Performance and Accountability Reports





Years Ended September 30, 2015 and September 30, 2014
with Independent Auditors' Report

Presidio
Trust


Golden Gate Overlook

Presidio Trust

PERFORMANCE *and* ACCOUNTABILITY REPORTS

Years ended September 30, 2015 and September 30, 2014

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The Performance and Accountability Reports can be found on the Presidio Trust website at www.presidio.gov/presidio-trust.

The Presidio Forest

AGENCY HEAD MESSAGE

November 2015

We conclude this fiscal year proud of our shared accomplishments, optimistic about the future, and mindful of the important work still ahead. Fiscal Year 2015 marks our third year of sustaining the Presidio without annual appropriations. Once considered an experiment in governance, the Presidio Trust today is celebrated as an innovative approach to saving a cherished American landmark.

The past year has been a time of change and transition for the organization. With a strong financial foundation in place, we embarked on strategic planning that culminated in the adoption of a five-year vision, *Strategy 2020*. This document builds on our core mission to preserve the Presidio as an enduring resource for the American people and elevates our commitment to widely sharing the Presidio as a new kind of national park. The plan identifies new opportunities for us to serve the public by welcoming a broad cross-section of people to experience the Presidio in meaningful ways.

As we place additional focus on bringing new audiences to the Presidio, we remain diligent about our financial outlook. This report outlines our performance over the last year and tells the story of an organization that is economically healthy and poised to continue fulfilling the promise of financial independence.

In June 2015, we said goodbye to the Presidio Trust's long-time executive director, Craig Middleton. Mr. Middleton was the Trust's first employee and served as the organization's leader for more than 13 years. Under Mr. Middleton's leadership, the agency attracted over a billion dollars in investment from private sources, revitalized 1,100 acres of open space, improved nearly five million square feet of built space, and helped welcome a community of 200 organizations and 3,200 residents to the park. We thank Mr. Middleton for his service and his tireless effort to save the Presidio as a public resource.

During the leadership transition, the Presidio Trust board of directors has appointed a three-person Interim Leadership Team (ILT) to steer the organization. Michael Boland, Chief of Park Development and Operations, leads the ILT, with support from Francene Gonek, Chief of Business Operations, and Joshua Steinberger, Chief of Strategy and Communications.

We enter Fiscal Year 2016 grateful to our partners at the National Park Service and the Golden Gate National Parks Conservancy for their long-standing dedication to the Presidio. It is through these collaborations, and with the help of countless others, that we are delivering on our mission. Finally, we express our deepest appreciation to the Administration and Congress. Because of their early financial support and continued encouragement, the Presidio is successfully being transformed from an Army post into a national park for all to enjoy.

Best,

Michael Boland
Chief of Park Development and Operations

Francene Gonek
Chief of Business Operations

Joshua Steinberger
Chief of Strategy and Communications

Montgomery Street Barracks on the Main Post

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

MISSION AND ORGANIZATIONAL STRUCTURE

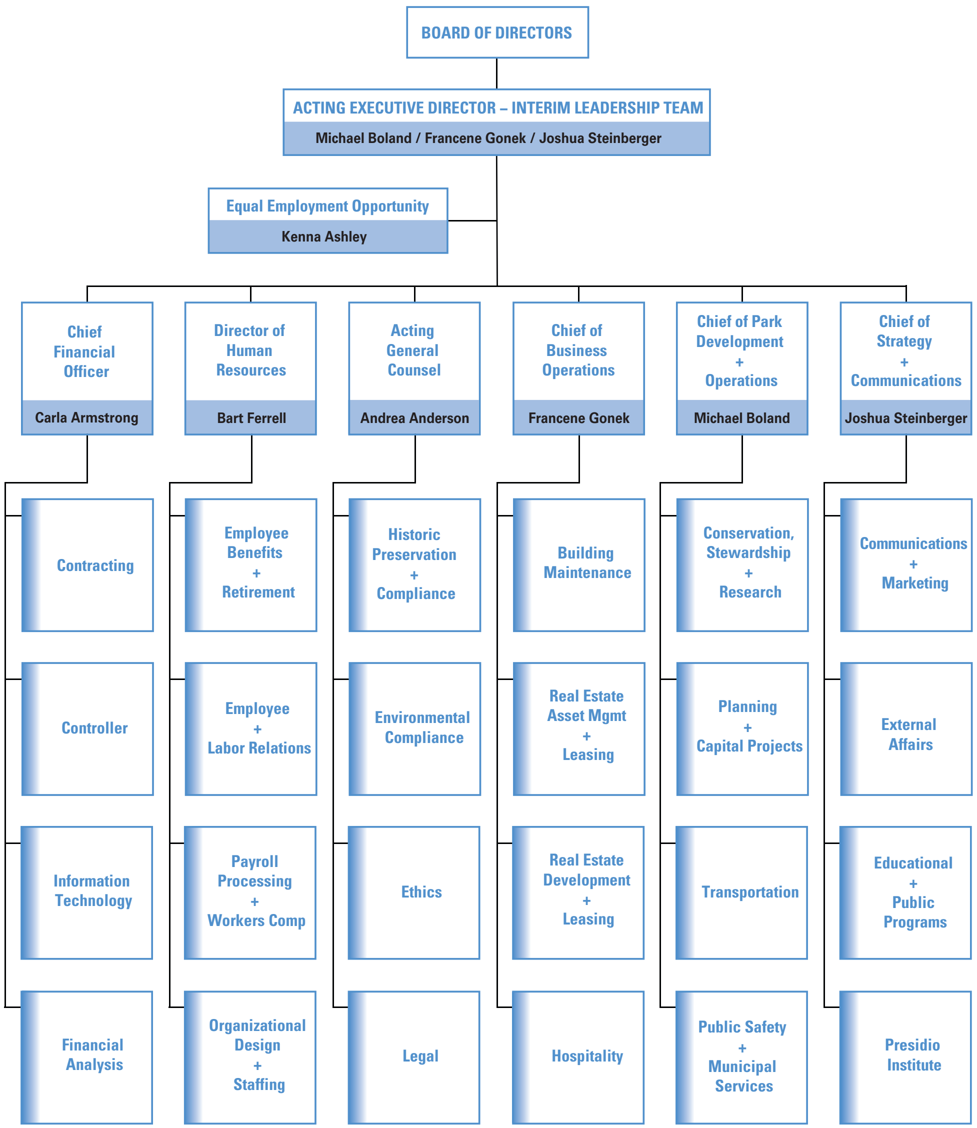
The Presidio Trust is an innovative federal agency created to save the Presidio forever as a public place. The agency's mission is to fulfill the promise of the Presidio by extending its legacy into a new era of service to our nation.

The Presidio Trust was established by Congress as a wholly owned corporation of the federal government. The Presidio 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 of Business Operations, Chief of Park Development and Operations, Chief Financial Officer, General Counsel, Chief of Strategy and Communications, Director of Human Resources, and other positions essential to operating this unique park.

The Trust has approximately 330 employees with a wide range of skills, including ecological restoration, historic preservation, real estate management, finance, communications, and operations.

PRESIDIO TRUST ORGANIZATON CHART



ANALYSIS OF FINANCIAL STATEMENTS AND 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 2015 and 2014.

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, 2015, and to compare it to the Trust's position the previous year.

Assets

The Trust's total assets were $510.8 million at the end of Fiscal Year 2015, and $496.0 million at the end of Fiscal Year 2014. The net increase of $14.8 million is made up of various increases in assets, but largely prepayments, investments, deferred rent receivable, and property, plant, and equipment (PP&E). The prepayment balance increased by $1.1 million, largely due to the working capital agreements with the Trust's various property managers. The food program increased in Fiscal Year 2015, as it became fully functional. The Trust also initiated the golf agreement and working capital program in Fiscal Year 2015.

In Fiscal Year 2015, cash and investments increased $3.8 million over the previous year due to increased collections related to revenue.

In 2015, the Trust's PP&E assets increased by $7.8 million net of depreciation. This increase reflects $23.3 million in Trust investments and a transfer of $6.5 million in utility infrastructure assets from the State of California due to the Presidio Parkway project, along with the Trust's recorded depreciation of $22.0 million.

Liabilities

There were $193.4 million in liabilities at the end of Fiscal Year 2015 and $197.4 million at the end of Fiscal Year 2014, a decrease in liabilities of $4.0 million. The decrease is made up of fluctuations in several liabilities.

The environmental remediation liability decreased by $0.7 million. This decrease resulted from a reevaluation of regulatory monitoring estimates using actual costs incurred in the first year of monitoring and adjusting for a reduction in personnel cost.

Unearned revenue decreased by $4.2 million, largely due to recognition of revenue associated with the Doyle Drive project. See **NOTE 22** of the accompanying financial statements for further explanation.

The non-friable asbestos cleanup liability increased by $0.4 million due to adjustment for inflation. See **NOTE 12** for more information.

The rent credit liability increased by $4.0 million. The additional rent credit is associated with two tenants.

Trust liabilities include $47.8 million in debt to the U.S. Treasury. The first payment on principal was due this fiscal year and was paid on September 30, 2015, decreasing the liability by $2.1 million. 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 $317.4 million at the end of Fiscal Year 2015 and $298.6 million at the end of Fiscal Year 2014, an increase in net position of $18.8 million. This growing "equity" position of the Trust provides tangible and compelling evidence that the Presidio continues to be a self-sustaining national park.

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 $15.5 million during Fiscal Year 2015 and net revenue of $3.2 million in Fiscal Year 2014. Net cost is not 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 2015, including the remediation program and the depreciation of fixed assets. The increase in revenues is related to the continued increase in real estate portfolio revenue, operation of the food program for a full year compared to part of the prior year, and the golf program starting in Fiscal Year 2015. Operating costs have increased in proportion to the revenues earned from the food and golf program activities.

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 2015, 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 $178.6 million for Fiscal Year 2015, compared to $169.2 million in Fiscal Year 2014. Of this amount, the Trust obligated $126.6 million in Fiscal Year 2015 and $113.5 million in Fiscal Year 2014. Unobligated balances at the end of Fiscal Year 2015 and Fiscal Year 2014 were $52.0 million and $55.6 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 received appropriations for the first 15 years of operations, through Fiscal Year 2012. Fiscal Year 2015 marks the third 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.

As the Trust moves into operating new programs and evaluating current offerings, financial aspects must be closely monitored, as new enterprises carry risk of failure and/or losses. These programs could have negative financial results or need subsidies. These changes must then be folded into the Trust's financial operations.

The Trust is 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 **NOTE 7** 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 PP&E exclude stewardship assets because they are considered "priceless" and therefore monetary amounts cannot be assigned.

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 Office of Management and Budget (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 (USSGL) 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.

Michael Boland

Michael Boland
November 16, 2015

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 OMB 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.

Presidio Stargazing Party on the Main Parade Ground

FISCAL YEAR 2015 PERFORMANCE

Heritage Gallery in the Presidio Officers' Club

Goal:

Welcoming the Public

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1 PRESIDIO OFFICERS' CLUB REOPENING

Fiscal Year 2015 began with the public "reopening" of the Presidio Officers' Club, San Francisco's most historic building and the Presidio's oldest and most significant structure. Located at the site where the first Spanish fort was established at the Golden Gate in 1776, the building was originally the post headquarters and in the 20th century became a beloved backdrop for U.S. Army events and gatherings.

The October 2014 reopening capped the Presidio Trust's three-year, $30 million renovation of the approximately 37,000-square-foot building. The reimagined facility is now a major backbone for Presidio program delivery; it is a portal for sharing the Presidio's history with the public and is the park's key venue for hosting cultural, community, and educational events.

A central feature of the Officers' Club is the Presidio Heritage Gallery, the first permanent exhibition developed and maintained by the Presidio Trust. The gallery displays items that trace the Presidio's significance from the Ohlone period, through Spanish Colonization, across nearly 150 years of U.S. Army service, and into its present chapter as a new kind of national park. Additionally, in April 2015, the club hosted its first major special exhibition, *Operation Babylift: Perspectives and Legacies*, which explored the lasting impacts of a dramatic airlift that removed more than 2,000 Vietnamese children from their war-torn country to be adopted by American families as Saigon fell in 1975. At the Presidio, 1,500 of these children were cared for by more than 5,400 volunteers. The club's permanent and special annual exhibitions engage visitors in the meaning and ongoing significance of the National Historic Landmark District.

In its inaugural year, the club attracted roughly 100,000 guests, many of whom came to enjoy the diverse cultural programs – all free to the public. These included family events; talks, films, and lectures; and a new musical series featuring performers from across the world.

The Presidio Officers' Club also has become a place of learning. The Trust's ongoing archaeological research program is based here in a new state-of-the-art lab and curation facility. During six months of the year, visitors were invited to observe weekly live digs at a field station at the Spanish Colonial site of *El Presidio de San Francisco*. The club's new classrooms also served as the backdrop for curriculum-based educational programs that in 2015 reached thousands of young people (see "Goal: Stewarding the Presidio," p. 23).

2 LODGING

In Fiscal Year 2012, the Presidio Trust established a lodging program to enhance the visitor experience. The Trust opened its first hotel – the Inn at the Presidio – in April 2012 and one year later expanded it from 22 to 26 rooms. Since opening, the inn has welcomed 40,000 guests and has received numerous awards, including the Historic Hotels of America's 2014 Award of Excellence – Best Small Historic Hotel/Inn. With a 92 percent occupancy rate, the inn is at capacity. To meet the growing needs of visitors, in Fiscal Year 2015, the Presidio Trust began developing a new park lodge in the historic Montgomery Street Barracks in the heart of the Presidio. The facility, which will include an estimated 40 rooms, will open in 2017.

3 FOOD

In Fiscal Year 2013, the Presidio Trust launched a program to create diverse dining options for park visitors. The Trust's first restaurant, The Commissary, opened in May 2014 and has subsequently received ten awards and recognitions, including being named among the best new restaurants in the country by a major national publication. In Fiscal Year 2015, the Trust launched two new eateries: Arguello, located in the Presidio Officers' Club, and TRANSIT, located in the Presidio Transit Center. Today, visitors are supported seven days a week with food services that offer a range of experiences, from picnic baskets to fine dining. In total, more than 100,000 guests have been served this year.

All three restaurants are offered in partnership with award-winning Bay Area chef Traci Des Jardins.

4 ART IN THE PARK

For nearly a decade, the Presidio Trust has employed place-based art exhibitions that invite visitors to understand the Presidio's natural and historic resources – and the park's ongoing revitalization – in new ways. In partnership with art organizations and individual artists, the Trust has hosted 10 exhibitions, most temporary in nature. Highlights from Fiscal Year 2015 include:

- **Goldsworthy in the Presidio Exhibition.** With the 2015 completion of *Earth Wall*, located in the Presidio Officers' Club, the park now hosts four works by internationally acclaimed artist Andy Goldsworthy – the largest collection on public view in North America. The exhibition, offered in partnership with the FOR-SITE Foundation, was achieved with substantial philanthropic investment. The other Goldsworthy sculptures at the Presidio are *Spire*, located in a tree grove near the Arguello Gate; *Wood Line*, located along a 2.7-mile hiking loop with stops in the historic forest; and *Tree Fall*, located in a Civil War-era munitions magazine previously closed to the public. The Trust estimates that the collection, which explores the revitalization of the forest first planted by the U.S. Army in the 1880s, was experienced by more than 250,000 people this past year.

- **Temporary Art Exhibitions.** In Fiscal Year 2015, two temporary exhibitions were on view, both done in partnership with individual artists who have deep connections to the Presidio. *Picturing the Presidio* by Lyle Gomes showcased 20 years of transformational Presidio imagery. Companion programs included lectures, photography classes, guided walks, and participatory programs. *The Presidio: Start Here!* was organized in partnership with watercolor artist Lynn Sondag and the San Francisco Public Library. The project, initially envisioned as an art exhibition, was expanded to become a community trailhead located on multiple floors at the library. Companion programming at the library and in the Presidio welcomed the public through guided hikes, watercolor classes, and lectures.

5 IMPROVING ACCESS

For more than a decade, the Presidio Trust has invested in an alternative fuel shuttle system, the PresidiGo Shuttle, to provide free and convenient park access to visitors, residents, and employees. The shuttle serves two routes: to the park from regional transit hubs in downtown San Francisco, and within the park to visitor destinations. In 2014, service on the downtown route was expanded from five to seven days a week, and in 2015 that service was discovered by increasing numbers by visitors. In total, the PresidiGo Shuttle offered 539,085 rides in 2015. Additionally, the Presidio Transit Center, located at the Main Post, was updated through improved signage and the addition of TRANSIT café.

In 2014, the Trust and its partners launched a pilot program to bring residents of underrepresented communities to the Presidio. Since that time, the "community shuttle" has been embraced by a variety of new neighborhoods and organizations. To date, more than 1,000 people have been served, from youth to seniors. As a result of the pilot program, the Trust and its partners are leveraging the shuttle system in new ways to reach audiences for whom transportation is a barrier to access.

6 COMMUNITY EVENTS

In addition to the new cultural events offered at the Presidio Officers' Club, Trust-sponsored community programs welcomed the public to key outdoor gathering areas, such as the Main Parade Ground. In Fiscal Year 2015, the popular "Picnic at the Presidio" and "Twilight at the Presidio" events, which offer food, live music, and simply a comfortable place to gather, welcomed a record 225,000 people. These events are hosted in partnership with Off the Grid. Other activities – Free Shakespeare in the Park, the Presidio Kite Expo, seasonal celebrations, and outdoor movies – created opportunities for families to experience and enjoy the park.

Through its permitting process, the Presidio Trust welcomed the public to host their own activities in the Presidio's open spaces. Runs and festivals such as the Escape from Alcatraz Triathlon and Cider Fest attracted tens of thousands of visitors.

The Trust also offers numerous event venues that the community can rent for celebrations, weddings, and meetings. In Fiscal Year 2015, nearly 900 such events were hosted in the Presidio.

7 EXPANDING THE DOCENT PROGRAM

Docents have become a critical part of the Trust's efforts to welcome the public. In Fiscal Year 2015, a team of more than 50 docents, graduates of a five-week training program, welcomed visitors to the Presidio Officers' Club. A core group of these docents is now working with staff to co-create custom tours of the building. Building on this success, this year the Trust launched two new docent programs: Presidio Trail Ambassadors and Presidio Art Docents. Following a three-month training program, volunteers began their one-year commitment and so far have contributed more than 1,100 hours of service.

8 PRESIDIO GOLF COURSE

Presidio Golf Course is the second oldest such facility on the West Coast and is a contributing element to the park's National Historic Landmark District status. Long available only to Army officers and members of a private club, the site has been fully public since the Presidio became a national park site. Today the course is ranked 16 out of 300 U.S. public courses by *Golf Magazine*. In Fiscal Year 2015, it welcomed 175,000 people who played 61,535 rounds of golf. This past year, Presidio Golf Course also began a partnership with the Presidio Community YMCA to encourage young people to achieve fitness by participating in the sport.

Presidio Kite Expo on the Main Parade Ground

Goal:

Creating Positive Impact


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1 PRESIDIO INSTITUTE

Formally launched in Fiscal Year 2013, the Presidio Institute is a Presidio Trust initiative that offers leadership development opportunities to professionals from the business, non-profit, and government sectors. In Fiscal Year 2015, the institute continued its flagship fellows program, a collaboration offered in partnership with the White House Office of Social Innovation and Civic Participation, the Office of Personnel Management, BlackRock, and McKinsey & Company. In total, it has graduated 48 leaders (24 in 2014 and 24 in 2015) from organizations including Johnson & Johnson, MetLife, McKesson, American Red Cross, Year Up, Team Rubicon, the Natural Resources Defense Council (NRDC), District of Columbia Public Schools, and the City and County of San Francisco. This program was funded through participant fees and philanthropic support from the Annenberg Foundation and the Knight Foundation.

Additionally, the institute piloted a new online leadership education platform, made possible through $685,000 in philanthropic support from American Express, Kresge, and the Annie E. Casey Foundation. Leaderosity is an affordable and approachable environment in which professionals can develop their skill sets and learn how to become more collaborative leaders. More than 200 people participated in the initial semester, testing tools and curricula that will be rolled out and expanded with partners in 2016.

The Presidio Institute also advanced its mission of convening thought leaders in the leadership and service fields. It hosted the *Growing the Impact Economy Summit*, a collaboration with the White House, California Forward, Stanford University, U.C. Berkeley, the San Francisco Federal Reserve, Ashoka, and Fourth Sector Networks. The campus itself, which hosts mission-aligned tenants paying market-rate rents, reached its current capacity this year.

2 EDUCATION AND PROFESSIONAL DEVELOPMENT

Learning comes alive at the Presidio through immersive, hands-on experiences that help students understand the world they are living in today by exploring the park's natural and cultural heritage. Programs are multi-disciplinary, inspire critical thinking, and are tied to the State Content Standards, the Common Core, and Next Generation Science Standards.

The Presidio Trust's educational programs, which have been offered for more than a decade, nearly doubled their capacity in Fiscal Year 2015, largely due to the opening of the Presidio Officers' Club. In total, 4,300 youth participated in field trip programs, learning about history, archaeology, habitat restoration, and the meaning of service.

The Trust also continued to work with its partners at the National Park Service (NPS) and the Golden Gate National Parks Conservancy (GGNPC) to advance the Park Youth Collaborative (PYC), an alliance intended to aggregate and coordinate the resources of all three agencies to create a spectrum of learning experiences in the park. The partners also hosted the 14th annual Presidio Teachers Night, introducing 400 educators to the park's resources.

One of the Presidio's most popular educational offerings is the Camping at the Presidio (CAP) program, which just concluded its ninth season. Based at Rob Hill Campground and delivered in partnership with the GGNPC, CAP provides overnight camping experiences to young people who otherwise would not have access. In Fiscal Year 2015, CAP welcomed 5,848 youth and adults. Since its inception, the program has served more than 33,800 youth and adults.

Through an internship program, the Presidio Trust provides young college graduates with the opportunity to live in the Presidio while gaining work experience and training in various disciplines:

ecological restoration, historic preservation, public programs, real estate development, communications, and more. Also, two additional internship programs have provided participation of a few student interns and a paid partner internship. In total during Fiscal Year 2015, the Trust welcomed 64 interns who shared 52,569 hours of service. Since the residential intern program was launched in 2011, 156 young professionals have participated.

3 VOLUNTEERISM AND SERVICE

Service makes up the fabric of the Presidio, once when it was a military post and today as a national park site. Volunteers continue that proud tradition by supporting open space restoration, repairing trails, and welcoming visitors through the docent program. Between 2008 and 2015, volunteers have shared more than 220,000 hours of service with the Presidio Trust. In Fiscal Year 2015 alone, 5,410 volunteers shared 28,073 hours of service.

4 RECREATION AND WELLNESS

At a time when there is growing recognition that physical activity and time spent in nature (particularly for youth) are vital contributors to personal and public health, the Presidio is serving as an important resource for the community. Over the past decade, the Trust and its partners have established 24 miles of hiking trails and 15 miles of bikeways in the park. In Fiscal Year 2015, trail counters recorded that more than five million people ran, walked, or biked on this system.

It's not just visitors who benefit from the park's trails – 350 miles were hiked and 35,000 calories were burned by volunteer Presidio Trail Ambassadors as they welcomed the public. Additionally, 56,000 youth and adults played sports at the Presidio's Fort Scott playing field.

In 2015, the YMCA and U.S. Department of the Interior launched a multi-year effort to connect urban youth with nearby federal lands. Ten cities across the country participated, including San Francisco. The Trust was invited by the Presidio Community YMCA to join this effort and provided unique Presidio programming to more than 500 youth from around the city – offerings include hands-on learning in a community garden followed by a conversation and cooking demonstration with Chef Traci Des Jardins, interactive art and heritage-based programs, conversations with Presidio Trust interns about future career paths, and more. The Trust also co-sponsored the YMCA's Youth Summit.


VOLUNTEER
THE PRESIDIO
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Illustration of Tennessee Hollow Watershed Restoration

Goal:
Stewarding the Presidio


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1 NEW PRESIDIO PARKLANDS PROJECT

When the Golden Gate Bridge was constructed in 1937, the U.S. Army allowed the State of California to connect the city of San Francisco to the span via an above-ground highway that cut through the military post along the northern waterfront. Since 2009, a coalition of partners led by the California Department of Transportation (CALTRANS) has been working to replace this seismically compromised structure (known as Doyle Drive) with a new "Presidio Parkway" designed to be more compatible with the park landscape and to dramatically improve the visitor experience. In July 2015, the new parkway opened to the public.

As part of this large infrastructure project, the portion of the highway that severed Crissy Field from the Main Post has been lowered into discrete "at grade" tunnels. The Presidio Trust, in partnership with the National Park Service (NPS) and the Golden Gate National Parks Conservancy (GGNPC), is now working to create a magnificent 14-acre landscape on top of these tunnels, integrating the San Francisco Bay waterfront with the Presidio's historic core. When the project is completed, park visitors will enjoy a new experience of the Presidio and the Golden Gate. The parklands will welcome the public with spectacular views, food and amenities, free public events, pathways and vista points, and gathering spaces where people can create their own experiences. The parklands will include places for kids and adults to learn about nature and history, and will become a welcoming jumping-off point for adventures in the Presidio and beyond.

In Fiscal Year 2015, the Trust and its partners selected James Corner Field Operations, best known for the *High Line* in New York City, as the lead consultant and engaged the community in the design process. Since January 2015, more than 10,000 people have attended public meetings and tours or submitted ideas online, the most robust participation in any Presidio planning effort to date. The design phase is expected to conclude in 2016 and be followed by a two-year construction period. Opening day is anticipated in 2019.

The philanthropic effort required to advance this project has continued. To date, the GGNPC, which leads the philanthropic program, has raised more than $35 million.

2 MOUNTAIN LAKE

Mountain Lake is a natural lake on the park's southern border. In 1776, Captain Juan Bautista de Anza's scouting party camped here before establishing the military outpost that would become the Presidio. For more than a decade, the Presidio Trust and its partners have conducted a restoration effort to reverse a decline in the lake's health resulting from sedimentation, runoff from a nearby state highway and Presidio Golf Course, and the introduction of non-native species.

In Fiscal Years 2013 and 2014, toxins were removed, the lake was dredged to increase its depth, and non-native species were removed. This critical work set the stage for the Trust to begin reintroducing native species in Fiscal Year 2015. In recent months, several species of long-absent native wildlife were reintroduced, including the western pond turtle, the California Floater mussel, and the three-spined stickleback fish. The Trust also established partnerships with six local schools so young people in the community can begin a new relationship to the now-restored lake. Mountain Lake is quickly becoming a living classroom and an experiment in urban ecology that is testing restoration methods that may be employed in communities around the world.

3 TENNESSEE HOLLOW WATERSHED

The Presidio features a watershed that encompasses 271 acres – about one-fifth of the park. The Tennessee Hollow watershed, named for the 1st Tennessee Volunteer Regiment who camped there in 1898, is made up of three streams that flow northward through a valley before merging into one watercourse that meets San Francisco Bay via the Crissy Field marsh. Tennessee Hollow is important because of its valuable natural habitat and because some of the Presidio's most important human history played out there.

The Presidio Trust is more than a decade into a long-term effort to restore the stream corridor, revitalize native habitats, build new trails and recreational resources, and create learning opportunities for visitors to understand the historic and ecological importance of the area. In Fiscal Year 2015, three projects advanced this effort:

- **Barnard Avenue Firing Range (BARP).** The watershed's western tributary was remediated in 2013. In fall 2014, invasive English ivy and aging Monterey pine and cypress trees were removed adjacent to the clean-up site to improve growth conditions for native species. In 2015, native riparian tree and shrub species were planted along the seasonal creek.

- **YMCA Reach.** Adjacent to the Presidio YMCA, a section of creek contained in an underground pipe was brought back above ground (or "daylighted") and the site was planted with native wetland, riparian, and upland species. A new section of the Tennessee Hollow Trail was also completed.

- **MacArthur Meadow.** The four-acre MacArthur Meadow site is located where Tennessee Hollow's three streams come together. In Fiscal Year 2015, non-native trees were removed to allow for the 2016 creation of a large freshwater meadow, creek, and native plant area, and ultimately an elevated boardwalk with a wildlife viewing area.

4 FORESTRY

The Presidio's 300-acre forest, first planted by the U.S. Army beginning in the 1880s, is the largest contributing resource to the Presidio's National Historic Landmark District status. In Fiscal Year 2015, the Trust completed the 12th year of its 65-year program to rejuvenate this beloved resource. Cypress and pine trees have been planted across approximately 30 acres since the program began in 2002. An active volunteer program supports the effort to maintain young trees and to extend the life of existing groves to the maximum extent possible.

Golden Gate Promenade (Bay Trail)

CHIEF FINANCIAL OFFICER LETTER

The Trust has experienced a year of significant change, with both the Executive Director and the Chief Financial Officer (CFO) leaving the organization in Fiscal Year 2015. While I am a "new" CFO for this organization, I am a long-time employee of the Trust. My immediate challenge has been to ensure continuation of sound financial leadership for the organization. The financial stability and integrity of the organization must be intact to ensure that we continue to meet the core mission of the organization.

The Trust continues to be a sound steward of its financial resources. Fiscal Year 2015 marks the Trust's third year without appropriations, and the Trust continues to remain self-sufficient. While operating solely on revenues earned, the park is aligning budgetary resources with its strategic plan (*Strategy 2020*). In order to do that, we are focused on ensuring that funds are balanced to support the continued renovations as well as the programmatic efforts that we want to achieve. The Trust needs to be able to monitor the success of these programs through the public lens as well as the financial lens. This will continue to require that financial processes be strengthened. Philanthropic efforts and park partnerships will be key to our success in growing these programs and fulfilling the vision of a fully renovated and vibrant park.

This fiscal year brought two new changes to accounting policies (accounting pronouncements): Statement of Federal Financial Standard (SFFAS) 42: *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32* and SFFAS 44: *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*. Although the Trust had processes in place to accommodate these pronouncements, it was still a year of some change in our practices.

The Trust continued 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. The utility billing module was implemented this year, and then we paused in the process to evaluate progress and consider the implementation as a whole. The Trust has revamped its project planning around this system initiative and aims to implement several pieces of the system to enhance the leasing functions in Fiscal Year 2016. This will remain an area of focus in the CFO's Office for the coming months.

The Trust maintains the unmodified audit opinion first achieved in Fiscal Year 2012. In the past year, we ensured that we resourced the finance staff, bringing on a new Chief Accountant (Controller) and other key staff members so that we could effectively manage finances. This will allow us to continue 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.

I, along with the Interim Leadership Team (ILT), 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.

Carla Armstrong
CFO
November 16, 2015

INDEPENDENT AUDITORS' REPORT

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, 2015 and 2014, 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 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, 2015 and 2014, 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.

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 2015 Performance section, the CFO Letter and Other Accompanying Information are presented for purposes of additional analysis and is 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 November 16, 2015 on our consideration of the Trust's internal control over financial reporting and our report dated November 16, 2015 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 the Trust's internal control over financial reporting and compliance.

KPMG LLP

Washington, DC
November 16, 2015

FINANCIAL STATEMENTS

The Presidio Trust Balance Sheets

	AS OF SEPTEMBER 30, 2015	2014
ASSETS		
Intragovernmental		
Fund Balance with Treasury **[NOTE 2]**	$ 5,442,479	$ 5,004,108
Investments **[NOTE 4]**	70,466,000	67,124,000
Accounts Receivable, Net **[NOTE 5]**	302,128	192,967
Total Intragovernmental	76,210,607	72,321,075
Cash and Other Monetary Assets	196,630	589,662
Accounts Receivable, Net	4,188,236	3,310,588
General Property, Plant, and Equipment (PP&E), Net	403,026,113	395,253,619
Stewardship PP&E		
Other Assets		
Prepayments **[NOTE 8]**	2,050,348	979,075
Deferred Rent Receivable **[NOTE 8]**	24,651,946	23,084,634
Other Deferred Real Estate Costs **[NOTE 8]**	434,377	494,748
	434,547,650	423,712,326
TOTAL ASSETS	**510,758,257**	**496,033,401**
LIABILITIES		
Intragovernmental		
Accounts Payable	$ 1,193,175	$ 1,917,755
Debt **[NOTE 10]**	47,785,809	49,978,000
Other Liabilities		
Employer Contributions Payable **[NOTE 13]**	194,388	153,875
Other Employment Benefits Payable **[NOTE 13]**	856,257	779,553
Unearned Revenue **[NOTE 13]**	636,815	15,582
Total Intragovernmental	50,666,444	52,844,765
Accounts Payable	13,372,790	15,433,160
Other Liabilities		
Environmental Remediation Liability **[NOTE 9, 11, 13]**	3,690,103	4,397,810
Non-friable Asbestos Cleanup Liability **[NOTE 9, 12, 13]**	40,649,007	40,247,327
Contingent Liabilities **[NOTE 9, 13, 15]**	17,000	505,000
Security Deposits **[NOTE 13]**	6,119,943	5,683,387
Unearned Revenue **[NOTE 13, 22]**	51,969,810	56,149,964
Payroll Payable **[NOTE 13]**	968,865	760,504
Annual Leave Liability **[NOTE 9, 13]**	2,577,649	2,463,433
Rent Credit Liability **[NOTE 9, 13]**	9,014,817	5,021,204
Prepaid Rents & Services **[NOTE 13]**	1,603,802	1,232,388
Accrued Interest Payable **[NOTE 9, 13]**	758,134	758,134
FECA Actuarial Liability **[NOTE 9, 13]**	7,102,252	6,809,069
Food Program Liability **[NOTE 9, 13]**	4,663,462	4,913,462
Other Liabilities **[NOTE 13]**	184,109	171,461
	142,691,743	144,546,303
TOTAL LIABILITIES	**193,358,187**	**197,391,068**
NET POSITION		
Unexpended Appropriation – Funds from Dedicated Collections	0	0
Cumulative Results of Operations – Funds from Dedicated Collections	317,400,070	298,642,333
TOTAL NET POSITION	**317,400,070**	**298,642,333**
TOTAL LIABILITIES & NET POSITION	**$ 510,758,257**	**$ 496,033,401**

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

The Presidio Trust Statements Of Net Cost

	FOR THE YEARS ENDED SEPTEMBER 30, 2015	2014
PROGRAM COSTS		
Operating Cost	$ 121,019,602	$ 116,221,824
Less: Earned Revenues	136,532,392	119,459,755
Net Costs	(15,512,790)	(3,237,931)
Total Net Cost	(15,512,790)	(3,237,931)
(NET REVENUE) OR NET COST OF OPERATIONS	**($ 15,512,790)**	**($ 3,237,931)**

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

Statements Of Changes In Net Position

	FOR THE YEARS ENDED SEPTEMBER 30, 2015		2014	
	Cumulative Results of Operations from Dedicated Collections	*Unexpended Appropriations from Dedicated Collections*	*Cumulative Results of Operations from Dedicated Collections*	*Unexpended Appropriates from Dedicated Collections*
Beginning Balance	$ 298,642,333	$ 0	$ 293,561,407	$ 0
Beginning Balance	298,642,333	0	293,561,407	0
Other Financing Sources				
Donations	203,413		668,211	
Transfers-in/out Without Reimbursement (+/-)	2,344,981		0	
Imputed Financing Sources – Funds from Dedicated Collection	696,553		1,174,785	
Total Financing Sources from Dedicated Collections	**3,244,947**	**0**	**1,842,996**	**0**
Net Cost of Operations	**(15,512,790)**		**(3,237,931)**	
ENDING BALANCES	**$ 317,400,070**	**$ 0**	**$ 298,642,333**	**$ 0**

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

The Presidio Trust Statements of Budgetary Resources

	FOR THE YEARS ENDED SEPTEMBER 30, 2015	2014
BUDGETARY RESOURCES		
Unobligated Balance – Brought Forward, October 1	$ 55,638,925	$ 56,899,617
Authority Used to Repay Debt	(2,192,191)	0
Spending Authority from Offsetting Collections (discretionary and mandatory)	125,195,967	112,258,675
TOTAL BUDGETARY RESOURCES	**$ 178,642,701**	**$ 169,158,292**
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred **[NOTE 17]**	$ 126,644,390	$ 113,519,367
Unobligated Balances – End of Year		
Apportioned	51,998,311	55,638,925
Total unobligated balance, end of year	51,998,311	55,638,925
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 178,642,701**	**$ 169,158,292**
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid Obligations, brought forward, October 1 (gross)	$ 24,281,719	$ 37,689,672
Obligations Incurred	126,644,390	113,519,367
Outlays Gross	(117,946,773)	(126,927,319)
Unpaid Obligations, end of year	32,979,337	24,281,720
Uncollected payments:		
Uncollected Customer Payments from Federal Sources, brought forward, October 1st	(7,792,537)	(29,527,750)
Change in Uncollected Customer Payments from Federal Sources	(1,276,632)	21,735,213
Uncollected Customer Payments from Federal sources, end of year	(9,069,168)	(7,792,537)
Obligation Balance, Start of Year, net	**16,489,182**	**8,161,922**
Obligated Balance End of Year, net	**23,910,169**	**16,489,183**
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget Authority, gross (discretionary and mandatory)	125,195,967	112,258,675
Actual Offsetting Collections (discretionary and mandatory)	(123,919,335)	(133,993,888)
Change in Uncollected Customer Payments from Federal Sources	(1,276,632)	21,735,213
Budget Authority, net	**0**	**0**
Outlays Gross	117,946,773	126,927,319
Actual Offsetting Collections	(123,919,335)	(133,993,888)
NET OUTLAYS	**($ 5,972,562)**	**($ 7,066,569)**

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

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015 and September 30, 2014

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 1,104 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 hotel management, golf course management, and food program operations, 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, communications and programs, law, and finance.

In June 2015, an Interim Leadership Team of three individuals took over from the outgoing Executive Director. The three individuals share responsibilities until a new Executive Director is selected by the Board.

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 (Generally Accepted Accounting Principles [GAAP]), and the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements* revised August 4, 2015. 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 Funds are considered Dedicated Collections. Funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the government's general revenues.

The Trust presents comparative year-end 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 provides 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 U.S. Department of Treasury except for a petty cash account maintained at the Trust. 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 public enterprise funds with the Treasury. Public enterprise funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. 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 – Bureau 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, 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 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 U.S. 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 and/or is over two years old. Debts reside in the Treasury Offset Program (TOP) after the two year period; however, Treasury requires that agencies write them off at that time.

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 & Heritage 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. See Required Supplementary Information for deferred maintenance and repairs information on stewardship and heritage 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 Department of the Interior (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 among the Trust, DOI, and the U.S. Army (Presidio MOA), the Trust assumed the Army's responsibilities for the environmental cleanup in both Area A and Area B of "known" or enumerated sites. 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 any remaining liability is unfunded. Cleanup of enumerated sites was completed in fiscal year 2014; the sites were closed and the associated cleanup orders/agreements were rescinded by the regulatory agencies.

As discussed in **NOTE 11**, in 1999 the Trust obtained two environmental insurance policies to provide coverage for liabilities in excess of the Army funds. Those policies expired on May 24, 2014, although a new Pollution Legal Liability (PLL) policy was obtained in fiscal year 2015. The liability remaining on the Trust's balance sheet is related to operations and maintenance required by state regulatory agencies for the closed enumerated sites and is estimated at $3.7 million as of September 30, 2015. There are a limited number of cleanup sites that were identified with claims filed prior to the expiration of the 1999 insurance policies that were unknown at the time the Army transferred responsibility and so also remain the responsibility of the Army. Those sites are not reflected in the Trust's balance sheet as a liability.

The new PLL policy provides coverage for pre-existing pollution conditions discovered during the policy period and conditions that reopen at closed enumerated sites, as well as coverage for new pollution conditions caused by the Trust. The deductible under the PLL policy is based on a sliding scale for pre-existing conditions (Army liability) with a $250,000 deductible for other coverages.

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. The liability currently represents remaining costs that must be reimbursed as they were in the insurance policy period and regulatory operation and maintenance costs.

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 has been adjusted for work accomplished to date in 2014 and 2015.

Almost all asbestos in the Presidio identified in this liability is considered non-friable, meaning material that contains asbestos fibers that are bonded by cement, vinyl, resin or other similar material and that 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 that 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. Previously, 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 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, lodging, food purchases, and reimbursement for services performed for other federal agencies and the public. 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.

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) or other public partners 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)

The Federal Employee Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, 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 one-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 (FEGLI) Program

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 pre-retirement 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 either to join FERS and Social Security or to 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. Three percent of employees participate in CSRS and ninety-seven 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 thereafter. The Trust contributes 11.9% for employees hired after 1984 and 9.6% for employees hired after 2013. 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 whether 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, 2015 and 2014 are $696,553 and $1,174,785, 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, Doyle Drive assets, assets transferred in from the State of California, 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 enterprise funds, is $5,442,479 and $5,004,108 as of September 30, 2015 and 2014, respectively.

Status of Fund Balance with Treasury on September 30, 2015 and 2014 is as follows:

	2015	***2014***
Fund Balance with Treasury and Overnight Investments	$ 42,664,479	$ 38,884,108
Less Invested Unobligated Balance	(4,242,664)	(9,589,280)
Less Invested Unpaid Obligated Balance	(32,979,336)	(24,281,720)
Fund Balance	$ 5,442,479	$ 5,004,108

3. Cash and Other Monetary Assets

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

	2015	***2014***
Trust Petty Cash	$ 1,000	$ 1,000
Residential Property Management Petty Cash	750	750
Inn at the Presidio Petty Cash	1,500	1,500
Deposits in Transit	193,380	586,412
Total Cash	$ 196,630	$ 589,662

4. Investments

INVESTMENTS AS OF SEPTEMBER 30, 2015
INTRAGOVERNMENTAL SECURITIES

	Maturity Date	*Interest Rate*	*Cost/ Par Value*	*Unamortized Discount*	*Net Value*
Non-marketable/Market Based	10/01/15	0.000%	$ 37,222,000	$ 0	$ 37,222,000
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
TOTAL INVESTMENTS			**$ 70,466,000**	**$ 0**	**$ 70,466,000**

INVESTMENTS AS OF SEPTEMBER 30, 2014
INTRAGOVERNMENTAL SECURITIES

	Maturity Date	*Interest Rate*	*Cost/ Par Value*	*Unamortized Discount*	*Net Value*
Non-marketable/Market Based	10/01/14	0.010%	$ 33,880,000	$ 0	$ 33,880,000
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
TOTAL INVESTMENTS			**$ 67,124,000**	**$ 0**	**$ 67,124,000**

In fiscal years 2015 and 2014, 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. The Trust was not owed interest on the investment of the proceeds from the borrowing, and the amount of $2,017,121 was paid in full to the Trust by the BFS prior to the end of the fiscal year.

5. Accounts Receivable, Net

Accounts receivable as of September 30, 2015, is comprised of the following:

	Intra-Government	*Non-Government*	*Total*
Gross Accounts Receivable	$ 302,128	$ 4,810,443	$ 5,112,571
Less Allowance for Uncollectible Accounts	0	(622,207)	(622,207)
NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2015	**$ 302,128**	**$ 4,188,236**	**$ 4,490,364**

Accounts receivable as of September 30, 2014, is comprised of the following:

	Intra-Government	*Non-Government*	*Total*
Gross Accounts Receivable	$ 192,967	$ 4,490,425	$ 4,683,392
Less Allowance for Uncollectible Accounts	0	(1,179,837)	(1,179,837)
NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2014	**$ 192,967**	**$ 3,310,588**	**$ 3,503,555**

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 9/30/15*	*Net Balance at 9/30/14*
Land and Land Rights[1]	N/A	$ 3,701,000	N/A	$ 3,701,000	$ 3,460,320
Improvements to Land	[2]	50,399,720	25,799,342	24,600,378	28,466,083
Construction-in-Progress	N/A	19,138,084	N/A	19,138,084	9,936,858
Buildings, Improvements, Renovations & Rehabilitations	40 years[2]	385,035,968	91,444,896	293,591,072	294,007,985
Other Property, Plant, and Equipment (including furnishings, equipment, and software)	[3]	112,861,996	50,866,417	61,995,579	59,382,373
		$ 571,136,768	**$ 168,110,655**	**$ 403,026,113**	**$ 395,253,619**

Depreciation expense was $22,056,366 and $20,210,916 in fiscal years 2015 and 2014, 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 that 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 District 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 that result 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 2014, additions and withdrawals during fiscal year 2015 and the projected ending number of units at the end of fiscal year 2015.

Classification	***Beginning Balance Number of Buildings***	***Additions***	***Withdrawals***	***Ending Balance Number of Buildings***
Heritage	9	0	0	9
Multi-Use Heritage	412	1	1	412
	Number of Acres	***Acres Added***	***Acres Withdrawn***	***Number of Acres***
Land Stewardship	856.4	11.2	7.5	860.1

The addition and subtraction are related to a transfer of buildings between the Trust and NPS; Building 102 was transferred to the Trust and Building 662 was transferred to the NPS. The shift in acreage is due to a boundary adjustment between the NPS and the Trust of approximately 4 acres.

The following table depicts the number of physical units at the end of fiscal year 2013, additions and withdrawals during fiscal year 2014 and the ending number of units at the end of fiscal year 2014.

Classification	*Beginning Balance Number of Buildings*	*Additions*	*Withdrawals*	*Ending Balance Number of Buildings*
Heritage	10	0	1	9
Multi-Use Heritage	411	1	0	412
	Number of Acres	*Acres Added*	*Acres Withdrawn*	*Number of Acres*
Land Stewardship	852.8	6.8	3.2	856.4

Heritage buildings are those buildings that are historical in nature but that the Trust never expects to lease, in fiscal year 2014 the Trust elected to move building 95 to the multi-use heritage category as it is being used to house an art exhibit and in 2014 the State of California renovated Building 669 as part of the Doyle Drive project, shifting that building into the Multi-Use Heritage category.

Acreage is added and withdrawn based on projects completed within the park. The 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.

8. Other Assets

Other assets as of September 30, 2015 and 2014 are comprised of the following:

	2015	*2014*
Prepayments	$ 2,050,348	$ 979,075
Deferred Rent Receivable	24,651,946	23,084,634
Other Deferred Real Estate Assets, Net	434,377	494,748
Total Other Assets	$ 27,136,671	$ 24,558,457

9. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are those liabilities that may be funded from future resources. As of September 30, 2015 and 2014 are comprised of the following:

	2015	*2014*
FECA Actuarial	$ 7,102,252	$ 6,809,069
Contingent Liabilities **[NOTE 15]**	17,000	505,000
Environmental Remediation Liability **[NOTE 11]**	3,690,103	4,397,810
Non-friable Asbestos Liability**[NOTE 12]**	40,649,007	40,247,327
Annual Leave Liability	2,577,649	2,463,433
Rent Credit Liability	9,014,817	5,021,204
Accrued Interest Payable	758,134	758,134
LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	**63,808,962**	**60,201,977**
Liabilities Covered by Budgetary Resources	129,549,225	137,189,091
TOTAL LIABILITIES	**$ 193,358,187**	**$ 197,391,068**

10. Debt

The Trust has the following debt to Treasury as of September 30, 2015 and 2014:

	Maturity Date	*2015*	*2014*
DEBT TO THE TREASURY			
Note C (dated 9/29/00)	9/30/2029	$ 19,118,246	$ 20,000,000
Note C (dated 9/28/00)	9/30/2029	19,118,246	20,000,000
Note C (dated 9/29/01)	9/30/2029	9,549,317	9,978,000
TOTAL PRINCIPAL		**$ 47,785,809**	**$ 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 are described below. The debt the Trust has incurred is entirely 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. A principal repayment of $881,754 was paid as of September 30, 2015.

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. A principal repayment of $881,754 was paid as of September 30, 2015.

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. A principal repayment of $428,683 was paid as of September 30, 2015.

The Trust incurred $2,999,087 in interest cost through for both fiscal year 2015 and fiscal year 2014 which was included in program costs.

In fiscal year 2015, no additional debt obligations were issued and there was no borrowing authority available at September 30, 2015 or September 30, 2014. Debt repayment started in fiscal year 2015 and the Trust made its first payment on the principal of $2,192,191 on September 30, 2015. Payment on the principal is scheduled at $2,317,726 in fiscal year 2016; $2,450,454 in fiscal year 2017; $2,590,788 in fiscal year 2018; $2,739,162 in fiscal year 2019, and $2,896,038 in fiscal year 2020 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 assumed responsibility for the environmental cleanup of "known" or enumerated sites at the Presidio.

All enumerated sites have been remediated to applicable standards protective of human health and the environment in accordance with future reuse plans for the Presidio and associated cleanup orders/agreements have been rescinded by the regulatory agencies. All enumerated sites were closed with no further action required or are governed by land use controls with regulatory oversight as appropriate.

Costs for enumerated sites were funded through an advance from the Army, Trust funding, and reimbursement from insurance policies. The remaining liability on the balance sheet is for operations and maintenance as required by regulatory agencies and is $3,690,103 as of September 30, 2015. Operations and maintenance are largely estimated to extend for at least thirty years or a shorter period if regulatory land use controls allow for it.

Future cleanup also includes unknown contamination which is any environmental threat at or migrating from the Presidio that is not an enumerated site and is attributable to the Army. The Army retained sole responsibility to fund and/or to perform all environmental cleanup work of unknown contamination as well as for the cleanup of radioactive materials, chemical and biological warfare agents, and unexploded ordnance if discovered at the Presidio.

From May 1999 to May 2014, there was a Real Estate Environmental Liability ("REEL") policy that also provided coverage for unknown contamination. The REEL policy had a limit of $10 million per claim (with a $25,000 self-insured retention) and a $50 million aggregate for all claims. As of September 30, 2015, there was one active project being reimbursed under the REEL policy.

In fiscal year 2015, the Trust obtained a new pollution legal liability (PLL) insurance policy for coverage of pre-existing pollution conditions discovered during the policy period and re-openers at closed enumerated sites as well as coverage for new pollution conditions caused by the Trust. The deductible under the PLL policy is based on a sliding scale for pre-existing conditions (Army liability) with a $250,000 deductible for other coverages. There have not been any claims against this policy.

The Trust's financial statements reflect a liability for environmental remediation cleanup costs of $3,690,103 and $4,397,810, which is unfunded as of September 30, 2015 and 2014, respectively. This represents the total estimated cost at completion less the expected Army and insurance reimbursements (claims filed). The actual cost at completion may vary from the current estimated cost at completion. The change in liability as of September 30, 2015 and 2014 is as follows:

Liability per Balance Sheet	***2015***	***2014***
Beginning Balance	$ 4,397,810	$ 10,911,317
Costs Applied, net	(268,143)	(9,717,214)
Change in estimate to complete	(439,564)	3,203,707
TOTAL LIABILITY	**$ 3,690,103**	**$ 4,397,810**

The total estimated cost at completion is reflective of the final expenses to be incurred on the major portion of the program and regulatory operations and maintenance. 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 $40,649,007 as of September 30, 2015 and $40,247,327 as of September 30, 2014. 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 of $642,998 and $232,872 in fiscal years 2015 and 2014, respectively.

13. Other Liabilities

Other liabilities as of September 30, 2015 and 2014 are comprised of the following:

	2015		*2014*	
	Non-Current	*Current*	*Non-Current*	*Current*
INTRAGOVERNMENTAL				
Employer Contributions Payable	$ 0	$ 194,388	$ 0	$ 153,875
Other Employment Benefits	0	856,257	148,852	630,701
Unearned Revenue	0	636,815	0	15,582
TOTAL INTRAGOVERNMENTAL	**0**	**1,687,460**	**148,852**	**800,158**
Environmental Remediation Liability **[NOTE 11]**	3,366,295	323,808	3,979,529	418,281
Non-friable Asbestos Cleanup Cost **[NOTE 12]**	40,149,007	500,000	39,947,327	300,000
FECA Actuarial **[NOTE 9]**	6,245,995	856,257	6,250,242	558,827
Contingent Liabilities **[NOTE 15]**	0	17,000	0	505,000
Security Deposits	6,119,943	0	5,683,387	0
Unearned Revenue	31,775,815	20,193,995	34,045,497	22,104,467
Payroll Payable	0	968,865	0	760,504
Annual Leave Liability **[NOTE 9]**	0	2,577,649	0	2,463,433
Rent Credit Liability **[NOTE 9]**	7,924,106	1,090,711	4,329,928	691,276
Prepaid Rents & Services	0	1,603,802	0	1,232,388
Accrued Interest Payable **[NOTE 9]**	758,134	0	758,134	0
Food Program Liability	4,413,462	250,000	4,663,462	250,000
Other Liabilities	0	184,109	0	171,461
TOTAL OTHER LIABILITIES	**$ 100,752,757**	**$ 30,253,656**	**$ 99,806,358**	**$ 29,696,968**

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.

Description of Lease Arrangements:

The Trust's properties are leased under terms from one month up to 67 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 (projected through year 2020):

Fiscal Year	*Total*
2016	$ 22,690,216
2017	18,707,813
2018	15,874,258
2019	13,686,616
2020	12,928,115
Thereafter	410,827,452
TOTAL	**$ 494,714,470**

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 one workplace discrimination claim and two tort claims pending. The Trust is actively pursuing each of these claims and has assigned a contingent liability as of September 30, 2015 of $17,000 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 U.S. Treasury is from earnings on investments. Revenue earned from the Department of the Interior is for utility services that the Trust provides. Revenue earned for the years ended September 30, 2015, and to September 30, 2014 is as follows:

Agency	*2015*	*2014*
U.S. Treasury	$ 2,026,039	$ 2,029,795
Department of Defense	0	668,664
Department of the Army	63,400	0
Department of Interior	388,180	272,658
General Services Administration	28,916	0
Other	264,367	420,029
TOTAL	**$ 2,770,902**	**$ 3,391,146**

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 U.S. Treasury are for interest on loans. Costs incurred for the years ended September 30, 2015 to September 30, 2014 are as follows:

Agency	*2015*	*2014*
Office of Personnel Management	$ 7,039,305	$ 7,059,301
Department of Interior	4,909,403	4,642,043
U.S. Treasury	2,999,387	2,999,087
Department of Energy	904,893	0
Department of Labor	296,868	588,899
U.S. Department of Health	51,146	0
General Services Administration	565,604	637,215
Other	14,942	84,483
TOTAL	**$ 16,781,548**	**$ 16,011,028**

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, 2015 and 2014 was $126,644,390 and $113,519,367, respectively.

18. Permanent Indefinite Appropriations

The Trust has a permanent indefinite appropriation that 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 as of September 30, 2015 and 2014 were $16,411,866 and $5,254,022, respectively.

20. Contributed Capital

The Trust is granted the authority to accept donations in the Trust Act. The Trust received direct donations of $8,495 dollars and $15,993 dollars in fiscal years 2015 and 2014, respectively. The Trust also receives grants and other funding for various projects within the park. In fiscal year 2015, the Trust received $1,399,353 in funds related to land improvements, historical renovations, and programs at the Presidio Institute, and in fiscal year 2014 the Trust received $2,311,191.

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. It 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 accounts 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, 2015	2014
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	$ 126,644,390	$ 113,519,367
Less: Spending Authority from Offsetting Collections and Recoveries	125,195,967	112,258,675
Obligations net of Offsetting Collections and Recoveries	1,448,423	1,260,692
Less: Offsetting Receipts		
Net Obligations	1,448,423	1,260,692
Other Resources		
Donations Non-Financial Resources	203,413	668,211
Transfers in/out without reimbursement	2,344,981	0
Imputed Financing from Costs Absorbed by Others	696,553	1,174,785
Net Other Resources Used to Finance Activities	3,244,948	1,842,996
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	**4,693,371**	**3,103,687**
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	(20,695,305)	3,075,564
Resources that Fund Expenses Recognized in Prior Periods	3,191,835	(8,533,877)
Other	(2,189,576)	4,062,592
Resources that Finance the Acquisition of Assets	(15,735,865)	(24,627,453)
TOTAL RESOURCES USED TO FUND ITEMS NOT PART OF THE NET COST OF OPERATIONS	**(35,428,910)**	**(26,023,174)**
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	**(30,735,539)**	**(22,919,487)**
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	203,064	85,733
Decrease in Environmental Remediation Cleanup Cost Liability	(707,706)	3,203,707
Increase in Asbestos Liability	401,680	1,093,821
Resources that Funded from (Prior Periods) / Current Periods	645,190	(447,012)
Other	(3,221,785)	(1,368,134)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	(2,679,557)	2,568,115
Components Not Requiring or Generating Resources		
Loss on Disposition of Assets	54,178	95,162
Depreciation and Amortization	22,056,366	20,215,967
Other	(4,208,237)	(3,197,687)
TOTAL COMPONENTS NOT REQUIRING OR GENERATING RESOURCES	**17,902,306**	**17,113,441**
NET COST OF OPERATIONS	**($ 15,512,790)**	**($ 3,237,931)**

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 2015, though the major high-way work is complete and the project is expected to reach completion in 2016.

The Trust has received cash compensation under the Right of Entry agreement with the project sponsors. The Trust will receive assets as 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 cash compensation in the amount of $66,702,825 and $27,232,651 in fixed assets through fiscal 2015. The Trust recognized earned revenue in the amount of $8,884,502 in fiscal year 2015 and $8,983,383 in fiscal year 2014, leaving a balance of $40,660,315 in unearned revenue.

The Trust has also recognized earned revenue of $2,273,165 through September 30, 2015 and $2,763,640 in fiscal year 2014 related to reimbursement for project support.

1. Deferred Maintenance & Repairs

The Trust manages a combination of property, plant and equipment (PP&E) with deferred maintenance and repairs. These assets are included in three broad categories: infrastructure, grounds and buildings. Infrastructure consists of high-voltage electrical systems, water treatment facilities and wastewater systems. Grounds include stewardship and landscape assets, consisting of roads, trails and forested lands. Buildings include heritage assets, which are those that have not been renovated and are maintained to a level to ensure that they are preserved until such time as they can be rehabilitated, and historic and non-historic buildings that are renovated and maintained to ensure that the renovated condition is maintained.

Defining and Implementing Maintenance and Repair Policies

Maintenance is described as the act of keeping PP&E 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 they continue to provide acceptable service and achieve their expected life. Deferred maintenance is upkeep or repairs not performed when scheduled, essentially maintenance delayed until a future time.

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 performed on activities scheduled throughout the year and all assets are assessed each year.

Deferred maintenance estimates apply to both capitalized general and stewardship PP&E as well as non-capitalized or fully depreciated general PP&E . As Trust policy and its accounting system differentiate maintenance and repairs between capitalized (i.e., items whose cost exceeds the capitalization threshold) and expensed items, deferred maintenance estimates reported herein include those maintenance activities that have not been capitalized (i.e., expensed items).

Ranking and Prioritizing Maintenance and Repair Activities

Maintenance and repair activities are first prioritized by regulatory, health and safety considerations. Items governed by regulation include, but are not necessarily limited to, building life safety, elevators, emergency generation, specialized electrical-system vehicle maintenance, and water treatment backflow and general plant operation. Tasks prioritized by health and safety involve electrical substations, overhead electrical equipment and transformers, tree and shrub pruning, and road, trail and masonry repairs.

Other maintenance and repair activities are prioritized based on the results of periodic inspection or as a response to functionality failures. Prioritization is generally adjusted to take into account capital improvement efforts underway, future capital improvement plans, asset disposal plans and budgetary funding outlook.

Factors Considered in Setting Acceptable Conditions

Acceptable conditions are defined in accordance with regulatory or industry standard requirements for building life safety, elevators, emergency generation, specialized electrical-system vehicle maintenance, and water treatment backflow and general plant operation. Specific regulatory testing, inspection and documentation are performed for these items; for example, building life safety inspections are performed by the fire department, elevator testing is completed and certified according to mandatory requirements by an expert third-party, and water treatment operation standards are followed according to the California State Water Resources Control Board regulations.

Standards for the wide range of property, plant and equipment not governed by specific regulation vary significantly depending on their type and function. Acceptable building conditions include roofing and plumbing with no leaks or cracks, exterior paint with no bubbling or peeling, and functional thermostats and HVAC equipment. Factors evaluated for high voltage systems include cleanliness, signs of arching or burning, oil leaks in transformers, voltage levels and power flow. Elements considered for wastewater systems include flow, lack of cracks or damage and cleanliness. Factors evaluated for roads and trails take account of surface integrity, evenness and possible obstruction. Considerations for grounds include condition and growth rates of plantings, and incidence of pests or invasive species. Heritage and stewardship assets are managed by conservation standards in a manner that fulfills the Trust's obligation to stabilize, protect and preserve them.

Significant Changes from Prior Year

Effective in fiscal year 2015, the Trust, implemented SFFAS No. 42 *Deferred Maintenance & Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*.

There was an overall net increase in deferred maintenance of approximately $526,000 from 2014 to 2015. This is primarily due to an over $1 million increase in multi-use heritage buildings, offset by a combination of decreases in infrastructure and non-historic building categories. The year-over-year difference in the buildings categories is due to an emphasis on non-historic maintenance activities throughout the year and a revision of the scheduled activities with the implementation of a new management system. The decline in the infrastructure balance is a result of additional maintenance and repairs on streetlights and transformers, water distribution and backflow systems, and overall water plant maintenance. Small offsetting increases in the grounds and heritage building categories are immaterial.

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

	2014 Ending Balance	*2015 Beginning Balance*	*2015 Ending Balance*
CATEGORY			
Infrastructure	$ 1,409,058	$ 2,159,143	$ 1,168,282
Grounds:			
Stewardship and Landscape	1,006,597	2,013,227	1,058,358
Total Non-Buildings	**2,415,655**	**4,172,370**	**2,226,640**
Buildings:			
Heritage	6,104	38,790	38,790
Multi-Use Heritage	2,098,728	3,445,828	3,167,329
Non-Historic	912,547	606,292	526,748
Total Buildings	**3,017,379**	**4,090,910**	**3,732,867**
GRAND TOTAL	**$ 5,433,034**	**$ 8,263,280**	**$ 5,959,507**

OTHER ACCOMPANYING INFORMATION

Inspector General Summary

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

Audit Opinion	Unqualified				
Restatement	No				
Material Weakness	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
None	0	0	0	0	0

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING						
Statement of Assurance		Unqualified				
Material Weakness	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
None	0	0	0	0	0	0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS						
Statement of Assurance		See Below				
Material Weakness	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
None	0	0	0	0	0	0
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS						
Statement of Assurance		See Below				
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
None	N/A	N/A	N/A	N/A	N/A	N/A

CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT		
Statement of Assurance	**Agency**	**Auditor**
Overall Substantial Compliance	**Yes or No**	**N/A**
System Requirements	Yes	NA
Accounting Standards	Yes	NA
USSGL – Transaction Level	Yes	NA

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

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

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

MOA – Memorandum of Agreement

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

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

KPMG LLP
Suite 12000
1801 K Street, NW
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. 15-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2015 and 2014, 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 November 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2015, 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.

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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
November 16, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS

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. 15-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2015 and 2014, 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 November 16, 2015.

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. 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 under *Government Auditing Standards* or OMB Bulletin No. 15-02.

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
November 16, 2015

BOARD OF DIRECTORS


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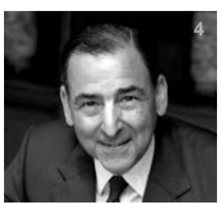
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1. PAULA R. COLLINS, CHAIR OF THE PRESIDIO TRUST BOARD, is the founder of WDG Ventures, Inc., a real estate development company in Northern California, and also Portfolio Real Estate Consulting. Ms. Collins is a director and founder of Presidio Bank in San Francisco. She is a member of the national board of the Automobile Association of America and a director of the CSAA Insurance Exchange, as well as AAA Northern California, Nevada, Utah. Ms. Collins serves on the board of the Glide Foundation. She has served as a Presidential appointee to the Massachusetts Institute of Technology (MIT) Visiting Committee for the Department of Urban Studies and Planning. She has served on the board of directors for the Yerba Buena Center for the Arts, Special Olympics for Northern California, and BRIDGE Housing Corporation. She has been named to the Junior Achievement Hall of Fame, has been awarded the Silver SPUR by the San Francisco Planning and Urban Research Association, has been named "Forever Influential" by the San Francisco Business Times, and has been honored by the National Coalition of 100 Black Women. Ms. Collins graduated cum laude in urban studies from Mt. Holyoke College in Massachusetts and received her Master of City Planning from MIT. She was appointed to the Presidio Trust board by President Barack Obama in 2012, and re-appointed in 2015.

2. JOHN KEKER, VICE CHAIR OF THE PRESIDIO TRUST BOARD, is recognized as one of the top trial lawyers in the United States and has recently been listed as one of the 100 Most Influential Lawyers in the United States and the best lawyer in the San Francisco Bay Area. He is the founder of the San Francisco trial firm of Keker & Van Nest LLP. Mr. Keker graduated from Woodrow Wilson School of Public and International Affairs at Princeton University, then served as a U.S. Marine Corps infantry platoon leader in Viet Nam until he was wounded and retired from the Marine Corps in 1967. He graduated from Yale Law School in 1970 and served as law clerk to Retired Chief Justice Earl Warren at the U.S. Supreme Court. Mr. Keker has served as president of the San Francisco Police Commission twice, as chairman of the San Francisco Bay Water Quality Control Board, and as vice president of the San Francisco Fire Commission during the Loma Prieta earthquake. He is a member of the Council on Foreign Relations and the Pacific Council on International Policy. He was appointed to the Presidio Trust board of directors by President Barack Obama in 2015.

3. LYNNE BENIOFF is an independent marketing consultant and philanthropist active with several health care and community foundations. Previously, Ms. Benioff was Director of Public Relations Campaigns at OutCast Communications from 1998 to 2003. In 2001, Ms. Benioff co-founded Star Community Home, a short-term residential community for homeless families in San Francisco. She is a member of the Board of Directors of Hampton Creek, the Board of Overseers of the University of California San Francisco Foundation, the Board of Directors of UCSF Benioff Children's Hospital Oakland, and the Board of Directors of Common Sense Media. Ms. Benioff was honored by Mayor Ed Lee as one of San Francisco's "Women of the Year" in 2014. She received a B.S. from the University of Washington. Ms. Benioff was appointed to the Presidio Trust board by President Barack Obama in 2015.

4. ALEX MEHRAN, a San Francisco Bay Area native, is chairman and chief executive officer of Sunset Development Company, a diversified real estate organization that created Bishop Ranch in San Ramon, California. He has served at the firm since 1977. Mr. Mehran serves as the Deputy Chairman of the San Francisco Federal Reserve Bank and as chairman of the Contra Costa Economic Partnership. He is a Past Chairman and Current Executive Committee member of the Bay Area Council, Member of the Chancellor's Associates of UCSF, Former Trustee of the Urban Land Institute, Former Trustee of the San Francisco Ballet, Former Trustee of St. Mary's College, Former Trustee of the Episcopal Diocese of California, Former Trustee of the Fine Arts Museums of San Francisco, and Former Director of the United Way of the Bay Area. He graduated from Harvard College and earned a law degree at Cambridge University. He was appointed to the Presidio Trust board by President Barack Obama in 2012.

5. NICOLA MINER is a philanthropist for several cultural and educational foundations. Ms. Miner is also President of the Miner-Anderson Family Foundation, a position she has held since 2010. She was Co-Founder of Quotidian Gallery from 1999 to 2005 and is a member of the Board of the Baker Street Foundation. Ms. Miner is a former member of the Board of Trustees of the San Francisco Museum of Modern Art, the San Francisco Ballet, and San Francisco University High School. She received a B.A. from Brown University, an M.S. from Columbia University Graduate School of Journalism, and an M.A. from Mills College. Ms. Miner was appointed to the Presidio Trust board by President Barack Obama in 2015.

6. JANET REILLY is the co-founder and president of the Board of Directors of Clinic by the Bay – a free, volunteer-based medical clinic in the Excelsior neighborhood in San Francisco. The clinic, which does not rely on taxpayer dollars, engages volunteer doctors and nurses to provide wide-spectrum healthcare services for the working uninsured. Ms. Reilly, a native Californian, former corporate spokesperson and journalist, most recently produced and hosted The Mix with Janet Reilly – a monthly news magazine show on NBC Bay Area. Ms. Reilly is Vice Chair of the Board of Directors of San Domenico School and is a former president and member of the Board of Directors of the Golden Gate Bridge, Highway and Transportation District. Ms. Reilly holds a B.A. in Communications from UCLA and a master's degree in Journalism from Medill at Northwestern University. She was appointed to the Presidio Trust board by President Barack Obama in 2015.

7. JOHN REYNOLDS served for 39 years in the National Park Service including as deputy director, regional director, director of the Denver Service Center, superintendent of North Cascades National Park, assistant superintendent of Santa Monica Mountains National Recreation Area, and Interim Manager of the Presidio. He was executive vice president of the National Park Foundation from 2005 to 2007. He currently serves as a board member of the Student Conservation Association; on the Trust for the National Mall Design Advisory Committee; as a member of North Cascades Institute, American Alps and Chesapeake Conservancy Advisory Councils; as chair of the Captain John Smith National Historic Trail Advisory Council; on the steering committee of the Chesapeake Conservation Partnership; and as the Commonwealth of Virginia Citizen Representative on the Chesapeake Bay Commission. Mr. Reynolds served in the New Jersey National Guard and U.S. Army Reserve from 1966 to 1972. He holds landscape architecture degrees from Iowa State University and the State University of New York at Syracuse. He is a Fellow, American Society of Landscape Architects. He was appointed as the Secretary of the Interior's designee to the Trust board in July 2009.

Presidio
Trust

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