OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM

Oil City, Pennsylvania

FINANCIAL STATEMENTS

December 31, 2011 and 2010

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FINANCIAL STATEMENTS
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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 financial position of Oil Region Alliance of Business, Industry and Tourism as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide 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 Oil Region Alliance of Business, Industry and Tourism as of December 31, 2011 and 2010, and its changes in net assets and cash flows, in conformity with accounting principles generally accepted in the United States of America.

May & Company

June 11, 2012

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

ASSETS

	2011	2010
Cash and cash equivalents	$ 79,901	$ 227,983
Investments	-	653,839
Investments in limited partnerships	497	680
Accounts and grants receivable	151,670	360,876
Note receivable	25,000	25,000
RSIP loans receivable	-	-
Rts 8 & 62 RLF loans receivable	100,244	77,664
Venango County RLF loans receivable	19,345	47,331
Inventory	329	459
Prepaid expenses	9,982	9,549
Loan acquisition fee	10,641	10,641
Building and improvements	213,654	213,654
Office equipment	330,661	320,203
Vehicle	-	40,663
Oil production equipment	186,905	-
Development Projects:		
Owned projects	1,280,056	1,280,056
Land and improvements	793,335	1,193,930
Less, accumulated depreciation and amortization	(672,782)	(620,392)
Total Assets	$ 2,529,438	$ 3,842,136

LIABILITIES AND NET ASSETS

Liabilities	2011	2010
Accounts payable	$ 196,183	$ 221,463
Payroll and payroll tax liabilities	44,995	20,114
Deposits invested in trust	25,113	45,113
Unearned grant revenue	12,375	70,000
Advance from limited partnership	274,000	242,000
Other liabilities	3,805	19,557
Line of credit	-	219,263
Long term debt	393,434	464,096
Total Liabilities	949,905	1,301,606
Net Assets		
Unrestricted	1,363,229	2,346,709
Temporarily restricted	178,578	156,095
Permanently restricted	37,726	37,726
Total Net Assets	1,579,533	2,540,530
Total Liabilities and Net Assets	$ 2,529,438	$ 3,842,136

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, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Grants	$ -	$ 818,115	$ -	$ 818,115
Hotel tax	-	170,865	-	170,865
VIDA contributions	72,226	-	-	72,226
Other contributions	88,513	33,855	-	122,368
Membership dues	110,907	-	-	110,907
Cooperative advertising	11,009	-	-	11,009
Sale of merchandise	16,193	-	-	16,193
Rentals	81,021	-	-	81,021
Fees	76,923	-	-	76,923
Special events	18,366	-	-	18,366
Loss on sale of property	(281,906)	-	-	(281,906)
Oil production	16,073	-	-	16,073
Interest income	4,756	-	-	4,756
Miscellaneous	3,804	-	-	3,804
Net assets released from restrictions	1,000,352	(1,000,352)	-	-
Total Revenues, Gains and Other Support	1,218,237	22,483	-	1,240,720
EXPENSES				
Management and general	327,605	-	-	327,605
Program services	1,463,258	-	-	1,463,258
Property management	251,245	-	-	251,245
Fundraising	160,714	-	-	160,714
Total Expenses	2,202,822	-	-	2,202,822
INVESTMENT ACTIVITY				
Interest and dividends	6,374	-	-	6,374
Realized loss on sale of investments	(2,708)	-	-	(2,708)
Agency account fees	(2,561)	-	-	(2,561)
Total Investment Activity	1,105	-	-	1,105
Change in Net Assets	(983,480)	22,483	-	(960,997)
Net Assets, Beginning of Year	2,346,709	156,095	37,726	2,540,530
Net Assets, End of Year	$ 1,363,229	$ 178,578	$ 37,726	$ 1,579,533

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, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Grants	$ -	$ 852,595	$ -	$ 852,595
Hotel tax	-	162,029	-	162,029
Local match funds	-	-	-	-
VIDA contributions	32,792	-	-	32,792
Other contributions	86,295	25,403	-	111,698
Membership dues	87,355	-	-	87,355
Cooperative advertising	27,949	-	-	27,949
Sale of merchandise	25,250	-	-	25,250
Rentals	159,419	-	-	159,419
Fees	96,344	-	-	96,344
Special events	28,672	-	-	28,672
Gain on sale of property	1,016,605	-	-	1,016,605
Interest income	6,254	-	-	6,254
Miscellaneous	2,558	-	-	2,558
Net assets released from restrictions	1,223,807	(1,223,807)	-	-
Total Revenues, Gains and Other Support	2,793,300	(183,780)	-	2,609,520
EXPENSES				
Management and general	314,006	-	-	314,006
Program services	1,820,434	-	-	1,820,434
Property management	348,436	-	-	348,436
Fundraising	145,254	-	-	145,254
Total Expenses	2,628,130	-	-	2,628,130
INVESTMENT ACTIVITY				
Interest and dividends	11,847	-	-	11,847
Realized gain on sale of investments	368	-	-	368
Agency account fees	(3,535)	-	-	(3,535)
Unrealized loss on investments	(3,735)	-	-	(3,735)
Total Investment Activity	4,945	-	-	4,945
Change in Net Assets	170,115	(183,780)	-	(13,665)
Net Assets, Beginning of Year	2,176,594	339,875	37,726	2,554,195
Net Assets, End of Year	$ 2,346,709	$ 156,095	$ 37,726	$ 2,540,530

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, 2011

	Management & General	Program Services	Property Management	Fundraising	Total
Salaries and wages	$ 194,177	$ 420,695	$ 28,753	$ 115,094	$ 758,719
Personnel benefits	39,146	88,835	6,091	25,651	159,723
Payroll taxes	18,471	40,008	2,796	10,902	72,177
Staff development	3,312	701	-	-	4,013
Contract services	1,561	445,753	39,368	77	486,759
Marketing	150	129,604	-	-	129,754
Professional fees	20,881	67,524	8,293	216	96,914
Occupancy	4,884	27,729	70,274	1,548	104,435
Communications	4,598	9,794	1,823	844	17,059
Office expense	9,895	46,429	655	2,262	59,241
Technology expenses	3,899	2,290	157	157	6,503
Travel, meetings, and conferences	5,775	55,274	248	993	62,290
Insurance	5,190	17,102	2,071	1,265	25,628
Dues and subscriptions	208	10,725	19	76	11,028
Interest	1,678	6,329	20,513	580	29,100
Bank charges	201	619	15	59	894
Payments to or on behalf of					-
other organizations	4,450	61,520	-	50	66,020
Depreciation and amortization	7,067	21,843	37,070	642	66,622
Real estate taxes	462	3,452	33,065	168	37,147
Miscellaneous	1,600	7,032	34	130	8,796
	$ 327,605	$ 1,463,258	$ 251,245	$ 160,714	$ 2,202,822

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, 2010

	Management & General	Program Services	Property Management	Fundraising	Total
Salaries and wages	$ 159,744	$ 384,846	$ 26,930	$ 100,986	$ 672,506
Personnel benefits	50,476	105,982	5,420	22,904	184,782
Payroll taxes	4,883	10,680	2,485	9,320	27,368
Staff development	3,079	555	-	-	3,634
Contract services	407	478,657	2,802	227	482,093
Marketing	-	113,856	-	-	113,856
Professional fees	26,344	119,384	16,244	844	162,816
Occupancy	8,605	39,109	94,007	3,147	144,868
Communications	2,263	11,182	1,940	683	16,068
Office expense	10,963	65,212	687	2,296	79,158
Technology expenses	949	3,787	163	350	5,249
Travel, meetings, and conferences	8,640	44,170	244	885	53,939
Insurance	4,922	25,424	1,525	2,141	34,012
Dues and subscriptions	1,116	13,590	13	52	14,771
Interest	846	2,826	39,083	307	43,062
Bank charges	96	387	-	-	483
Payments to or on behalf of other organizations	11,266	225,709	-	104	237,079
Depreciation and amortization	7,856	24,283	37,677	714	70,530
Real estate taxes	613	3,779	14,618	192	19,202
Miscellaneous	1,325	4,846	1	102	6,274
Equipment purchased with grant funds	-	7,099	66	-	7,165
Federal income tax	9,613	-	-	-	9,613
Uncollectible revenue	-	135,071	104,531	-	239,602
	$ 314,006	$ 1,820,434	$ 348,436	$ 145,254	$ 2,628,130

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, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (960,997)	$ (13,665)
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	66,622	70,530
Realized and unrealized loss on investments, net	2,708	3,367
Realized (gain) loss on development project sale	279,475	(1,016,605)
Realized loss on sale of vehicle	2,431	-
Changes in certain operating assets and liabilities:		
Decrease in accounts receivable	209,206	85,265
Decrease in loans receivable	5,406	135,756
(Increase) Decrease in inventory	130	(378)
(Increase) in prepaid expenses	(433)	(8,484)
Increase (Decrease) in accounts payable	(25,280)	55,260
Increase (Decrease) in payroll and payroll tax liabilities	24,881	(1,546)
(Decrease) in deposits in trust	(20,000)	(19,805)
(Decrease) in unearned grant revenue	(57,625)	-
Increase in advance from limited partnership	32,000	102,000
Increase (Decrease) in other liabilities	(15,752)	435
Net cash used by operating activities	(457,228)	(607,870)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of vehicle	24,000	-
Proceeds from sales of development project	123,120	1,000,000
Proceeds from sales of investments	1,103,443	495,150
Purchases of investments	(452,312)	(638,463)
(Additions to) Reductions in investments in limited partnerships	183	(120)
Purchases of property and equipment	(199,363)	(36,249)
Net cash provided by investing activties	599,071	820,318
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in line of credit	(219,263)	(64,737)
Proceeds from long-term debt	-	30,000
Payments on long-term debt	(70,662)	(98,582)
Net cash provided by financing activties	(289,925)	(133,319)
Net increase (decrease) in cash	(148,082)	79,129
Cash, Beginning of Year	227,983	148,854
Cash, End of Year	$ 79,901	$ 227,983

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES

	2011	2010
Equipment purchased through long-term debt	$ -	$ 27,891
Long-term debt exchanged for development project	$ -	$ 1,609,000

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

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.

ORA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

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.

Note 2 – Accounting Policies (continued)

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

Cash and Cash Equivalents:

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

Investments:

Investments are recorded at market value.

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 14.

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.

Note 2 – Accounting Policies (continued)

Functional Allocation of Expenses:

The cost 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 2011 and 2010, fundraising expenses consisted primarily of membership development.

Estimates:

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

Date of Management Review:

Subsequent events were evaluated through June 11, 2012, 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.

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, 2011 or 2010.

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 – Investments

Investments of the corporation at December 31, 2011 and 2010 are as follows:

	2011		2010	
PNC Bank- Agency Account:	Market Value	Cost	Market Value	Cost
Money Market	$ -	$ -	$ 48,697	$ 48,697
Bonds and bond funds	-	-	605,142	606,905
Total Investments	$ -	$ -	$ 653,839	$ 655,602

During 2011, ORA withdrew all funds from the Agency Account to pay off its line of credit and to cover its cash requirements.

Note 4 – 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 5 – RSIP Notes 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.

As of December 31, 2010 there were two outstanding RSIP loans with an aggregate balance of $6,119, net of an allowance for doubtful accounts of an equal amount. During 2011, the balance of the loans and the corresponding allowance for doubtful accounts were removed from the books. No interest was earned in either 2011 or 2010 on such loans.

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

Note 6 – 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 2010, four loans totaling $106,600 were issued. During 2011, one loan totaling $33,000 was issued.

As of December 31, 2011 the outstanding balances on the Rts. 8 & 62 RLF loans were $100,244. Interest earned in 2011 and 2010 on the loans was $3,362 and $3,320, respectively.

Note 7 – 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%.

During 2009, two loans totaling $70,000 were issued. During 2010, one loan totaling $25,000 was issued.

As of December 31, 2011 the outstanding balances on the Venango County RLF loans were $19,345. Interest earned in 2011 and 2010 on the loans was $1,333 and $2,402, respectively.

Note 8 – Oil Drilling Agreement

During 2011, ORA entered into a drilling agreement with an individual to drill up to ten oil wells over the next two years on property which the individual has a seven-eighths mineral right interest (Shell Oil has the remaining one-eighth interest). The purpose of the project is both educational and financial in scope. ORA will provide financing for the project and the individual will provide on-location oversight. After paying Shell's one-eighth interest, full recovery of the original investment by ORA for each well, and operational costs, the individual and ORA will have a 60% and 40% interest in the wells, respectively. Drilling of the first two wells began in August 2011, and the first oil production began in December 2011.

Note 9 – Owned Projects

At December 31, 2011 and 2010 the development projects owned by ORA and relevant data is as follows:

	2011		2010	
Project	Cost Incurred	Cost Amortized	Cost Incurred	Cost Amortized
Reno Multi Tenant Facility	$ 1,239,730	$ 299,732	$ 1,239,730	$ 268,346
Tarbell House	40,326	—	40,326	—
	$ 1,280,056	$ 299,732	$ 1,280,056	$ 268,346

Note 10 – Land and Improvements

All costs of acquisition and subsequent improvements are recorded net of costs removed for parcels sold. Accumulated costs at December 31, 2011 and 2010 are as follows:

Site	2011	2010
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	650,522
Allegheny Overlook	3,080	3,080
Oil Creek Landing	2,000	-
	$ 793,335	$ 1,193,930

During 2011, ORA sold two parcels totaling 61.384 acres at the Barkeyville site. All the developed acreage at that site has been sold.

During 2011, ORA purchased two lots in the City of Oil City for the Oil Creek Memorial Landing Project.

Note 11 – Deposits Invested In Trust

ORA invests funds on behalf of VIDA. Interest earned is credited to the account of VIDA on ORA's books of account and payments are made to VIDA on an as-requested basis.

Note 12 – Line of Credit

At December 31, 2010, ORA had a $350,000 line of credit with PNC Bank. During 2011, the line was increased to $500,000. Any outstanding balance on this line of credit was subject to a variable interest rate equal to the bank's prime rate, which was 3.25% throughout both 2011 and 2010. The balance on the line was paid in full on August 2, 2011. The line was then terminated.

Note 13 – Long Term Debt

(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 16).

(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 16).

(c) On March 18, 2010, ORA borrowed $27,891 from Galaxy Federal Credit Union to partially finance the purchase of a vehicle. The loan, secured by the vehicle, was payable in seventy-two monthly payments of $456, including interest at 5.49%. The note was paid in full during 2011 from the proceeds of the sale of the vehicle.

(d) 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. A principal payment of $2,500 was made during 2011. Any unpaid principal will be due and payable on January 1, 2016.

Note 14 – Contingent Liabilities

(a) The corporation is contingently liable on notes payable to PIDA. PIDA reported the following balances owing at December 31, 2011:

Tippery Partnership, LP	$ 75,205
Schvaro Realty Co.	176,133
Renovex, Inc.	404,930
Hardinger Transfer Co., Inc.	1,278,479
	$ 1,934,747

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.

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 15 – 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 16 – Subsequent Event

On March 6, 2012, ORA sold the Reno Multi Tenant Facility for $750,000. A portion of the proceeds was used to pay in full both the PNC and PIDA mortgage loans.