

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

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

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

December 31, 2024 and 2023

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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, 2024 and 2023, and the related consolidated statements of income and comprehensive income, equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Companies as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Companies and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Companies' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Companies' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Companies' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information presented in Exhibits 1 through 8 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects described in the paragraph below, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

CBIZ CPAs P.C.

San Francisco, California
March 4, 2025

SAN FRANCISCO BAR PILOTS
AND
SAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATION
CONSOLIDATED BALANCE SHEETS

ASSETS

| | December 31, | |
|--|----------------------|----------------------|
| | <u>2024</u> | <u>2023</u> |
| <u>CURRENT ASSETS</u> | | |
| Cash | \$ 2,006,368 | \$ 2,821,188 |
| Accounts Receivable: | | |
| Trade, Net of \$10,000 Allowance as of | | |
| December 31, 2024 and 2023 | 5,784,328 | 6,169,118 |
| Board of Pilot Commissioners | 212,898 | 141,932 |
| Other Receivables | 62,795 | 164,618 |
| Prepaid Expenses | - | 57,940 |
| | <u>8,066,389</u> | <u>9,354,796</u> |
| <u>TOTAL CURRENT ASSETS</u> | | |
| <u>PROPERTY AND EQUIPMENT</u> | | |
| Operating Lease Right-of-Use Assets, Net | 2,497,187 | 3,719,301 |
| Other Property and Equipment, Net | 8,759,305 | 8,143,522 |
| | <u>11,256,492</u> | <u>11,862,823</u> |
| <u>TOTAL PROPERTY AND EQUIPMENT, NET</u> | | |
| <u>LONG-TERM ASSETS</u> | | |
| Pension Plan Asset | 2,016,713 | 1,125,287 |
| Deferred Income Tax Asset | 95,800 | 300 |
| | <u>2,112,513</u> | <u>1,125,587</u> |
| <u>TOTAL LONG-TERM ASSETS</u> | | |
| <u>RESTRICTED CASH</u> | <u>942,231</u> | <u>839,718</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 22,377,625</u> | <u>\$ 23,182,924</u> |

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

CONSOLIDATED BALANCE SHEETS (Continued)

LIABILITIES AND EQUITY

| | December 31, | |
|---|----------------------|----------------------|
| | 2024 | 2023 |
| <u>CURRENT LIABILITIES</u> | | |
| Lines of Credit | \$ 2,912,659 | \$ 2,423,435 |
| Accounts Payable: | | |
| Trade | 693,164 | 644,532 |
| Board of Pilot Commissioners | 1,688,065 | 1,608,925 |
| Pension | 1,245,504 | 1,526,739 |
| Accrued Expenses: | | |
| Accrued Rent | - | 131,690 |
| Vacation Pay | 666,947 | 623,639 |
| Other | 982,674 | 170,676 |
| Current Portion of Long-Term Debt | 713,239 | 635,283 |
| Operating Lease Liabilities, Current | 1,296,767 | 1,240,825 |
| <u>TOTAL CURRENT LIABILITIES</u> | <u>10,199,019</u> | <u>9,005,744</u> |
| <u>LONG-TERM LIABILITIES</u> | | |
| Long-Term Debt, Net of Current Portion | 5,851,936 | 6,547,186 |
| Operating Lease Liabilities, Net of Current Portion | 1,354,645 | 2,651,413 |
| <u>TOTAL LONG-TERM LIABILITIES</u> | <u>7,206,581</u> | <u>9,198,599</u> |
| <u>TOTAL LIABILITIES</u> | <u>17,405,600</u> | <u>18,204,343</u> |
| <u>EQUITY</u> | | |
| Pilots' and Members' Equity | 4,876,676 | 5,647,766 |
| Accumulated Other Comprehensive Gain (Loss) | 95,349 | (669,185) |
| <u>TOTAL EQUITY</u> | <u>4,972,025</u> | <u>4,978,581</u> |
| <u>TOTAL LIABILITIES AND EQUITY</u> | <u>\$ 22,377,625</u> | <u>\$ 23,182,924</u> |

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

| | Years Ended December 31, | |
|---|--------------------------|----------------------|
| | 2024 | 2023 |
| <u>REVENUES</u> | | |
| Pilotage Fees Earned | \$ 50,728,477 | \$ 49,039,530 |
| Pilot Vessel Construction Surcharge | 851,592 | 286,194 |
| <u>TOTAL REVENUES</u> | <u>51,580,069</u> | <u>49,325,724</u> |
| <u>OPERATING EXPENSES</u> | | |
| Pilot Boat | 8,053,699 | 7,425,691 |
| Terminal | 456,114 | 503,130 |
| Pilot Office and Dispatch | 3,505,245 | 3,288,705 |
| General | 6,578,648 | 5,184,387 |
| Depreciation and Amortization | 1,026,013 | 492,699 |
| <u>TOTAL OPERATING EXPENSES</u> | <u>19,619,719</u> | <u>16,894,612</u> |
| <u>OPERATING INCOME</u> | <u>31,960,350</u> | <u>32,431,112</u> |
| <u>OTHER INCOME (EXPENSE)</u> | | |
| Government Grant Income | - | 817,437 |
| Other Income (Expense), Net | 31,003 | (179,279) |
| Interest Expense | (502,175) | (334,006) |
| <u>TOTAL OTHER INCOME (EXPENSE)</u> | <u>(471,172)</u> | <u>304,152</u> |
| <u>INCOME BEFORE PROVISION FOR</u> <u>INCOME TAXES</u> | <u>31,489,178</u> | <u>32,735,264</u> |
| <u>PROVISION FOR INCOME TAXES</u> | <u>(349,857)</u> | <u>(242,690)</u> |
| <u>NET INCOME</u> | <u>31,139,321</u> | <u>32,492,574</u> |
| <u>OTHER COMPREHENSIVE INCOME</u> | | |
| Defined Benefit Pension Plan, Net | 764,534 | 581,830 |
| <u>COMPREHENSIVE INCOME</u> | <u>\$ 31,903,855</u> | <u>\$ 33,074,404</u> |
| <u>AVERAGE NET INCOME PER PILOT</u> | <u>\$ 576,613</u> | <u>\$ 635,792</u> |

SAN FRANCISCO BAR PILOTS
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CONSOLIDATED STATEMENTS OF EQUITY

Years Ended December 31, 2024 and 2023

| | Pilots' and Members' Equity | Accumulated Other Comprehensive Gain (Loss) | Total |
|---|-----------------------------------|--|---------------------|
| <u>BALANCE, JANUARY 1, 2023</u> | \$ 4,994,614 | \$ (1,251,015) | \$ 3,743,599 |
| Net Income | 32,492,574 | - | 32,492,574 |
| Actuarial Gain on Pension Plan | - | 581,830 | 581,830 |
| Contributions from New Members | 2,687,376 | - | 2,687,376 |
| Notes Receivable from New Members | (445,515) | - | (445,515) |
| Distributions of Income to Pilots | (32,737,597) | - | (32,737,597) |
| Redemption of Members' Interests | (1,343,686) | - | (1,343,686) |
| <u>BALANCE, DECEMBER 31, 2023</u> | 5,647,766 | (669,185) | 4,978,581 |
| Net Income | 31,139,321 | - | 31,139,321 |
| Actuarial Gain on Pension Plan | - | 764,534 | 764,534 |
| Repayments on Notes Receivable from New Members | 45,525 | - | 45,525 |
| Distributions of Income to Pilots | (31,018,816) | - | (31,018,816) |
| Redemption of Members' Interests | (937,120) | - | (937,120) |
| <u>BALANCE, DECEMBER 31, 2024</u> | <u>\$ 4,876,676</u> | <u>\$ 95,349</u> | <u>\$ 4,972,025</u> |

SAN FRANCISCO BAR PILOTS
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CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31, | |
|--|--------------------------|---------------------|
| | 2024 | 2023 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Net Income | \$ 31,139,321 | \$ 32,492,574 |
| Adjustments to Reconcile Net Income to | | |
| Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 1,026,013 | 492,699 |
| Amortization of Loan Financing Costs | 11,860 | 3,953 |
| Non-Cash Lease Expense | 1,222,114 | 1,205,474 |
| Pension Plan Costs, Net of Contributions | (126,892) | (106,770) |
| Deferred Income Taxes | (95,500) | 203,700 |
| Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | 415,647 | (1,911,228) |
| Prepaid Expenses | 57,940 | 846 |
| Accounts Payable | (153,463) | 1,267,215 |
| Accrued Expenses | 723,616 | (428,088) |
| Operating Lease Liabilities | (1,240,826) | (1,186,761) |
| <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u> | <u>32,979,830</u> | <u>32,033,614</u> |
| <u>CASH FLOWS USED IN INVESTING ACTIVITIES</u> | | |
| Purchase of Property and Equipment | (1,641,796) | (2,228,766) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Proceeds from Line of Credit | 937,120 | 1,342,686 |
| Principal Payments on Line of Credit | (447,896) | (2,240,355) |
| Proceeds from Construction Loan | - | 1,807,323 |
| Payments on Construction Loan | (583,924) | (186,299) |
| Proceeds from Term Loan | (45,230) | 449,614 |
| Contributions from New Members | - | 2,237,762 |
| Collection on Notes Receivable to New Members | 45,525 | 4,099 |
| Distributions to Pilots and Retired Members | (31,955,936) | (34,081,283) |
| <u>NET CASH USED IN FINANCING ACTIVITIES</u> | <u>(32,050,341)</u> | <u>(30,666,453)</u> |
| <u>NET DECREASE IN CASH AND RESTRICTED CASH</u> | <u>(712,307)</u> | <u>(861,605)</u> |
| <u>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</u> | <u>3,660,906</u> | <u>4,522,511</u> |
| <u>CASH AND RESTRICTED CASH, END OF YEAR</u> | <u>\$ 2,948,599</u> | <u>\$ 3,660,906</u> |

Supplemental Disclosure of Cash Flow Information (see Note 13)

SAN FRANCISCO BAR PILOTS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

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 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 ten-year running average of the net income the current members earn as pilots. The bylaws of Benevolent require the redemption of any member’s certificate within sixty days of the member’s resignation, death or expulsion. The membership is redeemed at the then-going rate according to the same formula, less any potentially outstanding loan on the membership guaranteed by Benevolent (see Note 9). New membership buy-ins are reported as Contributions from New Members and redemptions of memberships are reported as Redemption of Members’ Interests on the accompanying consolidated statement of equity. As of December 31, 2024 and 2023, the membership/redemption price was approximately \$469,000 and \$448,000, 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.

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.

SAN FRANCISCO BAR PILOTS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

Accounts Receivable – Accounts receivable are stated at the amount the Companies expect to collect. The Companies extend credit to their customers in the normal course of business and perform ongoing credit evaluations of their customers. Provisions for losses on accounts receivable are made to maintain an adequate allowance for potential credit losses, which historically have been within management’s expectations. The allowance estimate is derived from a review of the Companies’ historical losses based on the aging of receivable. This estimate is adjusted for management’s assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Companies.

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, 2024 and 2023.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases – The Companies lease port facilities, including office space and equipment under various arrangements and determine if each arrangement is a lease at inception. Management evaluates each lease to determine whether it is an operating lease or a financing lease. Operating leases are included in operating lease right-of-use (“ROU”) assets, and operating lease liabilities on the balance sheets. The Companies did not enter into any financing leases during the years ended 2024 and 2023.

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

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

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

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

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

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

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Average net income per pilot is computed by dividing Bar Pilot's net income by the average number of active pilots during the year. This amount does not purport to represent the actual net income of any specific pilot. It has been computed only to show this information on a comparative basis. The average number of active pilots for 2024 and 2023 was 52 and 51, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

NOTE 3 – CASH AND RESTRICTED CASH

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

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Cash | \$ 2,006,368 | \$ 2,821,188 |
| Restricted Cash | <u>942,231</u> | <u>839,718</u> |
| Total Cash and Restricted Cash Presented in the Accompanying Consolidated Statements of Cash Flow | <u>\$ 2,948,599</u> | <u>\$ 3,660,906</u> |

NOTE 4 – OTHER PROPERTY AND EQUIPMENT

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

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Pilot Boats and Improvements: | | |
| “Drake” | \$ 8,483,383 | \$ 8,483,383 |
| “San Francisco” | 5,335,880 | 5,335,880 |
| “California” | 4,902,025 | 4,902,025 |
| “Golden Gate” Old | - | 2,620,745 |
| “Golden Gate” New | 6,871,601 | 6,871,601 |
| “Pittsburg” | 275,478 | 275,478 |
| Leasehold and Dock Improvements | 6,211,163 | 4,724,516 |
| Office Furniture and Equipment | 810,608 | 2,390,709 |
| Pilot Boat Equipment | 661,438 | 681,088 |
| Automobile | 92,478 | 62,418 |
| Construction-in-Progress | <u>961,786</u> | <u>868,328</u> |
| | 34,605,840 | 37,216,171 |
| Less: Accumulated Depreciation and Amortization | <u>(25,846,535)</u> | <u>(29,072,649)</u> |
| Property and Equipment, Net | <u>\$ 8,759,305</u> | <u>\$ 8,143,522</u> |

Depreciation and amortization expense for the years ended December 31, 2024 and 2023 was \$1,026,013 and \$492,699, respectively.

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NOTE 4 – OTHER PROPERTY AND EQUIPMENT (Continued)

At December 31, 2024, the net book value of each pilot boat and improvements are as follows:

| | Total Cost | Accumulated Depreciation | Net Book Value |
|-------------------------------|----------------------|-----------------------------|---------------------|
| 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” New | 6,871,601 | 944,845 | 5,926,756 |
| “Pittsburg” | 275,478 | 275,478 | - |
| | <u>\$ 25,868,367</u> | <u>\$ 19,941,611</u> | <u>\$ 5,926,756</u> |

NOTE 5 – LINES OF CREDIT

Bar Pilots had a revolving line of credit with a bank with a maximum borrowing limit of \$500,000, which bore interest at the bank’s reference rate plus 0.25%, but no less than 3.75% (effective rate at December 31, 2023 was 8.75%), and expired on June 21, 2024. Upon expiration of the revolving line of credit, Bar Pilots entered into a new revolving line of credit with another bank with a maximum borrowing limit of \$500,000, bearing interest at the prime rate (effective rate at December 31, 2024 was 7.50%), expiring on August 6, 2025. Both lines are collateralized by all business assets of Bar Pilots. Both lines of credit are subject to certain financial covenants. As of December 31, 2024 and 2023, Bar Pilots is unaware of any covenant violations for either line of credit. At December 31, 2024 and 2023, Bar Pilots had no borrowings against either line of credit.

Benevolent had a revolving line of credit with a bank with a maximum borrowing limit of \$3,500,000, which bore interest at the bank’s reference rate plus 0.25%, but no less than 3.75% (effective rate at December 31, 2023 was 8.75%), and expired on June 21, 2024. Upon expiration of the revolving line of credit, Benevolent entered into a new revolving line of credit with another bank with a maximum borrowing limit of \$3,500,000, bearing interest at the prime rate (effective rate at December 31, 2024 was 7.50%), and expiring on August 6, 2025. Both lines of credit are collateralized by certain assets of Benevolent and the Bar Pilots. At December 31, 2024 and 2023, Benevolent had borrowings against these lines of credit for \$2,912,659 and \$2,423,435, respectively. Total interest incurred and expensed was \$224,657 and \$233,938 for the years ended December 31, 2024 and 2023, respectively.

Letters of credit totaling \$208,085 have also been made available for Benevolent as of December 31, 2024 and 2023. At December 31, 2024 and 2023, the Companies had no borrowings against the letters of credit.

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NOTE 6 – LONG-TERM DEBT

In April 2021, Benevolent entered into a construction loan with a bank with a maximum borrowing limit of \$7,500,000 for the construction of a new pilot vessel. On August 29, 2023, the outstanding balance on the construction loan of \$6,990,201 was converted into a term note with a maturity date of September 1, 2033 and bears interest at a fixed rate of 4.00% per annum. Principal and interest payments of \$70,966 are payable monthly commencing September 1, 2023. The term note is collateralized by the new pilot vessel. At December 31, 2024 and 2023, the outstanding balance on the vessel term note was \$6,263,579 and \$6,847,502, respectively. Total interest incurred on the term note for the years ended December 31, 2024 and 2023 was \$265,658 and \$96,115, respectively.

In connection with the construction term note, the Company incurred loan financing costs which have been deferred and are reported against the outstanding balance of the term loan. Deferred financing costs are being amortized on a straight-line basis over the term of the note and are recognized as interest expense. Unamortized loan financing costs were \$102,787 and \$114,647 at December 31, 2024 and 2023, respectively. Amortized financing costs amount to \$11,860 and \$3,953 for the years ended December 31, 2024 and 2023.

On December 15, 2023, Benevolent entered into a term loan with a bank for \$449,614. The loan had a maturity date of December 15, 2030, and bore interest at a fixed rate 7.00% per annum. Principal and interest payments of \$6,809 were payable monthly commencing January 15, 2024. On August 6, 2024, the term loan was transferred to another bank. The loan was amortized with a new maturity date of February 6, 2031, and bears interest at a fixed rate of 6.90% per annum. Principal and interest payments of \$6,797 are payable monthly commencing October 6, 2024. Under both banks, this term loan is subject to certain financial covenants. As of December 31, 2024 and 2023, Benevolent is unaware of any covenant violations. At December 31, 2024 and 2023, the outstanding balance on this term note was \$404,384 and \$449,614, respectively. Total interest incurred on the term note for the years ended December 31, 2024 and 2023 was \$30,111 and \$0, respectively.

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

| <u>Year Ending December 31,</u> | <u>Vessel Term Loan</u> | <u>Term Loan</u> | <u>Total</u> |
|---|-----------------------------|-------------------|---------------------|
| 2025 | \$ 658,214 | \$ 55,025 | \$ 713,239 |
| 2026 | 633,978 | 59,000 | 692,978 |
| 2027 | 660,173 | 63,263 | 723,436 |
| 2028 | 686,963 | 67,789 | 754,752 |
| 2029 | 715,834 | 72,731 | 788,565 |
| Thereafter | 2,908,416 | 86,576 | 2,994,992 |
| | 6,263,579 | 404,384 | 6,667,963 |
| Less: Unamortized Loan Financing Costs | 102,787 | - | 102,787 |
| | <u>\$ 6,160,792</u> | <u>\$ 404,384</u> | <u>\$ 6,565,176</u> |

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NOTE 7 – INCOME TAXES

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

| | <u>2024</u> | <u>2023</u> |
|----------------|--------------------------|--------------------------|
| Current: | | |
| Federal | \$ 298,221 | \$ 38,190 |
| State | 147,136 | 800 |
| Total Current | <u>445,357</u> | <u>38,990</u> |
| Deferred: | | |
| Federal | (48,700) | 189,700 |
| State | (46,800) | 14,000 |
| Total Deferred | <u>(95,500)</u> | <u>203,700</u> |
| | <u><u>\$ 349,857</u></u> | <u><u>\$ 242,690</u></u> |

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

| | <u>2024</u> | <u>2023</u> |
|---------------------------|-------------------------|----------------------|
| Deferred Tax Asset | \$ 138,700 | \$ 55,700 |
| Deferred Tax Liability | (42,900) | (55,400) |
| Less: Valuation Allowance | - | - |
| Net Deferred Tax Asset | <u><u>\$ 95,800</u></u> | <u><u>\$ 300</u></u> |

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

NOTE 8 – LEASING ACTIVITIES

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

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

| | <u>2024</u> | <u>2023</u> |
|-----------------------|----------------------------|----------------------------|
| Operating Lease Cost | \$ 1,266,199 | \$ 1,266,199 |
| Short-Term Lease Cost | <u>55,178</u> | <u>22,955</u> |
| Total Lease Expense | <u><u>\$ 1,321,377</u></u> | <u><u>\$ 1,289,154</u></u> |

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NOTE 8 – LEASING ACTIVITIES (Continued)

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Weighted Average Remaining Lease Term – Operating Leases | <u>2.00 years</u> | <u>3.00 years</u> |
| Weighted Average Discount Rate – Operating Leases | <u>1.37%</u> | <u>1.37%</u> |

Future maturities of operating lease liabilities as of December 31, 2024 are as follows:

| <u>Year Ending December 31,</u> | |
|--|---------------------|
| 2025 | \$ 1,323,458 |
| 2026 | <u>1,363,162</u> |
| Total Minimum Lease Payments | 2,686,620 |
| Less: Amount of Lease Payments Representing Interest | <u>35,208</u> |
| Present Value of Future Minimum Lease Payments | 2,651,412 |
| Less: Current Liabilities Under Leases | <u>1,296,767</u> |
| Long-Term Lease Liabilities | <u>\$ 1,354,645</u> |

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Guaranty – As of December 31, 2024 and 2023, Benevolent is contingently liability as a guarantor to approximately \$2,655,000 and \$3,631,000, respectively of the indebtedness of the new members, whom financed their contributions through an institutional lender. The term of the guarantee is through January 2028. The lender must first take all permitted actions to recover nonpayment from the individual borrower before demanding payment from Benevolent.

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

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

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NOTE 9 – COMMITMENTS AND CONTINGENCIES

Contingencies (Continued) – During 2024, the Companies settled a class action lawsuit for \$420,000, which is recognized in the accompanying consolidated balance sheet in accrued expenses.

NOTE 10 – RETIREMENT PLANS

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

For the years ended December 31, 2024 and 2023, service costs of \$198,494 and \$130,954, respectively are included in operating expenses on the consolidated statements of income and comprehensive income.

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

| | <u>2024</u> | <u>2023</u> |
|------------------------------|---------------------|---------------------|
| Projected Benefit Obligation | \$ 4,945,811 | \$ 5,235,358 |
| Fair Value of Plan Assets | <u>6,962,524</u> | <u>6,360,645</u> |
| Funded Status | <u>\$ 2,016,713</u> | <u>\$ 1,125,287</u> |

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

The projected benefit obligation experienced a net gain of approximately \$527,400 during the year. This gain was the result of assumption changes (change in the discount rate) resulting in a gain of approximately \$388,300 and a gain of approximately \$139,100 due to demographic experience.

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

| | <u>2024</u> | <u>2023</u> |
|------------------------------------|--------------------|-------------------|
| Unrecognized Transition Obligation | \$ - | \$ - |
| Prior Service Cost | 513,765 | 602,388 |
| Net (Gain) Loss | <u>(609,114)</u> | <u>66,797</u> |
| | <u>\$ (95,349)</u> | <u>\$ 669,185</u> |

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NOTE 10 – RETIREMENT PLANS (Continued)

San Francisco Bar Pilots Marine Employees Pension Plan (the “MEPP”) (Continued) – The changes in benefit obligations recognized in other comprehensive loss during the years ended December 31 are as follows:

| | <u>2024</u> | <u>2023</u> |
|---------------------------------------|-------------------|-------------------|
| Net Gain Arising During the Year | \$ 675,911 | \$ 489,259 |
| Prior Service Cost | - | (25,188) |
| Amortization of Transition Obligation | - | 23,369 |
| Amortization of Prior Service Costs | 88,623 | 92,950 |
| Amortization of Net Gain | <u>-</u> | <u>1,440</u> |
| Other Comprehensive Gain | <u>\$ 764,534</u> | <u>\$ 581,830</u> |

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

| | <u>2024</u> | <u>2023</u> |
|---------------------------|-------------------|-------------------|
| Net Periodic Benefit Cost | <u>\$ 117,908</u> | <u>\$ 138,030</u> |
| Employer Contributions | <u>\$ 244,800</u> | <u>\$ 244,800</u> |
| Benefits Paid | <u>\$ 203,798</u> | <u>\$ 206,503</u> |

Weighted-average assumptions used to determine net periodic benefit cost and pension liability are as follows:

| | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Discount Rate – Net Periodic Benefit Cost | 4.77% | 4.96% |
| Discount Rate – Accumulated Benefit Obligation | 5.45% | 4.77% |
| 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, 2024 and 2023. 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.

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NOTE 10 – RETIREMENT PLANS (Continued)

San Francisco Bar Pilots Marine Employees Pension Plan (the “MEPP”) (Continued) – 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,

| | | |
|--------------|----|-----------|
| 2025 | \$ | 309,612 |
| 2026 | | 302,137 |
| 2027 | | 314,543 |
| 2028 | | 317,119 |
| 2029 | | 308,957 |
| 2030 to 2034 | \$ | 1,703,291 |

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

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:

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| MEPP | \$ 470,644 | \$ 431,070 |
| Marine Employees Retirement Savings Plan | 491,649 | 415,170 |
| San Francisco Bar Pilots Retirement Plan | 244,800 | 244,800 |
| | <u>\$ 1,207,093</u> | <u>\$ 1,091,040</u> |

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Years Ended December 31, 2024 and 2023

NOTE 11 – RELATED PARTY TRANSACTIONS

Bar Pilots lease pilot boats (classified as Charter Hire) and facilities (classified as Rent) from Benevolent, which eliminate upon consolidation. No amounts were owed between the Companies at December 31, 2024 and 2023.

On December 15, 2023, Benevolent lent \$449,614 to a pilot in exchange for a promissory note receivable. Borrowings under this note bore interest at 7.00% per annum, with principal and interest payments of \$6,809 due monthly. Effective July 2024, the promissory note receivable was amended to change the interest rate to 6.90% per annum and re-amortized the note receivable over a seven-year period. The principal and interest payments of \$6,797 are due monthly. The promissory note receivable matures on February 6, 2031. The outstanding balance on the note receivable was \$399,990 and \$445,515 at December 31, 2024 and 2023, respectively and is recorded as a contra-equity account on the consolidated statement of equity. Interest income was \$27,401 and \$2,710 for the years ended December 31, 2024 and 2023, respectively.

NOTE 12 – GOVERNMENT GRANT INCOME

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

NOTE 13 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Interest Paid During the Year, Net of Amount Capitalized of \$331,355 (2023) | <u>\$ 588,075</u> | <u>\$ 274,521</u> |
| Income Taxes Paid During the Year | <u>\$ 20,757</u> | <u>\$ 18,233</u> |

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Years Ended December 31, 2024 and 2023

NOTE 13 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Continued)

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

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Term Loan Transferred to a New Bank | <u>\$ 422,124</u> | <u>\$ -</u> |
| Revolving Line of Credits Transferred to a New Bank | <u>\$ 2,912,659</u> | <u>\$ -</u> |
| Construction Loan Converted into Term Note | <u>\$ -</u> | <u>\$ 6,990,201</u> |
| Deferred Financing Costs | <u>\$ -</u> | <u>\$ 43,600</u> |
| Contribution from New Member funded by Note Receivable to New Member | <u>\$ -</u> | <u>\$ 449,614</u> |

NOTE 14 – SUBSEQUENT EVENTS

The Companies have evaluated the impact of subsequent events on these consolidated financial statements, including disclosures, through March 4, 2025, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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CONSOLIDATING BALANCE SHEET

December 31, 2024
(With Comparative Consolidated Amounts for 2023)

ASSETS

| | 2024 | | | 2023 |
|--|----------------------|----------------------|------------------------|----------------------|
| | Bar Pilots | Benevolent | Eliminating Entries | Consolidated |
| <u>CURRENT ASSETS</u> | | | | |
| Cash | \$ 1,415,928 | \$ 590,440 | \$ - | \$ 2,006,368 |
| Accounts Receivable: | | | | |
| Trade, Net of \$10,000 Allowance | | | | |
| December 31, 2024 and 2023 | 5,784,328 | - | - | 5,784,328 |
| Board of Pilot Commissioners | - | 212,898 | - | 212,898 |
| Other Receivables | 62,795 | - | - | 62,795 |
| Prepaid Expenses | - | - | - | - |
| <u>TOTAL CURRENT ASSETS</u> | <u>7,263,051</u> | <u>803,338</u> | <u>-</u> | <u>8,066,389</u> |
| <u>PROPERTY AND EQUIPMENT</u> | | | | |
| Operating Lease Right-of-Use Assets, Net | - | 2,497,187 | - | 2,497,187 |
| Other Property and Equipment, Net | - | 8,759,305 | - | 8,759,305 |
| <u>TOTAL PROPERTY AND EQUIPMENT, NET</u> | <u>-</u> | <u>11,256,492</u> | <u>-</u> | <u>11,256,492</u> |
| <u>LONG-TERM ASSETS</u> | | | | |
| Pension Plan Asset | 2,016,713 | - | - | 2,016,713 |
| Deferred Income Tax Asset | - | 95,800 | - | 95,800 |
| <u>TOTAL LONG-TERM ASSETS</u> | <u>2,016,713</u> | <u>95,800</u> | <u>-</u> | <u>2,112,513</u> |
| <u>RESTRICTED CASH</u> | <u>\$ 942,231</u> | <u>-</u> | <u>-</u> | <u>942,231</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 10,221,995</u> | <u>\$ 12,155,630</u> | <u>\$ -</u> | <u>\$ 22,377,625</u> |
| | | | | <u>\$ 23,182,924</u> |

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CONSOLIDATING BALANCE SHEET (Continued)

December 31, 2024
(With Comparative Consolidated Amounts for 2023)

LIABILITIES AND EQUITY (DEFICIT)

| | 2024 | | | | 2023 |
|---|----------------------|----------------------|------------------------|----------------------|----------------------|
| | Bar Pilots | Benevolent | Eliminating Entries | Consolidated | Consolidated |
| <u>CURRENT LIABILITIES</u> | | | | | |
| Lines of Credit | \$ - | \$ 2,912,659 | \$ - | \$ 2,912,659 | \$ 2,423,435 |
| Accounts Payable: | | | | | |
| Trade | 677,476 | 15,688 | - | 693,164 | 644,532 |
| Board of Pilot Commissioners | 1,688,065 | - | - | 1,688,065 | 1,608,925 |
| Pension | 1,245,504 | - | - | 1,245,504 | 1,526,739 |
| Accrued Expenses: | | | | | |
| Accrued Rent | - | - | - | - | 131,690 |
| Vacation Pay | 666,947 | - | - | 666,947 | 623,639 |
| Other | 483,101 | 499,573 | - | 982,674 | 170,676 |
| Current Portion of Long-Term Debt | - | 713,239 | - | 713,239 | 635,283 |
| Operating Lease Liabilities, Current | - | 1,296,767 | - | 1,296,767 | 1,240,825 |
| <u>TOTAL CURRENT LIABILITIES</u> | <u>4,761,093</u> | <u>5,437,926</u> | <u>-</u> | <u>10,199,019</u> | <u>9,005,744</u> |
| <u>LONG-TERM LIABILITIES</u> | | | | | |
| Long-Term Debt, Net of Current Portion | - | 5,851,936 | - | 5,851,936 | 6,547,186 |
| Operating Lease Liabilities, Net of Current Portion | - | 1,354,645 | - | 1,354,645 | 2,651,413 |
| <u>TOTAL LONG-TERM LIABILITIES</u> | <u>-</u> | <u>7,206,581</u> | <u>-</u> | <u>7,206,581</u> | <u>9,198,599</u> |
| <u>TOTAL LIABILITIES</u> | <u>4,761,093</u> | <u>12,644,507</u> | <u>-</u> | <u>17,405,600</u> | <u>18,204,343</u> |
| <u>EQUITY (DEFICIT)</u> | | | | | |
| Pilots' and Members' Equity (Deficit) | 5,365,553 | (488,877) | - | 4,876,676 | 5,647,766 |
| Accumulated Other Comprehensive Gain (Loss) | 95,349 | - | - | 95,349 | (669,185) |
| <u>TOTAL EQUITY (DEFICIT)</u> | <u>5,460,902</u> | <u>(488,877)</u> | <u>-</u> | <u>4,972,025</u> | <u>4,978,581</u> |
| <u>TOTAL LIABILITIES AND EQUITY (DEFICIT)</u> | <u>\$ 10,221,995</u> | <u>\$ 12,155,630</u> | <u>\$ -</u> | <u>\$ 22,377,625</u> | <u>\$ 23,182,924</u> |

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

Year Ended December 31, 2024
 (With Comparative Consolidated Amounts for 2023)

| | 2024 | | | 2023 |
|---|----------------------|-------------------|------------------------|----------------------|
| | Bar Pilots | Benevolent | Eliminating Entries | Consolidated |
| | | | | Consolidated |
| <u>REVENUES</u> | | | | |
| Pilotage Fees Earned | \$ 50,728,477 | \$ - | \$ - | \$ 50,728,477 |
| Pilot Vessel Construction Surcharge | - | 851,592 | - | 851,592 |
| Office and Terminal Rent | - | 1,284,535 | (1,284,535) | - |
| Charter Hire | - | 2,310,000 | (2,310,000) | - |
| <u>TOTAL REVENUES</u> | <u>50,728,477</u> | <u>4,446,127</u> | <u>(3,594,535)</u> | <u>51,580,069</u> |
| <u>OPERATING EXPENSES</u> | | | | |
| Pilot Boat and Charter Hire | 10,363,699 | - | (2,310,000) | 8,053,699 |
| Terminal | 777,248 | - | (321,134) | 456,114 |
| Pilot Office and Dispatch | 4,468,646 | - | (963,401) | 3,505,245 |
| General | 4,965,150 | 1,613,498 | - | 6,578,648 |
| Depreciation and Amortization | - | 1,026,013 | - | 1,026,013 |
| <u>TOTAL OPERATING EXPENSES</u> | <u>20,574,743</u> | <u>2,639,511</u> | <u>(3,594,535)</u> | <u>19,619,719</u> |
| <u>OPERATING INCOME</u> | <u>30,153,734</u> | <u>1,806,616</u> | <u>-</u> | <u>31,960,350</u> |
| <u>OTHER INCOME (EXPENSE)</u> | | | | |
| Government Grant Income | - | - | - | - |
| Other Income (Expense), Net | 63,298 | (32,295) | - | 31,003 |
| Interest Expense | - | (502,175) | - | (502,175) |
| <u>TOTAL OTHER INCOME (EXPENSE)</u> | <u>63,298</u> | <u>(534,470)</u> | <u>-</u> | <u>(471,172)</u> |
| <u>INCOME BEFORE PROVISION FOR INCOME TAXES</u> | <u>30,217,032</u> | <u>1,272,146</u> | <u>-</u> | <u>31,489,178</u> |
| <u>PROVISION FOR INCOME TAXES</u> | <u>-</u> | <u>(349,857)</u> | <u>-</u> | <u>(349,857)</u> |
| <u>NET INCOME</u> | <u>30,217,032</u> | <u>922,289</u> | <u>-</u> | <u>31,139,321</u> |
| <u>OTHER COMPREHENSIVE INCOME</u> | | | | |
| Defined Benefit Pension Plan, Net | 764,534 | - | - | 764,534 |
| <u>COMPREHENSIVE INCOME</u> | <u>\$ 30,981,566</u> | <u>\$ 922,289</u> | <u>\$ -</u> | <u>\$ 31,903,855</u> |
| <u>AVERAGE NET INCOME PER PILOT</u> | <u>\$ 576,613</u> | | | <u>\$ 635,792</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, 2024
(With Comparative Consolidated Amounts for 2023)

| | Bar Pilots | | | Benevolent | | | | |
|---|--------------------------|--|---------------------|------------------------------|---------------------|---------------------|------------------------|---------------------|
| | Bar Pilots' Equity | Accumulated Other Comprehensive Gain (Loss) | Total | Members' Equity (Deficit) | Note Receivable | Total | Eliminating Entries | Consolidated |
| <u>BALANCE, JANUARY 1, 2023</u> | \$ 6,399,409 | \$ (1,251,015) | \$ 5,148,394 | \$ (1,404,795) | \$ - | \$ (1,404,795) | \$ - | \$ 3,743,599 |
| Net Income | 32,505,525 | - | 32,505,525 | (12,951) | - | (12,951) | - | 32,492,574 |
| Actuarial Gain on Pension Plan | - | 581,830 | 581,830 | - | - | - | - | 581,830 |
| Contributions from New Members | - | - | - | 2,687,376 | - | 2,687,376 | - | 2,687,376 |
| Notes Receivable from New Members | - | - | - | - | (445,515) | (445,515) | - | (445,515) |
| Distributions of Income to Pilots | (32,737,597) | - | (32,737,597) | - | - | - | - | (32,737,597) |
| Redemption of Members' Interests | - | - | - | (1,343,686) | - | (1,343,686) | - | (1,343,686) |
| <u>BALANCE, DECEMBER 31, 2023</u> | 6,167,337 | (669,185) | 5,498,152 | (74,056) | (445,515) | (519,571) | - | 4,978,581 |
| Net Income | 30,217,032 | - | 30,217,032 | 922,289 | - | 922,289 | - | 31,139,321 |
| Actuarial Gain on Pension Plan | - | 764,534 | 764,534 | - | - | - | - | 764,534 |
| Repayments on Notes Receivable from New Members | - | - | - | - | 45,525 | 45,525 | - | 45,525 |
| Distributions of Income to Pilots | (31,018,816) | - | (31,018,816) | - | - | - | - | (31,018,816) |
| Redemption of Members' Interests | - | - | - | (937,120) | - | (937,120) | - | (937,120) |
| <u>BALANCE, DECEMBER 31, 2024</u> | <u>\$ 5,365,553</u> | <u>\$ 95,349</u> | <u>\$ 5,460,902</u> | <u>\$ (88,887)</u> | <u>\$ (399,990)</u> | <u>\$ (488,877)</u> | <u>\$ -</u> | <u>\$ 4,972,025</u> |

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

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2024
(With Comparative Consolidated Amounts for 2023)

| | 2024 | | | | 2023 |
|--|----------------------------|---------------------------|------------------------|----------------------------|----------------------------|
| | Bar Pilots | Benevolent | Eliminating Entries | Consolidated | Consolidated |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | | | |
| Net Income | \$ 30,217,032 | \$ 922,289 | \$ - | \$ 31,139,321 | \$ 32,492,574 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | | | | |
| Depreciation and Amortization | - | 1,026,013 | - | 1,026,013 | 492,699 |
| Amortization of Loan Financing Costs | - | 11,860 | - | 11,860 | 3,953 |
| Non-Cash Lease Expense | - | 1,222,114 | - | 1,222,114 | 1,205,474 |
| Pension Plan Costs, Net of Contributions | (126,892) | - | - | (126,892) | (106,770) |
| Deferred Income Taxes | - | (95,500) | - | (95,500) | 203,700 |
| Changes in Operating Assets and Liabilities: | | | | | |
| Accounts Receivable | 484,113 | (68,466) | - | 415,647 | (1,911,228) |
| Prepaid Expenses | 6,750 | 51,190 | - | 57,940 | 846 |
| Accounts Payable | (161,263) | 7,800 | - | (153,463) | 1,267,215 |
| Accrued Expenses | 454,012 | 269,604 | - | 723,616 | (428,088) |
| Operating Lease Liabilities | - | (1,240,826) | - | (1,240,826) | (1,186,761) |
| <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u> | <u>30,873,752</u> | <u>2,106,078</u> | <u>-</u> | <u>32,979,830</u> | <u>32,033,614</u> |
| <u>CASH FLOWS USED IN INVESTING ACTIVITIES</u> | | | | | |
| Purchase of Property and Equipment | - | (1,641,796) | - | (1,641,796) | (2,228,766) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | | | |
| Proceeds from Line of Credit | - | 937,120 | - | 937,120 | 1,342,686 |
| Principal Payments on Line of Credit | - | (447,896) | - | (447,896) | (2,240,355) |
| Proceeds from Construction Loan | - | - | - | - | 1,807,323 |
| Payments on Construction Loan | - | (583,924) | - | (583,924) | (186,299) |
| Proceeds from Term Loan | - | (45,230) | - | (45,230) | 449,614 |
| Contributions from New Members | - | - | - | - | 2,237,762 |
| Collection on Notes Receivable to New Members | - | 45,525 | - | 45,525 | 4,099 |
| Distributions to Pilots and Retired Members | (31,018,816) | (937,120) | - | (31,955,936) | (34,081,283) |
| <u>NET CASH USED IN FINANCING ACTIVITIES</u> | <u>(31,018,816)</u> | <u>(1,031,525)</u> | <u>-</u> | <u>(32,050,341)</u> | <u>(30,666,453)</u> |
| <u>NET DECREASE IN CASH AND RESTRICTED CASH</u> | <u>(145,064)</u> | <u>(567,243)</u> | <u>-</u> | <u>(712,307)</u> | <u>(861,605)</u> |
| <u>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</u> | <u>2,503,223</u> | <u>1,157,683</u> | <u>-</u> | <u>3,660,906</u> | <u>4,522,511</u> |
| <u>CASH AND RESTRICTED CASH, END OF YEAR</u> | <u>\$ 2,358,159</u> | <u>\$ 590,440</u> | <u>\$ -</u> | <u>\$ 2,948,599</u> | <u>\$ 3,660,906</u> |

SAN FRANCISCO BAR PILOTSANDSAN FRANCISCO BAR PILOTS BENEVOLENT AND PROTECTIVE ASSOCIATIONUNCONSOLIDATED STATEMENT OF BAR PILOTS' PILOT BOAT AND CHARTER HIRE EXPENSES

Year Ended December 31, 2024

| | <u>Amount</u> | <u>%</u> |
|--|----------------------|--------------|
| Salaries and Wages | \$ 3,251,935 | 31.4 |
| Charter Rental to San Francisco Bar Pilots | | |
| Benevolent and Protective Association | 2,310,000 | 22.3 |
| Maintenance and Repair | 1,923,353 | 18.6 |
| Fuel | 1,181,848 | 11.4 |
| Health and Welfare | 635,940 | 6.1 |
| Retirement Benefits | 489,714 | 4.7 |
| Payroll Taxes | 278,019 | 2.7 |
| Food Supplies | 160,607 | 1.5 |
| Insurance | 103,513 | 1.0 |
| Other | 17,123 | 0.2 |
| Equipment Rental | 11,647 | 0.1 |
| | <u>\$ 10,363,699</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, 2024

| | <u>Amount</u> | <u>%</u> |
|---------------------------------------|-------------------|--------------|
| Rent to San Francisco Bar Pilots | | |
| Benevolent and Protective Association | \$ 321,134 | 41.4 |
| Salaries and Wages | 276,039 | 35.5 |
| Maintenance and Repair | 60,094 | 7.7 |
| Retirement Benefits | 39,257 | 5.1 |
| Health and Welfare | 27,347 | 3.5 |
| Payroll Taxes | 22,582 | 2.9 |
| Maintenance Supplies | 13,904 | 1.8 |
| Workers' Compensation Insurance | 14,221 | 1.8 |
| Other | 2,670 | 0.3 |
| | <u>\$ 777,248</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, 2024

| | <u>Amount</u> | <u>%</u> |
|--|---------------------|--------------|
| Salaries and Wages of Office Staff and Dispatchers | \$ 2,185,023 | 49.0 |
| Rent to San Francisco Bar Pilots | | |
| Benevolent and Protective Association | 963,401 | 21.6 |
| Employees' Retirement Plan | 470,644 | 10.5 |
| Medical Insurance | 335,726 | 7.5 |
| Maintenance and Repair | 166,351 | 3.7 |
| Utilities | 140,329 | 3.1 |
| Payroll Taxes | 142,877 | 3.2 |
| Food Supplies | 31,153 | 0.7 |
| Workers' Compensation Insurance | 18,221 | 0.4 |
| Other | 14,921 | 0.3 |
| | <u>\$ 4,468,646</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, 2024

| | <u>Amount</u> | <u>%</u> |
|---|---------------------|--------------|
| Taxi and Launch Service | \$ 1,609,324 | 32.4 |
| Legal and Accounting | 958,621 | 19.3 |
| Professional Services | 685,584 | 13.8 |
| Insurance | 585,083 | 11.8 |
| Public Relations | 310,819 | 6.3 |
| Dues and Subscriptions | 258,386 | 5.2 |
| Political Contributions and Lobbying Expenses | 228,734 | 4.6 |
| Travel | 79,569 | 1.6 |
| Donations | 72,851 | 1.5 |
| Business Taxes | 70,516 | 1.4 |
| Other | 49,025 | 1.0 |
| Communications | 21,331 | 0.4 |
| Bank Services | 18,022 | 0.4 |
| Navigation | 17,285 | 0.3 |
| | <u>\$ 4,965,150</u> | <u>100.0</u> |

EXHIBIT 6

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

Years Ended December 31, 2024 and 2023

| | Pilot Commission | Pilot Training | Pilot Trainee | Pilot Vessel Construction | Total Board of Pilot Commissioners | Statutory Pension Rate |
|--|---------------------|-------------------|------------------|------------------------------|--|---------------------------|
| <u>UNDISBURSED SURCHARGES, JANUARY 1, 2023</u> | \$ 353,095 | \$ 67,490 | \$ 152,604 | \$ - | \$ 573,189 | \$ 1,276,158 |
| Billings | 2,599,032 | 429,810 | 568,700 | 6,936,921 | 10,534,463 | 18,119,114 |
| Disbursements to Statutory Pension Plan | - | - | - | - | - | (17,868,533) |
| Disbursements to Board of Pilot Commissioners | <u>(2,499,856)</u> | <u>(437,687)</u> | <u>(682,023)</u> | <u>(5,879,161)</u> | <u>(9,498,727)</u> | <u>-</u> |
| <u>UNDISBURSED SURCHARGES, DECEMBER 31, 2023</u> | 452,271 | 59,613 | 39,281 | 1,057,760 | 1,608,925 | 1,526,739 |
| Billings | 2,665,937 | 314,675 | 394,875 | 6,825,891 | 10,201,378 | 15,183,153 |
| Disbursements to Statutory Pension Plan | - | - | - | - | - | (15,464,388) |
| Disbursements to Board of Pilot Commissioners | <u>(2,702,489)</u> | <u>(330,788)</u> | <u>(367,082)</u> | <u>(6,721,879)</u> | <u>(10,122,238)</u> | <u>-</u> |
| <u>UNDISBURSED SURCHARGES, DECEMBER 31, 2024</u> | <u>\$ 415,719</u> | <u>\$ 43,500</u> | <u>\$ 67,074</u> | <u>\$ 1,161,772</u> | <u>\$ 1,688,065</u> | <u>\$ 1,245,504</u> |

EXHIBIT 7

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

Years Ended December 31, 2024 and 2023

| | Uncollected Surcharges January 1, 2023 | Billings | Collections | Uncollected Surcharges December 31, 2023 | Billings | Collections | Uncollected Surcharges December 31, 2024 |
|---|--|----------------------|------------------------|--|----------------------|------------------------|--|
| <u>PILOTAGE SURCHARGES</u> | | | | | | | |
| Gross Pilotage | | | | | | | |
| Pilotage | \$ 1,799,739 | 31,815,984 | (31,240,456) | \$ 2,375,267 | 33,837,130 | (33,908,230) | \$ 2,304,167 |
| Bay Moves | 312,524 | 3,983,599 | (3,924,157) | 371,966 | 3,947,500 | (3,964,466) | 355,000 |
| River Moves | 78,102 | 2,713,500 | (2,704,457) | 87,145 | 2,680,000 | (2,637,145) | 130,000 |
| Miscellaneous Charges | 267,333 | 3,899,449 | (3,689,480) | 477,302 | 3,974,697 | (3,960,726) | 491,273 |
| Total Gross Pilotage | 2,457,698 | 42,412,532 | (41,558,550) | 3,311,680 | 44,439,327 | (44,470,567) | 3,280,440 |
| Temporary Tariff Fee | 477,132 | 6,626,998 | (6,543,433) | 560,697 | 6,289,150 | (6,337,297) | 512,550 |
| Pilot Board Maintenance | 61,592 | - | (60,959) | 633 | - | (633) | - |
| Pilot Dispatch System | 370 | - | (207) | 163 | - | (163) | - |
| <u>TOTAL PILOTAGE SURCHARGES</u> | 2,996,792 | 49,039,530 | (48,163,149) | 3,873,173 | 50,728,477 | (50,808,660) | 3,792,990 |
| <u>OTHER SURCHARGES</u> | | | | | | | |
| Board of Pilot Commissioners Surcharges | | | | | | | |
| Pilot Commission | 164,790 | 2,599,032 | (2,526,396) | 237,426 | 2,665,937 | (2,701,219) | 202,144 |
| Pilot Training | 32,182 | 429,810 | (430,512) | 31,480 | 314,675 | (325,050) | 21,105 |
| Pilot Trainee | 67,975 | 568,700 | (616,215) | 20,460 | 394,875 | (380,215) | 35,120 |
| Pilot Vessel Construction | - | 6,936,920 | (6,392,159) | 544,761 | 6,825,891 | (6,786,729) | 583,923 |
| Total Board of Pilot Commissioners Surcharges | 264,947 | 10,534,462 | (9,965,282) | 834,127 | 10,201,378 | (10,193,213) | 842,292 |
| Statutory Pension Rate | 1,222,698 | 18,119,114 | (17,879,994) | 1,461,818 | 15,183,153 | (15,495,925) | 1,149,046 |
| <u>TOTAL OTHER SURCHARGES</u> | 1,487,645 | 28,653,576 | (27,845,276) | 2,295,945 | 25,384,531 | (25,689,138) | 1,991,338 |
| <u>TOTAL SURCHARGES</u> | <u>\$ 4,484,437</u> | <u>\$ 77,693,106</u> | <u>\$ (76,008,425)</u> | <u>\$ 6,169,118</u> | <u>\$ 76,113,008</u> | <u>\$ (76,497,798)</u> | <u>\$ 5,784,328</u> |