

Seaway Pilot Inc.
Financial Statements with
Independent Auditors' Report
Years Ended December 31, 2023 and 2022

Seaway Pilot, Inc.
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December 31, 2023 and 2022

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Independent Auditors' Report

Board of Directors
And Stockholders
Seaway Pilot, Inc.

Opinion

We have audited the accompanying financial statements of Seaway Pilot, Inc. (a NYS corporation), which comprise the balance sheets as of December 31, 2023 and 2022, 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 Seaway Pilot, Inc. 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 Seaway Pilot, Inc. 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 Seaway Pilot, Inc.'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 Seaway Pilot, Inc.'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 Seaway Pilot, Inc.'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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. Schedules I and II are presented for purposes of additional analysis and are not a required part of the 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 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.

Stackel & Navarra CPA, PC

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

Watertown, New York

April 9, 2024

Seaway Pilot, Inc.
Balance Sheets
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,674,561	\$ 2,335,618
Cash - working capital	<u>1,352,906</u>	<u>1,079,325</u>
Total cash and cash equivalents	4,027,467	3,414,943
Accounts receivable	118,065	124,000
Due from St. Lawrence Seaway Pilots' Association	37,854	4,123
Prepaid expenses	145,473	119,866
Stock subscription receivable	<u>338,383</u>	<u>371,912</u>
Total Current Assets	<u>4,667,242</u>	<u>4,034,844</u>
Property and Equipment		
Land	372,035	372,035
Buildings	1,176,359	1,131,281
Building equipment	94,522	19,558
Pilot Boat V	2,274,432	2,274,432
Pilot Boat IV	684,226	684,226
Dock and lights	715,362	715,362
Office equipment	155,253	140,910
PEI - laptop computers	341,304	332,428
Roadway	<u>54,660</u>	<u>54,660</u>
Total	5,868,153	5,724,892
Accumulated depreciation	<u>(2,477,754)</u>	<u>(2,149,038)</u>
Net Property and Equipment	<u>3,390,399</u>	<u>3,575,854</u>
Total Assets	<u>\$ 8,057,641</u>	<u>\$ 7,610,698</u>

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

Seaway Pilot, Inc.
Balance Sheets
December 31, 2023 and 2022

Liabilities and Stockholders' Equity	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable	\$ 39,891	\$ 86,957
Mortgage payable - current portion	304,901	276,798
Estimated income taxes payable	148,496	109,971
Total Current Liabilities	<u>493,288</u>	<u>473,726</u>
Long Term Liabilities		
Deferred income taxes payable	90,126	86,520
Mortgages payable - net of current portion	805,908	1,290,880
Total Long Term Liabilities	<u>896,034</u>	<u>1,377,400</u>
Total Liabilities	<u>1,389,322</u>	<u>1,851,126</u>
Stockholders' Equity		
Common stock, no par value, 500 shares authorized, 51 shares issued and 18 shares outstanding	5,100	5,000
Paid-in capital	4,341,381	3,937,499
Treasury stock	(1,974,970)	(1,974,970)
Retained earnings	4,296,808	3,792,043
Net Stockholders' Equity	<u>6,668,319</u>	<u>5,759,572</u>
Total Liabilities and Stockholders' Equity	<u>\$ 8,057,641</u>	<u>\$ 7,610,698</u>

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

Seaway Pilot, Inc.
Statements of Income and Retained Earnings
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue		
Pilot boat contract	\$ 1,154,602	\$ 962,452
Management contract	290,345	443,763
Reimbursement for trainee pilots	584,188	373,995
Working capital	323,581	284,983
Lease Income - Pilotage Equipment, Inc.	83,524	84,617
Total Revenue	<u>2,436,240</u>	<u>2,149,810</u>
Operating Expenses - Schedule 1	<u>2,107,452</u>	<u>1,959,695</u>
Income from Operations	<u>328,788</u>	<u>190,115</u>
Other Income		
Miscellaneous - GLPA	314,081	340,250
Capital gains	-	4,665
Refunds	-	636
Insurance proceeds	-	27,813
Interest and Dividends	13,998	10,179
Net Other Income	<u>328,079</u>	<u>383,543</u>
Income Before Taxes	656,867	573,658
Provision for Income Taxes		
Income and franchise	<u>152,102</u>	<u>135,960</u>
Net Income for the Year	504,765	437,698
Retained Earnings Beginning of Year	<u>3,792,043</u>	<u>3,354,345</u>
Retained Earnings End of Year	<u><u>\$ 4,296,808</u></u>	<u><u>\$ 3,792,043</u></u>

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

Seaway Pilot, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flow from Operating Activities		
Net Income	\$ 504,765	\$ 437,698
Noncash items included in net income:		
Depreciation	328,716	374,864
Gain on sale of fixed assets	-	(4,665)
(Increase) Decrease in:		
Accounts receivable and due from St. Lawrence Seaway		
Pilots' Association	(27,796)	72,520
Prepaid expenses	(25,607)	36,063
Stock subscriptions receivable	33,529	(247,187)
Increase (Decrease) in:		
Accounts payable	(47,066)	50,057
Income taxes payable	38,525	3,663
Deferred income taxes payable	3,606	25,990
Net cash provided by operating activities	<u>808,672</u>	<u>749,003</u>
Cash Flow from Investing Activities		
Purchase of equipment	(143,261)	(69,602)
Sale of equipment	<u>-</u>	<u>5,000</u>
Net cash used by investing activities	<u>(143,261)</u>	<u>(64,602)</u>
Cash Flow from Financing Activities		
Proceeds from issuance of common stock	100	100
Debt repayment	(456,869)	(498,247)
Paid-in capital	403,882	392,727
Purchase of treasury stock	<u>-</u>	<u>-</u>
Net cash used by financing activities	<u>(52,887)</u>	<u>(105,420)</u>
Net Increase in Cash	612,524	578,981
Cash and Cash Equivalents Beginning of Year	<u>3,414,943</u>	<u>2,835,962</u>
Cash and Cash Equivalents End of Year	<u>\$ 4,027,467</u>	<u>\$ 3,414,943</u>

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

Seaway Pilot, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

1 – Summary of Significant Accounting Policies

Management Review

Management has evaluated subsequent events through April 9, 2024, the date on which the financial statements were available to be issued.

Business Activity

The Company operates boats, which are used to transport pilots to ships traveling through the St. Lawrence Seaway. The Company also provides accounting services to its affiliate, St. Lawrence Seaway Pilots' Association.

Basis of Accounting

The Company employs the accrual method of accounting.

Accounts Receivable

The Company charges as expense those accounts that are deemed to be uncollectible based upon factors surrounding the credit risk of specific customers, historical trends, and other information.

Property and Equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is generally provided for by using the straight-line and accelerated methods, based on estimated useful lives of the assets.

Expenditures for major repairs and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

The estimated useful lives are as follows:

<u>Assets</u>	<u>Straight-line</u>	<u>Accelerated</u>
Buildings	21 years	7 - 31.5 years
Building equipment	11 years	7 years
Boats	5-21 years	5-7 years
Dock and lights	7-21 years	-
Office equipment	5 years	5 years
Roadway	7 years	-

Seaway Pilot, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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 reported period. Actual results could differ from those estimates.

Prior Year Reclassification

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

Income Taxes

The provision for income taxes consists of the following components:

	<u>2023</u>	<u>2022</u>
Current	\$ 148,496	\$ 109,971
Deferred	<u>3,606</u>	<u>25,989</u>
	<u>\$ 152,102</u>	<u>\$ 135,960</u>

Income tax expense includes current federal and state taxes and deferred income taxes which are based upon temporary differences between the tax base of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are reported in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets of liabilities are expected to be realized or settled.

Deferred income taxes are provided for temporary differences related primarily to the differences between accelerated and straight-line depreciation.

	<u>2023</u>	<u>2022</u>
Deferred income taxes at December 31:		
Long-term liability:		
Federal	\$ 90,126	\$ 86,520
Deferred tax liability	<u>\$ 90,126</u>	<u>\$ 86,520</u>

The company has open tax years of 2023, 2022 and 2021.

Revenue Recognition

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

Seaway Pilot, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

2 – Related Party Transactions

The Company is affiliated with the St. Lawrence Seaway Pilots' Association as a result of related party ownership. Management revenue from St. Lawrence Seaway Pilots' Association totaled \$290,345 and \$443,763 for the years ended December 31, 2023 and 2022, respectively.

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

The Company provides Pilot Boat Services to the St. Lawrence Seaway Pilots' Association. Pilot boat contract revenues stemming from this affiliated relationship totaled \$1,154,602 and \$962,452 for the years ended December 31, 2023 and 2022, respectively.

The Company employs pilots in training. These trainee pilots will eventually join the St. Lawrence Seaway Pilots' Association. Those costs are reimbursed by the Association and totaled \$584,188 and \$373,995 for 2023 and 2022, respectively.

On March 30, 2007, the Company formed a wholly owned subsidiary, Pilot Equipment, Inc. (PEI) to hold title to and lease certain navigational equipment to the St. Lawrence Seaway Pilots' Association. Lease revenue from this affiliated relationship totaled \$83,524 and \$84,617 for the years ended December 31, 2023 and 2022, respectively.

The Company had a receivable from the St. Lawrence Seaway Pilots' Association as of December 31, 2023 and 2022 in the amount of \$37,854 and \$4,123, respectively.

3 – Treasury Stock

Treasury stock is stated at cost. As of December 31, 2023 and 2022, there were thirty-five and thirty-five shares outstanding, respectively.

4 – Pension Plan

The Company adopted a 401K Pension Plan for its non-union employees effective January 1, 2020. An employee is eligible once they have completed one year of service. The maximum elective deferral is \$22,500 in 2023 and \$20,500 in 2022. The Company contributed a dollar - for- dollar match of 4% of compensation for participating employees. The Company contributed \$6,141 and \$12,506 for the years ended December 31, 2023 and 2022, respectively.

Seaway Pilot, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

On January 1, 2020 the Company entered into a collective bargaining agreement with the International Longshoremen's Association, Local #2000 which states that the Company must establish a 401 (K) pension plan on the behalf of its union employees and contribute annually a percentage of the employee's gross wages to the individual employees account, provided, and only in the event, that the employee participates with a 5% payroll deducted contribution for each year. For new hires, the Company will contribute 5% of the employee's gross wages for their first three years of employment; upon the employee's fourth anniversary, the Company will contribute 7% of the employee's gross wages; and upon the employee's fifth anniversary the Company will contribute 10% for the employee's gross wages. The Company contributed \$32,023 and \$30,411 in 2023 and 2022, respectively.

5 – Cash Flow Information

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

Cash paid for income taxes and interest for 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Income taxes	<u>\$ 125,644</u>	<u>\$ 118,000</u>
Interest	<u>\$ 68,193</u>	<u>\$ 92,595</u>

Seaway Pilot, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

6 – Mortgages

Mortgages payable at December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
On September 25, 2020, the Company executed a preferred Marine Mortgage with Massena Savings & Loan to secure a 52 foot pilot boat. The initial amount borrowed was \$1,946,031.77 at a fixed rate of 5% amortized over 10 years. The monthly payment is \$20,707.83 with the last payment due on September 25, 2030. The mortgage is secured by the vessel.	\$ 868,414	\$1,239,263
On July 18, 2016, the Company executed a mortgage with Watertown Savings Bank for the purchase of real property located at 230 North Point Street, Cape Vincent, NY. The initial amount borrowed was \$486,000 at a fixed interest rate of 5.00% amortized over 10 years. Monthly payments are \$5,154.78 with the last payment due on July 31, 2026. The mortgage is collateralized by the real property.	149,308	202,294
On July 18, 2016, the Company executed a mortgage with Watertown Savings Bank, utilizing as collateral real property located at 733 East Broadway, Cape Vincent, NY. The initial amounts borrowed was \$136,000 at a fixed interest rate of 5.00% amortized over 10 years. Monthly payments are \$1,442.49 with the last payment due July 31, 2026.	41,782	56,609
On July 18, 2016, the Company executed a mortgage with Watertown Savings Bank utilizing as collateral real property located at 226 North Point Street, Cape Vincent, NY. The initial amount borrowed was \$167,000 at a fixed interest rate of 5.00% amortized over 10 years. Monthly payments are \$1,771.29 with the last payment due July 31, 2026.	51,306	69,512
Total mortgages payable	1,110,810	1,567,678
Less: Current portion	(304,901)	(276,798)
Long term liabilities	<u>\$ 805,909</u>	<u>\$1,290,880</u>

Seaway Pilot, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

The maturities of long-term liabilities are as follows at December 31:

2024	\$ 304,901
2025	328,985
2026	310,495
2027	166,429
2028	-
Thereafter	-
	<u>\$ 1,110,810</u>

7 – Concentrations

The Company maintains its principal banking relationships with Watertown Savings Bank and Massena Savings & Loan. As such, at times, the Company has on deposit amounts in excess of the \$250,000 insurance limit established by the Federal Deposit Insurance Corporation (FDIC). The total amount exceeding the FDIC limit was \$3,444,082 at December 31, 2023.

SUPPLEMENTARY INFORMATION

Seaway Pilot, Inc.
Operating Expenses - Schedule 1
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Salaries	\$ 405,871	\$ 422,935
Administrative salaries	153,528	144,644
Trainee pilot salaries	445,090	286,940
Health insurance	60,320	66,230
Health insurance - trainee pilots	27,349	19,380
Insurance	73,361	71,047
License insurance - trainees	4,787	-
Payroll taxes	92,473	80,722
Accounting & legal	14,048	8,190
Pension	38,164	42,917
Depreciation	328,716	374,864
Interest	68,193	92,595
Pilot boats repairs and maintenance	9,191	6,349
Real estate taxes	38,422	38,333
Utilities	49,920	43,111
Pilot station repairs and maintenance	45,170	40,274
Office and computer supplies	80,547	71,293
Small tool/supplies- Trainees	2,076	1,005
Telephone	1,275	1,250
Telephone - trainees	5,036	3,078
Training	44,168	35,638
Gas and diesel	32,996	47,125
Postage	855	463
Outside services	18,350	3,833
Supplies	21,785	21,942
Travel	10,953	7,430
Travel - trainees	14,211	2,290
Meetings & morale	4,163	12,078
Equipment maintenance	3,295	2,479
Group term life insurance	3,888	3,938
Drug testing fees	800	1,426
Donations	2,500	-
Miscellaneous	5,951	5,896
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Total	<u>\$ 2,107,452</u>	<u>\$ 1,959,695</u>

See independent auditors' report.

Seaway Pilot, Inc.
Operating Expenses by Functional Area - Schedule II
For the Years Ended December 31, 2023 and 2022

	2023					2022				
	<u>Pilot Boat</u>	<u>Management</u>	<u>Trainees</u>	<u>PEI</u>	<u>Total</u>	<u>Pilot Boat</u>	<u>Management</u>	<u>Trainees</u>	<u>PEI</u>	<u>Total</u>
Salaries	\$ 405,871	\$ -	\$ 445,090	\$ -	\$ 850,961	\$ 422,935	\$ -	\$ 286,940	\$ -	\$ 709,875
Administrative salaries	-	153,528	-	-	153,528	-	144,644	-	-	144,644
Health insurance	37,553	22,767	27,349	-	87,669	37,553	28,677	19,380	-	85,610
Insurance	72,627	734	-	-	73,361	70,337	710	-	-	71,047
License insurance - trainees	-	-	4,787	-	4,787	-	-	-	-	-
Payroll taxes	38,835	14,346	39,292	-	92,473	40,028	13,625	27,069	-	80,722
Accounting and legal	7,024	7,024	-	-	14,048	4,095	4,095	-	-	8,190
Pension	32,023	6,141	-	-	38,164	30,411	12,506	-	-	42,917
Depreciation	299,371	19,109	-	10,236	328,716	338,275	21,592	-	14,997	374,864
Interest	53,016	15,177	-	-	68,193	77,418	15,177	-	-	92,595
Pilot boats repairs and maintenance	9,191	-	-	-	9,191	6,349	-	-	-	6,349
Real estate taxes	6,404	32,018	-	-	38,422	6,389	31,944	-	-	38,333
Utilities	24,960	24,960	-	-	49,920	21,556	21,555	-	-	43,111
Pilot station repairs and maintenance	22,585	22,585	-	-	45,170	20,137	20,137	-	-	40,274
Office and computer supplies	7,267	-	-	73,280	80,547	-	-	-	71,293	71,293
Telephone	425	850	5,036	-	6,311	417	833	3,078	-	4,328
Gas and diesel	32,996	-	-	-	32,996	47,125	-	-	-	47,125
Postage	-	855	-	-	855	160	463	-	-	623
Outside services	18,350	-	-	-	18,350	3,833	-	-	-	3,833
Supplies	10,892	10,893	-	-	21,785	10,971	10,971	-	-	21,942
Supplies - Trainees	-	-	2,076	-	2,076	-	-	1,005	-	1,005
Meetings & morale	1,388	1,387	1,388	-	4,163	5,978	2,044	4,056	-	12,078
Travel	-	10,953	14,211	-	25,164	186	7,244	2,290	-	9,720
Equipment maintenance	-	3,295	-	-	3,295	-	2,479	-	-	2,479
Group term life insurance	3,888	-	-	-	3,888	3,938	-	-	-	3,938
Drug testing fees	667	133	-	-	800	1,188	238	-	-	1,426
Training	7,522	-	36,646	-	44,168	7,523	-	28,115	-	35,638
Bank charges	-	1,133	-	-	1,133	-	1,541	-	-	1,541
Donations	-	2,500	-	-	2,500	-	-	-	-	-
Miscellaneous	4,818	-	-	-	4,818	4,186	-	-	9	4,195
Total	\$ 1,097,673	\$ 350,388	\$ 575,875	\$ 83,516	\$ 2,107,452	\$ 1,160,988	\$ 340,475	\$ 371,933	\$ 86,299	\$ 1,959,695

See independent auditors' report.