

St. Lawrence Seaway Pilots' Association
Financial Statements with
Independent Auditors' Report
Years Ended December 31, 2023 and 2022

St. Lawrence Seaway Pilots' Association
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December 31, 2023 and 2022

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STACKEL & NAVARRA, C.P.A., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Board of Directors
And Partners
St. Lawrence Seaway Pilots' Association

Opinion

We have audited the accompanying financial statements of St. Lawrence Seaway Pilots' Association (a partnership), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, pilots' capital, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Lawrence Seaway Pilots' Association as of December 31, 2023 and 2022 and the results of its operations and its 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Lawrence Seaway Pilots' Association 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Lawrence Seaway Pilots' Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 St. Lawrence Seaway Pilots' Association'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Lawrence Seaway Pilots' Association's ability to continue as a going concern for a reasonable period of time.

STACKEL & NAVARRA, C.P.A., P.C

CERTIFIED PUBLIC ACCOUNTANTS

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.

Stackel & Navarra, CPA, PC

Stackel & Navarra, C.P.A., P.C.

Watertown, New York

March 11, 2024

St. Lawrence Seaway Pilots' Association
Balance Sheets
December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Accounts receivable | \$ 1,488,581 | \$ 1,318,265 |
| Prepaid expenses | 27,979 | 21,613 |
| Total Assets | <u>\$ 1,516,560</u> | <u>\$ 1,339,878</u> |
| Liabilities and Pilots' Capital | | |
| Current Liabilities | | |
| Accounts payable | 219,334 | 223,517 |
| Due to Seaway Pilot, Inc. | <u>37,854</u> | <u>4,123</u> |
| | 257,188 | 227,640 |
| Pilots' Capital | | |
| Total Pilots' Capital | <u>1,259,372</u> | <u>1,112,238</u> |
| Total Liabilities and Pilots' Capital | <u>\$ 1,516,560</u> | <u>\$ 1,339,878</u> |

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

St. Lawrence Seaway Pilots' Association
Statements of Income
For the Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|---------------------|---------------------|
| Revenue | | |
| Pilotage fees | \$ 12,308,075 | \$ 13,108,278 |
| Refund | - | 450 |
| Interest earned | 7,131 | 9,725 |
| Total Revenue | <u>12,315,206</u> | <u>13,118,453</u> |
| Expenses | | |
| General and Administrative | | |
| Pilotage - Pilot boats | 1,154,602 | 962,452 |
| Dispatching | 345,662 | 316,831 |
| Trainee expenses | 584,188 | 373,995 |
| Management contract | 290,345 | 443,763 |
| Working capital fund | 323,581 | 284,983 |
| Legal | 95,001 | 113,317 |
| Travel | 1,416,769 | 1,216,469 |
| Cell phone & internet | 107,750 | 108,500 |
| Dues & subscriptions | 53,190 | 57,500 |
| Insurance | 2,000 | - |
| Training & continuing education | 42,889 | 80,000 |
| Accounting fees | 11,000 | 8,500 |
| Drug testing | 2,210 | 847 |
| Meetings expense | 540 | 943 |
| Equipment rental | 83,524 | 84,617 |
| Bank charges | 3,011 | 3,318 |
| Bad debt | - | 178 |
| Uniforms | 4,170 | 10,103 |
| Telephone | 1,131 | - |
| NYS filing fee | 3,000 | 3,000 |
| Miscellaneous | 6,235 | 5,640 |
| Total General and Administrative | <u>4,530,798</u> | <u>4,074,956</u> |
| Total Expenses | <u>4,530,798</u> | <u>4,074,956</u> |
| Net Income | <u>\$ 7,784,408</u> | <u>\$ 9,043,497</u> |

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

St. Lawrence Seaway Pilots' Association
Statements of Pilots' Capital
For the Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|---------------------|---------------------|
| Pilots' Capital - Beginning of Year | \$ 1,112,238 | \$ 1,468,905 |
| Income | <u>7,784,408</u> | <u>9,043,497</u> |
| Pilots' Capital Before Drawings | <u>8,896,646</u> | <u>10,512,402</u> |
| Drawings | | |
| Pilot advances | 6,982,523 | 8,929,512 |
| Blue Cross insurance | 262,186 | 217,287 |
| MMP dues | 8,425 | 7,600 |
| License insurance | 85,504 | - |
| Training stipends | - | 46,200 |
| Disability insurance | 24,890 | 12,446 |
| 401K Payments | <u>273,746</u> | <u>187,119</u> |
| Total Drawings | <u>7,637,274</u> | <u>9,400,164</u> |
| Pilots' Capital - End of Year | <u>\$ 1,259,372</u> | <u>\$ 1,112,238</u> |

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

St. Lawrence Seaway Pilots' Association
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| Cash Flows From Operating Activities | | |
| Net Income | 7,784,408 | 9,043,497 |
| (Increase) decrease in accounts receivable | (170,316) | 370,623 |
| (Increase) in prepaid expenses | (6,366) | (2,545) |
| Increase (decrease) in accounts payable and due to Seaway Pilot, Inc. | <u>29,548</u> | <u>(11,954)</u> |
| Net cash provided by operating activities | 7,637,274 | 9,399,621 |
| Cash Flow Used by Financing Activities | | |
| Pilot's drawing | <u>(7,637,274)</u> | <u>(9,400,164)</u> |
| Net (Decrease) in Cash and Cash Equivalents | - | (543) |
| Cash and Cash Equivalents Beginning of Year | <u>-</u> | <u>543</u> |
| Cash and Cash Equivalents End of Year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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

St. Lawrence Seaway Pilots' Association
Notes to Financial Statements
December 31, 2023 and 2022

1 – Summary of Significant Accounting Policies

Management Review

Management has evaluated subsequent events through March 11, 2024, the date on which the financial statements were available to be issued.

Business Activity

The Association is a partnership formed in 1961 to execute the objective and purpose of United States Public Law 86-555, 86th Congress §3019, June 30, 1968, among which a principal purpose is to furnish able, capable and competent pilots for District 1 (St. Lawrence River from Cape Vincent, N.Y. to Snell Lock in Massena, N.Y.) and Lake Ontario.

Basis of Accounting

The Association employs the accrual method of accounting.

Accounts Receivable

The Association provides credit in the normal course of business to customers. No provision for uncollectible accounts is maintained. The Association charges as other expense those accounts that are determined to be uncollectible based on factors surrounding the credit risk of specific customers, historical trends, and other information. Credit losses, when realized, have been within the range of the Association's expectations and, historically, have not been significant.

Income Tax

A provision for income taxes has not been provided since all income and expenses of the Association will be allocated to the pilots on a cash basis for their respective income tax reporting.

Pilotage Expenses

Pilot boat expenses at Cape Vincent, New York, are allocated to the pilots based upon the proportionate number of days each pilot is available to provide service.

General and Administrative Expenses

Travel expenses related to pilotage are allocated to each pilot based upon the proportionate number of days each pilot is available to provide pilotage service.

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

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the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Prior Year Reclassification

Amounts from previous years may have been combined or restated for comparison purposes.

Revenue Recognition

Revenue is recorded when services are provided or goods are delivered.

2 – Related Party Transactions

The Association is related to the following entity from which it is charged for certain pilotage, administrative and equipment rental expenses.

The total services provided by Seaway Pilot, Inc. an affiliated entity, included in the 2023 and 2022 financial statements are as follows:

| | <u>2023</u> | <u>2022</u> |
|---------------------|--------------------|-------------------|
| Pilot Boats | <u>\$1,154,602</u> | <u>\$ 962,452</u> |
| Management Services | <u>\$ 290,345</u> | <u>\$ 443,763</u> |
| Equipment Rental | <u>\$ 83,524</u> | <u>\$ 84,617</u> |

The Association had a payable due to Seaway Pilot, Inc. of \$37,854 and \$4,123 as of December 31, 2023 and 2022, respectively.

Additionally, the Association pays Seaway Pilot, Inc. an allowance for high- cost items and infrastructure improvements. Expenses for this allowance totaled \$323,581 and \$284,983 for the years ended December 31, 2023 and 2022, respectively.

3 – Cash Flow Information

The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

4 – Concentrations

The Association maintains its principal banking relationship with Watertown Savings Bank, As such, at times, the Association has on deposit amounts in excess of the \$250,000 insurance limit

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established by the Federal Deposit Insurance Corporation (FDIC). The Association's bank balances exceeded these limits by \$234,668 at December 31, 2023.

5 – Pension

Seaway Pilot, Inc. adopted a 401(k) retirement plan effective January 1, 2020 that is also available to St. Lawrence Seaway Pilots' Association pilots. The maximum deferral under this plan (excluding catch - up contributions) is \$22,500 and \$20,500 for 2023 and 2022. The plan is a safe harbor 401(k) plan. As such, the employer will make safe harbor matching contributions equal to 100% of the employee's salary deferrals that do not exceed 4% of the employee's compensation. The plan contains a discretionary profit – sharing component. The maximum contribution to an employee's account (excluding catch – up contributions) is \$66,000 and \$61,000 for 2023 and 2022, respectively.