

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

Oil City, Pennsylvania

FINANCIAL STATEMENTS

December 31, 2013 and 2012

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
FINANCIAL STATEMENTS
December 31, 2013 and 2012

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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

We have audited the accompanying statements of Oil Region Alliance of Business, Industry and Tourism (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, 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, 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.

May & Company

November 7, 2014

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012 (Restated)

ASSETS

	<u>2013</u>	<u>2012</u> (Restated Note 14)
Cash and cash equivalents	\$ 149,179	\$ 248,265
Investments in limited partnerships	192	497
Accounts, rents and grants receivable, net of allowance for doubtful accounts of \$-0- and \$93,361	969,485	526,461
Note receivable	25,000	25,000
RSIP loans receivable	-	-
Rts 8 & 62 RLF loans receivable	56,161	87,725
Venango County RLF loans receivable	10,602	11,448
Inventory	160	160
Prepaid expenses	1,734	2,986
Loan acquisition fee	270	270
Building and improvements	213,654	213,654
Office equipment	331,739	331,739
Oil production equipment	-	186,905
Buildings held for investment	72,725	49,591
Development Projects:		
Owned projects	-	-
Land and improvements	836,020	836,020
Less, accumulated depreciation and amortization	(406,885)	(430,193)
 Total Assets	 <u>\$ 2,260,036</u>	 <u>\$ 2,090,528</u>

LIABILITIES AND NET ASSETS

Liabilities	<u>2013</u>	<u>2012</u>
Accounts payable	\$ 92,372	\$ 429,154
Payroll and payroll tax liabilities	26,579	25,049
Unearned revenue	997,749	177,000
Advance from limited partnership	345,500	291,500
Other liabilities	3,106	21,827
Notes payable	60,591	146,000
 Total Liabilities	 <u>1,525,897</u>	 <u>1,090,530</u>
 Net Assets		
Unrestricted	696,413	745,141
Temporarily restricted	-	217,131
Permanently restricted	37,726	37,726
 Total Net Assets	 <u>734,139</u>	 <u>999,998</u>
 Total Liabilities and Net Assets	 <u>\$ 2,260,036</u>	 <u>\$ 2,090,528</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, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Grants	\$ -	\$ 1,635,515	\$ -	\$ 1,635,515
Hotel tax	-	167,364	-	167,364
VIDA contributions	195	-	-	195
Other contributions	46,322	40,289	-	86,611
Membership dues	74,320	-	-	74,320
Cooperative advertising	1,565	-	-	1,565
Sale of merchandise	9,035	-	-	9,035
Rentals	32,918	-	-	32,918
Fees	89,363	-	-	89,363
Special events	12,775	-	-	12,775
Loss on sale of property	(117,837)	-	-	(117,837)
Oil production	7,187	-	-	7,187
Interest income	2,864	-	-	2,864
Miscellaneous	9,668	-	-	9,668
Net assets released from restrictions	2,060,299	(2,060,299)	-	-
 Total Revenues, Gains and Other Support	 2,228,674	 (217,131)	 -	 2,011,543
EXPENSES				
Management and general	221,014	-	-	221,014
Program services	1,764,094	-	-	1,764,094
Property management	215,813	-	-	215,813
Fundraising	76,481	-	-	76,481
 Total Expenses	 2,277,402	 -	 -	 2,277,402
 Change in Net Assets	 (48,728)	 (217,131)	 -	 (265,859)
Net Assets, Beginning of Year	745,141	217,131	37,726	999,998
Net Assets, End of Year	\$ 696,413	\$ -	\$ 37,726	\$ 734,139

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, 2012 (Restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Grants	\$ -	\$ 1,142,375	\$ -	\$ 1,142,375
Hotel tax	-	167,608	-	167,608
VIDA contributions	41,376	-	-	41,376
Other contributions	27,236	27,170	-	54,406
Membership dues	103,740	-	-	103,740
Cooperative advertising	21,239	-	-	21,239
Sale of merchandise	12,370	-	-	12,370
Rentals	31,302	-	-	31,302
Fees	106,269	-	-	106,269
Special events	18,698	-	-	18,698
Loss on sale of property	(247,682)	-	-	(247,682)
Oil production	115,228	-	-	115,228
Interest income	4,273	-	-	4,273
Miscellaneous	2,499	-	-	2,499
Net assets released from restrictions	<u>1,298,600</u>	<u>(1,298,600)</u>	<u>-</u>	<u>-</u>
 Total Revenues, Gains and Other Support	 <u>1,535,148</u>	 <u>38,553</u>	 <u>-</u>	 <u>1,573,701</u>
EXPENSES				
Management and general	186,888	-	-	186,888
Program services	1,456,093	-	-	1,456,093
Property management	418,008	-	-	418,008
Fundraising	<u>92,247</u>	<u>-</u>	<u>-</u>	<u>92,247</u>
 Total Expenses	 <u>2,153,236</u>	 <u>-</u>	 <u>-</u>	 <u>2,153,236</u>
 Change in Net Assets	 (618,088)	 38,553	 -	 (579,535)
 Net Assets, Beginning of Year	 <u>1,363,229</u>	 <u>178,578</u>	 <u>37,726</u>	 <u>1,579,533</u>
 Net Assets, End of Year	 <u>\$ 745,141</u>	 <u>\$ 217,131</u>	 <u>\$ 37,726</u>	 <u>\$ 999,998</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, 2013

	Management & General	Program Services	Property Management	Fundraising	Total
Salaries and wages	\$ 98,370	\$ 314,134	\$ 16,395	\$ 61,481	\$ 490,380
Personnel benefits	16,854	47,513	4,429	7,613	76,409
Payroll taxes	8,896	30,405	1,720	5,715	46,736
Staff development	3,400	107	-	-	3,507
Contract services	1,141	1,045,925	15,126	390	1,062,582
Marketing	-	77,009	-	-	77,009
Professional fees	30,915	46,978	2,635	392	80,920
Occupancy	17,042	18,082	151,166	-	186,290
Communications	6,883	7,311	324	-	14,518
Office expense	12,735	21,015	13	464	34,227
Technology expenses	5,033	737	78	102	5,950
Travel, meetings, and conferences	1,991	35,986	-	-	37,977
Insurance	4,650	6,940	1,177	385	13,152
Dues and subscriptions	1,300	9,130	-	-	10,430
Interest	-	2,458	1,136	-	3,594
Bank charges	1,206	79	-	-	1,285
Payments to or on behalf of other organizations	2,132	55,116	-	(405)	56,843
Depreciation and amortization	3,781	11,688	17,947	344	33,760
Real estate taxes	2,167	3,087	3,667	-	8,921
Miscellaneous	2,518	11,219	-	-	13,737
Uncollectible revenue	-	19,175	-	-	19,175
	<u>\$ 221,014</u>	<u>\$ 1,764,094</u>	<u>\$ 215,813</u>	<u>\$ 76,481</u>	<u>\$ 2,277,402</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, 2012

	<u>Management & General</u>	<u>Program Services</u>	<u>Property Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 105,355	\$ 283,412	\$ 15,824	\$ 64,055	\$ 468,646
Personnel benefits	19,663	37,194	3,415	7,822	68,094
Payroll taxes	10,248	25,505	1,558	6,161	43,472
Staff development	1,133	25	-	-	1,158
Contract services	2,308	722,220	81,561	593	806,682
Marketing	195	77,224	-	-	77,419
Professional fees	9,986	92,032	6,080	2,278	110,376
Occupancy	7,182	34,321	148,081	1,918	191,502
Communications	3,823	8,646	620	512	13,601
Office expense	6,336	25,568	256	1,559	33,719
Technology expenses	2,990	3,737	161	361	7,249
Travel, meetings, and conferences	1,277	41,219	20	81	42,597
Insurance	5,689	16,296	849	803	23,637
Dues and subscriptions	711	18,968	10	40	19,729
Interest	-	1,565	2,601	-	4,166
Bank charges	211	281	19	76	587
Payments to or on behalf of other organizations	2,063	43,097	4	5,179	50,343
Depreciation and amortization	4,347	13,438	54,834	395	73,014
Real estate taxes	2,123	4,747	8,724	8	15,602
Miscellaneous	1,248	6,598	30	406	8,282
Uncollectible revenue	-	-	93,361	-	93,361
	<u>\$ 186,888</u>	<u>\$ 1,456,093</u>	<u>\$ 418,008</u>	<u>\$ 92,247</u>	<u>\$ 2,153,236</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, 2013 and 2012 (Restated)

	2013	2012 (Restated Note 14)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (265,859)	\$ (579,535)
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	33,760	73,014
Realized loss on development project sale	-	247,682
Realized loss on sale of oil equipment	117,837	-
Changes in certain operating assets and liabilities:		
(Increase) in accounts receivable	(443,024)	(374,791)
Decrease in loans receivable	32,410	20,416
Decrease in inventory	-	169
Decrease in prepaid expenses	1,252	6,996
Increase (Decrease) in accounts payable	(336,782)	232,971
Increase (Decrease) in payroll and payroll tax liabilities	1,530	(19,946)
(Decrease) in deposits in trust	-	(25,113)
Increase in unearned grant revenue	820,749	164,625
Increase in advance from limited partnership	54,000	17,500
Increase (Decrease) in other liabilities	(18,721)	18,022
	<u>(2,848)</u>	<u>(217,990)</u>
Net cash used by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of development project	-	687,086
Proceeds from sales of oil equipment	12,001	-
Reductions in investments in limited partnerships	305	-
Purchases of capital assets	(23,135)	(53,028)
	<u>(10,829)</u>	<u>634,058</u>
Net cash provided (used) by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	100	119,500
Payments on long-term debt	(85,509)	(366,934)
Payment for debt issue costs	-	(270)
	<u>(85,409)</u>	<u>(247,704)</u>
Net cash used by financing activities		
Net increase (decrease) in cash	(99,086)	168,364
Cash, Beginning of Year	248,265	79,901
Cash, End of Year	<u>\$ 149,179</u>	<u>\$ 248,265</u>

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

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
FINANCIAL STATEMENTS
December 31, 2013 and 2012

Note 1 – Nature of Activities

In connection with efforts to form a better economic development delivery system for the region, members of the boards of Oil City Community Development Corporation, Oil Heritage Region, Inc. and Oil Heritage Region Tourist Promotion Agency, Inc. voted to merge into Venango Economic Development Corporation (VEDC). The merger took effect on January 16, 2005. The Corporation's name was changed to Oil Region Alliance of Business, Industry and Tourism (ORA) after the merger.

ORA is organized as a non-profit corporation and is the lead 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 a maximum of 25 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
December 31, 2013 and 2012

Note 2 – Accounting Policies (continued)

Cash and Cash Equivalents:

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

Inventory:

Inventory consists of Jack Paluh prints valued at the lower of cost or market.

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 12.

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 in excess of \$500 are capitalized. Costs of equipment purchased with grant funds are expensed as grant expenses. Prior to 2006, any equipment purchased by Oil Heritage Region, Inc. was expensed when purchased; accordingly, property and equipment does not include any assets previously purchased by Oil Heritage Region, Inc.

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
FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 2013 and 2012, 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 November 7, 2014, 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, 2013 and 2012

Note 2 – Accounting Policies (continued)

Concentration of Risk Factors:

ORA maintains several checking and savings accounts in various local banks. Accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There were no deposits in excess of the FDIC limit at either December 31, 2013 or 2012.

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 will now be due in December 2016. 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, 2013 and 2012 the outstanding balances on the Rts. 8 & 62 RLF loans were \$56,161 and \$87,725, respectively. Interest earned in 2013 and 2012 on the loans was \$2,747 and \$3,653, 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.

As of December 31, 2013 and 2012 the outstanding balances on the Venango County RLF loans were \$10,602 and \$11,448, respectively. Interest earned in 2013 and 2012 on the loans was \$75 and \$582, respectively.

Note 7 – Oil Drilling Agreement

During 2011, ORA entered into a drilling agreement with a local oil producer to drill up to ten oil wells over a two year period. The purpose of the project was to be both educational and financial in scope. ORA provided financing for the project. After paying all interests and recovering the original investment and operational costs, ORA would have a 40% interest in the wells. Drilling of the first two wells began in August 2011, and the first oil production began in December 2011 and continued into 2013.

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Note 7 – Oil Drilling Agreement (continued)

Through 2013, oil production from the two wells declined substantially to the extent that ORA determined the reduced operations were not sufficient to fulfill the original project scope or justify exposure to potential liabilities. On February 15, 2013, some of the oil production equipment was sold for \$12,000. On July 9, 2013, the local oil producer who was party to the original agreement agreed to take on future liability in exchange for the right, title and interest in the wells and the remaining well-connected equipment for \$1.

Note 8 – Owned Projects

On March 6, 2012, ORA sold the Reno Multi Tenant Facility for \$750,000. A portion of the proceeds were used to pay in full both the PNC and PIDA mortgage loans (See Note 11). There are currently no owned projects.

Note 9 – Land and Improvements

All costs of acquisition and subsequent improvements are recorded net of costs removed for parcels sold. Accumulated costs at December 31, 2013 and 2012 are as follows:

<u>Site</u>	<u>2013</u>	<u>2012</u>
Sandycreek Industrial Park	\$ 302,733	\$ 302,733
Reno I	8,803	8,803
Seneca	84,320	84,320
Sugarcreek	144,472	144,472
Barkeyville	247,927	247,927
Allegheny Overlook	3,080	3,080
Oil Creek Landing	2,000	2,000
Cranberry	42,685	42,685
	<u>\$ 836,020</u>	<u>\$ 836,020</u>

During 2012, ORA purchased two lots in Cranberry Township for development.

Note 10 – Deposits Invested In Trust

ORA previously invested funds on behalf of VIDA. Interest earned was credited to the account of VIDA on ORA's books of account and payments were made to VIDA on an as-requested basis. All funds were withdrawn during 2012.

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
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Note 11 – Notes Payable

(a) During 2003, ORA obtained a \$940,000 twelve-month time note from National City Bank (now PNC) to assist in the acquisition of the Reno Multi-Tenant Facility. The note was secured by a first position mortgage lien against the Facility, and was subject to a variable interest rate equal to the Bank's prime rate, which was 4.25% at December 31, 2002. The note was designed to provide ORA with a low carrying cost financing arrangement until proceeds from governmental grants and loans were received. Upon the receipt of a \$500,000 IDP grant from the Commonwealth of Pennsylvania, \$400,000 was applied against the principal of the note during 2002. Upon receipt of a loan from PIDA, an additional \$260,000 was applied against the principal of the note in 2003.

During 2003 permanent financing of the remaining \$280,000 was obtained from National City Bank (now PNC). Terms of the note specify monthly payments of \$2,520, including interest of 6.92%, through 2017. The balance due on the loan at December 31, 2011 was \$150,845. The note was paid in full on March 6, 2012 (See Note 8).

(b) During 2003, ORA secured a mortgage loan from PIDA in an amount of \$359,100 to assist in the acquisition of the Reno Multi-Tenant Facility. The loan bears interest at a rate of 3.00% and matures within a term of 15 years from the date of the loan. Payments of interest only were due for the first two years of the loan. On April 1, 2005 monthly payments of \$2,783 were to begin. However, ORA continued, for the remainder of 2005, to make interest only payments, which were accepted by PIDA. Principal payments began in 2006. The balance due on the loan at December 31, 2011 was \$215,089. The note was paid in full on March 6, 2012 (See Note 8).

(c) 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 is secured by the land, building, and improvements located at the Neilltown Church site. Payments of interest only at 4.25% are due quarterly for twenty-one payments and began on December 31, 2010. Principal payments will be made as funds become available. Principal payments of \$100 and \$1,000 were made during 2013 and 2012, respectively. Any unpaid principal will be due and payable on January 1, 2016.

(d) On December 6, 2012, ORA borrowed \$77,500 from two individuals, one a board member, to fund improvements to the McClintock Trail. The loan is secured by a 2013 fiscal year grant receivable from the U.S. Department of the Interior. Interest only payments at 4.5% were due monthly, beginning January 1, 2013. The note was paid in full during 2013.

(e) 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 \$7,909 were made during 2013.

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Note 11 – Notes Payable (continued)

(f) On December 12, 2013, ORA executed a promissory note with the United States Department of Agriculture to borrow \$215,040 to assist in the financing of infrastructure improvements to the Sandycreek Industrial Park. The note, secured by the Sandycreek Industrial Park property, will be 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, 2013, the principal drawn on the loan was \$100. 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.

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

2014	\$	9,457
2015		9,741
2016		36,433
2017		10,304
2018		1,480
Thereafter		<u>100,596</u>
		<u>\$ 168,011</u>

Note 12 – Contingent Liabilities

(a) The corporation is contingently liable on notes payable to PIDA. PIDA reported the following balances owing at December 31, 2013:

Schvaro Realty Co.	\$	147,180
Renovex, Inc.		309,494
Hardinger Transfer Co., Inc.		<u>1,095,105</u>
		<u>\$ 1,551,779</u>

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 12 – 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.

As of the date of this report, First National has not exercised its option to sell its interest in the limited partnership.

Note 13 – Donated Assets

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 has an uncertain value and, in accordance with accounting principles generally accepted in the United States of America, is not recognized in the financial statements. This collection is currently being held in storage in order to preserve the collection for future generations.

Note 14 – Restatement of 2012 Financial Statements

During 2013, certain errors were discovered resulting in an overstatement of 2012 revenues, gains and other support of \$130,699. Unearned revenue was understated by \$114,625 and accounts, rents and grants receivable were overstated by \$16,074. The 2012 financial statements have been restated to correct the errors.

Note 15 – Internal Revenue Service Examination

During 2013, the Internal Revenue Service examined ORA's Form 990 (and 990-T) for the years 2010, 2011 and 2012. As a result of these examinations, ORA was required to pay \$468 in taxes.