

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS
BENEVOLENT AND PROTECTIVE ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

December 31, 2023 and 2022

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Consolidated Balance Sheets	3 - 4
Consolidated Statements of Income and Comprehensive Income	5
Consolidated Statements of Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 22
Supplementary Information:	
Exhibit 1 – Consolidating Financial Statements	23 - 27
Exhibit 2 – Unconsolidated Statement of Bar Pilots' Pilot Boat and Charter Hire Expenses	28
Exhibit 3 – Unconsolidated Statement of Bar Pilots' Terminal Expenses	29
Exhibit 4 – Unconsolidated Statement of Bar Pilots' Pilot Office and Dispatch Expenses	30
Exhibit 5 – Unconsolidated Statement of Bar Pilots' General Expenses	31
Exhibit 6 – Unconsolidated Statements of Surcharges: Billings and Disbursements	32
Exhibit 7 – Unconsolidated Statements of Surcharges: Billings and Collections	33
Exhibit 8 – Unconsolidated Statement of Bar Pilots' Equity Accounts	34 - 35



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE SAN FRANCISCO BAR PILOTS
AND MEMBERS OF THE SAN FRANCISCO BAR PILOTS
BENEVOLENT AND PROTECTIVE ASSOCIATION

Opinion

We have audited the consolidated financial statements of SAN FRANCISCO BAR PILOTS and SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION, (collectively, the "Companies"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income and comprehensive income, equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Companies as of December 31, 2023 and 2022, and the results of their operations and their 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Companies 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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 consolidated financial statements.



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 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 Companies' 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 Companies' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information presented in Exhibits 1 through 8 is presented for the purpose 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, except for the effects described in the paragraph below, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The accompanying consolidating information on Exhibit 1 does not include right-to-use lease assets and lease liabilities for material related-party leases that fully eliminate upon consolidation. Management has informed us that they have not determined the effects of not including related-party leases in the consolidating information.

Mayer Hoffman McCann P.C.

San Francisco, California
February 28, 2024

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31,	
	2023	2022
<u>CURRENT ASSETS</u>		
Cash	\$ 2,821,188	\$ 4,150,810
Accounts Receivable:		
Trade, Net of \$10,000 Allowance as of December 31, 2023 and 2022	6,169,118	4,484,437
Board of Pilot Commissioners	141,932	-
Other Receivables	164,618	61,172
Prepaid Expenses	57,940	58,786
<u>TOTAL CURRENT ASSETS</u>	9,354,796	8,755,205
<u>PROPERTY AND EQUIPMENT</u>		
Operating Lease Right-of-Use Assets, Net	3,719,301	4,924,775
Other Property and Equipment, Net	8,143,522	6,407,455
<u>TOTAL PROPERTY AND EQUIPMENT, NET</u>	11,862,823	11,332,230
<u>LONG-TERM ASSETS</u>		
Pension Plan Asset	1,125,287	436,687
Deferred Income Tax Asset	300	204,000
<u>TOTAL LONG-TERM ASSETS</u>	1,125,587	640,687
<u>RESTRICTED CASH</u>	839,718	371,701
<u>TOTAL ASSETS</u>	\$ 23,182,924	\$ 21,099,823

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

CONSOLIDATED BALANCE SHEETS (Continued)

LIABILITIES AND EQUITY (DEFICIT)

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>CURRENT LIABILITIES</u>		
Line of Credit	\$ 2,423,435	\$ 3,321,104
Construction Loan	-	5,107,878
Accounts Payable:		
Trade	644,532	644,802
Board of Pilot Commissioners	1,608,925	573,190
Pension	1,526,739	1,276,158
Accrued Expenses:		
Accrued Rent	131,690	684,203
Vacation Pay	623,639	555,603
Other	170,676	114,287
Current Portion of Long-Term Debt	635,283	-
Operating Lease Liabilities, Current	1,240,825	1,247,486
	<u>9,005,744</u>	<u>13,524,711</u>
<u>TOTAL CURRENT LIABILITIES</u>		
<u>LONG-TERM LIABILITIES</u>		
Long-Term Debt, Net of Current Portion	6,547,186	-
Operating Lease Liabilities, Net of Current Portion	2,651,413	3,831,513
	<u>9,198,599</u>	<u>3,831,513</u>
<u>TOTAL LONG-TERM LIABILITIES</u>		
	<u>18,204,343</u>	<u>17,356,224</u>
<u>TOTAL LIABILITIES</u>		
<u>EQUITY</u>		
Pilots' and Members' Equity	5,647,766	4,994,614
Accumulated Other Comprehensive Loss	(669,185)	(1,251,015)
	<u>4,978,581</u>	<u>3,743,599</u>
<u>TOTAL EQUITY</u>		
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$ 23,182,924</u>	<u>\$ 21,099,823</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	<u>Years Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>REVENUES</u>		
Pilotage Fees Earned	\$ 49,039,530	\$ 34,775,177
Pilot Vessel Construction Surcharge	286,194	-
<u>TOTAL REVENUES</u>	<u>49,325,724</u>	<u>34,775,177</u>
<u>OPERATING EXPENSES</u>		
Pilot Boat	7,425,691	6,675,494
Terminal	503,130	477,411
Pilot Office and Dispatch	3,288,705	2,758,453
General	5,184,387	4,334,132
Depreciation and Amortization	492,699	248,220
<u>TOTAL OPERATING EXPENSES</u>	<u>16,894,612</u>	<u>14,493,710</u>
<u>OPERATING INCOME</u>	<u>32,431,112</u>	<u>20,281,467</u>
<u>OTHER INCOME (EXPENSE)</u>		
Government Grant Income	817,437	-
Other Expense, Net	(179,279)	(10,422)
Interest Expense	(334,006)	(180,547)
<u>TOTAL OTHER INCOME (EXPENSE)</u>	<u>304,152</u>	<u>(190,969)</u>
<u>INCOME BEFORE PROVISION FOR INCOME TAXES</u>	<u>32,735,264</u>	<u>20,090,498</u>
<u>PROVISION FOR INCOME TAXES</u>	<u>(242,690)</u>	<u>(61,342)</u>
<u>NET INCOME</u>	<u>32,492,574</u>	<u>20,029,156</u>
<u>OTHER COMPREHENSIVE INCOME</u>		
Defined Benefit Pension Plan, Net	581,830	12,941
<u>COMPREHENSIVE INCOME</u>	<u>\$ 33,074,404</u>	<u>\$ 20,042,097</u>
<u>AVERAGE NET INCOME PER PILOT</u>	<u>\$ 635,792</u>	<u>\$ 396,519</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

CONSOLIDATED STATEMENTS OF EQUITY

Years Ended December 31, 2023 and 2022

	<u>Pilots' and Members' Equity</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
<u>BALANCE, JANUARY 1, 2022</u>	\$ 4,395,756	\$ (1,263,956)	\$ 3,131,800
Net Income	20,029,156	-	20,029,156
Actuarial Gain on Pension Plan	-	12,941	12,941
Contributions from New Members	448,771	-	448,771
Distributions of Income to Pilots	(18,076,193)	-	(18,076,193)
Redemption of Members' Interests	<u>(1,802,876)</u>	<u>-</u>	<u>(1,802,876)</u>
<u>BALANCE, DECEMBER 31, 2022</u>	4,994,614	(1,251,015)	3,743,599
Net Income	32,492,574	-	32,492,574
Actuarial Gain on Pension Plan	-	581,830	581,830
Contributions from New Members	2,687,376	-	2,687,376
Notes Receivable from New Members	(445,515)	-	(445,515)
Distributions of Income to Pilots	(32,737,597)	-	(32,737,597)
Redemption of Members' Interests	<u>(1,343,686)</u>	<u>-</u>	<u>(1,343,686)</u>
<u>BALANCE, DECEMBER 31, 2023</u>	<u>\$ 5,647,766</u>	<u>\$ (669,185)</u>	<u>\$ 4,978,581</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Income	\$ 32,492,574	\$ 20,029,156
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	492,699	248,220
Amortization of Loan Financing Costs	3,953	-
Non-Cash Lease Expense	1,205,474	1,189,656
Pension Plan Costs, Net of Contributions	(106,770)	(79,871)
Deferred Income Taxes	203,700	42,000
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(1,911,228)	(1,616,128)
Prepaid Expenses	846	(7,396)
Accounts Payable	1,267,215	987,965
Accrued Expenses	(428,088)	(190,551)
Operating Lease Liabilities	(1,186,761)	(1,111,091)
 <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	 32,033,614	 19,491,960
 <u>CASH FLOWS USED IN INVESTING ACTIVITIES</u>		
Purchase of Property and Equipment	(2,228,766)	(3,226,940)
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Line of Credit	1,342,686	1,802,876
Principal Payments on Line of Credit	(2,240,355)	(448,771)
Proceeds from Construction Loan	1,807,323	2,709,872
Payments on Construction Loan	(186,299)	-
Proceeds from Term Loan	449,614	-
Contributions from New Members	2,237,762	448,771
Collection on Notes Receivable to New Members	4,099	-
Distributions to Pilots and Retired Members	(34,081,283)	(19,879,069)
 <u>NET CASH USED IN FINANCING ACTIVITIES</u>	 (30,666,453)	 (15,366,321)
 <u>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</u>		
	(861,605)	898,699
 <u>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</u>		
	4,522,511	3,623,812
 <u>CASH AND RESTRICTED CASH, END OF YEAR</u>		
	\$ 3,660,906	\$ 4,522,511

Supplemental Disclosure of Cash Flow Information (see Note 13)

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 1 – NATURE OF OPERATIONS

San Francisco Bar Pilots (“Bar Pilots”) is an affiliated group of individuals who are licensed by the State of California Board of Pilot Commissioners to have the exclusive authority to pilot vessels from the high seas to the California bays of San Francisco, San Pablo, Suisun, and Monterey and to the tributaries, ports and harbors of those bays, and from those bays and ports to the high seas. The boats and equipment are owned by the San Francisco Bar Pilots Benevolent and Protective Association (“Benevolent”), which is organized under California general nonprofit corporation’s law as a nonprofit mutual benefit corporation.

Individual pilots are “members” of Bar Pilots. Bar Pilots is organized under California law as an unincorporated association and as such each individual member has an individual equity account. Income is allocated to the individual pilot's equity account on a monthly basis based on cash received. At the end of the year, income per month is adjusted to reflected the portion of days worked by all pilots for that particular month then allocated based on days worked by individual pilot. Individual pilots receive equal monthly distributions of income as determined by the Policy Committee. These monthly distributions of income are shown on the accompanying consolidated statement of equity (deficit) as Distributions of Income to Pilots.

Individual pilots are also members of Benevolent. Benevolent is a membership association incorporated under the laws of the State of California. The individual members are licensed pilots with each member having equal interest in the property of Benevolent. Membership in Benevolent consists of just one class of membership. Effective November 9, 2022, the cost of membership is a sum equal to the ten-year running average of the net income the current members earn as pilots. Prior to November 9, 2022, the cost of membership is a sum equal to the three-year running average of the net income the current members earn as pilots. The bylaws of Benevolent require the redemption of any member’s certificate within sixty days of the member’s resignation, death or expulsion. The membership is redeemed at the then-going rate according to the same formula, less any potentially outstanding loan on the membership guaranteed by Benevolent (see Note 9). New membership buy-ins are reported as Contributions from New Members and redemptions of memberships are reported as Redemption of Members’ Interests on the accompanying consolidated statement of equity (deficit). As of December 31, 2023 and 2022, the membership/redemption price was approximately \$448,000 and \$449,000, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – Bar Pilots and Benevolent’s (collectively, the “Companies”) financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Adoption of Recent Accounting Pronouncement – Effective January 1, 2023, the Companies adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. Financial assets held by the Companies that are subject to the guidance are trade accounts receivable. Management has determined the impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures only.

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Consolidation – The *Consolidation* topic of the FASB Accounting Standards Codification (“ASC”) requires Variable Interest Entities (“VIE”) to be consolidated by the primary beneficiary of the entity if the primary beneficiary has a controlling financial interest in the VIE. Benevolent has been determined to be a VIE of Bar Pilots, as the latter has a controlling financial interest and, accordingly, has been consolidated in the accompanying consolidated financial statements. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Concentration of Credit Risk – The Companies have concentrated their credit risk for cash by maintaining deposits in one financial institution which may, at times, exceed the amounts insured by the Federal Deposit Insurance Corporation (“FDIC”) of up to \$250,000. The Companies have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk to cash.

Cash and Restricted Cash – The cash of the Companies includes cash on hand and held in banks. Amounts included in restricted cash represent amounts collected for the pilot trainee surcharge, pilot continuing education surcharge, board operations surcharge, pilot vessel construction surcharge and pilot pension surcharge included in payables at year end collected on behalf of the Board of Pilot Commissioners and the pension plan.

Accounts Receivable – Accounts receivable are stated at the amount the Companies expect to collect. The Companies extend credit to their customers in the normal course of business and perform ongoing credit evaluations of their customers. Provisions for losses on accounts receivable are made to maintain an adequate allowance for potential credit losses, which historically have been within management’s expectations. The allowance estimate is derived from a review of the Companies’ historical losses based on the aging of receivable. 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 Companies.

As of December 31, 2022, accounts receivable included \$2,295,945 and \$1,487,645, respectively, of uncollected amounts relating to surcharges collected on behalf of the Board of Pilot Commissioners and the pension plan.

Property and Equipment – Property and equipment are stated at cost, net of accumulated depreciation and amortization. Maintenance and repairs, including expenses incurred related to dry docking, are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation is provided using accelerated methods over the estimated useful life of the related asset, ranging from three to forty years. Leasehold improvements are amortized over the shorter of the lease term, including expected renewal periods, or the estimated useful lives of the assets. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction including capitalization of interest on funds used to construct the pilot boat.

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued) – The Companies regularly evaluate their long-lived assets for indicators of possible impairment. Should impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset’s fair value. The Companies have not identified any such impairment losses as of December 31, 2023 and 2022.

Leases – The Companies lease port facilities, including office space and equipment under various arrangements and determine if each arrangement is a lease at inception. Management evaluates each lease to determine whether it is an operating lease or a financing lease. Operating leases are included in operating lease right-of-use (“ROU”) assets, and operating lease liabilities on the balance sheets. The Companies did not enter into any financing leases during the years ended 2023 or 2022.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Companies use a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Companies will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Companies’ lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Companies have elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that the Companies are reasonably certain to exercise, are not recorded on the balance sheet. In addition, the Companies have adopted a threshold policy related to lease contracts and any contract with future payments under \$15,000 will not be capitalized under ASC 842.

Income Taxes – No provision has been made for taxes on income of Bar Pilots. Although not legally considered a partnership, Bar Pilots began filing partnership tax returns in 1979. The taxable income from these returns is included in the individual income tax returns of the respective pilots.

Benevolent is a California nonprofit mutual benefit corporation which is treated as a taxable corporation for federal and California state income tax purposes. Income taxes are provided for the tax effect of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial and income tax reporting purposes. The deferred tax assets and liabilities represent future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued) – Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by the Companies in their tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Companies in the federal and state tax returns are more likely than not to be sustained upon examination.

Revenues – Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Companies recognize revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

For performance obligations related to Bar Pilots' revenue earned from piloting vessels, control transfers to the customer at a point in time. Bar Pilots recognize revenue upon completion of a pilotage. Benevolent recognizes surcharge revenue upon completion of a pilotage. In addition, the majority of the Companies' contracts do not contain variable consideration and contract modifications are generally minimal. The Companies generate and retain revenue from surcharges which are in accordance with the State of California Harbors and Navigation Code, Division 5.

In addition, Bar Pilots act as agent for the State of California. In accordance with the State of California Harbors and Navigation Code, Division 5, Bar Pilots bill and collect surcharges on behalf of the State of California for vessels piloted. Revenue is shown net of surcharges for which Bar Pilots acts as agent. These surcharges are for the operations of the State of California Board of Pilot Commissioners, as well as for pilot training, trainee stipends, statutory pension plan, pilot dispatch program, pilot vessel maintenance and for the construction and/or service life extension or modification of pilot vessels. When collected, these funds are paid directly to the State of California, disbursed to beneficiaries of the Pilot Pension Plan or to providers of administrative services to the Pilot Pension Plan, or paid to the Board of Pilot Commissioners for its operations, the trainee training program, the pilot continuing education program, and pilot vessel construction program in accordance with applicable law and regulations.

The Companies do not have any significant financing components as payment is received at or shortly after the point of sale.

Average Net Income Per Pilot – Net income per pilot is computed based upon the actual days eligible to participate in Bar Pilots' total earnings. Eligibility to participate in the earnings is determined in accordance with policies defined by Bar Pilots as a group.

Average net income per pilot is computed by dividing Bar Pilot's net income by the average number of active pilots during the year. This amount does not purport to represent the actual net income of any specific pilot. It has been computed only to show this information on a comparative basis. The average number of active pilots for 2023 and 2022 was 51 and 50, respectively.

Reclassification – Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the previously reported results of operations or owners' equity.

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 3 – CASH AND RESTRICTED CASH

The following table provides a reconciliation of cash and restricted cash reported within the balance sheets that sums to the totals of the same such amounts presented in the consolidated statements of cash flows.

	<u>2023</u>	<u>2022</u>
Cash	\$ 2,821,188	\$ 4,150,810
Restricted Cash	<u>839,718</u>	<u>371,701</u>
Total Cash and Restricted Cash Presented in the Accompanying Consolidated Statements of Cash Flow	<u>\$ 3,660,906</u>	<u>\$ 4,522,511</u>

NOTE 4 – OTHER PROPERTY AND EQUIPMENT

Other property and equipment at December 31 consists of the following:

	<u>2023</u>	<u>2022</u>
Pilot Boats and Improvements:		
“Drake”	\$ 8,483,383	\$ 8,483,383
“San Francisco”	5,335,880	5,335,880
“California”	4,902,025	4,902,025
“Golden Gate” Old	2,620,745	2,620,745
“Golden Gate” New	6,871,601	-
“Pittsburg”	275,478	275,478
Leasehold and Dock Improvements	4,724,516	4,724,516
Office Furniture and Equipment	2,390,709	2,390,709
Pilot Boat Equipment	681,088	681,088
Automobile	62,418	62,418
Construction-in-Progress	<u>868,328</u>	<u>5,509,229</u>
	37,216,171	34,985,471
Less: Accumulated Depreciation and Amortization	<u>(29,072,649)</u>	<u>(28,578,016)</u>
Property and Equipment, Net	<u>\$ 8,143,522</u>	<u>\$ 6,407,455</u>

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 was \$492,699 and \$248,220, respectively.

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 4 – OTHER PROPERTY AND EQUIPMENT (Continued)

At December 31, 2023, the net book value of each pilot boat and improvements are as follows:

	<u>Total Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Pilot Boats and Improvements:			
“Drake”	\$ 8,483,383	\$ 8,483,383	\$ -
“San Francisco”	5,335,880	5,335,880	-
“California”	4,902,025	4,902,025	-
“Golden Gate” Old	2,620,745	2,620,745	-
“Golden Gate” New	6,871,601	257,685	6,613,916
“Pittsburg”	275,478	263,949	11,529
	<u>\$ 28,489,112</u>	<u>\$ 21,863,667</u>	<u>\$ 6,625,445</u>

NOTE 5 – LINES OF CREDIT

Bar Pilots has a revolving line of credit with a bank with a maximum borrowing limit of \$500,000, bearing interest at the bank’s reference rate plus 0.25%, but no less than 3.75% (effective rate at December 31, 2023 and 2022 was 8.75% and 7.50%, respectively), expiring on June 21, 2024. The line is collateralized by all business assets of Bar Pilots. This line of credit is subject to certain financial covenants. As of December 31, 2023 and 2022, Bar Pilots is unaware of any covenant violations. At December 31, 2023 and 2022, Bar Pilots had no borrowings against the above line of credit.

Benevolent has a revolving line of credit with a bank with a maximum borrowing limit of \$3,500,000 and \$4,500,000 as of December 31, 2023 and 2022, respectively, bearing interest at the bank’s reference rate plus 0.25%, but no less than 3.75% (effective rate at December 31, 2023 and 2022 was 8.75% and 7.50%, respectively), and expiring on June 21, 2024. The line is collateralized by certain assets of Benevolent and the Bar Pilots. At December 31, 2023 and 2022, Benevolent had borrowings against this line of credit for \$2,423,435 and \$3,321,104, respectively. Total interest incurred and expensed was \$233,938 and \$180,547 for the years ended December 31, 2023 and 2022, respectively.

Letters of credit totaling \$208,085 have also been made available for Benevolent as of December 31, 2023 and 2022. At December 31, 2023 and 2022, the Companies had no borrowings against the letters of credit.

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 6 – LONG-TERM DEBT

In April 2021, Benevolent entered into a construction loan with a bank with a maximum borrowing limit of \$7,500,000 for the construction of a new pilot vessel, bearing interest at the bank’s reference rate, but no less than 3.00% (effective rate at December 31, 2022 and 7.25%). The construction loan was collateralized by the new pilot vessel. At December 31, 2022, Benevolent had borrowings against the construction loan for \$5,107,878 and total interest incurred and capitalized as part of the new pilot vessel was \$204,661.

On August 29, 2023, the outstanding balance on the construction loan of \$6,990,201 was converted into a term note with a maturity date of September 1, 2033 and bears interest at a fixed rate of 4.00% per annum. Principal and interest payments of \$70,966 are payable monthly commencing September 1, 2023. The term note is collateralized by the new pilot vessel. At December 31, 2023, the outstanding balance on the vessel term note was \$6,847,502. Total interest incurred on the term note for the year ended December 31, 2023 was \$96,115.

In connection with the construction term note, the Company incurred loan financing costs which have been deferred and are reported against the outstanding balance of the term loan. Deferred financing costs are being amortized on a straight-line basis over the term of the note and are recognized as interest expense. Unamortized loan financing costs were \$114,647 and \$75,000 at December 31, 2023 and 2022, respectively. Amortized financing costs amount to \$3,953 for the year ended December 31, 2023.

On December 15, 2023, Benevolent entered into a term loan with a bank for \$449,614. The loan has a maturity date of December 15, 2030, and bears interest at a fixed rate 7.00% per annum. Principal and interest payments of \$6,809 are payable monthly commencing January 15, 2024. This term loan is subject to certain financial covenants. As of December 31, 2023, Benevolent is unaware of any covenant violations. At December 31, 2023, the outstanding balance on this term note was \$449,614.

Future principal maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Vessel Term</u> <u>Loan</u>	<u>Term Loan</u>	<u>Total</u>
2024	\$ 583,923	\$ 51,360	\$ 635,283
2025	608,823	55,216	664,039
2026	633,978	59,265	693,243
2027	660,173	63,611	723,784
2028	686,963	68,232	755,195
Thereafter	<u>3,673,642</u>	<u>151,930</u>	<u>3,825,572</u>
	6,847,502	449,614	7,297,116
Less: Unamortized Loan Financing Costs	<u>114,647</u>	<u>-</u>	<u>114,647</u>
	<u>\$ 6,732,855</u>	<u>\$ 449,614</u>	<u>\$ 7,182,469</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 7 – INCOME TAXES

Benevolent’s provision for income taxes for the years ended December 31 consists of the following:

	<u>2023</u>	<u>2022</u>
Current:		
Federal	\$ 38,190	\$ 18,542
State	800	800
Total Current	<u>38,990</u>	<u>19,342</u>
Deferred:		
Federal	189,700	24,100
State	14,000	17,900
Total Deferred	<u>203,700</u>	<u>42,000</u>
	<u>\$ 242,690</u>	<u>\$ 61,342</u>

As of December 31, the deferred tax asset consists of the following:

	<u>2023</u>	<u>2022</u>
Deferred Tax Asset	\$ 300	\$ 204,000
Deferred Tax Liability	-	-
Less: Valuation Allowance	-	-
Net Deferred Tax Asset	<u>\$ 300</u>	<u>\$ 204,000</u>

Deferred taxes represent temporary differences in depreciation and net operating losses.

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 8 – LEASING ACTIVITIES

Benevolent entered into a sixteen-year lease agreement effective January 1, 2010 with the City and County of San Francisco, California, through the San Francisco Port Commission, for the facilities and office space at Pier 9, which expires in December 2026. The charter rentals for the pilot boats are established annually. Bar Pilots have one office equipment lease which expires in April 2027.

The following are components of lease expense during the years ended December 31:

	2023	2022
Operating Lease Cost	\$ 1,266,199	\$ 1,266,199
Short-Term Lease Cost	22,955	6,008
Total Lease Expense	\$ 1,289,154	\$ 1,272,207

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2023:

Weighted Average Remaining Lease Term – Operating Leases	3.00 years
Weighted Average Discount Rate – Operating Leases	1.37%

Future maturities of operating lease liabilities as of December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 1,284,910
2025	1,323,458
2026	1,363,162
Total Minimum Lease Payments	3,971,530
Less: Amount of Lease Payments Representing Interest	79,292
Present Value of Future Minimum Lease Payments	3,892,238
Less: Current Liabilities Under Leases	1,240,825
Long-Term Lease Liabilities	\$ 2,651,413

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Guaranty – As of December 31, 2023 and 2022, Benevolent is contingently liability as a guarantor to approximately \$3,631,000 and \$3,265,000, respectively of the indebtedness of the new members, whom financed their contributions through an institutional lender. The term of the guarantee is through January 2028. The lender must first take all permitted actions to recover nonpayment from the individual borrower before demanding payment from Benevolent.

Construction Agreement – In December 2020, Benevolent entered into a construction agreement for a pilot vessel. The pilot vessel was placed into service in the second quarter of 2023. Payments were made to the contractor based on completion of progress goals outlined in the contract. The total construction price was \$6,676,151.

Contingencies – From time to time, the Companies may be engaged in lawsuits, generally in the ordinary course of business. In the opinion of management, based on advice of counsel, the ultimate outcome of these lawsuits will not have a material impact on the Companies’ consolidated financial statements.

NOTE 10 – RETIREMENT PLANS

San Francisco Bar Pilots Marine Employees Pension Plan (the “MEPP”) – On November 22, 1978, Bar Pilots and the Sailors Union of the Pacific (the “Union”) entered into a pension agreement covering substantially all of its eligible employees. The benefits paid to retirees are based on years of qualifying time and the rate negotiated in the collective bargaining agreement. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. The agreement provides for contributions to the plan to be actuarially determined to provide for retirement benefits.

For the years ended December 31, 2023 and 2022, service costs of \$130,954 and \$186,313, respectively are included in operating expenses on the consolidated statements of income and comprehensive income.

The following tables set forth the information about the pension plan as of and for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Projected Benefit Obligation	\$ 5,235,358	\$ 4,970,665
Fair Value of Plan Assets	<u>6,360,645</u>	<u>5,407,352</u>
Funded Status	<u>\$ 1,125,287</u>	<u>\$ 436,687</u>

The funded status is recognized in the accompanying consolidated balance sheet as noncurrent Pension Plan Asset.

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 10 – RETIREMENT PLANS (Continued)

San Francisco Bar Pilots Marine Employees Pension Plan (the “MEPP”) (Continued) – The projected benefit obligation experienced a net loss of approximately \$75,300 during the year. This loss was the result of a assumption changes resulting in a loss of approximately \$110,500 and a gain of approximately \$35,200 due to demographic experience. The key assumption changes were the change in the discount rate and change in mortality assumption.

The amount in accumulated other comprehensive loss that has not yet been recognized as components of net periodic benefic cost at December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Unrecognized Transition Obligation	\$ -	\$ 23,367
Prior Service Cost	602,388	670,151
Net Loss	<u>66,797</u>	<u>557,497</u>
	<u>\$ 669,185</u>	<u>\$ 1,251,015</u>

The changes in benefit obligations recognized in other comprehensive loss during the years ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Net Gain Arising During the Year	\$ 489,259	\$ 57,437
Prior Service Cost	(25,188)	(149,010)
Amortization of Transition Obligation	23,369	23,369
Amortization of Prior Service Costs	92,950	81,145
Amortization of Net Gain	<u>1,440</u>	<u>-</u>
Other Comprehensive Gain	<u>\$ 581,830</u>	<u>\$ 12,941</u>

Amounts recorded for the years ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Net Periodic Benefit Cost	<u>\$ 138,030</u>	<u>\$ 22,129</u>
Employer Contributions	<u>\$ 244,800</u>	<u>\$ 102,000</u>
Benefits Paid	<u>\$ 206,503</u>	<u>\$ 205,377</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 10 – RETIREMENT PLANS (Continued)

San Francisco Bar Pilots Marine Employees Pension Plan (the “MEPP”) – Weighted-average assumptions used to determine net periodic benefit cost and pension liability are as follows:

	<u>2023</u>	<u>2022</u>
Discount Rate – Net Periodic Benefit Cost	4.96%	2.68%
Discount Rate – Accumulated Benefit Obligation	4.77%	4.96%
Expected Return on Assets	6.50%	6.50%
Rate of Salary Increases	N/A	N/A

The expected long-term return on plan assets was based on a review of anticipated future performance of mutual funds, which considers recent fund performance and historical returns to determine the prospective rate of return of 6.50%. The plan had 100% of its assets in a balanced mutual fund at December 31, 2023 and 2022. The mutual fund is valued on quoted market prices, which represent the net asset value of shares held by the pension plan at year-end, and is classified as Level 1 under the fair value hierarchy defined by the *Fair Value Measurements and Disclosure* topic of the FASB ASC.

The plan’s strategy to invest in mutual funds is based on the historical returns of these investments and the plan’s objective to provide a level of risk relatively lower than that obtainable from direct investments in equity securities while still achieving long-term returns.

The estimated future benefit payments for the next 10 years, which reflect future service, are expected to be paid as follows:

Years Ending December 31.

2024	\$	274,118
2025		318,745
2026		310,161
2027		320,450
2028		321,032
2029 to 2033	\$	1,640,654

Bar Pilots expect to make employer contributions to the pension plan totaling approximately \$244,800 during the year ended December 31, 2024.

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 10 – RETIREMENT PLANS (Continued)

Marine Employees Retirement Savings Plan – Bar Pilots and Union agreed to establish a profit sharing plan with mandatory employer contributions and cash or deferred arrangement for the benefit of union employees. Under the terms of the agreement, Bar Pilots’ contributions for each year are as follows:

- a. For employees represented by the Union – 5.00% of the aggregate compensation of all participants, as defined, plus an additional amount based on days worked.
- b. For employees not represented by the Union – 12.00% of the aggregate compensation of all participants, as defined. Employees not represented by the Union are covered under the Memorandum of Agreement Contract between the Bar Pilots and District No.1-Marine Engineers’ Beneficial Association (AFL-CIO).

San Francisco Bar Pilots Retirement Plan – Bar Pilots also sponsor a defined contribution and 401(k) plan covering each Bar Pilot, each non-union employee of Bar Pilots, and each eligible employee covered by a collective bargaining agreement. For each pilot, Bar Pilots contribute a percentage of Bar Pilot’s earned income for the year, as determined by Bar Pilots, plus a percentage of Bar Pilot’s earned income which is excess income. For each employee, Bar Pilots contribute a percentage of the employee’s compensation, as determined by Bar Pilots, plus a percentage of the employee’s compensation which is excess income.

Total employer contributions for the years ended December 31 to all retirement plans for eligible employees were as follows:

	2023	2022
MEPP	\$ 431,070	\$ 102,000
Marine Employees Retirement Savings Plan	415,170	404,711
San Francisco Bar Pilots Retirement Plan	244,800	214,903
	\$ 1,091,040	\$ 721,614

NOTE 11 – RELATED PARTY TRANSACTIONS

Bar Pilots lease pilot boats (classified as Charter Hire) and facilities (classified as Rent) from Benevolent, which eliminate upon consolidation. No amounts were owed between the Companies at December 31, 2023. At December 31, 2022, Bar Pilots owed \$20,721 to the Benevolent related to certain expenses the Benevolent paid on behalf of the Companies and Benevolent owed \$19,031 to Bar Pilots related to certain expenses Bar Pilots paid on behalf of the Companies. These amounts were eliminated upon consolidation.

On December 15, 2023, Benevolent lent \$449,614 to a pilot in exchange for a promissory note receivable. Borrowings under this note bear interest at 7.00% per annum, with principal and interest payments of \$6,809 due monthly. The promissory note receivable matures on December 15, 2030. The outstanding balance on the note receivable was \$445,515 at December 31, 2023 and is recorded as a contra-equity account on the consolidated statement of equity. Interest income was \$2,710 for the year ended December 31, 2023.

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 12 – GOVERNMENT GRANT INCOME

The Company has elected to account for its participation in the Employee Retention Tax Credit program as first enacted under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and as updated by Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, the American Rescue Plan Act of 2021, enacted March 11, 2021, or the Infrastructure Investment and Jobs Act, enacted November 15, 2021 (collectively the “ERC”), under International Accounting Standard 20, *Accounting for Government Grants and Disclosure of Government Assistance* (“IAS 20”). Under IAS 20, an entity must have reasonable assurance that all of the conditions of the ERC are met to recognize a receivable or income. The Company believes it has reasonable assurance that all the conditions have been met. The Company received funds of \$817,437 in August 2023 and therefore has recorded this amount as income in the year ended December 31, 2023.

NOTE 13 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the years ended December 31, is as follows:

	<u>2023</u>	<u>2022</u>
Interest Paid During the Year, Net of Amount Capitalized of \$331,355 (2023) and \$204,661 (2022)	<u>\$ 274,521</u>	<u>\$ 140,458</u>
Income Taxes Paid During the Year	<u>\$ 18,233</u>	<u>\$ 60,800</u>

Non-cash operating and financing activities recorded during the years ended December 31, are as follows:

	<u>2023</u>	<u>2022</u>
Construction Loan Converted into Term Note	<u>\$ 6,990,201</u>	<u>\$ -</u>
Deferred Financing Costs	<u>\$ 43,600</u>	<u>\$ -</u>
Contribution from New Member funded by Note Receivable to New Member	<u>\$ 449,614</u>	<u>\$ -</u>
Initial Recognition of Right of Use Asset	<u>\$ -</u>	<u>\$ 6,114,431</u>
Initial Recognition of Lease Liability	<u>\$ -</u>	<u>\$ 6,190,090</u>
Deferred Rent offset to Right of Use Asset	<u>\$ -</u>	<u>\$ 75,659</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

NOTE 14 – SUBSEQUENT EVENTS

The Companies have evaluated the impact of subsequent events on these consolidated financial statements, including disclosures, through February 28, 2024, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

CONSOLIDATING BALANCE SHEET

December 31, 2023
(With Comparative Consolidated Amounts for 2022)

ASSETS

	2023			2022	
	Bar Pilots	Benevolent	Eliminating Entries	Consolidated	Consolidated
<u>CURRENT ASSETS</u>					
Cash	\$ 1,663,505	\$ 1,157,683	\$ -	\$ 2,821,188	\$ 4,150,810
Accounts Receivable:					
Trade, Net of \$10,000 Allowance					
December 31, 2023 and 2022	6,169,118	-	-	6,169,118	4,484,437
Board of Pilot Commissioners	-	141,932	-	141,932	-
Other Receivables	162,118	2,500	-	164,618	61,172
Prepaid Expenses	6,750	51,190	-	57,940	58,786
<u>TOTAL CURRENT ASSETS</u>	<u>8,001,491</u>	<u>1,353,305</u>	<u>-</u>	<u>9,354,796</u>	<u>8,755,205</u>
<u>PROPERTY AND EQUIPMENT</u>					
Operating Lease Right-of-Use Assets, Net	-	3,719,301	-	3,719,301	4,924,775
Other Property and Equipment, Net	-	8,143,522	-	8,143,522	6,407,455
<u>TOTAL PROPERTY AND EQUIPMENT, NET</u>	<u>-</u>	<u>11,862,823</u>	<u>-</u>	<u>11,862,823</u>	<u>11,332,230</u>
<u>LONG-TERM ASSETS</u>					
Pension Plan Asset	1,125,287	-	-	1,125,287	436,687
Deferred Income Tax Asset	-	300	-	300	204,000
<u>TOTAL LONG-TERM ASSETS</u>	<u>1,125,287</u>	<u>300</u>	<u>-</u>	<u>1,125,587</u>	<u>640,687</u>
<u>RESTRICTED CASH</u>	<u>839,718</u>	<u>-</u>	<u>-</u>	<u>839,718</u>	<u>371,701</u>
<u>TOTAL ASSETS</u>	<u>\$ 9,966,496</u>	<u>\$ 13,216,428</u>	<u>\$ -</u>	<u>\$ 23,182,924</u>	<u>\$ 21,099,823</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

CONSOLIDATING BALANCE SHEET (Continued)

December 31, 2023
(With Comparative Consolidated Amounts for 2022)

LIABILITIES AND EQUITY (DEFICIT)

	2023			2022	
	Bar Pilots	Benevolent	Eliminating Entries	Consolidated	Consolidated
<u>CURRENT LIABILITIES</u>					
Line of Credit	\$ -	\$ 2,423,435	\$ -	\$ 2,423,435	\$ 3,321,104
Construction Loan	-	-	-	-	5,107,878
Accounts Payable:					
Trade	636,644	7,888	-	644,532	644,802
Board of Pilot Commissioners	1,608,925	-	-	1,608,925	573,190
Pension	1,526,739	-	-	1,526,739	1,276,158
Accrued Expenses:					
Accrued Rent	-	131,690	-	131,690	684,203
Vacation Pay	623,639	-	-	623,639	555,603
Other	72,397	98,279	-	170,676	114,287
Current Portion of Long-Term Debt	-	635,283	-	635,283	-
Operating Lease Liabilities, Current	-	1,240,825	-	1,240,825	1,247,486
<u>TOTAL CURRENT LIABILITIES</u>	<u>4,468,344</u>	<u>4,537,400</u>	<u>-</u>	<u>9,005,744</u>	<u>13,524,711</u>
<u>LONG-TERM LIABILITIES</u>					
Long-Term Debt, Net of Current Portion	-	6,547,186	-	6,547,186	-
Operating Lease Liabilities, Net of Current Portion	-	2,651,413	-	2,651,413	3,831,513
<u>TOTAL LONG-TERM LIABILITIES</u>	<u>-</u>	<u>9,198,599</u>	<u>-</u>	<u>9,198,599</u>	<u>3,831,513</u>
<u>TOTAL LIABILITIES</u>	<u>4,468,344</u>	<u>13,735,999</u>	<u>-</u>	<u>18,204,343</u>	<u>17,356,224</u>
<u>EQUITY (DEFICIT)</u>					
Pilots' and Members' Equity (Deficit)	6,167,337	(519,571)	-	5,647,766	4,994,614
Accumulated Other Comprehensive Loss	(669,185)	-	-	(669,185)	(1,251,015)
<u>TOTAL EQUITY (DEFICIT)</u>	<u>5,498,152</u>	<u>(519,571)</u>	<u>-</u>	<u>4,978,581</u>	<u>3,743,599</u>
<u>TOTAL LIABILITIES AND EQUITY (DEFICIT)</u>	<u>\$ 9,966,496</u>	<u>\$ 13,216,428</u>	<u>\$ -</u>	<u>\$ 23,182,924</u>	<u>\$ 21,099,823</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION
CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME

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

	2023			2022	
	Bar Pilots	Benevolent	Eliminating Entries	Consolidated	Consolidated
<u>REVENUES</u>					
Pilotage Fees Earned	\$ 49,039,530	\$ -	\$ -	\$ 49,039,530	\$ 34,775,177
Pilot Vessel Construction Surcharge	-	286,194	-	286,194	-
Office and Terminal Rent	-	1,247,122	(1,247,122)	-	-
Charter Hire	-	1,060,000	(1,060,000)	-	-
<u>TOTAL REVENUES</u>	<u>49,039,530</u>	<u>2,593,316</u>	<u>(2,307,122)</u>	<u>49,325,724</u>	<u>34,775,177</u>
<u>OPERATING EXPENSES</u>					
Pilot Boat and Charter Hire	8,485,691	-	(1,060,000)	7,425,691	6,675,494
Terminal	814,910	-	(311,780)	503,130	477,411
Pilot Office and Dispatch	4,224,047	-	(935,342)	3,288,705	2,758,453
General	3,634,058	1,550,329	-	5,184,387	4,334,132
Depreciation and Amortization	-	492,699	-	492,699	248,220
<u>TOTAL OPERATING EXPENSES</u>	<u>17,158,706</u>	<u>2,043,028</u>	<u>(2,307,122)</u>	<u>16,894,612</u>	<u>14,493,710</u>
<u>OPERATING INCOME</u>	<u>31,880,824</u>	<u>550,288</u>	<u>-</u>	<u>32,431,112</u>	<u>20,281,467</u>
<u>OTHER INCOME (EXPENSE)</u>					
Government Grant Income	817,437	-	-	817,437	-
Other Income (Expense), Net	(192,736)	13,457	-	(179,279)	(10,422)
Interest Expense	-	(334,006)	-	(334,006)	(180,547)
<u>TOTAL OTHER INCOME (EXPENSE)</u>	<u>624,701</u>	<u>(320,549)</u>	<u>-</u>	<u>304,152</u>	<u>(190,969)</u>
<u>INCOME BEFORE PROVISION FOR INCOME TAXES</u>	<u>32,505,525</u>	<u>229,739</u>	<u>-</u>	<u>32,735,264</u>	<u>20,090,498</u>
<u>PROVISION FOR INCOME TAXES</u>	<u>-</u>	<u>(242,690)</u>	<u>-</u>	<u>(242,690)</u>	<u>(61,342)</u>
<u>NET INCOME</u>	<u>32,505,525</u>	<u>(12,951)</u>	<u>-</u>	<u>32,492,574</u>	<u>20,029,156</u>
<u>OTHER COMPREHENSIVE INCOME</u>					
Defined Benefit Pension Plan, Net	581,830	-	-	581,830	12,941
<u>COMPREHENSIVE INCOME</u>	<u>\$ 33,087,355</u>	<u>\$ (12,951)</u>	<u>\$ -</u>	<u>\$ 33,074,404</u>	<u>\$ 20,042,097</u>
<u>AVERAGE NET INCOME PER PILOT</u>	<u>\$ 635,792</u>				<u>\$ 396,519</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

CONSOLIDATING STATEMENT OF EQUITY (DEFICIT)

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

	Bar Pilots			Benevolent Members' Equity (Deficit)	Eliminating Entries	Consolidated
	Bar Pilots' Equity	Accumulated Other Comprehensive Loss	Total			
<u>BALANCE, JANUARY 1, 2022</u>	\$ 4,516,008	\$ (1,263,956)	\$ 3,252,052	\$ (120,252)	\$ -	\$ 3,131,800
Net Income	19,959,594	-	19,959,594	69,562	-	20,029,156
Actuarial Gain on Pension Plan	-	12,941	12,941	-	-	12,941
Contributions from New Members	-	-	-	448,771	-	448,771
Distributions of Income to Pilots	(18,076,193)	-	(18,076,193)	-	-	(18,076,193)
Redemption of Members' Interests	-	-	-	(1,802,876)	-	(1,802,876)
<u>BALANCE, DECEMBER 31, 2022</u>	6,399,409	(1,251,015)	5,148,394	(1,404,795)	-	3,743,599
Net Income (Loss)	32,505,525	-	32,505,525	(12,951)	-	32,492,574
Actuarial Gain on Pension Plan	-	581,830	581,830	-	-	581,830
Contributions from New Members	-	-	-	2,687,376	-	2,687,376
Notes Receivable from New Members	-	-	-	(445,515)	-	(445,515)
Distributions of Income to Pilots	(32,737,597)	-	(32,737,597)	-	-	(32,737,597)
Redemption of Members' Interests	-	-	-	(1,343,686)	-	(1,343,686)
<u>BALANCE, DECEMBER 31, 2023</u>	<u>\$ 6,167,337</u>	<u>\$ (669,185)</u>	<u>\$ 5,498,152</u>	<u>\$ (519,571)</u>	<u>\$ -</u>	<u>\$ 4,978,581</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

CONSOLIDATING STATEMENT OF CASH FLOWS

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

	2023			2022	
	Bar Pilots	Benevolent	Eliminating Entries	Consolidated	Consolidated
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Net Income (Loss)	\$ 32,505,525	\$ (12,951)	\$ -	\$ 32,492,574	\$ 20,029,156
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	-	492,699	-	492,699	248,220
Amortization of Loan Financing Costs	-	3,953	-	3,953	-
Non-Cash Lease Expense	-	1,205,474	-	1,205,474	1,189,656
Pension Plan Costs, Net of Contributions	(106,770)	-	-	(106,770)	(79,871)
Deferred Income Taxes	-	203,700	-	203,700	42,000
Changes in Operating Assets and Liabilities:					
Accounts Receivable	(1,766,796)	(123,511)	(20,921)	(1,911,228)	(1,616,128)
Prepaid Expenses	846	-	-	846	(7,396)
Accounts Payable	1,264,514	(18,220)	20,921	1,267,215	987,965
Accrued Expenses	90,860	(518,948)	-	(428,088)	(190,551)
Operating Lease Liabilities	-	(1,186,761)	-	(1,186,761)	(1,111,091)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>31,988,179</u>	<u>45,435</u>	<u>-</u>	<u>32,033,614</u>	<u>19,491,960</u>
<u>CASH FLOWS USED IN INVESTING ACTIVITIES</u>					
Purchase of Property and Equipment	-	(2,228,766)	-	(2,228,766)	(3,226,940)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>					
Proceeds from Line of Credit	-	1,342,686	-	1,342,686	1,802,876
Principal Payments on Line of Credit	-	(2,240,355)	-	(2,240,355)	(448,771)
Proceeds from Construction Loan	-	1,807,323	-	1,807,323	2,709,872
Payments on Construction Loan	-	(186,299)	-	(186,299)	-
Proceeds from Term Loan	-	449,614	-	449,614	-
Contributions from New Members	-	2,237,762	-	2,237,762	448,771
Collection on Notes Receivable to New Members	-	4,099	-	4,099	-
Distributions to Pilots and Retired Members	(32,737,597)	(1,343,686)	-	(34,081,283)	(19,879,069)
<u>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</u>	<u>(32,737,597)</u>	<u>2,071,144</u>	<u>-</u>	<u>(30,666,453)</u>	<u>(15,366,321)</u>
<u>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</u>	<u>(749,418)</u>	<u>(112,187)</u>	<u>-</u>	<u>(861,605)</u>	<u>898,699</u>
<u>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</u>	<u>3,252,641</u>	<u>1,269,870</u>	<u>-</u>	<u>4,522,511</u>	<u>3,623,812</u>
<u>CASH AND RESTRICTED CASH, END OF YEAR</u>	<u>\$ 2,503,223</u>	<u>\$ 1,157,683</u>	<u>\$ -</u>	<u>\$ 3,660,906</u>	<u>\$ 4,522,511</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

UNCONSOLIDATED STATEMENT OF BAR PILOTS' PILOT BOAT AND CHARTER HIRE EXPENSES

Year Ended December 31, 2023

	<u>Amount</u>	<u>%</u>
Salaries and Wages	\$ 2,960,089	34.9
Maintenance and Repair	1,480,002	17.4
Fuel	1,347,820	15.9
Charter Rental to San Francisco Bar Pilots Benevolent and Protective Association	1,060,000	12.5
Retirement Benefits	544,714	6.4
Health and Welfare	563,544	6.6
Payroll Taxes	254,666	3.0
Food Supplies	168,095	2.0
Insurance	74,037	0.9
Other	28,140	0.3
Equipment Rental	4,584	0.1
	<u>\$ 8,485,691</u>	<u>100.0</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

UNCONSOLIDATED STATEMENT OF BAR PILOTS' TERMINAL EXPENSES

Year Ended December 31, 2023

	<u>Amount</u>	<u>%</u>
Rent to San Francisco Bar Pilots		
Benevolent and Protective Association	\$ 311,780	38.2
Salaries and Wages	299,707	36.8
Maintenance and Repair	50,519	6.2
Retirement Benefits	43,929	5.4
Health and Welfare	42,914	5.3
Payroll Taxes	24,141	3.0
Maintenance Supplies	18,643	2.3
Workers' Compensation Insurance	16,795	2.1
Other	6,482	0.8
	<u>\$ 814,910</u>	<u>100.1</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

UNCONSOLIDATED STATEMENT OF BAR PILOTS' PILOT OFFICE AND DISPATCH EXPENSES

Year Ended December 31, 2023

	<u>Amount</u>	<u>%</u>
Salaries and Wages of Office Staff and Dispatchers	\$ 2,056,345	48.7
Rent to San Francisco Bar Pilots		
Benevolent and Protective Association	935,342	22.1
Employees' Retirement Plan	437,500	10.4
Medical Insurance	288,667	6.8
Maintenance and Repair	142,065	3.4
Utilities	139,051	3.3
Payroll Taxes	137,318	3.3
Other	36,961	0.9
Food Supplies	34,357	0.8
Workers' Compensation Insurance	16,441	0.4
	<u>\$ 4,224,047</u>	<u>100.1</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION

UNCONSOLIDATED STATEMENT OF BAR PILOTS' GENERAL EXPENSES

Year Ended December 31, 2023

	<u>Amount</u>	<u>%</u>
Taxi and Launch Service	\$ 920,108	25.3
Professional Services	538,988	14.8
Insurance	536,466	14.8
Legal and Accounting	521,707	14.4
Public Relations	265,858	7.3
Dues and Subscriptions	263,032	7.2
Political Contributions and Lobbying Expenses	228,632	6.3
Travel	110,354	3.0
Donations	76,110	2.1
Other	60,978	1.7
Business Taxes	60,193	1.7
Navigation	18,705	0.5
Bank Services	18,293	0.5
Communications	14,634	0.4
	<u>\$ 3,634,058</u>	<u>100.0</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION
UNCONSOLIDATED STATEMENTS OF SURCHARGES: BILLINGS AND DISBURSEMENTS

Years Ended December 31, 2023 and 2022

	Pilot Commission	Pilot Training	Pilot Trainee	Pilot Vessel Construction	Total Board of Pilot Commissioners	Statutory Pension Rate
<u>UNDISBURSED SURCHARGES, JANUARY 1, 2022</u>	\$ 238,723	\$ 53,890	\$ 129,330	\$ -	\$ 421,943	\$ 785,453
Billings	1,832,549	375,420	1,022,160	-	3,230,129	14,126,797
Disbursements to Statutory Pension Plan	-	-	-	-	-	(13,636,092)
Disbursements to Board of Pilot Commissioners	<u>(1,718,177)</u>	<u>(361,820)</u>	<u>(998,886)</u>	<u>-</u>	<u>(3,078,883)</u>	<u>-</u>
<u>UNDISBURSED SURCHARGES, DECEMBER 31, 2022</u>	353,095	67,490	152,604	-	573,189	1,276,158
Billings	2,599,032	429,810	568,700	6,936,921	10,534,463	18,119,114
Disbursements to Statutory Pension Plan	-	-	-	-	-	(17,868,533)
Disbursements to Board of Pilot Commissioners	<u>(2,499,856)</u>	<u>(437,687)</u>	<u>(682,023)</u>	<u>(5,879,161)</u>	<u>(9,498,727)</u>	<u>-</u>
<u>UNDISBURSED SURCHARGES, DECEMBER 31, 2023</u>	<u>\$ 452,271</u>	<u>\$ 59,613</u>	<u>\$ 39,281</u>	<u>\$ 1,057,760</u>	<u>\$ 1,608,925</u>	<u>\$ 1,526,739</u>

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION
UNCONSOLIDATED STATEMENTS OF SURCHARGES: BILLINGS AND COLLECTIONS

Years Ended December 31, 2023 and 2022

	Uncollected Surcharges			Uncollected Surcharges			Uncollected Surcharges
	January 1, 2022	Billings	Collections	December 31, 2022	Billings	Collections	December 31, 2023
<u>PILOTAGE SURCHARGES</u>							
Gross Pilotage							
Pilotage	\$ 1,405,106	25,056,959	(24,662,326)	\$ 1,799,739	31,815,984	(31,240,456)	\$ 2,375,267
Bay Moves	159,850	2,198,129	(2,045,455)	312,524	3,983,599	(3,924,157)	371,966
River Moves	78,897	2,301,710	(2,302,505)	78,102	2,713,500	(2,704,457)	87,145
Miscellaneous Charges	229,511	2,269,054	(2,231,232)	267,333	3,899,449	(3,689,480)	477,302
Total Gross Pilotage	1,873,364	31,825,852	(31,241,518)	2,457,698	42,412,532	(41,558,550)	3,311,680
Temporary Tariff Fee	-	1,480,900	(1,003,768)	477,132	6,626,998	(6,543,433)	560,697
Pilot Board Maintenance	48,240	1,246,250	(1,232,898)	61,592	-	(60,959)	633
Pilot Dispatch System	18,760	222,175	(240,565)	370	-	(207)	163
<u>TOTAL PILOTAGE SURCHARGES</u>	1,940,364	34,775,177	(33,718,749)	2,996,792	49,039,530	(48,163,149)	3,873,173
<u>OTHER SURCHARGES</u>							
Board of Pilot Commissioners Surcharges							
Pilot Commission	116,242	1,832,549	(1,784,001)	164,790	2,599,032	(2,526,396)	237,426
Pilot Training	27,325	375,420	(370,563)	32,182	429,810	(430,512)	31,480
Pilot Trainee	60,520	1,022,160	(1,014,705)	67,975	568,700	(616,215)	20,460
Pilot Vessel Construction	-	-	-	-	6,936,920	(6,392,159)	544,761
Total Board of Pilot Commissioners Surcharges	204,087	3,230,129	(3,169,269)	264,947	10,534,462	(9,965,282)	834,127
Statutory Pension Rate	832,023	14,126,797	(13,736,122)	1,222,698	18,119,114	(17,879,994)	1,461,818
<u>TOTAL OTHER SURCHARGES</u>	1,036,110	17,356,926	(16,905,391)	1,487,645	28,653,576	(27,845,276)	2,295,945
<u>TOTAL SURCHARGES</u>	\$ 2,976,474	\$ 52,132,103	\$ (50,624,140)	\$ 4,484,437	\$ 77,693,106	\$ (76,008,425)	\$ 6,169,118