

**LAKES PILOTS ASSOCIATION, INC.  
AND AFFILIATE**

**Financial Statements**

**December 31, 2023**



FROHM KELLEY BUTLER & RYAN, P.C.

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Lakes Pilots Association, Inc. and Affiliate  
Port Huron, Michigan

### **Opinion**

We have audited the consolidated financial statements of Lakes Pilots Association, Inc. (A Corporation) and 101 Water Street, L.L.C. (A Limited Liability Company) collectively referred to as Lakes Pilots Association, Inc. and Affiliate, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of changes in stockholders' equity, operations, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lakes Pilots Association, Inc. and Affiliate as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lakes Pilots Association, Inc. and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakes Pilots Association, Inc. and Affiliate's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

**Certified Public Accountants**

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## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lakes Pilots Association, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakes Pilots Association, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Frohm Kelley Butler & Ryan, P.C.*

Certified Public Accountants

February 1, 2024

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 8,904,647	\$ 9,056,327
Accounts receivable	1,660,074	1,126,197
Prepaid expenses	192,484	12,605
TOTAL CURRENT ASSETS	<u>10,757,205</u>	<u>10,195,129</u>
LAND, BUILDING & EQUIPMENT		
Docks - 101 Water Street	635,172	635,172
Building - 110 Water Street	241,451	241,451
Building - Port Colborne	59,435	59,435
Office equipment	157,634	157,634
Automobiles	168,978	168,978
Pilot boats	<u>3,126,446</u>	<u>3,126,446</u>
	4,389,116	4,389,116
Less allowance for depreciation	<u>2,994,332</u>	<u>2,741,969</u>
	1,394,784	1,647,147
OTHER ASSETS		
Deferred tax asset	<u>-</u>	<u>57,000</u>
	<u>\$ 12,151,989</u>	<u>\$ 11,899,276</u>

See Notes to Consolidated Financial Statements.

20232022LIABILITIES AND STOCKHOLDERS' EQUITY

## CURRENT LIABILITIES

Accounts payable	\$ 1,922,618	\$ 1,791,360
Accrued compensation, retirement and withholdings	6,473,685	6,890,226
Accrued sick pay	174,000	135,537
Taxes, other than income	281,503	283,521
Income taxes	119,109	(86,296)
Stock redemption payable	98,686	98,686
Current portion of long-term debt	167,530	163,235
TOTAL CURRENT LIABILITIES	<u>9,237,131</u>	<u>9,276,269</u>

## DEFERRED TAX LIABILITY

105,000 -

## LONG-TERM DEBT (exclusive of current portion)

825,625 1,102,365

## STOCKHOLDERS' EQUITY

Common stock		
Authorized - 500 shares		
Issued and outstanding - 16 shares in 2023 and 13 shares in 2022	800	650
Additional paid in capital	1,004,224	675,957
Retained earnings	979,209	844,035
	<u>1,984,233</u>	<u>1,520,642</u>
	<u>\$ 12,151,989</u>	<u>\$ 11,899,276</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2023 and 2022

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid in</u>	<u>Earnings</u>	
			<u>Capital</u>		
BALANCE AT DECEMBER 31, 2021	14 \$	700 \$	681,702 \$	804,207 \$	1,486,609
Redemption of common stock	(1)	(50)	(5,745)	(92,891)	(98,686)
Dividend (\$7,500 per share)	-	-	-	(105,000)	(105,000)
Net income	-	-	-	237,719	237,719
BALANCE AT DECEMBER 31, 2022	13 \$	650 \$	675,957 \$	844,035 \$	1,520,642
Issuance of common stock	3	150	328,267	-	328,417
Dividend (\$7,500 per share)	-	-	-	(97,500)	(97,500)
Net income	-	-	-	232,674	232,674
BALANCE AT DECEMBER 31, 2023	<u>16 \$</u>	<u>800 \$</u>	<u>1,004,224 \$</u>	<u>979,209 \$</u>	<u>1,984,233</u>

See Notes to Consolidated Financial Statements.

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2023 and 2022

	<u>2023</u>	Percent of <u>Revenue</u>	<u>2022</u>	Percent of <u>Revenue</u>
<b>REVENUES</b>				
Pilotage and detention	\$ 11,633,790	95.7%	\$ 11,886,040	96.1%
Pilot boat services	520,410	4.3%	487,557	3.9%
	<u>12,154,200</u>	<u>100.0%</u>	<u>12,373,597</u>	<u>100.0%</u>
<b>EXPENSES</b>				
Pilots' salaries and expenses	10,180,602	83.7%	10,721,554	86.6%
Pilot boat	857,570	7.1%	835,281	6.8%
General and administrative	663,816	5.4%	646,143	5.2%
	<u>11,701,988</u>	<u>96.2%</u>	<u>12,202,978</u>	<u>98.6%</u>
	452,212	3.8%	170,619	1.4%
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	175,066	1.5%	7,789	0.1%
Gain on sale of assets	13,588	0.1%	15,500	0.1%
Interest expense	(10,087)	(0.1)%	(13,189)	(0.1)%
	<u>178,567</u>	<u>1.5%</u>	<u>10,100</u>	<u>0.1%</u>
<b>INCOME BEFORE</b>				
FEDERAL INCOME TAX (CREDIT)	630,779	5.3%	180,719	1.5%
Federal income tax (credit)	398,105	3.4%	(57,000)	(0.4)%
	<u>398,105</u>	<u>3.4%</u>	<u>(57,000)</u>	<u>(0.4)%</u>
NET INCOME \$	<u><u>232,674</u></u>	<u><u>1.9%</u></u>	<u><u>\$ 237,719</u></u>	<u><u>1.9%</u></u>

See Notes to Consolidated Financial Statements.

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS - OPERATIONS</b>		
Cash received from customers	\$ 11,620,323	\$ 13,043,890
Cash paid to suppliers and employees	(11,878,342)	(8,834,613)
Interest received	175,066	7,789
Interest paid	(10,087)	(13,189)
Income tax paid	(30,700)	(115,437)
NET CASH (USED FOR) PROVIDED BY OPERATIONS	<u>(123,740)</u>	<u>4,088,440</u>
<b>CASH FLOWS - INVESTING</b>		
Purchase of assets	-	(222,401)
Proceeds from sale of assets	13,588	15,500
	<u>13,588</u>	<u>(206,901)</u>
<b>CASH FLOWS - FINANCING</b>		
Payment - long-term debt	(272,445)	(276,991)
Dividend paid	(97,500)	(105,000)
Issuance of common stock	328,417	-
	<u>(41,528)</u>	<u>(381,991)</u>
NET (DECREASE) INCREASE IN CASH	<u>(151,680)</u>	<u>3,499,548</u>
CASH AT BEGINNING OF YEAR	<u>9,056,327</u>	<u>5,556,779</u>
CASH AT END OF YEAR	<u>\$ 8,904,647</u>	<u>\$ 9,056,327</u>

See Notes to Consolidated Financial Statements.



	<u>2023</u>	<u>2022</u>
RECONCILIATION OF NET INCOME TO		
NET CASH (USED FOR) PROVIDED BY OPERATIONS		
Net income	\$ 232,674	\$ 237,719
Adjustments to reconcile net income to		
net cash (used for) provided by operations		
Depreciation	252,363	262,048
Gain on sale of assets	(13,588)	(15,500)
Deferred taxes	162,000	(57,000)
Decrease (increase) in assets		
Accounts receivable	(533,877)	670,293
Prepaid expenses	(179,879)	2,009
(Decrease) increase in liabilities		
Accounts payable	131,258	565,035
Accrued compensation, retirement		
and withholdings	(416,541)	2,395,543
Accrued sick pay	38,463	79,287
Taxes, other than income	(2,018)	64,443
Income taxes	<u>205,405</u>	<u>(115,437)</u>
NET CASH (USED FOR) PROVIDED BY OPERATIONS	<u>\$ (123,740)</u>	<u>\$ 4,088,440</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Association operates a Great Lakes pilotage pool pursuant to a Certificate of Authorization granted by the United States Department of Transportation. The Association provides pilotage services to foreign vessels sailing from Port Colborne, Ontario to Port Huron, Michigan. Rates for pilotage services are set by the United States Coast Guard. The Association grants credit to shipping customers in the ordinary course of business. Consequently, the Association's ability to collect amounts due from customers could be affected by economic fluctuations in the shipping industry.

101 Water Street, L.L.C. is a single member limited liability company which leases real estate to Lakes Pilots Association, Inc.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Association considers all highly liquid investments with a maturity of one year or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances. The Association provides for losses on accounts receivable when accounts are deemed to be uncollectible.

Depreciation

Land, building and equipment are recorded at cost. Depreciation is computed by the straight-line and accelerated methods over the estimated useful lives of the assets.

Basis of Consolidation

The consolidated financial statements include the accounts of the Association and its wholly-owned subsidiary, 101 Water Street, L.L.C. Upon consolidation, all intercompany accounts have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years ended December 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed as incurred.

NOTE B – COMMITMENTS AND CONTINGENCIES

The Association has agreed to acquire the stock of any stockholder, if, for any reason, that stockholder decides to leave the employment of the Association. The purchase price is determined by a formula computing the value at December 31 of the year preceding the year of separation and is payable immediately upon determination of the valuation. The value of the stock was \$110,963.52 and \$109,472.36 per share at December 31, 2023 and 2022, respectively.

NOTE C – RELATED PARTY TRANSACTIONS

Lakes Pilots Association, Inc. is the sole member of 101 Water Street, L.L.C.

The Association leases property from 101 Water Street, L.L.C. The lease agreement requires monthly lease payments of \$6,148 plus utilities, maintenance and property taxes. Annual lease payments totaled \$73,770 and \$73,378 at December 31, 2023 and 2022, respectively.

NOTE D – CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially expose the Association to concentrations of credit and market risk consist primarily of cash held in checking accounts and money market accounts. These cash and investment accounts are maintained at high quality financial institutions and credit exposure is limited at any one institution. The Association has never experienced any losses on these accounts.

NOTE E – RETIREMENT PLANS

The Association maintains money-purchase retirement plans which include substantially all employees. Since the plans are defined-contribution plans, there are no unfunded vested benefits. The Association's provision for the pension and profit sharing plans aggregated \$1,244,351 in 2023 and \$956,494 in 2022.

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years ended December 31, 2023 and 2022

NOTE F – INCOME TAXES

The applicable federal income tax is less than it would be if computed by applying the federal statutory rate to income before income taxes, as indicated in the following reconciliation:

	<u>2023</u>	<u>2022</u>
Tax at statutory rates	\$ 132,464	\$ 37,951
Add (deduct)		
Non-deductible items	611	656
Depreciation	33,414	(243,647)
Employee Retention Credit	-	87,550
Other – net	231,616	60,490
	<u>\$ 398,105</u>	<u>\$ (57,000)</u>

The provision for income taxes consisted of the following:

Current	\$ 236,105	\$ -
Deferred	162,000	(57,000)
	<u>\$ 398,105</u>	<u>\$ (57,000)</u>

Deferred income taxes result from timing differences in the reporting of depreciation for income tax and financial statement purposes. Significant components of the Association's deferred tax as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Deferred tax assets		
Depreciation	\$ -	\$ (39,000)
Net operating loss carryforward	-	(18,000)
	<u>\$ -</u>	<u>\$ (57,000)</u>
Deferred tax liabilities		
Depreciation	\$ 105,000	\$ -
	<u>\$ 105,000</u>	<u>\$ -</u>

The Association's Form 1120, U.S. Corporation Income Tax Return, for the years ended 2021, 2022 and 2023 are subject to examination by the IRS, generally for three years after they are filed.

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years ended December 31, 2023 and 2022

NOTE G – LONG-TERM DEBT

Long-term debt at December 31 consisted of the following obligations:

	Current		Long-Term	
	2023	2022	2023	2022
Note payable to bank, collateralized by land and building, payable \$6,462 monthly, including interest at 4.66%. Note matures May 7, 2025.	\$ 71,113	\$ 67,902	\$ 105,628	\$ 176,295
Note payable to a bank, collateralized by an automobile, payable \$501 monthly, including interest at 0.00%. Note matures December 23, 2025.	-	6,010	-	12,019
Note payable to bank, collateralized by a pilot boat, payable \$10,436 monthly, including interest at 3.73%. Note matures December 23, 2028.	96,417	89,323	719,997	914,051
	<u>\$ 167,530</u>	<u>\$ 163,235</u>	<u>\$ 825,625</u>	<u>\$ 1,102,365</u>

The aggregate long-term debt maturing during the next five years is approximately:

Year ending December 31, 2024	\$ 167,530
Year ending December 31, 2025	174,574
Year ending December 31, 2026	135,003
Year ending December 31, 2027	107,814
Year ending December 31, 2028 and thereafter	408,234

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years ended December 31, 2023 and 2022

NOTE H – MANAGEMENT EVALUATION

Management has evaluated subsequent events through February 1, 2024, the date on which the financial statements were available to be issued.

NOTE I – REVENUE RECOGNITION POLICY

The Association derives its revenues by providing pilotage services to foreign vessels sailing from Port Colborne, Ontario to Port Huron, Michigan. Revenues are recognized when control of these services are transferred to its customers, in an amount that reflects the consideration the Association expects to be entitled to in exchange for those services. The Association does not have any significant financing components as payment is received at the point of sale or shortly after.

Disaggregation of Revenue from Contracts with Customers

The following disaggregates the Association's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Performance obligations satisfied at a point in time (pilotage services)	\$ <u>12,154,200</u>	\$ <u>12,373,597</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years ended December 31, 2023 and 2022

NOTE J – LEASES

The Association had one operating lease as of December 31, 2023 and 2022. The Association leases land, docks and a building from 101 Water Street, LLC., a related entity. The lease agreement which began January 30, 2007 provides for an initial lease term of five years with the right to renew the lease for a maximum of five terms of five years each. Rent is adjusted at the beginning of each renewal term by the change in the Consumers Price Index. The components of lease expense at December 31, were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ <u>73,771</u>	\$ <u>73,378</u>
Other information related to the lease were as follows:		
Operating cash flows from operating leases	\$ <u>73,771</u>	\$ <u>73,378</u>
Right-of-use assets	\$ <u>559,375</u>	\$ <u>584,486</u>
Weighted average remaining lease term		
Operating leases	<u>14</u>	<u>15</u>
Weighted average discount rate		
Operating leases	<u>7.08%</u>	<u>7.08%</u>
Future minimum lease payments under non-cancellable leases		
2024	\$ 73,770	
2025	73,770	
2026	73,770	
2027	73,770	
2028	73,770	
Thereafter	596,310	
Total future minimum lease payments	\$ <u>965,160</u>	

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years ended December 31, 2023 and 2022

NOTE J – LEASES - (CONTINUED)

The lease was reported in the balance sheet of Lakes Pilots Association Inc. as of December 31 as follows:

	<u>2023</u>	<u>2022</u>
Other assets	\$ <u>559,375</u>	\$ <u>584,486</u>
Current liabilities	\$ <u>26,948</u>	\$ <u>25,111</u>
Long-term debt	\$ <u>532,427</u>	\$ <u>559,375</u>

These amounts were eliminated in the presentation of the consolidated financial statements.



INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Board of Directors  
Lakes Pilots Association, Inc. and Affiliate  
Port Huron, Michigan

We have audited the consolidated financial statements of Lakes Pilots Association, Inc. and Affiliate as of and for the years ended December 31, 2023 and 2022, and have issued our report thereon dated February 1, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidated statements of pilots' salaries and expenses and pilot boat expenses, and general and administrative expenses, and details of consolidated balance sheet, operations, cash flows, pilots' salaries and expenses and pilot boat expenses, and general and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Frohm Kelley Butler + Ryan, P.C.*

Certified Public Accountants

February 1, 2024

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF PILOTS' SALARIES  
AND EXPENSES AND PILOT BOAT EXPENSES

Years ended December 31, 2023 and 2022

	<u>2023</u>	Percent of <u>Revenue</u>	<u>2022</u>	Percent of <u>Revenue</u>
<b>PILOTS' SALARIES AND EXPENSES</b>				
Wages	\$ 7,326,252	60.3%	\$ 8,090,094	65.4%
Health insurance	398,501	3.3%	363,051	2.9%
Disability insurance	2,558	0.0%	2,253	0.0%
Group insurance	9,648	0.1%	8,491	0.1%
Payroll taxes	325,351	2.6%	331,681	2.7%
Pension and profit sharing	1,099,500	9.0%	819,516	6.6%
Workers' compensation	223,984	1.8%	268,193	2.2%
Subsistence and travel	526,649	4.3%	533,659	4.3%
Automobile expenses	84,492	0.7%	105,169	0.8%
Pilot taxi boat charges	118,090	1.0%	128,400	1.0%
Training	44,109	0.4%	44,152	0.4%
Pilot licenses	2,327	0.0%	990	0.0%
License insurance	19,141	0.2%	25,905	0.2%
	<u>\$ 10,180,602</u>	<u>83.7%</u>	<u>\$ 10,721,554</u>	<u>86.6%</u>
<b>PILOT BOAT EXPENSES</b>				
Wages	\$ 480,747	4.0%	\$ 429,408	3.5%
Health insurance	110,967	0.9%	101,022	0.8%
Disability insurance	917	0.0%	789	0.0%
Group insurance	1,728	0.0%	1,488	0.0%
Payroll taxes	36,777	0.3%	38,775	0.3%
Pension and profit sharing	110,839	0.9%	104,396	0.8%
Workers' compensation	9,616	0.1%	9,825	0.1%
Liability insurance	28,874	0.2%	23,143	0.2%
Repairs and maintenance	29,943	0.3%	56,485	0.5%
Telephone	3,233	0.0%	3,230	0.0%
Fuel	43,929	0.4%	66,720	0.6%
	<u>\$ 857,570</u>	<u>7.1%</u>	<u>\$ 835,281</u>	<u>6.8%</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF GENERAL AND ADMINISTRATIVE EXPENSES

Years ended December 31, 2023 and 2022

	<u>2023</u>	Percent of <u>Revenue</u>	<u>2022</u>	Percent of <u>Revenue</u>
Wages	\$ 164,626	1.4%	\$ 156,506	1.3%
Health insurance	37,524	0.3%	40,403	0.3%
Disability insurance	306	0.0%	306	0.0%
Group insurance	576	0.0%	576	0.0%
Payroll taxes	12,594	0.1%	15,020	0.1%
Pension and profit sharing	34,012	0.3%	32,582	0.3%
Workers' compensation	3,500	0.0%	2,056	0.0%
Utilities	12,390	0.1%	8,097	0.1%
Depreciation	9,103	0.0%	9,107	0.1%
Office supplies and postage	73,306	0.6%	65,070	0.5%
Travel	23,714	0.2%	24,054	0.2%
Telephone	55,287	0.5%	56,195	0.4%
General insurance	35,207	0.3%	39,245	0.3%
Legal and professional services	22,254	0.2%	8,071	0.1%
Accounting and auditing	39,993	0.3%	39,625	0.3%
Meetings	27,362	0.2%	37,151	0.3%
Drug program	854	0.0%	904	0.0%
Repairs and maintenance	15,903	0.1%	16,791	0.1%
Association dues and pilot licenses	44,160	0.4%	39,060	0.3%
Taxes, other than income	43,757	0.4%	44,040	0.4%
Miscellaneous	7,388	0.0%	1,976	0.0%
Health insurance - retirees	-	0.0%	9,308	0.1%
	<u>\$ 663,816</u>	<u>5.4%</u>	<u>\$ 646,143</u>	<u>5.2%</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

DETAILS OF CONSOLIDATED BALANCE SHEET

December 31, 2023

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Lakes Pilots Association Inc.</u>	<u>101 Water Street, L.L.C</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash	\$ 8,904,647	\$ -	\$ 8,883,453	\$ 21,194
Accounts receivable	1,660,074	-	1,660,074	-
Prepaid expenses	192,484	-	192,484	-
TOTAL CURRENT ASSETS	<u>10,757,205</u>	<u>-</u>	<u>10,736,011</u>	<u>21,194</u>
INTERCOMPANY RECEIVABLE	-	(93,721)	93,721	-
LAND, BUILDING & EQUIPMENT				
Docks - 101 Water Street	635,172	-	-	635,172
Building - 110 Water Street	241,451	-	-	241,451
Building - Port Colborne	59,435	-	59,435	-
Office equipment	157,634	-	157,634	-
Automobiles	168,978	-	168,978	-
Pilot boats	3,126,446	-	3,126,446	-
	<u>4,389,116</u>	<u>-</u>	<u>3,512,493</u>	<u>876,623</u>
Less allowance for depreciation	2,994,332	-	2,882,705	111,627
	<u>1,394,784</u>	<u>-</u>	<u>629,788</u>	<u>764,996</u>
OTHER ASSETS				
Investment in				
101 Water Street, L.L.C.	-	(100)	100	-
Operating lease right-of-use assets, net	-	(559,375)	559,375	-
	<u>-</u>	<u>(559,475)</u>	<u>559,475</u>	<u>-</u>
	<u>\$ 12,151,989</u>	<u>\$ (653,196)</u>	<u>\$ 12,018,995</u>	<u>\$ 786,190</u>

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Lakes Pilots Association Inc.</u>	<u>101 Water Street, L.L.C</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 1,922,618	\$ -	\$ 1,922,618	\$ -
Accrued compensation	6,473,685	-	6,473,685	-
Accrued sick pay	174,000	-	174,000	-
Taxes, other than income	281,503	-	281,503	-
Income taxes	119,109	-	119,109	-
Stock redemption payable	98,686	-	98,686	-
Current portion of operating lease	-	(26,948)	26,948	-
Current portion of long-term debt	167,530	-	96,417	71,113
TOTAL CURRENT LIABILITIES	<u>9,237,131</u>	<u>(26,948)</u>	<u>9,192,966</u>	<u>71,113</u>
INTERCOMPANY LOAN	-	(93,721)	-	93,721
DEFERRED TAX LIABILITY	105,000	-	105,000	-
LONG-TERM DEBT				
(exclusive of current portion)	825,625	-	719,997	105,628
OPERATING LEASE LIABILITY				
(exclusive of current portion)	-	(532,427)	532,427	-
STOCKHOLDERS' EQUITY				
Common stock				
Authorized - 500 shares				
Issued and outstanding - 16 shares	800	-	800	-
Additional paid in capital	1,004,224	-	1,004,224	-
Retained earnings	979,209	515,628	463,581	-
	<u>1,984,233</u>	<u>515,628</u>	<u>1,468,605</u>	<u>-</u>
MEMBER'S EQUITY	<u>-</u>	<u>(515,728)</u>	<u>-</u>	<u>515,728</u>
	<u>\$ 12,151,989</u>	<u>\$ (653,196)</u>	<u>\$ 12,018,995</u>	<u>\$ 786,190</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31, 2023

	<u>Consolidated</u>	<u>Eliminations</u>	Lakes Pilots Association <u>Inc.</u>	<u>101 Water Street, L.L.C</u>
<b>REVENUES</b>				
Pilotage and detention	\$ 11,633,790	\$ -	\$ 11,633,790	\$ -
Pilot boat services	520,410	-	520,410	-
	<u>12,154,200</u>	<u>-</u>	<u>12,154,200</u>	<u>-</u>
<b>EXPENSES</b>				
Pilots' salaries and expenses	10,180,602	-	10,180,602	-
Pilot boat	857,570	-	857,570	-
General and administrative	663,816	(73,771)	729,767	7,820
	<u>11,701,988</u>	<u>(73,771)</u>	<u>11,767,939</u>	<u>7,820</u>
	452,212	73,771	386,261	(7,820)
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	175,066	-	175,002	.64
Rental income	-	(73,771)	-	73,771
Gain on sale of assets	13,588	-	13,588	-
Interest expense	(10,087)	-	-	(10,087)
	<u>178,567</u>	<u>(73,771)</u>	<u>188,590</u>	<u>63,748</u>
<b>INCOME BEFORE</b>				
FEDERAL INCOME TAX	630,779	-	574,851	55,928
Federal income tax	398,105	-	398,105	-
	<u>398,105</u>	<u>-</u>	<u>398,105</u>	<u>-</u>
<b>NET INCOME</b>	<b>\$ 232,674</b>	<b>\$ -</b>	<b>\$ 176,746</b>	<b>\$ 55,928</b>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

DETAILS OF CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2023

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Lakes Pilots Association Inc.</u>	<u>101 Water Street, L.L.C</u>
<b>CASH FLOWS - OPERATIONS</b>				
Cash received from customers	\$ 11,620,323	\$ (73,771)	\$ 11,620,323	\$ 73,771
Cash paid to suppliers	(11,878,342)	73,771	(11,951,872)	(241)
Interest received	175,066	-	175,002	64
Interest paid	(10,087)	-	-	(10,087)
Income tax paid	(30,700)	-	(30,700)	-
NET CASH - OPERATIONS	<u>(123,740)</u>	<u>-</u>	<u>(187,247)</u>	<u>63,507</u>
<b>CASH FLOWS - INVESTING</b>				
Proceeds from sales of assets	13,588	-	13,588	-
	<u>13,588</u>	<u>-</u>	<u>13,588</u>	<u>-</u>
<b>CASH FLOWS - FINANCING</b>				
Payment - long-term debt	(272,445)	-	(204,989)	(67,456)
Dividend paid	(97,500)	-	(97,500)	-
Issuance of common stock	328,417	-	328,417	-
Decrease in intercompany loan	-	-	(6,230)	6,230
	<u>(41,528)</u>	<u>-</u>	<u>19,698</u>	<u>(61,226)</u>
NET (DECREASE) INCREASE IN CASH	(151,680)	-	(153,961)	2,281
CASH AT BEGINNING OF YEAR	<u>9,056,327</u>	<u>-</u>	<u>9,037,414</u>	<u>18,913</u>
CASH AT END OF YEAR	<u>\$ 8,904,647</u>	<u>\$ -</u>	<u>\$ 8,883,453</u>	<u>\$ 21,194</u>

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Lakes Pilots Association Inc.</u>	<u>101 Water Street, L.L.C</u>
RECONCILIATION OF NET INCOME TO NET CASH- OPERATIONS				
Net income	\$ 232,674	\$ -	\$ 176,746	\$ 55,928
Adjustments to reconcile net income to net cash-operations				
Depreciation	252,363	-	244,784	7,579
Gain on sale of assets	(13,588)	-	(13,588)	-
Deferred taxes	162,000	-	162,000	-
Decrease (increase) in assets				
Accounts receivable	(533,877)	-	(533,877)	-
Prepaid expenses	(179,879)	-	(179,879)	-
(Decrease) increase in liabilities				
Accounts payable	131,258	-	131,258	-
Accrued compensation, retirement and withholdings	(416,541)	-	(416,541)	-
Accrued sick pay	38,463	-	38,463	-
Taxes, other than income	(2,018)	-	(2,018)	-
Income taxes	205,405	-	205,405	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH - OPERATIONS	\$ <u>(123,740)</u>	\$ <u>-</u>	\$ <u>(187,247)</u>	\$ <u>63,507</u>



LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

DETAILS OF CONSOLIDATED STATEMENTS OF PILOTS' SALARIES  
AND EXPENSES AND PILOT BOAT EXPENSES

Year ended December 31, 2023

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Lakes Pilots Association Inc.</u>	<u>101 Water Street, L.L.C</u>
<b>PILOTS' SALARIES AND EXPENSES</b>				
Wages	\$ 7,326,252	\$ -	\$ 7,326,252	\$ -
Health insurance	398,501	-	398,501	-
Disability insurance	2,558	-	2,558	-
Group insurance	9,648	-	9,648	-
Payroll taxes	325,351	-	325,351	-
Pension and profit sharing	1,099,500	-	1,099,500	-
Workers' compensation	223,984	-	223,984	-
Subsistence and travel	526,649	-	526,649	-
Automobile expenses	84,492	-	84,492	-
Pilot taxi boat charges	118,090	-	118,090	-
Training	44,109	-	44,109	-
Pilot licenses	2,327	-	2,327	-
License insurance	19,141	-	19,141	-
	<u>\$ 10,180,602</u>	<u>\$ -</u>	<u>\$ 10,180,602</u>	<u>\$ -</u>
<b>PILOT BOAT EXPENSES</b>				
Wages	\$ 480,747	\$ -	\$ 480,747	\$ -
Health insurance	110,967	-	110,967	-
Disability insurance	917	-	917	-
Group insurance	1,728	-	1,728	-
Payroll taxes	36,777	-	36,777	-
Pension and profit sharing	110,839	-	110,839	-
Workers' compensation	9,616	-	9,616	-
Liability insurance	28,874	-	28,874	-
Repairs and maintenance	29,943	-	29,943	-
Telephone	3,233	-	3,233	-
Fuel	43,929	-	43,929	-
	<u>\$ 857,570</u>	<u>\$ -</u>	<u>\$ 857,570</u>	<u>\$ -</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

DETAILS OF CONSOLIDATED STATEMENT OF GENERAL  
AND ADMINISTRATIVE EXPENSES

Year ended December 31, 2023

	<u>Consolidated</u>	<u>Eliminations</u>	Lakes Pilots Association <u>Inc.</u>	101 Water Street, L.L.C
Wages	\$ 164,626	\$ -	\$ 164,626	\$ -
Health insurance	37,524	-	37,524	-
Disability insurance	306	-	306	-
Group insurance	576	-	576	-
Payroll taxes	12,594	-	12,594	-
Pension and profit sharing	34,012	-	34,012	-
Workers' compensation	3,500	-	3,500	-
Rent	-	(73,771)	73,771	-
Utilities	12,390	-	12,390	-
Depreciation	9,103	-	1,524	7,579
Office supplies and postage	73,306	-	73,306	-
Travel	23,714	-	23,714	-
Telephone	55,287	-	55,287	-
General insurance	35,207	-	35,207	-
Legal and professional fees	22,254	-	22,254	-
Accounting and auditing	39,993	-	39,993	-
Meetings	27,362	-	27,362	-
Drug program	854	-	854	-
Repairs and maintenance	15,903	-	15,903	-
Association dues and licenses	44,160	-	44,160	-
Taxes, other than income	43,757	-	43,757	-
Miscellaneous	7,388	-	7,147	241
	<u>\$ 663,816</u>	<u>\$ (73,771)</u>	<u>\$ 729,767</u>	<u>\$ 7,820</u>