

Western Great Lakes Pilots Association, LLC and Affiliates

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members
of Western Great Lakes Pilots Association, LLC and Affiliates

Opinion

We have audited the accompanying consolidated financial statements of Western Great Lakes Pilots Association, LLC and Affiliates, (the "Association"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of earnings, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Western Great Lakes Pilots Association, LLC and Affiliates 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 Consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

To the Members
of Western Great Lakes Pilots Association, LLC and Affiliates

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 the Association's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 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 consolidated 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 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 the 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

To the Members
of Western Great Lakes Pilots Association, LLC and Affiliates

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in the accompanying supporting schedules on pages 17 - 20 is presented for purposes of additional analysis and is not a required part of the consolidated 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 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.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

March 21, 2024

Western Great Lakes Pilots Association, LLC and Affiliates

CONSOLIDATED BALANCE SHEETS

December 31,

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 6,071,319	\$ 3,856,082
Trade receivables	2,002,192	1,950,861
Supplies - pilot boat parts	99,407	128,786
Employee retention tax credit receivable (Note J)	-	97,118
Prepaid expense	84,390	61,320
Total current assets	8,257,308	6,094,167
RESTRICTED CASH , working capital fund (Note D)	586,713	428,130
OTHER ASSETS	-	1,000
PROPERTY AND EQUIPMENT		
Land	382,314	81,860
Building and improvements	140,161	140,161
Vehicles	698,639	592,472
Vessels	1,510,940	1,614,682
Equipment	217,917	203,451
Construction in progress	51,958	-
Total property and equipment	3,001,929	2,632,626
Less accumulated depreciation	(1,036,418)	(836,383)
Total property and equipment, net	1,965,511	1,796,243
Total assets	\$ 10,809,532	\$ 8,319,540
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt (Note I)	\$ 170,493	\$ 175,959
Accounts payable	101,336	19,776
Due to related parties	124,891	-
Canadian interassociation settlement (Note F)	258,132	505,223
Accrued expenses	1,083,983	1,208,584
Total current liabilities	1,738,835	1,909,542
LONG-TERM DEBT , less current maturities (Note I)	439,316	509,560
MEMBERS' EQUITY	8,631,381	5,900,438
Total liabilities and members' equity	\$ 10,809,532	\$ 8,319,540

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

Western Great Lakes Pilots Association, LLC and Affiliates

CONSOLIDATED STATEMENTS OF EARNINGS

Years Ended December 31,

	<u>2023</u>	<u>2022</u>
PILOTAGE REVENUE		
United States pilots	\$ 17,697,997	\$ 13,814,158
Canadian pilots	<u>2,171,175</u>	<u>2,625,108</u>
Total revenue	19,869,172	16,439,266
Less Canadian interassociation settlement (Note F)	<u>1,853,914</u>	<u>2,120,058</u>
Net revenue	<u>18,015,258</u>	<u>14,319,208</u>
EXPENSES		
Operating	6,487,217	5,796,364
General and administrative	<u>1,652,609</u>	<u>1,644,004</u>
Total expenses	<u>8,139,826</u>	<u>7,440,368</u>
EARNINGS FROM OPERATIONS	<u>9,875,432</u>	<u>6,878,840</u>
NONOPERATING INCOME (EXPENSE)		
Interest income	238	74
Interest expense	(28,769)	(34,260)
Gain on sale of property and equipment	72,828	-
Miscellaneous income (expense)	<u>(27,346)</u>	<u>21,668</u>
Total nonoperating income (expense)	<u>16,951</u>	<u>(12,518)</u>
NET EARNINGS	<u>\$ 9,892,383</u>	<u>\$ 6,866,322</u>

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

Western Great Lakes Pilots Association, LLC and Affiliates

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

Years Ended December 31, 2023 and 2022

MEMBERS' EQUITY	Capital Accounts		Income Accounts		Capital Contributions Receivable		Total
	Western Great Lakes Pilots Association, LLC	WGLPA Holdings, LLC	Western Great Lakes Pilots Association, LLC	WGLPA Holdings, LLC	Western Great Lakes Pilots Association, LLC	WGLPA Holdings, LLC	
Balance, January 1, 2022	\$ 575,330	\$ -	\$ 2,494,829	\$ -	\$ -	\$ -	\$ 3,070,159
Withdrawals and distributions	-	-	(4,128,065)	-	-	-	(4,128,065)
Capital invested by partners	92,022	-	-	-	-	-	92,022
Net earnings	-	-	6,866,322	-	-	-	6,866,322
Balance, December 31, 2022	667,352	-	5,233,086	-	-	-	5,900,438
Withdrawals and distributions	(191,998)	(111,336)	(7,036,033)	-	-	-	(7,339,367)
Capital invested by partners	235,372	55,668	-	-	(76,001)	(37,112)	177,927
Transfer to Holdings	-	1,703,577	(1,703,577)	-	-	-	-
Net earnings	-	-	9,889,004	3,379	-	-	9,892,383
Balance, December 31, 2023	<u>\$ 710,726</u>	<u>\$ 1,647,909</u>	<u>\$ 6,382,480</u>	<u>\$ 3,379</u>	<u>\$ (76,001)</u>	<u>\$ (37,112)</u>	<u>\$ 8,631,381</u>

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

Western Great Lakes Pilots Association, LLC and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2023	2022
OPERATING ACTIVITIES		
Net income	\$ 9,892,383	\$ 6,866,322
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of property and equipment	(72,828)	-
Depreciation	280,053	292,790
Changes in operating assets and liabilities:		
Trade receivables	45,787	(590,166)
Supplies - pilot boat parts	29,379	(9,533)
Prepaid expense	(23,070)	40,827
Deposits	1,000	-
Accounts payable	81,560	(66,090)
Canadian interassociation settlement	(247,091)	165,957
Accrued expenses	(124,601)	435,103
Net cash from operating activities	<u>9,862,572</u>	<u>7,135,210</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(389,419)	(20,883)
Proceeds from sale of assets	128,609	-
Net cash from investing activities	<u>(260,810)</u>	<u>(20,883)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of members' capital	177,927	92,022
Proceeds from long-term borrowing	-	624,749
Principal payments on long-term debt	(191,393)	(188,522)
Member withdrawals and cash distributions	(7,214,476)	(4,670,868)
Net cash from financing activities	<u>(7,227,942)</u>	<u>(4,142,619)</u>
Net change in cash	2,373,820	2,971,708
Cash, beginning of year	<u>4,284,212</u>	<u>1,312,504</u>
Cash, end of year	<u>\$ 6,658,032</u>	<u>\$ 4,284,212</u>
Reconciliation of cash:		
Cash	\$ 6,071,319	\$ 3,856,082
Restricted cash	586,713	428,130
Total cash, end of year	<u>\$ 6,658,032</u>	<u>\$ 4,284,212</u>
Supplemental disclosures of cash flow information		
Interest paid	<u>\$ 28,769</u>	<u>\$ 34,260</u>
Supplemental schedule of noncash investing and financing activities		
Notes payable incurred for vehicle purchases	<u>\$ 115,683</u>	<u>\$ -</u>
Disposal of fully depreciated property and equipment	<u>\$ 3,932</u>	<u>\$ -</u>

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

Western Great Lakes Pilots Association, LLC and Affiliates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Western Great Lakes Pilots Association, LLP, an unincorporated pilot association, was organized in 1992, and in 1998 registered as a Wisconsin limited liability partnership. Effective January 1, 2020, Western Great Lakes Pilot Association, LLP merged into Western Great Lakes Pilots Association, LLC, a Michigan limited liability company. The surviving entity is Western Great Lakes Pilots Association, LLC and Affiliates (the "Association") provides pilotage services, under the authority of the United States Coast Guard (USCG), to foreign vessels traversing Lake Huron, Lake Superior and Lake Michigan, and the connecting and tributary waters. The Association provides services through various shipping agents acting on behalf of the vessel owners.

Basis of Presentation

The Association prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

The Reporting Entity

Effective through December 31, 2022, the consolidated financial statements include the accounts of Western Great Lakes Pilots Association, LLC and its wholly owned subsidiaries Soo Pilot, LLC and Soo River, LLC. Soo Pilot, LLC owns the Association's vessels and automobiles; Soo River, LLC owns the property in Michigan that is used by the Association.

On December 22, 2022, WGLPA Holdings, LLC was formed for the purpose of holding the capital investments of the Association members. Effective January 1, 2023, Western Great Lakes Pilots Association, LLC assigned 100% of its interests in Soo Pilot, LLC and Soo River, LLC to WGLPA Holdings, LLC.

Effective January 1, 2023, the consolidated financial statements include the accounts of Western Great Lakes Pilots Association, LLC and its affiliate, WGLPA Holdings, LLC, as well as WGLPA Holdings, LLC's wholly owned subsidiaries, Soo Pilot, LLC and Soo River, LLC.

Intercompany transactions and account balances have been eliminated in the consolidated financial statements.

Members' Salaries, Distributions, and Redemptions of Capital

All members receive guaranteed bi-weekly draws based upon an agreed upon amount as well as a guaranteed salary based on days available for work during the shipping season multiplied by the calculated daily rate. Members' salaries are reported as an operating expense on the consolidated statements of earnings in the amount of \$2,574,066 and \$2,044,167 at December 31, 2023 and 2022, respectively. The Association pays certain insurance benefits on behalf of the members. These insurance benefits are reported as an operating expense on the consolidated statements of earnings in the amount of \$596,012 and \$550,044 at December 31, 2023 and 2022, respectively.

Company income is distributed among the members' income accounts based on pro rata days members are available during the shipping season. Days available for the year-end distribution exclude certain incapacitated days for which a member is considered available for normal salary payment purposes.

Upon withdrawal from the entity, a member is entitled to redeem previously contributed capital and any undistributed net income.

Revenue Recognition

The USCG, in conjunction with the Canadian Great Lakes Pilotage Authority, regulates the shipping practices and rates on the St. Lawrence Seaway and on the Great Lakes, which is divided into three districts. All vessels engaged in foreign trade on these waterways are required to engage U.S. or Canadian pilots during their transit through the regulated waters. The Association's sole source of revenue is derived from pilotage services in District 3, which is on all U.S. waters on the St. Mary's River, Sault Ste. Marie Locks, and Lakes Huron, Michigan, and Superior. The USCG sets the rates for pilotage services, using the ratemaking methodology outlined in Title 46 of the Code of Federal Regulations (CFR) 404.101 through 404.110, with rates in designated areas being significantly higher than those in undesignated areas. Designated areas are classified to waters in which pilots must, at all times, be fully engaged in the navigation of vessels. Undesignated areas are classified as open bodies of waters in which pilots must be on board and available to direct the navigation of the vessel.

The transaction price is set based on the pilot hours incurred times hourly rate based on the location the pilotage services are performed which are then multiplied by weighting factor which is based on the size of the vessel. There are no costs incurred to obtain contracts and there is no variable consideration in determining the transaction price. The Association provides services through various shipping agents, unrelated third parties, acting on behalf of the vessel owners. The shipping agents require prepayment of pilotage fees by the vessel owners prior to the services being performed by the Association. The Association then bills the shipping agent upon completion of their piloting services. Revenue is recognized at a point in time, which occurs when pilotage services are performed.

Trade Receivables

The Association extends credit to its customers, on an unsecured basis, on terms that it establishes for individual customers. Accounts are considered past due if payment is not received according to agreed-upon terms. If warranted, an expected allowance for credit losses is derived from a review of the Association's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Association. The Association has determined that no allowance for credit losses is necessary for December 31, 2023 and 2022.

Supplies - Pilot Boat Parts

Supplies - pilot boat parts consists of repair and maintenance supplies and is stated at cost.

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs, which are recorded at cost, are charged to expense as incurred while expenditures that substantially increase useful lives are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the specific asset which have been determined to be 3 - 30 years. Depreciation expense was \$280,053 and \$292,790 for the years ended December 31, 2023 and 2022, respectively.

Leases

The Association has elected to exclude short-term leases of 12 months or less from the consolidated balance sheets. Operating lease expense is recognized on a straight-line basis over the lease term.

Income Taxes

Western Great Lakes Pilots Association, LLC and WGLPA Holdings, LLC are organized as limited liability companies (LLCs) and are taxed as partnerships. Accordingly, the members separately account for their share of the LLC's items of income, deductions, losses and credits, on their individual income tax returns. As a result, no income taxes have been recognized in the accompanying consolidated financial statements with the exception where the LLCs are required to pay state income taxes at the entity level for certain states. The taxes are included in operating expenses on the consolidated statements of earnings. The LLCs file income tax returns in the U.S. Federal jurisdiction. With few exceptions, Western Great Lakes Pilots Association, LLC is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2020. WGLPA Holdings, LLC's first tax filing will be in 2023.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Subsequent Events

The Association has evaluated subsequent events and transactions for potential recognition and disclosures through March 21, 2024, the date the consolidated financial statements were available to be issued.

NOTE B - ADOPTION OF NEW ACCOUNTING STANDARD

Allowance for Credit Losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Association adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

NOTE C - CONCENTRATIONS

Credit Risk Due to Certain Concentrations

The Association maintains cash balances at two financial institutions. Cash balances at financial institutions in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution per entity. There was \$6,362,577 and \$3,607,523 in excess of insured limits at December 31, 2023 and 2022, respectively.

Major Customers

Pilotage revenue from three customers comprised 55% and 54% of total revenue for the years ended December 31, 2023 and 2022, respectively. Trade receivables include balances due from these customers in the amount of \$1,131,660 and \$731,042 at December 31, 2023 or 2022, respectively.

NOTE D - RESTRICTED CASH - WORKING CAPITAL FUND

A portion of the pilotage rates established by the USCG was to provide funds to the Association for infrastructure spending and capital improvements. The Association is required to establish a working capital fund equal to 2.6320% and 2.4168% of its U.S. pilotage revenues with the funds restricted for capital expenditures for the years ended December 31, 2023 and 2022, respectively. Since the fund is restricted for capital expenditures, the restricted cash balance totaling \$586,713 and \$428,130 at December 31, 2023 and 2022, respectively, is classified as a noncurrent asset on the consolidated balance sheets.

NOTE E - CONTRACT ASSETS

Contract assets consists of receivables related to revenues from contracts with customers and are included in trade receivables on the consolidated balance sheets. Opening and ending balances of contract assets are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract assets:			
Trade receivables	<u>\$ 2,002,192</u>	<u>\$ 1,950,861</u>	<u>\$ 1,360,695</u>

NOTE F - CANADIAN INTERASSOCIATION SETTLEMENT

Under an agreement between the United States Coast Guard and the Great Lakes Pilotage Authority, the Association is required to share the earnings from pilotage services with the Great Lakes Pilotage Authority, a Canadian governmental entity that provides pilotage services on the Great Lakes on behalf of Canada. The portion of the earnings allocated to the Great Lakes Pilotage Authority is based on the ratio of revenues earned by Canadian employed pilots to total revenues of the Association. Certain expenses not specifically related to the operations of the pilotage services are excluded from this calculation. The settlement is reported as a deduction from gross revenue and was \$1,853,914 and \$2,120,058 for the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, remaining amounts due to the Great Lakes Pilotage Authority were \$258,132 and \$505,223, respectively.

NOTE G - RETIREMENT PLANS

401(k) Plan

The Association has established a defined contribution retirement plan, which covers all employees who have completed six months of service and attained the age of 20½ years. The Association matches up to 50% of the first 9% of an employee's contribution to the plan. The plan also includes a profit sharing component where the Association can make a discretionary contribution to the plan. Participants vest in their contributions immediately and in employer contributions over a three-year period. Total contributions to the plan were \$23,380 and \$19,519 at December 31, 2023 and 2022, respectively.

Profit Sharing Plan

The Association has established a profit sharing plan covering members, applicant pilots, and non-union employees who have attained age 21 and completed one year of service. The Association may, at its discretion, contribute to the plan, which is allocated based on the compensation of the eligible employees. There were no profit sharing contributions made by the Association for the years ended December 31, 2023 or 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE H - LINE OF CREDIT

The Association has a \$2,000,000 line of credit agreement with a bank that expires July 30, 2024, and bears interest at the Prime rate, but no less than 3.25% (8.50% at December 31, 2023). The line of credit is collateralized by substantially all assets of the Association. There were no advances outstanding at December 31, 2023 or 2022.

NOTE I - LONG-TERM DEBT

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

	<u>2023</u>	<u>2022</u>
Notes payable to Ford Credit, due in aggregate monthly installments ranging from \$760 to \$1,217 through December 2026; interest rates range from zero to 1.00%; secured by the underlying vehicles.	\$ 146,172	\$ 140,071
\$624,749 note payable to a bank, due in monthly installments ranging from \$2,000 to \$11,916, including interest at 4.1183%, through December 2028; secured by the underlying vessel.	<u>463,637</u>	<u>545,448</u>
	609,809	685,519
Less current maturities	<u>(170,493)</u>	<u>(175,959)</u>
	<u>\$ 439,316</u>	<u>\$ 509,560</u>

Long-term debt matures as follows:

<u>Years Ending December 31:</u>	
2024	\$ 170,493
2025	127,806
2026	114,528
2027	96,463
2028	<u>100,519</u>
	<u>\$ 609,809</u>

Interest expense related to the notes payable and line of credit charged to operations was \$28,769 and \$34,260 for the years ended December 31, 2023 and 2022, respectively.

NOTE J - EMPLOYEE RETENTION TAX CREDIT RECEIVABLE

In response to the Coronavirus emergency, The Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law on March 27, 2020. The CARES Act provides, among other things, a refundable payroll tax credit of 50% of the first \$10,000 of qualified wages per employee for wages paid or incurred from March 13, 2020 through December 31, 2020. Effective January 1, 2021, the Consolidated Appropriations Act, 2021 increased the payroll tax credit from 50% to 70% up to \$10,000 of qualified wages per quarter per employee through September 30, 2021 for eligible employers. In connection therewith, such payroll tax credits totaling \$97,118 were recorded in income during 2021. The employee retention tax credit receivable included in the consolidated balance sheets was \$97,118 at December 31, 2022.

The Association received the employee retention tax credit refund on February 7, 2023.

NOTE K - RELATED PARTIES

Amounts due to related parties totaling \$124,891 and \$0 at December 31, 2023 and 2022, respectively, consist of the return of capital contributions to exiting members. Upon a member's permanent withdrawal from the Association, the member may redeem his capital contributions where a portion is paid within 30 days of withdrawal and the remaining balance is paid in equal installments at the end of each of the first three full shipping seasons following the pilot's withdrawal.

SUPPLEMENTARY INFORMATION

Western Great Lakes Pilots Association, LLC and Affiliates

CONSOLIDATING BALANCE SHEET

December 31, 2023
(With Comparative Totals for 2022)

	Western Great Lakes Pilots Association, LLC		WGLPA Holdings, LLC		Total Before Eliminations	Elimination Adjustments	Total	
							2023	2022
ASSETS								
CURRENT ASSETS								
Cash	\$ 5,478,510	\$ 592,809	6,071,319	\$ -	\$ 6,071,319	3,856,082		
Trade receivables	2,002,192	-	2,002,192	-	2,002,192	1,950,861		
Due from related parties	609,518	250,000	859,518	(859,518)	-	-		
Supplies - pilot boat parts	-	99,407	99,407	-	99,407	128,786		
Employee retention tax credit receivable	-	-	-	-	-	97,118		
Prepaid expense	<u>84,390</u>	<u>-</u>	<u>84,390</u>	<u>-</u>	<u>84,390</u>	<u>61,320</u>		
Total current assets	<u>8,174,610</u>	<u>942,216</u>	<u>9,116,826</u>	<u>(859,518)</u>	<u>8,257,308</u>	<u>6,094,167</u>		
RESTRICTED CASH , working capital fund (Note D)	<u>586,713</u>	<u>-</u>	<u>586,713</u>	<u>-</u>	<u>586,713</u>	<u>428,130</u>		
OTHER ASSETS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>		
PROPERTY AND EQUIPMENT								
Land	-	382,314	382,314	-	382,314	81,860		
Building and improvements	-	140,161	140,161	-	140,161	140,161		
Vehicles	-	698,639	698,639	-	698,639	592,472		
Vessels	-	1,510,940	1,510,940	-	1,510,940	1,614,682		
Equipment	-	217,917	217,917	-	217,917	203,451		
Construction in progress	<u>-</u>	<u>51,958</u>	<u>51,958</u>	<u>-</u>	<u>51,958</u>	<u>-</u>		
Total property and equipment	-	3,001,929	3,001,929	-	3,001,929	2,632,626		
Less accumulated depreciation	<u>-</u>	<u>(1,036,418)</u>	<u>(1,036,418)</u>	<u>-</u>	<u>(1,036,418)</u>	<u>(836,383)</u>		
Total property and equipment, net	<u>-</u>	<u>1,965,511</u>	<u>1,965,511</u>	<u>-</u>	<u>1,965,511</u>	<u>1,796,243</u>		
Total assets	<u>\$ 8,761,323</u>	<u>\$ 2,907,727</u>	<u>\$11,669,050</u>	<u>\$ (859,518)</u>	<u>\$ 10,809,532</u>	<u>\$ 8,319,540</u>		
LIABILITIES AND MEMBERS' EQUITY								
CURRENT LIABILITIES								
Current maturities of long-term debt (Note I)	\$ -	\$ 170,493	170,493	\$ -	\$ 170,493	\$ 175,959		
Accounts payable	101,336	-	101,336	-	101,336	19,776		
Due to related parties	300,667	683,742	984,409	(859,518)	124,891	-		
Canadian interassociation settlement (Note F)	258,132	-	258,132	-	258,132	505,223		
Accrued expenses	<u>1,083,983</u>	<u>-</u>	<u>1,083,983</u>	<u>-</u>	<u>1,083,983</u>	<u>1,208,584</u>		
Total current liabilities	<u>1,744,118</u>	<u>854,235</u>	<u>2,598,353</u>	<u>(859,518)</u>	<u>1,738,835</u>	<u>1,909,542</u>		
LONG-TERM DEBT , less current maturities (Note I)	<u>-</u>	<u>439,316</u>	<u>439,316</u>	<u>-</u>	<u>439,316</u>	<u>509,560</u>		
MEMBERS' EQUITY	<u>7,017,205</u>	<u>1,614,176</u>	<u>8,631,381</u>	<u>-</u>	<u>8,631,381</u>	<u>5,900,438</u>		
Total liabilities and members' equity	<u>\$ 8,761,323</u>	<u>\$ 2,907,727</u>	<u>\$11,669,050</u>	<u>\$ (859,518)</u>	<u>\$ 10,809,532</u>	<u>\$ 8,319,540</u>		

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

Western Great Lakes Pilots Association, LLC and Affiliates

CONSOLIDATING STATEMENT OF EARNINGS

December 31, 2023
(With Comparative Totals for 2022)

	Western Great Lakes Pilots Association, LLC	WGLPA Holdings, LLC	Total Before Eliminations	Elimination Adjustments	Total	
					2023	2022
PILOTAGE REVENUE						
United States pilots	\$ 17,697,997	\$ -	\$ 17,697,997	\$ -	\$ 17,697,997	\$ 13,814,158
Canadian pilots	<u>2,171,175</u>	<u>-</u>	<u>2,171,175</u>	<u>-</u>	<u>2,171,175</u>	<u>2,625,108</u>
Total revenue	19,869,172	-	19,869,172	-	19,869,172	16,439,266
Less Canadian interassociation settlement (Note F)	<u>1,853,914</u>	<u>-</u>	<u>1,853,914</u>	<u>-</u>	<u>1,853,914</u>	<u>2,120,058</u>
Net pilotage revenue	<u>18,015,258</u>	<u>-</u>	<u>18,015,258</u>	<u>-</u>	<u>18,015,258</u>	<u>14,319,208</u>
Management fees	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>
Net revenue	<u>18,015,258</u>	<u>250,000</u>	<u>18,265,258</u>	<u>(250,000)</u>	<u>18,015,258</u>	<u>14,319,208</u>
EXPENSES						
Operating	6,487,217	-	6,487,217	-	6,487,217	5,796,364
General and administrative	<u>1,622,556</u>	<u>280,053</u>	<u>1,902,609</u>	<u>(250,000)</u>	<u>1,652,609</u>	<u>1,644,004</u>
Total expenses	<u>8,109,773</u>	<u>280,053</u>	<u>8,389,826</u>	<u>(250,000)</u>	<u>8,139,826</u>	<u>7,440,368</u>
EARNINGS FROM OPERATIONS	<u>9,905,485</u>	<u>(30,053)</u>	<u>9,875,432</u>	<u>-</u>	<u>9,875,432</u>	<u>6,878,840</u>
NONOPERATING INCOME (EXPENSE)						
Interest income	238	-	238	-	238	74
Interest expense	(7,253)	(21,516)	(28,769)	-	(28,769)	(34,260)
Gain on sale of property and equipment	-	72,828	72,828	-	72,828	-
Miscellaneous income (expense)	<u>(9,466)</u>	<u>(17,880)</u>	<u>(27,346)</u>	<u>-</u>	<u>(27,346)</u>	<u>21,668</u>
Total nonoperating income (expense)	<u>(16,481)</u>	<u>33,432</u>	<u>16,951</u>	<u>-</u>	<u>16,951</u>	<u>(12,518)</u>
NET EARNINGS	<u>\$ 9,889,004</u>	<u>\$ 3,379</u>	<u>\$ 9,892,383</u>	<u>\$ -</u>	<u>\$ 9,892,383</u>	<u>\$ 6,866,322</u>

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

Western Great Lakes Pilots Association, LLC and Affiliates

CONSOLIDATED OPERATING EXPENSES

Year Ended December 31, 2023
(With Comparative Totals for 2022)

	Western Great Lakes Pilots Association, LLC	WGLPA Holdings, LLC	Total Before Eliminations	Elimination Adjustments	Total	
					2023	2022
Members' guaranteed salaries	\$ 2,574,066	\$ -	\$ 2,574,066	\$ -	\$ 2,574,066	\$ 2,044,167
Members' insurance benefits	596,012	-	596,012	-	596,012	550,044
Applicant pilot salaries	658,332	-	658,332	-	658,332	748,652
Applicant pilot benefits	103,248	-	103,248	-	103,248	93,825
Auto expenses	151,410	-	151,410	-	151,410	114,927
Drug testing	1,311	-	1,311	-	1,311	1,350
Licenses and license insurance	33,214	-	33,214	-	33,214	32,429
Meals and lodging	584,019	-	584,019	-	584,019	597,817
Pilot boat fees	1,325,388	-	1,325,388	-	1,325,388	1,023,453
Pilot boat repairs and maintenance	65,753	-	65,753	-	65,753	174,347
Travel	394,464	-	394,464	-	394,464	415,353
	<u>394,464</u>	<u>-</u>	<u>394,464</u>	<u>-</u>	<u>394,464</u>	<u>415,353</u>
Total operating expenses	<u>\$ 6,487,217</u>	<u>\$ -</u>	<u>\$ 6,487,217</u>	<u>\$ -</u>	<u>\$ 6,487,217</u>	<u>\$ 5,796,364</u>

Western Great Lakes Pilots Association, LLC and Affiliates

CONSOLIDATED GENERAL AND ADMINISTRATIVE EXPENSES

Year Ended December 31, 2023
(With Comparative Totals for 2022)

	Western Great Lakes Pilots Association, LLC	WGLPA Holdings, LLC	Total Before Eliminations	Elimination Adjustments	Total	
					2023	2022
Employee:						
Salaries	\$ 482,068	\$ -	\$ 482,068	\$ -	\$ 482,068	\$ 433,727
Payroll taxes	105,225	-	105,225	-	105,225	109,412
Benefits	169,754	-	169,754	-	169,754	220,517
Pension and profit sharing	23,380	-	23,380	-	23,380	19,519
Depreciation	-	280,053	280,053	-	280,053	292,790
Dues and subscriptions	59,109	-	59,109	-	59,109	64,160
Insurance	6,428	-	6,428	-	6,428	14,560
Office supplies	93,055	-	93,055	-	93,055	33,294
Office rent	14,400	-	14,400	-	14,400	3,600
Outside dispatch fees	18,407	-	18,407	-	18,407	15,326
Other, net	38,219	-	38,219	-	38,219	17,902
Postage	1,710	-	1,710	-	1,710	417
Professional fees	191,543	-	191,543	-	191,543	215,184
Property tax	3,447	-	3,447	-	3,447	3,272
Partnership tax	5,143	-	5,143	-	5,143	8,835
Repairs and maintenance	4,262	-	4,262	-	4,262	8,698
Telephone	67,717	-	67,717	-	67,717	78,985
Travel and meetings	70,540	-	70,540	-	70,540	90,059
Union dues	9,850	-	9,850	-	9,850	8,200
Utilities	8,299	-	8,299	-	8,299	5,547
Management fees	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>
 Total general and administrative expenses	 <u>\$ 1,622,556</u>	 <u>\$ 280,053</u>	 <u>\$ 1,902,609</u>	 <u>\$ (250,000)</u>	 <u>\$ 1,652,609</u>	 <u>\$ 1,644,004</u>

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