SAN FRANCISCO BAR PILOTS

AND

SAN FRANCISCO BAR PILOTS
BENEVOLENT AND PROTECTIVE ASSOCIATION

CONSOLIDATING FINANCIAL STATEMENTS

Year Ended December 31, 2021
(With Comparative Consolidated Amounts for 2020)

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

December 31, 2021
(With Comparative Consolidated Amounts for 2020)

Table of Contents

MHM

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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 consolidating financial statements of SAN FRANCISCO BAR PILOTS and SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION, (collectively, the "Companies"), which comprise the consolidating balance sheet as of December 31, 2021, and the related consolidating statements of income and comprehensive income, equity (deficit) and cash flows for the year then ended, and the related notes to the consolidating financial statements.

In our opinion, the accompanying consolidating financial statements present fairly, in all material respects, the financial position of the Companies as of December 31, 2021, and the results of their operations and their cash flows for the year 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidating 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of the Companies as of and for the year ended December 31, 2020 were audited by other auditors whose report dated February 25, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of the consolidating 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 consolidating financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidating 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 financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidating Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidating 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 consolidating 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 consolidating 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 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 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.

Mayer Hoffman McCann P.C.

San Francisco, California
March 9, 2022

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

CONSOLIDATING BALANCE SHEET

December 31, 2021
(With Comparative Consolidated Amounts for 2020)

ASSETS

	2021				2020
	Bar Pilots	Benevolent	Eliminating Entries	Consolidated	Consolidated
CURRENT ASSETS					
Cash	$ 890,610	$ 1,515,806	$ -	$ 2,406,416	$ 3,111,745
Accounts Receivable:					
Trade, Net of Allowance for Doubtful Accounts	2,966,474	-	-	2,966,474	3,455,208
Other Receivables	42,511	-	-	42,511	39,255
Prepaid Expenses	-	51,390	-	51,390	19,195
TOTAL CURRENT ASSETS	3,899,595	1,567,196	-	5,466,791	6,625,403
PROPERTY AND EQUIPMENT, NET	-	3,428,735	-	3,428,735	1,206,936
PENSION PLAN ASSET	343,875	-	-	343,875	-
DEFERRED INCOME TAX ASSET	-	246,000	-	246,000	159,900
RESTRICTED CASH	1,207,396	10,000	-	1,217,396	1,314,674
TOTAL ASSETS	$ 5,450,866	$ 5,251,931	-	$ 10,702,797	$ 9,306,913

See accompanying notes to consolidating financial statements.

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

CONSOLIDATING BALANCE SHEET (Continued)

December 31, 2021
(With Comparative Consolidated Amounts for 2020)

LIABILITIES AND EQUITY (DEFICIT)

	2021				2020
	Bar Pilots	Benevolent	Eliminating Entries	Consolidated	Consolidated
CURRENT LIABILITIES					
Lines of Credit	$ -	$ 4,365,005	$ -	$ 4,365,005	$ 2,942,999
Accounts Payable:					
Trade	279,414	20,698	-	300,112	258,240
Board of Pilot Commissioners	421,943	-	-	421,943	414,751
Pension	-	-	-	-	878,893
Other	863,634	-	-	863,634	87,363
Accrued Expenses:					
Accrued Rent	-	857,479	-	857,479	343,376
Vacation Pay	535,284	-	-	535,284	486,062
Other	98,539	53,342	-	151,881	230,736
TOTAL CURRENT LIABILITIES	2,198,814	5,296,524	-	7,495,338	5,642,420
LONG-TERM LIABILITIES					
Deferred Rent	-	75,659	-	75,659	135,442
Paycheck Protection Program Loan	-	-	-	-	742,219
Accrued Pension Benefit Obligation	-	-	-	-	291,958
TOTAL LONG-TERM LIABILITIES	-	75,659	-	75,659	1,169,619
TOTAL LIABILITIES	2,198,814	5,372,183	-	7,570,997	6,812,039
EQUITY (DEFICIT)					
Pilots' and Members' Equity (Deficit)	4,516,008	(120,252)	-	4,395,756	4,256,009
Accumulated Other Comprehensive Loss	(1,263,956)	-	-	(1,263,956)	(1,761,135)
TOTAL EQUITY (DEFICIT)	3,252,052	(120,252)	-	3,131,800	2,494,874
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 5,450,866	$ 5,251,931	$ -	$ 10,702,797	$ 9,306,913

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

CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME

Year Ended December 31, 2021
(With Comparative Consolidated Amounts for 2020)

	2021				2020
	Bar Pilots	Benevolent	Eliminating Entries	Consolidated	Consolidated
REVENUES					
Pilotage Fees Earned	$ 31,204,177	$ -	$ -	$ 31,204,177	$ 36,807,543
Navigation Technology Surcharge	-	-	-	-	331,800
Office and Terminal Rent	-	1,474,103	(1,474,103)	-	-
Charter Hire	-	877,093	(877,093)	-	-
TOTAL REVENUES	31,204,177	2,351,196	(2,351,196)	31,204,177	37,139,343
OPERATING EXPENSES					
Pilot Boat and Charter Hire	7,366,026	-	(877,093)	6,488,933	6,345,200
Terminal	805,703	-	(368,526)	437,177	406,232
Pilot Office and Dispatch	3,942,495	-	(1,105,577)	2,836,918	2,727,015
General	2,505,609	1,511,096	-	4,016,705	4,320,414
Depreciation and Amortization	-	441,193	-	441,193	422,413
TOTAL OPERATING EXPENSES	14,619,833	1,952,289	(2,351,196)	14,220,926	14,221,274
OPERATING INCOME	16,584,344	398,907	-	16,983,251	22,918,069
OTHER INCOME (EXPENSE)					
Forgiveness of Paycheck Protection Program Loan	747,526	-	-	747,526	-
Other Income (Expense), Net	(8,595)	889	-	(7,706)	49,551
Interest Expense	-	(85,112)	-	(85,112)	(54,697)
TOTAL OTHER INCOME (EXPENSE)	738,931	(84,223)	-	654,708	(5,146)
INCOME BEFORE BENEFIT FROM INCOME TAXES	17,323,275	314,684	-	17,637,959	22,912,923
BENEFIT FROM INCOME TAXES	-	26,958	-	26,958	9,700
NET INCOME	17,323,275	341,642	-	17,664,917	22,922,623
OTHER COMPREHENSIVE INCOME					
Defined Benefit Pension Plan, Net	497,179	-	-	497,179	102,433
COMPREHENSIVE INCOME	$ 17,820,454	$ 341,642	$ -	$ 18,162,096	$ 23,025,056
AVERAGE NET INCOME PER PILOT	$ 328,154				$ 428,539

See accompanying notes to consolidating financial statements.

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

CONSOLIDATING STATEMENT OF EQUITY (DEFICIT)

Year Ended December 31, 2021
(With Comparative Consolidated Amounts for 2020)

	Bar Pilots					
	Bar Pilots' Equity	Accumulated Other Comprehensive Loss	Total	Benevolent Members' Equity (Deficit)	Eliminating Entries	Consolidated
BALANCE, JANUARY 1, 2020	$ 5,555,618	$ (1,863,568)	$ 3,692,050	$ 1,523,418	$ -	$ 5,215,468
Net Income (Loss)	23,325,360	-	23,325,360	(402,737)	-	22,922,623
Actuarial Gain on Pension Plan	-	102,433	102,433	-	-	102,433
Contributions from New Members	-	-	-	505,130	-	505,130
Distributions of Income to Pilots	(23,220,000)	-	(23,220,000)	-	-	(23,220,000)
Redemption of Members' Interests	-	-	-	(3,030,780)	-	(3,030,780)
BALANCE, DECEMBER 31, 2020	5,660,978	(1,761,135)	3,899,843	(1,404,969)	-	2,494,874
Net Income	17,323,275	-	17,323,275	341,642	-	17,664,917
Actuarial Gain on Pension Plan	-	497,179	497,179	-	-	497,179
Contributions from New Members	-	-	-	2,896,410	-	2,896,410
Distributions of Income to Pilots	(18,468,245)	-	(18,468,245)	-	-	(18,468,245)
Redemption of Members' Interests	-	-	-	(1,953,335)	-	(1,953,335)
BALANCE, DECEMBER 31, 2021	$ 4,516,008	$ (1,263,956)	$ 3,252,052	$ (120,252)	$ -	$ 3,131,800

See accompanying notes to consolidating financial statements.

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

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2021
(With Comparative Consolidated Amounts for 2020)

	2021				2020
	Bar Pilots	Benevolent	Eliminating Entries	Consolidated	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Income	$ 17,323,275	$ 341,642	$ -	$ 17,664,917	$ 22,922,623
Adjustments to Reconcile Net Income to					
Net Cash Provided by Operating Activities:					
Depreciation and Amortization	-	441,193	-	441,193	422,413
Loss on Disposal of Fixed Assets	-	-	-	-	10,196
Pension Plan Costs, Net of Contributions	(138,654)	-	-	(138,654)	(250,406)
Deferred Income Taxes	-	(86,100)	-	(86,100)	(10,500)
Forgiveness of Paycheck Protection Program Loan	(747,526)	-	-	(747,526)	-
Changes in Operating Assets and Liabilities:					
Accounts Receivable	485,478	43,258	(43,258)	485,478	1,261,674
Prepaid Expenses	10,967	(43,162)	-	(32,195)	118,408
Accounts Payable	(117,514)	20,698	43,258	(53,558)	(181,270)
Accrued Expenses	72,333	417,444	-	489,777	409,493
Deferred Rent	-	(59,783)	-	(59,783)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,888,359	1,075,190	-	17,963,549	24,702,631
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of Property and Equipment	-	(2,662,992)	-	(2,662,992)	(216,483)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Line of Credit, Net	-	3,363,476	-	3,363,476	3,030,780
Principal Payments on Line of Credit	-	(1,941,470)	-	(1,941,470)	(505,130)
Proceeds from Paycheck Protection Program Loan	-	-	-	-	742,219
Principal Payments on Long-Term Debt	-	-	-	-	(264,694)
Contributions from New Members	-	2,896,410	-	2,896,410	505,130
Distributions to Pilots and Retired Members	(18,468,245)	(1,953,335)	-	(20,421,580)	(26,250,780)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(18,468,245)	2,365,081	-	(16,103,164)	(22,742,475)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(1,579,886)	777,279	-	(802,607)	1,743,673
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	3,677,892	748,527	-	4,426,419	2,682,746
CASH AND RESTRICTED CASH, END OF YEAR	$ 2,098,006	$ 1,525,806	$ -	$ 3,623,812	$ 4,426,419
SUPPLEMENTAL CASH FLOW INFORMATION					
Interest Paid During the Year, Net of Amount Capitalized of $110,058 in 2021	$ -	$ 85,112	$ -	$ 85,112	$ 54,697
Income Taxes Paid During the Year	$ -	$ 800	$ -	$ 800	$ -

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 or leased 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 consolidating 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. 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 shown as Contributions from New Members and redemptions of memberships are shown as Redemption of Members' Interests on the accompanying consolidating statement of equity (deficit). As of December 31, 2021 and 2020, the membership/redemption price was approximately $483,000 and $505,000, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Consolidating – The *Consolidation* topic of the Financial Accounting Standards Board ("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 consolidating financial statements. Intercompany accounts and transactions have been eliminated in consolidation. These eliminations are shown in a separate column within the basic consolidating financial statements.

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 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 from the navigation technology surcharge and surcharges 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 its customers in the normal course of business and perform ongoing credit evaluations of its 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 reflects management's analysis of receivables and the probability of collecting those accounts. Trade accounts receivable are charged against the allowance when it is determined that a payment will not be received. As of December 31, 2021 and 2020, the allowance for doubtful accounts for each year is $10,000.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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, 2021 and 2020.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues (Continued) – 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. For performance obligations related to Benevolent's revenue from surcharges billed for the use of navigation technology, which are collected by Bar Pilots on the behalf of Benevolent, control transfers to the customer at a point in time. Benevolent recognizes revenue upon completion of a pilotage. In addition, the majority of the Company's contracts do not contain variable consideration and contract modifications are generally minimal.

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, which are excluded from revenue. 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, for the purchase and licensing of navigation equipment and software, 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, paid to the Board of Pilot Commissioners for its operations, the trainee training program and the pilot continuing education program, or retained by the Companies in accordance with applicable law and regulations.

The Company does 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 2021 and 2020 was 53 and 54, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"), which requires, among other things, lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained the current dual model whereby leases are classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. This is similar to the current income statement treatment for leases. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842) Effective Dates for Certain Entities*, which defers the effective date of ASU 2016-02 for nonpublic entities for annual reporting periods beginning after December 15, 2019 to December 15, 2021. ASU 2016-02 is effective for the Company for the year ended December 31, 2022. The new standard must be adopted using a modified retrospective transition (with the initial application date of either the beginning of the earliest comparative year presented or the beginning of the year of adoption) and provides for certain practical expedients. Management is currently evaluating the impact of adopting this guidance on the Companies' consolidating financial statements.

Subsequent Events – The Companies have evaluated the impact of subsequent events on these consolidating financial statements, including disclosures, through March 9, 2022, the date the consolidating financial statements were available to be issued.

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 consolidating statement of cash flows.

	2021	2020
Cash	$ 2,406,416	$ 3,111,745
Restricted Cash	1,207,396	1,314,674
Total Cash and Restricted Cash Presented in the Accompanying Consolidating Statements of Cash Flow	$ 3,623,812	$ 4,426,419

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of the following:

	2021	2020
Pilot Boats and Improvements:		
"Drake"	$ 8,483,383	$
"San Francisco"	5,335,880	5,335,880
"California"	4,902,025	
"Golden Gate"		
"Pittsburg"	275,478	275,478
Leasehold and Dock Improvements	4,724,516	4,724,516
Office Furniture and Equipment		1,980,004
Pilot Boat Equipment	681,088	
Automobile	62,418	62,418
Construction-in-Progress - Pilot Boat	2,692,992	30,000
	31,758,529	29,095,537
Less: Accumulated Depreciation and Amortization	(28,329,794)	(27,888,601)
Property and Equipment, Net	$ 3,428,735	$ 1,206,936

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was $441,193 and $422,413, respectively.

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, but no less than 3.75% (effective rate at both December 31, 2021 and 2020 was 3.75%), expiring on June 21, 2022. 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, 2021 and 2020, Bar Pilots is unaware of any covenant violations.

At December 31, 2021 and 2020, Bar Pilots had no borrowings against the above line of credit.

NOTE 5 – LINES OF CREDIT (Continued)

Benevolent has a revolving line of credit with a bank with a maximum borrowing limit of $3,500,000 as of December 31, 2021 and 2020, bearing interest at the bank's reference rate, but no less than 3.75% (effective rate at both December 31, 2021 and 2020 was 3.75%), and expiring on June 21, 2022. The line is collateralized by certain assets of Benevolent. At December 31, 2021 and 2020, Benevolent had borrowings against this line of credit for $1,966,999 and $2,942,999, respectively. Total interest incurred and expensed was $85,112 and $49,179 for the years ended December 31, 2021 and 2020, respectively.

In April 2021, Benevolent entered into a revolving line of credit with a bank with a maximum borrowing limit of $7,000,000 for the construction of a new pilot vessel bearing interest at 3.00%. The line of credit is collateralized by the new pilot vessel. Benevolent may take borrowings against this line of credit until the completion of the pilot vessel construction or October 6, 2022, whichever occurs earlier. At December 31, 2021, Benevolent had borrowings against this line of credit for $2,398,006. For the year ended December 31, 2021, total interest incurred and capitalized as part of the new pilot vessel was $35,508.

Letters of credit totaling $208,085 have also been made available for Benevolent. At December 31, 2021 and 2020, the Companies had no borrowings against the letters of credit.

NOTE 6 – LONG-TERM DEBT

In November 2020, Benevolent paid off outstanding long-term debt associated with the navigation equipment purchases and software license, which bore interest at the bank's reference rate. This note was subject to certain financial covenants which included, among other things, a debt service ratio. At December 31, 2020, total interest incurred and expensed was $5,518.

NOTE 7 – PAY CHECK PROTECTION PROGRAM LOAN

On July 21, 2020, the Bar Pilots received a loan with a financial institution in the amount of $742,219, under the Payroll Protection Program ("PPP Loan") set forth in the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The original maturity date of the loan was July 1, 2025 and the loan bore interest at a rate of 1% per annum. The original terms of the loan allowed for deferral of repayments for the first seven months, after which, principal and interest payments were due monthly. Borrowers who applied for forgiveness during the prescribed period were extended additional deferral of payments while the forgiveness application was under review. Proceeds of the loan were used for qualified expenses, primarily related to payroll costs, as set forth in the CARES Act and as further defined by the SBA. On April 14, 2021, the Company's application for forgiveness of the loan was approved by the SBA and the full loan amount and accrued interest was forgiven.

NOTE 8 – INCOME TAXES

Benevolent's provision for (benefit from) income taxes for the years ended December 31 consists of the following:

	2021	2020
Current:		
Federal	$ 58,342	$ -
State	800	800
Total Current	59,142	800
Deferred:		
Federal	(109,500)	24,200
State	23,400	(34,700)
Total Deferred	(86,100)	(10,500)
	$ (26,958)	$ (9,700)

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

	2021	2020
Deferred Tax Asset	$ 246,000	$ 159,900
Deferred Tax Liability	-	-
Less: Valuation Allowance	-	-
Net Deferred Tax Asset	$ 246,000	$ 159,900

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Leases – 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 at Pier 9, which expires in December 2026. These facilities are subleased to Bar Pilots during the term of the principal lease, which eliminate upon consolidation. The charter rentals for the pilot boats are established annually. Total rent expense for the years ended December 31, 2021 and 2020 was $1,414,320 and $1,437,925, respectively.

Total future minimum lease payments at December 31, 2021 are as follows:

Years Ending December 31,		
2022	$	1,175,875
2023		1,518,326
2024		1,563,876
2025		1,610,792
2026		1,659,116
	$	7,527,985

Guaranty – As of December 31, 2021, and 2020, Benevolent is contingently liability as a guarantor to approximately $4,067,000 and $3,172,000, respectively of the indebtedness of the new members, whom financed their contributions through an institutional lender. The term of the guarantee is through April 2027. 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 construction price is $6,676,151 which may be adjusted through subsequent change orders. Payments are to the contractor based on completion of progress goals outlined in the contract. Total payments of $2,393,006 have been made through December 31, 2021. Benevolent expects the project to be completed and placed in service by October 2022.

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' consolidating financial statements.

NOTE 10 – RETIREMENT PLANS

Defined Benefit Pension Plan – Effective January 1, 1975, the California Legislature had enacted legislation establishing a defined benefit pension plan for the benefit of Bar Pilots. Funds required to pay the benefits are derived through the imposition of a special charge to ships being piloted. Under the statute, the currently active Bar Pilots act as agents for the retired pilots by collecting the funds and transmitting them to the fiduciary agent.

On November 22, 1978, Bar Pilots 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, 2021 and 2020, service costs of $245,757 and $145,283, respectively are included in operating expenses on the consolidating 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:

	2021	2020
Projected Benefit Obligation	$ 6,385,198	$ 6,355,180
Fair Value of Plan Assets	6,729,073	6,063,222
Funded (Unfunded) Status	$ 343,875	$ (291,958)

The 2021 funded status is recognized in the accompanying consolidating balance sheet and is included in noncurrent asset as Pension Plan Asset. The 2020 unfunded status is recognized in the accompanying consolidating balance sheet and is included in noncurrent liabilities as Accrued Pension Benefit Obligation.

The projected benefit obligation experienced a net gain of approximately $284,000 during the year. This net gain was the result of a loss due to demographic experience and a gain due to assumption changes related to change in discount rate and change in mortality.

NOTE 10 – RETIREMENT PLANS (Continued)

Defined Benefit Pension Plan (Continued) – 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:

	2021	2020
Unrecognized Transition Obligation	$ 46,736	$ 70,105
Prior Service Cost	602,286	575,223
Net Loss	614,934	1,115,807
	$ 1,263,956	$ 1,761,135

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

	2021	2020
Net Gain Arising During the Year	$ 459,181	$ 109,019
Prior Service Cost	(104,402)	(155,991)
Amortization of Transition Obligation	23,369	23,369
Amortization of Prior Service Costs	77,339	66,197
Amortization of Net Gain	41,692	59,839
Other Comprehensive Gain	$ 497,179	$ 102,433

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

	2021	2020
Net Periodic Benefit Cost	$ 127,346	$ 128,594
Employer Contributions	$ 266,000	$ 379,000
Benefits Paid	$ 179,775	$ 173,879

NOTE 10 – RETIREMENT PLANS (Continued)

Defined Benefit Pension Plan (Continued) – Weighted-average assumptions used to determine net periodic benefit cost and pension liability are as follows:

	2021	2020
Discount Rate – Net Periodic Benefit Cost	2.30%	3.07%
Discount Rate – Accumulated Benefit Obligation	2.68%	2.30%
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, 2021 and 2020. 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. No plan assets are expected to be returned to Bar Pilots during 2021.

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,		
2022	$	246,999
2023		264,090
2024		256,661
2025		295,268
2026		286,930
2027 to 2031		1,472,448

Bar Pilots expect to make employer contributions to the pension plan totaling approximately $244,800 during the year ended December 31, 2021.

NOTE 10 – RETIREMENT PLANS (Continued)

Marine Employees Retirement Savings Plan – Bar Pilots and the Sailors Union of the Pacific (the "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.

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 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:

	2021	2020
Defined Benefit Pension Plan	$ 266,000	$ 379,000
Marine Employees Retirement Savings Plan	461,351	212,977
San Francisco Bar Pilots Retirement Plan	208,456	429,256
	$ 935,807	$ 1,021,233

NOTE 11 – RELATED PARTY TRANSACTIONS

Bar Pilots lease pilot boats (classified as Charter Hire) and facilities (classified as Rent) from Benevolent. Bar Pilots collect Navigation Technologies Surcharges on behalf of Benevolent. At December 31, 2020, Bar Pilots owed Navigation Technologies Surcharges collected, but not remitted to Benevolent, $36,080. In addition, at December 31, 2020, Bar Pilots owed $7,178 to the Benevolent related to certain expenses the Benevolent paid on behalf of the Companies. No amounts were owed between the Companies at December 31, 2021.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

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

We have audited the consolidating financial statements of SAN FRANCISCO BAR PILOTS and SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION (collectively, the "Companies), as of and for the year ended December 31, 2021, and our report thereon dated March 9, 2022, which expressed an unmodified opinion on those consolidating financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The accompanying supplementary information presented in Exhibits 1 through 4 is presented for the purpose of additional analysis and is not a required part of the consolidating 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 consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating 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 consolidating financial statements as a whole.

Mayer Hoffman McCann P.C.

San Francisco, California
March 9, 2022

EXHIBIT 1

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, 2021

	Amount	%
Salaries and Wages	$ 3,009,387	40.9
Fuel	1,036,356	14.1
Maintenance and Repair	1,014,295	13.8
Charter Rental to San Francisco Bar Pilots Benevolent and Protective Association	877,093	11.9
Health and Welfare	477,296	6.5
Retirement Benefits	422,459	5.7
Payroll Taxes	243,780	3.3
Food Supplies	142,944	1.9
Insurance	100,728	1.4
Other	37,704	0.4
Equipment Rental	3,984	0.1
	$ 7,366,026	100.0

EXHIBIT 2

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

UNCONSOLIDATED STATEMENT OF BAR PILOTS' TERMINAL EXPENSES

Year Ended December 31, 2021

	Amount	%
Rent to San Francisco Bar Pilots Benevolent and Protective Association	$ 368,526	45.8
Salaries and Wages	261,317	32.4
Health and Welfare	42,194	5.2
Retirement Benefits	38,751	4.8
Maintenance Supplies	33,212	4.1
Other	25,293	3.1
Payroll Taxes	21,048	2.6
Workers' Compensation Insurance	15,362	2.0
	$ 805,703	100.0

EXHIBIT 3

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

UNCONSOLIDATED STATEMENT OF BAR PILOTS' PILOTS OFFICE AND DISPATCH EXPENSES

Year Ended December 31, 2021

	Amount	%
Salaries and Wages of Office Staff and Dispatchers	$ 1,925,923	48.9
Rent to San Francisco Bar Pilots Benevolent and Protective Association	1,105,577	28.0
Medical Insurance	296,997	7.5
Employees' Retirement Plan	214,686	5.4
Utilities	134,708	3.4
Payroll Taxes	126,256	3.2
Maintenance and Repair	65,699	1.7
Other	32,250	0.8
Food Supplies	22,047	0.6
Workers' Compensation Insurance	18,352	0.5
	$ 3,942,495	100.0

EXHIBIT 4

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

UNCONSOLIDATED STATEMENT OF BAR PILOTS' GENERAL EXPENSES

Year Ended December 31, 2021

	Amount	%
Taxi and Launch Service	$ 864,583	34.6
Insurance	565,379	22.6
Professional Services	244,174	9.7
Dues and Subscriptions	233,771	9.3
Lobbying Expenses	210,600	8.4
Public Relations	109,077	4.4
Business Taxes	96,887	3.9
Legal and Accounting	78,717	3.1
Other	28,332	1.1
Bank Services	15,361	0.6
Travel	21,776	0.9
Donations	15,600	0.6
Communications	9,969	0.4
Political Contributions	7,400	0.3
Continued Education	3,983	0.2
	$ 2,505,609	100.0