KPMG

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO

(Wholly Owned Subsidiaries of Recology Inc.)

Combined Financial Statements and Supplementary Information

September 30, 2023 and 2022

(With Independent Auditors’ Report Thereon)

KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Independent Auditors' Report

The Board of Directors
Sunset Scavenger Company, Golden Gate Disposal & Recycling Company and Recology San Francisco:

Opinion

We have audited the accompanying combined financial statements of Sunset Scavenger Company, Golden Gate Disposal & Recycling Company and Recology San Francisco (the Company, wholly owned subsidiaries of Recology Inc.), which comprise the combined balance sheets as of September 30, 2023 and 2022, and the related combined statements of income, stockholder's equity, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 Combined Financial Statements section of our report. We are required to be independent of the Company 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 Combined Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 combined 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's 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 combined financial statements as a whole. The accompanying supplementary information included in Schedules 1, 2, 3 and 4 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

San Francisco, California
February 9, 2024

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO
(Wholly Owned Subsidiaries of Recology Inc.)

Combined Balance Sheets

September 30, 2023 and 2022

Assets		**2023**	**2022**
Current assets:			
Restricted cash	$	13,581,375	8,422,391
Accounts receivable, less allowance for doubtful accounts of $2,316,911 and $1,385,214 for 2023 and 2022, respectively		51,728,673	54,366,245
Parts and supplies		3,188,000	3,794,852
Prepaid expenses and other current assets		4,674,552	4,380,778
Total current assets		73,172,600	70,964,266
Restricted cash, long term		—	4,534,470
Property and equipment:			
Land		3,311,106	3,311,106
Buildings and improvements		44,838,034	43,753,201
Furniture and fixtures		1,019,553	1,019,553
Vehicles, containers, and operating equipment		36,559,695	36,521,163
Construction in progress		2,728,330	5,258,069
Total property and equipment		88,456,718	89,863,092
Less accumulated depreciation		57,167,622	51,269,059
Property and equipment, net		31,289,096	38,594,033
Right-of-use assets, net		4,985,190	4,603,973
Permits		50,014,837	50,014,837
Goodwill, net of accumulated amortization of $19,940 and $17,946 in 2023 and 2022, respectively		—	1,994
Other assets		3,098,246	2,700,475
Total assets	$	162,559,969	171,414,048
Liabilities and Stockholder's Equity			
Current liabilities:			
Accounts payable	$	5,143,360	2,659,372
Accrued liabilities:			
Vacation and sick leave		3,054,740	3,787,844
Payroll and payroll taxes		4,120,054	4,972,807
Self-insurance and other accrued expenses		18,435,961	19,952,438
Zero waste incentive		9,096,925	8,422,391
Deferred revenue		10,920,905	10,802,649
Customer refund liability		5,073,198	—
Current portion of lease liability		886,346	3,492,500
Total current liabilities		56,731,489	54,090,001
Customer refund liability		1,418,405	4,607,253
Non-current lease liability		4,153,008	1,161,000
Self-insurance and other noncurrent liabilities		1,942,302	12,597,631
Total liabilities		64,245,204	72,455,885
Stockholder's equity, net		98,314,765	98,958,163
Total liabilities and stockholder's equity	$	162,559,969	171,414,048

See accompanying notes to financial statements.

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO
(Wholly Owned Subsidiaries of Recology Inc.)

Combined Statements of Income

Years ended September 30, 2023 and 2022

		2023	2022
Revenue:			
Commercial	$	206,027,200	192,294,972
Residential		101,409,855	95,546,072
Apartments		83,222,763	77,562,235
Recycling		18,846,921	22,396,444
Disposal		9,324,410	9,839,918
Other		2,089,343	2,073,296
Revenue from affiliate		(56,150)	31,850
Refund to customer		—	(15,155)
		420,864,342	399,729,632
Less amounts reserved for impound and zero waste incentive accounts		(33,464,293)	(30,201,896)
Total operating revenue		387,400,049	369,527,736
Expenses:			
Refuse collection		130,248,416	122,703,016
Truck and garage		45,492,593	42,325,058
Debris box		11,870,093	11,098,738
Transfer station		66,507,750	64,957,527
Processing		37,937,440	38,241,787
Special waste		5,004,692	4,674,550
General recycling		19,577,694	17,121,821
General and administrative		57,400,539	52,712,395
Total operating expenses		374,039,217	353,834,892
Operating income		13,360,832	15,692,844
Other income (expense):			
Interest expense		(1,624)	(1,886)
Rental and other income		366,178	401,471
Non-service pension and postretirement		11,248,523	9,296,663
Net income	$	24,973,909	25,389,092

See accompanying notes to combined financial statements.

SUNSET SCAVENGER COMPANY,
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Combined Statements of Stockholder's Equity

Years ended September 30, 2023 and 2022

		Total Stockholder's Equity
Balance, September 30, 2021	$	90,944,337
Net income		25,389,092
Net distribution to Parent		(17,375,266)
Balance, September 30, 2022		98,958,163
Net income		24,973,909
Net distribution to Parent		(25,617,307)
Balance, September 30, 2023	$	98,314,765

See accompanying notes to financial statements.

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO
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Combined Statements of Cash Flows

Years ended September 30, 2023 and 2022

	Combined	
	2023	**2022**
Cash flows from operating activities:		
Net income	$ 24,973,909	25,389,092
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of right-of-use assets	4,135,373	4,434,799
Depreciation and amortization	5,926,763	5,954,780
Provision for bad debts	2,977,213	2,092,756
Loss on asset disposal and impairment	2,786,270	—
Changes in assets and liabilities:		
Accounts receivable	(339,641)	(4,522,300)
Parts and supplies	606,852	216,384
Prepaid expenses and other assets	(691,545)	409,773
Accounts payable	2,483,988	624,840
Accrued liabilities	(3,102,334)	(273,813)
Zero waste incentive	674,534	(1,812,210)
Deferred revenues	118,256	638,634
Customer refund liability	1,884,350	3,869,902
Operating lease liabilities	(4,130,737)	(4,385,272)
Other liabilities	(10,655,329)	(11,317,930)
Net cash provided by operating activities	27,647,922	21,319,435
Cash flows from financing activities:		
Distribution to Parent and affiliates	(27,023,408)	(18,376,693)
Net increase in cash	624,514	2,942,742
Cash, cash equivalents, and restricted cash at beginning of year	12,956,861	10,014,119
Cash, cash equivalents, and restricted cash at end of year	$ 13,581,375	12,956,861
Supplemental disclosure of noncash activities:		
Interest allocation from Parent	$ 1,624	1,861
Additions to property and equipment funded by parent	1,406,101	1,001,427
Right of use asset and lease liability recorded under ASC 842	4,018,615	—

See accompanying notes to combined financial statements.

(1) Nature of Business

The accompanying financial statements are the combined statements of Sunset Scavenger Company, Golden Gate Disposal & Recycling Company, and Recology San Francisco (the Company). Recology San Francisco is owned equally by Sunset Scavenger Company and Golden Gate Disposal & Recycling Company, which are wholly owned subsidiaries of Recology Inc. (the Parent or Recology), which in turn is wholly owned by the Recology Employee Stock Ownership Plan (the ESOP).

The Company provides solid waste, recyclables, and organics collection services in San Francisco. The Company's collection rates for residences and apartments are set by the Refuse Collection and Disposal Rate Board of the City and County of San Francisco (the Rate Board). The rates are set to allow the Company to recover its operating costs plus a return on those costs, with certain mandated exceptions. This rate setting process may result in the disallowance of certain costs and/or delays in cost recovery.

The Company filed a rate application to the Department of Public Works on February 13, 2017. On May 12, 2017, the Rate Board approved the 2017 San Francisco Rate Order (the Rate Order or 2017 Rate Order). The Rate Order approved the rates for the 2018 rate year (Rate Year 2018 began July 1, 2017) and annual cost of living adjustments (COLA) after the first year. The Rate Order includes the City's adoption of new rate structures for residential and apartment customers. The residential rate structure includes separate identification of fixed charges and volumetric charges on recycling and composting service. The apartment rate structure includes a fixed charge and a variable charge based on total service volume, with incentives to participate in recycling and composting collection programs. As a result of the Rate Order, the recycling incentive program for commercial customers was modified whereby 100% of the charges for containerized services are eligible for a diversion discount, equal to the percentage of recycling and compostable service volume to total service volume in excess of 25%, up to a maximum discount of 75%. The Company's operating results are affected by variation in its recycling revenue from the sale of recyclable commodities. The Company's recycling revenue can be volatile and fluctuate in accordance with changes in the recycling commodity mix and in the prices of recyclable commodities, which in turn are, in many cases, dependent on changes in worldwide supply of, and demand for, such recyclable commodities.

On December 22, 2022 the Company reached an agreement with the City of San Francisco (the "2022 Agreement") involving a notional, noncash balancing account with an initial ratepayer notional credit of $25 million. This initial notional balance was reduced for below target profits earned during periods after July 1, 2021 and for revenue forgone as a result of delaying the Company's cost of living adjustment that would have otherwise been permitted under the Rate Order for the period prior from July 1,2022 to December 31, 2022, not to fall below a notional balance of $0. If the notional balancing account retains a positive balance after accounting for profits earned during the year ended September 30, 2023, such balance will be used to offset future rate increases. As part of this agreement, the rate year ("RY") has been realigned to be consistent with the Company's fiscal year (October 1 through September 30). The 2022 Agreement was approved by the San Francisco Board of Supervisors on December 22, 2022 and has been approved by the Company's lenders. As of September 30, 2023, the remaining notional credit is $1.4 million. This amount will be used to offset future rate increases in equal amounts over five rate years (RY 2025 – RY 2029).

On August 31, 2023, the Refuse Rate Board adopted a new two-year rate order effective October 1, 2023 through September 30, 2025.

(2) Summary of Significant Accounting Policies

(a) Principle of Combination

The Company eliminates intercompany transactions between the combined companies. Amounts due from or payable to the Parent and affiliates are accumulated by the Company during the year, and at year end, the net amount is settled by way of capital contributions from or distributions to the Parent.

(b) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these combined financial statements in conformity with accounting principles generally accepted in the United States of America. The more significant estimates requiring the judgment of management include valuation of intangible assets, allowances for accounts receivable, zero waste incentive accounting, and potential litigation, claims, and assessments. Actual results could differ from those estimates.

(c) Fair Value of Financial Instruments

Assets and liabilities that are considered to be financial instruments (such as accounts receivable, accounts payable, and accrued liabilities) are reported in the combined balance sheets at carrying values that approximate their fair value based on current market indicators and the short maturity of these instruments.

(d) Cash and Cash Equivalents, and Restricted Cash

Cash and cash equivalents include cash balances and highly liquid investments with an original maturity of three months or less when purchased. Cash and cash equivalents are principally comprised of cash invested in demand deposit accounts and money market instruments and are stated at cost plus accrued interest.

As of September 30, 2023, restricted cash consists primarily of amounts pertaining to incentives for certain waste diversion and sustainability programs undertaken by the Company’s San Francisco operations, and remaining uncashed portion from refunds due to the customers from the settlement agreement between the Company and the San Francisco City Attorney’s Office on March 3, 2021.

(e) Cash Concentration Account

The Company’s bank accounts are linked to the Parent’s concentration account. Cash balances (or deficits) at the end of each day are automatically transferred to (or from) the concentration account, so that at the end of any particular day, as well as at year-end, the Company’s bank accounts have a zero balance, with related amounts debited or credited to the underlying intercompany account.

(Continued)

(f) Revenue Recognition and Accounts Receivable

The Company generally recognizes revenue when services are performed, or products are delivered in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. A significant amount of the Company's revenue is subject to rate regulation and adjustment in accordance with the Refuse Collection and Disposal Rate Board Resolution adopting the Department of Public Work Director's Recommendation Order (the Rate Order). Revenue recognition related to contractual diversion goals is based on the Company's estimation of the likelihood that it will reach those diversion goals.

Deferred revenue primarily consists of revenue billed in advance that is recorded as revenue in the period in which the related services are rendered. The Company makes certain payments to customers, payments to the Impound and Zero Waste Incentive Accounts, and payments to municipalities in the Company's refuse collection and recycling businesses, which reduce the amount of revenue recognized. The Company's receivables are recorded when billed and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value.

The Company estimates potentially uncollectible accounts based on several factors, including historical collection trends, existing economic conditions, and other factors. In certain instances, the Company can collect receivables through a lien process. Past-due receivable balances not subject to a lien process are written-off when the Company's internal collection efforts have been unsuccessful.

(g) Parts and Supplies

Parts and supplies consist of fuel, oil, tires, tubes, repair parts, containers, and bins are recorded at average cost and are expensed when utilized.

(h) Property and Equipment

Property and equipment, including major capital improvements, are stated at cost. It is the Company's policy to periodically review the estimated useful lives of its property and equipment. Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

	Estimated useful lives
Buildings	20–40 years
Leasehold improvements	Shorter of lease or useful life
Machinery and equipment	6–8 years
Furniture and fixtures	8 years
Vehicles	9 years
Containers	10 years

Depreciation expense on the above amounted to $5,924,769 and $5,952,786 for the years ended September 30, 2023 and 2022, respectively. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized.

(i) Leases

The Company leases certain land, buildings, vehicles, and equipment used in the Company's operations under lease agreements. The Company is responsible for all maintenance costs, taxes, and insurance on the buildings, vehicles, and equipment under lease agreements.

The Company accounts for leases in accordance with Topic 842, *Leases*. The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

The Company's leases have varying terms, some of which include renewal or escalation clauses, which are considered in determining minimum lease payments. The lease term for all the Company's leases includes the noncancellable period of the lease plus any additional periods covered by either a Company option to extend (or not terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controller by the lessor. The Company has elected not to include leases with an initial term of 12 months or less in the combined balance sheets and payments associated with these short-term leases are recognized as an operating expense on a straight-line basis over the lease term. Leases are classified as operating leases or finance leases at inception. As of September 30, 2023, the Company does not have finance leases.

Operating Leases

The Company's operating lease activities primarily consist of leases with third parties for the use of facilities (i.e., office space, material recovery facilities, etc.) as well as small equipment (i.e., copiers, fax machines, postage machines, office trailers, etc.). The lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. The ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

(j) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A long-lived asset is considered impaired when the undiscounted cash flows from the asset or asset group is estimated to be less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. During the years ended September 30, 2023 and 2022, no impairment was recorded.

(k) Goodwill and Permits

When the Company acquires permits, the purchase price is allocated to the permits based upon their estimated fair value at the date of acquisition. The permits acquired are recorded and classified as intangible assets with an indefinite life. In addition, any consideration for an acquisition paid in excess of amounts allocated to the net assets acquired is included in goodwill.

The Company performs an assessment of intangible assets with indefinite lives for impairment at least annually. Amortizable intangible assets are evaluated for impairment when an event or change in circumstances indicates that the carrying amount of an asset may not be recoverable based on undiscounted cash flows.

The Company amortizes goodwill on a straight-line basis over 10 years. The Company performs an assessment for impairment if an event occurs or circumstances change that indicate that the fair value of the entity may be below its carrying amount.

During the years ended September 30, 2023 and 2022, no impairment of goodwill or intangible assets was recorded.

(l) Income Taxes

The Parent is an S corporation with the Company electing to be treated as a Qualified Subchapter S corporation subsidiary. Under S corporation rules, the Parent’s taxable income and losses are passed through to the ESOP, the Parent’s sole shareholder, which is exempt from income tax, and the Company is treated as a division of the Parent having no separate income tax obligations. The Parent has not allocated the income tax expense to the Company.

The Company recognizes income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company’s accounting policy for evaluating uncertain tax positions is to accrue estimated benefits or obligations relating to those positions. The Company records interest related to unrecognized tax benefits as interest expense and penalties as an administrative expense. For the years ended September 30, 2023 and 2022, there were no interest expenses or penalties recorded, because the Company had no uncertain tax positions that met the more-likely-than-not threshold.

(Continued)

(m) Environmental Remediation Liabilities

The Company accrues for environmental remediation costs when they become probable and based on its best estimate within a range. If no amount within the range appears to be a better estimate than any other, the low end of such range is used. Remediation costs are estimated by environmental remediation professionals based upon site remediation plans they develop, working with regulatory agencies, and the Company's environmental staff and legal counsel. No environmental remediation liabilities were accrued at September 30, 2023 and 2022.

(n) Stockholder's Equity

Sunset Scavenger Company and Golden Gate Disposal & Recycling Company has 30,000 shares of common stock authorized and 12,304 shares issued and outstanding with no par value as of September 30, 2023 and 2022. Stockholder's equity, net, is comprised of the legal capital plus cumulative contributions net of distributions.

Recology San Francisco has 7,500 shares of common stock authorized, issued, and outstanding with no par value as of September 30, 2023 and 2022. All of these shares are held by Sunset Scavenger Company and Golden Gate Disposal & Recycling Company. Accordingly, Recology San Francisco's stockholder's equity eliminates in combination.

(o) Allocations

The Company includes allocated charges from the Parent and its affiliates in operating and other expenses. The charges are allocated by applying activity appropriate factors to direct and indirect costs of the Parent and its affiliates or based on established fees.

(3) Regulatory and Contractual Obligations

The Reserve Fund is a fund to be used for extraordinary expenses relating to the Waste Disposal Agreement between the City and County of San Francisco, Recology San Francisco, and Recology Hay Road. The Company funded this account with annual transfers with the last transfer in the rate year ended June 30, 2020. The Company's deposits into the Reserve Fund are not reported as assets or liabilities of the Company.

The Impound Account is a restricted bank account held jointly by Recology San Francisco and the City and County of San Francisco and used by the City and County to cover certain waste management and diversion expenses. The Company contributed $23,387,488 during the year ended September 30, 2023 and $22,007,611 during the year ended September 30, 2022 to the Impound Account. The Company's deposits into the Impound Account are not reported as assets or liabilities of the Company.

In addition, the Company is responsible for administering the Recology San Francisco Zero Waste Incentive Account (“ZWIA”). In order to help the City meet state-mandated recycling goals, the Company, has the opportunity to earn a higher level of profit beyond that normally allowed for in the Rate Order by meeting tonnage goals for diversion of materials. The 2017 Rate Order established zero waste diversion goals based on disposal tons at four tiers to cover the rate year ended June 30, 2018 through rate year ending September 30, 2023. The revenue collected by the Company is based on the maximum reward level of profit as stated in the respective Rate Order. The incentive revenue recognized by the Company is based on the estimate of the level of incentive to be achieved during each respective rate year. The incremental billings generated from the Company resulting from the additional reward level of profit are deposited on a monthly basis into the ZWIA. If the Company meets or exceeds the diversion goals for the rate year, then the funds deposited into the account may be withdrawn by the Company as the incentive reward after the conclusion of the rate year. If the goal for the rate year is not achieved, then the funds from that year will remain in the account and will be used to offset future rate increases. The amounts deposited for both rate years ended September 30, 2023 and 2022 are included in restricted cash. The portion of the diversion goals achieved is recognized as revenue and the unachieved portion is included in accrued liabilities. The Company deposited $8,658,402 and $8,194,285 from cash receipts into the ZWIA for the years ended September 30, 2023 and 2022, respectively.

The Company did not achieve any of the diversion goals for the rate years ended September 30, 2022 or June 30, 2021, and does not expect to achieve any of the incentive goals for the rate year ending September 30, 2023 and did not recognize any of the corresponding incremental revenue.

The Company may obtain approval from the City and County of San Francisco to use ZWIA funds for diversion programs. During fiscal 2023, the Company did not propose any diversion program, as a result did not recognize any Zero Waste Incentive revenue.

(4) Employee Stock Ownership Plan

In 1986, the Parent established an ESOP, which purchased all of the Parent’s outstanding stock. The ESOP covers most of the employees of the Company and is noncontributory. Employees, except under certain conditions, become fully vested after a requirement of three years of service. Benefits, in the form of Parent company stock, are allocated to an employee’s account based on a number of factors, including contributions, forfeitures, income, and changes in the underlying value of the Parent company stock.

All benefit distributions are made from the ESOP in cash, which is received from the Parent, or shares, subject to immediate repurchase by the Parent. A participant who is vested is entitled to begin receiving a distribution from his or her ESOP account at a future date following his or her termination of employment. Distributions may be made in a lump sum, equal annual installments over a period generally not to exceed five years or a combination of the foregoing, generally as determined by the ESOP Administrative Committee subject to certain limitations under the ESOP. Each participant who has attained age 55 and has participated in the ESOP for at least 10 years may elect to receive cash distributions for -in-service withdrawals attributable to post-1986 shares allocated to his or her account. An eligible participant is entitled to elect payment attributable to as much as 25% of his or her eligible shares during the first five years of election and up to 50% of eligible shares in the sixth year.

Presently, the Parent makes cash contributions to fund certain of the ESOP benefit distributions. Shares attributable to those benefit distributions are reallocated within the ESOP among active participants. The Parent's common stock is not traded on an established market. The fair market value of the shares as of the most recently completed fiscal year-end is used for the next years' ESOP benefit distributions.

(5) Employee Benefit Plans

The Company participates in a noncontributory, funded defined-benefit pension plan (the Plan) sponsored by its Parent for the benefit of nonunion employees. Benefits are based on a formula that includes years of service and average compensation. As of September 30, 2023 and 2022, the Plan, of which certain of the Company's employees are participants, had a projected benefit obligation in excess of plan assets by approximately $37.2 million and $46.1 million, respectively. The Company's financial statements do not reflect the Company's share of the projected benefit obligation in excess of plan assets. It is the Parent's current policy to contribute at least the minimum statutory required amount.

The Company's pension (benefit) expense under the Plan for the years ended September 30, 2023 and 2022 was ($1.1) million and $8.1 million, respectively, which represents an allocation of approximately 36% and 102% of the Parent's plan (benefit) expense for the years ended September 30, 2023 and 2022, respectively.

The weighted average discount rate used by the Parent to determine pension expense under the Plan was 6.01% and 5.01% for the years ended September 30, 2023 and 2022, respectively. The expected long-term rate of return on assets was 7% for both years ended September 30, 2023 and 2022, respectively. The rate of increase in future compensation levels used in determining the benefit obligations was 4.31% and 5.64% for the years ended September 30, 2023 and 2022, respectively. The Company's portions of the actuarially computed value of the vested and non-vested benefits of the Plan and the union plan and the net assets of the related pension plan funds have not been determined.

In connection with the ESOP's purchase of stock from certain former employee shareholders, the Parent has agreed to provide those former employee shareholders with lifetime postretirement medical benefits subject to certain conditions. In addition, certain union employees are eligible for postretirement medical benefits as part of an early retirement program when they reach certain eligibility criteria.

Recology recognizes postretirement medical benefits in the combined financial statements over the term of the affected employee's service with Recology. The postretirement medical benefit plan is unfunded. As of September 30, 2023 and 2022, the Plan, of which the Company's employees are participants, has a projected benefit obligation of approximately $27.3 million and $26.1 million, respectively. The Company's combined financial statements do not reflect the Company's share of the projected benefit obligation.

The Company's postretirement medical expense (benefit) for the years ended September 30, 2023 and 2022 was $0.8 million and ($3.7) million, respectively.

The weighted average discount rate used by the Parent to determine postretirement medical expense was 6.20% and 3.24% for the years ended September 30, 2023 and 2022, respectively.

Certain of the Company's union employees are participants in a union-sponsored multiemployer defined-benefit pension plan. The risks of participating in this multiemployer plan are different from single-employer plans in that (i) assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (ii) if a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be required to be assumed by the remaining participating employers; and (iii) if the Company chooses to stop participating in any of the multiemployer plans, the Company may be required to pay those plans a withdrawal amount on the underfunded status of the Plan. Pension cost charged to expense under these plans for the years ended September 30, 2023 and 2022 was $1,081,161 and $1,079,053, respectively. The Company's portion of the actuarially computed value of the vested and nonvested benefits of the plans and the net assets of the pension funds has not been determined.

The following table outlines the Company's participation in multiemployer plans:

Pension fund (1)/Employer identification number/plan number	Pension protection act reported status	Fund Improvement plan/ Rehabilitation plan status	Contributions (in millions)		Expiration date of collective bargaining agreement
			2023	2022	
Pension Trust Fund for Operating Engineers/94-6090764/001	Endangered	Implemented	$ 1 ,081 ,161	1,079,053	Various through June 30, 2027

(1) The Company paid no surcharges for multi-employer pension funds during the year ended September 30, 2023.

The most recent Pension Protection Act zone status available as of September 30, 2023 is for the Plan's year-end at December 31, 2022. The zone status is based on information that the Company received from the Plan and is certified by the Plan's actuary. As defined in the Pension Protection Act of 2006, among other factors, plans reported as critical are generally less than 65% funded, plans seriously endangered are less than 80% funded and have an accumulated funding deficiency for the current plan year or a projected accumulated funding deficiency for any of the next six years, and plans reported as endangered are generally less than 80% funded.

The Company agreed to allow certain union employees to participate in a multiemployer union-sponsored postretirement medical plan. The Company contributed $9,491,416 and $9,433,766 into the multiemployer union postretirement plan during the years ended September 30, 2023 and 2022, respectively.

The Company, through plans managed by the Parent, also sponsors a defined contribution plan, the Recology 401(k) Plan, for certain eligible employees of the Company. The Company made matching contributions equal to a specified percentage of each participant's annual contributions amounting to $343,347 and $298,663 for the years ended September 30, 2023 and 2022, respectively.

(6) Self-Insurance

The Company, through plans managed by the Parent, is self-insured for various risks of loss related to general liability, automobile liability, property damage, employee and certain retiree healthcare, and workers' compensation. The Parent establishes a reserve for self-insured claims, based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported.

Adjustments to the reserve are charged or credited to the Parent's expense in the periods on which they are determined to be necessary. The Parent also purchases commercial insurance on behalf of the Company and other subsidiaries to cover risks above set limits. The Company was allocated expenses of $51,674,635 and $45,245,665 for the years ended September 30, 2023 and 2022, respectively, for the cost of self-insured programs, including certain reserve adjustments. The Company's share of the self-insurance reserve is recorded in self-insurance and other noncurrent liabilities on the balance sheet.

(7) Commitments and Contingencies

Substantially all of the assets of the Company are pledged to secure the obligations of the Parent. The Company, along with the Parent and the Parent's wholly owned subsidiaries, has guaranteed the repayment, on a joint and several basis, of any and all obligations under the Parent's Revolving Credit Agreement. The Company could be required to honor the guarantee upon an uncured default event, as defined in the Parent's Revolving Credit Agreement. The Parent's Revolving Credit Agreement expires in December 2026. At September 30, 2023, there was an outstanding balance of $282.0 million on the Parent's Revolving Credit Agreement and there were standby letters of credit issued for $121.1 million. The Parent has represented to the Company that it is in compliance with all covenants of the Revolving Credit Agreement.

The Company, along with the Parent and the Parent's wholly owned subsidiaries, has guaranteed the payment of amounts owed to unrelated third parties, which provided the equipment financing to affiliates of the Company. The affiliates are obligated to the unrelated third parties with various expiration dates through December 2026. As of September 30, 2023, the outstanding principal on the financed equipment recorded by the affiliates was $11.5 million. The net book value of the equipment financed by an affiliate and utilized by the Company under rental agreements for the years ended September 30, 2023 and 2022, respectively was $5.1 million and $8.8 million.

As of September 30, 2023, approximately 85.6% of the Company's employees were subject to collective bargaining agreements compared to 86.4% as of September 30, 2022, expiring on December 31, 2026 and 2027.

The Parent and its subsidiaries, including the Company, are subject to various laws and regulations relating to the protection of the environment. It is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly any future remediation and other compliance efforts. The Parent has environmental impairment liability insurance, which covers the sudden or gradual onset of environmental damage to third parties, on all owned and operated facilities. In the opinion of management, compliance with present environmental protection laws will not have a material adverse effect on the results of operations of the Company, provided that costs are substantially covered in the Company's rates on a timely basis.

The Company and the Parent are involved in various legal actions or claims arising in the normal course of business. It is the Company's opinion that these matters are adequately provided for or that the resolution of such matters will not have a material adverse impact on the financial position or results of operations of the Company or the Parent.

On February 2, 2021, a putative class action complaint was filed against the Company asserting violations of California's Unfair Competition Laws, alleging that San Francisco ratepayers had been overcharged for waste collection fees due to allegedly improper payments to San Francisco public officials. On May 20, 2021, plaintiffs filed an amended complaint, adding causes of action for alleged violations of California's Consumer Legal Remedies Act, fraud, and breach of contract. In this amended complaint, Plaintiffs seek monetary damages of an unspecified amount and injunctive relief. The Company has filed a demurrer to each of the causes of action asserted in the amended complaint. After full briefing and a hearing on the demurrer, the Court issued its decision on December 6, 2021, sustaining the Company's demurrer to each claim, but granting Plaintiffs leave to amend their complaint. Plaintiff filed a second amended complaint on January 6, 2022. On February 9, 2022, the Company filed another demurrer. On April 19, 2022, the Court sustained the demurrer without leave to amend. On April 27, 2022, the Court entered judgment in Recology's favor. Plaintiffs filed a notice of appeal on June 21, 2022. On December 1, 2023, the Court of Appeal reversed and remanded to the Superior Court for further proceedings on alternative grounds for demurrer. As of the balance sheet date, the Company cannot reasonably estimate a monetary outcome of this litigation and thus no amounts have been accrued on the consolidated balance sheets.

In fiscal year 2021, the Company agreed to pay a fine to the United States Treasury and entered into a deferred prosecution agreement with the U.S. Attorney's Office to resolve an investigation arising from the SF Recology Companies' actions related to the San Francisco Department of Public Works. The Company made payments to the United States Treasury of $9 million in each of fiscal years 2022 and 2023. A final payment of $11 million was made in October 2023.

(8) Leases

The Company recognizes a lease liability and right-of-use asset for leases classified as operating leases in the combined balance sheets upon lease commencement.

The Company has cancelable operating lease agreements with affiliates that have one-year terms, whereby it pays for use of certain operating equipment and property. As these qualify as short-term leases, they are not included on the Company's combined balance sheet as permitted under Topic 842, *Leases*. In addition, the Company has noncancelable building and equipment operating leases with unrelated third parties.

Supplemental cash flow information and non-cash activity related to the Company's leases are as follows:

		2023	2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	$	4,130,737	4,385,272
Non-cash activity:			
Right-of-use assets obtained in exchange for lease liabilities – operating leases	$	4,018,615	—

The Company uses judgment to determine the discount rates used to discount the unpaid lease payments to present value, the lease term, and the amount of lease payments. An implicit rate is often not readily available for these leases. As such, the Company use its incremental borrowing rate to determine present value of lease payments. The Company's incremental borrowing rate represents the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term in a similar economic environment. To determine this rate, the Company receives quotes from a third party of various terms and matches these third-party rates to the terms of any new leases entered into during the year. For the year ended September 30, 2023, the weighted average discount rate was 5.34% and the weighted average remaining lease term was 5.48 years for the leases that make up the Company's lease liability.

The lease payments included in the measurement of the lease liability comprise fixed payments or variable lease payments. The variable lease payments take into account annual changes to an underlying base index such as a consumer price index, if known, and are recognized in the combined statements of income in the period incurred.

The Company monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in a remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding right-of-use asset. The Company did not recognize any significant remeasurement during the year ended September 30, 2023.

Future payments for continued use of the leased equipment and property with non-cancelable terms with unrelated third parties, by year-end and in aggregate, as of September 30, 2023 are as follows:

		Operating leases
Year ending September 30:		
2024	$	1,133,549
2025		1,129,943
2026		1,088,761
2027		740,760
2028		762,980
2029		785,868
2030		264,524
Total undiscounted lease payments		5,906,385
Less amount representing interest		867,031
Total lease liabilities		5,039,354
Less current portion of lease liabilities		886,346
Non-current lease liabilities	$	4,153,008

The Company's rent expense for the years ended September 30, 2023 and 2022 was $30,458,698 and $32,523,148 respectively, including amounts under short-term rental agreements with third parties.

Under the terms of the agreements with an affiliate, and in accordance with existing rate policies, the Company may continue to use certain equipment under operating leases without a related payment once the affiliates' equipment cost and related interest have been funded through operating lease payments.

(9) Transactions with Related Parties

During the years ended September 30, 2023 and 2022, operating expenses and other income of the Company included the following charges by or (to) the Parent and its affiliates. Such charges are based on the direct and indirect costs of the Parent and its affiliates, or established fees, and are allocated using factors based on specific activities. The allocated charges were as follows:

		2023	2022
Parent:			
Health insurance	$	29,722,136	25,696,040
Workers' compensation		13,124,799	11,603,429
Pension (benefit) expense		(1,090,572)	8,111,626
Postretirement medical expense (benefit)		800,425	(3,739,310)
General and vehicle insurance		8,827,700	7,946,196
Corporate services		9,123,363	8,511,729
Information technology services		5,097,245	4,730,324
		65,605,096	62,860,034
Affiliates:			
Property rental		2,613,074	2,613,074
Equipment rental		21,102,014	21,782,642
Disposal/organics processing		25,767,865	25,208,668
		49,482,953	49,604,384
Total	$	115,088,049	112,464,418

Contributions from or distributions to Parent and its affiliates are presented as financing activities in the combined statements of cash flows, except expenditures attributable to property and equipment, which are presented as supplemental noncash investing activity.

(10) Subsequent Events

The Company has evaluated its subsequent events through February 9, 2024, which is the date the combined financial statements were available to be issued, and determined there were no other items to be disclosed.

Schedule 1

SUNSET SCAVENGER COMPANY
GOLDEN GATE DISPOSAL and RECYCLING COMPANY
(Wholly Owned Subsidiaries of Recology Inc.)

Combined Schedule of Operating Expenses

Year ended September 30, 2023

	Refuse collection	Truck and garage	Debris box	General and administrative	Total
Operating expenses:					
Salaries and wages	$ 71,252,918	11,083,283	6,246,327	4,125,629	92,708,157
Payroll taxes	5,327,808	760,775	420,536	315,863	6,824,982
Pension and 401(k)	6,078,178	891,447	515,453	227,815	7,712,893
Health insurance	15,043,055	2,128,070	1,140,131	567,050	18,878,306
Workers' compensation	7,405,362	1,060,420	573,716	83,857	9,123,355
O/S postretirement benefit	4,941,501	735,176	368,584	10,871	6,056,132
Temporary labor and subcontractor costs	71,808	—	—	292,850	364,658
General and vehicle Insurance	11,289	2,483,866	—	3,855,261	6,350,416
Disposal charges	76,260,963	67,909	7,649,183	—	83,978,055
Equipment rental	14,895,280	386,074	1,227,474	213,586	16,722,414
Property rental	—	—	—	1,344,346	1,344,346
Supplies	1,049,465	1,152,252	522,961	315,356	3,040,034
Repairs expense	978,742	751,828	155,960	29,337	1,915,867
Parts, tires, and tubes	469	3,805,596	480	—	3,806,545
Fuel and oil	36,596	5,840,470	50	—	5,877,116
Buildings and facilities	73,115	85,738	6,460	203,758	369,071
Security and janitorial	46,902	20,550	2,278	695,465	765,195
Licenses and permits	2,036,747	75,579	457,506	19,588	2,589,420
Utilities	—	437,510	8,384	508,017	953,911
Freight	32,947	54,496	3,291	905	91,639
Recycling processing	27,419,635	—	—	—	27,419,635
Professional services	61,678	750	17,010	1,972,994	2,052,432
Provision for bad debt	463,271	—	—	1,730,343	2,193,614
Business meals, travel and entertainment	27,790	1,639	3,757	40,511	73,697
Office expense	135,998	9,440	4,111	341,949	491,498
Telephone	42,946	32,666	7,368	448,415	531,395
Dues and subscriptions	1,143	1,980	118,600	199,924	321,647
Postage	383	—	—	30,662	31,045
Projects	—	—	—	1,519,521	1,519,521
Taxes	—	—	—	4,473,388	4,473,388
Corporate management fees	—	—	—	14,226,900	14,226,900
Other expense	77,051	(209)	10,979	2,282,617	2,370,438
Depreciation	155,974	607,968	58,677	223,362	1,045,981
Amortization expense	—	—	—	1,994	1,994
Total operating expenses	$ 233,929,014	32,475,273	19,519,276	40,302,134	326,225,697

See accompanying notes to combined financial statements.

RECOLOGY SAN FRANCISCO
(An Indirect Wholly Owned Subsidiary of Recology Inc.)

Schedule of Operating Expenses

Year ended September 30, 2023

	Transfer station	Processing	Truck and garage	Special waste	General recycling	General and administrative	Total
Operating expenses:							
Salaries and wages	$ 19,383,911	14,913,308	3,352,316	2,291,848	5,798,139	1,721,281	47,460,803
Payroll taxes	1,424,068	1,261,526	255,763	169,016	478,974	131,447	3,720,794
Health insurance	3,817,324	3,767,184	770,022	583,982	1,624,210	281,106	10,843,828
Workers' compensation	1,584,566	1,456,755	267,518	165,671	506,031	20,903	4,001,444
Pension and 401(k)	1,867,594	1,340,212	558,225	169,015	629,168	105,776	4,669,990
Postretirement medical benefit	—	—	—	—	—	3,435,284	3,435,284
Provision for bad debt	—	—	—	—	93,200	690,399	783,599
Advertising and promotion, donations, dues and subscriptions	—	—	—	150	—	36,439	36,589
Buildings and facilities	220,516	393,676	257,970	8,607	630,292	42,162	1,553,223
Business meals, travel and entertainment	5,032	4,007	14	4,067	29,158	15,812	58,090
Corporate management fees	—	—	—	—	—	251,060	251,060
Cost of goods sold	—	—	—	—	423,783	—	423,783
Depreciation	802,144	2,673,047	29,159	42,498	1,030,478	301,460	4,878,786
Disposal charges	25,042,885	3,370	102,757	794,519	995,756	—	26,939,287
Equipment rental	1,765,179	1,254,610	1,185,671	15,602	817,728	14,417	5,053,207
Freight	3,248	67,057	14,214	1,412	4,312,113	822	4,398,866
Fuel and oil	—	248,285	3,233,345	—	31,704	—	3,513,334
General and vehicle insurance	1,882,736	—	222,956	371,593	—	—	2,477,285
Licenses and permits	4,538,252	57,048	42,471	36,526	2,205	7,675	4,684,177
Office expenses	15,187	73,125	7,662	15,246	6,002	154,968	272,190
Other expense	960,007	3,970	1,198	177	993	167,834	1,134,179
Parts, tires, and tubes	—	917,099	1,608,148	—	55,797	—	2,581,044
Postage	—	41	—	—	58	4,869	4,968
Professional services	175,377	66,583	—	—	65,650	1,216,380	1,523,990
Projects	—	—	—	—	—	1,566,438	1,566,438
Property rental	1,637,954	3,854,648	66,246	—	1,150,216	629,668	7,338,732
Recycling processing	—	1,439,498	—	—	—	—	1,439,498
Regional management expense	—	—	—	—	86,142	161,924	248,066
Repairs expense	170,623	328,896	548,550	42	99,267	9,494	1,156,872
Security and janitorial	2,068	584,279	91,508	—	131,982	526,193	1,336,030
Supplies	451,097	1,222,366	379,525	243,718	138,062	98,966	2,533,734
Taxes	1,711	948,236	—	—	7	2,359,045	3,308,999
Telephone	8,756	23,011	6,286	15,024	15,039	221,885	290,001
Temporary labor and subcontractor costs	—	—	—	—	—	77,374	77,374
Utilities	747,515	1,035,603	83,705	75,979	425,540	61,054	2,429,396
Loss on asset disposal and impairment	—	—	—	—	—	2,786,270	2,786,270
Total operating expenses	$ 66,507,750	37,937,440	13,085,229	5,004,692	19,577,694	17,098,405	159,211,210

See accompanying notes to combined financial statements.

Schedule 3

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO
(Wholly Owned Subsidiaries of Recology Inc.)

Combined Balance Sheets

September 30, 2023 and 2022

Assets	SSGG 2023	2022	RSF 2023	2022	Combined	Eliminations	2023	Combined	Eliminations	2022
Current assets:										
Restricted cash	$ 4,484,450	—	9,096,925	8,422,391	13,581,375	—	13,581,375	8,422,391	—	8,422,391
Accounts receivable, less allowance for doubtful accounts of $2,316,911 and $1,385,214 for 2023 and 2022, respectively	47,434,269	48,561,101	4,294,404	5,805,144	51,728,673	—	51,728,673	54,366,245	—	54,366,245
Parts and supplies	1,988,571	1,856,945	1,199,429	1,937,907	3,188,000	—	3,188,000	3,794,852	—	3,794,852
Prepaid expenses and other current assets	3,328,834	2,926,147	1,345,718	1,454,631	4,674,552	—	4,674,552	4,380,778	—	4,380,778
Total current assets	57,236,124	53,344,193	15,936,476	17,620,073	73,172,600	—	73,172,600	70,964,266	—	70,964,266
Restricted cash, long term	—	4,534,470	—	—	—	—	—	4,534,470	—	4,534,470
Property and equipment:										
Land	—	—	3,311,106	3,311,106	3,311,106	—	3,311,106	3,311,106	—	3,311,106
Buildings and improvements	12,097,382	11,623,683	32,740,652	32,129,518	44,838,034	—	44,838,034	43,753,201	—	43,753,201
Furniture and fixtures	738,321	738,321	281,232	281,232	1,019,553	—	1,019,553	1,019,553	—	1,019,553
Vehicles, containers, and operating equipment	1,913,260	1,927,282	34,646,435	34,593,881	36,559,695	—	36,559,695	36,521,163	—	36,521,163
Construction in progress	391,318	147,406	2,337,012	5,110,663	2,728,330	—	2,728,330	5,258,069	—	5,258,069
Total property and equipment	15,140,281	14,436,692	73,316,437	75,426,400	88,456,718	—	88,456,718	89,863,092	—	89,863,092
Less accumulated depreciation	8,755,537	7,709,555	48,412,085	43,559,504	57,167,622	—	57,167,622	51,269,059	—	51,269,059
Property and equipment, net	6,384,744	6,727,137	24,904,352	31,866,896	31,289,096	—	31,289,096	38,594,033	—	38,594,033
Right-of-use asset, net	4,979,887	1,771,184	5,303	2,832,789	4,985,190	—	4,985,190	4,603,973	—	4,603,973
Permits	50,014,837	50,014,837	—	—	50,014,837	—	50,014,837	50,014,837	—	50,014,837
Goodwill, net of accumulated amortization of $19,940 and $17,946 in 2023 and 2022, respectively	—	1,994	—	—	—	—	—	1,994	—	1,994
Investment in Recology San Francisco	19,470,964	24,724,576	—	—	19,470,964	(19,470,964)	—	24,724,576	(24,724,576)	—
Other assets	1,553,775	1,253,671	1,544,471	1,446,804	3,098,246	—	3,098,246	2,700,475	—	2,700,475
Total assets	$ 139,640,331	142,372,062	42,390,602	53,766,562	182,030,933	(19,470,964)	162,559,969	196,138,624	(24,724,576)	171,414,048
Liabilities and Stockholder's Equity										
Current liabilities:										
Accounts payable	$ 2,090,627	1,168,515	3,052,733	1,490,857	5,143,360	—	5,143,360	2,659,372	—	2,659,372
Accrued liabilities:										
Vacation and sick leave	1,867,223	2,416,375	1,187,517	1,371,469	3,054,740	—	3,054,740	3,787,844	—	3,787,844
Payroll and payroll taxes	2,627,407	2,411,183	1,492,647	2,561,624	4,120,054	—	4,120,054	4,972,807	—	4,972,807
Self-insurance and other accrued expenses	11,590,336	11,655,194	6,845,625	8,297,244	18,435,961	—	18,435,961	19,952,438	—	19,952,438
Zero waste incentive	—	—	9,096,925	8,422,391	9,096,925	—	9,096,925	8,422,391	—	8,422,391
Deferred revenue	10,928,308	10,798,724	(7,403)	3,925	10,920,905	—	10,920,905	10,802,649	—	10,802,649
Customer Refund Liability	5,073,198	—	—	—	5,073,198	—	5,073,198	—	—	—
Current portion of lease liability	881,378	646,077	4,968	2,846,423	886,346	—	886,346	3,492,500	—	3,492,500
Total current liabilities	35,058,477	29,096,068	21,673,012	24,993,933	56,731,489	—	56,731,489	54,090,001	—	54,090,001
Customer refund liability – balancing account	592,763	4,607,253	825,642	—	1,418,405	—	1,418,405	4,607,253	—	4,607,253
Non-current lease liability	4,153,008	1,156,032	—	4,968	4,153,008	—	4,153,008	1,161,000	—	1,161,000
Self-insurance and other noncurrent liabilities	1,521,318	8,554,546	420,984	4,043,085	1,942,302	—	1,942,302	12,597,631	—	12,597,631
Total liabilities	41,325,566	43,413,899	22,919,638	29,041,986	64,245,204	—	64,245,204	72,455,885	—	72,455,885
Stockholder's equity, net	98,314,765	98,958,163	19,470,964	24,724,576	117,785,729	(19,470,964)	98,314,765	123,682,739	(24,724,576)	98,958,163
Total liabilities and stockholder's equity	$ 139,640,331	142,372,062	42,390,602	53,766,562	182,030,933	(19,470,964)	162,559,969	196,138,624	(24,724,576)	171,414,048

See accompanying notes to combined financial statements.

Schedule 4

SUNSET SCAVENGER COMPANY,
GOLDEN GATE DISPOSAL & RECYCLING COMPANY, AND
RECOLOGY SAN FRANCISCO
(Wholly Owned Subsidiaries of Recology Inc.)

Combined Statements of Income

Years ended September 30, 2023 and 2022

	SSGG		RSF		2023			2022		
	2023	**2022**	**2023**	**2022**	**Combined**	**Eliminations**	**2023**	**Combined**	**Eliminations**	**2022**
Revenue:										
Commercial	$ 197,535,058	184,335,792	8,492,142	7,959,180	206,027,200	—	206,027,200	192,294,972	—	192,294,972
Residential	101,409,855	95,546,072	—	—	101,409,855	—	101,409,855	95,546,072	—	95,546,072
Apartments	83,222,763	77,562,235	—	—	83,222,763	—	83,222,763	77,562,235	—	77,562,235
Recycling	1,282,446	737,880	44,984,110	48,044,849	46,266,556	(27,419,635)	18,846,921	48,782,729	(26,386,285)	22,396,444
Disposal	—	—	9,324,410	9,839,918	9,324,410	—	9,324,410	9,839,918	—	9,839,918
Other	1,472,728	1,894,391	616,615	178,905	2,089,343	—	2,089,343	2,073,296	—	2,073,296
Revenue from affiliate	—	—	83,921,905	82,155,960	83,921,905	(83,978,055)	(56,150)	82,155,960	(82,124,110)	31,850
Refund to customer	—	(15,155)	—	—	—	—	—	(15,155)	—	(15,155)
	384,922,850	360,061,215	147,339,182	148,178,812	532,262,032	(111,397,690)	420,864,342	508,240,027	(108,510,395)	399,729,632
Less amounts reserved for impound and zero waste incentive accounts	(34,093,884)	(27,040,026)	629,591	(3,161,870)	(33,464,293)	—	(33,464,293)	(30,201,896)	—	(30,201,896)
Total operating revenue	350,828,966	333,021,189	147,968,773	145,016,942	498,797,739	(111,397,690)	387,400,049	478,038,131	(108,510,395)	369,527,736
Expenses:										
Refuse collection	233,929,014	222,551,649	—	—	233,929,014	(103,680,598)	130,248,416	222,551,649	(99,848,633)	122,703,016
Truck and garage	32,475,273	30,092,317	13,085,229	12,250,079	45,560,502	(67,909)	45,492,593	42,342,396	(17,338)	42,325,058
Debris box	19,519,276	19,743,162	—	—	19,519,276	(7,649,183)	11,870,093	19,743,162	(8,644,424)	11,098,738
Transfer station	—	—	66,507,750	64,957,527	66,507,750	—	66,507,750	64,957,527	—	64,957,527
Processing	—	—	37,937,440	38,241,787	37,937,440	—	37,937,440	38,241,787	—	38,241,787
Special waste	—	—	5,004,692	4,674,550	5,004,692	—	5,004,692	4,674,550	—	4,674,550
General recycling	—	—	19,577,694	17,121,821	19,577,694	—	19,577,694	17,121,821	—	17,121,821
General and administrative	40,302,134	39,297,379	17,098,405	13,415,016	57,400,539	—	57,400,539	52,712,395	—	52,712,395
Total operating expenses	326,225,697	311,684,507	159,211,210	150,660,780	485,436,907	(111,397,690)	374,039,217	462,345,287	(108,510,395)	353,834,892
Operating income (loss)	24,603,269	21,336,682	(11,242,437)	(5,643,838)	13,360,832	—	13,360,832	15,692,844	—	15,692,844
Other income (expense):										
Recology San Francisco, net (loss) share	(7,946,825)	(2,717,902)	—	—	(7,946,825)	7,946,825	—	(2,717,902)	2,717,902	—
Interest expense	—	(25)	(1,624)	(1,861)	(1,624)	—	(1,624)	(1,886)	—	(1,886)
Rental and other income	329,517	376,469	36,661	25,002	366,178	—	366,178	401,471	—	401,471
Non-service pension and postretirement	7,987,948	6,393,868	3,260,575	2,902,795	11,248,523	—	11,248,523	9,296,663	—	9,296,663
Net income (loss)	$ 24,973,909	25,389,092	(7,946,825)	(2,717,902)	17,027,084	7,946,825	24,973,909	22,671,190	2,717,902	25,389,092

See accompanying notes to combined financial statements.