OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM

Oil City, Pennsylvania

FINANCIAL STATEMENTS

December 31, 2018

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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, 2018, 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, 2018, 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 12, 2019

OIL REGION ALLIANCE OF BUSINESS, INDUSTRY AND TOURISM

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Cash	$ 206,864
Investments in limited partnerships	(1,780)
Accounts, rents and grants receivable	814,860
Note receivable	25,000
Rts 8 & 62 RLF loans receivable	9,817
Prepaid expenses	3,326
Due from related entity	1,050
Land, buildings and improvements	1,759,883
Equipment	112,660
Buildings held for investment	1,140,387
Development projects	1,052,271
Less, accumulated depreciation and amortization	(850,842)
Total Assets	$ 4,273,496

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	$ 23,562
Payroll and payroll tax liabilities	13,778
Unearned revenue	1,294,512
Other liabilities	18,340
Notes payable	264,286
Total Liabilities	1,614,478
Net Assets	
With donor restrictions	37,726
Without donor restrictions	2,621,292
Total Net Assets	2,659,018
Total Liabilities and Net Assets	$ 4,273,496

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Grants	$ -	$ 705,656	$ 705,656
Hotel tax	-	151,908	151,908
VIDA contributions	-	-	-
Other contributions - cash	2,212	73,571	75,783
Other contributions - non-cash	116,353	-	116,353
Membership dues	86,750	-	86,750
Sale of merchandise	2,916	-	2,916
Rentals	174,615	-	174,615
Fees	23,079	8,680	31,759
Special events	1,387	36,128	37,515
Interest income	489	-	489
Miscellaneous	20,327	-	20,327
Net assets released from restrictions	975,943	(975,943)	-
Total Revenues, Gains and Other Support	1,404,071	-	1,404,071
EXPENSES			
Management and general	226,061	-	226,061
Program services	645,255	-	645,255
Property management	285,084	-	285,084
Fundraising	61,796	-	61,796
Total Expenses	1,218,196	-	1,218,196
Change in Net Assets	185,875	-	185,875
Net Assets, Beginning of Year	2,435,417	37,726	2,473,143
Net Assets, End of Year	$ 2,621,292	$ 37,726	$ 2,659,018

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, 2018

	Management & General	Program Services	Property Management	Fundraising	Total
Salaries and wages	$ 109,672	$ 299,960	$ 30,708	$ 48,255	$ 488,595
Personnel benefits	18,170	43,832	5,088	7,995	75,085
Payroll taxes	9,520	26,340	2,665	4,189	42,714
Contract services	4,349	149,381	6,000	-	159,730
Marketing	-	5,681	-	-	5,681
Professional fees	20,472	2,039	13,176	-	35,687
Occupancy	19,875	-	129,153	-	149,028
Communications	5,663	-	-	-	5,663
Office expense	10,866	20,465	-	368	31,699
Technology expenses	4,903	-	-	-	4,903
Travel, meetings, and conferences	826	21,950	48	-	22,824
Insurance	6,164	-	24,312	-	30,476
Dues and subscriptions	1,031	1,337	-	-	2,368
Interest	1,949	-	5,239	-	7,188
Bank charges	875	-	98	-	973
Payments to or on behalf of other organizations	2,133	15,000	71	-	17,204
Depreciation and amortization	2,247	5,123	41,721	989	50,080
Real estate taxes	2,251	-	26,805	-	29,056
Other direct program expenses	-	54,147	-	-	54,147
Miscellaneous	5,095	-	-	-	5,095
	$ 226,061	$ 645,255	$ 285,084	$ 61,796	$ 1,218,196

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 185,875
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation and amortization	50,080
Donation of real estate	(116,223)
Changes in certain operating assets and liabilities:	
(Increase) in accounts receivable	(162,986)
Decrease in loans receivable	3,539
Decrease in prepaid expenses	5,350
Increase in accounts payable	4,938
Increase in payroll and payroll tax liabilities	4,710
Increase in unearned revenue	240,776
Increase in other liabilities	5,436
Net cash provided (used) by operating activities	221,495
CASH FLOWS FROM INVESTING ACTIVITIES	
Increases in investments in limited partnerships, net	(330)
Cash received from limited partnership	133,667
Purchases of capital assets	(166,772)
Net cash used by investing activties	(33,435)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on long-term debt	(22,472)
Payments on line of credit	(100)
Net cash used by financing activties	(22,572)
Net increase in cash	165,488
Cash, Beginning of Year	41,376
Cash, End of Year	$ 206,864
SUPPLEMENTAL INFORMATION	
Interest paid	$ 7,188

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITY

During the year ended December 31, 2018, donated real estate valued at $116,223 was received by the Organization.

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

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:

ORA has adopted Financial Accounting Standard Boards Accounting Standards Codification (ASC) 958, "Not-for-Profit Entities." Under ASC 958, the Organization is required to report information regarding its financial position and activities according to the following classes of net assets:

Net Assets With Donor Restrictions – The part of the net assets of ORA resulting (a) from inflows of assets whose use by ORA is limited by donor or grantor imposed stipulations that either expires by passage of time or can be fulfilled and removed by actions of ORA pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and from reclassification to, or (c) from other classes of net assets as a consequence of donor or grantor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of ORA pursuant to those stipulations.

Net Assets Without Donor Restrictions – The part of net assets of ORA that is not restricted by donor or grantor imposed stipulations.

ORA reports revenues, gains and other support as restricted support if they are received with donor or grantor stipulations that limit the use of the funds. When the restrictions expires, that is, when a stipulated time restriction ends or purpose restrictions is accomplished, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Note 2 – Accounting Policies (continued)

Cash:

Cash consists of cash in checking accounts and petty cash.

Recent Accounting Pronouncement:

In August 2016, the FASB issued Accounting Standards Update 2016-4, Not-for-Profit Entities. The ASU requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The Organization implemented this standard in the current year. Net assets previously termed *unrestricted* are now without donor restrictions. Net assets previously termed *temporarily restricted* or *permanently restricted* are now with donor restrictions. See Note 3 for disclosure of liquidity and availability of resources.

Property and Equipment:

The costs of property not being held for investment 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. Buildings held for investment are not being depreciated.

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.

Statement of Cash Flows:

For the purposes of the statement of cash flows, cash consists of balances in checking accounts and petty cash.

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.

Fundraising expenses consist 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 12, 2019, 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.

Concentration of Risk Factors:

ORA maintains several checking 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 – Liquidity and Availability of Financial Assets

ORA meets cash needs for expenditures with revenues, grains and other support received throughout the year. Funds for specific programs are not available for general expenditures. The Board has not imposed limits on the use of resources without donor-imposed restrictions.

ORA considers the following financial assets to be available within one year:

Cash	$ 206,864
Accounts and rents receivable	20,416
Financial assets available to meet cash needs	$ 227,280

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 was due in December 2016. On November 14, 2018, the board allowed an additional 5-year extension on the loan which will now expire in November 2023. 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.

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

As of December 31, 2018 the outstanding balance on the Rts. 8 & 62 RLF loan was $9,817. Interest earned in 2018 on the loan was $470.

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%.

Prior to 2012, three loans totaling $95,000 were issued. All three loans were paid in full as of December 31, 2014. There has been no activity in this program since 2014.

Note 8 – Development Projects

All costs of acquisition and subsequent improvements are recorded net of costs removed for parcels sold. Accumulated costs are as follows:

Site	
Sandycreek Industrial Park	$ 517,633
Seneca	84,320
Sugarcreek	144,472
Barkeyville	253,674
Allegheny Overlook	3,080
Oil Creek Landing	49,092
	$ 1,052,271

Note 9 – Notes Payable

(a) 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 $3,091 were made during 2018. 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, 2018 was $197,220.

(b) 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. Prior to 2018, the note to the non-board member was paid in full. Principal payments of $9,972 were made during 2018. The principal balance on the note at December 31, 2018 was $33,779, of which all is unsecured.

(c) 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 $9,410 were made during 2018. The principal balance on the loan at December 31, 2018 was $33,287.

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

2019	$	21,190
2020		22,147
2021		23,147
2022		7,312
2023		1,829
Thereafter		90,051
	$	165,676

Note 10 – Contingent Liabilities

(a) The corporation is contingently liable on notes payable to PIDA. PIDA reported the following balance owing at December 31, 2018:

Renovex, Inc.	$ 55,662

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) 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 11 – Donated Assets

During 2018, ORA placed into service an historically significant property that had been donated to ORA. The property was valued at $116,222. The donated value plus additional costs of $7,406 has been recorded on the balance sheet as a building held for investment.

Note 12 – Drake Commons Associates

Drake Commons II Associates (a partnership) owned and operated a multi-tenant apartment complex located in Oil City, Pennsylvania.

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.

Subsequently, ORA transferred all right, title and interest in the apartment complex to Drake Commons Associates LLC, a single member limited liability company. All assets, liabilities, revenues and expenses of the LLC are included in these financial statements.

Note 13 – Retirement Plan

ORA maintains a SIMPLE IRA plan. Employees may elect to contribute a percentage of their compensation on a pre-tax basis. ORA contributes matching contributions on a dollar-for-dollar basis up to 3% of the employee's compensation. Retirement expense for the year ended December 31, 2018 was $9,445.

Note 14 – Leases

The company leases office equipment from an unrelated entity under two operating leases. One is a 63 month lease that expires in 2023, the other is a 39 month lease that expires in 2022. For the year ended December 31, 2018 lease expense totaled $2,291.

The future minimum rent for operating leased equipment is as follows:

2019	$	4,255
2020		4,255
2021		4,255
2022		3,680
	$	19,642

Note 15 – Risks and Uncertainties

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Organization carries commercial insurance for all types of loss. There have been no significant reductions in insurance coverage.