OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM

Oil City, Pennsylvania

FINANCIAL STATEMENTS

December 31, 2012 and 2011

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FINANCIAL STATEMENTS
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CONTENTS

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, 2012 and 2011, 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, 2012 and 2011, 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.

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June 28, 2013

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

ASSETS

	2012	2011
Cash and cash equivalents	$ 248,265	$ 79,901
Investments	-	-
Investments in limited partnerships	497	497
Accounts, rents and grants receivable, net of allowance for doubtful accounts of $93,361 and $-0-	542,535	151,670
Note receivable	25,000	25,000
RSIP loans receivable	-	-
Rts 8 & 62 RLF loans receivable	87,725	100,244
Venango County RLF loans receivable	11,448	19,345
Inventory	160	329
Prepaid expenses	2,986	9,982
Loan acquisition fee	270	10,641
Building and improvements	213,654	213,654
Office equipment	331,739	330,661
Vehicle	-	-
Oil production equipment	186,905	186,905
Building held for investment	49,591	40,326
Development Projects:		
Owned projects	-	1,239,730
Land and improvements	836,020	793,335
Less, accumulated depreciation and amortization	(430,193)	(672,782)
Total Assets	$ 2,106,602	$ 2,529,438

LIABILITIES AND NET ASSETS

	2012	2011
Liabilities		
Accounts payable	$ 429,154	$ 196,183
Payroll and payroll tax liabilities	25,049	44,995
Deposits invested in trust	-	25,113
Unearned grant revenue	62,375	12,375
Advance from limited partnership	291,500	274,000
Other liabilities	21,827	3,805
Line of credit	-	-
Notes payable	146,000	393,434
Total Liabilities	975,905	949,905
Net Assets		
Unrestricted	761,214	1,363,229
Temporarily restricted	331,757	178,578
Permanently restricted	37,726	37,726
Total Net Assets	1,130,697	1,579,533
Total Liabilities and Net Assets	$ 2,106,602	$ 2,529,438

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Grants	$ -	$ 1,257,001	$ -	$ 1,257,001
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	131,301	-	-	131,301
Interest income	4,273	-	-	4,273
Miscellaneous	2,499	-	-	2,499
Net assets released from restrictions	1,298,600	(1,298,600)	-	-
Total Revenues, Gains and Other Support	1,551,221	153,179	-	1,704,400
EXPENSES				
Management and general	186,888	-	-	186,888
Program services	1,456,093	-	-	1,456,093
Property management	418,008	-	-	418,008
Fundraising	92,247	-	-	92,247
Total Expenses	2,153,236	-	-	2,153,236
INVESTMENT ACTIVITY				
Interest and dividends	-	-	-	-
Realized loss on sale of investments	-	-	-	-
Agency account fees	-	-	-	-
Total Investment Activity	-	-	-	-
Change in Net Assets	(602,015)	153,179	-	(448,836)
Net Assets, Beginning of Year	1,363,229	178,578	37,726	1,579,533
Net Assets, End of Year	$ 761,214	$ 331,757	$ 37,726	$ 1,130,697

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 FUNCTIONAL EXPENSES

For the Year Ended December 31, 2012

	Management & General	Program Services	Property Management	Fundraising	Total
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
	$ 186,888	$ 1,456,093	$ 418,008	$ 92,247	$ 2,153,236

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
STATEMENTS OF CASH FLOWS
December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (448,836)	$ (960,997)
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	73,014	66,622
Realized and unrealized loss on investments, net	-	2,708
Realized loss on development project sale	247,682	279,475
Realized loss on sale of vehicle	-	2,431
Changes in certain operating assets and liabilities:		
(Increase) Decrease in accounts receivable	(390,865)	209,206
Decrease in loans receivable	20,416	5,406
Decrease in inventory	169	130
(Increase) Decrease in prepaid expenses	6,996	(433)
Increase (Decrease) in accounts payable	232,971	(25,280)
Increase (Decrease) in payroll and payroll tax liabilities	(19,946)	24,881
(Decrease) in deposits in trust	(25,113)	(20,000)
Increase (Decrease) in unearned grant revenue	50,000	(57,625)
Increase in advance from limited partnership	17,500	32,000
Increase (Decrease) in other liabilities	18,022	(15,752)
Net cash used by operating activities	(217,990)	(457,228)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of vehicle	-	24,000
Proceeds from sales of development project	687,086	123,120
Proceeds from sales of investments	-	1,103,443
Purchases of investments	-	(452,312)
Reductions in investments in limited partnerships	-	183
Purchases of capital assets	(53,028)	(199,363)
Net cash provided by investing activties	634,058	599,071
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in line of credit	-	(219,263)
Proceeds from long-term debt	119,500	-
Payments on long-term debt	(366,934)	(70,662)
Payment for debt issue costs	(270)	-
Net cash used by financing activties	(247,704)	(289,925)
Net increase (decrease) in cash	168,364	(148,082)
Cash, Beginning of Year	79,901	227,983
Cash, End of Year	$ 248,265	$ 79,901

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.

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 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 2012 and 2011, 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 June 28, 2013, 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, 2012 or 2011.

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

During 2011, ORA withdrew all funds from the PNC Bank 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 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.

As of January 1, 2011 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.

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, 2012 and 2011 the outstanding balances on the Rts. 8 & 62 RLF loans were $87,725 and $100,244, respectively. Interest earned in 2012 and 2011 on the loans was $3,653 and $3,362, 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, 2012 and 2011 the outstanding balances on the Venango County RLF loans were $11,448 and $19,345, respectively. Interest earned in 2012 and 2011 on the loans was $582 and $1,133, 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 and continued in 2012.

Note 9 – Owned Projects

At December 31, 2012 and 2011 the development projects owned by ORA and relevant data is as follows:

	2012		2011	
Project	Cost Incurred	Cost Amortized	Cost Incurred	Cost Amortized
Reno Multi Tenant Facility	$ —	$ —	$ 1,239,730	$ 299,732

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 13).

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, 2012 and 2011 are as follows:

Site	2012	2011
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	—
	$ 836,020	$ 793,335

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.

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

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. All funds were withdrawn during 2012.

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 – 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 9).

(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 9).

(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. Principal payments of $1,000 and $2,500 were made during 2012 and 2011, respectively. Any unpaid principal will be due and payable on January 1, 2016.

(e) 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% will be due monthly, beginning January 1, 2013. The note is to be paid in full on or before June 30, 2013.

Note 13 – Notes Payable (continued)

(f) 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%. Payments will begin on January 15, 2013.

Note 14 – Contingent Liabilities

(a) The corporation is contingently liable on notes payable to PIDA. PIDA reported the following balances owing at December 31, 2012:

Tippery Partnership, LP	$ 42,561
Schvaro Realty Co.	161,945
Renovex, Inc.	358,746
Hardinger Transfer Co., Inc.	1,188,737
	$ 1,751,989

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.