



2018 Performance and Accountability Report

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

Agency Head Letter

November 13, 2018

As we conclude Fiscal Year 2018, I'm pleased to report that we're welcoming ever-larger audiences to discover and enjoy this remarkable national park.

This was the sixth year that the Presidio Trust operated without taxpayer support. The strong economy in the San Francisco Bay Area enabled us to earn record revenue from our residential and commercial leases. We have invested this income to restore and improve the Presidio's land and buildings in pursuit of our mission to bring the Presidio's unique natural, historic, and recreational assets alive for the people of the Bay Area and the nation.

This year we made strides toward our strategic goals of making the Presidio visited and loved by all, a model of environmental sustainability in all our operations, and a model of operational excellence in public service. We won a number of awards this year, including:

- the Charles Redd Award for Exhibition Excellence from the Western Museums Association for our *EXCLUSION* Exhibition
- an award from the California Heritage Council, the oldest preservation organization in the state, for our rehabilitation of a historic barracks into the Lodge at the Presidio
- the Environmental Protection Agency Federal Green Challenge award for our data-driven approach to reducing waste at our buildings and sites

Our year was capped when the San Francisco Travel Association honored the Presidio with its signature annual award.

We're particularly pleased that our relationship with our two partners, the National Park Service (NPS) and the non-profit Golden Gate National Parks Conservancy, has never been stronger. To assist the NPS, we have taken over responsibility for maintaining the utilities for all of the Presidio, and we are helping with managing their forestry needs in the Golden Gate National Recreation Area. As for the Parks Conservancy, we are so grateful for their continuing philanthropic support. We also recognized their programmatic strength by giving them full responsibility and funding for the Camping

at the Presidio program that provides a first-time camping experience for underserved kids.

But we are not resting on our laurels. In 2019 we will break ground on the Presidio Tunnel Tops project, in which we reclaim 14 acres of parkland over a new freeway to the Golden Gate Bridge, knitting back together this park that was divided in two by the original freeway. And we'll open the renovated Presidio Theatre as an affordable performance space to help us mark a significant milestone in 2019: 25 years in our journey from post-to-park.



Sincerely,

Jean S. Fraser
Chief Executive Officer

Management Discussion & Analysis

Mission

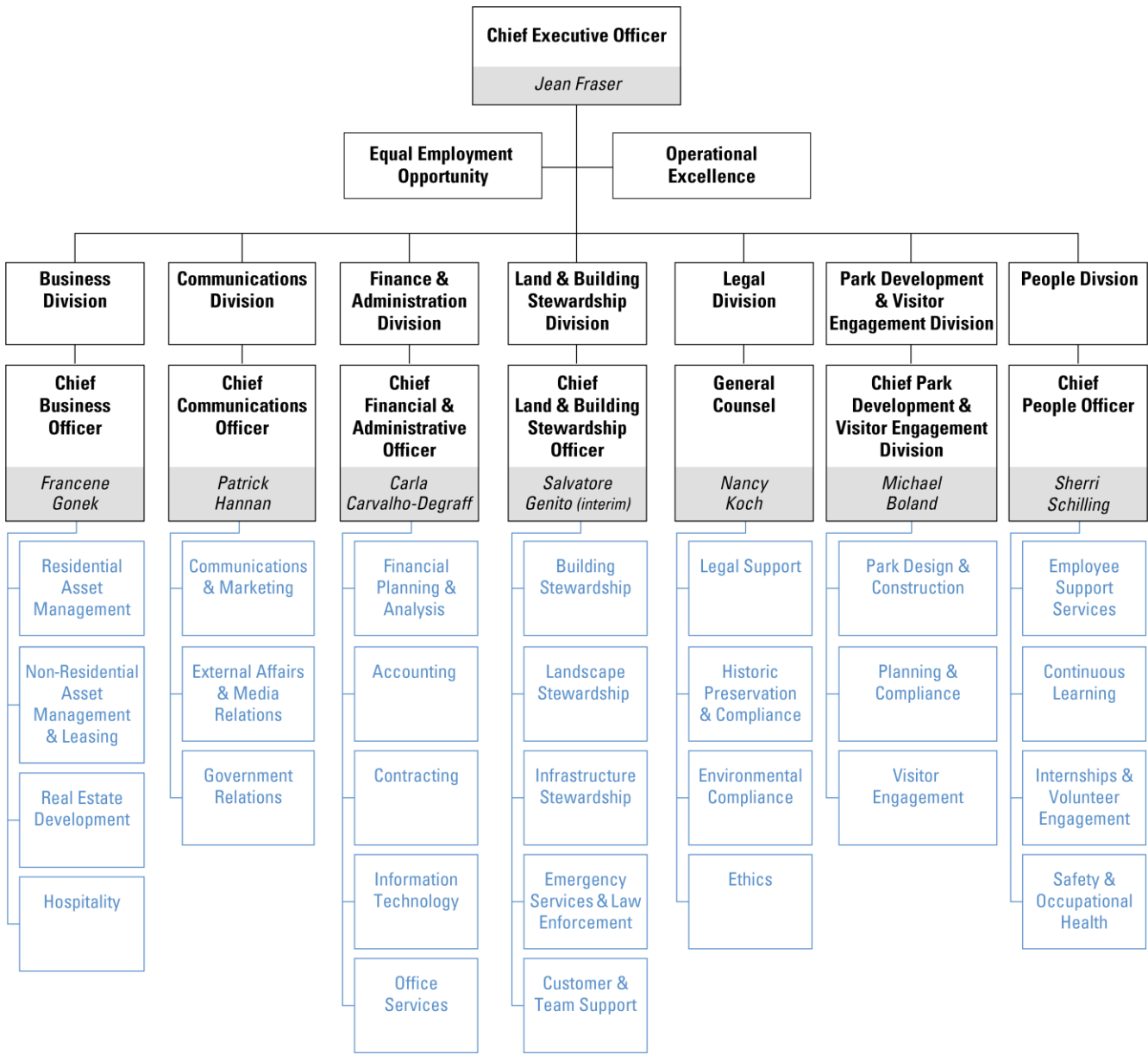
In partnership with the National Park Service and the Golden Gate National Parks Conservancy, and at no cost to taxpayers, the Presidio Trust brings alive the unique historic, natural, and recreational assets of the Presidio for the inspiration, education, health, and enjoyment of all people.

Organizational Structure

The Presidio Trust was established by Congress as a wholly owned corporation of the federal government. The Presidio Trust Act gives the Presidio 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; the seventh is the Secretary of the Interior or the Secretary's designee. A Chief Executive Officer (CEO) oversees the organization, which includes the following divisions: Park Development and Visitor Engagement, Land and Building Stewardship, Finance and Administration, Legal, Business, Communications, and People (human resources).

The Presidio Trust has approximately 353 employees with a wide range of skills, including ecological restoration, historic preservation, real estate management, finance, communications, visitor engagement, and physical plant operations.



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 is committed to sound financial management and is 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 2018 and 2017.

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, 2018, and to compare it to the Trust's position the previous year.

Assets

The Presidio Trust's total assets increased by \$28.6 million for a total of \$581.0 million at the end of Fiscal Year 2018 compared to \$552.4 million at the end of Fiscal Year 2017.

The largest part is an increase in Trust PP&E assets of \$19.4 million net of depreciation. The increase in assets is largely due to \$20.2 million in assets transferred in from the State of California related to the reconstruction of Doyle Drive, and the completion of the Lodge at the Presidio at Building 105 which was capitalized at \$24.5 million not including the furniture and fixtures. See Note 22 of the accompanying financial statements for further explanation on Doyle Drive.

Additionally, cash and investments increased \$10.4 million over the previous year due to increased revenue.

The prepaid balance decreased by \$1.1 million due to recognition of expenses related to the opening of the Lodge at the Presidio at Building 105.

Liabilities

Our liabilities increased by \$18.3 million, ending at \$211.5 million in liabilities for Fiscal Year 2018 compared to \$193.2 million at the end of Fiscal Year 2017.

Unearned revenue increased by \$19.4 million, largely due to the receipt of assets and deferral of revenue associated with the Doyle Drive project. See Note 22 of the accompanying financial statements for further explanation.

The rent credit liability decreased by \$0.9 million. There were no significant rent credits given in fiscal year 2018. The decrease is a result of the amortization of the various rent credits.

The non-friable asbestos cleanup liability increased by \$3.7 million due to adjustment for inflation. The Trust also reviewed the method it was using for inflation with an outside firm and adjusted the rates related to a portion of the asbestos cleanup liability to reflect current costs in the San Francisco Bay Area construction market. See Note 12 for more information.

Trust liabilities include \$40.0 million in debt to the U.S. Treasury. The required principal payment was paid on September 30, 2018, decreasing the liability by \$2.6 million. The debt will 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 financial position increased by \$10.2 million, ending Fiscal Year 2018 at \$369.5 million compared to \$359.3 million at the end of Fiscal Year 2017.

Net Cost of Operations

These statements are intended to report net costs/revenues of the Trust as a unit of the federal government and the net cost to the public. Costs reported on these statements – including depreciation, future funded expenses, adjustments to actuarial estimates, and all environmental remediation activities – are stated on a proprietary basis (those accounts that are used to track assets, liabilities, revenue, and expenses).

The Trust had net revenue of \$7.6 million during Fiscal Year 2018 compared to net revenue of \$13.4 million in Fiscal Year 2017. Net cost/revenue are not fully reflective of

the amounts earned to operate the park, as some entries are made for financial reporting purposes under Generally Accepted Accounting Principles (GAAP),.

The net cost statements reflect all of the expenses incurred by Trust activities during Fiscal Year 2018, including the remediation program and the depreciation of fixed assets. The increase in revenues is related to the continued increase in real estate portfolio revenues, and increased revenue in the hospitality program to include the newly opened Lodge at the Presidio. Operating costs increased in proportion to the revenues earned from the program activities.

Budgetary Resources

The Statements of Budgetary Resources provide information on the budgetary resources available to the Trust for the year and the status of those resources at the end of the fiscal year. Further, they are prepared using budgetary accounting rules, which differ from financial accounting rules as transactions are recognized at different points in time. In Fiscal Year 2018, the Trust received the greatest portion of its funding from revenues earned, with the largest revenue streams being associated with residential and non-residential leasing.

Budgetary resources amounted to \$219.9 million for Fiscal Year 2018, compared to \$203.0 million in Fiscal Year 2017. Of this amount, the Trust obligated \$153.3 million in Fiscal Year 2018 and \$139.0 million in Fiscal Year 2017. Unobligated balances at the end of Fiscal Year 2018 and Fiscal Year 2017 were \$66.6 million and \$63.9 million, respectively. This unobligated balance is due primarily to the funds held for capital improvements, tenant security deposits, and the receipt of donations and grants.

Risks and Uncertainties

The Presidio Trust received appropriations for the first 15 years of operations, through Fiscal Year 2012. Fiscal Year 2018 marks the sixth year the Trust has operated solely on revenues earned and grants and donations received. The Trust continues to maintain sound financial plans to ensure that Trust operations will continue to be funded into the future and the park is preserved for the public. While Trust operations are sufficient to cover current operating expenses and generate some revenue for capital projects, Trust operations alone are not sufficient for all needed capital projects.

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.

The Trust embarked on a project to refine lifecycle maintenance/cost of ownership data in fiscal year 2018. The project is expected to be fully complete in in fiscal year 2019 resulting in replacement schedules, maintenance schedules, and a funding strategy for both maintenance and replacement of our land and building assets. 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, which are primarily park open space 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

Presidio Trust management is responsible for managing risks and maintaining effective internal controls to support programmatic operations, financial reporting, and compliance with applicable laws and regulations. The Trust conducted its assessment of risk and internal controls in accordance with Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control.

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

The Trust finalized its risk assessment through its enterprise risk management program and is monitoring work related to risk mitigation.

Statement of Assurance on Information Technology

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

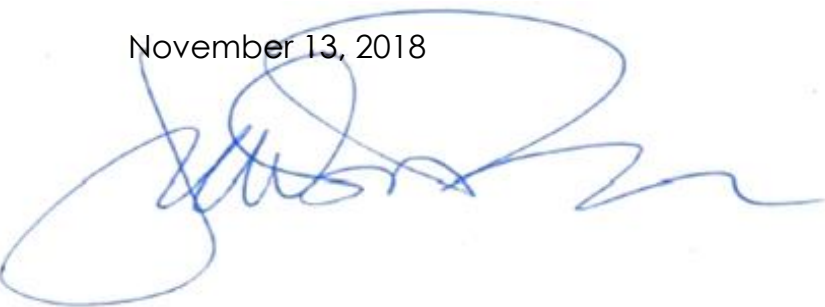
While the Trust's systems are secure, the Trust has not fully complied with the Federal Information Security Management Act (FISMA). In fiscal year 2018, the Trust continued its work on reaching FISMA compliance through working on several FISMA compliance related projects.

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.

Jean S. Fraser

November 13, 2018

A handwritten signature in blue ink, appearing to be 'Jean S. Fraser', written over the date.

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 assets cannot be liquidated without authorizing legislation.

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

Performance Results

Strategic Goal: The Presidio Trust will be a model of operational excellence and financial sustainability.

We are committed to ensuring the Presidio's financial sustainability, maintaining our resources and assets at a high level, and continuously improving how we operate so that we can be a model of government done right.

Funding the Presidio's Operations and Maintenance

Ensuring we have stable funding to operate and maintain the Presidio is core to our mission. Fiscal Year 2018 was the sixth year that the Presidio Trust operated without taxpayer support, as required by Congress. We earn revenue to fund our operations and capital improvements by leasing the Presidio's buildings as homes, workplaces, and visitor destinations and by operating hospitality amenities for visitors.

In Fiscal Year 2018 we earned total revenue of \$139 million. Our commercial leasing program, which encompasses 2 million square feet of space, earned \$30.7 million, \$1.6 million above projections for the year, and the average occupancy rate was 98%. Our residential leasing program, which encompasses nearly 1,200 housing units, earned \$60.6 million in gross revenue, with an average occupancy rate of 97%.

Our hospitality program, which includes lodging, a golf course, event venues, and food service generated \$26.7 million in gross revenue with a net income of four million.

In one of our biggest accomplishments of the year, in June 2018 we opened our second hotel – Lodge at the Presidio. The Lodge is housed in one of the iconic Montgomery Street Barracks built between 1895 and 1897 by the US Army. We undertook a two year, \$24.5 million renovation to transform the structure into a 42 room national park hotel, earning honors from the California Heritage Council, the oldest preservation organization in the state. The Lodge earned more than \$1 million in revenue in the three months it operated in Fiscal Year 2018, and has to date booked more than \$1.2 million for 2019. The Lodge is a sister property to our Inn at the Presidio, which welcomed 14,000 guests in 2018, bringing the total number of guests served

since it opened in 2012 to 85,000. The Inn's average occupancy rate was 88%, and it generated \$3.2 million in revenue to support the park. Both hotels took top honors. The Inn at the Presidio was named the number one San Francisco bed and breakfast by Conde' Nast. The Lodge at the Presidio was named the number one San Francisco small hotel by Trip Advisor.

The Presidio Trust also operates an award-winning public golf course, the second oldest course west of the Mississippi. It welcomed 180,000 visitors for 64,000 rounds of golf in Fiscal Year 2018, earning \$8.3 million in revenue. The Presidio golf course contributes to the Presidio's National Historic Landmark designation.

Additionally, we operate a special events program that welcomes the public for celebrations and business events in six Presidio venues. In Fiscal Year 2018 we hosted 1,233 events, earning revenue of \$2.4 million. Our food program, which includes three restaurants and a catering operation, continued to support our special events operation and to serve visitors, residents and employees of tenants; however, we are losing money on our food program and are looking to revamp it in 2019.

Launching Two Major New Redevelopment Efforts

In Fiscal Year 2018 we launched a competitive redevelopment competition for the Presidio's Fort Winfield Scott. Fort Scott is a beautiful 30-acre historic district that once was home to the Army Coast Artillery Corps. Given its location, legacy of service, and tranquil setting steps from the Golden Gate Bridge, we've long believed that Fort Scott could be a place that delivers unique benefits to the public.

In January 2018, we released a Request for Concept Proposals seeking a qualified organization to transform Fort Winfield Scott into a campus for one or more mission-driven organizations focused on addressing the significant environmental and/or social challenges of our time. The offering included 20 to 22 buildings encompassing nearly 300,000 square feet of space. We began a six-month national campaign targeted to organizations with the experience and sophistication to take on the complex \$200 million rehabilitation effort, which also includes landscapes and infrastructure. We marketed the competition to many organization and received media coverage from the *New York Times* and many other outlets.

In June, we received nine proposals; in September our board selected four teams to advance to the next step: responding to a Request for Proposals. Teams are now preparing detailed proposals due in January 2019, and the Presidio Trust is conducting

the required review of the effect of the rehabilitation of Fort Scott on environmental and our historic assets. Our board of directors is expected to select one or more teams with whom to enter into negotiations in spring 2019.

In summer 2018 we began construction to bring 40,000 square feet of historic building space back into active use. The buildings, known collectively as the Gorgas Warehouses, were built by the Army in 1919 alongside a rail corridor. They were used through World War II to store supplies and later became the Sixth Army Library and Library Depot. Long dormant, we are preparing the buildings to be leased for contemporary health and wellness or office uses.

Maintaining the Presidio's Buildings and Infrastructure

The Presidio Trust is responsible for stewarding nearly six million square feet of built space as well as an infrastructure system that is the equivalent of a small city. Maintaining our physical assets in good condition enables us to attract and retain residents and tenants whose lease revenue supports the park and to create a welcoming experience for visitors.

In 2018 we continued our effort to develop a comprehensive inventory of our physical assets at a much higher level of detail than in past so that we can prepare more detailed cost estimates and maintenance schedules. We expect to conclude this work in 2019.

Also this year, our team made cyclic improvements on 152,000 square feet of our housing stock, including exterior repairs, painting, and roof replacements. We also completely renovated more than a dozen homes, returning these units to our leasing program to earn market-rate revenue to support the park.

Additionally, we are in a multi-year process to improve the park's aging electrical infrastructure, much of which was installed by the US Army in the 1960s and is at the end of its service life. In early 2018 we made significant improvements to the system that serves the Presidio's most highly-populated and visited areas – Crissy Field and the Main Post. These improvements will provide redundancy, ensuring more reliable service to more than one-third of the Presidio.

Increasing our Effectiveness and Efficiency

This year we built in house capacity to make our processes, systems, and workflows more efficient. We began by tackling our accounts payable system, introducing electronic submission of invoices and the elimination of unnecessary steps so we can pay our vendors promptly.

We are also taking a fresh look at our human resources processes and tools. In spring 2018 we launched a pilot project to test a streamlined workflow for hiring. The new approach decreased hiring time from 66 days to 40 days and dramatically increased hiring manager satisfaction.

This year we also began to comprehensively examine our employee compensation system to reach our goal of making pay decisions transparent to employees, and consistent within the Trust. We have made substantial progress and will conclude work in 2019. We also strengthened the orientation and training we provide to new staff members through an improved new employee onboarding process.

Strategic Goal: The Presidio will be a model of environmental stewardship.

We work to increase biological diversity, while reducing the impact park operations have on the environment.

Measuring and Enhancing the Presidio's Biodiversity

Though at the center of a dense and developed urban area, the Presidio shelters a rich collection of natural habitats, native species, and wildlife and is one of the most biologically diverse national parks in America. The Presidio Trust, the National Park Service, and the non-profit Golden Gate National Parks Conservancy have spent two decades enhancing and expanding the Presidio's wild open spaces. Our goal is to develop and model the very best stewardship practices, with a five-year target of increasing biodiversity in park landscapes by 50 percent. In 2018, several projects moved us forward.

First, we began with the fundamentals. We joined with cities across the country to develop a standard known as the Urban Biodiversity Inventory Framework. We then collected data at dozens of Presidio sites to set a baseline that will allow us to track changes in biodiversity over time and prioritize park sites in need of restoration.

Then in September, we began a project at the park's Inspiration Point to increase habitat for two federally listed endangered species, the Presidio clarkia, a wildflower

found in only two locations worldwide, and the Franciscan manzanita, a rare shrub thought for 70 years to be extinct in the wild. We removed invasive trees and weeds, setting the stage for us to plant approximately 2,000 native plants in winter 2018-2019. Presidio clarkia will be directly seeded and at least 30 Franciscan manzanitas will be planted, along with other grassland species.

We've also continued habitat restoration at the Presidio's Mountain Lake, one of San Francisco's last surviving natural lakes and the only natural lake in the Golden Gate National Recreation Area. For nearly two decades we and our partners have been working to restore the lake's ecosystem. In 2013-2014 we removed invasive species and have been actively reintroducing natives, including the Pacific chorus frog and the Western pond turtle. The turtles are now reaching adulthood and looking for suitable habitat to lay their eggs. So this year we installed a "turtle undercrossing" beneath a busy park trail, providing safe passage for the turtles to nearby breeding grounds. We believe this will increase the chance that this native species can become sustainably established.

We also added stormwater runoff treatment areas north of the lake. This will help to capture and clean water before it enters the lake, prevent erosion, and decrease sedimentation into Mountain Lake.

Managing and Monitoring the Presidio's Coyote Population

Coyotes are once again an important part of the Presidio's ecosystem, having returned to the national park in 2002 after a long absence. They are now seen regularly here as they are in other open spaces near urban areas around the nation. Because the Presidio welcomes millions of visitors each year and is a community where people live and work, the Presidio Trust has an active coyote management program. Our goal is to reduce potential conflicts between coyotes, dogs and people so visitors can enjoy the park in harmony with wildlife.

With the assistance of urban wildlife managers and researchers – including the National Park Service, the United States Geological Survey, the University of California at Davis, and the United States Department of Agriculture – in 2016 we developed a monitoring strategy that involves humanely capturing and tagging coyotes and attaching temporary GPS collars to track their movements. This research has proven invaluable in helping us understand how coyotes use the park, especially during pupping season when conflicts are most likely.

In 2018 we applied our lessons learned to improve our management techniques and our public outreach. We proactively closed trails to dog walking near the coyote denning site and conducted an extensive public education program to share what a visitor should do if they encounter a coyote in the Presidio. This resulted in 2018 being the first year that no significant encounters were reported.

Revitalizing the Presidio's Forest

The Presidio features a 262-acre historic forest first planted by the US Army in the 1880s. It is both the largest contributing element to the Presidio's National Historic Landmark District status and an important part of the park's ecosystem. As the cypress and pine trees are at the end of their natural life, in 2003 we began a multi-decade effort to rejuvenate the Presidio forest, taking steps each year to remove and replace dying trees. Over the past 15 years, we have replanted 40 acres with 5,000 young and healthy trees. In 2018 we continued our program, maintaining and extending the life of forest stands where possible and actively replanting at the Park Boulevard Key Historic Stand, adjacent to San Francisco National Cemetery.

Reducing the Impact of Park Operations on the Environment

Over the next five years we are striving to reduce to zero the impact park operations have on the environment, and have set ambitious targets for reducing greenhouse gas emissions, the use of drinking water for irrigation, and the amount of waste we generate. A number of 2018 initiatives moved us forward.

Reducing Greenhouse Gas Emissions + Conserving Energy

We have long required Presidio tenant organizations to incentivize their employees to adopt green transportation alternatives over driving alone. To reduce emissions from transportation, since 2003 we have also operated a park shuttle – PresidiGo – which offers free transportation to, from, and around the park seven days a week to employees, residents, and visitors. In 2018, PresidiGo Shuttle ridership increased by 8% year over year to 584,857 rides.

We're examining the efficiency of our own Presidio Trust vehicle fleet and equipment, introducing zero-emission electric carts, mowers, and trimmers for landscape maintenance. We are also switching to renewable diesel for our equipment and vehicles that use diesel fuel, reducing emissions from those sources by up to 50%.

This year we became the first park west of the Mississippi to allow electric bikeshare, signing an agreement with JUMP Bikes to bring 50 dockless bicycles to the park. Additionally, we converted a roadway linking Crissy Field and the Golden Gate Bridge – two of the park’s most visited areas – to a path for pedestrians and bicyclists, encouraging safe, car-free travel within the Presidio.

On other fronts, we continued the switch to high-efficiency LEDs (Light Emitting Diode) in our streetlights. To date we’ve replaced inefficient lights at 270 sites with just 30 remaining. This has reduced our wattage by more than 40%.

In 2018, our maintenance team began a pilot project to replace aging single-pane, aluminum windows and sliding glass door windows in one of our residential neighborhoods with energy efficient double-frame windows. The new windows are expected to minimize noise and lower energy use.

Reducing Water Use

We are working to convert underutilized lawns and areas of turf and ornamental plants to more drought tolerant plantings that better support biodiversity. Since 2016, approximately 1.5 acres have been replanted, and native plants are now being grown for an additional 1.5 acres for future projects.

Additionally, by reducing irrigation run times, watering at night, and using moisture sensors and automated equipment, we’ve reduced water use each year over the past three years. All irrigation is installed using “purple pipe” in preparation for the use of recycled water when it becomes available in the Presidio.

Reducing Waste

The Presidio Trust has an award-winning waste reduction program that is anchored by an active recycling program, a salvage center that keeps durable goods in the reuse stream, and an on-site composting program. We work to close the loop on green debris, keeping grass clippings, brush and manure in the park to create high-quality, organic soil amendment. This ‘black gold’ is used to revitalize our soils in support of our habitat restoration projects.

In June 2018 we were honored by the Environmental Protection Agency with its Federal Green Challenge award for our data-driven approach to evaluating our waste sorting practices at our buildings and sites. For example, after studying practices

at our public campground, we learned that proper sorting of disposables by visitors could increase the landfill diversion rate from 60 to 90 percent, so we installed signs making it easier for campers to put their trash into the right containers. We also made adjustments at 11 buildings, including downsizing waste containers or waste hauling service, increasing diversion from the landfill, and correcting the size or service to correct chronic bin overflow.

Community Gardening + Food Sustainability

We oversee an organic community garden program that serves residents in six Presidio neighborhoods. Our gardens also supports our in-house food operation, which includes three restaurants and a catering program. Through an initiative called *Presidio Grown*, in 2018 we produced 600 pounds of fresh organic produce, herbs, and edible flowers to support *Presidio Foods*.

The garden program also provides fresh produce boxes to the Presidio's residential interns and snacks for volunteer programs. Growing food on-site reduces the need for produce delivery, deterring CO2 emissions and traffic through San Francisco streets. The *Presidio Foods* program also participates in Farm-2-Fork, by purchasing food from farmers located within a 100 mile radius.

Sharing and Learning

In 2018 the Presidio hosted several events aimed at promoting sustainability practices. In April, the Presidio Trust presented at a Sustainability Summit held in conjunction with our partners at the National Park Service and Parks Conservancy. In September we hosted an educational seminar about sustainable practices as part of California Governor Jerry Brown's Climate Action Summit.

Strategic Goal: The Presidio will be visited and loved by all.

The Presidio welcomes visitors from all walks of life to enjoy the national park's extraordinary history, nature, learning, and recreational opportunities.

Understanding our Visitors

In 2018, a major in-park study was conducted with our partners at the National Park Service and the non-profit Golden Gate National Parks Conservancy to help us understand who our visitors are demographically, what they do here, and how they enjoy their experience. The research included exit surveys of 1,800 visitors during the summer and fall, as well as more detailed follow up phone surveys. The final report will be available in early 2019. We did a similar survey in 2008 and will be able to gauge how visitor use of the Presidio has changed as a result of the improvements that we and our partners have made over the last decade, including the creation of the Presidio Officers' Club museum and the Presidio Visitor Center, the expansion of our trails network, outreach, programming, and more.

Given the Presidio Trust's focus on reaching new audiences, this year we began exploring additional research methods to help us understand who is coming to the park and what activities they enjoy. New technologies, such as non-personally identifiable mobile phone data, are being explored for possible use in gathering visitor information on a more frequent basis. These technologies may also reveal what modes of travel visitors are using to get to and around the park, from bikes to busses to walking.

The data we gather from intercept studies, automated people counters, and new methods will establish a solid visitation baseline and inform our efforts to double visits from people of lower incomes, people with disabilities, and people of color over the next five years.

Celebrating the Second Successful Year at the Presidio Visitor Center

In February 2017, the Presidio Trust, the National Park Service, and the Golden Gate National Park Conservancy opened the doors to the new Presidio Visitor Center. Located in the historic heart of the Presidio, the center is open daily and is the gateway to the park experience, offering multi-media exhibits, knowledgeable staff and volunteers, multi-lingual visitor guides, and interpretive park-themed retail.

The center has been a hit with the public, welcoming 97,746 visitors in Fiscal Year 2018 and 191,559 since opening day. In 2018 we conducted an informal survey, asking visitors to note on a white board where they're from. Based on a sampling of more

than 1,000 guests, we learned that six percent hail from San Francisco, eight percent from the larger Bay Area, 16 percent from California, 46 percent from across the United States, and 24 percent from international locations.

Marking the Fifth Year of the Community Shuttle Program

Fall 2018 marks the fifth anniversary of the Community Shuttle Program, first begun in 2013 as a one-month pilot testing ways to help community groups overcome barriers to accessing this national park. The program has grown organically, has served as a model for other parks, and has been implemented elsewhere in the Golden Gate National Recreation Area. Our long-term goal is to raise awareness of the Presidio's offerings across many communities and to build confidence in people to return and navigate their park and its many offerings on their own. Participants and leaders continue to give positive feedback about the impacts of the program in their community. When asked what coming to the Presidio means to them, one participant shared: "It means calmness. ...I feel a greater peace within myself." The program is a partnership with the National Park Service and Golden Gate National Parks Conservancy.

The Presidio Community Shuttle Program has welcomed a total of 2700 people/26 groups in total, with 430 people welcomed in Fiscal Year 2018. Our long-term goal is to raise awareness of the Presidio's offerings across many communities and to build confidence in people to return and navigate their park and its many offerings on their own.

Welcoming Visitors to Presidio Picnic

Fiscal Year 2018 marked the sixth season of Presidio Picnic, a major seasonal gathering that draws tens of thousands to enjoy national park views, international food, and the Presidio's historic Main Parade Ground lawn. This year we broadened the reach of the event through outreach to new communities and added a new signature component - a monthly cultural dance performance featuring cultures and communities from throughout the Bay Area. We also reached out to new audiences through ethnic media outlets and directly through community organizations. We continued to offer "health and wellness" activities, such as free yoga, Zumba, youth safety bike lessons, and the "Roving Ranger" mobile visitor center that connects visitors to other park adventures. Presidio Picnic is the park's largest public program, and this was its biggest season yet. From March to October, we welcomed more than 185,000 guests. Through our Community Shuttle Program, we connected to organizations that had never experienced the event before, including the Central American Resource Center, the

Bayview YMCA, APA Chinatown, and Ocean View Library patrons. We host Presidio Picnic with Off the Grid.

Taking the Next Steps on the Presidio Tunnel Tops Project

After eight years of construction on the Presidio Parkway, the new tunneled roadway connecting vehicles from San Francisco to the Golden Gate Bridge, the California Department of Transportation (Caltrans) returned the site back to the Presidio Trust in August. This is a huge milestone that has allowed us to move forward with our project to create 14 acres of new national parkland on and around the highway tunnels.

The Tunnel Tops will include a beautiful landscape with trails, picnic areas, gardens, and vistas with 360 degree views of the bay, the bridge, the park, and the city. The project will also include a redesign of the Crissy Field Center and the addition of a surrounding three-acre youth campus where kids can explore nature through play. Design was developed with James Corner Field Operations, the team behind New York's *High Line*.

Our goal is to create a transit-friendly new gateway to the Presidio and to connect the park's waterfront to its historic center, reversing the divide created eight decades ago when the original highway was constructed. Our non-profit partner, the Golden Gate National Parks Conservancy, has raised 80% of the funds needed to complete the project. We look forward to celebrating opening day along with the National Park Service and the community in fall 2021.

Recognizing the Presidio as a Major Visitor Destination

In June the Presidio received the prestigious Silver Cable Car Award from the San Francisco Travel Association, an acknowledgement that the Presidio is a major visitor destination. The Presidio was celebrated for the "post to park" improvements that now welcome local, regional, national, and international visitors, from the new Presidio Visitor Center to the 24-mile trail network to the beaches at Crissy Field. We accepted the award along with the National Park Service and the Golden Gate National Parks Conservancy.

Welcoming Visitors for Health and Recreation

One of the principal ways the Presidio serves the community is as a place for recreating and getting healthy. In partnership with the National Park Service and

Golden Gate National Parks Conservancy, we've established a world-class 24-mile hiking and 25-mile biking trail network. In Fiscal Year 2018, our trail counters recorded more than eight million trips on a Presidio trail (5.8 million pedestrian trips and 2.5 million bicycle trips). Approximately 9,700 people enjoyed national park camping just minutes from the city at Rob Hill Campground, including more than 4,300 urban youth who participated in the Camping at the Presidio (CAP) program. In addition, 45,000 adults and youth played sports at the Fort Scott athletic field, and 82,000 others participated in organized sporting events such as runs and races held at the Presidio.

Offering Educational Programs for Youth

We are working to double the number of youth who participate in educational and recreational programs in the Presidio over the next five years. During the 2017-2018 school year, we welcomed 4,400 students through our eight core field trip offerings, half of which were targeted to “high need” schools as defined by the California Department of Education. Our signature summer event, a commemoration of the early history of California and the Presidio, drew 700 youth from across the Bay Area. Additionally, a summer teacher workshop, hosted in partnership with the National Japanese American Historical Society, Fred T. Korematsu Institute, and Facing History and Ourselves, taught 40 teachers how to incorporate content from our *EXCLUSION* exhibition in the classroom.

The Park Youth Collaborative (PYC) continued to improve the offerings of its core members: the Presidio Trust, the National Park Service, and the Golden Gate National Parks Conservancy. We launched the beta version of the “Park Youth Exchange” website and launched the first year of the Youth Advisory Council, which will inform various PYC future initiatives, including the Crissy Field Youth Campus.

In September 2018, we and our partners hosted the 17th annual Presidio Teachers' Night, which links Bay Area educators to the park's educational resources. More than 400 teachers and 40 museums and educational institutions participated.

Sharing the Presidio's History

Sharing the Presidio's history with visitors is core to our mission as a national park, and our primary venue for showcasing Presidio's stories is the Officers' Club, our museum and cultural center. In Fiscal Year 2018 the museum welcomed more than 85,000 visitors. A highlight of the year was our special exhibition entitled *EXCLUSION*, which explores the role that the Presidio played when it was home for the Western Defense Command and Lieutenant General John L. DeWitt issued Civilian Exclusion Orders

resulting in the incarceration of 120,000 Japanese Americans during World War II. The exhibition has attracted more than 70,000 visitors since opening in April 2017, which marked the 75th Anniversary of the first Exclusion Orders issued from the Presidio. In September 2018, it was honored with the Charles Redd Award for Exhibition Excellence by the Western Museums Association. We were honored to receive a special award and recognition from National Japanese American Historical Society celebrating the exhibit and our partnership in sharing this story with the public. The exhibition will run through spring 2019.

A regular free public programs series complements the club's permanent and special exhibits. In 2018 our events, included dances, lectures, musical performances, panel discussions, film screenings, book clubs, and crafts for families, drew more than 20,000 attendees.

The Officers' Club includes our Archaeology Lab, which sits on top of the original colonial site of El Presidio de San Francisco. In 2018 the Presidio Trust assumed management of an additional 37,000 objects transferred to us from the National Park Service, adding to the approximately half a million archaeological artifacts under our stewardship. Of note this year was the conservation of a World War II era photo album, found hidden in the enlisted men's barracks, which documented an unknown soldier's experiences in Germany. In addition to being a working facility, the lab welcomes school groups and visitors for regular tours. More than 7,000 people explored the lab and an additional 7,000 guests watched the live excavation at El Presidio from the "field station."

At the Officers' Club, our visitors are welcomed and engaged by a team of docents who enhance their experiences by helping visitors to connect to the hidden stories of the Presidio. We offer regular docent-led tours of the museum and in 2018 launched a monthly park shuttle tour and a new series of walking tours exploring the Presidio's Main Post, often referred to as the historic "heart" of the park.

Much of the recent history of the Presidio still resides in the memories of the soldiers, nurses, and civilians who lived and worked here in the latter half of the 20th century. This year, in partnership with the University of California, we recorded the oral histories of six veterans and civilian workers at the Presidio with connections spanning Philippine-American War, World War II, and Vietnam. These oral histories build and preserve the historic record that we rely on to help interpret the history of the former post for visitors.

Reviving the Presidio's Historic Theatre

We're bringing one of the Presidio's historic cultural destinations back to life through an agreement with the Margaret E. Haas Fund. Built in 1938-39 by the Works Progress Administration, the Presidio Theatre served Army families with films and life entertainment for decades, finally closing in 1995 shortly after the Presidio closed as a military post. In Fiscal Year 2018, the Haas Fund made substantial progress on rehabilitating and upgrading the 10,573 square foot building, including 12,280 square feet of new construction and a landscaped courtyard for hosting events. Construction is expected to wrap up in spring of 2019. When complete, the 650 seat theatre will be an affordable, state-of-the-art, multi-purpose space for live performances, film, dance, music, educational programs, and special events. The project represents a \$30 million investment in the Presidio. The Haas Fund is pursuing Federal Historic Tax Credits. Opening day is expected in fall of 2019. The theatre will complement other key Presidio cultural sites, notably the Presidio Officers' Club museum located just steps away.

Engaging Volunteers in Saving and Sharing the Presidio

Volunteers are critical to supporting habitat restoration, maintaining trails, welcoming visitors, and much more. In Fiscal Year 2018, more than 5,700 volunteers contributed over 28,000 hours of service by participating in weekly volunteer days, group service events, and major annual volunteer events such as the California Coastal Cleanup Day; supporting special events such as Bike to Work Day and Memorial Day; and greeting and guiding visitors at the Presidio Officers' Club, the Presidio Visitor Center, and out in the park.



KPMG LLP
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1801 K Street, NW
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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, 2018 and 2017, 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, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-01 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Presidio Trust as of September 30, 2018 and 2017, and its net costs, changes in the net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Performance and Accountability Report to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

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, Performance Results section, and Other Accompanying Information section 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 13, 2018 on our consideration of the Trust's internal control over financial reporting and our report dated November 13, 2018 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 solely 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 effectiveness of the Trust's 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 13, 2018

THE PRESIDIO TRUST
STATEMENTS OF NET COST

FOR THE YEARS ENDED SEPTEMBER 30,
2018 2017

PROGRAM COSTS

Operating Cost	\$140,814,962	\$132,169,235
Less: Earned Revenues	148,462,724	145,590,809
(NET SURPLUS) OR NET COST OF OPERATIONS	(\$7,647,763)	(\$13,421,574)

The accompanying footnotes are an integral part of the financial statements.

THE PRESIDIO TRUST
STATEMENTS OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30,
2018 2017

	Funds from Dedicated Collections	Funds from Dedicated Collections
Beginning Balance	359,261,129	336,739,186
Cumulative Results from Operations:		
Budgetary Financing Sources		
Donations and forfeitures of cash and cash equivalents	924,053	5,482,056
Other Financing Sources - Non-Exchange	147,453	0
Other Financing Sources		
Donations	10,084	221,734
Transfers-in/out Without Reimbursement (+/-)	0	2,478,884
Imputed Financing Sources - Funds from Dedicated Collections	1,518,852	917,695
Total Financing Sources	2,600,442	9,100,369
Net Cost of Operations	(7,647,763)	(13,421,574)
Net Change	10,248,205	22,521,943
Net Position	\$369,509,334	\$359,261,129

The accompanying footnotes are an integral part of the financial statements.

THE PRESIDIO TRUST
STATEMENTS OF BUDGETARY RESOURCES

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2018	2017
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary)	\$63,961,071	\$63,254,749
Borrowing authority (discretionary)	(2,590,788)	(2,450,454)
Spending authority from offsetting collections (discretionary)	158,552,996	142,172,122
Total budgetary resources	219,923,279	202,976,417
Status of budgetary resources		
New obligations	153,295,352	139,015,346
- Unobligated balance, end of year		
- Apportioned, unexpired accounts	66,627,927	63,961,071
Unobligated balance, end of year (total)	66,627,927	63,961,071
Total budgetary resources	219,923,279	202,976,417
Outlays, net		
- Outlays, net (total), (discretionary)	(13,299,562)	(4,233,298)
Agency outlays, net (discretionary)	(\$13,299,562)	(\$4,233,298)

The accompanying footnotes are an integral part of the financial statements.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

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 National Park Service (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 the purposes set forth in the Golden Gate National Recreation Area Act and the general objectives of the General Management Plan Amendment, as well as to be governed by the Government Corporation Control Act, among other legal requirements. The Trust primarily finances operations through rental leases for both residential and non-residential property as well as utility billing, hospitality income from hotels, a golf course, restaurants, 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/her designee. The head of agency for the Trust is a Chief Executive Officer 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.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net costs, changes in net position, and budgetary resources of the Trust as required by the Trust Act.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These financial statements were prepared from the Trust's accounting records in accordance with accounting principles generally accepted in the United States of America (GAAP), and the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements* revised July 30, 2018.

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's 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 Balance Sheet, Statements of Net Cost, and Statements of Changes in Net Position are presented on an accrual basis. The Statements of Budgetary Resources are on a budgetary basis. Under the accrual basis, 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 petty cash accounts maintained at the Trust, the Residential Property Management Company, the Inn at the Presidio, and the Lodge. All banking activities are conducted in accordance with the directives issued by the Department of the Treasury – Bureau of the Fiscal Service (BFS).

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 dedicated collection funds with the Treasury.

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 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 all or a portion of an account is deemed to be uncollectable, 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 uncollectable a bad debt expense is recorded and an allowance established. For the remaining receivables over 90 days old, for which we do not have clarity as to collectability the Trust reserves 75% of the balance as an allowance for uncollectable accounts. The reserve is not established at 100% because there is some likelihood of collection based on contractual arrangements and the collection tools the Trust has at its disposal.

As a federal agency, the Trust has the full force of the United States government to facilitate collecting past due amounts. The Trust has an interagency agreement with the US Treasury, Debt Management Services (DMS) for debt collection, and once a debt is deemed uncollectable, and the Trust has taken appropriate collection action, the debtor information is sent to DMS for collection. Debts that are given to DMS for

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

collection are not written off unless DMS deems the debt as uncollectable or the debt is over two years old. Debts reside in the Treasury Offset Program (TOP) after the two year period.

G. General Property, Plant, and Equipment (PP&E), Net

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 each asset using straight-line amortization over the assigned useful life 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:

- The asset must be acquired (purchased, constructed, or donated) for use in operations and not for investment or sale;
- The asset must have a useful life of at least two years; and
- The asset must meet the threshold of \$25,000 for buildings, building improvements, leasehold improvements, land improvements or personal property.

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*, and the Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*. Indirect costs are comprised of those 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 not purchased any land; the only amounts recorded within the land category are road beds, which are considered a non-depreciable asset.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 into the appropriate asset category when the project is substantially completed.

Stewardship, Multi-Use Heritage & 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. Stewardship, multi-use heritage, 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 related to stewardship and heritage assets.

H. Advances and Prepayments

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

I. 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.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017**

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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 not covered by budgetary resources or unfunded. 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 for which we have not yet 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.

The Army provided \$99 million to the Trust for the environmental cleanup in exchange for the Trust's assumption of such responsibilities. All of the Army funds have been spent and any remaining liability is unfunded. 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 \$3.6 million as of September 30, 2018.

The Trust has a Pollution Legal Liability policy (PLL) that provides coverage for pre-existing pollution conditions discovered during the policy period and conditions that

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Non-friable Asbestos Cleanup Liability

FASAB Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos Cleanup Costs* requires that federal entities recognize a liability for friable and non-friable asbestos that are probable and reasonably estimable. Changes in the remaining clean-up cost estimates are calculated in current year dollars as prescribed by the accounting standards.

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

Contingent Liabilities

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

Other Liabilities

Other liabilities on the Trust's balance sheet arise largely from Trust payroll, normal leasing transactions, and monies received for projects throughout the park. Liabilities such as security deposits and rent credits are directly related to leasing activity with both commercial 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.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned revenues are those monies advanced to the Trust for venue rentals and special park uses as well as monies received for projects which are at various stages but not yet complete. The Trust recognizes revenue related to these liabilities as the revenue is earned.

K. Revenues and Financing Sources

The Trust Act allows the Trust to retain funds earned for its own use and those funds are considered spending authority. 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 Statements of Budgetary Resources present 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, etc. These revenues are presented on the Trust's Statements of Net Cost as earned revenues and serve to offset the costs of the goods and services received by the Trust.

In fiscal years 2018 and 2017, the Trust earned more revenue than it spent, resulting in a negative net cost. In non-Federal accounting, this would be considered a surplus. Non-exchange revenues can result either from donations to the government or a transfer of funds from another government entity. These revenues are not considered to reduce the cost of the operations of the Trust and are reported on the Statements 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.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prices set for the various revenue activities are designed to recover full costs or the market value of those activities and maintain operations of the park as a self-sufficient entity to include providing funds for capital asset replacement and capital renovations.

Imputed Financing Sources

The only imputed financing source the Trust has under this standard is with the Office of Personnel Management (OPM). By law, OPM pays certain costs of the Trust's retirement programs. The Trust recognizes this cost as an operating expense and also recognizes an imputed financing source on the Statements 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), the Golden Gate National Parks Conservancy (GGNPC), the Federal Highway Administration (FHWA) or other partners on Trust-owned assets. These asset amounts are recorded as transfers in without reimbursement, transfers in non-exchange revenue, or donations.

L. Personnel Compensation and Benefits

Annual and Sick Leave Program

Annual leave is accrued as it is earned by employees. 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 have no right to be paid for unused sick leave.

Federal Employees Workers' Compensation Act (FECA) Program

FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to work-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 PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 the cost of claims due to 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 (FGLI) Program

Most Trust employees are entitled to participate in the FGLI 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 must 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 as required by SFFAS 55.

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); employees hired after that date are eligible to participate in the Federal Employee Retirement System (FERS).

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Trust Act affords the Trust the ability to manage the payroll process outside of the laws governing civil service retirement; however, the Trust has elected to use the retirement systems in place for federal employees. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. Although the Trust hired its first employees in 1999, the Trust does have some employees in CSRS as these employees have transferred to the Trust from other federal agencies and have prior federal service. Two percent of employees participate in CSRS and ninety-eight percent of employees participate in FERS. The Trust contributes a maximum of 16.9% for employees hired after 1984 and 16.2% for employees hired after 2013.

A primary feature of FERS is that it offers a savings plan to which the Trust contributes one percent of employees' pay. In addition, the Trust matches any employee contribution up to five percent of pay, dollar-for-dollar on the first three percent and fifty cents per dollar thereafter.

For FERS employees the Trust also contributes the employer's 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 the difference between its contributions to federal employee pension and other retirement benefits and the estimated actuarial costs as computed by the OPM as an imputed financing source and a program expense. The amounts reported as of September 30, 2018 and 2017 are \$1,518,852 and \$917,695, respectively.

M. Federal Government Transactions

The Trust obtains certain services from 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 activities performed for the benefit of the entire government.

N. Income Taxes

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

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017**

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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, historical cost of assets acquired from NPS, Doyle Drive assets and the useful lives of general PP&E. Actual results may differ from those estimates.

P. Reclassifications

Certain reclassifications have been made to prior periods to conform with current reporting as required by OMB Circular A-136, *Financial Reporting Requirements* revised July 30, 2018. On the Statement of Budgetary Resources, fiscal year 2017 is presented in the new format.

2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury, which consists entirely of enterprise funds, was \$4,995,504 and \$5,001,730 as of September 30, 2018 and 2017, respectively.

The status of the Fund Balance with Treasury on September, 2018 and 2017 is as follows:

CLASSIFICATION	2018	2017
Fund Balance with Treasury and Overnight Investments	\$ 67,950,504	\$ 57,241,730
Less: Invested Unobligated Balance	(4,139,386)	(13,417,944)
Less: Invested Unpaid Obligated Balance	(58,815,614)	(38,822,056)
TOTAL FUND BALANCE	\$ 4,995,504	\$ 5,001,730

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

3. CASH AND OTHER MONETARY ASSETS

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

CLASSIFICATION	2018	2017
Trust Petty Cash	\$ 1,000	\$ 1,000
Property Management Petty Cash	750	750
Inn at the Presidio Petty Cash	1,500	1,500
Lodge at the Presidio Petty Cash	1,500	-
Deposits in Transit	244,154	432,028
TOTAL CASH	\$ 248,904	\$ 435,278

4. INVESTMENTS

INVESTMENTS AS OF SEPTEMBER 30, 2018 - INTRAGOVERNMENTAL SECURITIES

CLASSIFICATION	CUSIP / GL ACCOUNT	MATURITY DATE	INTEREST RATE	COST / PAR VALUE	UNAMORTIZED DISCOUNT	NET VALUE
Non-marketable / Market Based	9920-34D06	09/30/29	6.12%	\$ 30,266,000	\$ -	\$ 30,266,000
Non-marketable / Market Based	9128-34D07	09/30/29	5.52%	2,978,000	-	2,978,000
Non-marketable / Market Based	One-Day	10/01/18	1.61%	62,955,000	-	62,955,000
				96,199,000	-	96,199,000
Interest Receivable				2,024,466	-	2,024,466
TOTAL INVESTMENTS				\$ 98,223,466	\$ -	\$ 98,223,466

INVESTMENTS AS OF SEPTEMBER 30, 2017 - INTRAGOVERNMENTAL SECURITIES

CLASSIFICATION	CUSIP / GL ACCOUNT	MATURITY DATE	INTEREST RATE	COST / PAR VALUE	UNAMORTIZED DISCOUNT	NET VALUE
Non-marketable / Market Based	9920-34D06	09/30/29	6.12%	\$ 30,266,000	\$ -	\$ 30,266,000
Non-marketable / Market Based	9128-34D07	09/30/29	5.52%	2,978,000	-	2,978,000
Non-marketable / Market Based	One-Day	10/02/17	0.96%	52,240,000	-	52,240,000
				85,484,000	-	85,484,000
Interest Receivable				2,017,121	-	2,017,121
TOTAL INVESTMENTS				\$ 87,501,121	\$ -	\$ 87,501,121

In fiscal years 2018 and 2017, both of the investments with a September 30, 2029 maturity date are investments of the proceeds from Trust borrowings from the Treasury (see Note

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
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4. INVESTMENTS (CONTINUED)

10). The Bureau of the Fiscal Service (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 owed \$2,024,466 and \$2,017,121 as of September 30, 2018 and 2017, respectively. The interest was paid to the Trust on the first business day of each fiscal year.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds of the Trust. The dedicated cash receipts collected from the public into the Trust are deposited in the U.S. Treasury, which uses the cash for general Government purposes.

Treasury securities are issued to the Trust as evidence of its receipts. Treasury securities are an asset to the Trust and a liability to the U.S. Treasury. Because the Trust and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the Trust with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Trust requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2018, is comprised of the following:

CLASSIFICATION	INTRA- GOVERNMENT	NON- GOVERNMENT	TOTAL
Gross Accounts Receivable	\$ 102,849	\$ 5,230,601	\$ 5,333,450
Accrued Interest Receivable	-	24,982	24,982
Less: Allowance for Uncollectible Accounts	-	(807,788)	(807,788)
NET ACCOUNTS RECEIVABLE	\$ 102,849	\$ 4,447,795	\$ 4,550,644

Accounts receivable as of September 30, 2017, is comprised of the following:

CLASSIFICATION	INTRA- GOVERNMENT	NON- GOVERNMENT	TOTAL
Gross Accounts Receivable	\$ 413,303	\$ 5,653,237	\$ 6,066,540
Accrued Interest Receivable	-	31,504	31,504
Less: Allowance for Uncollectible Accounts	-	(657,073)	(657,073)
NET ACCOUNTS RECEIVABLE	\$ 413,303	\$ 5,027,668	\$ 5,440,971

6. GENERAL PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment (PP&E) as of September 30, 2018 consists of the following property used in operations:

CLASSIFICATION	COST	ACCUMULATED DEPRECIATION	NET BALANCE
Land and Land Rights	\$ 3,701,000	\$ -	\$ 3,701,000
Improvements to Land	80,017,277	41,030,162	38,987,115
Construction-in-Progress	20,109,870	-	20,109,870
Buildings, Improvements, Renovations & Rehabilitations	440,779,372	126,790,819	313,988,553
Other PP&E, including furnishings, equipment, and software	136,042,023	69,364,370	66,677,653
TOTAL PROPERTY, PLANT & EQUIPMENT	\$ 680,649,542	\$ 237,185,351	\$ 443,464,191

Property, Plant and Equipment (PP&E) as of September 30, 2017 consists of the following property used in operations:

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

6. GENERAL PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

CLASSIFICATION	COST	ACCUMULATED DEPRECIATION	NET BALANCE
Land and Land Rights	\$ 3,701,000	\$ -	\$ 3,701,000
Improvements to Land	68,232,559	35,811,678	32,420,881
Construction-in-Progress	29,581,284	-	29,581,284
Buildings, Improvements, Renovations & Rehabilitations	410,578,709	113,975,364	296,603,345
Other PP&E, including furnishings, equipment, and software	125,147,166	63,355,758	61,791,407
TOTAL PROPERTY, PLANT & EQUIPMENT	\$ 637,240,718	\$ 213,142,800	\$ 424,097,918

Depreciation expense was \$25,772,519 and \$23,851,884 for the years ended September 30, 2018 and 2017, respectively. Land and land rights consists of the cost of road beds. 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. Other property, plant and equipment and land improvements are depreciated over their estimated useful lives ranging from three to ninety years.

7. STEWARDSHIP PROPERTY, PLANT & EQUIPMENT

The Trust's mission is: In partnership with the National Park Service and Golden Gate National Parks Conservancy, and at no cost to the taxpayers, the Presidio Trust brings alive the unique historic, natural, and recreational assets of the Presidio for the inspiration, education, health, and enjoyment of all people. 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).

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. A building can only be added to the heritage category if it is deemed that the building will not ever be occupied. Multi-use heritage assets, while historical in nature, are buildings that are leased to tenants. Stewardship assets consist primarily of historic forest and restoration of lands within the boundaries of the park. Land stewardship consists of forestry acreage added and withdrawn; the net reforestation activities equates to approximately two acres of forest each year.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
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7. STEWARDSHIP PROPERTY, PLANT & EQUIPMENT (CONTINUED)

The following table depicts the number of physical units at the end of fiscal year 2017, additions and withdrawals during fiscal year 2018, and the ending number of units at the end of fiscal year 2018.

CLASSIFICATION	BEGINNING BALANCE	ADDITIONS	WITHDRAWALS	ENDING BALANCE
Number of Buildings:				
Heritage	9.00	-	-	9.00
Multi-Use Heritage	411.00	-	-	411.00
TOTAL BUILDINGS	420.00	-	-	420.00
Number of Acres:				
Land Stewardship	856.79	2.88	(1.94)	857.73
TOTAL ACRES	856.79	2.88	(1.94)	857.73

The following table depicts the number of physical units at the end of fiscal year 2016, additions and withdrawals during fiscal year 2017, and number of units at the end of fiscal year 2017.

CLASSIFICATION	BEGINNING BALANCE	ADDITIONS	WITHDRAWALS	ENDING BALANCE
Number of Buildings:				
Heritage	9.00	-	-	9.00
Multi-Use Heritage	411.00	-	-	411.00
TOTAL BUILDINGS	420.00	-	-	420.00
Number of Acres:				
Land Stewardship	860.32	2.50	(6.03)	856.79
TOTAL ACRES	860.32	2.50	(6.03)	856.79

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NOTES TO THE FINANCIAL STATEMENTS
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8. 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, 2018 and 2017 these liabilities consist of the following:

CLASSIFICATION	2018	2017
FECA Actuarial	\$ 5,709,013	\$ 6,456,079
Environmental Remediation Liability (Note 10)	3,590,904	3,659,856
Non-friable Asbestos Liability (Note 11)	46,000,271	42,322,345
Annual Leave Liability	2,752,214	2,538,297
Rent Credit Liability	6,997,880	7,942,862
Liabilities Not Covered By Budgetary Resources	65,050,281	62,919,439
Liabilities Covered by Budgetary Resources	146,480,866	130,263,736
TOTAL LIABILITIES	\$ 211,531,147	\$ 193,183,175

9. DEBT

The Trust has the following debt to Treasury as of September 30, 2018 and 2017:

DEBT TO THE TREASURY	MATURITY DATE	2018	2017
Note C (dated 09/29/00)	09/30/29	\$ 16,162,082	\$ 17,202,192
Note C (dated 09/28/00)	09/30/29	16,162,082	17,202,192
Note C (dated 09/29/01)	09/30/29	8,102,677	8,613,245
TOTAL PRINCIPAL		\$ 40,426,841	\$ 43,017,629

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.

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NOTES TO THE FINANCIAL STATEMENTS
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9. DEBT (CONTINUED)

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 Trust has issued the following promissory notes to the BFS:

Note C (dated 9/29/00)

The current principal amount was \$16,162,082 as of September 30, 2018. 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 if the note is not repaid by the Trust. The note carries an interest rate of 6.122%, and requires principal payments starting in 2015 and ending on September 30, 2029. Principal repayments of \$1,040,110 and \$984,393 were made as of September 30, 2018 and 2017, respectively.

Note C (dated 9/28/00)

The current principal amount was \$16,162,082 as of September 30, 2018. 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 if the note is not repaid by the Trust. The note carries an interest rate of 6.122%, and requires principal payments starting in 2015 and ending on September 30, 2029. Principal repayments of \$1,040,110 and \$984,393 were made as of September 30, 2018 and 2017, respectively.

Note C (dated 9/29/01)

The current principal amount was \$8,102,677 as of September 30, 2018. 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,

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

9. DEBT (CONTINUED)

income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220 and Building 36 if the note is not repaid by the Trust. The note carries an interest rate of 5.515%, and requires principal payments starting in 2015 and ending on September 30, 2029. Principal repayments of \$510,568 and \$481,668 were made as of September 30, 2018 and 2017, respectively.

The Trust incurred \$2,581,257 and \$2,728,350 of interest expense for the fiscal years ended September 30, 2018 and 2017, respectively, which was included in program costs. In fiscal year 2018, no additional debt obligations were issued and there was no borrowing authority available as of September 30, 2018 and 2017, respectively.

The total principal paid in fiscal year 2018 is \$2,590,788. This amount is reflected as negative borrowing authority on the Statement of Budgetary Resources.

Additional yearly payments on the principal are scheduled as follows: \$2,739,162 in fiscal year 2019, \$2,896,038 in fiscal year 2020, \$3,061,905 in fiscal year 2021, \$3,237,277 in fiscal year 2022, and the remainder in years thereafter.

10. 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 \$3,590,904 as of September 30, 2018. Operations and maintenance are estimated to extend from the point of discovery and identification for at least thirty years or a shorter period if regulatory land use controls allow for it.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
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Agency Responsibilities for Environmental Cleanup (Continued)

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

10. OTHER LIABILITIES – ENVIRONMENTAL REMEDIATION (CONTINUED)

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.

The Trust's financial statements reflect a liability for environmental remediation cleanup costs of \$3,590,904 and \$3,659,856 which is unfunded as of September 30, 2018 and 2017, 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, 2018 and 2017 is as follows:

LIABILITY PER BALANCE SHEET	2018	2017
Beginning Balance	\$ 3,659,855	\$ 3,481,628
Costs applied	(298,534)	(178,880)
Change in estimate to complete	229,583	357,107
TOTAL LIABILITY	\$ 3,590,904	\$ 3,659,855

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.

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NOTES TO THE FINANCIAL STATEMENTS
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11. OTHER LIABILITIES - NON-FRIABLE ASBESTOS CLEANUP

The Trust's financial statements reflect an asbestos cleanup liability of \$46,000,271 and \$42,322,345 as of September 30, 2018 and 2017, respectively. 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 \$104,959 and \$172,848 as of September 30, 2018 and 2017, respectively.

12. OTHER LIABILITIES

Other liabilities as of September 30, 2018, and September 30, 2017 are comprised of the following:

CLASSIFICATION	SEPTEMBER 30, 2018		SEPTEMBER 30, 2017	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Intragovernmental Liabilities:				
Employer Contributions Payable	-	-	-	270,015
Other Employment Benefits	-	565,125	-	588,837
Unearned Revenue	-	106,700	-	49,182
Total Intragovernmental Liabilities	-	671,825	-	908,034
FECA Actuarial (Note 8)	5,138,112	570,901	5,919,544	536,535
Environmental Remediation Liability (Note 10)	3,292,370	298,534	3,331,343	328,512
Non-friable asbestos cleanup cost (Note 11)	45,896,271	104,000	42,122,345	200,000
Security Deposits	7,682,935	-	7,005,944	-
Unearned Revenue	62,737,215	11,739,113	42,957,410	12,081,265
Payroll Payable	-	1,655,621	-	1,216,061
Annual Leave Liability (Note 8)	-	2,752,214	-	2,538,297
Rent Credit Liability	5,979,742	1,018,137	6,922,196	1,020,666
Prepaid Rents & Services	-	1,534,788	-	2,353,102
Other Liabilities	-	335,817	-	405,995
TOTAL OTHER LIABILITIES	\$ 130,726,645	\$ 20,680,950	\$ 108,258,783	\$ 21,588,468

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NOTES TO THE FINANCIAL STATEMENTS
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13. LEASES

Trust as Lessee – Operating Leases

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

Trust as Lessee – Capital Leases

The Trust has one capital lease that it entered into in fiscal year 2018, for robotic mowers used at the golf course. The lease amount is \$263,780, and is for a period of four years.

Trust as Lessor - 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, fifteen 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 required housing or reduced commercial and residential 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 2023):

FISCAL YEAR	TOTAL
2019	\$ 26,858,322
2020	23,472,729
2021	18,574,900
2022	14,181,205
2023	11,969,917
Thereafter	386,075,299
Total	\$ 481,132,372

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NOTES TO THE FINANCIAL STATEMENTS
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14. COMMITMENTS AND CONTINGENCIES

From time to time, the Trust is involved in legal matters, including tort and employment-related claims. As of September 30, 2018 the Trust has no contingent liabilities.

15. EXCHANGE REVENUES

The Presidio Trust generates revenue from its real estate and hospitality portfolios. The majority of the revenue is earned through the management and leasing of the real estate portfolio. The real estate portfolio consists of approximately 6 million square feet of space and includes approximately 300 non-residential tenants, and over 2,500 tenants in the residential units.

Of the total portfolio, approximately 700,000 square feet is in need of rehabilitation and currently vacant with another 400,000 square feet occupied by the Trust's operations and by its park partners including the National Park Service and the United States Park Police. These spaces do not currently generate revenue to the Trust.

The Trust generally leases all non-residential real estate at no less than fair market value. The fair market value is the amount which, in a competitive market, a well-informed and willing lessee would pay and which a well-informed and willing lessor would accept for the use of the premises. Tenants are selected through a competitive process that considers the use, offers received for the space, comparable transactions, and the costs associated with the transaction. This competitive process establishes a fair market value for the space. All non-residential leasing is managed by Trust staff.

Market rate housing is available to all qualifying applicants, with full-time Presidio-based employees having first preference before the general public. Residential rents are marketed at market rate upon vacancy of a unit based on such factors as recent rental trends, potential lease term, location, and unit amenities.

The Trust relies on the expertise of its third party operator, John Stewart Company, to manage the leasing of the residential portfolio and to establish market rates. Residential rents upon renewal of a unit are capped at no more than 10%.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

15. EXCHANGE REVENUES (CONTINUED)

In addition, the Trust owns a hospitality portfolio which includes event facilities, a golf course, 2 hotels, 3 restaurants and full service catering services. The majority of these businesses are managed by third party operators who set the prices based on current market prices. The Trust relies on the expertise of the third party managers to set the prices and manage the operations of these businesses.

16. APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS: DIRECT VS. REIMBURSABLE OBLIGATIONS

All obligations are under reimbursable authority. The amount of obligations incurred as of September 30, 2018 and 2017 were \$153,295,352 and \$139,015,346, respectively.

17. 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 it earns to fund operations.

18. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders represent amounts for which funds were obligated but the goods and/or services related to those specific orders have not yet been received.

The balance of undelivered orders as of September 30, 2018 was as follows:

	FEDERAL	NON-FEDERAL	TOTAL
Undelivered Orders Obligations Unpaid	(4,014,824)	(36,634,696)	(40,649,520)
Undelivered Orders Obligations Paid	-	(1,207,834)	(1,207,834)
TOTAL	(4,014,824)	(37,842,530)	(41,857,354)

The balance of undelivered orders as of September 30, 2017 was \$22,971,797.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

19. CONTRIBUTED CAPITAL

The Trust is granted the authority to accept donations in the Trust Act. The Trust received direct donations of \$10,084 and \$221,734 during fiscal years 2018 and 2017, respectively. As of September 30, 2018 and 2017, the Trust received \$924,053 and \$5,482,056, respectively, in grants related to land improvements and historical renovations.

20. BUDGET AND ACCRUAL RECONCILIATION

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

Depreciation continues to grow each year as the Trust is still in the renovating large building assets and capitalized over \$34,485,211 in assets. In addition the Trust received \$20,210,550 in assets from the State of California during the fiscal year.

The other asset line consists of prepaids, other assets, and a deferred rent receivable. Prepaids decreased by \$1,068,847 due to the furniture fixtures and equipment for the Lodge at 105 being received and placed in service a cost not an outlay. The deferred rent receivable increased by \$659,333 due to additional leases and changes in lease terms. Revenue is recorded for the deferred rent receivable but no outlay is recognized.

Liabilities consisting of accounts payable rent credits, unearned revenue, and prepaid rents have largely decreased due to the timing of invoices received and processed for accounts payable, and amortization of rent credits and revenue. These liabilities either consist of the Trust recognizing a cost or revenue but no outlay.

The environmental liability increased due to an increase in the asbestos liability for inflation (see note 11) this resulted in a cost but not an outlay.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

20. BUDGET AND ACCRUAL RECONCILIATION (CONTINUED)

Financing Sources with budgetary consists of non-exchange financing sources received by the Trust that increase the net position of the Trust. They are not recorded as revenue but due result in an outlay.

	INTRA- GOVERNMENTAL	WITH THE PUBLIC	TOTAL
NET COST/(NET SURPLUS)	14,428,965	(22,076,728)	(7,647,763)
COMPONENTS OF NET COST THAT ARE NOT PART OF NET OUTLAYS:			
PP&E - DEPRECIATION		(25,772,519)	(25,772,519)
PP&E - DISPOSAL & REVALUATION		(429,639)	(429,639)
INCREASE/(DECREASE) IN ASSETS:			-
ACCOUNTS RECEIVABLE	(310,454)	(226,935)	(537,389)
OTHER ASSETS (Prepays, Deferred Rent Receivable)		(640,961)	(640,961)
(INCREASE)/DECREASE IN LIABILITIES:			-
ACCOUNTS PAYABLE, UNEARNED REVENUE	(89,598)	2,274,407	2,184,809
SALARIES AND BENEFITS	293,727	(439,560)	145,833)
ENVIRONMENTAL AND DISPOSAL LIABILITIES		(3,608,974)	(3,608,974)
OTHER LIABILITIES (UNFUNDED LEAVE, FECA, AND ACTUARIAL FECA)		839,053	839,053
OTHER FINANCING SOURCES:			-
FEDERAL EMPLOYEE RETIREMENT BENEFIT COSTS PAID BY OPM AND IMPUTED TO THE AGENCY	(1,518,852)		(1,518,852)
TRANSFERS OUT (IN) WITHOUT REIMBURSEMENT	(147,453)	(924,053)	(1,071,506)
TOTAL COMPONENTS OF NET COST THAT ARE NOT PART OF NET OUTLAYS (-)	(1,772,630)	(28,929,180)	(30,701,809)
COMPONENTS OF NET OUTLAYS THAT ARE NOT PART OF NET COST:			
ACQUISITION OF CAPITAL ASSETS		25,273,245	25,273,245
OTHER		(223,234)	(223,234)
TOTAL COMPONENTS OF NET OUTLAYS THAT ARE NOT PART OF NET COST		25,050,011	25,050,011
NET OUTLAYS	12,656,335	(25,955,897)	(13,299,562)

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

21. 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).

The Trust has received cash compensation under the Right of Entry agreement because the project must relocate, rebuild, and restore Trust assets in order to build the parkway. The cash compensation and fair market value of assets are recognized as unearned revenue as they are received, and the revenue is earned over time in accordance with SFFAS No. 7. The State currently has the use of a temporary construction easement. 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.

CALTRANS and its contractor are finalizing work in fiscal year 2019 and have turned over parts of the temporary construction easement to the Trust. The Trust and Caltrans reached agreement in 2018 that will allow the Trust to complete the landscape work remaining to reconstruct the park.

The Trust has received compensation in the amount of \$66,702,825 in cash and \$61,440,642 in fixed assets from CALTRANS through the end of fiscal year 2018. The Trust recognized earned revenue in the amount of \$1,097,498 and \$3,174,712 in fiscal years 2018 and 2017, respectively, leaving a balance of \$61,786,461 in unearned revenue at September 30, 2018. The Trust also recognized earned revenue in the amount of \$1,076,484 and \$1,343,362 in reimbursable project support through September 30, 2018 and 2017, respectively.

22. PRESIDIO TUNNEL TOPS

The Presidio Tunnel Tops Project (Tunnel Tops), an anticipated \$100 million project, will add 14 acres of parklands to the Presidio. The Tunnel Tops is wholly within Area B of the Presidio. The Trust is responsible for the project, which includes the planning, design, and construction efforts. GGNPC, a non-profit organization that raises funds to support projects in the Golden Gate National Parks, is responsible for the philanthropic campaign. NPS manages the adjacent parklands at Crissy Field, Area A of the Presidio. All three agencies participate in decision-making about the project.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

22. PRESIDIO TUNNEL TOPS (CONTINUED)

As part of the project, a 3-acre Youth Campus is projected to be approximately 30 percent of the entire Tunnel Tops project. The GGNPC will occupy the Youth Campus for a period of 30 years at no rent. The occupancy is considered an implicit lease agreement, and as such, the fair value amount attributed to the lease will be deferred rent and recognized into income over the term of the 30 year tenancy. As of September 30, 2018, the amount deferred is \$2,048,252.

THE PRESIDIO TRUST
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

REQUIRED SUPPLEMENTARY INFORMATION - DEFERRED MAINTENANCE & REPAIRS

The Trust manages property, plant and equipment that requires maintenance. These assets are included in two broad categories: infrastructure and 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, forested lands, designed lands, natural areas, and a golf course.

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 fixed assets in an acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components and other activities needed to preserve the Trust's assets so that 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 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 property, plant and equipment as well as non-capitalized or fully depreciated general property, plant and equipment.

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 only those maintenance activities that have not been capitalized (i.e., expensed items).

THE PRESIDIO TRUST
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

REQUIRED SUPPLEMENTARY INFORMATION - DEFERRED MAINTENANCE & REPAIRS (CONTINUED)

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.

Ranking and Prioritizing Maintenance and Repair Activities (Continued)

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 those set forth in the California State Water Resources Control Board regulations.

Standards for 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.

THE PRESIDIO TRUST
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

REQUIRED SUPPLEMENTARY INFORMATION - DEFERRED MAINTENANCE & REPAIRS (CONTINUED)

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

There was an overall net decrease of \$149,857 in deferred maintenance from 2017 to 2018. This is due to a decrease in multi-use heritage and non-historic buildings maintenance, marginally offset by the combined increase in infrastructure and grounds categories. The year-over-year increase in the infrastructure balance is due to the increase in the utility assets owned by the Trust. In fiscal year 2017, the Trust took ownership of utility assets in Area A of the Presidio. The larger asset base without an increase in resources caused the deferred maintenance to increase.

Stewardship and landscape balances decreased due to increased tree, shrub, and road maintenance. The increase in the golf course balance is due the deferral of roof replacement to 2019. The difference in the building deferred maintenance is marginal. The difference in the building categories is due to the type of neighborhood the maintenance work is focused on.

Deferred Maintenance, by Category

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

THE PRESIDIO TRUST
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 and 2017

REQUIRED SUPPLEMENTARY INFORMATION - DEFERRED MAINTENANCE & REPAIRS (CONTINUED)

CLASSIFICATION	2017 ENDING BALANCE	2018 BEGINNING BALANCE	2018 ENDING BALANCE
INFRASTRUCTURE & GROUNDS:			
INFRASTRUCTURE	\$ 949,569	\$ 2,440,905	\$ 1,277,385
STEWARDSHIP & LANDSCAPE	945,949	1,989,470	773,149
GOLF COURSE	112,415	305,190	202,980
TOTAL INFRASTRUCTURE & GROUNDS	2,007,933	4,735,565	2,253,514
BUILDINGS:			
HERITAGE	36,947	36,947	36,947
MULTI-USE HERITAGE	3,573,991	3,972,250	2,776,336
NON-HISTORIC	1,086,606	1,842,023	1,488,822
TOTAL BUILDINGS	4,697,544	5,851,220	4,302,105
GRAND TOTAL	\$ 6,705,477	\$ 10,586,785	\$ 6,555,618

Other Accompanying Information:

Inspector General Summary

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

Improper Payments

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

Summary of Financial Statement Audit and Management Assurances

Audit Opinion		Unmodified				
Restatement		No				
Material Weaknesses	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 Weaknesses	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 Weaknesses	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		N/A		
Accounting Standards		Yes		N/A		
USSGL - Transaction Level		Yes		N/A		

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

Grants Oversight and New Efficiency (GONE) Act

The Presidio Trust does issue grants though we do issue cooperative agreements. Trust agreements are not subject to the GONE Act as our agreements are not for the principal purpose of support or stimulation.

Fraud Reduction Report

In fiscal year 2018, the Trust took several additional actions to reduce the risk of fraudulent activity.

The Trust completed a revised policy for obtaining purchase cards and reduced the limits of the cards held outside of the Procurement department. In addition, all cardholder approving officials were required to be a director or supervisory level, and high dollar accounts were eliminated.

The Trust continued its implementation of Enterprise Risk Management (ERM). We finalized the first ERM report, and developed action plans linked to our goals/objectives. Risk mitigation and progress on our action plans are reported to the Audit Committee of the Board on a quarterly basis.

The Trust has finalized the selection of an outside audit firm to perform audits of our three hospitality third party managers. The first audit commenced during FY18 and gave the Trust visibility into the controls over financial reporting as well as the operations of the food operation. Next fiscal year the Trust will audit another operation.

Glossary

BFS – Bureau of the Fiscal Service
CAP – Camping at the Presidio
Caltrans – California State Department of Transportation
CIP – Construction in Progress
CPI – Consumer Price Index
CSRS – Civil Service Retirement System
DMS – Debt Management Services
DOI – Department of the Interior
DOL – Department of Labor
ERM – Enterprise Risk Management
ENR - Engineering New Record Rates
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
GONE Act – Grants Oversight and New Efficiency Act
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



KPMG LLP
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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, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*, the financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2018 and 2017, 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 13, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2018, 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 Trust'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.

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 results 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 13, 2018

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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, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*, the financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2018 and 2017, 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 13, 2018.

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 other instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-01.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the Trust's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results 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 13, 2018