

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

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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

December 31, 2022 and 2021

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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 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, 2022 and 2021, and the related consolidated statements of income and comprehensive income, equity (deficit) 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, 2022 and 2021, 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.

### *Change in Accounting Principle*

As discussed in Note 2 to the financial statements, the Companies changed their method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

### *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.

*Mayer Hoffman McCann P.C.*

San Francisco, California

March 21, 2023

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

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31,	
	2022	2021
<u>CURRENT ASSETS</u>		
Cash	\$ 2,663,163	\$ 2,406,416
Accounts Receivable:		
Trade, Net of Allowance for Doubtful Accounts	4,484,437	2,966,474
Other Receivables	61,172	42,511
Prepaid Expenses	58,786	51,390
<u>TOTAL CURRENT ASSETS</u>	7,267,558	5,466,791
<u>PROPERTY AND EQUIPMENT</u>		
Operating Lease Right-of-Use Assets, Net	4,924,775	-
Other Property and Equipment, Net	6,407,455	3,428,735
<u>TOTAL PROPERTY AND EQUIPMENT</u>	11,332,230	3,428,735
<u>PENSION PLAN ASSET</u>	436,687	343,875
<u>DEFERRED INCOME TAX ASSET</u>	204,000	246,000
<u>RESTRICTED CASH</u>	1,859,348	1,217,396
<u>TOTAL ASSETS</u>	\$ 21,099,823	\$ 10,702,797

SAN FRANCISCO BAR PILOTS  
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CONSOLIDATED BALANCE SHEETS (Continued)

LIABILITIES AND EQUITY (DEFICIT)

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>CURRENT LIABILITIES</u>		
Line of Credit	\$ 3,246,104	\$ 1,891,999
Construction Loan	5,182,878	2,473,006
Accounts Payable:		
Trade	644,802	300,112
Board of Pilot Commissioners	573,190	421,943
Pension	1,276,158	785,453
Other	-	78,181
Accrued Expenses:		
Accrued Rent	684,203	857,479
Vacation Pay	555,603	535,284
Other	114,287	151,881
Operating Lease Liabilities, Current	1,247,486	-
<u>TOTAL CURRENT LIABILITIES</u>	<u>13,524,711</u>	<u>7,495,338</u>
<u>LONG-TERM LIABILITIES</u>		
Deferred Rent	-	75,659
Operating Lease Liabilities, Net of Current Portion	3,831,513	-
<u>TOTAL LONG-TERM LIABILITIES</u>	<u>3,831,513</u>	<u>75,659</u>
<u>TOTAL LIABILITIES</u>	<u>17,356,224</u>	<u>7,570,997</u>
<u>EQUITY (DEFICIT)</u>		
Pilots' and Members' Equity	4,994,614	4,395,756
Accumulated Other Comprehensive Loss	(1,251,015)	(1,263,956)
<u>TOTAL EQUITY</u>	<u>3,743,599</u>	<u>3,131,800</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$ 21,099,823</u>	<u>\$ 10,702,797</u>

SAN FRANCISCO BAR PILOTS  
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CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	<u>Years Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>REVENUES</u>		
Pilotage Fees Earned	\$ 34,775,177	\$ 31,204,177
<u>OPERATING EXPENSES</u>		
Pilot Boat	6,675,494	6,488,933
Terminal	477,411	437,177
Pilot Office and Dispatch	2,758,453	2,836,918
General	4,334,132	4,016,705
Depreciation and Amortization	248,220	441,193
<u>TOTAL OPERATING EXPENSES</u>	<u>14,493,710</u>	<u>14,220,926</u>
<u>OPERATING INCOME</u>	<u>20,281,467</u>	<u>16,983,251</u>
<u>OTHER INCOME (EXPENSE)</u>		
Forgiveness of Paycheck Protection Program Loan	-	747,526
Other Expense, Net	(10,422)	(7,706)
Interest Expense	(180,547)	(85,112)
<u>TOTAL OTHER INCOME (EXPENSE)</u>	<u>(190,969)</u>	<u>654,708</u>
<u>INCOME BEFORE (PROVISION FOR)</u> <u>BENEFIT FROM INCOME TAXES</u>	<u>20,090,498</u>	<u>17,637,959</u>
<u>(PROVISION FOR)</u> <u>BENEFIT FROM INCOME TAXES</u>	<u>(61,342)</u>	<u>26,958</u>
<u>NET INCOME</u>	<u>20,029,156</u>	<u>17,664,917</u>
<u>OTHER COMPREHENSIVE INCOME</u>		
Defined Benefit Pension Plan, Net	12,941	497,179
<u>COMPREHENSIVE INCOME</u>	<u>\$ 20,042,097</u>	<u>\$ 18,162,096</u>
<u>AVERAGE NET INCOME PER PILOT</u>	<u>\$ 396,519</u>	<u>\$ 328,154</u>

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CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

Years Ended December 31, 2022 and 2021

	<u>Pilots' and Members' Equity</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
<u>BALANCE, JANUARY 1, 2021</u>	\$ 4,256,009	\$ (1,761,135)	\$ 2,494,874
Net Income	17,664,917	-	17,664,917
Actuarial Gain on Pension Plan	-	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)
Redemption of Members' Interests	(1,953,335)	-	(1,953,335)
<u>BALANCE, DECEMBER 31, 2021</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	(1,802,876)	-	(1,802,876)
<u>BALANCE, DECEMBER 31, 2022</u>	<u>\$ 4,994,614</u>	<u>\$ (1,251,015)</u>	<u>\$ 3,743,599</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Income	\$ 20,029,156	\$ 17,664,917
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	248,220	441,193
Non-Cash Lease Expense	1,189,656	-
Pension Plan Costs, Net of Contributions	(79,871)	(138,654)
Deferred Income Taxes	42,000	(86,100)
Forgiveness of Paycheck Protection Program Loan	-	(747,526)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(1,616,128)	485,478
Prepaid Expenses	(7,396)	(32,195)
Accounts Payable	987,965	(53,558)
Accrued Expenses	(190,551)	489,777
Operating Lease Liabilities	(1,111,091)	-
Deferred Rent	-	(59,783)
	<u>19,491,960</u>	<u>17,963,549</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
<u>CASH FLOWS USED IN INVESTING ACTIVITIES</u>		
Purchase of Property and Equipment	(3,226,940)	(2,662,992)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Line of Credit	1,802,876	965,470
Principal Payments on Line of Credit	(448,771)	(1,941,470)
Proceeds from Construction Loan	2,709,872	2,398,006
Contributions from New Members	448,771	2,896,410
Distributions to Pilots and Retired Members	(19,879,069)	(20,421,580)
	<u>(15,366,321)</u>	<u>(16,103,164)</u>
<u>NET CASH USED IN FINANCING ACTIVITIES</u>		
<u>NET INCREASE (DECREASE) IN CASH</u>		
<u>AND RESTRICTED CASH</u>	898,699	(802,607)
<u>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</u>		
	<u>3,623,812</u>	<u>4,426,419</u>
<u>CASH AND RESTRICTED CASH, END OF YEAR</u>		
	<u>\$ 4,522,511</u>	<u>\$ 3,623,812</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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 10). 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, 2022 and 2021, the membership/redemption price was approximately \$449,000 and \$483,000, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Consolidation – 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 consolidated financial statements. Intercompany accounts and transactions have been eliminated in consolidation.

Adoption of Recent Accounting Pronouncements – In February 2016, the FASB issued ASC 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Companies adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning period of adoption) using a modified retrospective approach, with all available practical expedients.

The Companies elected the available practical expedients to account for existing operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Companies recognized on January 1, 2022 a lease liability of \$6,190,090, which represents the present value of the remaining operating lease payments of \$6,406,650, discounted using the risk free rate of 1.37%, and a right of use asset of \$6,114,431.

The standard had a material impact on the consolidated balance sheets but did not have an impact on our consolidated income statements, nor consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (see Note 14).

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 the pilot trainee surcharge, pilot continuing education surcharge, board operations 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 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, 2022 and 2021, the allowance for doubtful accounts for each year is \$10,000.

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, 2022 and 2021.

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 ROU assets, and operating lease liabilities on the balance sheets. The Companies did not have any financing leases during the year ended 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued) – 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. The Companies had short-term leases related to office equipment which ended during 2022. The short-term lease cost recognized for these leases in 2022 amount to \$6,008.

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.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues (Continued) – 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 and the pilot continuing education 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 2022 and 2021 was 50 and 53, respectively.

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.

	2022	2021
Cash	\$ 2,663,163	\$ 2,406,416
Restricted Cash	1,859,348	1,217,396
Total Cash and Restricted Cash Presented in the Accompanying Consolidated Statements of Cash Flow	\$ 4,522,511	\$ 3,623,812

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 4 – OTHER PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</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”	2,620,745	2,620,745
“Pittsburg”	275,478	275,478
Leasehold and Dock Improvements	4,724,516	4,724,516
Office Furniture and Equipment	2,390,709	1,980,004
Pilot Boat Equipment	681,088	681,088
Automobile	62,418	62,418
Construction-in-Progress - Pilot Boat	5,509,229	2,692,992
	<u>34,985,471</u>	<u>31,758,529</u>
Less: Accumulated Depreciation and Amortization	<u>(28,578,016)</u>	<u>(28,329,794)</u>
Property and Equipment, Net	<u>\$ 6,407,455</u>	<u>\$ 3,428,735</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$248,220 and \$441,193, respectively.

At December 31, 2022, 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”	2,620,745	2,620,745	-
“Pittsburg”	275,478	253,711	21,767
	<u>\$ 21,617,511</u>	<u>\$ 21,595,744</u>	<u>\$ 21,767</u>

SAN FRANCISCO BAR PILOTS  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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 December 31, 2022 and 2021 was 7.50% and 3.75%, respectively), expiring on June 21, 2023. 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, 2022 and 2021, Bar Pilots is unaware of any covenant violations. At December 31, 2022 and 2021, 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 \$4,500,000 and \$3,500,000 as of December 31, 2022 and 2021, respectively, bearing interest at the bank's reference rate, but no less than 3.75% (effective rate at December 31, 2022 and 2021 was 7.50% and 3.75%, respectively), and expiring on June 21, 2023. The line is collateralized by certain assets of Benevolent and the Bar Pilots. At December 31, 2022 and 2021, Benevolent had borrowings against this line of credit for \$3,321,104 and \$1,966,999, respectively. Total interest incurred and expensed was \$180,547 and \$85,112 for the years ended December 31, 2022 and 2021, respectively.

Letters of credit totaling \$208,085 have also been made available for Benevolent as of December 31, 2022 and 2021. At December 31, 2022 and 2021, the Companies had no borrowings against the letters of credit.

NOTE 6 – CONSTRUCTION LOAN

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 2021 was 7.25% and 3.00%, respectively). The loan is collateralized by the new pilot vessel. Benevolent may take borrowings against this loan until the completion of the pilot vessel construction or May 31, 2023 (maturity date), whichever occurs earlier, at which time, the entire unpaid principal and interest shall be due and payable. Benevolent intends to refinance the construction loan by replacing it with long-term debt. At December 31, 2022 and 2021, Benevolent had borrowings against this line of credit for \$5,107,878 and \$2,398,006, respectively. For the years ended December 31, 2022, total interest incurred and capitalized as part of the new pilot vessel was \$204,661 and \$35,508, respectively.

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 Bar Pilot's application for forgiveness of the loan was approved by the SBA and the full loan amount and accrued interest was forgiven.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE 8 – INCOME TAXES

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

	2022	2021
Current:		
Federal	\$ 18,542	\$ 58,342
State	800	800
Total Current	19,342	59,142
Deferred:		
Federal	24,100	(109,500)
State	17,900	23,400
Total Deferred	42,000	(86,100)
	\$ 61,342	\$ (26,958)

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

	2022	2021
Deferred Tax Asset	\$ 204,000	\$ 246,000
Deferred Tax Liability	-	-
Less: Valuation Allowance	-	-
Net Deferred Tax Asset	\$ 204,000	\$ 246,000

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE 9 – 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. Total rent expense for the year ended December 31, 2021 was \$1,414,320.

The following are components of lease expense during the year ended December 31, 2022:

Operating Lease Cost	\$ 1,266,199
Short-Term Lease Cost	<u>6,008</u>
Total Lease Expense	<u>\$ 1,272,207</u>

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted Average Remaining Lease Term – Operating Leases	<u>4.00 years</u>
Weighted Average Discount Rate – Operating Leases	<u>1.37%</u>

Future maturities of operating lease liabilities as of December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 1,247,486
2024	1,284,910
2025	1,323,458
2026	<u>1,363,162</u>
Total Minimum Lease Payments	5,219,016
Less: Amount of Lease Payments Representing Interest	<u>140,017</u>
Present Value of Future Minimum Lease Payments	5,078,999
Less: Current Liabilities Under Leases	<u>1,247,486</u>
Long-Term Lease Liabilities	<u>\$ 3,831,513</u>

SAN FRANCISCO BAR PILOTS  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Guaranty – As of December 31, 2022, and 2021, Benevolent is contingently liability as a guarantor to approximately \$3,265,000 and \$4,067,000, 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 made to the contractor based on completion of progress goals outlined in the contract. Total payments of \$5,102,878, which have been financed under a bank credit agreement (see Note 6) have been made through December 31, 2022. Benevolent expects the project to be completed and placed in service by the second quarter of 2023.

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 11 – 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, 2022 and 2021 , service costs of \$186,313 and \$245,757, 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:

	2022	2021
Projected Benefit Obligation	\$ 4,970,665	\$ 6,385,198
Fair Value of Plan Assets	5,407,352	6,729,073
Funded Status	\$ 436,687	\$ 343,875

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE 11 – RETIREMENT PLANS (Continued)

San Francisco Bar Pilots Marine Employees Pension Plan (the “MEPP”) (Continued) – The projected benefit obligation experienced a net gain of approximately \$1,712,000 during the year. This gain was the result of a assumption changes resulting in a gain of approximately \$1,704,000 and a gain of approximately \$8,000 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 benefit cost at December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Unrecognized Transition Obligation	\$ 23,367	\$ 46,736
Prior Service Cost	670,151	602,286
Net Loss	<u>557,497</u>	<u>614,934</u>
	<u>\$ 1,251,015</u>	<u>\$ 1,263,956</u>

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

	<u>2022</u>	<u>2021</u>
Net Gain Arising During the Year	\$ 57,437	\$ 459,181
Prior Service Cost	(149,010)	(104,402)
Amortization of Transition Obligation	23,369	23,369
Amortization of Prior Service Costs	81,145	77,339
Amortization of Net Gain	<u>-</u>	<u>41,692</u>
Other Comprehensive Gain	<u>\$ 12,941</u>	<u>\$ 497,179</u>

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

	<u>2022</u>	<u>2021</u>
Net Periodic Benefit Cost	<u>\$ 22,129</u>	<u>\$ 127,346</u>
Employer Contributions	<u>\$ 102,000</u>	<u>\$ 266,000</u>
Benefits Paid	<u>\$ 205,377</u>	<u>\$ 179,775</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE 11 – 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>2022</u>	<u>2021</u>
Discount Rate – Net Periodic Benefit Cost	2.68%	2.30%
Discount Rate – Accumulated Benefit Obligation	4.96%	2.68%
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, 2022 and 2021. 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 were returned to Bar Pilots during 2022.

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

<u>Years Ending December 31,</u>	
2023	\$ 274,572
2024	267,648
2025	309,974
2026	301,643
2027	311,114
2028 to 2032	1,581,140

Bar Pilots expect to make employer contributions to the pension plan totaling approximately \$126,000 during the year ended December 31, 2023.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE 11 – 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:

	2022	2021
MEPP	\$ 102,000	\$ 266,000
Marine Employees Retirement Savings Plan	404,711	461,351
San Francisco Bar Pilots Retirement Plan	214,903	208,456
	\$ 721,614	\$ 935,807

NOTE 12 – RELATED PARTY TRANSACTIONS

Bar Pilots lease pilot boats (classified as Charter Hire) and facilities (classified as Rent) from Benevolent, which eliminate upon consolidation. 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. No amounts were owed between the Companies at both December 31, 2021.

SAN FRANCISCO BAR PILOTS  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE 13 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

	2022	2021
Interest Paid During the Year, Net of Amount Capitalized of \$204,661 (2022) and \$35,508 (2021)	\$ 140,458	\$ 85,112
Income Taxes Paid During the Year	\$ 60,800	\$ 800

In conjunction with the adoption of ASC 842, *Leases*, the following non-cash operating activities were recorded during the year ended December 31, 2022:

Initial Recognition of Right of Use Asset	\$ 6,114,431
Initial Recognition of Lease Liability	\$ 6,190,090
Deferred Rent offset to Right of Use Asset	\$ 75,659

NOTE 14 – SUBSEQUENT EVENTS

In March 2023, the Companies enrolled into Insured Cash Sweep Service as offered by their financial institution and operated by IntraFi Network, LLC in order to mitigate risk associated with maintaining deposits at one financial institution in amounts that exceed the FDIC’s insured limit.

The Companies have evaluated the impact of subsequent events on these consolidated financial statements, including disclosures, through March 21, 2023, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



Mayer Hoffman McCann P.C.

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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 consolidated financial statements of SAN FRANCISCO BAR PILOTS and SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION (collectively, the "Companies"), as of and for the years ended December 31, 2022 and 2021, and our report thereon dated March 21, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. 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 6 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.

As disclosed in Note 2 to the consolidated financial statements, accounting principles generally accepted in the United States of America require the adoption of Accounting Standards Codification Topic 842, *Leases* for all leases including related party leases. Management has informed us that they have not implemented Accounting Standards Codification Topic 842, *Leases* for related party leases in the consolidating supplementary information. Management has not determined the effects of this departure from accounting principles generally accepted in the United States of America on the consolidating financial position, results of operations, and cash flows of the individual companies.

*Mayer Hoffman McCann P.C.*

San Francisco, California

March 21, 2023



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

CONSOLIDATING BALANCE SHEET

December 31, 2022  
(With Comparative Consolidated Amounts for 2021)

ASSETS

	2022			2021	
	Bar Pilots	Benevolent	Eliminating Entries	Consolidated	Consolidated
<u>CURRENT ASSETS</u>					
Cash	\$ 1,403,293	\$ 1,259,870	\$ -	\$ 2,663,163	\$ 2,406,416
Accounts Receivable:					
Trade, Net of Allowance for Doubtful Accounts	4,484,437	-	-	4,484,437	2,966,474
Other Receivables	80,003	20,921	(39,752)	61,172	42,511
Prepaid Expenses	7,596	51,190	-	58,786	51,390
<u>TOTAL CURRENT ASSETS</u>	<u>5,975,329</u>	<u>1,331,981</u>	<u>(39,752)</u>	<u>7,267,558</u>	<u>5,466,791</u>
<u>PROPERTY AND EQUIPMENT</u>					
Operating Lease Right-of-Use Assets, Net	-	4,924,775	-	4,924,775	-
Other Property and Equipment, Net	-	6,407,455	-	6,407,455	3,428,735
<u>TOTAL PROPERTY AND EQUIPMENT</u>	<u>-</u>	<u>11,332,230</u>	<u>-</u>	<u>11,332,230</u>	<u>3,428,735</u>
<u>PENSION PLAN ASSET</u>	<u>436,687</u>	<u>-</u>	<u>-</u>	<u>436,687</u>	<u>343,875</u>
<u>DEFERRED INCOME TAX ASSET</u>	<u>-</u>	<u>204,000</u>	<u>-</u>	<u>204,000</u>	<u>246,000</u>
<u>RESTRICTED CASH</u>	<u>1,849,348</u>	<u>10,000</u>	<u>-</u>	<u>1,859,348</u>	<u>1,217,396</u>
<u>TOTAL ASSETS</u>	<u>\$ 8,261,364</u>	<u>\$ 12,878,211</u>	<u>\$ (39,752)</u>	<u>\$ 21,099,823</u>	<u>\$ 10,702,797</u>

SAN FRANCISCO BAR PILOTS  
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CONSOLIDATING BALANCE SHEET (Continued)

December 31, 2022  
(With Comparative Consolidated Amounts for 2021)

LIABILITIES AND EQUITY (DEFICIT)

	2022			2021	
	Bar Pilots	Benevolent	Eliminating Entries	Consolidated	Consolidated
<u>CURRENT LIABILITIES</u>					
Line of Credit	\$ -	3,246,104	\$ -	\$ 3,246,104	\$ 1,891,999
Construction Loan	-	5,182,878	-	5,182,878	2,473,006
Accounts Payable:					
Trade	637,725	7,077	-	644,802	300,112
Board of Pilot Commissioners	573,190	-	-	573,190	421,943
Pension	1,276,158	-	-	1,276,158	785,453
Other	20,721	19,031	(39,752)	-	78,181
Accrued Expenses:					
Accrued Rent	-	684,203	-	684,203	857,479
Vacation Pay	555,603	-	-	555,603	535,284
Other	49,573	64,714	-	114,287	151,881
Operating Lease Liabilities, Current	-	1,247,486	-	1,247,486	-
<u>TOTAL CURRENT LIABILITIES</u>	<u>3,112,970</u>	<u>10,451,493</u>	<u>(39,752)</u>	<u>13,524,711</u>	<u>7,495,338</u>
<u>LONG-TERM LIABILITIES</u>					
Deferred Rent	-	-	-	-	75,659
Operating Lease Liabilities, Net of Current Portion	-	3,831,513	-	3,831,513	-
<u>TOTAL LONG-TERM LIABILITIES</u>	<u>-</u>	<u>3,831,513</u>	<u>-</u>	<u>3,831,513</u>	<u>75,659</u>
<u>TOTAL LIABILITIES</u>	<u>3,112,970</u>	<u>14,283,006</u>	<u>(39,752)</u>	<u>17,356,224</u>	<u>7,570,997</u>
<u>EQUITY (DEFICIT)</u>					
Pilots' and Members' Equity (Deficit)	6,399,409	(1,404,795)	-	4,994,614	4,395,756
Accumulated Other Comprehensive Loss	(1,251,015)	-	-	(1,251,015)	(1,263,956)
<u>TOTAL EQUITY (DEFICIT)</u>	<u>5,148,394</u>	<u>(1,404,795)</u>	<u>-</u>	<u>3,743,599</u>	<u>3,131,800</u>
<u>TOTAL LIABILITIES AND EQUITY (DEFICIT)</u>	<u>\$ 8,261,364</u>	<u>\$ 12,878,211</u>	<u>\$ (39,752)</u>	<u>\$ 21,099,823</u>	<u>\$ 10,702,797</u>

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

Year Ended December 31, 2022  
(With Comparative Consolidated Amounts for 2021)

	2022			2021	
	Bar Pilots	Benevolent	Eliminating Entries	Consolidated	Consolidated
<u>REVENUES</u>					
Pilotage Fees Earned	\$ 34,775,177	\$ -	\$ -	\$ 34,775,177	\$ 31,204,177
Office and Terminal Rent	-	1,089,644	(1,089,644)	-	-
Charter Hire	-	925,000	(925,000)	-	-
<u>TOTAL REVENUES</u>	<u>34,775,177</u>	<u>2,014,644</u>	<u>(2,014,644)</u>	<u>34,775,177</u>	<u>31,204,177</u>
<u>OPERATING EXPENSES</u>					
Pilot Boat and Charter Hire	7,600,494	-	(925,000)	6,675,494	6,488,933
Terminal	749,822	-	(272,411)	477,411	437,177
Pilot Office and Dispatch	3,575,686	-	(817,233)	2,758,453	2,836,918
General	2,711,215	1,622,917	-	4,334,132	4,016,705
Depreciation and Amortization	-	248,220	-	248,220	441,193
<u>TOTAL OPERATING EXPENSES</u>	<u>14,637,217</u>	<u>1,871,137</u>	<u>(2,014,644)</u>	<u>14,493,710</u>	<u>14,220,926</u>
<u>OPERATING INCOME</u>	<u>20,137,960</u>	<u>143,507</u>	<u>-</u>	<u>20,281,467</u>	<u>16,983,251</u>
<u>OTHER INCOME (EXPENSE)</u>					
Forgiveness of Paycheck Protection Program Loan	-	-	-	-	747,526
Other Income (Expense), Net	(178,366)	167,944	-	(10,422)	(7,706)
Interest Expense	-	(180,547)	-	(180,547)	(85,112)
<u>TOTAL OTHER INCOME (EXPENSE)</u>	<u>(178,366)</u>	<u>(12,603)</u>	<u>-</u>	<u>(190,969)</u>	<u>654,708</u>
<u>INCOME BEFORE (PROVISION FOR)</u> <u>BENEFIT FROM INCOME TAXES</u>	<u>19,959,594</u>	<u>130,904</u>	<u>-</u>	<u>20,090,498</u>	<u>17,637,959</u>
<u>(PROVISION FOR)</u> <u>BENEFIT FROM INCOME TAXES</u>	<u>-</u>	<u>(61,342)</u>	<u>-</u>	<u>(61,342)</u>	<u>26,958</u>
<u>NET INCOME</u>	<u>19,959,594</u>	<u>69,562</u>	<u>-</u>	<u>20,029,156</u>	<u>17,664,917</u>
<u>OTHER COMPREHENSIVE INCOME</u>					
Defined Benefit Pension Plan, Net	12,941	-	-	12,941	497,179
<u>COMPREHENSIVE INCOME</u>	<u>\$ 19,972,535</u>	<u>\$ 69,562</u>	<u>\$ -</u>	<u>\$ 20,042,097</u>	<u>\$ 18,162,096</u>
<u>AVERAGE NET INCOME PER PILOT</u>	<u>\$ 396,519</u>				<u>\$ 328,154</u>

**EXHIBIT 1 (Continued)**

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

CONSOLIDATING STATEMENT OF EQUITY (DEFICIT)

Year Ended December 31, 2022  
(With Comparative Consolidated Amounts for 2021)

	Bar Pilots			Benevolent Members' Equity (Deficit)	Eliminating Entries	Consolidated
	Bar Pilots' Equity	Accumulated Other Comprehensive Loss	Total			
<u>BALANCE, JANUARY 1, 2021</u>	\$ 5,660,978	\$ (1,761,135)	\$ 3,899,843	\$ (1,404,969)	\$ -	\$ 2,494,874
Net Income (Loss)	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)
<u>BALANCE, DECEMBER 31, 2021</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>	<u>\$ 6,399,409</u>	<u>\$ (1,251,015)</u>	<u>\$ 5,148,394</u>	<u>\$ (1,404,795)</u>	<u>\$ -</u>	<u>\$ 3,743,599</u>

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

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2022  
(With Comparative Consolidated Amounts for 2021)

	2022			2021	
	Bar Pilots	Benevolent	Eliminating Entries	Consolidated	Consolidated
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Net Income	\$ 19,959,594	\$ 69,562	\$ -	\$ 20,029,156	\$ 17,664,917
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	-	248,220	-	248,220	441,193
Non-Cash Lease Expense	-	1,189,656	-	1,189,656	-
Pension Plan Costs, Net of Contributions	(79,871)	-	-	(79,871)	(138,654)
Deferred Income Taxes	-	42,000	-	42,000	(86,100)
Forgiveness of Paycheck Protection Program Loan	-	-	-	-	(747,526)
Changes in Operating Assets and Liabilities:					
Accounts Receivable	(1,555,455)	(20,921)	(39,752)	(1,616,128)	485,478
Prepaid Expenses	(7,596)	200	-	(7,396)	(32,195)
Accounts Payable	942,803	5,410	39,752	987,965	(53,558)
Accrued Expenses	(28,647)	(161,904)	-	(190,551)	489,777
Operating Lease Liabilities	-	(1,111,091)	-	(1,111,091)	-
Deferred Rent	-	-	-	-	(59,783)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>19,230,828</u>	<u>261,132</u>	<u>-</u>	<u>19,491,960</u>	<u>17,963,549</u>
<u>CASH FLOWS USED IN INVESTING ACTIVITIES</u>					
Purchase of Property and Equipment	-	(3,226,940)	-	(3,226,940)	(2,662,992)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>					
Proceeds from Line of Credit	-	1,802,876	-	1,802,876	965,470
Principal Payments on Line of Credit	-	(448,771)	-	(448,771)	(1,941,470)
Proceeds from Construction Loan	-	2,709,872	-	2,709,872	2,398,006
Contributions from New Members	-	448,771	-	448,771	2,896,410
Distributions to Pilots and Retired Members	(18,076,193)	(1,802,876)	-	(19,879,069)	(20,421,580)
<u>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</u>	<u>(18,076,193)</u>	<u>2,709,872</u>	<u>-</u>	<u>(15,366,321)</u>	<u>(16,103,164)</u>
<u>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</u>	<u>1,154,635</u>	<u>(255,936)</u>	<u>-</u>	<u>898,699</u>	<u>(802,607)</u>
<u>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</u>	<u>2,098,006</u>	<u>1,525,806</u>	<u>-</u>	<u>3,623,812</u>	<u>4,426,419</u>
<u>CASH AND RESTRICTED CASH, END 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>

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, 2022

	<u>Amount</u>	<u>%</u>
Salaries and Wages	\$ 2,951,451	38.8
Fuel	1,345,788	17.7
Maintenance and Repair	1,092,950	14.4
Charter Rental to San Francisco Bar Pilots		
Benevolent and Protective Association	925,000	12.2
Health and Welfare	528,472	7.0
Retirement Benefits	242,972	3.2
Payroll Taxes	241,677	3.2
Food Supplies	157,668	2.1
Insurance	85,235	1.1
Equipment Rental	4,142	0.1
Other	25,139	0.3
	<u>\$ 7,600,494</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, 2022

	<u>Amount</u>	<u>%</u>
Rent to San Francisco Bar Pilots		
Benevolent and Protective Association	\$ 272,411	36.3
Salaries and Wages	261,754	34.9
Maintenance and Repair	63,864	8.5
Health and Welfare	46,032	6.1
Retirement Benefits	35,908	4.8
Maintenance Supplies	26,300	3.5
Payroll Taxes	21,547	2.9
Workers' Compensation Insurance	13,575	1.8
Other	8,431	1.1
	<u>\$ 749,822</u>	<u>100.0</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, 2022

	<u>Amount</u>	<u>%</u>
Salaries and Wages of Office Staff and Dispatchers	\$ 1,865,895	52.2
Rent to San Francisco Bar Pilots		
Benevolent and Protective Association	817,233	22.9
Medical Insurance	294,362	8.2
Employees' Retirement Plan	220,535	6.2
Utilities	132,215	3.7
Payroll Taxes	124,145	3.5
Maintenance and Repair	55,813	1.6
Food Supplies	29,318	0.8
Other	21,726	0.6
Workers' Compensation Insurance	14,444	0.4
	<u>\$ 3,575,686</u>	<u>100.0</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, 2022

	<u>Amount</u>	<u>%</u>
Taxi and Launch Service	\$ 821,788	30.3
Insurance	523,419	19.3
Professional Services	427,770	15.8
Dues and Subscriptions	223,370	8.2
Lobbying Expenses	220,946	8.1
Public Relations	151,594	5.6
Legal and Accounting	134,808	5.0
Business Taxes	61,801	2.3
Other	38,323	1.4
Donations	30,529	1.1
Travel	28,539	1.1
Navigation	20,390	0.8
Bank Services	14,483	0.5
Communications	13,455	0.5
	<u>\$ 2,711,215</u>	<u>100.0</u>