PERFORMANCE *and* ACCOUNTABILITY REPORT

Years Ended September 30, 2013 and 2012,
with Independent Auditors' Report

Presidio
Trust

Presidio Trust

PERFORMANCE *and* ACCOUNTABILITY REPORT

Years ended September 30, 2013 and 2012

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The Performance and Accountability Report can be found on the Presidio Trust website at www.presidio.gov.

AGENCY HEAD MESSAGE

December 16, 2013

Fiscal Year 2013 represented a critical milestone for the Presidio Trust. It was the first year the agency operated entirely without taxpayer support, as mandated by Congress.

We are grateful to the American people for investing more than $300 million in Presidio preservation between Fiscal Years 1998 and 2012. This early capital enabled the Presidio Trust to make essential improvements to the Presidio's built environment and infrastructure, allowing us to attract partners from across sectors to join us as tenants, residents, donors, and supporters. Through careful stewardship of these public funds, the Trust attracted four dollars of private investment for each taxpayer dollar entrusted to the park. The multi-sector, partnership-based model of saving this treasured landmark proved viable, producing new levels of public benefit for the American people.

Today, the Presidio is a thriving community and national destination. More than 3,000 people make their home in the park, a growing community of more than 200 commercial tenants brings resources and vitality, natural systems are flourishing, and visitors are discovering the history and beauty of the Presidio in ever greater numbers.

As we launch our next chapter – Fiscal Year 2013 and beyond – we are pleased to report that the financial health of the agency is strong, and that we are well situated to continue our mission of preserving the Presidio as an enduring resource for the American people.

At the start of 2013, the Presidio Trust management and board affirmed its strategic intent for the next five years, acknowledging that continued stewardship of the park's built environment and open spaces could be complemented by increasing focus on the visitor experience and expanding the benefits of this place beyond the walls of the Presidio. Accordingly, we have organized our activities around three initiatives:

Initiative I: Welcoming the Public – attracting diverse audiences and engaging them through exceptional places, activities, and experiences

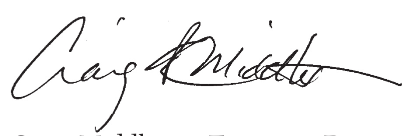
Initiative II: Creating Broad Impact – actively sharing our knowledge, promoting leadership and service, and fostering innovative problem solving

Initiative III: Stewarding the Presidio – enhancing the Presidio's physical, natural, and historic resources as a cherished public place and national landmark

This report summarizes our key accomplishments in fulfillment of these goals in Fiscal Year 2013. I attest that the accompanying financial and performance data are reliable and complete, and hope that this document provides a clear window into our work. As always, we welcome the public's feedback about how the Presidio can contribute to the vitality of the nation.

I am excited about the opportunities that stand before us in the next five years, chiefly 1) revitalizing the Main Post as the principal visitor gateway, 2) continuing stewardship of our treasured historic resources and natural areas for public enjoyment, and 3) exploring how the cross-sector model that guides the Trust can be shared with others via the Presidio Institute initiative. I acknowledge that our ongoing success depends upon growing our resources and strengthening partnerships, cultivating a community of donors, and ensuring that our team evolves to meet the challenges of tomorrow.

We are grateful to the American people for placing their confidence in the Trust and supporting the ongoing transformation of the Presidio. We look ahead with enthusiasm.



Craig Middleton, Executive Director
Presidio Trust

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Mission and Organizational Structure

Mission

In 1996, the Presidio Trust was established with the bipartisan support of Congress and directed to repurpose the Presidio – once a premier Army post – as a new kind of resource for the American public. The Trust, a federal corporation, was designed to be an innovative and responsive agency and given a mandate – unique in government – to manage the Presidio without taxpayer funding after 15 years of operation.

In 1998, the Trust assumed jurisdiction over 80 percent of Presidio lands, with the National Park Service retaining jurisdiction over the park's coastal areas. The challenges of transforming the Presidio were many:

- Establishing a solid financial foundation by repurposing and leasing hundreds of historic structures as contemporary homes, workplaces, and visitor destinations
- Upgrading aging infrastructure
- Restoring and expanding plant and wildlife habitats
- Developing visitor infrastructure and programs
- Cultivating a community of residents, tenants, volunteers, donors, and visitors to support the Presidio
- Establishing vital partnerships across sectors

The Presidio Trust achieved financial self-sufficiency as required by Congress at the end of Fiscal Year 2012. During the previous 15 years, more than $1.6 billion was invested in the Presidio's revitalization. Funds came from many sources – public taxpayer support, investment in building rehabilitation by tenant organizations, and leasing revenue. Every federal dollar received (totaling $348 million) was matched by nearly four dollars of private investment ($570 million of building investment and $714 million of leasing revenue).

The funds enabled the Trust and its partners to make great strides towards the Presidio's revitalization between Fiscal Years 1998 and 2012. Achievements included the following:

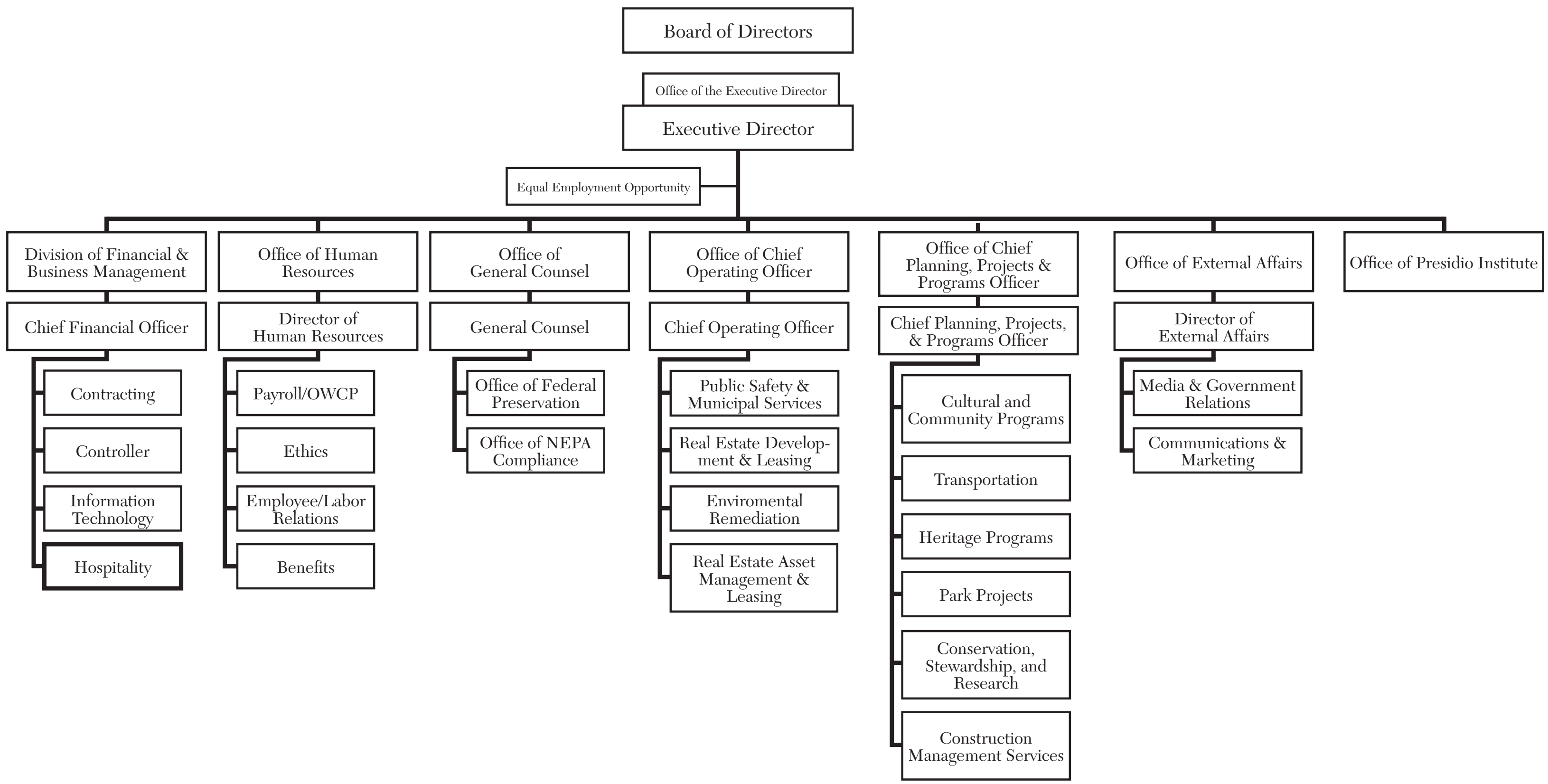
- 355 historic buildings rehabilitated
- 77 percent of building space occupied
- 65 acres of native vegetation placed in active restoration
- 90 percent of environmental remediation projects completed
- 3,300 trees planted to revitalize the 300-acre historic Presidio forest
- 19.7 miles of trails rehabilitated
- 21,000 youths and adults served by the Camping at the Presidio program
- 100,000 of hours volunteered annually
- 7,000 people living and working in the Presidio
- Millions of annual visitors served

Organizational Structure

The Presidio Trust was established by Congress as a wholly owned corporation of the Federal Government. The Trust Act gives the Trust the flexibility to operate in the marketplace, make real-time decisions, and retain revenues to reinvest in the Presidio.

Authority is vested in a seven-member board of directors, six of whom are appointed by the President of the United States and the seventh of whom is the Secretary of the Interior or the Secretary's designee. An executive director oversees the organization, which includes a chief operating officer, chief of planning, park projects and programs, chief financial officer, general counsel, director of external affairs, director of human resources, and other positions essential to operating this unique park.

The Trust has approximately 316 employees with a wide range of skills, including ecological restoration, historic preservation, real estate management, finance, communications, and operations.



Analysis of Financial Statements & Stewardship Information

Preparation of the financial statements, accompanying notes, and this discussion and analysis is the responsibility of Trust management. The financial statements have been audited by the independent accounting firm KPMG, LLP, and the Trust received an unmodified opinion on its financial statements.

Trust management maintains the goal to ensure sound financial management and to provide accurate information and is also responsible for the integrity and objectivity of the information presented in the financial statements. The accompanying financial statements summarize the Trust's financial position, show the net cost of operations and changes in net position, provide information on budgetary resources and financing, and present the sources of revenues and expenditures during Fiscal Years 2013 and 2012.

Highlights of the financial information presented in the financial statements are shown below.

Balance Sheet

This statement is designed to show the Trust's position as of September 30, 2013 and to compare it to the Trust's position the previous year.

Assets

The Trust's total assets were $499.0 million at the end of Fiscal Year 2013, and $466.4 million at the end of Fiscal Year 2012. The net growth of $32.5 million is made up of various increases and decreases to assets. "Accounts Receivable, Net" increased by $18.3 million, which reflects the recordation of a receivable related to insurance reimbursement for the remediation program in the amount of $18.7 million. The current Remediation Stop Loss (RSL) insurance policy will expire in May 2014, and the receivable reflects expected reimbursement through that date, at which time the program will be substantially complete.

Cash and investments decreased $14.5 million due to outlays for environmental remediation and capital projects completed this year.

Other assets have increased or decreased largely due to timing. There are no trends that concern management beyond normal activity.

In 2013 the Trust's Property, Plant, and Equipment (PP&E) increased by $26.6 million, which represents $17.2 in Trust investments and a transfer of $9.4 million in utility infrastructure assets from the State of California due to the Presidio Parkway project.

During Fiscal Year 2013, the Trust capitalized an additional $46.5 million in building and land improvements and in other property, plant, and equipment. In addition, the Trust retired plant and equipment and land improvements with a net book value of $1.4 million and recorded depreciation in the amount of $18.6 million.

Liabilities

There were $205.4 million in liabilities at the end of Fiscal Year 2013 and $181.0 million at the end of Fiscal Year 2012, an increase in liabilities of $24.4 million. The increase is made up of fluctuations in several liabilities.

The environmental remediation liability has decreased by $18.5 million due to work being performed on the remaining remediation projects. See Note 11 of the accompanying financial statements for further explanation.

Intra-governmental unearned revenues decreased by $5.7 million largely due to work being done and revenue being earned on Main Post projects funded from Department of Defense grants for the Presidio Heritage Center and the Main Post.

In Fiscal Year 2013, the Trust booked a non-friable asbestos cleanup liability as required by Technical Release 2006-1, Recognition and Measurement of Asbestos Cleanup Cost, in the amount of $39.2 million. The assets that contain asbestos are fully depreciated; therefore the standard allows for the recognition of the entire liability in the year of implementation, which is how the Trust has recorded the liability. See Note 12 for more information.

Trust liabilities include $50.0 million in debt to the U.S. Treasury. Payments on this debt are for interest only until Fiscal Year 2015, and the debt is to be repaid in full by Fiscal Year 2029. Interest payments on this debt are partially offset by investments specifically designated for this purpose and held by the U.S. Treasury in the amount of $33.2 million. See Note 4 for more information on investments and Note 10 for more information on debt.

Net Position

The Trust's net position was $293.6 million at the end of Fiscal Year 2013 and $285.4 million at the end of Fiscal Year 2012, an increase in net position of $8.2 million. This growing "equity" position of the Trust provides tangible and compelling evidence that the Presidio continues to be a self-sustaining national park site; this growth is less than prior years partially due to the recognition of the non-friable asbestos liability, which is considered a change in accounting principle and causes the Trust to have to adjust the beginning balance of cumulative results of operations for the portion of the liability that would have been recognized in prior years.

Net Cost of Operations

This statement is intended to report net costs of the Trust as a component unit of the Federal Government and the net cost to the public. Costs reported on this statement – including depreciation, future funded expenses, adjustments to actuarial estimates, and all remediation activities – are stated on a proprietary basis.

The Trust had net revenue of $44.7 million during Fiscal Year 2013 and net revenue of $13.1 million in Fiscal Year 2012. Net cost should continue to decrease in coming years but will not be fully reflective of amounts earned to operate the park as some entries are made for financial reporting purposes under Generally Accepted Accounting Principles (GAAP), while budgetary resources are available in a subsequent period. The net cost statement reflects all of the expenses incurred by Trust activities during Fiscal Year 2013, including the remediation program and the depreciation of fixed assets. In Fiscal Year 2013, the revenue increased $32.6 million and was largely attributable to the reimbursement from insurance for the remediation program. See Note 11 of the financial statements for more information on the environmental remediation program and recognition of revenue for this fiscal year.

Budgetary Resources

As a unit of the Federal Government, the Trust reports on the status of its budgetary resources, the extent to which obligations exist as claims on those resources, and the relationship of those obligations to outlays. In Fiscal Year 2013, the Trust received all of its funding from revenues earned, with the largest revenue streams being associated with residential and non-residential leasing. Resources consist of the balance at the beginning of the year and spending authority from offsetting collections.

Budgetary resources amounted to $170.4 million for Fiscal Year 2013, compared to $149.5 million in Fiscal Year 2012. Of this amount, the Trust obligated $113.5 million in Fiscal Year 2013 and $108.8 million in Fiscal Year 2012. Unobligated balances at the end of Fiscal Year 2013 and Fiscal Year 2012 were $56.9 million and $40.7 million, respectively. This unobligated balance is due primarily to the funds held for capital improvements, tenant security deposits, and the receipt of gifts.

Risks and Uncertainties

The Trust has received appropriations since its first year of operations in Fiscal Year 1999. Fiscal Year 2013 was the first full year the Trust operated solely on revenues earned. The Trust continues to maintain sound financial plans to ensure that Trust operations continue into the future and the park is preserved for the public. While Trust operations are expected to generate funds available to reinvest in the park, the full realization of the park's potential to serve the public will also depend on the availability of other forms of capital.

The Trust is also responsible for rehabilitation and maintenance of the Presidio's fixed assets, including infrastructure. Many of the assets have exceeded their depreciable lives; the life spans of the assets and the cost to replace them are uncertain. Annual budgetary constraints are considered in evaluating the replacement of assets. Regular and ongoing maintenance of assets prolongs their useful life and reduces the likelihood of unexpected failures. Maintenance of 100 percent of the assets is not feasible, so the Trust evaluates deferred maintenance on an annual cycle and identifies the most important preventive maintenance for completion. Deferred maintenance data can be found in the required supplementary information accompanying the financial statements.

Stewardship Investments

Stewardship assets are detailed in a Note to the financial statements as required by Statement of Federal Financial Accounting Standards (SFFAS) 29, Heritage Assets and Stewardship Land. The Trust's reported values for property plant and equipment exclude stewardship assets because they are considered "priceless" and therefore monetary amounts cannot be assigned. For an in-depth discussion regarding these assets, please refer to Note 7.

Systems, Controls, and Legal Compliance

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to conduct an annual evaluation of their management controls and financial systems and report the results to the President and Congress. The Trust prepares an annual Statement of Assurance based on these internal evaluations.

Statement of Assurance on Internal Controls over Financial Reporting

Trust management is responsible for establishing and maintaining effective internal controls to support programmatic operations, financial reporting, and compliance with applicable laws and regulations. The Trust conducted its assessment of the effectiveness of its internal controls over financial reporting in accordance with OMB Circular A-123, Management's Responsibility for Internal Control.

Based on the results of this evaluation, the Trust can provide reasonable assurance that the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control over financial reporting.

Statement of Assurance on Financial Systems

The financial management systems of the Trust conform to federal financial system requirements, Federal Accounting Standards Advisory Board (FASAB) standards, and the U.S. Standard General Ledger at the transaction level.

Statement of Assurance on Internal Controls over Operations

The Trust management is responsible for establishing and maintaining effective internal controls to support programmatic operations and compliance with applicable laws and regulations. Management certifies that these controls are in place and effective.

Statement of Assurance on Other Legal Matters

The Trust management is responsible for establishing and maintaining effective internal controls to assure compliance with provisions governing claims of the United States Government, including the Debt Collection Improvement Act of 1996. Management certifies that these controls are in place and effective.

Craig Middleton
December 16, 2013

LIMITATIONS OF THE FINANCIAL STATEMENTS

Trust management has prepared the accompanying financial statements to report its financial position and results of operations pursuant to the requirements of Title 31 of the U.S. Code and the Trust Act.

These financial statements have been prepared from the Trust's general ledger and subsidiary reports in accordance with GAAP for federal entities and the formats prescribed by the Office of Management and Budget in Circular A-136, Financial Reporting Requirements, as amended. These statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. These statements should be read with the realization that the Trust is a federal corporation, a component of the United States Government, and therefore, liabilities cannot be liquidated without authorizing legislation.

The financial statements and footnotes have been prepared by Trust management. The accuracy of the information contained in the principal financial statements and the quality of internal controls rest with Trust management.

FISCAL YEAR 2013 PERFORMANCE

Fiscal Year 2013 was a milestone year – the first in which the Presidio Trust operated without taxpayer appropriation, instead caring for and improving the Presidio using earned income.

At the start of that year, Trust management framed its strategic focus for the Presidio's next chapter around three principal initiatives. This section describes those initiatives and the key activities the Trust completed in Fiscal Year 2013 to advance them.

Initiative I: Welcoming the Public – We will attract diverse audiences and engage them through exceptional places, activities, and experiences.

Inn at the Presidio

The Presidio Trust opened the park's first lodge in April 2012. The 22-room facility, located in a rehabilitated former bachelor officers' quarters on the Main Post, was an immediate success, satisfying a long-standing desire for the public to enjoy overnight accommodations within the park. The Inn welcomed more than 19,000 guests from its opening through September 2013. Given the high demand for rooms, in Fiscal Year 2013 the Trust invested in expanding the Inn to include four additional guestrooms in the Funston House, a beautiful Victorian-style home that once housed U.S. Army officers and their families. Funston House opened in July 2013 following substantial renovation.

Presidio Food Program

In order to serve the needs of a growing visitor population, in Fiscal Year 2013 the Presidio entered into a management agreement with two food industry leaders – Chef Traci Des Jardins and Bon Appétit Management Company – to provide outstanding dining options at a variety of price points. To begin the effort, in Fiscal Year 2013 the Trust initiated rehabilitation of the ground floor of Building 101 in the historic Montgomery Street Barracks to serve as a new park restaurant, opening in 2014.

Main Parade Ground Public Programming

Once the site of military drills and exercises, the Main Parade Ground was used as a parking lot for more than 50 years. In 2011, the Presidio Trust completed a long-anticipated effort to restore the Presidio's Main

Parade Ground as a public green suitable for community gatherings. In Fiscal Year 2013 the Parade Ground hosted numerous events that welcomed thousands of community members. Chief among these was Off the Grid Picnic at the Presidio, a family-friendly gathering held every Sunday from April through October. The event, co-sponsored by the Trust, welcomed an estimated 126,000 visitors, many of whom were experiencing the Presidio for the first time. The Family Day Kite Festival, a popular event held in San Francisco for 35 years, moved to the Presidio for the first time in August 2013. The Parade Ground also proved to be a popular place for informal picnics and recreational activities.

Officers' Club and Heritage Program Planning

The Officers' Club is the Presidio's oldest and most historically significant building. Located at the site where the Presidio was founded as a Spanish military fort in 1776, the building was the U.S. Army's social and administrative center during the 20th century. In previous fiscal years, the Trust developed plans and designs to rehabilitate the Officers' Club so it could serve as a key visitor destination. In Fiscal Year 2013 the major rehabilitation made considerable progress,

including seismic upgrading and the installation of all new building systems. Major repairs were completed on the adobe portions of the walls, and the building was made accessible with the installation of two elevators. The Officers' Club renovation will be completed in Fiscal Year 2014. Upon reopening, the site will offer a free public heritage gallery exploring the historic significance of the Presidio, as well as free cultural, educational, and historical programs for visitors. It will also feature revenue-generating event space and a signature restaurant. The opening is expected in summer 2014.

Main Post Bluff

When the Golden Gate Bridge was constructed in 1937, the Army allowed an above-ground highway approach known as Doyle Drive to run through the Presidio. The Presidio Trust is now supporting a multi-year effort led by the State of California to replace the outdated structure with a new roadway more compatible with the park setting. When the project is completed in 2016, a significant portion of the "Presidio Parkway" will be moved into tunnels, resulting in a new 10-acre green open space that will provide a pedestrian connection between the center of the Presidio (the Main Post) and the northern shoreline (Crissy Field). The bluff is expected to offer many public services and will feature a new visitor center operated by the Trust, the National Park Service, and the Golden Gate National Parks Conservancy. In Fiscal Year 2013 the Trust and its partners began planning for this prominent site, expected to become the principal gateway to the Presidio in a few short years. To advance this effort, the Parks Conservancy, working in partnership with the Trust, secured a $25 million grant from the S. D. Bechtel, Jr. Foundation. This is the largest cash gift in national parks history. The funds are expected to cover approximately half of the design and construction effort. The gift is also an important catalyst to stimulate additional philanthropic efforts.

Mid-Crissy Field Planning

In Fiscal Year 2013, the Presidio Trust began planning for the future of a prominent park site along the park's northern shoreline at Crissy Field, just a short distance from the Golden Gate Bridge. In November

2012, the Trust issued a Request for Concept Proposals (RFCP) seeking "an experienced organization or a consortium of organizations to establish a cultural institution of note" in a building once used as an Army commissary. The RFCP yielded 16 proposals from prominent organizations across the nation. In May 2013 the Trust selected three finalists and conducted a public evaluation process that is expected to conclude in 2014. Upon selection of a project proponent, the Trust expects to initiate a compliance effort in Fiscal Year 2014.

Trails Enhancements

The Presidio Trust, the National Park Service, and the Golden Gate National Parks Conservancy are engaged in a multi-year effort to dramatically improve the scope and quality of the Presidio's trail and overlook network. Through Fiscal Year 2012, 19.7 miles of trails were constructed and eight scenic overlooks were established. In Fiscal Year 2013, the Trust took a significant step forward with the completion of several additional projects. A new segment of the Bay Area Ridge Trail now provides pedestrians with a safe, accessible link between Rob Hill Campground and the Park Trail, part of a larger accessible loop that will let park users of all abilities experience views of the Pacific Ocean, the Golden Gate Bridge, San Francisco Bay, and the historic forest. A section of trail connecting the historic Main Post to the Tennessee Hollow Watershed was also completed in Fiscal Year 2013. Construction is underway to improve a section of the Juan Bautista de Anza National Historic Trail between the Public Health Service District and Immigrant Point Picnic Area. Work will be completed in January 2014.

Initiative II: Creating Broad Impact – We will actively share our knowledge, promote leadership and service, and foster innovative problem solving.

The Presidio Institute

In Fiscal Year 2013, the Presidio Trust advanced a new initiative with the goal of developing exceptional leaders with skills to address major societal challenges. The Presidio Institute is based at historic Fort Scott, once a training ground for Army troops. In Fiscal Year 2012,

the Presidio Trust invested in the rehabilitation of the Fort Scott Headquarters Building (Building 1201) as the institute concept was incubated and early partnerships were explored. In Fiscal Year 2013, the Presidio Trust rehabilitated an adjacent historic former barracks (Building 1202) to provide space for tenant organizations to locate, as well as rentable space for meetings and conferences. The Presidio Institute concept is built upon the Trust's record of cross-sector collaboration.

In September 2013, the Presidio Institute co-hosted a day-long symposium on cross-sector leadership with the White House. The event was part of a series of White House conversations that bring together leaders to develop plans to foster collaboration across non-profit, private, and government sectors on major issues of public interest.

Camping at the Presidio (CAP)

The Presidio Trust, working in partnership with the Golden Gate National Parks Conservancy and Bay Area Wilderness Training, operates a program to provide an overnight national park experience to young people who normally would not have access. Camping at the Presidio (CAP), now completing its seventh year, is based at Rob

Hill Campground. In Fiscal Year 2013, CAP welcomed 4,177 kids and trained 1,254 adults to lead future camping expeditions at the Presidio. Since its inception, the program has served more than 21,000 youths and adults.

Professional Development

The Presidio Trust offers professional development opportunities through internships that use the Presidio as a training ground to prepare future stewards for the challenges faced by parks in the 21st century. In Fiscal Year 2013, the Trust welcomed 38 interns who offered nearly 30,000 hours of service and developed skills in areas from ecological restoration to marketing communications. Additionally, the Trust welcomed eight AmeriCorps participants who shared nearly 2,000 of service to enhance the Presidio.

Initiative III: Stewarding the Presidio – We will enhance the Presidio's physical, natural, and historic resources as a cherished public place and national landmark.

Volunteer Support

Volunteers are essential to the restoration and enhancement of the Presidio. In Fiscal Year 2013, the Trust welcomed nearly 6,100 volunteers to the park. These dedicated community stewards contributed nearly 30,000 hours of service with an estimated value of $658,000. Volunteers completed trail repairs, enhanced plant habitat, maintained community gardens, and welcomed the public as docents.

Building 101

In Fiscal Year 2012, the Presidio Trust completed the rehabilitation of Building 101, one of the historic Montgomery Street Barracks on the Main Post. In August 2013, the Presidio welcomed Swirl, one of the park's largest tenants. Swirl occupies 18,000 square feet of office space on the upper floors of Building 101. The Trust also led improvements to the ground floor to prepare for a new park restaurant (see Presidio Food Program under Initiative I).

Military Intelligence School Historic Learning Center

In Fiscal Year 2013, the Presidio Trust worked closely with the National Japanese American Historical Society (NJAHS) to manage the renovation of a prominent Crissy Field building as the future home of the Military Intelligence School Historic Learning Center. When opened in Fiscal Year 2014, the NJAHS-operated facility will educate the public about an important period in Presidio – and American history – when Japanese-American code breakers were secretly trained in a Presidio warehouse just prior to the 1941 Pearl Harbor attack and the subsequent internment order. The project was funded through a Department of Defense allocation and NJAHS and Trust capital investment.

Lone Mountain Children's Center

The Presidio Trust supervised the tenant-funded rehabilitation of Building 1805 in the Public Health Service District. A long-time Presidio tenant, Lone Mountain Children's Center expanded to the 3,400-square-foot space with an expanded program. The project is pursuing Leadership in Energy and Environmental Design (LEED) Silver certification. The first class of kids was welcomed in September 2013.

Baker Beach Neighborhood

In Fiscal Year 2013, the Presidio Trust completed substantial improvements to its largest residential neighborhood, the Baker Beach Apartments. With nearly 400 housing units, the Baker Beach neighborhood is home to 35 percent of the Presidio's residential population. Exterior work included seismic upgrades, painting, and sidewalk and railing repair. The Trust also added native plants, community gardens, and community gathering areas. Improvements were also made to make all units more energy efficient.

Mountain Lake

Mountain Lake, a popular visitor destination, is a natural lake located in the southern Presidio. Over several decades, sedimentation, run-off from a nearby state highway and Presidio Golf Course, and urbanization degraded Mountain Lake's water quality and its surrounding habitat. The Presidio Trust and its partners have been engaged in restoration for more than a decade. In Fiscal Year 2013, the agency took a major leap forward by substantially completing environmental cleanup of the lake, including dredging to remove contaminated sediment and increase lake depth. In the east arm of the lake, invasive trees were removed to prepare for wetland enhancement in Fiscal Year 2014. Future enhancement will also include additional habitat restoration and the reintroduction of aquatic vegetation and native wildlife, including the rare western pond turtle.

World War II Memorial

The Presidio's World War II Memorial, which honors 412 members of the Armed Forces who lost their lives in Pacific coastal waters during World War II, underwent extensive renovations to improve accessibility and to restore the historic landscape design. The 1.4-acre memorial was built in the late 1950s. The rehabilitation included an accessible ramp, parking areas, and handrails. Newly planted cypress and pine trees now frame the site. Work was primarily funded by the American Battle Monuments Commission, with additional Trust investment, and implemented by the Presidio Trust.

Forestry

In 2013, the Presidio Trust completed the first decade of its 65-year program to replant declining cypress and pine trees in the Presidio. The goal is to rejuvenate the 300-acre historic forest, first planted by the Army in the late 1800s. The Trust carried our four significant forestry projects in Fiscal Year 2013. Cumulatively, 3,500 trees have been planted during the last decade.

Environmental Remediation

The Presidio Trust remediation program, launched in 1999, made significant progress in Fiscal Year 2013. The program substantially completed remedial construction to achieve closure at four Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) sites, including two along the Baker Beach bluffs (BB1A and BB2); one at Barnard Avenue Protected Range (BAPR) located north of closed Landfill E; and one at Mountain Lake. Additionally, the Trust completed removal of petroleum contaminated soil at the former Buildings 207 and 231 area. To date, under the LBP in Soil program, the Trust has cleaned up lead-based paint (LBP) in soil at 700 buildings and structures throughout the Presidio, including all residential buildings and a majority of commercial buildings. Remediation activities enable the Trust to restore acres of native habitat, improve and expand trails, improve landscapes, create new recreational and educational opportunities throughout the park, and facilitate repurposing of former Army buildings.

CHIEF FINANCIAL OFFICER LETTER

The Trust continues to be a sound steward of its financial resources. Fiscal Year 2013 marks the Trust's first full year without appropriations. While operating solely on revenues earned and being completely self sufficient, the park continues to have funding needs that are not met with revenues from operations but could be funded through grants or donations.

The environmental remediation program is nearing completion, and the Trust has received approximately $15 million in insurance reimbursement toward completion of the program and is on trajectory to substantially complete the cleanup of sites covered under the Remediation Stop Loss policy. This is an achievement that has taken 16 years to realize and will be finalized in Fiscal Year 2014.

The Federal Accounting Standards Advisory Board (FASAB) issued Technical Release 2006-1, Recognition and Measurement of Asbestos Cleanup Cost, which required the Trust to assess its assets for asbestos. The Trust recorded a non-friable asbestos cleanup cost of $39.2 million. This liability will be evaluated each year and is expected to decrease over time as the Trust renovates buildings and infrastructure.

During the year, the Trust began implementation of a new comprehensive management system primarily designed to support its core revenue-generating business of property and lease management, facility work order control, costing, and financial management. Implementation of the system will proceed through the coming year to 18 months.

The Trust maintains the unmodified audit opinion first achieved in Fiscal Year 2012. In the past year we continued efforts to refine and improve the Trust's processes, with the goal of providing Trust managers, board members, federal oversight officials, and the general public with timely, accurate, and useful financial information.

We remain committed to providing the Trust with the highest levels of financial management services and ensuring the efficiency, economy and effectiveness of the Trust programs and activities.

Michael Rothman
CFO
December 16, 2013

Carla Armstrong
Deputy CFO

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Board of Directors of
The Presidio Trust:

Report on the Financial Statements

We have audited the accompanying financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14 02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of September 30, 2013 and 2012, and its net costs, changes in net position and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matter
As discussed in Note 1.K. to the financial statements, the Trust adopted FASAB Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs* as of October 1, 2012.

Other Matters
Required Supplementary Information
U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Agency Head Letter, information in the Fiscal Year 2013 Performance section, the CFO Letter and Other Accompanying Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 on our consideration of the Trust's internal control over financial reporting and our report dated December 16, 2013 on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trust's internal control over financial reporting and compliance.

KPMG LLP

Washington, DC
December 16, 2013

FINANCIAL STATEMENTS

Balance Sheets

	AS OF SEPTEMBER 30, 2013	2012
ASSETS		
Intragovernmental		
Fund Balance with Treasury **[NOTE 2]**	$ 5,066,539	$ 5,378,575
Investments **[NOTE 4]**	59,995,000	75,002,287
Accounts Receivable, Net **[NOTE 5]**	429,533	366,110
Total Intragovernmental	65,491,072	80,746,972
Cash and Other Monetary Assets **[NOTE 3]**	1,057,423	186,306
Accounts Receivable, Net **[NOTE 5]**	22,524,882	4,246,606
General Property, Plant, and Equipment (PP&E), Net **[NOTE 6]**	386,800,506	360,246,778
Stewardship PP&E **[NOTE 7]**		
Other Assets		
Prepayments **[NOTE 8]**	1,045,305	962,802
Deferred Rent Receivable **[NOTE 8]**	21,455,983	19,788,333
Other Deferred Real Estate Costs **[NOTE 8]**	618,290	271,239
	433,502,391	385,702,064
TOTAL ASSETS	**498,993,463**	**466,449,036**
LIABILITIES		
Intragovernmental		
Accounts Payable	$ 1,204,854	$ 1,461,182
Debt **[NOTE 10]**	49,978,000	49,978,000
Other Liabilities		
Employer Contributions Payable **[NOTE 13]**	132,854	106,164
Other Employment Benefits Payable **[NOTE 13]**	954,289	766,387
Unearned Revenue **[NOTE 13]**	794,054	6,463,837
Prepaid Rents **[NOTE 13]**	0	73
Total Intragovernmental	53,064,051	58,775,643
Accounts Payable	17,244,013	16,583,579
Other Liabilities		
Environmental Remediation Liability **[NOTE 9, 11, 13]**	10,911,317	29,450,986
Non-friable Asbestos Cleanup Liability **[NOTE 9, 12, 13]**	39,153,506	0
Contingent Liabilities **[NOTE 9, 13, 15]**	315,000	60,000
Security Deposits **[NOTE 13]**	5,272,648	4,789,095
Unearned Revenue **[NOTE 13, 23]**	61,203,175	56,274,621
Payroll Payable **[NOTE 13]**	2,085,301	1,849,247
Annual Leave Liability **[NOTE 9, 13]**	2,377,700	2,276,294
Rent Credit Liability **[NOTE 9, 13]**	4,209,004	3,334,092
Prepaid Rents & Services **[NOTE 13]**	1,418,269	1,212,394
Accrued Interest Payable **[NOTE 9, 13]**	728,470	599,121
FECA Actuarial Liability **[NOTE 9, 13]**	7,371,273	5,629,614
Other Liabilities **[NOTE 13]**	78,328	199,123
	152,368,004	122,258,166
TOTAL LIABILITIES	**205,432,055**	**181,033,809**
NET POSITION		
Unexpended Appropriation – Other Funds	0	0
Cumulative Results of Operations – Other Funds **[NOTE 12]**	293,561,407	285,415,227
TOTAL NET POSITION	**293,561,407**	**285,415,227**
TOTAL LIABILITIES & NET POSITION	**$ 498,993,463**	**$ 466,449,036**

The accompanying notes are an integral part of these financial statements.

Statements Of Net Cost

	FOR THE YEARS ENDED SEPTEMBER 30, 2013	2012
PROGRAM COSTS		
Operating Cost	$ 99,363,855	$ 98,375,070
Less: Earned Revenues **[NOTE 11]**	144,077,967	111,501,644
Net Costs with the Public	(44,714,112)	(13,126,574)
Total Net Cost	(44,714,112)	(13,126,574)
(NET REVENUE) OR NET COST OF OPERATIONS	**($ 44,714,112)**	**($ 13,126,574)**

The accompanying notes are an integral part of these financial statements.

Statements Of Changes In Net Position

	FOR THE YEARS ENDED SEPTEMBER 30, 2013		2012	
	Cumulative Results of Operations	*Unexpended Appropriations*	*Restated Cumulative Results of Operations*	*Unexpended Appropriations*
Beginning Balance	$ 285,415,227	$ 0	$ 257,495,291	$ 0
Change in Accounting Principle **[NOTE 12]**	39,442,543		0	
Beginning Balance as Adjusted	$ 245,972,684	$ 0	$ 257,495,291	$ 0
Budgetary Financing Sources				
Appropriations Received	0	0	0	12,000,000
Other Adjustments (rescissions, etc.)	0	0	0	(19,200)
Appropriations Used	0	0	11,980,800	(11,980,000)
Other Financing Sources				
Donations	1,925,197		1,332,177	
Transfers-in/out without reimbursement (+/-)	0		417,304	
Imputed Financing from Costs Absorbed by OPM	949,414		1,063,081	
Total Financing Sources	**2,874,611**	**0**	**14,793,362**	**0**
Net Cost of Operations	**(44,714,112)**		**(13,126,574)**	
ENDING BALANCES	**$ 293,561,407**	**$ 0**	**$ 285,415,227**	**$ 0**

The accompanying notes are an integral part of these financial statements.

Statements of Budgetary Resources

	FOR THE YEARS ENDED SEPTEMBER 30, 2013	2012
BUDGETARY RESOURCES		
Unobligated Balance – Brought Forward, October 1	$ 40,707,456	$ 32,287,821
Unobligated Balance from prior year budget authority, net		
Appropriations (discretionary and mandatory)	0	11,980,800
Spending Authority from Offsetting Collections (discretionary and mandatory)	129,679,945	105,241,500
TOTAL BUDGETARY RESOURCES	**$ 170,387,401**	**$ 149,510,121**
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred **[NOTE 17]**	$ 113,487,784	$ 108,802,665
Unobligated Balances – End of Year		
Apportioned	56,899,617	40,707,456
Total unobligated balance, end of year	56,899,617	40,707,456
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 170,387,401**	**$ 149,510,121**
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid Obligations, brought forward, October 1 (gross)	$ 50,321,749	$ 73,748,105
Obligations Incurred	113,487,784	108,802,665
Outlays Gross	(126,119,861)	(132,229,021)
Unpaid Obligations, end of year	37,689,672	50,321,749
Uncollected payments:		
Uncollected Customer Payments from Federal Sources, brought forward, October 1st	(12,665,630)	(5,306,533)
Change in Uncollected Customer Payments from Federal Sources	(16,862,120)	(7,359,097)
Uncollected Customer Payments from Federal sources, end of year	(29,527,750)	(12,665,630)
Obligation Balance, Start of Year, net	**37,656,119**	**68,441,572**
Obligated Balance End of Year, net	**8,161,922**	**37,656,119**
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget Authority, gross (discretionary and mandatory)	129,679,945	117,222,300
Actual Offsetting Collections (discretionary and mandatory)	(112,817,825)	(97,882,403)
Change in Uncollected Customer Payments from Federal Sources	(16,862,120)	(7,359,097)
Budget Authority, net	**0**	**11,980,800**
Outlays Gross	126,119,861	132,229,021
Actual Offsetting Collections	(112,817,825)	(97,882,403)
NET OUTLAYS	**$ 13,302,036**	**$ 34,346,618**

The accompanying notes are an integral part of these financial statements.

1. The Presidio Trust and Summary of Significant Accounting Policies

A. Reporting Entity

The Presidio Trust (the "Trust"), an executive agency, is a wholly-owned government corporation established by Congress in 1996 through enactment of the Presidio Trust Act (P.L. 104-333). The Trust's mission is to preserve and enhance the Presidio as an enduring resource for the American public. The Presidio Trust is a component unit of the United States Government.

The United States acquired the Presidio by virtue of the Treaty of Guadalupe Hidalgo between the United States and Mexico that ended the Mexican-American War of 1846-1848. From 1846 to 1994, the Presidio was used as a U.S. military installation. In 1994, the NPS assumed full control of the Presidio until 1998 when the Trust assumed responsibility for approximately 1,100 acres of non-coastal areas.

The Trust is guided by the Presidio Trust Act to operate in accordance with general objectives of the 1994 General Management Plan Amendment for the Presidio and the Government Corporation Control Act. The Trust primarily finances operations through rental leases for both residential and non-residential property as well as utility billing, hospitality income from a hotel operation and venue rentals and other miscellaneous items and reimbursable agreements.

B. Organization and Structure

The Trust is governed by a seven-member board of directors. Six members are appointed by the President of the United States. The seventh is the U.S. Secretary of the Interior or his designee. The head of agency for the Trust is an executive director who reports to the board and oversees a staff with expertise including environmental science, historic preservation, operations and maintenance, landscape design, planning, resource management, real estate development, public affairs and programs, law, and finance.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of the Trust as required by the Trust Act. These financial statements were prepared from the Trust's accounting records in accordance with accounting principles generally accepted in the United States of America (GAAP), and the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements* revised October 21, 2013. GAAP for Federal entities are the standards designated by the Federal Accounting Standards Advisory Board (FASAB) the official standards setting body for the Federal Government.

The Trust presents comparative fiscal year 2013 statements for the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary Resources.

The Trust accounts for its assets, liabilities, net position, revenues, expenses, and other financing sources in accordance with the requirements of the U.S. Government Standard General Ledger. The use of sub-accounts allows transactions to be recorded at a more detailed level and provide relevant management information.

Although, the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are on an accrual basis, underlying transactions are recorded using both the accrual basis of accounting and a budgetary basis of accounting. The Statement of Budgetary Resources is on a budgetary basis. Under the accrual method, expenses are recognized when resources are consumed and revenues are recognized when earned without regard to the payment or receipt of cash. Budgetary accounting recognizes the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

D. Fund Balance with Treasury and Cash

The Trust maintains all cash accounts with the US Department of Treasury except for petty cash accounts maintained at the Trust, by the Trust's Residential Property Manager, and by the Trust's Inn Operator as well as one security deposit refund account maintained by the Trust's Residential Property Manager. All banking activities are conducted in accordance with the directives issued by the Department of the Treasury – Bureau of the Fiscal Service (BFS). Treasury processes cash disbursements and receipts on behalf of the Trust and the Trust's accounting records are reconciled with those of Treasury on a monthly basis. The Trust currently only has funds designated as revolving funds with the Treasury. Revolving funds are funds that conduct continuing cycles of business-like activity in which the fund charges for the sale of a service and uses the proceeds to finance its spending. The Trust's accounting records are such that internal segmentation occurs to ensure that funds are tracked to appropriate activities or requirements.

E. Investment, Net

Trust investments in non-marketable, market based U.S. Treasury securities are traded through and held in book entry form at the Department of the Treasury – Bureaus of the Fiscal Service (BFS). The Trust is required by Public Law 104-333 to invest excess cash only in non-marketable, market based Treasury securities issued by the BFS. Non-marketable, market based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms.

F. Accounts Receivable, Net

Accounts Receivable consists of amounts owed to the Trust by other federal agencies and the public. Receivables generally arise from rental properties, service district charges, utilities, reimbursable contracts, environmental remediation insurance reimbursement and other miscellaneous services.

An allowance for doubtful accounts is established based upon a review process. The Trust reviews accounts over 90 days past due and identifies collectable accounts. If an account is identified as collectable the Trust does not record any bad debt expense for that account; conversely if an account is deemed to be uncollectible the Trust records a bad debt expense and establishes and established an allowance. If a debt is less than 90 days of age but deemed to be uncollectible a bad debt expense is recorded and an allowance established. For the remaining receivables over 90 days old, the Trust reserves 75% of the balance as an allowance for uncollectible accounts. The reserve is not established at 100% because there is some likelihood of collection based on contractual arrangements and the collection tools the Trust has at its disposal.

As a federal agency, the Trust has the full force of the United States government to facilitate collecting past due amounts. The Trust has an interagency agreement with the US Treasury, Debt Management Services (DMS) for debt collection, and once a debt is deemed uncollectible, and the Trust has taken appropriate collection action, the debtor information is sent to DMS for collection. Debts that are given to DMS for collection are not written off until DMS deems the debt as uncollectible.

G. Direct Loans and Loan Guarantees

The Trust is empowered to provide direct loans to non-Federal borrowers and to guarantee loans to non-Federal borrowers for construction and renovation. The Trust has not exercised this authority.

H. General Property, Plant, and Equipment, Net

General Property, Plant, & Equipment

PP&E includes fixed assets owned by the Trust as the result of purchases by the Trust and/or transfers from other governmental entities, primarily the NPS. General PP&E consists of buildings, improvements to buildings, structures and facilities, land improvements, equipment, vehicles, capital leases, and construction in progress.

In general, the Trust capitalizes fixed assets valued in excess of $25,000 with a useful life of two or more years and depreciates assets using the straight-line amortization method over the assigned useful lives of the property. All assets are assigned a useful life between three to ninety years dependent upon the asset category. For financial statement purposes, a pro-rated share of depreciation expense for the asset is recorded in the year of acquisition or project completion depending on the month the asset is placed into service.

Additionally, the Trust capitalizes expenditures for improvements to infrastructure and buildings based upon the following criteria:

- costs exceed $25,000
- are not considered to be repairs and maintenance
- have a useful life of two or more years

Assets may include, in addition to direct costs, an assigned indirect cost component. Indirect costs are determined in accordance with the guidelines set forth in OMB Circular A-11, *Preparation Submission and Execution of the Budget, of the Budget* and the SFFAS No. 6, and are comprised of those indirect costs incurred to bring the PP&E to a form and location suitable for its intended use. The Trust identified these costs based upon a review of its operating activities. Indirect costs are allocated to capital assets using systematic methods approved by management.

Land is considered to be general PP&E and, in accordance with SFFAS No. 6, is to be recorded at cost. The Trust has no land, other than roadbeds recorded as part of General PP&E.

Assets received from the Doyle Drive project (Note 22) are subject to the Trust's asset capitalization criteria but may be constructively accepted if a formal acceptance has not occurred upon completion of construction and when the asset has been placed in use. \

Construction in Progress

Construction in Progress (CIP) is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. The assets are transferred out of CIP when the project is substantially completed.

Stewardship Assets

Stewardship Assets consist of the public domain land of the Presidio. Heritage assets exist throughout the Presidio and consist of such items as historic buildings, monuments, and historic sites. Both stewardship assets and heritage assets have been entrusted to the Trust to maintain in perpetuity for the benefit of current and future generations.

The stewardship land and heritage assets are considered priceless and irreplaceable. As such the Trust assigns no value to them and the PP&E on the balance sheet excludes these assets.

I. Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

J. Other Assets

Rental revenue is recognized using the straight-line method over the term of the lease. Any amounts deferred that are not payable by the lessee until future years are included in deferred rent receivable.

Broker commissions and other direct costs associated with leasing revenue are placed into a deferred asset account and amortized over the term of the lease.

K. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the Trust as the result of a transaction or an event that has already occurred. No liability can be paid by the Trust absent an appropriation or spending authority (authority to spend revenues as granted by the Trust Act) granted by the Congress and OMB.

Future liabilities for which current year spending authority will not be used are disclosed as liabilities not covered by budgetary resources or unfunded liabilities. In addition, if other resources or advances that would allow for future spending authority to be designated for the particular liability are not available the liability will be disclosed as a liability not covered by budgetary resources or an unfunded liability. The liquidation of liabilities not covered by budgetary or other resources is dependent on funding.

The Trust estimates accounts payable on a current assessment of services and goods received but not paid.

Environmental Remediation Liabilities

The Army closed its base at the Presidio in September 1994 and transferred administrative jurisdiction of the Presidio to the NPS through the DOI for incorporation into the Golden Gate National Recreation Area.

Executive Order 12580 delegated the responsibility to conduct the environmental cleanup of the Presidio to the Army. Under an interagency agreement with the DOI, the Army retained this responsibility as one of the terms of the jurisdictional transfer and initiated certain actions to address environmental conditions at the Presidio.

When Congress created the Trust in 1996, it separated the administrative jurisdiction of the Presidio into two areas: Area A, over which DOI retained authority, and Area B, which was transferred to the Trust in July 1998.

Under a Memorandum of Agreement (the Presidio MOA) among the Trust, DOI, and the Army, the Trust assumed the Army's responsibilities as lead agent for the environmental cleanup in both Area A and Area B. The Army provided $99 million to the Trust in exchange for the Trust's assumption of such responsibilities. All of the Army funds have been spent and the remaining liability is unfunded. As discussed in Note 11, the Trust obtained two environmental liability policies related to liabilities in excess of the Army funds.

Changes in cleanup cost estimates are developed in accordance with agency procedure which provides for a systematic process for cost estimating and places emphasis on development and retention of supporting documentation. Changes in cleanup cost estimates are based upon progress made in and revision to cleanup plans, assuming current technology, laws, and regulations. Changes result in an increase or decrease to the Environmental remediation liability and are calculated in current year dollars as prescribed by accounting standards.

Non-friable Asbestos Cleanup Liability

Technical Bulletin 2006-1 – Recognition and Measurement of Asbestos Cleanup cost requires that federal entities recognize a liability for friable and nonfriable asbestos that are probable and reasonably estimable. This liability was required to be recorded for periods after September 30, 2012 and as such the Trust has recorded an asbestos liability in fiscal year 2013.

Almost all asbestos in the Presidio identified in this liability is considered non-friable, meaning material that contains asbestos fibers which are bonded by cement, vinyl, resin or other similar material and which cannot be crumbled, pulverized, or reduced to powder by hand pressure.

Contingent Liabilities

Contingent Liabilities are liabilities where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The Trust recognizes contingent liabilities when the liability is probable and reasonably estimable. The Trust discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met and when the outcome of the future events is more than remote.

Other Liabilities

Other liabilities on the Trust's balance sheet arise largely from Trust payroll, normal leasing transactions, and monies received for projects throughout the park. Liabilities such as security deposits and rent credits are directly related to leasing activity with both commercial tenants and residential tenants. Such monies would generally be refundable to the tenants and are therefore shown as a liability. The accrued interest payable is related specifically to agreements with tenants that have rent credits. The accrued interest is unfunded as it will not be paid but will be depleted by applying it as a rent credit against future earnings of the Trust. Unearned revenues are those monies advanced to the Trust for venue rentals and special park uses as well as monies received for projects which are at various stages but not yet complete. The Trust recognizes revenue related to these liabilities as the revenue is earned.

L. Revenues and Financing Sources

The United States Constitution prescribes that no money may be expended by a federal agency unless and until funds have been appropriated by Congress. Appropriations are considered to be a financing source. The Trust no longer receives an appropriation.

The Trust Act allows the Trust to retain funds earned for its own use and those funds are considered spending authority. Spending authority is subject to apportionment by OMB. The Trust provides services to the public and other government entities which are priced at market value.

Appropriations

Congress provided the Trust's appropriation from the general receipts of the Treasury. Fiscal year 2012 was the last fiscal year the Trust received appropriated funds. The Statement of Budgetary Resources presents information about the resources appropriated to the Trust as well as spending authority from offsetting collections that the Trust has earned.

Exchange and Non-Exchange Revenue

All receipts and revenues of the Trust are classified as either exchange or non-exchange revenue. Exchange revenues are those that are derived from transactions in which the Trust and the other party receive value, including: rent, service district charges, utilities, permits, venue rentals, and reimbursement for services performed for other federal agencies and the public, etc. These revenues are presented on the Trust's Statement of Net Cost and serve to offset the costs of the goods and services received by the Trust.

Non-exchange revenues result from donations to the government. These revenues are those that are considered not to reduce the cost of the operations of the Trust and are reported on the Statement of Changes in Net Position.

With a few minor exceptions, all receipts or revenues by the Trust are retained by the Trust to fund Trust operations. The Trust deposits all funds received in the Treasury General Account and these funds are designated for Trust use through Treasury's accounting process.

Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies. Prices set for the various revenue activities are designed to recover full costs or market value of those activities and maintain operations of the park as a self sufficient entity to include insuring funds are available for capital asset replacement and capital renovations.

Imputed Financing Sources

In certain instances operating costs of the Trust are paid out of funds appropriated to other federal agencies. For example, the Office of Personnel Management (OPM), by law pays certain costs of retirement programs. The Trust recognizes these costs as an operating expense and also recognizes an imputed financing source on the Statement of Changes in Net Position.

Other Financing Sources

From time to time the Trust works on projects in partnership with the National Park Service (NPS), and the Golden Gate National Parks Conservancy (GGNPC) on Trust owned assets. These amounts are recorded as transfers in without reimbursement or donations of property.

M. Personnel Compensation and Benefits

Annual and Sick Leave Program

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefits cost. An unfunded liability is recognized for earned but unused annual leave since from a budgetary standpoint this annual leave will be paid from future funding sources when the leave is used by employees. The amount accrued is based upon current pay rates of the employees. Sick leave is expensed when used and no liability is recognized as employees do not vest in that benefit.

Federal Employees Workers' Compensation Program (FECA).

FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and beneficiaries of employees whose deaths are attributable to job related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL) which pays valid claims and subsequently is reimbursed from the Trust for these claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the Trust. There is generally a two to three year lag between payment by DOL and reimbursement by the Trust. The Trust recognizes a liability for the actual claims paid by DOL that are to be reimbursed by the Trust which is recorded in the liability account entitled other employment benefits payable (Note 13). The second component is the estimated liability for future benefit payments as a result of past events.

This liability includes death, disability, medical, and miscellaneous costs. The Trust determines this component annually, as of September 30, using a method that considers historical benefit patterns and other variables. The DOL provides non-CFO Act agencies a model to use to calculate this liability. The Trust recognizes an unfunded liability to DOL for these estimated future payments.

Federal Employees Group Life Insurance Program (FEGLI)

Most Trust employees are entitled to participate in the FEGLI program. Participating employees can obtain "basic life" term insurance, with the Trust reimbursing the employees the cost of the basic life insurance biannually. Additional coverage is optional and is to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. Government's service costs for the post retirement portion of the basic life coverage. The Trust's contributions are fully allocated by OPM to the preretirement portion of coverage, so the Trust has recognized the entire service cost of the post retirement portion of basic life coverage as an imputed cost and an imputed financing source.

Retirement Plans

There are two primary retirement systems for Federal employees. Employees hired prior to January 1, 1984, may participate in the Civil Service Retirement System (CSRS), and employees hired after that date are eligible to participate in the Federal Employee Retirement System (FERS). The Trust Act affords the Trust the ability to manage the payroll process outside of the laws governing civil service retirement; however, the Trust has elected to use the retirement systems in place for federal employees. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. Although the Trust hired its first employees in 1999, the Trust does have some employees in CSRS as these employees have transferred to the Trust from other federal agencies and have prior federal service, six percent of employees participate in CSRS and ninety-four percent of employees participate in FERS.

A primary feature of FERS is that it offers a savings plan to which the Trust contributes one percent of employees' pay and matches any employee contribution up to five percent of pay, dollar for dollar on the first three percent and fifty cents per dollar on thereafter. An employee must contribute up to five percent of their pay to take advantage of the matching but employees are eligible for the one percent contribution no matter if they elect to contribute to the fund or not.

For FERS employees the Trust also contributes the employer's matching share of Social Security. The Trust does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the OPM. The Trust does report as an imputed financing source and a program expense, the difference between its contributions to Federal employee pension and other retirement benefits and the estimated actuarial costs as computed by the OPM. The amounts reported as of September 30, 2013 and 2012 are $949,414 and $1,063,081 respectively.

N. Federal Government Transactions

The Trust's financial activities interact with the financial activities of the centralized management functions of the Federal Government. These activities include public debt and cash management activities and employee retirement, life insurance, and health benefits. The financial statements of the Trust do not include the costs of centralized activities performed for the benefit of the entire government.

O. Income Taxes

As an agency of the federal government, the Trust is generally exempt from all income taxes imposed by any governing body, whether it is a Federal, State, commonwealth, local, or foreign government.

P. Estimates

Preparation of financial statements in accordance with GAAP 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. Significant estimates in the financial statements include environmental liabilities, non-friable asbestos cleanup liabilities, allowance for doubtful accounts, the historical cost of assets acquired from NPS, and useful lives of general PP&E. Actual results may differ from those estimates.

2. Fund Balance with Treasury

Fund Balance with Treasury, which consists entirely of revolving funds, is $5,066,539 and $5,378,575 as of September 30, 2013 and 2012 respectively.

Status of Fund Balance with Treasury on September 30, 2013 and 2012 are as follows:

	2013	***2012***
Available Fund Balance with Treasury and Overnight Investments	$ 31,817,539	$ 45,119,575
Less Invested Unpaid Obligated Balance	(26,751,000)	(39,741,000)
Fund Balance	$ 5,066,539	$ 5,378,575

The fund balance was obligated and unavailable as of September 30, 2013 and 2012 respectively.

3. Cash and Other Monetary Assets

Various cash accounts exist to assist in operations around the park:

	2013	***2012***
Trust Petty Cash	$ 1,000	$ 1,000
Residential Property Management Petty Cash	600	600
Residential Property Management Security Deposits	12,285	28,460
Inn at the Presidio Petty Cash	1,500	1,500
Deposits in Transit	1,042,038	154,746
Total Cash	$ 1,057,423	$ 186,306

4. Investments

INVESTMENTS AS OF SEPTEMBER 30, 2013
INTRAGOVERNMENTAL SECURITIES

	Maturity Date	*Interest Rate*	*Cost/ Par Value*	*Unamortized Discount*	*Net Value*
Non-marketable/Market Based	10/01/13	0.030%	$ 26,751,000	$ 0	$ 26,751,000
Non-marketable/Market Based	9/30/29	5.52%	2,978,000	0	2,978,000
Non-marketable/Market Based	9/30/29	6.12%	30,266,000	0	30,266,000
			59,995,000	0	59,995,000
Interest Receivable			0	0	0
TOTAL INVESTMENTS			**$ 59,995,000**	**$ 0**	**$ 59,995,000**

Both of the investments with a September 30, 2029 maturity date are investments of the proceeds from Trust borrowings from the Treasury (see Note 10). The BFS invests these proceeds with the agreement that the borrowing and investment net to zero unless the Trust needs access to the cash. No interest was owed as of September 30, 2013.

INVESTMENTS AS OF SEPTEMBER 30, 2012
INTRAGOVERNMENTAL SECURITIES

	Maturity Date	*Interest Rate*	*Cost/ Par Value*	*Unamortized Discount*	*Net Value*
Non-marketable/Market Based	10/01/12	0.050%	$ 39,741,000	$ 0	$ 39,741,000
Non-marketable/Market Based	9/30/29	5.52%	2,978,000	0	2,978,000
Non-marketable/Market Based	9/30/29	6.12%	30,266,000	0	30,266,000
			79,985,000	0	72,985,000
Interest Receivable			2,017,287	0	2,017,287
TOTAL INVESTMENTS			**$ 75,002,287**	**$ 0**	**$ 75,002,287**

Both of the investments with a September 30, 2029 maturity date are investments of the proceeds from Trust borrowings from the Treasury (see Note 10). The BFS invests these proceeds with the agreement that the borrowing and investment net to zero unless the Trust needs access to the cash. As of September 30, 2012, the Trust was owed $2,017,287 of interest on the investment of the proceeds from the borrowing and on the investments with a maturity date of October 1, 2012. The amount of $2,017,287 was paid in full to the Trust by the BFS on October 1, 2012.

5. Accounts Receivable, Net

Accounts receivable as of September 30, 2013, is comprised of the following:

	Intra-Government	*Non-Government*	*Total*
Gross Accounts Receivable	$ 429,533	$ 24,492,412	$ 24,921,954
Less Allowance for Uncollectible Accounts	0	(1,967,530)	(1,967,530)
NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2013	**$ 429,533**	**$ 22,524,882**	**$ 22,954,415**

The Non-Government accounts receivable as of September 30, 2013, of $24,492,412 includes an $18,722,183 receivable related to insurance reimbursement for the environmental remediation program (Note 11).

Accounts receivable as of September 30, 2012, is comprised of the following:

	Intra-Government	*Non-Government*	*Total*
Gross Accounts Receivable	$ 366,110	$ 5,326,466	$ 5,692,576
Less Allowance for Uncollectible Accounts	0	(1,079,860)	(1,079,860)
NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2012	**$ 366,110**	**$ 4,246,606**	**$ 4,612,716**

The Non-Government accounts receivable as of September 30, 2012, of $5,326,646 includes an $3,859,947 receivable related to insurance reimbursement for the environmental remediation program (Note 11).

6. General Property, Plant and Equipment

Property Plant and Equipment (PP&E) consists of property used in operations:

Classification	*Estimated Useful Life*	*Cost*	*Accumulated Depreciation*	*Net Balance at 9/30/13*	*Net Balance at 9/30/12*
Land and Land Rights[1]	N/A	$ 3,460,320	N/A	$ 3,460,320	$ 2,915,800
Improvements to Land	[2]	45,303,837	16,900,615	28,403,222	25,217,641
Construction-in-Progress	N/A	27,430,113	N/A	27,430,113	35,860,741
Buildings, Improvements, Renovations & Rehabilitations	40 years[2]	337,643,226	70,652,554	266,990,672	242,205.894
Other Property, Plant and Equipment (including furnishings, equipment, and software)	[3]	100,723,750	40,207,571	60,516,180	54,046,702
		$ 514,561,246	**$ 127,760,740**	**$ 386,800,506**	**$ 360,246,778**

Depreciation expense was $18,623,221 and $16,051,909 in fiscal years 2013 and 2012 respectively.

1 *The land asset classification cost is the cost of road beds.*

2 *Buildings, Improvements and Related Renovations and Rehabilitations have useful lives of 40 years or less for improvements and renovations depending on remaining building life. Tenant Improvements are amortized over the life of the tenant's lease.*

3 *Other Property, Plant and Equipment and Land Improvements are depreciated using a straight line method over their estimated useful lives ranging from three to ninety years.*

7. Stewardship Property Plant & Equipment

The mission of the Trust is to preserve and enhance the Presidio as an enduring resource for the American public. The Trust will achieve its mission by transforming the Presidio into a park of lasting distinction by: 1) building a community to support the park and to preserve its character as a place where people have lived and worked for more than two centuries, 2) enhancing the Presidio's scenic, natural, cultural, and recreational resources for public enjoyment and edification, 3) forging public/private partnerships to finance the park and provide public programs and 4) becoming a model of sustainable park management. The heritage and stewardship assets are natural resources and historic buildings that are directly related to preserving the historical integrity of the Presidio and meeting the Trust's mission.

The Trust's stewardship policies are outlined in several key documents such as: the Presidio Trust Management Plan (PTMP) and the Vegetation Management Plan (VMP). The PTMP proposes a focused and realistic vision which ensures that the Presidio's cultural, natural, scenic, and recreational resources are preserved while at the same time ensuring that the Presidio's historic buildings are rehabilitated. This vision provides that preservation of the Presidio's assets be a goal that is integrated with financial self sufficiency. The stewardship and heritage assets are an integral part of the park and the PTMP commits the Trust to preserving open space within the park. The VMP describes how the historic forest will be rehabilitated, how wetlands will be enhanced, and how native plant and wildlife species will be protected. Further, the PTMP outlines how the Trust will preserve its National Historic Landmark Status.

Heritage and Multi-Use Heritage assets are the historic buildings. Heritage assets are the buildings that will never be occupied by a tenant but will be preserved to ensure that historic integrity remains intact. Multi-use heritage assets, while historical in nature, are buildings that are leased to tenants.

A building can only be added to the heritage category if it is deemed that the building will not ever be occupied.

Stewardship assets consist primarily of historic forest and restoration of lands within the boundaries of the park. There has been no acquisition of new land. Land stewardship consists of forestry acreage added and withdrawn; this represents reforestation activities which results in a turnover of approximately two acres of forest each year.

The following table depicts the number of physical units at the end of fiscal year 2012, additions and withdrawals during fiscal year 2013 and the ending number of units at the end of fiscal year 2013.

Classification	*Beginning Balance Number of Buildings*	*Additions*	*Withdrawals*	*Ending Balance Number of Buildings*
Heritage	11	0	1	10
Multi-Use Heritage	410	1	0	411
	Number of Acres	*Acres Added*	*Acres Withdrawn*	*Number of Acres*
Land Stewardship	869	3.9	20.1	852.8

Heritage buildings are those buildings that are historical in nature but which the Trust never expects to lease, in fiscal year 2013 the State of California renovated Building 669 as part of the Doyle Drive project and that building was moved into the Multi-Use Heritage category.

Acreage is added and withdrawn based on project completed within the park. The large shift in acreage is largely due to the Doyle Drive project which has shifted areas into built space temporarily. Once the project is complete acreage will be reclaimed for stewardship.

As part of ongoing improvements, the Trust continues to acquire and preserve heritage assets. In fiscal year 2013 the Trust acquired artwork, through a donation, known as Tree Fall which is valued at $350,000.

The following table depicts the number of physical units at the end of fiscal year 2011, additions and withdrawals during fiscal year 2012 and the ending number of units at the end of fiscal year 2012.

Classification	***Beginning Balance Number of Buildings***	***Additions***	***Withdrawals***	***Ending Balance Number of Buildings***
Heritage	11	0	0	11
Multi-Use Heritage	411	0	1	410
	Number of Acres	***Acres Added***	***Acres Withdrawn***	***Number of Acres***
Land Stewardship (1 park)	868.9	2.1	2.0	869.0

8. Other Assets

Other assets as of September 30, 2013 and 2012 are comprised of the following:

	2013	***2012***
Prepayments	$ 1,045,305	$ 962,802
Deferred Rent Receivable	21,455,983	19,788,333
Other Deferred Real Estate Assets	618,290	271,239
Total Other Assets	$ 23,119,578	$ 21,022,374

9. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are those liabilities that may be funded from future resources. Liabilities not covered by budgetary resources as of September 30, 2013 and 2012 are comprised of the following:

	2013	***2012***
FECA Actuarial	$ 7,371,273	$ 5,629,614
Contingent Liabilities **[NOTE 15]**	315,000	60,000
Environmental Remediation Liability **[NOTE 11]**	10,911,317	29,450,986
Non-friable Asbestos Liability**[NOTE 12]**	39,153,506	0
Annual Leave Liability	2,377,700	2,276,294
Rent Credit Liability	4,209,004	3,334,092
Accrued Interest Payable	728,470	599,121
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	**65,066,270**	**41,350,107**
Liabilities Covered by Budgetary Resources	139,365,785	139,683,702
TOTAL LIABILITIES	**$ 205,432,055**	**$ 181,033,809**

10. Debt

The Trust has the following debt to Treasury as of September 30, 2013 and 2012:

	Maturity Date	*2013*	*2012*
DEBT TO THE TREASURY			
Note C (dated 9/29/00)	9/30/2029	$ 20,000,000	$ 20,000,000
Note C (dated 9/28/00)	9/30/2029	20,000,000	20,000,000
Note C (dated 9/29/01)	9/30/2029	9,978,000	9,978,000
TOTAL PRINCIPAL		**$ 49,978,000**	**$ 49,978,000**

The Presidio Trust Act granted the Trust the authority to borrow from the U.S. Treasury. The aggregate amount of outstanding obligations at any one time is limited to $150 million. These borrowings financed building and infrastructure rehabilitation by the Trust. Borrowing was contingent on the Secretary of the Treasury determining that the projects to be funded from the proceeds were creditworthy. In 1999, the Trust and the Secretary of the Treasury established a written borrowing agreement to advance funds for capital improvement projects. The Trust executed a promissory note for the requested amount to evidence the obligation of the Trust to repay the Treasury the sum borrowed, together with any late charges that might be incurred.

The Trust was granted $49,978,000 in borrowing authority. The terms surrounding the Trust's borrowing authority have been described below. The debt the Trust has incurred is all related to the borrowing authority granted to the Trust.

The Trust has issued the following promissory notes to the BFS:

1) **NOTE C** (dated 9/29/00)
Principal amount is $20 million. The amount was used for the capital improvement projects activities in, on, or in support of particular Trust assets, specifically the Baker Beach Apartments, Building 220 and Building 36. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220, and Building 36 that have been improved. The note carries an interest rate of 6.122% requires principal payments starting in 2015 and matures on September 30, 2029.

2) **NOTE C** (dated 9/28/00)
Principal amount is $20 million. The amount of the request was used for the capital improvement projects activities in, on, or in support of any Trust assets. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220 and Building 36. The note carries an interest rate of 6.122% requires principal payments starting in 2015 and matures on September 30, 2029.

3) **NOTE C** (dated 9/29/01)
Principal amount is $9,978,000. The amount of the request was used for the capital improvement projects activities in, on, or in support of any Trust assets. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220 and Building 36. The note carries an interest rate of 5.515% requires principal payments starting in 2015 and matures on September 30, 2029.

The Trust incurred $2,999,087 in interest cost in both fiscal year 2013 and fiscal year 2012 which was included in program costs.

In fiscal year 2013, no additional debt obligations were issued and there was no borrowing authority available at September 30, 2013 or September 30, 2012. Debt repayment on the current borrowings is $0 in fiscal years 2013 and 2014; $2,192,191 in fiscal year 2015; $2,317,726 in fiscal year 2016; $2,450,454 in fiscal year 2017; $2,590,788 in fiscal year 2018, with the remainder in years thereafter.

11. Other Liabilities – Environmental Remediation

Agency Responsibilities for Environmental Cleanup

As discussed in **Note 1**, Significant Accounting Policies, the Trust is the lead agent for environmental cleanup of the Presidio.

Cleanup includes enumerated sites where a potential environmental threat (Substance and Condition) is presently known or may exist based on past Army studies or records. Cleanup also includes unknown contamination which is any environmental threat at or from the Presidio other than an enumerated site that existed at the Presidio before October 1, 1994 (Presidio base closure) or was the result of an Army act or omission on or after October 1, 1994.

The Trust performs all cleanup work at enumerated sites and is the point of contact for all regulatory agencies and the public. The Army retained responsibility to fund and/or to perform all environmental cleanup work of unknown contamination as well as sole responsibility for the clean up of radioactive materials, chemical and biological warfare agents, and unexploded ordnance if discovered at the Presidio.

If cleanup costs for the enumerated sites exceed $100 million plus insurance proceeds (see discussion of the Trust's environmental insurance policies below) by $10 million, the Army must seek additional appropriated funds for the enumerated sites. The Army is released from this requirement if the Trust's mismanagement or inefficient use of funds causes the cost overrun.

The Trust obtained two environmental insurance policies: a Remediation Stop Loss (RSL) policy and a Real Estate Environmental Liability (REEL) policy:

> The RSL policy provides the Trust with insurance against cost overruns in implementing environmental remedies that have been approved by the appropriate regulatory agencies for known contamination at enumerated sites. The RSL policy pays for remediation costs in excess of $100 million (self-insured retention) spent by the Trust for "necessary and reasonable" costs. The RSL policy has a liability limit of $100 million. The RSL policy is set up so that the Trust pays the first $100 million of remediation costs and the RSL policy would pay for the second $100 million. The Army and DOI are each named as an additional insured on the RSL policy. Allowable cleanup exceeded the $100 million self insured retention in fiscal year fiscal year 2012. The REEL policy provides coverage for unknown contamination. The REEL policy has a limit of $10 million (with a $25,000 deductible per claim) and a $50 million total for all claims.
>
> DOI is a named insured under the REEL policy. At present, the Trust has claims pending against the REEL coverage but the amount of recovery cannot be determined at this time.

Liability for Environmental Cleanup Costs

Changes in cleanup cost estimates are developed in accordance with agency procedure which provides for a systematic process for cost estimating and places emphasis on development and retention of supporting documentation. This total estimated cost to complete has been updated to reflect the estimates as of September 30, 2013.

The Trust has been reimbursed by insurance for cleanup costs throughout the latter part of fiscal years 2012 and 2013 and anticipates that the majority of the known sites will be remediated by May 2014. The Trust anticipates that it will continue to receive reimbursement from the insurance company through the expiration date of the RSL insurance policy in May 2014 and has recorded a receivable and the associated revenue in the amount of $16,078,209 in fiscal year 2013. The receivable is based upon the current estimated cost to complete and only reflects the items for which the insurance company has established a history of payment over the past year. Revenue and receivables for unknown sites will only be recorded when it is known that payment will be received from the Army or from insurance (REEL policy).

The table below identifies the Trust's costs from inception of the environmental cleanup program to date and sets forth the current total estimated cost at completion. The table separately identifies the costs related to the cleanup of contaminants known and inventoried at the time the Army turned the cleanup over to the Trust and contaminants identified by the Trust subsequent to the Army's turnover.

	Known Contaminants As of 9/30/2013		***Unknown Contaminants As of 9/30/2013***			
	Spent	***At Completion***	***Spent***	***At Completion***	***Total Spent As of 9/30/2013***	***Estimated Cost At Completion***
Allowable Costs	127,678,863	138,582,340	7,955,745	12,450,673	135,634,608	151,033,013
Other Costs	21,043.641	21,753,112	0	0	21,043,641	21,753,112
TOTAL COSTS	**148,722,504**	**160,335,452**	**7,955,745**	**12,450,673**	**156,678,249**	**172,786,125**
Environmental Remediation Liability per Balance Sheet					10,911,317	
Less Resources						
Army/Other (Reimbursement)		133,624,614		7,254,114	(7,254,114)	140,878,728
Insurance/Other (Estimate)		4,151,648		0	0	4,151,648
TOTAL AFTER RESOURCES		**22,559,190**		**5,196,559**		**27,755,749**
TOTAL OF KNOWN CONTAMINANTS AT COMPLETION					**160,335,452**	

The Trust's financial statements reflect a liability for environmental remediation cleanup costs of $10,911,317 and $29,450,986 which is unfunded as of September 30, 2013 and 2012 respectively. This represents the total estimated cost at completion less the expected Army and insurance reimbursements (claims filed). Unknown sites are only included in the liability if the Army has agreed to pay the Trust to perform the work as unknown sites are the Army's responsibility. The actual cost at completion may vary from the current estimated cost at completion. The change in liability as of September 30th from fiscal year 2013 to fiscal year 2012 is reflected in the chart below:

Liability per Balance Sheet (in millions)	***2013***	***2012***
Beginning Balance	$ 29,450,986	$ 35,413,231
Costs Applied, net	(18,594,920)	(11,714,562)
Change in Estimated Cost to Complete	55,251	5,752,317
TOTAL LIABILITY	**$ 10,911,317**	**$ 29,450,986**

The total estimated cost at completion could increase further in the future due to inflation and the timing of implementing the various remedies. Annually, management will update the total estimated cost at completion and will periodically enlist third party expertise to assist management in formulating detailed projections based on a thorough review of the remediation program.

12. Other Liabilities – Non-friable Asbestos Cleanup

The Trust's financial statements reflect an asbestos cleanup liability of $39,153,506 as of September 30, 2013. This liability was recorded in 2013 as required by Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, and will be adjusted annually to reflect asbestos cleanup performed and revised estimated liability amounts.

Almost all of the liability reflects non-friable asbestos, which is material that contains asbestos fibers which are bonded by cement, vinyl, resin or other similar material and cannot be crumbled, pulverized, or reduced to powder by hand pressure. As such, the Trust anticipates the removal of this asbestos will occur over time as individual facilities are renovated.

The Trust recognized clean-up cost associated with non-friable asbestos in fiscal year 2013 as a change in accounting principle. This caused an adjustment to the beginning balance of cumulative results from operations in the amount of $39,442,543. Abatement of asbestos was performed in fiscal year 2013 and the liability was reduced by $289,037.

13. Other Liabilities

Other liabilities as of September 30, 2013 and 2012 are comprised of the following:

	2013		2012	
	Non-Current	*Current*	*Non-Current*	*Current*
INTRAGOVERNMENTAL				
Employer Contributions Payable	$ 0	$ 132,854	$ 0	$ 106,164
Other Post Employment Benefits	175,009	779,282	161,921	604,466
Prepaid Rents & Services	0	0	0	73
Unearned Revenue	0	794,054	0	6,463,837
TOTAL INTRAGOVERNMENTAL	**175,009**	**1,706,190**	**161,921**	**7,174,540**
Environmental Remediation Cleanup Cost Liability **[NOTE 11]**	0	10,911,317	0	29,450,986
Non-friable Asbestos Cleanup Cost **[NOTE 12]**	38,853,506	300,000	0	0
FECA Actuarial **[NOTE 9]**	6,797,036	574,237	5,068,024	561,590
Contingent Liabilities **[NOTE 15]**	0	315,000	0	60,000
Security Deposits	5,272,648	0	4,789,095	0
Unearned Revenue	40,778,777	20,424,398	39,697,119	16,577,502
Payroll Payable	0	2,085,301	0	1,849,247
Annual Leave Liability **[NOTE 9]**	0	2,377,700	0	2,276,294
Rent Credit Liability **[NOTE 9]**	4,107,995	101,009	3,154,750	179,342
Prepaid Rents & Services	0	1,418,269	0	1,212,394
Accrued Interest Payable **[NOTE 9]**	728,470	0	477,039	0
Other Liabilities	0	78,328	15,573	183,550
TOTAL OTHER LIABILITIES	**$ 96,713,439**	**$ 40,291,749**	**$ 53,485,603**	**$ 59,525,445**

14. Leases

Trust as Lessee

Operating Leases

Operating leases are used for equipment. The Trust currently leases multiple copiers which are under agreements that do not have a definitive lease period that exceed one year. The Trust also leases government vehicles from General Services Administration (GSA), but such leases are for a year or less.

Trust as Lessor

Operating Leases

Description of Lease Arrangements:

The Trust's properties are leased under terms from one month up to 60 years. The Trust expects that these leases will be renewed or replaced by other leases in the normal course of business. In addition, fourteen leases are operated under contingent rental agreements wherein the monthly rental revenue is either a percent of the lessees' monthly revenue or base rent plus additional rent based upon a percent of the lessees' monthly revenue.

The Trust also provides free rent or reduced rental rates to certain employees of the Trust, other Presidio based employees, and other governmental agencies.

Minimum future lease payments to be received under non-cancelable operating leases are as follows:

Fiscal Year	*Total*
2014	16,528,301
2015	15,139,868
2016	13,913,282
2017	12,762,264
2018	11,969,628
Thereafter	$ 379,180,656
TOTAL	**$ 449,493,999**

15. Commitments and Contingencies

From time to time, the Trust is involved in legal matters, including tort and employment-related claims. Currently the Trust has pending three claims of workplace discrimination. The Trust is actively pursuing each of these claims and has assigned a contingent liability of $315,000 to all of the claims, in the aggregate. Trust management does not expect other pending legal matters to have a material impact on its financial condition or net costs.

16. Intragovernmental Costs & Exchange Revenues

Exchange Revenue

The Trust provides services to the public and other government entities. Revenue earned from the US Treasury is from earnings on investments. Revenue earned from the Department of the Interior was related to work on a reimbursable project and other miscellaneous services that the Trust provides. Revenue earned from the Department of Defense is primarily related to a grant for work on the Main Post. Revenues earned from the Department of the Army are primarily related to the Environmental remediation program.

	Amount of Revenue Earned	
Agency	***2013***	***2012***
U.S. Treasury	$ 2,042,907	$ 2,046,198
Department of Defense	5,779,106	3,331,971
Department of the Army	81,873	315,048
Department of Interior	190,778	1,299,917
Other	665,933	240,097
TOTAL	**$ 8,760,597**	**$ 7,233,231**

The Trust also incurs costs for services provided by other government agencies or for programs run by other government agencies. Costs incurred with the OPM are for employee benefits. The Department of Interior provides public safety, payroll, and other miscellaneous services to the Trust. Costs incurred with the US Treasury are for interest on loans.

	Amount of Cost Incurred	
Agency	***2013***	***2012***
Office of Personnel Management	$ 6,727,535	$ 6,852,778
Department of Interior	4,819,761	5,333,998
U.S. Treasury	3,006,140	2,999,087
Department of Labor	877,850	674,063
General Services Administration	627,194	685,384
Other	22,888	139,480
TOTAL	**$ 16,081,368**	**$ 16,684,790**

17. Apportionment Categories of Obligations Incurred: Direct Vs. Reimbursable Obligations

All obligations are under reimbursable authority. The amount of obligations incurred as of September 30, 2013 and 2012 was $113,487,784 and $108,802,665 respectively.

18. Permanent Indefinite Appropriations

The Trust has a permanent indefinite appropriation which is used to finance operations, maintenance, and capital improvements in Area B of the Presidio. An indefinite appropriation is one that does not have a specific amount but is determined from sources specified in the appropriations act. In accordance with the Trust Act, the Trust is able to retain revenues to fund operations.

19. Undelivered Orders at End of Period

Undelivered orders represent amounts for which funds were obligated but the goods and/or services related to those specific orders have not been received. The balance of undelivered orders at September 30, 2013 and 2012 were $16,040,640 and $29,392,715, respectively.

20. Contributed Capital

The Trust is granted the authority to accept donations in the Trust Act. In fiscal year 2013 the Trust received $2,159 dollars in direct donations. The Trust also receives grants and other funding for various projects within the park. The Trust received $119,213 in funds related to land improvements and historical renovations. Further, the Trust in coordination with various partners worked on constructing the Rob Hill to Park trail, the Funston Stairs, an addition of a greenhouse, habitarium, and mist house for the Presidio Nursery and the renovation and improvements of two existing buildings which resulted in $1,422,912 in improvements.

21. Reconciliation of Net Cost of Operations (Proprietary) to Budget

The following schedule has been prepared in accordance with SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, and represents reconciliation between the proprietary accounts and the budgetary accounts, and is a reconciliation of the proprietary statements to the Statement of Budgetary Resources. Accrual basis accounting standards used in the Statements of Net Cost, Statements of Changes in Net Position, and Balance Sheets differ from the budgetary basis used in the Statement of Budgetary Resources, especially in the treatment of liabilities. A liability not covered by budgetary resources may not be recorded as a funded liability in the budgetary accounts of the Trust's general ledger, which supports the Statement of Budgetary Resources. Liabilities are considered "funded" for purposes of the Balance Sheets, Statements of Net Cost and Statements of Changes in Net Position.

The reconciliation between budgetary and proprietary includes a section depicting the change in certain unfunded liabilities. The amounts in this section may not correlate exactly with the amounts shown in Note 9 – Liabilities not covered by Budgetary Resources. Differences primarily result from Treasury requirements related to where the changes in these liabilities are reported in the Reconciliation of Net Costs of Operations. These requirements are dependent upon whether the change resulted in an increase or a decrease to the liability account.

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

	FOR THE YEARS ENDED SEPTEMBER 30, 2013	2012
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	$ 113,487,784	$ 108,802,665
Less: Spending Authority from Offsetting Collections and Recoveries	129,679,945	105,241,500
Obligations net of Offsetting Collections and Recoveries	(16,192,161)	3,561,165
Less: Offsetting Receipts		
Net Obligations	(16,192,161)	3,561,165
Other Resources		
Donations Non-Financial Resources	1,925,197	1,332,177
Transfers in/out without Reimbursement	0	417,304
Imputed Financing from Costs Absorbed by Others	949,414	1,063,081
Net Other Resources Used to Finance Activities	2,874,611	2,812,561
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	**(13,317,550)**	**6,373,726**
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Not Yet Provided	747,959	16,187,187
Resources that Fund Expenses Not Recognized in Prior Periods	(19,476,278)	(11,714,563)
Other	(2,472,562)	(595,472)
Resources that Finance the Acquisition of Assets	(34,279,494)	(45,982,270)
TOTAL RESOURCES USED TO FUND ITEMS NOT PART OF THE NET COST OF OPERATIONS	**(55,480,374)**	**(42,105,118)**
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	**(68,797,924)**	**(35,731,393)**
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods		
Increase/Decrease in Annual Leave Liability	(101,406)	(68,444)
Increase/Decrease in Environmental Remediation Cleanup Cost Liability	55,251	5,752,317
Resources that Funded from (Prior Periods) / Current Periods	(266,909)	(357,929)
Other	1,458,208	1,763,120
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	1,145,145	7,089,064
Components Not Requiring or Generating Resources		
Loss on Disposition of Assets	1,400,779	1,418,050
Depreciation and Amortization	18,625,089	16,051,909
Other	2,912,799	(1,954,205)
TOTAL COMPONENTS NOT REQUIRING OR GENERATING RESOURCES	**22,938,667**	**15,515,755**
NET COST OF OPERATIONS	**($ 44,714,112)**	**($ 13,126,574)**

22. Doyle Drive (Presidio Parkway Project)

In October 2009, the Trust, the State of California (State) represented by its Transportation Department (CALTRANS), and the San Francisco County Transportation Authority (SFCTA) finalized a Right of Entry Agreement related to the construction to replace the south access road to the Golden Gate Bridge known as Doyle Drive (Route 101). Work on the major construction began at that time and remains ongoing through fiscal year 2013.

The Trust has received cash compensation under the Right of Entry agreement with the project sponsors, and will receive assets since the project must relocate, rebuild, and restore Trust assets in order to build the parkway

The cash compensation and fair market value of assets will be recognized as unearned revenue as they are received, and the revenue will be earned over time in accordance with SFFAS No. 7. The State currently has the use of a temporary construction easement and a Trust owned building; revenue will be recognized over the life of the right of entry agreement for the State's use of these items. All other revenue will be recognized over the estimated life of the new roadway.

The Trust has received a total of cash compensation in the amount of $66,702,825 and $18,476,464 in fixed assets. The Trust recognized earned revenue in the amount of $9,067,489 in fiscal year 2013 and $10,123,192 in fiscal year 2012, leaving a balance of $49,772,013 in unearned revenue.

The Trust has also recognized earned revenue of $1,406,921 and $1,574,589 in fiscal year 2013 and fiscal year 2012 related to reimbursement for project support.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

September 30, 2013 and 2012

1. Deferred Maintenance

Deferred maintenance is maintenance or repairs not performed when it was scheduled to be performed, essentially maintenance delayed until a future time. Maintenance is described as the act of keeping fixed assets in an acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the Trust's assets so that the asset continues to provide acceptable service and achieve its expected life.

Trust deferred maintenance is determined, through use of staff expertise, using a total life-cycle cost method for all deferred maintenance categories of major assets. This effort was worked on throughout the year and during preceding fiscal years. The major categories of infrastructure and grounds were refined in fiscal year fiscal year 2010 and have been calculated consistently over the last three fiscal years.

Heritage assets and multi-use heritage assets that have deferred maintenance are a subset of the building category. The Trust is currently in the process of renovating buildings throughout the Presidio. Buildings that are renovated are maintained to ensure that the renovated condition is maintained. Buildings that have not been renovated are maintained to a level to ensure that they are preserved until such time as they can be rehabilitated.

Stewardship assets are included in the grounds category. Stewardship Lands consist primarily of forested lands and trails. The Trust is currently rehabilitating the forest through several reforestation projects, and reforests approximately two acres per year.

The Trust has determined that there is deferred maintenance in the following categories of assets:

	2012 Ending Balance	*2013 Scheduled Maintenance*	*2013 Actual Maintenance*	*Adjustment*	*2013 Ending Balance*
CATEGORY					
Infrastructure	$ 837,516	$ 909,074	$ 499,963	$ (120,689)	$ 288,422
Stewardship and Landscape	927,633	2,013,227	874,629	210,965	1,349,563
Golf Course	3,050	113,890	100,700	(10,140)	3,050
Total Non-Buildings	**1,768,199**	**3,036,191**	**1,475,292**	**80,136**	**1,641,035**
Buildings:					
Heritage	103,008	72,799	52,880	0	19,919
Multi-Use Heritage	3,995,355	4,285,150	830,686	0	3,454,464
Non-Historic	1,244,566	1,441,988	261,034	0	1,180,954
Total Buildings	**5,342,929**	**5,799,937**	**1,144,600**	**0**	**4,655,337**
GRAND TOTAL	**$ 7,111,128**	**$ 8,836,129**	**$ 2,619,893**	**$ 80,136**	**$ 6,296,372**

The fiscal year 2012 ending balance represents the deferred maintenance at the end of fiscal year 2012. The ending balance does not automatically become the beginning balance as different maintenance items are scheduled each year and as the Trust renovates facilities and buildings the maintenance schedule continues to grow. The actual maintenance column represents costs associated with maintenance performed on the various categories of assets. Scheduled maintenance less actual maintenance does not always equate to the ending balance as changes during the year could reduce scheduled maintenance and work may not be performed.

OTHER ACCOMPANYING INFORMATION

Inspector General Summary

The Trust does not have an Inspector General (IG); therefore, this section of the Performance and Accountability Report (PAR) does not contain an IG narrative.

Improper Payments

As required under the Improper Payments Elimination and Recovery Act (IPERIA), the Trust is subject to reporting to the U.S. Treasury on payments that the Treasury suspects are improper. The Trust has had no improper payments to report and does not operate any programs that are susceptible to improper payments.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

<table>
<tr><td>Audit Opinion</td><td>Unqualified</td><td colspan="4"></td></tr>
<tr><td>Restatement</td><td>No</td><td colspan="4"></td></tr>
<tr><td>Material Weakness</td><td>Beginning Balance</td><td>New</td><td>Resolved</td><td>Consolidated</td><td>Ending Balance</td></tr>
<tr><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
</table>

<table>
<tr><td colspan="7">EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING</td></tr>
<tr><td colspan="2">Statement of Assurance</td><td>Unqualified</td><td colspan="4"></td></tr>
<tr><td>Material Weakness</td><td>Beginning Balance</td><td>New</td><td>Resolved</td><td>Consolidated</td><td>Reassessed</td><td>Ending Balance</td></tr>
<tr><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td colspan="7">EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS</td></tr>
<tr><td colspan="2">Statement of Assurance</td><td>See Below</td><td colspan="4"></td></tr>
<tr><td>Material Weakness</td><td>Beginning Balance</td><td>New</td><td>Resolved</td><td>Consolidated</td><td>Reassessed</td><td>Ending Balance</td></tr>
<tr><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td colspan="7">CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS</td></tr>
<tr><td colspan="2">Statement of Assurance</td><td>See Below</td><td colspan="4"></td></tr>
<tr><td>Non-Conformances</td><td>Beginning Balance</td><td>New</td><td>Resolved</td><td>Consolidated</td><td>Reassessed</td><td>Ending Balance</td></tr>
<tr><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
</table>

<table>
<tr><td colspan="3">CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT</td></tr>
<tr><td>Statement of Assurance</td><td>Agency</td><td>Auditor</td></tr>
<tr><td>Overall Substantial Compliance</td><td>Yes or No</td><td>N/A</td></tr>
<tr><td>System Requirements</td><td>Yes</td><td>NA</td></tr>
<tr><td>Accounting Standards</td><td>Yes</td><td>NA</td></tr>
<tr><td>USSGL – Transaction Level</td><td>Yes</td><td>NA</td></tr>
</table>

Management certifies to the effectiveness of internal control over operations and conformance with management system requirements.

Schedule of Spending for the Year Ended September 30, 2013

WHAT MONEY IS AVAILABLE TO SPEND?	
Total Resources	$ 170,387,401
Less Amount Available but Not Agreed to be Spent	56,899,617
Less Amount Not Available to be Spent	0
Total Amounts Agreed to be Spent	113,487,784
How was the Money Spent/Issued?	
Category	
Payroll and Employee Benefits	40,098,481
Contracts and Supplies	73,138,049
Other	251,255
TOTAL AMOUNTS AGREED TO BE SPENT	**$ 113,487,784**

Glossary

BAPR – Barnard Avenue Protected Range

BB – Baker Beach

BFS – Bureau of the Fiscal Service

CAP – Camping at the Presidio

Caltrans – California State Department of Transportation

CERCLA – Comprehensive Environmental Response, Compensation, and Liability Act

CIP – Construction in Progress

CSRS – Civil Service Retirement System

DMS – Debt Management Services

DOI – Department of the Interior

DOL – Department of Labor

FASAB – Federal Accounting Standards Advisory Board

FECA – Federal Employee Compensation Act (Worker's Compensation)

FEGLI – Federal Employees Group Life Insurance

FERS – Federal Employees Retirement System

FMFIA – Federal Managers' Financial Integrity Act

GAAP – Generally Accepted Accounting Principles

GGNPC – Golden Gate National Parks Conservancy

GSA – General Service Administration

LBP – Lead Base Paint

LEED – Leadership in Energy and Environmental Design

MOA – Memorandum of Understanding

NJAHS – National Japanese American Historical Society

NPS – National Park Service

OMB – Office of Management and Budget

OPM – Office of Personnel Management

PP&E – Property, Plant, and Equipment

PTMP – Presidio Trust Management Plan

REEL – Real Estate Environmental Liability Insurance Policy

RFCP – Request for Concept Proposals

RSL – Remediation Stop Loss Insurance Policy

SFFAS – Statements of Federal Financial Accounting Standards

SFCTA – San Francisco County Transportation Authority

USSGL – United States Standard General Ledger

VMP – Vegetation Management Plan

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KPMG

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Washington, DC 20006

Independent Auditors' Report on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors of
The Presidio Trust

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2013, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

1

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
December 16, 2013

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors of
The Presidio Trust:

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2013.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on the Trust's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
December 16, 2013