

St. Lawrence Seaway Pilots' Association
Financial Statements with
Independent Auditors' Report
Years Ended December 31, 2021 and 2020

St. Lawrence Seaway Pilots' Association
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December 31, 2021 and 2020

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Jacob Navarra, C.P.A.
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Independent Auditors' Report

Board of Directors
And Stockholders
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, 2021 and 2020, and the related statements of income, retained earnings, 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, 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 audit 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 St. Lawrence Seaway Pilots' Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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

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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.

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 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, including omissions, 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.

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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 7, 2022

St. Lawrence Seaway Pilots' Association
Balance Sheets
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 543	\$ -
Accounts receivable	1,688,888	1,523,249
Prepaid expenses	19,068	19,406
Total Assets	<u>\$ 1,708,499</u>	<u>\$ 1,542,655</u>
Liabilities and Pilots' Capital		
Current Liabilities		
Bank overdraft	-	25
Accounts payable	155,701	129,735
Due to Seaway Pilot, Inc.	83,893	5,300
	<u>239,594</u>	<u>135,060</u>
Pilots' Capital		
Total Pilots' Capital	<u>1,468,905</u>	<u>1,407,595</u>
Total Liabilities and Pilots' Capital	<u>\$ 1,708,499</u>	<u>\$ 1,542,655</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue		
Pilotage fees	\$ 11,503,092	\$ 11,015,779
Surcharge	-	18,024
Refund	903	-
Interest earned	13,205	14,786
Total Revenue	<u>11,517,200</u>	<u>11,048,589</u>
Expenses		
General and Administrative		
Pilotage - Pilot boats	1,016,328	753,471
Dispatching	255,989	233,193
Trainee expenses	473,322	562,856
Management contract	327,640	245,086
Working capital fund	347,996	348,300
Legal	34,505	126,124
Travel	1,045,676	1,008,689
Cell phone & internet	103,000	99,500
Dues & subscriptions	49,510	47,670
Insurance	2,000	2,000
Training & continuing education	7,800	-
Accounting fees	7,200	7,000
Drug testing	1,870	1,964
Meetings expense	5,003	880
Equipment rental	107,526	79,677
Bank charges	4,031	2,969
Bad debt	20	956
Uniforms	-	4,228
Telephone	1,095	4,203
NYS filing fee	3,000	3,000
Miscellaneous	1,073	8,239
Total General and Administrative	<u>3,794,584</u>	<u>3,540,005</u>
Total Expenses	<u>3,794,584</u>	<u>3,540,005</u>
Net Income	<u>\$ 7,722,616</u>	<u>\$ 7,508,584</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Pilots' Capital - Beginning of Year	\$ 1,407,595	\$ 1,737,693
Income	<u>7,722,616</u>	<u>7,508,584</u>
Pilots' Capital Before Drawings	<u>9,130,211</u>	<u>9,246,277</u>
Drawings		
Pilot advances	7,150,958 ✓	7,370,729
Blue Cross insurance	201,774	227,021
MMP dues	6,800	6,800
License insurance	88,624 ✓	76,432
Training stipends	26,550 ✓	-
401K Payments	<u>186,600 ✓</u>	<u>157,700</u>
Total Drawings	<u>7,661,306</u>	<u>7,838,682</u>
Pilots' Capital - End of Year	<u>\$ 1,468,905</u>	<u>\$ 1,407,595</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Net Income	7,722,616	7,508,584
(Increase) decrease in accounts receivable	(165,639)	404,628
(Increase) decrease in prepaid expenses	338	(3,663)
Increase (decrease) in accounts payable and due to Seaway Pilot, Inc.	104,559	(71,466)
Increase (decrease) in bank overdraft	<u>(25)</u>	<u>25</u>
Net cash provided by operating activities	7,661,849	7,838,108
Cash Flow Used by Financing Activities		
Pilot's drawing	<u>(7,661,306)</u>	<u>(7,838,682)</u>
Net Increase (decrease) in Cash and Cash Equivalents	543	(574)
Cash and Cash Equivalents Beginning of Year	<u>-</u>	<u>574</u>
Cash and Cash Equivalents End of Year	<u>\$ 543</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, 2021 and 2020

1 – Summary of Significant Accounting Policies

Management Review

Management has evaluated subsequent events through March 7, 2022, 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

St. Lawrence Seaway Pilots' Association
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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 2021 and 2020 financial statements are as follows:

Pilot Boats	<u>\$1,016,328</u>	<u>\$ 753,471</u>
Management Services	<u>\$ 327,640</u>	<u>\$ 245,086</u>
Equipment Rental	<u>\$ 107,526</u>	<u>\$ 61,356</u>

The Association had a payable due to Seaway Pilot, Inc. of \$83,893 and \$5,300 as of December 31, 2021 and 2020, respectively.

Additionally, the Association pays Seaway Pilot, Inc. an allowance for high- cost items and infrastructure improvements. Expenses for this allowance totaled \$347,996 and \$348,300 for the years ended December 31, 2021 and 2020, 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

St. Lawrence Seaway Pilots' Association
Notes to Financial Statements
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established by the Federal Deposit Insurance Corporation (FDIC). The Association's bank balances exceeded these limits by \$132,118 at December 31, 2021.

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 \$19,500 for 2020 and 2021. 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 \$58,000 and \$57,000 for 2021 and 2020, respectively.

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March 7, 2022

Board of Directors
St. Lawrence Seaway Pilots' Association
Cape Vincent, NY 13618

We have audited the financial statements of St. Lawrence Seaway Pilots' Association for the year ended December 31, 2021, and have issued our report thereon dated March 7, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by St. Lawrence Seaway Pilots' Association are described in Note A to the financial statements. The Company adopted SAS Nos. 134-141 as applicable for the year ended December 31, 2021. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 7, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

STACKEL & NAVARRA, C.P.A., P.C
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This information is intended solely for the use of the Board of Directors and management of St. Lawrence Seaway Pilots' Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Stackel & Navarra, CPA, PC

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