

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

Financial Statements

December 31, 2021

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying 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 balance sheets as of December 31, 2021 and 2020, 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 financial statements present fairly, in all material respects, the financial position of Lakes Pilots Association, Inc. and Affiliate as of December 31, 2021 and 2020, 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 (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 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 Lakes Pilots Association, Inc. and Affiliate's ability to continue as a going concern for one year after the date that the financial statements are issued .

Auditor's 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 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 financial statements.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 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 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 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 Affiliates'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

January 26, 2022

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 5,556,779	\$ 7,903,119
Accounts receivable	1,796,490	2,235,867
Prepaid expenses	14,614	11,100
TOTAL CURRENT ASSETS	<u>7,367,883</u>	<u>10,150,086</u>
LAND, BUILDING & EQUIPMENT		
Docks - 101 Water Street	635,171	635,171
Building - 110 Water Street	241,451	241,451
Building - Port Colborne	59,435	59,435
Office equipment	157,634	157,634
Automobiles	78,877	132,577
Pilot boats	2,994,146	2,129,413
	<u>4,166,714</u>	<u>3,355,681</u>
Less allowance for depreciation	2,479,920	2,132,839
	<u>1,686,794</u>	<u>1,222,842</u>
	<u>\$ 9,054,677</u>	<u>\$ 11,372,928</u>

See Notes to Consolidated Financial Statements.

	<u>2021</u>	<u>2020</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 1,226,325	\$ 1,275,949
Accrued compensation, retirement and withholdings	4,494,683	6,915,358
Accrued sick pay	56,250	54,487
Taxes, other than income	219,078	236,956
Income taxes	29,141	27,128
Current portion of long-term debt	152,034	896,345
TOTAL CURRENT LIABILITIES	<u>6,177,511</u>	<u>9,406,223</u>
LONG-TERM DEBT (exclusive of current portion)	1,390,557	748,901
STOCKHOLDERS' EQUITY		
Common stock		
Authorized - 500 shares		
Issued and outstanding - 14 shares	700	650
Additional paid in capital	681,702	588,075
Retained earnings	804,207	629,079
	<u>1,486,609</u>	<u>1,217,804</u>
	<u>\$ 9,054,677</u>	<u>\$ 11,372,928</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2021 and 2020

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Paid in</u>	<u>Earnings</u>	<u>Total</u>
			<u>Capital</u>		
BALANCE AT DECEMBER 31, 2019	12	600	504,008	504,791	1,009,399
Issuance of common stock	1	50	84,067	-	84,117
Dividend (\$7,500 per share)	-	-	-	(97,500)	(97,500)
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,788</u>	<u>221,788</u>
BALANCE AT DECEMBER 31, 2020	13	650	588,075	629,079	1,217,804
Issuance of common stock	1	50	93,627	-	93,677
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,128</u>	<u>175,128</u>
BALANCE AT DECEMBER 31, 2021	<u>14</u>	<u>\$ 700</u>	<u>\$ 681,702</u>	<u>\$ 804,207</u>	<u>\$ 1,486,609</u>

See Notes to Consolidated Financial Statements.

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>Percent of Revenue</u>	<u>2020</u>	<u>Percent of Revenue</u>
REVENUES				
Pilotage and detention	\$ 8,717,985	95.1%	\$ 11,089,385	94.9%
Pilot boat services	446,345	4.9%	597,616	5.1%
	<u>9,164,330</u>	<u>100.0%</u>	<u>11,687,001</u>	<u>100.0%</u>
EXPENSES				
Pilots' salaries and expenses	7,647,130	83.4%	10,098,251	86.4%
Pilot boat	665,894	7.3%	688,498	5.9%
General and administrative	550,732	6.0%	566,764	4.8%
	<u>8,863,756</u>	<u>96.7%</u>	<u>11,353,513</u>	<u>97.1%</u>
	300,574	3.3%	333,488	2.9%
OTHER INCOME (EXPENSE)				
Interest income	1,061	0.0%	2,987	0.0%
Gain on sale of assets	12,654	0.1%	3,700	0.0%
Interest expense	(16,161)	(0.2)%	(19,387)	(0.2)%
	<u>(2,446)</u>	<u>(0.1)%</u>	<u>(12,700)</u>	<u>(0.2)%</u>
INCOME BEFORE FEDERAL INCOME TAX	298,128	3.2%	320,788	2.7%
Federal income tax	<u>123,000</u>	<u>1.3%</u>	<u>99,000</u>	<u>0.8%</u>
NET INCOME \$	<u>175,128</u>	<u>1.9%</u>	<u>\$ 221,788</u>	<u>1.9%</u>

See Notes to Consolidated Financial Statements.

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS - OPERATIONS		
Cash received from customers	\$ 9,603,707	\$ 11,151,788
Cash paid to suppliers and employees	(10,790,341)	(9,322,746)
Interest received	1,061	2,987
Interest paid	(16,161)	(19,387)
Income tax paid	(120,987)	(113,764)
NET CASH (USED FOR) PROVIDED BY OPERATIONS	<u>(1,322,721)</u>	<u>1,698,878</u>
CASH FLOWS - INVESTING		
Purchase of assets	(1,060,644)	(78,778)
Proceeds from sale of assets	46,004	-
	<u>(1,014,640)</u>	<u>(78,778)</u>
CASH FLOWS-FINANCING		
Proceeds - Paycheck Protection Program	-	687,400
Proceeds - long-term debt	1,210,000	-
Payment - long-term debt	(1,312,656)	(294,856)
Dividend paid	-	(97,500)
Issuance of common stock	93,677	84,117
	<u>(8,979)</u>	<u>379,161</u>
NET (DECREASE) INCREASE IN CASH	<u>(2,346,340)</u>	<u>1,999,261</u>
CASH AT BEGINNING OF YEAR	<u>7,903,119</u>	<u>5,903,858</u>
CASH AT END OF YEAR \$	<u><u>5,556,779</u></u>	<u><u>7,903,119</u></u>

See Notes To Consolidated Financial Statements.

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF NET INCOME TO		
NET CASH (USED FOR) PROVIDED BY OPERATIONS		
Net income	\$ 175,128	\$ 221,788
Adjustments to reconcile net income to		
net cash (used for) provided by operations		
Depreciation	563,343	309,564
Gain on sale of assets	(12,654)	-
Decrease (increase) in assets		
Accounts receivable	439,377	(538,913)
Prepaid expenses	(3,514)	(2,600)
(Decrease) increase in liabilities		
Accounts payable	(49,624)	419,295
Accrued compensation, retirement		
and withholdings	(2,420,675)	1,276,934
Accrued sick pay	1,763	8,025
Taxes, other than income	(17,878)	19,549
Income taxes	<u>2,013</u>	<u>(14,764)</u>

NET CASH (USED FOR) PROVIDED BY OPERATIONS \$ (1,322,721) \$ 1,698,878

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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.

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years ended December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$98,686.14 and \$93,677.17 per share at December 31, 2021 and 2020, 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. for an initial term of five years. The lease agreement requires monthly lease payments of \$5,755 plus utilities, maintenance and property taxes. Annual lease payments totaled \$69,067 at December 31, 2021 and 2020, 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.

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years ended December 31, 2021 and 2020

NOTE E – 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>2021</u>	<u>2020</u>
Tax at statutory rates	\$ 62,607	\$ 67,365
Add (deduct)		
Non-deductible items	1,554	3,167
Depreciation	30,597	28,854
Gain on sale of assets	28,004	-
Other – net	238	(386)
	<u>\$ 123,000</u>	<u>\$ 99,000</u>

The Association's Form 1120, U.S. Corporation Income Tax Return, for the years ended 2019, 2020 and 2021 are subject to examination by the IRS, generally for three years after they are filed.

NOTE F – 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 \$972,665 in 2021 and \$942,193 in 2020.

NOTE G – LONG-TERM DEBT

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

	<u>Current</u>		<u>Long-Term</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Note payable to bank, collateralized by a pilot boat, payable \$12,928 monthly, including interest at 4.44%. Note was paid in full December, 2021.	\$ -	\$ 134,408	\$ -	\$ 393,551

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years ended December 31, 2021 and 2020

NOTE G – LONG-TERM DEBT (CONTINUED)

	<u>Current</u>		<u>Long-Term</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Note payable to bank, collateralized by a pilot boat, payable \$10,436 monthly, including interest at 3.73%. Note matures December 23, 2028.	\$ 81,482	\$ -	\$ 1,128,518	\$ -
Note payable to bank, collateralized by land and building, payable \$6,462 monthly, including interest at 4.66%. Note matures May 7, 2025.	64,542	61,609	244,010	308,328
Note payable to a bank, collateralized by automobiles, payable \$1,177 monthly, including interest at 3.75%. Note was paid in full January, 2021.	-	1,172	-	-
Note payable to a bank, collateralized by an automobile, payable \$479 monthly, including interest at 0.00%. Note was paid in full June, 2021.	-	5,746	-	22,983
Note payable to a bank, collateralized by an automobile, payable \$501 monthly, including interest at 0.00%. Note matures December 23, 2025.	6,010	6,010	18,029	24,039
Note payable to a bank under the Paycheck Protection Program. Note was fully forgiven in 2021.	-	687,400	-	-
	<u>\$ 152,034</u>	<u>\$ 896,345</u>	<u>\$ 1,390,557</u>	<u>\$ 748,901</u>

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

Year ending December 31, 2022	\$ 152,034
Year ending December 31, 2023	158,199
Year ending December 31, 2024	164,627
Year ending December 31, 2025	202,462
Year ending December 31, 2026 and thereafter	865,269

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years ended December 31, 2021 and 2020

NOTE H - NOTE PAYABLE TO BANK

During February 2007, 101 Water Street, L.L.C. borrowed \$633,000 from a bank to purchase real estate located at 101 Water Street in Port Huron, Michigan. The note was renegotiated during May 2015. Terms of the loan require monthly payments of \$6,462 including interest at 4.66%. The debt is secured by a mortgage on the real estate. The debt is also guaranteed by Lakes Pilots Association, Inc. and is secured by all assets of the Association. The balance of the note to the bank was \$308,552 and \$369,937 at December 31, 2021 and 2020.

As part of the above mortgage agreement, the bank agreed to lend \$1,250,000 to Lakes Pilots Association, Inc. for the construction of a new pilot boat during 2016. Terms of the loan required monthly payments of \$12,928 including interest at 4.44%. The loan was secured by the pilot boat and a guarantee by 101 Water Street, L.L.C. The note was paid in full at December 31, 2021.

As part of the above mortgage agreement, the bank agreed to lend \$1,210,000 to Lakes Pilots Association, Inc. for the construction of a new pilot boat during 2021. Terms of the loan require monthly payments of \$10,436 including interest at 3.73%. The loan is secured by three pilot boats and a guarantee by 101 Water Street, L.L.C. The balance of the note to the bank was \$1,210,000 at December 31, 2021.

NOTE I - MANAGEMENT EVALUATION

Management has evaluated subsequent events through January 26, 2022, the date on which the financial statements were available to be issued.

NOTE J - 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>2021</u>	<u>2020</u>
Performance obligations satisfied at a point in time (pilotage services)	\$ 9,164,330	\$ 11,687,001

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Years ended December 31, 2021 and 2020

NOTE K - SMALL BUSINESS ADMINISTRATION LOAN

On April 20, 2020, the Company was granted a loan from Northstar Bank in the amount of \$687,400 under the SBA Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security (CARES) Act. The terms of the program specify that any loan proceeds used to cover qualified expenses would be subject to forgiveness. Qualifying expenses include payroll, benefits, mortgage interest, rent and utilities. The loan was forgiven in full effective June 10, 2021.

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

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

We have audited the financial statements of Lakes Pilots Association, Inc. and Affiliate as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated January 26, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Frohm Kelley Butler & Ryan, P.C.

Certified Public Accountants

January 26, 2022

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

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

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>Percent of Revenue</u>	<u>2020</u>	<u>Percent of Revenue</u>
PILOTS' SALARIES AND EXPENSES				
Wages	\$ 5,340,126	58.3%	\$ 7,719,806	66.1%
Health insurance	318,289	3.5%	379,506	3.2%
Disability insurance	2,240	0.0%	2,049	0.0%
Group insurance	8,448	0.1%	7,728	0.1%
Payroll taxes	236,303	2.6%	249,711	2.1%
Pension and profit sharing	854,000	9.3%	827,764	7.1%
Workers' compensation	170,840	1.9%	296,448	2.5%
Subsistence and travel	456,236	5.0%	410,732	3.5%
Automobile expenses	71,485	0.8%	55,295	0.5%
Pilot taxi boat charges	101,455	1.1%	123,900	1.1%
Training	60,295	0.6%	365	0.0%
Pilot licenses	4,896	0.0%	3,282	0.0%
License insurance	22,517	0.2%	21,665	0.2%
	<u>\$ 7,647,130</u>	<u>83.4%</u>	<u>\$ 10,098,251</u>	<u>86.4%</u>
PILOT BOAT EXPENSES				
Wages	\$ 370,651	4.1%	\$ 367,289	3.1%
Health insurance	94,243	1.0%	123,060	1.1%
Disability insurance	764	0.0%	751	0.0%
Group insurance	1,440	0.0%	1,380	0.0%
Payroll taxes	33,191	0.4%	33,912	0.3%
Pension and profit sharing	92,663	1.0%	88,767	0.8%
Workers' compensation	11,573	0.1%	17,427	0.1%
Liability insurance	10,792	0.1%	10,774	0.1%
Repairs and maintenance	14,704	0.2%	8,828	0.1%
Telephone	1,864	0.0%	1,600	0.0%
Fuel	34,009	0.4%	34,710	0.3%
	<u>\$ 665,894</u>	<u>7.3%</u>	<u>\$ 688,498</u>	<u>5.9%</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF GENERAL AND ADMINISTRATIVE EXPENSES

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>Percent of Revenue</u>	<u>2020</u>	<u>Percent of Revenue</u>
Wages	\$ 121,329	1.3%	\$ 125,624	1.1%
Health insurance	29,389	0.3%	48,555	0.4%
Disability insurance	306	0.0%	274	0.0%
Group insurance	576	0.0%	552	0.0%
Payroll taxes	12,903	0.2%	12,517	0.1%
Pension and profit sharing	26,002	0.3%	25,662	0.2%
Workers' compensation	1,086	0.0%	686	0.0%
Utilities	9,848	0.1%	8,183	0.0%
Depreciation	9,103	0.1%	9,107	0.1%
Office supplies and postage	43,674	0.5%	52,068	0.4%
Travel	9,323	0.1%	17,701	0.2%
Telephone	49,179	0.5%	37,949	0.3%
General insurance	37,711	0.4%	30,893	0.3%
Legal and professional services	28,151	0.3%	46,143	0.4%
Accounting and auditing	44,615	0.5%	35,900	0.3%
Meetings	12,398	0.1%	11,167	0.1%
Drug program	949	0.0%	732	0.0%
Repairs and maintenance	8,507	0.1%	9,227	0.1%
Association dues and pilot licenses	38,640	0.4%	38,640	0.3%
Taxes, other than income	34,829	0.4%	30,368	0.3%
Miscellaneous	2,047	0.0%	2,867	0.0%
Health insurance - retirees	30,167	0.4%	21,949	0.2%
	<u>\$ 550,732</u>	<u>6.0%</u>	<u>\$ 566,764</u>	<u>4.8%</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

DETAILS OF CONSOLIDATED BALANCE SHEET

December 31, 2021

	<u>Consolidated</u>	<u>Eliminations</u>	Lakes Pilots Association <u>Inc.</u>	101 Water Street, L.L.C
<u>ASSETS</u>				
CURRENT ASSETS				
Cash	\$ 5,556,779	\$ -	\$ 5,510,113	\$ 46,666
Accounts receivable	1,796,490	-	1,796,490	-
Prepaid expenses	14,614	-	14,614	-
TOTAL CURRENT ASSETS	<u>7,367,883</u>	<u>-</u>	<u>7,321,217</u>	<u>46,666</u>
INTERCOMPANY RECEIVABLE	-	(110,870)	110,870	-
LAND, BUILDING & EQUIPMENT				
Docks - 101 Water Street	635,171	-	-	635,171
Building - 110 Water Street	241,451	-	-	241,451
Building - Port Colborne	59,435	-	59,435	-
Office equipment	157,634	-	157,634	-
Automobiles	78,877	-	78,877	-
Pilot boats	2,994,146	-	2,994,146	-
	<u>4,166,714</u>	<u>-</u>	<u>3,290,092</u>	<u>876,622</u>
Less allowance for depreciation	2,479,920	-	2,383,456	96,464
	<u>1,686,794</u>	<u>-</u>	<u>906,636</u>	<u>780,158</u>
OTHER ASSETS				
Investment in 101 Water Street, L.L.C.	-	(100)	100	-
	<u>-</u>	<u>(100)</u>	<u>100</u>	<u>-</u>
	<u>\$ 9,054,677</u>	<u>\$ (110,970)</u>	<u>\$ 8,338,823</u>	<u>\$ 826,824</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	\$ 1,226,325	\$ -	\$ 1,226,325	\$ -
Accrued compensation	4,494,683	-	4,494,683	-
Accrued sick pay	56,250	-	56,250	-
Taxes, other than income	219,078	-	219,078	-
Income taxes	29,141	-	29,141	-
Current portion of long-term debt	152,034	-	87,492	64,542
TOTAL CURRENT LIABILITIES	<u>6,177,511</u>	<u>-</u>	<u>6,112,969</u>	<u>64,542</u>
INTERCOMPANY LOAN	-	(110,870)	-	110,870
LONG-TERM DEBT				
(exclusive of current portion)	1,390,557	-	1,146,547	244,010
STOCKHOLDERS' EQUITY				
Common stock				
Authorized - 500 shares				
Issued and outstanding -				
14 shares	700	-	700	-
Additional paid in capital	681,702	-	681,702	-
Retained earnings	804,207	407,302	396,905	-
	<u>1,486,609</u>	<u>407,302</u>	<u>1,079,307</u>	<u>-</u>
MEMBER'S EQUITY	<u>-</u>	<u>(407,402)</u>	<u>-</u>	<u>407,402</u>
	<u>\$ 9,054,677</u>	<u>\$ (110,970)</u>	<u>\$ 8,338,823</u>	<u>\$ 826,824</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

DETAILS OF CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31, 2021

	<u>Consolidated</u>	<u>Eliminations</u>	Lakes Pilots Association <u>Inc.</u>	101 Water Street, L.L.C
REVENUES				
Pilotage and detention	\$ 8,717,985	\$ -	\$ 8,717,985	\$ -
Pilot boat services	446,345	-	446,345	-
	<u>9,164,330</u>	<u>-</u>	<u>9,164,330</u>	<u>-</u>
EXPENSES				
Pilots' salaries and expenses	7,647,130	-	7,647,130	-
Pilot boat	665,894	-	665,894	-
General and administrative	550,732	(69,067)	611,998	7,801
	<u>8,863,756</u>	<u>(69,067)</u>	<u>8,925,022</u>	<u>7,801</u>
	300,574	69,067	239,308	(7,801)
OTHER INCOME (EXPENSE)				
Interest income	1,061	-	1,058	3
Rental income	-	(69,067)	-	69,067
Gain on sale of assets	12,654	-	12,654	-
Interest expense	(16,161)	-	(4)	(16,157)
	<u>(2,446)</u>	<u>(69,067)</u>	<u>13,708</u>	<u>52,913</u>
INCOME BEFORE				
FEDERAL INCOME TAX	298,128	-	253,016	45,112
Federal income tax	<u>123,000</u>	<u>-</u>	<u>123,000</u>	<u>-</u>
NET INCOME \$	<u>175,128</u>	<u>-</u>	<u>130,016</u>	<u>45,112</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

DETAILS OF CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2021

	<u>Consolidated</u>	<u>Eliminations</u>	Lakes Pilots Association <u>Inc.</u>	101 Water Street, L.L.C
CASH FLOWS - OPERATIONS				
Cash received from customers	\$ 9,603,707	\$ (69,067)	\$ 9,603,707	\$ 69,067
Cash paid to suppliers	(10,790,341)	69,067	(10,859,186)	(222)
Interest received	1,061	-	1,058	3
Interest paid	(16,161)	-	(4)	(16,157)
Income tax paid	(120,987)	-	(120,987)	-
NET CASH - OPERATIONS	(1,322,721)	-	(1,375,412)	52,691
CASH FLOWS - INVESTING				
Purchase of assets	(1,060,644)	-	(1,060,644)	-
Proceeds from sales of assets	46,004	-	46,004	-
	(1,014,640)	-	(1,014,640)	-
CASH FLOWS - FINANCING				
Proceeds - long-term debt	1,210,000	-	1,210,000	-
Payment - long-term debt	(1,312,656)	-	(1,251,270)	(61,386)
Issuance of common stock	93,677	-	93,677	-
Decrease in intercompany loan	-	-	(30,933)	30,933
	(8,979)	-	21,474	(30,453)
NET (DECREASE) INCREASE IN CASH	(2,346,340)	-	(2,368,578)	22,238
CASH AT BEGINNING OF YEAR	7,903,119	-	7,878,691	24,428
CASH AT END OF YEAR	\$ 5,556,779	\$ -	\$ 5,510,113	\$ 46,666

	<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	\$ 175,128	\$ -	\$ 130,016	\$ 45,112
Adjustments to reconcile net income to net cash-operations				
Depreciation	563,343	-	555,764	7,579
Gain on sale of assets	(12,654)	-	(12,654)	-
Decrease (increase) in assets				
Accounts receivable	439,377	-	439,377	-
Prepaid expenses	(3,514)	-	(3,514)	-
(Decrease) increase in liabilities				
Accounts payable	(49,624)	-	(49,624)	-
Accrued compensation, retirement and withholdings	(2,420,675)	-	(2,420,675)	-
Accrued sick pay	1,763	-	1,763	-
Taxes, other than income	(17,878)	-	(17,878)	-
Income taxes	2,013	-	2,013	-
NET CASH - OPERATIONS	\$ <u>(1,322,721)</u>	\$ <u>-</u>	\$ <u>(1,375,412)</u>	\$ <u>52,691</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

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

Year ended December 31, 2021

	<u>Consolidated</u>	<u>Eliminations</u>	Lakes Pilots Association <u>Inc.</u>	101 Water Street, L.L.C
PILOTS' SALARIES AND EXPENSES				
Wages	\$ 5,340,126	\$ -	\$ 5,340,126	\$ -
Health insurance	318,289	-	318,289	-
Disability insurance	2,240	-	2,240	-
Group insurance	8,448	-	8,448	-
Payroll taxes	236,303	-	236,303	-
Pension and profit sharing	854,000	-	854,000	-
Workers' compensation	170,840	-	170,840	-
Subsistence and travel	456,236	-	456,236	-
Automobile expenses	71,485	-	71,485	-
Pilot taxi boat charges	101,455	-	101,455	-
Training	60,295	-	60,295	-
Pilot licenses	4,896	-	4,896	-
License insurance	22,517	-	22,517	-
	<u>\$ 7,647,130</u>	<u>\$ -</u>	<u>\$ 7,647,130</u>	<u>\$ -</u>
PILOT BOAT EXPENSES				
Wages	\$ 370,651	\$ -	\$ 370,651	\$ -
Health insurance	94,243	-	94,243	-
Disability insurance	764	-	764	-
Group insurance	1,440	-	1,440	-
Payroll taxes	33,191	-	33,191	-
Pension and profit sharing	92,663	-	92,663	-
Workers' compensation	11,573	-	11,573	-
Liability insurance	10,792	-	10,792	-
Repairs and maintenance	14,704	-	14,704	-
Telephone	1,864	-	1,864	-
Fuel	34,009	-	34,009	-
	<u>\$ 665,894</u>	<u>\$ -</u>	<u>\$ 665,894</u>	<u>\$ -</u>

LAKES PILOTS ASSOCIATION, INC. AND AFFILIATE

DETAILS OF CONSOLIDATED STATEMENT OF GENERAL
AND ADMINISTRATIVE EXPENSES

Year ended December 31, 2021

	<u>Consolidated</u>	<u>Eliminations</u>	Lakes Pilots Association <u>Inc.</u>	101 Water Street, L.L.C
Wages	\$ 121,329	\$ -	\$ 121,329	\$ -
Health insurance	29,389	-	29,389	-
Disability insurance	306	-	306	-
Group insurance	576	-	576	-
Payroll taxes	12,903	-	12,903	-
Pension and profit sharing	26,002	-	26,002	-
Workers' compensation	1,086	-	1,086	-
Rent	-	(69,067)	69,067	-
Utilities	9,848	-	9,848	-
Depreciation	9,103	-	1,524	7,579
Office supplies and postage	43,674	-	43,674	-
Travel	9,323	-	9,323	-
Telephone	49,179	-	49,179	-
General insurance	37,711	-	37,711	-
Legal and professional fees	28,151	-	28,151	-
Accounting and auditing	44,615	-	44,615	-
Meetings	12,398	-	12,398	-
Drug program	949	-	949	-
Repairs and maintenance	8,507	-	8,507	-
Association dues and licenses	38,640	-	38,640	-
Taxes, other than income	34,829	-	34,829	-
Miscellaneous	2,047	-	1,825	222
Health insurance - retirees	30,167	-	30,167	-
	<u>\$ 550,732</u>	<u>\$ (69,067)</u>	<u>\$ 611,998</u>	<u>\$ 7,801</u>