,000	-	-	70,000
Membership dues	90,874	-	-	90,874
Sale of merchandise	4,339	-	-	4,339
Rentals	64,564	-	-	64,564
Fees	17,613	7,200	-	24,813
Special events	2,000	35,189	-	37,189
Interest income	687	-	-	687
Miscellaneous	21,072	-	-	21,072
Net assets released from restrictions	990,006	(990,006)	-	-
Total Revenues, Gains and Other Support	1,268,582	-	-	1,268,582
EXPENSES				
Management and general	196,349	-	-	196,349
Program services	650,334	-	-	650,334
Property management	208,642	-	-	208,642
Fundraising	51,367	-	-	51,367
Total Expenses	1,106,692	-	-	1,106,692
Change in Net Assets	161,890	-	-	161,890
Net Assets, Beginning of Year	1,029,145	-	37,726	1,066,871
Net Assets, End of Year	\$ 1,191,035	\$ -	\$ 37,726	\$ 1,228,761

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

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Grants	\$ -	\$ 964,678	\$ -	\$ 964,678
Hotel tax	-	151,485	-	151,485
VIDA contributions	-	-	-	-
Other contributions	6,654	19,921	-	26,575
Membership dues	90,387	-	-	90,387
Sale of merchandise	3,606	-	-	3,606
Rentals	39,790	-	-	39,790
Fees	48,833	50	-	48,883
Special events	2,200	28,751	-	30,951
Interest income	1,153	-	-	1,153
Miscellaneous	21,222	822	-	22,044
Net assets released from restrictions	<u>1,165,707</u>	<u>(1,165,707)</u>	<u>-</u>	<u>-</u>
 Total Revenues, Gains and Other Support	 <u>1,379,552</u>	 <u>-</u>	 <u>-</u>	 <u>1,379,552</u>
EXPENSES				
Management and general	180,615	-	-	180,615
Program services	734,266	-	-	734,266
Property management	169,842	-	-	169,842
Fundraising	<u>59,142</u>	<u>-</u>	<u>-</u>	<u>59,142</u>
 Total Expenses	 <u>1,143,865</u>	 <u>-</u>	 <u>-</u>	 <u>1,143,865</u>
 Change in Net Assets	 235,687	 -	 -	 235,687
Net Assets, Beginning of Year	822,758	-	37,726	860,484
Prior Period Adjustment (Note 11)	<u>(29,300)</u>	<u>-</u>	<u>-</u>	<u>(29,300)</u>
Net Assets, End of Year	<u>\$ 1,029,145</u>	<u>\$ -</u>	<u>\$ 37,726</u>	<u>\$ 1,066,871</u>

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

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Management & General	Program Services	Property Management	Fundraising	Total
Salaries and wages	\$ 92,451	\$ 255,342	\$ 25,886	\$ 40,679	\$ 414,358
Personnel benefits	13,535	32,836	3,790	5,955	56,116
Payroll taxes	8,016	22,148	2,244	3,527	35,935
Contract services	4,513	219,389	6,000	-	229,902
Marketing	193	4,485	-	-	4,678
Professional fees	16,416	-	-	-	16,416
Occupancy	20,820	-	116,086	-	136,906
Communications	5,227	-	-	-	5,227
Office expense	9,415	48,351	-	251	58,017
Technology expenses	2,862	-	-	-	2,862
Travel, meetings, and conferences	1,319	26,154	-	-	27,473
Insurance	6,157	-	14,727	-	20,884
Dues and subscriptions	1,186	735	-	-	1,921
Interest	1,785	-	5,711	-	7,496
Bank charges	499	-	-	-	499
Payments to or on behalf of other organizations	1,343	16,950	111	-	18,404
Depreciation and amortization	2,438	4,946	608	955	8,947
Real estate taxes	2,251	-	33,479	-	35,730
Miscellaneous	5,923	18,998	-	-	24,921
	<u>\$ 196,349</u>	<u>\$ 650,334</u>	<u>\$ 208,642</u>	<u>\$ 51,367</u>	<u>\$ 1,106,692</u>

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

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	<u>Management & General</u>	<u>Program Services</u>	<u>Property Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 90,979	\$ 309,079	\$ 25,994	\$ 47,656	\$ 473,708
Personnel benefits	11,438	35,836	3,268	5,991	56,533
Payroll taxes	7,942	26,827	2,269	4,160	41,198
Contract services	2,000	227,127	6,000	-	235,127
Marketing	-	1,361	-	-	1,361
Professional fees	9,642	-	-	-	9,642
Occupancy	18,752	-	107,850	-	126,602
Communications	4,477	-	137	-	4,614
Office expense	9,933	47,928	-	518	58,379
Technology expenses	5,266	-	-	-	5,266
Travel, meetings, and conferences	1,435	22,126	-	-	23,561
Insurance	6,497	-	12,850	-	19,347
Dues and subscriptions	1,124	772	-	-	1,896
Interest	2,860	-	3,520	-	6,380
Bank charges	699	-	-	-	699
Payments to or on behalf of other organizations	1,844	10,000	-	-	11,844
Depreciation and amortization	1,561	4,608	446	817	7,432
Real estate taxes	2,228	-	7,508	-	9,736
Miscellaneous	1,938	48,602	-	-	50,540
	<u>\$ 180,615</u>	<u>\$ 734,266</u>	<u>\$ 169,842</u>	<u>\$ 59,142</u>	<u>\$ 1,143,865</u>

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

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
STATEMENTS OF CASH FLOWS
December 31, 2017 and 2016

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
Change in net assets	\$ 161,890	\$ 235,687
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	8,947	7,432
Gain on sale of land	(1,550)	-
Prior period adjustment	-	(29,300)
Donation of land	(70,000)	-
Changes in certain operating assets and liabilities:		
Decrease (Increase) in accounts receivable	(44,842)	307,880
Decrease in loans receivable	7,592	11,427
Decrease (Increase) in prepaid expenses	(1,078)	3,989
Increase (Decrease) in accounts payable	(83,572)	44,504
Increase (Decrease) in payroll and payroll tax liabilities	(69)	1,357
Increase (Decrease) in unearned revenue	(13,220)	(192,284)
Increase (Decrease) in other liabilities	(139)	1,940
	<u>(36,041)</u>	<u>392,632</u>
Net cash provided (used) by operating activities	<u>(36,041)</u>	<u>392,632</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reductions (Increases) in investments in limited partnerships, net	(743)	1,988
Proceeds from sale of land	44,235	-
Purchases of capital assets	(148,521)	(447,076)
	<u>(105,029)</u>	<u>(445,088)</u>
Net cash used by investing activities	<u>(105,029)</u>	<u>(445,088)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	50,000	-
Payments on long-term debt	(27,985)	(47,918)
Proceeds from line of credit, net	-	(119)
	<u>22,015</u>	<u>(48,037)</u>
Net cash provided (used) by financing activities	<u>22,015</u>	<u>(48,037)</u>
Net decrease in cash	(119,055)	(100,493)
Cash, Beginning of Year	<u>160,431</u>	<u>260,924</u>
Cash, End of Year	<u>\$ 41,376</u>	<u>\$ 160,431</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 7,496</u>	<u>\$ 6,380</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITY

During the year ended December 31, 2017, donated real estate valued at \$70,000 was received by the Organization.

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

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
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Note 1 – Nature of Activities

The Oil Region Alliance of Business, Industry and Tourism (ORA) is organized as a non-profit corporation and is an economic development agency for Pennsylvania's historic Oil Region. ORA is also the official tourist promotion agency serving the Region and is administrator of the Pennsylvania Oil Region Heritage Area and Oil Region National Heritage Area. The bylaws of the Corporation provide for unlimited membership with up to 19 members on the board of directors.

ORA provides administrative services to Venango Industrial Development Authority (VIDA). VIDA's function is to provide a vehicle for financing industrial projects through the issuance of industrial development authority obligations. In connection therewith VIDA realizes income from financing fees, portions of which are transferred to ORA from time to time as operating service income.

Note 2 – Accounting Policies

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation:

Net assets, revenues and expenses are classified based on the existence or absence of donor or grantor imposed restrictions. Net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor or grantor imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor or grantor imposed stipulations that may or will be met, either by actions of ORA and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor or grantor imposed stipulations that would be maintained permanently by ORA.

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
FINANCIAL STATEMENTS
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Note 2 – Accounting Policies (continued)

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash in checking or savings accounts and petty cash.

Development Projects:

Projects purchased and/or constructed by ORA and leased to tenants are accounted for as owned projects. The costs of such projects are generally being amortized over the term of the underlying debt or the estimated life of the underlying asset.

Some projects have been constructed by ORA and sold. These projects generally entail the assumption of mortgage loans by the buyer. ORA is contingently liable for the underlying debt, details of which are stated in Note 9.

Revenues, Gains and Other Support:

Revenues, gains and other support are recorded as unrestricted, temporarily restricted or permanently restricted support upon the existence and nature of any donor restrictions.

When a donor-stipulated time restriction ends or a specific purpose restriction is accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

Property and Equipment:

The costs of property and the costs of equipment not purchased with grant funds are capitalized at the time of purchase and are written off over their estimated useful lives using the straight-line method of depreciation. Beginning January 1, 2011, only costs of \$500 or more are capitalized. Costs of equipment purchased with grant funds are expensed as grant expenses.

Income Taxes:

ORA is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. ORA's federal Form 990, *Return of Organization Exempt from Income Tax*, can be subjected to examination by the IRS for three years from the date of filing, including extensions.

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
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Note 2 – Accounting Policies (continued)

Functional Allocation of Expenses:

The costs of providing ORA's various programs and supporting services have been summarized on a functional basis in the statement of activities and detailed on the statement of functional expenses.

Allocation of personnel, occupancy and other expenses (not classified as direct costs) are based upon management's estimate of proportionate efforts on behalf of each classification. Accordingly, actual cost allocations could differ if actual time and space allocations were utilized.

For both 2017 and 2016, fundraising expenses consisted primarily of membership development.

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 these estimates.

Date of Management Review:

Subsequent events were evaluated through August 6, 2018, which is the date the financial statements were available to be issued.

Donated Services:

The value of the non-compensated time of the board of directors has not been reflected in the accompanying financial statements since no objective basis is available to measure such services. The use of office furniture has been donated by several local organizations. The value of this use has not been reflected in the accompanying financial statements.

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 2 – Accounting Policies (continued)

Concentration of Risk Factors:

ORA maintains several checking and savings accounts in various local banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times account balances may exceed the FDIC limit. ORA has not experienced any losses on these accounts and management believes that ORA is not exposed to any significant risk on these accounts.

ORA derives a significant portion of its revenues from federal, state and local governments. Therefore, economic or political influences could have a significant impact on ORA's operations.

Note 3 – Note Receivable

On June 13, 1986, an interest-free loan of \$25,000 was made to the Oil Creek Railway Historical Society, Inc. for a term of ten years. Collateral is provided by a security agreement on certain railway equipment. By previous actions of the board of directors the maturity date of the loan had been extended an additional fifteen years. On October 27, 2011, the board allowed an additional 5-year extension on this loan, which was due in December 2016. As of the date of this report, no action has been taken to further extend the note. The note is carried at its face amount without giving recognition to discounting market factors.

Note 4– RSIP Loans Receivable

In 1987, a \$60,000 grant was received from the Edith C. Justus Charitable Trust to initiate a Retail Sales Incentive Project (RSIP). The RSIP program created a revolving loan fund to provide low-interest loans to small businesses. Project guidelines provide for maximum loans of \$5,000 per project, \$10,000 per applicant, a 3% annual interest rate (subsequently increased to 5%) and 5 to 7 years repayment.

The program incurred a one-time administrative charge of \$3,000. Interest earned, as well as principal repayments, are to be reinvested into the program.

All outstanding RSIP loans were either paid in full or written off prior to January 1, 2012.

The program balance of \$37,726 is reported as a permanently restricted net asset on the financial statements.

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
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Note 5 – Rts. 8 & 62 RLF Loans Receivable

In 2004, a \$50,000 grant was received from PA Department of Community and Economic Development, along with a \$50,000 match from ORA, to initiate the Rts. 8 & 62 Loan Program. The Rts. 8 & 62 Loan Program created a revolving loan fund to provide low-interest loans to businesses along Routes 8 and 62 corridors from Liberty Street in Franklin to Rouseville for interior and exterior building improvements. All loans in this project are four-year loans with a 4% annual interest rate.

Prior to 2012, five loans totaling \$139,600 were issued. During 2013, the balance on one loan of \$19,175 was determined to be uncollectible.

As of December 31, 2017 and 2016 the outstanding balances on the Rts. 8 & 62 RLF loans were \$13,356 and \$20,948, respectively. Interest earned in 2017 and 2016 on the loans was \$655 and \$1,087, respectively.

Note 6 – Venango County RLF Loans Receivable

In 2009, a \$99,000 grant was received from the U. S. Department of Agriculture, Rural Development, along with a \$51,000 match from ORA, which was provided by VIDA, to initiate the Venango County Revolving Loan Fund. This revolving loan fund provides low-interest loans to Venango County manufacturers for buying or upgrading fixed assets or for permanent working capital after being turned down by conventional lenders. Rates are market based with terms of not more than five years. All loans issued thus far have interest rates of 4%.

Prior to 2012, three loans totaling \$95,000 were issued. All three loans were paid in full as of December 31, 2014. There was no activity in this program during either 2017 or 2016.

Note 7 – Land and Improvements

All costs of acquisition and subsequent improvements are recorded net of costs removed for parcels sold. Accumulated costs at December 31, 2017 and 2016 are as follows:

<u>Site</u>	<u>2017</u>	<u>2016</u>
Sandycreek Industrial Park	\$ 517,633	\$ 517,633
Seneca	84,320	84,320
Sugarcreek	144,472	144,472
Barkeyville	253,674	253,674
Allegheny Overlook	3,080	3,080
Oil Creek Landing	49,092	49,092
Cranberry	—	42,685
	<u>\$ 1,052,271</u>	<u>\$ 1,094,956</u>

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
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Note 8 – Notes Payable

(a) On November 1, 2010, ORA secured a mortgage loan from Preservation Pennsylvania (a non profit corporation) in the amount of \$30,000 for the purpose of rehabilitating the Neilltown Church so that it can be utilized as a venue for cultural activities. The loan was secured by the land, building, and improvements located at the Neilltown Church site. Payments of interest only at 4.25% were due quarterly for twenty-one payments and began on December 31, 2010. Principal payments were to be made as funds became available. No principal payments were made during 2015. The principal balance on the note at December 31, 2015 was \$26,400. Any unpaid principal was to be due and payable on January 1, 2016. ORA received an extension of time to pay the balance of this loan until December 31, 2016. During 2016, the balance was paid in full.

(b) On December 13, 2012, ORA borrowed \$42,000 from First National Bank of Pennsylvania to reimburse ORA for the purchase of 85 acres of land in Cranberry Township for future development. The loan, secured by ORA's office building in Oil City, is payable in sixty monthly payments of \$754, including interest at 2.9%. Principal payments of \$8,903 and \$8,643 were made during 2017 and 2016, respectively. During 2017 the balance was paid in full..

(c) On December 12, 2013, ORA executed a promissory note with the United States Department of Agriculture to borrow \$215,000 to assist in the financing of infrastructure improvements to the Sandycreek Industrial Park. The note, secured by the Sandycreek Industrial Park property, is payable in four hundred eighty monthly payments of \$817, including interest at 3.375%. The payments began on January 12, 2014. As of December 31, 2014, the entire principal was drawn on the loan. Principal payments of \$2,988 and \$2,889 were made during 2017 and 2016, respectively. Additionally, ORA has entered into a loan sharing agreement with Sandycreek Township. Sandycreek Township has agreed to reimburse ORA for 50% of the loan payments. The principal balance on the note (before any reimbursements) at December 31, 2017 was \$200,311.

(d) On January 14, 2014, ORA borrowed \$200,000 from two different individuals, one a board member, to provide cash for various projects awaiting funding from federal and state grants. \$142,211 of the loan is secured by various grants receivable, while the remaining \$57,789 is unsecured. During 2014, \$123,067 of the pledged receivables were received and paid against the principal of the loan. Payments of interest only at 4.0% were due beginning February 1, 2014 and continued through July 1, 2014. Beginning August 1, 2014, minimum monthly payments of principal and interest in the amount of \$904 began. The Principal payments of \$8,789 and \$9,986 were made during 2017 and 2016, respectively. The principal balance on the note at December 31, 2017 was \$43,751, of which \$26,586 is unsecured.

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Note 8 – Notes Payable (continued)

(e) On February 9, 2017, ORA borrowed \$50,000 from First National Bank of Pennsylvania to assist in the financing of renovations to a donated property located at 229 Elm Street, Oil City. The loan, secured by the donated property is payable in sixty monthly payments of \$946, including interest at 5.00%. Principal payments of \$7,303 were made during 2017. The principal balance on the loan at December 31, 2017 was \$42,607.

Maturity for all notes (net of reimbursements) are as follows:

2018	\$	20,984
2019		21,656
2020		22,488
2021		23,220
2022		6,377
Thereafter		<u>91,879</u>
	<u>\$</u>	<u>186,604</u>

Note 9 – Contingent Liabilities

(a) The corporation is contingently liable on notes payable to PIDA. PIDA reported the following balance owing at December 31, 2017:

Renovex, Inc.	<u>\$ 103,980</u>
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For those projects considered by PIDA after June 4, 1980, ORA is liable for only one-half of any project loss. This is in accordance with a loss-sharing agreement with PIDA. The agreement may be revoked at any time at the sole discretion of PIDA.

(b) ORA is a general partner in Drake Commons II Associates. ORA has a 99% ownership interest in this partnership. Furthermore, Drake Commons II Associates is the general partner in the limited partnership Drake Commons Associates. Drake Commons II Associates has a 1% ownership in this limited partnership. First National Bank is the limited partner, with a 99% ownership interest. The limited partnership owns and operates an apartment building in Oil City, Pennsylvania.

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Note 9 – Contingent Liabilities (continued)

Beginning April 1, 2010 First National Bank has the option to sell its interest in the limited partnership, and Drake Commons II Associates has the right, but not the obligation to purchase said interest. In the event Drake Commons II Associates does not exercise the option to purchase, First National Bank has the right to commence marketing the apartment building to a third party.

Notwithstanding any of the foregoing, in the event of a sale or refinancing, First National Bank has the option to sell its interest to the partnership and, in the event it exercises this option, Drake Commons II Associates is obligated to purchase the Bank's interest.

On March 30, 2018, First National assigned all its right, title and interest in the limited partnership to Drake Commons II Associates. As a result of this assignment Drake Commons II Associates holds the entire interest in the limited partnership.

(c) A 2011 agreement between Orchard Brands LLC (Orchard) and ORA obligated ORA to pay \$250,000 to Orchard over a five year period ending in 2015 as an incentive for Orchard to keep its workforce located in Venango County. ORA had previously paid \$95,000 to Orchard. Orchard left Venango County in 2015. Based upon informal discussions with Orchard prior to their leaving and other contingencies in the agreement, ORA does not believe it will be required to pay Orchard the balance of the agreement (\$155,000).

Note 10 – Donated Assets

(a) During 2002, the National Fuel Gas Company donated to ORA a natural gas collection that represents the innovations, growth, transitions, territory, customers, employees, leadership, and even the competitors it faced from the chartering of the Oil City Gas Company on January 26, 1876 through the December 8, 1902 incorporation of the National Fuel Gas Company as a public utility holding company and continuing through 2002. This collection had an uncertain value and, in accordance with accounting principles generally accepted in the United States of America, had not been recognized in the financial statements.

After a feasibility study indicated that it is not programmatically nor fiscally viable to establish a new museum in the Oil Region National Heritage Area focusing on the natural gas industry history, ORA in 2015 began distributing items from the collection to other area museums and non-profit organizations where the items will be more accessible to the public and be stored in temperatures/settings better suited for the long-term preservation of the collection. The bulk of the collection was distributed during 2015. Ownership transferred to each new care-taking entity, with ORA allowed to photograph any items needed for future exhibits or interpretive purposes without charge. All transfers were completed by July 16, 2016. ORA has retained a few small items for use in the new traveling exhibit which was unveiled in June 2016.

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Note 10 – Donated Assets (continued)

(b) During 2017, ORA placed into service as a rental property real property that had been donated to ORA. The property was valued at \$70,000. The donated value plus renovations of \$52,483 has been recorded on the balance sheet as an owned development project.

Note 11 – Prior Period Adjustment

Grant revenues and membership dues were overstated by \$2,150 and \$27,150, respectively, on the 2015 Statement of Activities due to an error in reporting the unearned revenue at December 31, 2015. This adjustment is reported as an adjustment to net assets on the 2016 Statement of Activities.

Note 12 – Subsequent Event

On April 4, 2018, Susquehanna Valley Development Group, Inc., for the amount of \$15,000, assigned all of its right, title and interest in Drake Commons II Associates to ORA, which resulted in ORA being the sole owner of Drake Commons II Associates. It is anticipated that subsequent to the date of this report ORA will convert the partnership to a limited liability company.