



Presidio Trust

2019 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

PERFORMANCE + ACCOUNTABILITY REPORT FY 2019

Agency Head Letter

November 13, 2019

I'm pleased to report that in Fiscal Year 2019 we made considerable progress toward our strategic goals of modeling excellence in public service, operating the Presidio guided by forward-thinking environmental stewardship practices, and welcoming many diverse visitors to this unique national park site.

The Trust is proud to have a clean audit opinion for the eighth year in a row. The financial data presented is complete, and there are no material weaknesses in the internal control structure; however, we must strengthen our controls as discussed in exhibit 1 of the auditors' report. Given the strong Bay Area economy, the high cost of housing, and the relocation of most accounting staff for federal agencies outside of the Bay Area, we are increasingly challenged to find and retain accounting staff members with federal accounting experience. We also see a need to grow internally through training or bringing on additional resources to ensure we have sufficient real estate accounting expertise to handle the increasingly complex accounting and disclosure requirements.

In addition to financial data, in the performance section of the report we present performance data. That data is complete, though we continue to strive to improve our performance in data management, collection, and use.

Our most fundamental obligation is that we generate sufficient revenue to operate the Presidio without taxpayer support. For the seventh year in a row, we accomplished that. We've also brought additional focus to documenting the condition of our infrastructure, buildings, and landscapes and developed a renewal program for our assets that is helping us target our dollars where they're needed most.

In 2019 we reaped the benefits of years of environmental restoration work, seeing reintroduced native plant and animal species thrive, including the Variable Checkerspot Butterfly and the California bumble bee, both once on the verge of extinction in the Presidio. The Presidio is now one of America's most biologically diverse national parks.

And as the year concluded, we celebrated the reopening of the Presidio Theatre, magnificently brought back to life after a quarter century thanks to a \$40 million investment from the Margaret E. Haas Fund. The theatre is now offering live music, dance, and film events to the public.

As always, partnership is at the heart of the Presidio's successes. In just a few weeks, we'll celebrate the groundbreaking for the Presidio Tunnel Tops project, which will create 14 additional acres of trails, gardens, and gathering areas on top of a freeway to the Golden Gate Bridge. The Tunnel Tops project is made possible through the philanthropic support of

the non-profit Golden Gate National Parks Conservancy and the partnership of the National Park Service.

Last month we also marked an important milestone - 25 years since the US Army closed its post and the Presidio joined the national park system. Those early days were characterized by uncertainty as the Trust, Park Service, and Parks Conservancy took on the task of transforming a place designed to "protect and defend" into a place that welcomes everyone. It was hard to imagine then that the Presidio would be home to 3,000 residents and 200 organizations, or that it would become one of the most visited sites in the national park system.

We are so grateful for the support of residents and businesses who have chosen to locate here; to volunteers for helping to create hundreds of acres of open space; to donors for so generously supporting the creation of our trail system and the restoration of our open spaces; and to the public for embracing the Presidio's nature, recreation, and history.

The best is yet to come!

Sincerely,

A handwritten signature in blue ink, appearing to read "Jean Fraser", is written over a large, light blue circular scribble. The signature is fluid and cursive.

Jean 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.

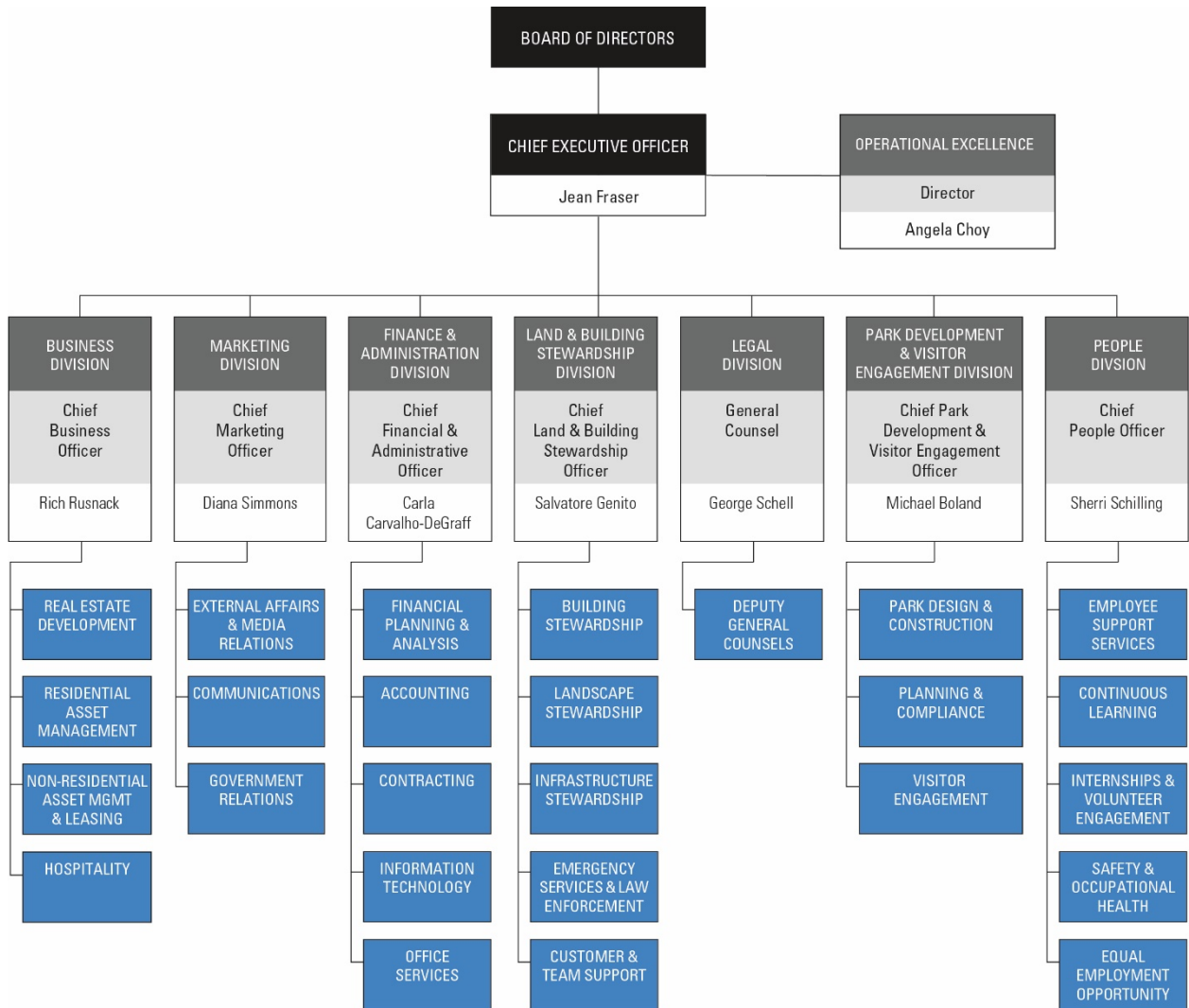
Organizational Structure

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 362 employees with a wide range of skills, including ecological restoration, historic preservation, real estate management, finance, communications, visitor engagement, and physical plant operations.

Organization Chart



Analysis of Financial Statements and Stewardship Information

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

Trust management 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 2019 and 2018.

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, 2019, and to compare it to the Trust's position the previous year.

Assets

The Trust's total assets increased by \$88.4 million for a total of \$669.4 million at the end of Fiscal Year 2019 compared to \$581.0 million at the end of Fiscal Year 2018. The net increase in assets consists of various increases and decreases in assets:

The largest part of these increases is due to additional revenues from Trust business lines, an increase in the amount of reimbursements received from the Golden Gate National Parks Conservancy (GGNPC) for the Tunnel Tops project due to the rate or work being completed (Note 23), and cash received from the settlement agreement with Caltrans (Note 22) which causes increases in both fund balance with treasury (cash) and investments in the amount of \$64.9 million.

Accounts receivable with the public increased by \$7.1 million largely due to receivables related to the Tunnel Tops project (Note 23).

General Property Plant & Equipment, net increased by \$10.2 million; the Trust continues to renovate and replace capital assets.

Liabilities

Our liabilities increased by \$70.6 million, ending at \$282.1 million in liabilities for Fiscal Year 2019 compared to \$211.5 million at the end of Fiscal Year 2018. The increase is made up of changes in several liabilities.

Unearned revenue increased by \$55.8 million, largely due to the receipt of funding from the Caltrans settlement (Note 22) in the amount of \$54 million.

The rent credit liability decreased by \$1 million. The decrease is a result of the amortization of various rent credits.

The non-friable asbestos cleanup liability increased by \$1.9 million due to adjustment for inflation.

Trust liabilities include \$37.7 million in debt to the U.S. Treasury. The required principal payment was paid on September 30, 2019, decreasing the liability by \$2.7 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 \$30.2 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 \$17.8 million, ending Fiscal Year 2019 at \$387.3 million compared to \$369.5 million at the end of Fiscal Year 2018.

Net Cost of Operations

These statements are intended to report net costs 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 remediation activities – are stated on a proprietary basis (those accounts that are used to track assets, liabilities, revenue, and expenses).

The Trust had net income of \$8.9 million during Fiscal Year 2019 compared to net income of \$7.6 million in Fiscal Year 2018. Net cost/income 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), while budgetary resources are available in a subsequent period.

The net cost statements reflect all the expenses incurred by Trust activities during Fiscal Year 2019, 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 a full year of operations of the 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 for those resources at the end of the fiscal

year. The Statements of Budgetary Resources are significant because they hold accounting for federal budget execution to audit standards. 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 2019, 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 \$302.8 million for Fiscal Year 2019, compared to \$219.9 million in Fiscal Year 2018. Of this amount, the Trust obligated \$168.3 million in Fiscal Year 2019 and \$153.3 million in Fiscal Year 2018. Unobligated balances at the end of Fiscal Year 2019 and Fiscal Year 2018 were \$134.6 million and \$66.6 million, respectively. This unobligated balance is due primarily to the funds held for capital improvements including the reconstruction of the park after Doyle Drive (Note 22), tenant security deposits, and the receipt of gifts.

Risks and Uncertainties

The Trust received appropriations for the first 15 years of operations, through Fiscal Year 2012. Fiscal Year 2019 marks the seventh 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 continue, and the park is preserved for the public.

While Trust operating income is enough to cover current operating expenses, Trust operating income alone is not sufficient at this time to ensure the timely replacement of Trust assets.

The Trust is responsible for rehabilitation and maintenance of the Presidio's fixed assets, including land, buildings, and infrastructure such as utilities, roads and sidewalks. Many of the assets have exceeded their depreciable lives; the cost to replace assets that are outdated is approximately \$402 million.

The Trust embarked on a project to refine lifecycle maintenance/cost of ownership data in Fiscal Year 2018. The project was completed in Fiscal Year 2019 resulting in a comprehensive refresh of the inventory of Trust assets, an assessment of their current condition, an updated estimate of the cost of asset replacement, and the development of maintenance schedules for all assets. Development of strategies to reduce our deferred maintenance and renewal will continue into Fiscal Year 2020. Deferred maintenance data based on current estimated maintenance can be found in the required supplementary information accompanying the financial statements. In Fiscal Year 2020 we will continue to refine maintenance plans to have a better understanding and forecast of deferred maintenance.

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

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 other material weaknesses were found in the design or operation of the internal control. In the financial audit, monitoring controls were identified as a significant deficiency, and a plan to remediate this issue will be developed in Fiscal Year 2020.

The Trust continues to monitor its risk identified in its Enterprise Risk Management (ERM) assessment and is monitoring work related to risk mitigation. The Trust will do an ERM reassessment in Fiscal Year 2021.

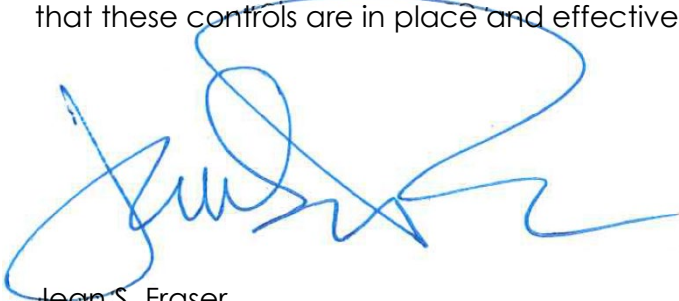
Statement of Assurance on Information Technology

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 2019, 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.

A handwritten signature in blue ink, appearing to read "Jean S. Fraser", is written over the text of the assurance statement.

Jean S. Fraser
Chief Executive Officer
November 13, 2019

Limitations of the Financial Statements

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

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

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

Fiscal Year 2019 Performance

Strategic Goal: The Presidio Trust will exemplify operational excellence in public service

Funding the Park

Fiscal Year 2019 was the seventh year that the Presidio Trust operated without taxpayer support. Rather than receiving an annual appropriation, we fund park operations and capital improvements with revenue earned from leasing our buildings to commercial and residential tenants, from our lodging, venues, food service and golf businesses, from charging for utilities, and from permitting and parking fees.

Due to the strong San Francisco Bay Area economy, in Fiscal Year 2019, our income exceeded our projections, with total revenue from all sources at \$136.3 million excluding income entries related to generally accepted accounting principles such as straight-line rent. We earned \$62.6 million from renting our housing units, with an average occupancy rate of 97%. Our commercial leasing program, which encompasses two million square feet of space, earned \$30.9 million from 18 master and 137 direct tenants and operated at a 98% occupancy rate.

Our hospitality program, which includes lodging, golf, venues, and food offerings, earned \$30.8 million in gross revenue, with a net income of \$5.6 million.

The program includes two park hotels, Inn at the Presidio, opened in 2012, and the Lodge at the Presidio, which wrapped up its first full year of operations after opening in July 2018. Together, the hotels earned \$9 million in revenue and welcomed 32,000 guests in Fiscal Year 19, while enjoying a combined occupancy rate of 81%. The new Lodge is ranked as the #1 hotel in San Francisco on Trip Advisor.

Our award-winning public 18-hole golf course welcomed 175,000 visitors for nearly 59,000 rounds of golf, earning \$8.7 million in revenue.

Additionally, we offer a special events venue rental program with six park venues available for meetings, conferences, and celebrations. In Fiscal Year 2019, we hosted more than 1,000 events, earning revenue of \$2.6 million.

Finally, we operate a food program, which includes catering to support our venue rental business, as well as three restaurants to serve the visiting public. In Fiscal Year 2019, we renegotiated our contract with our food service provider to reduce financial risk to the Trust. However, we are still losing money on our food program and will reexamine our strategy for food operations in Fiscal Year 2020.

Redeveloping and Leasing Historic Warehouses

In Fiscal Year 2019, we substantially completed rehabilitation of seven historic warehouses in the northeast Presidio. Known as the Gorgas Rail Complex, the structures were built in 1919 along a rail line used to transport supplies to Letterman Hospital when the Presidio was a U.S. Army post. This project is revitalizing important assets that contribute to our National Historic Landmark designation while adding 40,000 square feet of space to our leasing portfolio.

To identify office and health and wellness tenants for the space, we launched an intensive marketing effort. As the buildings are located in a highly desirable area of the Presidio, with Golden Gate views and excellent access to public transit, there has been strong interest. To date, we've signed one lease for 5,400 square feet of space and expect to have the remaining lease agreements in place by the end of the calendar year. We project we will earn approximately \$2 million annually from this additional rentable space.

Expanding Housing Opportunities and Revenue

The Presidio's housing stock, the legacy of the US Army, is a critical economic engine providing revenue to the Trust, generating 42.0% of the agency's total budget. In Fiscal Year 2019, we explored ways to expand our portfolio and make our rental processes more efficient.

In September 2019, we began rehabilitating former Army nurses' quarters as market rate housing. When complete in October 2019, 22 studio units will be available, generating \$525,000 in annual revenue to support the park. We also are in the process of adding 19 new affordable units, available to full-time park employees who earn a combined household income of up to 80% of the area median. When these projects are complete, we'll have a total of 1,441 units in our Presidio housing portfolio, with 15% of our units in affordable housing programs.

Leveraging our new in-house capacity to make our processes, systems, and workflows more efficient, we're examining how to reduce the days it takes to rehabilitate and rent vacated units. We're now conducting pre-move-out inspections to plan for necessary repairs, thus allowing us to shorten the time it takes to repair and clean the unit so we can lease the units faster.

Exploring the Future of Fort Winfield Scott

From January 2018 through June 2019, we led a national request for proposals to see if there were organizations interested in working with us to revitalize Fort Winfield Scott. Fort Scott is comprised of 22 buildings totaling 300,000 square feet of space. It is the largest remaining collection of buildings in the park awaiting rehabilitation.

Our intent was to identify an organization with the resources, sophistication, and capacity to invest upwards of \$200 million to transform Fort Winfield Scott into a campus for mission-driven organizations focused on addressing the significant environmental and social challenges of our time.

We were gratified to receive strong interest from nine organizations, and in September 2018, we narrowed the field to four final teams that ultimately chose to submit a single joint proposal. After careful consideration of the proposal and public input, in May 2019, we concluded that the single proposal did not meet the requirements set forth in the Request for Proposals. Our intent now is to continue redeveloping other sites within the Presidio with the goal of generating revenue to develop Fort Scott in a phased approach in the future.

Developing a Comprehensive Plan for Replacement and Maintenance of the Presidio's Assets

In contrast to wilderness parks, the Presidio is a built environment much like a small city. The park contains more than 700 buildings totaling nearly 5.6 million square feet of space; electrical, sewer, water, and telecom systems; miles of roads, trails and sidewalks; and more than 900 acres of landscape including forest, natural areas, lawns, and gardens.

While we've invested significantly in maintaining and replacing our assets over two decades, particularly by rehabilitating buildings to generate operating income, we've not had full visibility into the condition of our total assets, or a comprehensive estimate of the investment needed to keep them in good condition.

To address this, in 2018 we began an 18-month project to establish a comprehensive replacement and maintenance plan. We began by refreshing our inventories of our physical assets and recording each asset in our Geographic Information System (GIS). We also developed a procedure for updating that inventory as assets are added or rehabilitated. We then evaluated the condition of each asset using an industry-standard metric and determined the cost of renewing or replacing each over time. This work has enabled us to quantify the total investment needed to renew and replace our assets at approximately \$402 million.

With this information for each of our asset types (land, buildings, utilities) we can target our spending on the most critical areas. We've identified that our greatest need is updating the park's electrical infrastructure, much of which was installed by the US Army and dates to the 1960s. Toward that end, in Fiscal Year 2019 we completed replacement of an electrical substation serving the Presidio's most populated districts and started the planning/engineering for replacing our other primary electrical feed substation. We also accelerated work to replace the Presidio's aging forest, first planted by the Army in the 1880s (see the Environmental Stewardship section).

Our work in this area greatly improves our ability to keep the Presidio in good condition so we can provide quality, reliable service to residents and tenants and offer a safe and welcoming experience to visitors.

Serving as a Historic Preservation Leader

In Fiscal Year 2019, two important historic preservation organizations held their annual meetings in the Presidio, drawn to the park because of our reputation for innovative management and conservation. The first meeting was with 200 preservationists from the US chapter of the International Council on Monuments and Sites, a network of 110 countries that advocates for historic preservation at the international level. We also welcomed the National Trust for Historic Preservation, our nation's top non-profit for preservation advocacy. Their annual conference included a field trip to the Presidio to see how we've preserved nature and history within the Tennessee Hollow Watershed and how we work with the National Park Service at Crissy Marsh. We're grateful for the opportunity to share lessons learned from our preservation work and to learn from other sites.

Training Interns to Join our Workforce

In Fiscal Year 2019, we launched a new paid internship program that allows participants to gain on-the-job experience in a variety of park professions while helping us build our workforce by creating a pool of qualified and trained applicants for future positions. Our first cohort, launched in June 2019, was open to college graduates. We welcomed nine participants who worked in communications, forestry, natural resources, landscape rehabilitation, and historic compliance. The experience is guided by detailed learning plans that prepare participants to launch their careers. Next year we're expanding the program to include high school graduates and those still enrolled in college, with roles in hospitality, education, zero waste and ecological restoration available.

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

Measuring and Enhancing the Presidio's Biodiversity

The Presidio is one of America's most biologically diverse national parks. We've long worked with our partners at the National Park Service and the non-profit Golden Gate National Parks Conservancy to restore the Presidio's natural habitats and native species, and to keep our wildlife healthy and thriving. In Fiscal Year 2018, the Trust set a strategic goal to model the very best stewardship practices, with a five-year target of increasing the biodiversity index score in 50% of our landscapes. In Fiscal Year 2019, several projects moved us toward this goal.

We continued with the basics, collecting data from dozens of park sites to track changes in biodiversity over time using a standard known as the Urban Biodiversity Inventory Framework (UBIF), which helps us know where to prioritize our restoration efforts. In 2019, we conducted 75 biodiversity surveys.

We then initiated or continued several projects to restore natural habitats:

- At Inspiration Point we increased habitat for two federally listed endangered species, the Presidio Clarkia, a wildflower found in only two locations worldwide, and the Franciscan manzanita, an endangered shrub thought for 70 years to be extinct in the wild. In spring 2019, we sampled the population and estimated a record number of more than 800,000 Presidio Clarkia at Inspiration Point.
- At Fort Winfield Scott, we conducted an experiment on best practices to convert the historic parade ground lawn from one dominated by undesirable, invasive plants to a biodiverse mix of native grasses and wildflowers that may better support wildlife.
- We began a pilot project to study how to modify a stand of blue gum Eucalyptus to increase its support of biodiversity and to improve the health of the forest near our popular public campground.
- We continued habitat restoration at the Presidio's Mountain Lake, one of San Francisco's last surviving natural lakes. For nearly two decades, we and our partners have been working to restore the lake's ecosystem. In 2019, we reached our goal of having 10,000 visitors take the Mountain Lake Promise, which lays out simple but important ways the public can keep the lake healthy. We also installed a "turtle undercrossing" beneath a busy trail at the lake, proving safe passage to breeding grounds for the native Western pond turtles and Pacific chorus frogs we introduced to the lake in 2013/2014. We believe this will increase the likelihood that these species will be re-established at the lake.
- In fall 2019, we started preparations for a major project to expand marshland at Crissy Field at a site known as Quartermaster Reach. Beginning in November/December 2019, we'll bring an 850-foot length of long-buried stream from the park's largest watershed – Tennessee Hollow – back to the surface. Next spring, we'll plant native salt marsh and riparian plants, resulting in nearly seven acres of wetlands. We'll also create a new public trail through the site.

Additionally, this past year we had the opportunity to see the benefits of restoration efforts begun previously:

- The Variable Checkerspot Butterfly, reintroduced in 2017 after a long absence, now has a population of several thousand in the Presidio. This was the first year that we did not supplement the butterfly population with larvae, demonstrating that the butterflies are repopulating on their own – a sign that our reintroduction was a success.
- In the summer of 2019, a colony of silver digger bees, not seen in San Francisco in significant numbers since the 1920s, was found breeding in one of our restored sand dunes in the western Presidio.
- During the annual butterfly count, a new bumble bee species – the California bumble bee – was found in the park. We now have 60 bee species in the Presidio.
- A rare shorebird, the ruff (*Philomachus pugnax*) was sighted at Crissy Marsh this summer. This bird was migrating from a great distance; the fact that the bird stopped in the Presidio shows that our restoration efforts have created habitat for birds to rest and feed during their migration journeys.

Managing the Presidio's Coyote Population

Coyotes are an important part of the Presidio's ecosystem. Because the national park welcomes millions of visitors each year and is a community where people live and work, we have an active coyote management program. Our goal is to reduce potential conflicts between coyotes, dogs, and people so park users can enjoy the Presidio in harmony with wildlife.

With assistance from 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 (spring to fall) when conflicts are most likely to occur.

In 2019, we continued to apply 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 that included outreach to six Presidio schools, a public workshop, and outreach through media, social media, email, and signage. This resulted in a second year without any significant encounters between coyotes and dogs.

Revitalizing the Presidio's Forest

The Presidio's 306-acre historic forest was first planted by the US Army in the 1880s. It is the largest contributing feature to the Presidio's National Historic Landmark District status and an important part of the park's ecosystem. Because the cypress and pine trees are nearing the end of their natural life, in 2001 we and the National Park Service developed the *Presidio Vegetation Management Plan* to lay out a comprehensive approach for ensuring a safe, healthy, and sustainable forest over time. Then in 2003, we began a multi-decade effort to rejuvenate the forest, taking steps each year to remove and replace dying trees. Over the past 15 years, we have replanted 40 acres with more than 5,000 young and healthy trees.

In 2019, we undertook three major reforestation projects, and one habitat restoration project. At the Park Boulevard Key Historic Stand, in August we removed 70 declining Monterey cypress that we will replace with 150 young cypress trees in December of this year. At the Arguello Key Historic Stand, the site of Andy Goldsworthy's *Spire* sculpture, we removed 100 declining cypress that we will replace with 200 young trees by year's end. Along West Pacific Blvd. we removed 65 declining Monterey cypress; we will replant with a mixture of 200 cypress and pine trees.

To ensure the safety of our visitors, we also removed a three-acre stand of dying Monterey cypress trees along Mountain Lake Trail behind the Presidio Landmark apartments. In this area, we'll expand habitat by planting native trees and plants including oaks, coastal dune scrub species, and the federally endangered San Francisco lessingia, a dune annual wildflower. This rare plant can only be found in the Presidio and in one other location in the Bay Area. Over the past two decades, the Presidio Trust and the National Park Service have brought this plant back from the brink of extinction by expanding the sandy dune habitat that allows it to thrive.

This year we also completed a wildfire analysis and management study, which confirmed that the Presidio has a very low risk of a serious wildfire and that our risk will not substantially increase in coming decades due to climate change.

In June of this year, we marked the 10-year anniversary of the Presidio Forest Stewards volunteer program. We're grateful to our community for helping us take care of the park's beloved forest.

Reducing the Impact of Park Operations on the Environment

We're striving to reduce to zero the impact park operations have on the environment. We have set ambitious five-year targets for reducing greenhouse gas emissions, the use of drinking water for irrigation, and the amount of waste we generate. Several 2019 initiatives moved us forward.

Reducing Greenhouse Gas Emissions + Conserving Energy

To reduce emissions from transportation, since 2003 we have operated a park shuttle – the PresidiGo – which offers free transportation to, from, and around the park seven days a week to employees, residents, and visitors. In 2019, PresidiGo Shuttle ridership increased by 8% year over year to 630,000 rides.

We're examining the efficiency of our own Presidio Trust vehicle fleet and equipment, continuing the introduction of zero-emission electric carts, mowers, and trimmers for landscape maintenance.

In 2019, we also completed the first year of electric bikeshare in the Presidio, resulting in over 36,000 rides. Additionally, we initiated discussions with the City of San Francisco to integrate bikeshare programs to create a more seamless experience for visitors.

Reducing Water Use

We are converting 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. In 2019, we developed a measurement and mapping system that helps us identify priority areas for conversion from water and labor-intensive irrigated turf to lower water-using, lower maintenance, more sustainable landscape types.

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 that is used to revitalize the soils used in our habitat restoration projects.

This year we negotiated a new contract with the Presidio's waste management company that commits them to delivering an aggressive Zero Waste program at the Presidio designed to achieve the Trust's five-year goal of halving the amount of waste the Trust and park residents, tenants, and visitors send to landfill. Due to the Presidio's already high diversion rate, we will receive a 14% cost discount, which will save tens of thousands of dollars each year.

Due to our sustainability policies and public educational efforts, we also achieved an 89% waste diversion rate at Presidio Picnic, our most popular event, with an attendance of 201,000 people in 2019.

Community Gardening + Food Sustainability

With a goal of making organic gardening available within walking distance of every residential neighborhood in the park, the Trust oversees a community garden program with more than 200 plots in seven gardens. Neighbors meet while tending the plots to grow healthy, local produce.

Our gardens also support park volunteer programs and our in-house food operation, which includes three restaurants and a catering program. In 2019, we produced 1,500 pounds of fresh organic produce, herbs, and edible flowers to support these programs. We also hosted local schools for a Kids in Gardens program, where youth learned about farming and healthy eating from chefs and garden educators.

Recognition

In March 2019, we received a Green Business Certification from the San Francisco Department of the Environment. To achieve the certification, the Trust underwent a rigorous assessment that focused on our practices at our headquarters building. We received kudos for the buildings' LEED Gold status, our electrical vehicle charging stations, and our green cleaning products. We were also challenged to make several improvements, including swapping out some traditional lightbulbs for energy-efficient LED's and placing better signage on our composting and recycling bins.

Strategic Goal: As a national park, the Presidio will be visited and loved by all

Reopening the Historic Presidio Theatre

In September 2019, a newly revitalized Presidio Theatre opened to the public after a \$40 million rehabilitation funded by the Margaret E. Haas Fund. Built in 1938-39 by the Works Progress Administration to serve as an Army theatre, the historic facility had been dark for a quarter-century. The two-year renovation included excavation beneath the building to create rehearsal space, the addition of an outdoor plaza for public events, and a beautiful remodel of the 600-seat theatre space. The facility now welcomes the public with affordable live music and dance, film, and children's programming. The Presidio Theatre is a great complement to nearby visitor destinations, including the Officers' Club museum and cultural center to enliven the heart of the park.

Understanding our Visitors

In spring, we received the results of a major longitudinal study that is helping us understand who's visiting the Presidio, what activities visitors are enjoying here, and the overall quality of the visitor experience. We first surveyed visitors in 2008; this follow up study revealed how improvements we've made over the last decade - including creation of a 24-mile trail network and the addition of a Visitor Center - are helping us welcome and serve the public. We learned that the percentage of first-time visitors has increased, that our visitor population is increasingly diverse, that visitation by international guests has doubled, and that 98% of visitors would recommend the Presidio to a friend.

While this visitation study assessed visitor sentiment, it did not provide the total volume and demographics of park visitors. In Fiscal Year 2019 we launched a new research program to measure the demographics (age, race, and income level) of visitors and project the total volume of visitors on a quarterly and annual basis. This information is mapped to the local and United States populations so we can judge how the park population compares. Ultimately, this information will help us measure if we are reaching our five-year target to

double the number of visitors welcomed from populations traditionally underserved by national parks.

Preparing for the Presidio Tunnel Tops

The California Department of Transportation (CalTrans) returned to the Trust the land that it had occupied over the course of nearly a decade to replace the seismically-outdated Doyle Drive highway with the more compatible Presidio Parkway. In January 2019, CalTrans also provided the Trust with a payment of \$54 million to restore the many acres of parkland disturbed by the construction. These moves cleared the way for us to advance the Presidio Tunnel Tops project, which will create 14-acres of world-class vistas, gardens, trails, and gathering areas on and around the highway tunnels.

In summer 2019, we imported 53,000 cubic tons of soil to cover the tunnels, the first step in bringing the new landscape to life. We also welcomed 2,000 kids to a “pop up” play area where we tested games, experiences, and activities we’re designing for the new youth campus, which will include a remodeled Crissy Field Center, a drop-in educational field station, and a three-acre outdoor interactive playscape free to all children. When Tunnel Tops opens in fall 2021, we expect to increase the number of kids served at Crissy Field Center from 30,000 to 100,000 in five years, moving us toward our target of doubling the number of children who participate in outdoor educational programs.

In November, we will host the formal Tunnel Tops “groundmaking” ceremony, signaling that the two-year construction project has begun in earnest.

The project is largely philanthropically funded, with our partners at the Golden Gate National Parks Conservancy having already raised \$78.4 million, representing 87% of the \$98 million fundraising goal. We’re delighted to work with our partners at the Parks Conservancy and the National Park Service to create this exciting new destination for visitors.

Welcoming All Visitors with Diverse and Relevant Programs

In 2018, we established a strategic goal that the Presidio will be visited and loved by all, and a five-year target that the Trust will double visitation from groups traditionally underserved by national parks as measured by ethnicity, income, and ability. Toward that end, in 2019 we developed a partnership with the San Francisco Human Services Agency, which serves low-income individuals, children and families, older adults, and adults with disabilities. The Presidio Trust partnered with the Human Services Agency on three postcard campaigns to promote the park to low-income households in San Francisco. Through the campaigns, we reached 109,000 English, Spanish, and Chinese speaking households and welcomed 1,725 visitors to the park, 50% of whom had never visited before.

We also hosted the second year of free monthly cultural dances at the Presidio Picnic, inviting seven groups who showcased different cultural communities in the Bay Area. In 2019, the overall event drew a record 201,000 visitors to the park. This was the seventh season we’ve hosted Presidio Picnic, which is by far our largest public gathering.

In September, we were the presenting sponsor for the Korean Harvest Festival, a celebration of the food and culture of this vibrant community. We welcomed 4,000 guests for the free festivities, which we will anticipate will be a new Presidio tradition.

Additionally, we welcomed more than 41,000 visitors to our *EXCLUSION* exhibition, which examines the role the Presidio played when it was home to the Western Defense Command during World War II. At that time, General John L. De Witt issued Civilian Exclusion Orders resulting in the incarceration of 120,000 Japanese Americans. Our goal is to illuminate important stories from the Presidio's past and make them relevant for current park visitors. About 117,000 guests have experienced *EXCLUSION* since the exhibition opened in the Presidio Officers' Club museum and cultural center in April 2017.

We also ran our Community Shuttle Program, a way to help community groups overcome barriers to accessing this national park, for a sixth year, welcoming 1,000 people from 44 organizations, from the Bayview YMCA to the Central American Resource Center. The program is a partnership with the National Park Service and Golden Gate National Parks Conservancy.

Educating our Youth

We've set a five-year target to double the number of young people who participate in educational and recreational programs in the Presidio. In Fiscal Year 2019, we welcomed more than 4,600 youth to the Presidio through guided and self-guided education programs, family events, and summer camps. We provided 2,200 students with guided field trips, 75% of which were targeted to "high need" schools as defined by the California Department of Education.

Our Camping at the Presidio Program (CAP), designed to introduce youth to national park camping experiences, served 5,400 youth and adults. At Crissy Field Center, a partnership of the Trust, the National Park Service, and the Golden Gate National Parks Conservancy, many additional young people participated in environmental educational programs.

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 2019, we and our partners hosted the 18th annual Presidio Teachers' Night, which links Bay Area educators to the park's educational resources. More than 430 teachers and 30 museums and educational institutions participated.

Creating a Place for Recreation, Health, and Wellness

One of the Presidio's great benefits is that it places outdoor recreation within easy reach of urban populations. A variety of experiences were available to park visitors in 2019.

- A total of 7.3 million pedestrians and bicyclists enjoyed the Presidio 24-mile trail network and 25-miles of bikeways, created by the Trust, the National Park Service, and the Golden Gate National Parks Conservancy over the last decade.
- Additionally, approximately 3,900 people enjoyed camping just minutes from the city at Rob Hill Campground, one of just two campgrounds located in San Francisco.
- 39,000 adults and youth played sports at the Fort Scott athletic field.
- 86,000 others participated in organized sporting events such as organized runs and races held in the Presidio.

Honoring Veterans at our Annual Memorial Day Commemoration

Each year, the Presidio Trust, the City of San Francisco, and the Department of Veterans Affairs host one of the largest Memorial Day commemorations on the West Coast. This year's gathering was attended by 1,800 veterans, family members, and supporters, including Speaker of the House Nancy Pelosi and San Francisco Mayor London Breed. James Hatch, a veteran who was severely wounded in Afghanistan in 2009, gave the keynote address, Jan C. Huly, Lieutenant General, US Marine Corps (Ret.), William E. Grayson, Chair Presidio Trust Board of Directors, and Marie Hurabiell, Vice Chair Presidio Trust Board of Directors were also speakers. The ceremony featured a wreath-laying honoring a Gold Star family. Veteran and San Francisco Giants legend Willie Mays also participated in a flag raising ceremony at Pershing Square. This event is a poignant reminder of the enduring significance of the Presidio for those in the military.

Commemorating History at the 20th Anniversary Pasados del Presidio

For two decades, the Presidio Trust has honored the Presidio's Ohlone, Spanish, and Mexican heritage at a series of public events known collectively as *Pasados del Presidio*. In June 2019, we welcomed more than 800 visitors to the two-day event, a majority of whom were youth from Bay Area schools. The events included Friday's "Afternoon Fun for Kids," where children explored the cultures of various peoples who have lived in the Presidio through hands-on crafts and presentations.

Additionally, descendants from the families of the Juan Bautista de Anza Expedition (1775-76) returned to the Presidio to recognize the journey of their ancestors and the establishment of *El Presidio de San Francisco* at "Los Californianos Commemoration of the Anza Expedition." We also provided special "Pasados del Presidio Docent Tours" – one-hour guided tours that included stories and artifacts focusing on the Presidio's rich Spanish and Mexican heritage.

Creating Park Stewards through our Volunteer Program

Volunteers are critical supporters who help us welcome guests at the Visitor Center and Officers' Club museum, guide people walking on our trails, and maintain our natural areas. In Fiscal Year 2019, more than 5,500 volunteers donated 25,000 hours of service, with a total value of more than \$641,000. Said one volunteer, "As a Presidio Park Steward and a docent in the Presidio Officers Club museum, I have the best of both worlds. As a park steward, it is so gratifying to plant and weed in so many diverse areas of the Presidio. And as a museum docent, I am able to tell the history of this singular place and impart that to visitors. How amazing to have a national park in the midst of a major American city."

Chief Financial Officer Letter

We concluded the fiscal year with several new executive team members. This fiscal year marks the first year for Rich Rusnack, Chief Business Officer, George Schell, General Counsel, and Diana Simmons, Chief Marketing Officer. Changes in the Executive team have brought new ideas to the organization, especially ideas about how we can continue to finance this national treasure through a downturn in the economy, how we care for the assets of the park, and how we stay financially sustainable for the long term.

Fiscal Year 2019 marks the Trust's seventh year without appropriations, and while the Trust can cover its operating costs, the most serious financial risk the Trust faces remains its need for capital to invest in the renewal and maintenance of the park's assets as discussed in the performance section of this report. While operating solely on revenues earned, the park continues to align budgetary resources with its strategic plan.

A major issue is that we must operate without access to capital. We cannot get loans from the private sector. Nor have we been able to get loans from the Treasury. This lack of access to capital is becoming a significant risk to the Presidio's financial viability in the long term because we cannot rehabilitate buildings fast enough to earn the revenue, we need to replace our assets, particularly our utilities. As an example of the risk this poses, if our electrical system becomes unreliable, tenants will elect to move elsewhere in San Francisco instead of renting in the park.

Our Statement of Budgetary Resources shows a \$134.6 million unobligated balance, end of year or what we would call a "carry forward" of funds. This carry forward consists of \$19.1 million in funds that are restricted as they are received from grants or donations, 13.3 million set aside for security deposits and prepayments received by the Trust, \$21.2 million for the reconstruction of the park after Doyle Drive, \$15.9 million for the Quartermaster Reach project, \$28.6 million for various projects including renewal projects, \$17 million saved for commitments in future years, with the remainder set aside for future renewal and replacement projects.

As part of our strategy, the Trust is committed in investing in its people. We embarked on reforming our compensation system. This required significant work on the part of the finance team and will result in a significant financial investment in Fiscal Year 2020 and beyond.

There were several changes to accounting policies (accounting pronouncements) this fiscal year:

Statement of Federal Financial Accounting Standards (SFFAS) 49: Public Private Partnership Disclosure which requires the disclosure of public private partnerships and financial information related to those partnerships.

Statement of Federal Financial Accounting Standards (SFFAS) 53: Budget and Accrual Reconciliation which requires that the net cost of operations be reconciled to budgetary outlays.

Statement of Federal Financial Accounting Standards 55 (SFFAS): Amending Inter-entity Cost Provisions which requires that federal entities recognize costs from other federal entities related to business activities and imputed cost for personnel benefits incurred on behalf of agencies by the Office of Personnel Management (OPM).

The Trust was an early adopter of SFFAS 53 and 55, adopting both in Fiscal Year 2018. The budget and accrual reconciliations are presented in comparative form in this report.

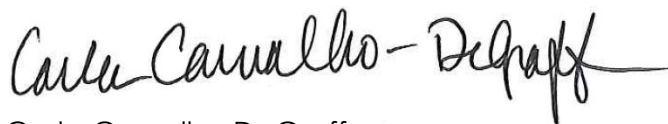
The Trust adopted the SFFAS 49 this year. We have leveraged our partnerships with the private sector to develop many of the wonderful properties housed in the park, we use the private sector to manage our real estate and hospitality portfolios, and we partner with the Golden Gate National Parks Conservancy (GGNPC) for fundraising. We are an agency that employs the P3 model in many of our endeavors.

In Fiscal Year 2019, we ensured that we resourced the finance function, bringing on key staff members, and in Fiscal Year 2020 we will be focused on completing the training of these new staff members.

We have also continued efforts to refine and improve the Trust's financial processes. Looking forward to Fiscal Year 2020, we will continue to focus on improved internal and external financial reporting with the goal of providing Trust managers, board members, federal oversight officials, and the general public with timely, transparent, accurate, and useful financial information. In addition, improvements in the accuracy of our financial data and efficiency of our workforce will come from implementation of a budget tool, a refined month end process, and improved e-invoicing.

The Trust maintains the unmodified audit opinion first achieved in Fiscal Year 2012, though we will be focusing on strengthening our internal controls related to monitoring as outlined in the auditor's report.

I, along with our CEO and senior leadership, remain committed to providing the Trust with the highest levels of financial management services and ensuring the efficiency, economy, and effectiveness of the Trust programs and activities.



Carla Carvalho-DeGraff
Chief Financial & Administrative Officer
November 13, 2019



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

Independent Auditors' Report

The Board of Directors of
The Presidio Trust:

Report on the Financial Statements

We have audited the accompanying financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of net cost, changes in net position, and statements of 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. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 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, 2019 and 2018, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information 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 Table of Contents, Agency Head Message, Fiscal Year 2019 Performance, Chief Financial Officer Letter, 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*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2019, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in Exhibit I, as items that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements as of and for the year ended September 30, 2019 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and



material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03.

Trust's Response to Findings

The Trust's response to the findings identified in our audit are described in Exhibit I. The Trust's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 13, 2019

I. Monitoring Controls Over Financial Reporting

Internal control is a dynamic process that has to be adapted continually to the risks and changes an entity faces. Therefore, monitoring of the internal control system is essential in helping internal control remain aligned with changing objectives, environment, laws, resources and risks. Internal control monitoring assesses the quality of performance over time and promptly resolves the findings of audits and other reviews. Specifically, we noted the following related to the Trust's monitoring controls.

Conditions

- The Trust does not have a process in place to perform ongoing monitoring of the design and operating effectiveness of control activities at their service organizations as part of the normal course of business. In addition, the Trust does not have effective complementary user controls to review information provided by the service organization in a timely manner. Specifically, during the financial statement closing process, the Trust recorded a journal entry adjusting its non-residential rent revenue by approximately \$2.3 million. Based on our review of this adjustment, we noted that controls over the straight-line calculation of non-residential rent revenue are not designed, implemented, and/or operating effectively. We noted that the straight-line rent schedule provided by the service organization to the Trust contained multiple errors, including:
 - Inaccurate and/or incomplete information for 15 non-residential leases; and
 - Inappropriately excluded 6 leases subject to straight-line rent recognition.

Additionally, during our review of the straight-line rent schedule post adjustments, we noted one of our sample selections had errors in the deferred rent calculation.

- Controls over the expense accrual process are not designed, implemented, and/or operating effectively. The Trust did not perform an effective review of the accrual entries related to accrued expenses. Specifically, the Trust incorrectly recorded a journal entry for approximately \$4.7 million to increase expenses related to construction projects, which should have been capitalized instead. Upon our observations, the Trust adjusted its records accordingly.

Criteria

- General Accountability Office (GAO) Standards for Internal Control in the Federal Government (Green Book) Principle 10-Design Control Activities
- General Accountability Office (GAO) Standards for Internal Control in the Federal Government (Green Book) Principle 16-Perform Monitoring Activities.

Cause and Effect

The Trust did not have or did not consistently enforce monitoring controls over financial reporting processes, including monitoring activities of the Trust's service organizations. If not corrected, these control deficiencies will expose the Trust to an increased risk that misstatements will be neither prevented nor detected and corrected in the financial records and financial statements in a timely manner.

Recommendations

We recommend that the Trust's management strengthen its monitoring controls, as follows:

Exhibit 1—FY 2019 Significant Deficiency

- Perform an assessment of employee resources in the Office of the Chief Financial Officer to ensure an appropriate complement of resources are in place to manage accounting and reporting matters, as they arise and through the normal course of business.
- Evaluate the need to provide specific training to personnel who are preparing and reviewing financial statement information to ensure figures are complete, accurate, and presented in compliance with applicable accounting standards.
- Implement ongoing monitoring, separate evaluations, or a combination of the two to obtain reasonable assurance of the operating effectiveness of the service organization's internal controls over their review of non-residential lease and lease terms when updating the straight-line rent schedule.
- Develop and implement a quarterly review process over the straight-line rent schedule provided by the service organization.
- Enforce ongoing monitoring, separate evaluations, or a combination of the two to obtain reasonable assurance of the operating effectiveness of the Trust's internal controls over their review of accrues expenses when performing their month end close process.

Management's Response

Management concurs. The Trust will assess and implement corrective actions to address this deficiency.

**THE PRESIDIO TRUST
BALANCE SHEETS**

	AS OF SEPTEMBER 30,	
	2019	2018
<u>ASSETS</u>		
Intragovernmental		
Fund Balance with Treasury [NOTE 2]	\$7,016,686	\$4,995,504
Investments [NOTE 4]	161,100,000	98,223,466
Accounts Receivable [NOTE 5]	566,097	102,849
TOTAL INTRAGOVERNMENTAL	168,682,783	103,321,819
Cash and Other Monetary Assets [NOTE 3]	18,468	248,904
Accounts Receivable, Net [NOTE 5]	11,564,268	4,447,795
General Property, Plant, and Equipment (PP&E), Net [NOTE 6]	453,728,103	443,464,191
Other Assets		
Prepayments	4,711,409	1,847,204
Deferred Rent Receivable, Net	30,541,943	27,471,606
Other Deferred Real Estate Costs	183,379	238,962
	500,747,570	477,718,662
TOTAL ASSETS	669,430,353	581,040,481
<u>LIABILITIES</u>		
Intragovernmental		
Accounts Payable	4,784,895	5,183,851
Debt [NOTE 9]	37,687,679	40,426,841
Other Liabilities		
Other Employment Benefits Payable [NOTE 12]	638,973	565,125
Unearned Revenue [NOTE 12]	8,375,045	106,700
TOTAL INTRAGOVERNMENTAL	51,486,591	46,282,517
Accounts Payable	18,818,816	10,599,596
Other Liabilities		
Environmental Remediation Liability [NOTE 8, 10, 12]	3,523,858	3,590,904
Non-friable Asbestos Cleanup Liability [NOTE 8, 11, 12]	47,906,916	46,000,271
Contingent Liabilities [NOTE 14]	3,964	0
Security Deposits [NOTE 12]	8,107,433	7,682,935
Unearned Revenue [NOTE 12, 22]	130,249,632	74,476,328
Payroll Payable [NOTE 12]	1,987,796	1,655,621
Annual Leave Liability [NOTE 8, 12]	2,963,347	2,752,214
Rent Credit Liability [NOTE 8, 12]	5,997,995	6,997,880
Prepaid Rents & Services [NOTE 12]	1,923,308	1,534,788
FECA Actuarial Liability [NOTE 8, 12]	5,486,324	5,709,013
Food Program Liability [NOTE 8, 12]	3,663,214	3,913,263
Other Liabilities [NOTE 12]	18,536	335,817
	230,651,139	165,248,630
TOTAL LIABILITIES	282,137,731	211,531,147
<u>NET POSITION</u>		
Cumulative Results of Operations - Funds from Dedicated Collections	387,292,624	369,509,334
TOTAL NET POSITION	387,292,624	369,509,334
TOTAL LIABILITIES & NET POSITION	\$669,430,353	\$581,040,481

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

**THE PRESIDIO TRUST
STATEMENTS OF CHANGES IN NET POSITION**

	FOR THE PERIOD ENDED SEPTEMBER 30,	
	2019	2018
	Funds from Dedicated Collections	Funds from Dedicated Collections
Beginning Balance	\$369,509,334	\$359,261,129
Cumulative Results from Operations:		
<u>Budgetary Financing Sources</u>		
Donations and forfeitures of cash and cash equivalents	7,023,676	924,053
Other Financing Sources - Non-Exchange	341,174	147,453
<u>Other Financing Sources</u>		
Donations	140,946	10,084
Imputed Financing Sources - Funds from Dedicated Collections	1,345,828	1,518,852
Total Financing Sources	8,851,624	2,600,442
Net Cost of Operations	(8,931,666)	(7,647,763)
Net Change	17,783,289	10,248,205
Net Position	\$387,292,624	\$369,509,334

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

**THE PRESIDIO TRUST
STATEMENTS OF NET COST**

	FOR THE PERIOD ENDED SEPTEMBER 30,	
	2019	2018
<u>PROGRAM COSTS</u>		
Operating Cost	\$152,260,483	\$140,814,962
Less: Earned Revenues	161,192,149	148,462,724
Total Net Cost	(8,931,666)	(7,647,763)
(NET SURPLUS) OR NET COST OF OPERATIONS	(\$8,931,666)	(\$7,647,763)

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

**THE PRESIDIO TRUST
STATEMENTS OF BUDGETARY RESOURCES**

FOR THE PERIOD ENDED SEPTEMBER 30,

	2019	2018
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary)	\$66,627,927	\$63,961,071
Spending authority from offsetting collections (discretionary)	236,213,171	155,962,208
Total budgetary resources	302,841,099	219,923,279
Status of budgetary resources		
New obligations	168,261,680	153,295,352
Unobligated balance, end of year		
Apportioned, unexpired accounts	134,579,419	66,627,927
Unobligated balance, end of year (total)	134,579,419	66,627,927
Total budgetary resources	302,841,099	219,923,279
Outlays, net		
Outlays, net (total), (discretionary)	(69,661,344)	(13,299,562)
Agency outlays, net (discretionary)	(\$69,661,344)	(\$13,299,562)

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, 2019 AND 2018**

NOTE 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 commercial 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.

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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.

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 June 28, 2019. 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 a petty cash accounts maintained at the Trust. In Fiscal Year 2019, to strengthen our controls over petty cash, the Trust reported all the petty cash accounts for our third-party managers as part of fund balance. In the past they had been separate from fund balance. All banking activities are conducted in accordance with the directives issued by the Department of the Treasury – Bureau of the Fiscal Service (BFS).

Treasury processes cash disbursements and receipts on behalf of the Trust, and the Trust's accounting records are reconciled with those of Treasury on a monthly basis. The Trust currently only has funds designated as dedicated collection funds with the Treasury.

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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 collectible accounts. If an account is identified as collectible, 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 uncollectible, the Trust records a bad debt expense and establishes an allowance.

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

As a federal agency, the Trust has the full force of the United States government to facilitate collecting past due amounts. The Trust has an interagency agreement with the US Treasury, Debt Management Services (DMS) for debt collection, and once a debt is deemed uncollectible, and the Trust has taken appropriate collection action, the debtor information is sent to DMS for collection. Debts that are given to DMS for collection are not written off unless DMS deems the debt as uncollectible or the debt is over two years old. Debts reside in the Treasury Offset Program (TOP) after the two-year period.

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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 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.

Assets received from the Doyle Drive project (Note 23) were subject to the Trust's asset capitalization criteria and were constructively accepted as a formal acceptance had not occurred upon completion of construction and when the asset were placed in use. The final group of assets were recorded on the Trust's books in Fiscal Year 2018; no further assets will be received from the project. Caltrans has completed the project.

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H. 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.

I. 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, and as such are considered priceless and irreplaceable. For these assets, no value is assigned, 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.

J. 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.

K. 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.

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L. 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 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 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 \$3,523,858 million as of September 30, 2019.

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 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.

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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. 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.

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M. 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 2019 and 2018, the Trust earned more revenue than it spent, resulting in a negative net cost. In non-Federal accounting, this would be considered net income.

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. 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

SFFAS No. 55 Amending Inter-entity Cost provisions provides guidance for the imputed costs that federal agencies should recognize. 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 recognizes an imputed financing source on the Statements of Changes in Net Position. Other Financing Sources

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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, non-exchange financing sources, or donations.

N. 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 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 12). 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 (FEGLI) Program

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Most Trust employees are entitled to participate in the FEGLI program. Participating employees can obtain "basic life" term insurance, with the Trust reimbursing the employees the cost of the basic life insurance biannually. Additional coverage is optional and 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 No. 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 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 has one employee remaining in CSRS as this employee transferred to the Trust from another federal agency and had prior federal service. The Trust contributes a maximum of 16.9% for employees hired after 1984 and 17.6% 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.

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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, 2019 and 2018 are \$1,345,828 and \$1,518,852, respectively.

O. 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.

P. 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.

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Q. 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.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury, which consists entirely of enterprise funds, was \$7,016,686 and \$4,995,504 through the years ending September 30, 2019 and 2018, respectively.

The status of the Fund Balance with Treasury on September 30, 2019 and 2018 is as follows:

CLASSIFICATION	2019	2018
<i>Fund Balance with Treasury and Overnight Investments</i>	\$ 134,872,686	\$ 67,950,504
<i>Less: Invested Unpaid Obligated Balance</i>	(73,487,836)	(58,815,614)
<i>Less: Invested Unobligated Balance</i>	(54,368,164)	(4,139,386)
TOTAL FUND BALANCE	\$ 7,016,686	\$ 4,995,504

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NOTE 3. CASH AND OTHER MONETARY ASSETS

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

CLASSIFICATION	2019	2018
Trust Petty Cash	\$ 1,000	\$ 1,000
Property Management Petty Cash	-	750
Inn at the Presidio Petty Cash	-	1,500
Lodge at the Presidio Petty Cash	-	1,500
Deposits in Transit	17,468	244,154
TOTAL CASH AND OTHER MONETARY ASSETS	\$ 18,468	\$ 248,904

In Fiscal Year 2019, The Trust has included the petty cash for the 3rd parties in fund balance with Treasury for greater control.

NOTE 4. INVESTMENTS

INVESTMENTS AS OF SEPTEMBER 30, 2019 - INTRAGOVERNMENTAL SECURITIES

CLASSIFICATION	CUSIP / GL ACCOUNT	MATURITY DATE	INTEREST RATE	COST / PAR VALUE	UNAMORTIZED DISCOUNT	NET VALUE
Non-marketable / Market Based	9128-34D06	09/30/29	6.122%	\$ 30,266,000	\$ -	\$ 30,266,000
Non-marketable / Market Based	9128-34D07	09/30/29	5.515%	2,978,000	-	2,978,000
Non-marketable / Market Based	One-Day	07/01/19	2.190%	127,856,000	-	127,856,000
Total Intragovernmental Securities				161,100,000	-	161,100,000
Interest Receivable				-	-	-
TOTAL INVESTMENTS				\$ 161,100,000	\$ -	\$ 161,100,000

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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	6.122%	\$ 30,266,000	\$ -	\$ 30,266,000
Non-marketable / Market Based	9128-34D07	09/30/29	5.515%	2,978,000	-	2,978,000
Non-marketable / Market Based	One-Day	10/01/18	1.610%	62,955,000	-	62,955,000
Total Intragovernmental Securities				96,199,000	-	96,199,000
Interest Receivable				2,024,466	-	2,024,466
TOTAL INVESTMENTS				\$ 98,223,466	\$ -	\$ 98,223,466

In fiscal years 2019 and 2018, both investments with a September 30, 2029 maturity date are investments of the proceeds from Trust borrowings from the Treasury (see Note 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.

In Fiscal Year 2019, interest in the amount of \$2,017,121 was paid to the Trust on the last day of the fiscal year.

In Fiscal Year 2018, the Trust was owed \$2,024,466 in interest on the investment of the proceeds from the borrowing noted above. This interest was paid to the Trust on the first business day of Fiscal Year 2019.

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.

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NOTE 5. ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2019 is comprised of the following:

CLASSIFICATION	INTRA- GOVERNMENT	NON- GOVERNMENT	TOTAL
Gross Accounts Receivable	\$ 566,097	\$ 11,730,587	\$ 12,296,684
Accrued Interest Receivable	-	15,610	15,610
Less: Allowance for Uncollectible Accounts	-	(181,929)	(181,929)
TOTAL ACCOUNTS RECEIVABLE, NET	\$ 566,097	\$ 11,564,268	\$ 12,130,365

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	\$ 5,333,449
Accrued Interest Receivable	-	24,982	24,982
Less: Allowance for Uncollectible Accounts	-	(807,788)	(807,788)
TOTAL ACCOUNTS RECEIVABLE, NET	\$ 102,849	\$ 4,447,795	\$ 4,550,644

NOTE 6. GENERAL PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment (PP&E) as of September 30, 2019 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	83,291,361	46,891,909	36,399,453
Construction-in-Progress	44,526,346	-	44,526,346
Buildings, Improvements, Renovations & Rehabilitations	444,322,508	137,481,439	306,841,069
Other PP&E, including furnishings, equipment, and software	138,641,711	76,381,475	62,260,235
TOTAL PP&E AT SEPTEMBER 30, 2019	\$ 714,482,926	\$ 260,754,823	\$ 453,728,103

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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
<i>Land and Land Rights</i>	\$ 3,701,000	\$ –	\$ 3,701,000
<i>Improvements to Land</i>	80,017,277	41,030,162	38,987,115
<i>Construction-in-Progress</i>	20,109,870	–	20,109,870
<i>Buildings, Improvements, Renovations & Rehabilitations</i>	440,779,372	126,790,819	313,988,553
<i>Other PP&E, including furnishings, equipment, and software</i>	136,042,023	69,364,370	66,677,653
TOTAL PP&E AT SEPTEMBER 30, 2018	\$ 680,649,542	\$ 237,185,351	\$ 443,464,191

Depreciation expense was \$27,025,872 and \$25,772,519 for the years ended September 30, 2019 and 2018, respectively. Land and land rights consist of the cost of roadbeds. 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.

NOTE 7. STEWARDSHIP PROPERTY, PLANT & EQUIPMENT

The Trust's mission is as follows: "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

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stewardship consists of forestry acreage added and withdrawn; the net reforestation activities equates to approximately two acres of forest each year. The following table depicts the number of physical units at the end of Fiscal Year 2018, additions and withdrawals during Fiscal Year 2019, and the ending number of units at the end of Fiscal Year 2019.

CLASSIFICATION	FY19 BEGINNING BALANCE	ADDITIONS	WITHDRAWALS	FY19 ENDING BALANCE
<i>Number of Buildings:</i>				
<i>Heritage</i>	9.00	–	–	9.00
<i>Multi-Use Heritage</i>	411.00	–	–	411.00
TOTAL BUILDINGS	420.00	–	–	420.00
<i>Number of Acres:</i>				
<i>Land Stewardship</i>	857.73	3.64	(4.79)	856.58
TOTAL ACRES	857.73	3.64	(4.79)	856.58

The following table depicts the number of physical units at the end of Fiscal Year 2017, additions and withdrawals during Fiscal Year 2018, and number of units at the end of Fiscal Year 2018.

CLASSIFICATION	FY18 BEGINNING BALANCE	ADDITIONS	WITHDRAWALS	FY18 ENDING BALANCE
<i>Number of Buildings:</i>				
<i>Heritage</i>	9.00	–	–	9.00
<i>Multi-Use Heritage</i>	411.00	–	–	411.00
TOTAL BUILDINGS	420.00	–	–	420.00
<i>Number of Acres:</i>				
<i>Land Stewardship</i>	856.79	2.88	(1.94)	857.73
TOTAL ACRES	856.79	2.88	(1.94)	857.73

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NOTE 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, 2019, and 2018, these liabilities consist of the following:

CLASSIFICATION	2019	2018
FECA Actuarial	\$ 5,486,324	\$ 5,709,013
Contingent Liabilities (Note 14)	3,964	-
Environmental Remediation Liability (Note 10)	3,523,858	3,590,904
Non-Friable Asbestos (Note 11)	47,906,916	46,000,271
Annual Leave Liability	2,963,347	2,752,214
Rent Credit Liability	5,997,995	6,997,880
Liabilities Not Covered by Budgetary Resources	65,882,404	65,050,281
Liabilities Covered by Budgetary Resources	216,255,327	146,480,866
TOTAL LIABILITIES	\$ 282,137,731	\$ 211,531,147

NOTE 9. DEBT

The Trust has the following debt to Treasury as of September 30, 2019 and 2018:

DEBT TO THE TREASURY	MATURITY DATE	2019	2018
Note C (dated 09/29/00)	09/30/29	\$ 15,063,102	\$ 16,162,082
Note C (dated 09/28/00)	09/30/29	15,063,102	16,162,082
Note C (dated 09/29/01)	09/30/29	7,561,475	8,102,677
TOTAL PRINCIPAL		\$ 37,687,679	\$ 40,426,841

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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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 prior year beginning balance of debt was \$40,426,841, there was no new borrowing

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

Note C (dated 9/29/00)

The current principal amount was \$15,063,102 as of September 30, 2019. The amount was used for the capital improvement projects activities in, on, or in support of 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 \$1,098,980 and \$1,040,110 were made as of September 30, 2019 and 2018, respectively.

Note C (dated 9/28/00)

The current principal amount was \$15,063,102 as of September 30, 2019. 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 \$1,098,980 and \$1,040,110 were made as of September 30, 2019 and 2018, respectively.

Note C (dated 9/29/01)

The current principal amount was \$7,561,475 as of September 30, 2019. 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,

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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 \$541,202 and \$510,568 were made as of September 30, 2019 and 2018, respectively.

The Trust incurred \$2,425,748 and \$2,581,257 of interest expense for the fiscal years ended September 30, 2019 and 2018, respectively, which was included in program costs. In Fiscal Year 2019, no additional debt obligations were issued and there was no borrowing authority available as of September 30, 2019 and 2018, respectively.

Additional yearly principal payments are scheduled as follows: \$2,896,038 in Fiscal Year 2020, \$3,061,905 in Fiscal Year 2021, \$3,237,277 in Fiscal Year 2022, \$3,422,699 in Fiscal Year 2023 and the remainder in years thereafter.

NOTE 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 was \$3,523,858 as of September 30, 2019. 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.

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

From May 1999 to May 2014, there was a Real Estate Environmental Liability ("REEL") policy that also provided coverage for unknown contamination. The REEL policy had a limit of \$10 million per claim (with a \$25,000 self-insured retention) and a \$50 million aggregate for all claims.

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The Trust's financial statements reflect a liability for environmental remediation cleanup costs of \$3,523,858 and \$3,590,904 which is unfunded as of September 30, 2019 and 2018, 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, 2019 and 2018 is as follows:

<i>LIABILITY PER BALANCE SHEET</i>	<i>2019</i>	<i>2018</i>
<i>Beginning Balance</i>	\$ 3,590,904	\$ 3,659,855
<i>Costs applied</i>	(260,709)	(298,534)
<i>Change in estimate to complete</i>	193,664	229,583
<i>TOTAL LIABILITY</i>	\$ 3,523,858	\$ 3,590,904

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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NOTE 11. OTHER LIABILITIES - NON-FRIABLE ASBESTOS CLEANUP

The Trust's financial statements reflect an asbestos cleanup liability of \$47,906,916 and \$46,000,271 as of September 30, 2019 and 2018, 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 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 \$370,574 and \$104,959 as of September 30, 2019 and 2018, respectively.

NOTE 12. OTHER LIABILITIES

Other liabilities as of September 30, 2019 and as of September 30, 2018 are comprised of the following:

CLASSIFICATION	2019 NONCURRENT	2019 CURRENT	2018 NONCURRENT	2018 CURRENT
INTRAGOVERNMENTAL LIABILITIES:				
EMPLOYER CONTRIBUTIONS PAYABLE	\$ -	\$ -	\$ -	\$ -
OTHER EMPLOYMENT BENEFITS	-	638,973	-	565,125
UNEARNED REVENUE	-	8,375,045	-	106,700
TOTAL INTRAGOVERNMENTAL LIABILITIES	-	9,014,018	-	671,825
ENVIRONMENTAL REMEDIATION LIABILITY	3,263,149	260,709	3,292,370	298,534
NON-FRIABLE ASBESTOS CLEANUP LIABILITY	47,556,916	350,000	45,896,271	104,000
FECA ACTUARIAL LIABILITY	4,937,692	548,632	5,138,112	570,901
CONTINGENT LIABILITIES	-	3,964	-	-
SECURITY DEPOSITS	8,107,433	-	7,682,935	-
UNEARNED REVENUE	118,558,656	11,690,977	62,737,214	11,739,113
PAYROLL PAYABLE	-	1,987,796	-	1,655,621
ANNUAL LEAVE LIABILITY	-	2,963,347	-	2,752,214
RENT CREDIT LIABILITY	5,004,244	993,751	5,979,742	1,018,137
PREPAID RENTS & SERVICES	-	1,923,308	-	1,534,788
CAPITAL LEASE LIABILITY	-	-	-	214,945
FOOD LIABILITY	3,663,214	-	3,663,263	250,000
OTHER LIABILITIES	-	18,536	-	120,872
TOTAL OTHER LIABILITIES	\$191,091,304	\$ 29,755,037	\$134,389,907	\$ 20,930,951

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NOTE 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), and golf carts from a private vendor. All leases go through a thorough review to determine if they are operating leases or capital leases.

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 2024):

<i>FISCAL YEAR</i>	<i>TOTAL</i>
2020	\$ 27,280,219
2021	22,856,127
2022	17,183,272
2023	13,457,565
2024	11,590,300
Thereafter	377,425,508
TOTAL	\$ 469,792,991

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NOTE 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, 2019, and 2018, the Trust has contingent liabilities of \$3,964 and \$0, respectively.

NOTE 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.

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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.

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.

NOTE 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, 2019 and 2018 were \$168,261,680 and \$153,295,352 respectively.

NOTE 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.

NOTE 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.

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The balance of undelivered orders as of September 30, 2019 was as follows:

DESCRIPTION	FEDERAL	NON-FEDERAL	TOTAL
<i>Undelivered Orders Obligations Unpaid</i>	\$ 3,449,258	\$ 43,839,236	\$ 47,288,495
<i>Undelivered Orders Obligations Paid FF&E</i>	-	4,711,409	4,711,409
TOTAL	\$ 3,449,258	\$ 48,550,645	\$ 51,999,904

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

DESCRIPTION	FEDERAL	NON-FEDERAL	TOTAL
<i>Undelivered Orders Obligations Unpaid</i>	\$ 4,014,824	\$ 36,634,696	\$ 40,649,520
<i>Undelivered Orders Obligations Paid FF&E</i>	-	1,207,834	1,207,834
TOTAL	\$ 4,014,824	\$ 37,842,530	\$ 41,857,354

NOTE 19. CONTRIBUTED CAPITAL

The Trust is granted the authority to accept donations in the Trust Act. The Trust received direct donations of \$140,946 and \$10,084 during the fiscal years 2019 and 2018, respectively. In addition, the Trust received grants related to land improvements and historical renovations of \$7,023,676 and \$924,053 during fiscal years 2019 and 2018, respectively.

NOTE 20. RECONCILIATION OF NET COSTS TO NET OUTLAYS

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.

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Fiscal Year 2019

Depreciation continues to grow each year up from \$25,772,519 in 2018 to \$27,025,572 in 2019. In 2019, the Trust spent \$39,676,124 on the development or rehabilitation assets as the park continues to be developed.

Accounts receivable with the public increased by \$7,106,428 largely due to reimbursable billings for the Tunnel Tops project. As the project moves into construction the cost and revenues associated with it will continue to be large amounts (Note 23) as the project is entering its construction phase.

The other asset line includes a \$2,860,454 increase in prepaids largely related to the purchase of an Owner's Controlled Insurance Program (OCIP) which contains several insurance policies obtained specifically related to the reconstruction of the park after Doyle Drive, Quartermaster Reach, and Tunnel Tops.

In addition, the deferred rent receivable relating to the straight-lining of lease revenue increased by \$3,014,755.

Increases in the environmental disposal liabilities for 2018 and 2019 of \$3,608,974, and \$1,839,599 reflect increases to the asbestos liability due to inflation.

The other category in components of net outlays that are not part of net costs contains several significant increases.

The financing sources with budgetary are have increased by \$7,023,676 largely related to the reimbursement from the GGNPC for Tunnel Tops (Note 23). Most of the funds in the fiscal year 2018 reconciliation are also from Tunnel Tops.

The increase in other intra-governmental of \$8,609,518 is related to unearned revenue and is an unfilled customer order with an advance from the National Park Service. The Trust received funds to renovate building 643 which is a building to considered in Area A of the Presidio and is an asset of the NPS. This project will start in fiscal year 2020 and revenues will be recognized as work is completed.

The increase in other with the public of \$62,961,399 is largely related to unearned revenue in the amount of \$54,000,000 received from Caltrans (Note 22) and funds reimbursed to the Trust from the GGNPC for Tunnel Tops (Note 23) in the amount of \$7,023,675.

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The budget accrual reconciliation as of September 30, 2019 is as follows:

	INTRA- GOVERNMENTAL	WITH THE PUBLIC	TOTAL
NET (SURPLUS) COST	\$ 13,465,054	\$ (22,396,720)	\$ (8,931,666)
<i>Components of Net Cost That Are Not Part of Net Outlays:</i>			
Property, plant, and equipment depreciation	–	(27,025,872)	(27,025,872)
Property, plant, and equipment disposal & revaluation	–	(2,382,120)	(2,382,120)
<i>Increase/(decrease) in assets:</i>			
Accounts receivable	(1,535,883)	7,106,428	5,570,546
Other assets (prepaids)	–	5,648,523	5,648,523
<i>(Increase)/decrease in liabilities:</i>			
Liabilities (Accounts Payable, Unearned Revenue, Prepaid Rent, Security Deposits)	398,956	(8,032,355)	(7,633,399)
Salaries and benefits	(73,847)	(332,175)	(406,022)
Environmental and disposal liabilities	–	(1,839,599)	(1,839,599)
Other liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	–	578,887	578,887
<i>Other financing sources:</i>			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(1,345,828)	–	(1,345,828)
Total Components of Net Cost That Are Not Part of Net Outlays (-)	(2,556,602)	(26,278,282)	(28,834,884)
<i>Components of Net Outlays That Are Not Part of Net Cost:</i>			
Acquisition of capital assets	–	39,676,124	39,676,124
Other	(8,609,518)	(62,961,399)	(71,570,917)
Total Components of Net Outlays That Are Not Part of Net Cost	(8,609,518)	(23,285,275)	(31,894,793)
NET OUTLAYS	\$ 2,298,934	\$ (71,960,277)	\$ (69,661,344)

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Fiscal Year 2018

The budget accrual reconciliation as of September 30, 2018 is as follows:

<i>Column</i>	INTRA- GOVERNMENTAL	WITH THE PUBLIC	TOTAL
NET (SURPLUS) COST	\$ 14,428,965	\$ (22,076,728)	\$ (7,647,763)
<i>Components of Net Cost That Are Not Part of Net Outlays:</i>			
Property, plant, and equipment depreciation	–	(25,772,519)	(25,772,519)
Property, plant, and equipment disposal & revaluation	–	(429,639)	(429,639)
<i>Increase/(decrease) in assets:</i>			
Accounts receivable	(310,454)	(226,935)	(537,389)
Other assets (prepaids)	–	(640,961)	(640,961)
<i>(Increase)/decrease in liabilities:</i>			
Liabilities (Accounts Payable, Unearned Revenue, Prepaid Rent, Security Deposits)	(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, Unfunded FECA, Actuarial FECA)	–	839,053	839,053
<i>Other financing sources:</i>			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(1,518,852)	–	(1,518,852)
Financing Sources with budgetary	(147,453)	(924,053)	(1,071,507)
<i>Total Components of Net Cost That Are Not Part of Net Outlays (-)</i>	<i>(1,772,630)</i>	<i>(28,929,180)</i>	<i>(30,701,811)</i>
<i>Components of Net Outlays That Are Not Part of Net Cost:</i>			
Acquisition of capital assets	–	25,273,245	25,273,245
Other	–	(223,234)	(223,234)
<i>Total Components of Net Outlays That Are Not Part of Net Cost</i>	<i>–</i>	<i>25,050,011</i>	<i>25,050,011</i>
NET OUTLAYS	\$ 12,656,334	\$ (25,955,897)	\$ (13,299,563)

NOTE 21. PUBLIC PRIVATE PARTNERSHIPS [P3]

The Presidio Trust uses several types of public-private partnerships (P3) to make efficient use of private sector resources along with federal resources, as required by and using the statutory authority of the Presidio Trust Act, while achieving its strategic goals of being a model of operational excellence, a model of environmental stewardship, and having the Presidio be visited and loved by all.

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Building Rehabilitations (“Master Developer” Commercial Real Estate Leases)

The Trust leases the Presidio’s buildings to tenants to generate revenue. Many of the long-term commercial leases are “Master Developer” leases. These leases leveraged the use of private dollars for renovation of buildings to ensure the buildings were in a leasable state. These commercial leases also achieve the goal of reducing the Trust’s deferred maintenance on the buildings that are renovated. Under the terms of these leases, the tenant makes a substantial financial commitment to rehabilitate the historic building to be leased in return for historic tax credits, a reduced rent, or both.

The required rehabilitation work is set forth in detail in each master developer lease, and the Trust works closely with the tenant on the project. In some cases, a portion of the rehabilitation project is done by the Trust. In all cases, the rehabilitation plan is approved by the Trust, and the construction work is reviewed and approved by the Trust. These tenants have generally been accepted through a competitive request for proposal (RFP) process; in addition, before accepting a tenant for a master developer project, the Trust uses prudent credit practices to ensure that the tenant has the financial resources necessary to complete the project and be a financially stable tenant through the term of the lease. During the development, if a tenant were to abandon an incomplete rehabilitation project, the Trust could be at risk of incurring substantial costs to finish that project and find a replacement tenant. The Trust believes that its property management credit assessment procedures are effective, and therefore the risk of such losses are remote.

The expected lives of these public-private partnerships include all leased periods for a given master developer tenant in that leased location and assume that all options to extend the current lease term will be exercised.

Sponsored Projects

The Trust also works with certain private sector partners who sponsor projects to improve the park, especially the GGNPC (Note 23), as written in its statute. In these partnerships, the Trust and the sponsoring private sector partner jointly develop the improvement plan. Generally, the Trust is responsible for executing some or all the improvement work, and the sponsor reimburses the Trust for its expenditures made for the project. The sponsor may also undertake work in accordance with the plan. An example of this type of partnership is the GGNPC’s of the Tunnel Tops project (Note 23).

Since the Trust is reimbursed after the work is completed, if a sponsor failed in its commitment to reimburse the Trust for those costs, the Trust would experience a loss to the extent those costs were not reimbursed as agreed. The Trust has assessed the financial strength of its sponsorship partners and believes the risk of such losses is remote.

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The expected lives of these sponsored projects are either the projected timeline to complete construction, if a construction project, or the contractually set obligation period where the partnership involves ongoing operations.

Other Contracts

The Trust leverages its operational capabilities by outsourcing certain functions of park operations, including hospitality (food services, park lodging, golf course management), residential and commercial property management, shuttle operations, and parking management. Some of these public-private partnership arrangements include a working capital subsidy.

The Trust's private sector partners in these arrangements bring specialized expertise in their business areas that they use to elevate the performance of their area of responsibility in the park to meet the Trust's strategic goal of being a model of operational excellence. The expected lives of these partnerships are the contracted terms, including renewal options.

The Trust uses a careful RFP process for selection and review of the partners for all these arrangements, as well as operational review and approval controls over all functions. In addition, for the hospitality, property management and parking functions, the Trust has included financial control measures to limit its risk of loss. However, since the Trust does not possess the same level of specialized knowledge as its private sector partners, if one of these partners were to abandon its contractual obligations, the Trust would be required to intervene and would probably incur significant costs to ensure the continued successful operation of that area and the selection and installation of a new private sector partner possessing the required level of specialized expertise.

Funding by all partners to the Trust's P3s over the expected life of the arrangement is expected to be as follows:

CLASSIFICATION	BUILDING REHABILITATION	OTHER CONTRACTS	SPONSORED PROJECTS	TOTAL
<i>Historic Tax Credits</i>	UNAVAILABLE	N/A	N/A	
<i>Federal Funding:</i>				
<i>Tenant Improvement Allowance / Rent Credit</i>	\$ 19,608,776	\$ –	\$ –	\$ 19,608,776
<i>Funds Invested For Rehabilitation Project</i>	48,020,484	8,152,247	997,264	57,169,995
<i>Parking Passes & Other</i>	1,000,000		–	1,000,000
<i>Working Capital Funding & Operating Expense Reimbursement</i>	–	240,344,487	–	240,344,487
<i>Management Fees</i>	–	71,673,668	–	71,673,668
<i>Expenditures Required Under Sponsorship Or Grant Agreement</i>	–	–	31,000,000	31,000,000
Subtotal - Federal Funding	68,629,260	320,170,402	31,997,264	420,796,926
<i>Partner Funding:</i>				
<i>Funds Invested For Building Rehabilitation</i>	284,897,998	–	100,552,212	385,450,210
<i>Other Investment By Partner</i>	–	–	3,471,566	3,471,566
Subtotal - Partner Funding	284,897,998	–	104,023,778	388,921,776
TOTAL FUNDING TO P3	\$ 353,527,258	\$320,170,402	\$136,021,042	\$809,718,702

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

Revenues and cash items received by the Trust from its P3 arrangements during the Fiscal Year ended September 30, 2019 were as follows:

P3 Type	Rents & Rent-Related Payments	Security Deposits	Reimbursement from Partner for Rehab Work	Other Rehab-Related	Payments from Managed Functions (Golf, Food, Hospitality)	Grants & Sponsorship Payments	Totals
Building Rehab	\$ 19,275,448	\$ -	\$ -	\$ 186,000	\$ -	\$ -	\$19,461,448
Other Contracts	-	-	-	-	35,045,951	-	35,045,951
Sponsored Projects	-	-	-	10,000	-	2,451,137	2,461,137
TOTAL FY19 PAYMENTS RECEIVED	\$ 19,275,448	\$ -	\$ -	\$ 196,000	\$ 35,045,951	\$ 2,451,137	\$56,968,536

Revenues and cash items expected to be received by the Trust from its P3 arrangements over the lives of those arrangements are as follows:

P3 Type	Rents & Rent-Related Payments	Security Deposits	Reimbursement from Partner for Rehab Work	Other Rehab-Related	Payments from Managed Functions (Golf, Food, Hospitality)	Grants & Sponsorship Payments	Totals
Building Rehab	\$ 1,434,622,223	\$ 2,083,613	\$ 8,550,892	\$ 16,188,836	\$ -	\$ -	\$1,461,445,564
Other Contracts	-	-	-	-	271,012,129	-	\$ 271,012,129
Sponsored Projects	-	-	-	10,000	-	97,968,078	\$ 97,978,078
TOTAL EXPECTED PAYMENTS REC'D OVER LIFE OF P3	\$ 1,434,622,223	\$ 2,083,613	\$ 8,550,892	\$ 16,198,836	\$ 271,012,129	\$ 97,968,078	\$1,830,435,771

Payments paid by the Trust to its P3 partners during the Fiscal Year ended September 30, 2019 were as follows:

P3 Type	Tenant Improvement Allowances Paid	Security Deposits Returned	Other Rehab-Related	Management Fees	Working Capital Funding & Operating Expense Reimbursement	Totals
Building Rehab	\$ 475,170	\$ 2,000	\$ 57,889	\$ -	\$ -	\$ 535,059
Other Contracts	-	-	-	4,906,909	26,742,316	31,649,225
Sponsored Projects	-	-	386,653	-	-	386,653
TOTAL FY19 PAYMENTS PAID	\$ 475,170	\$ 2,000	\$ 444,542	\$ 4,906,909	\$ 26,742,316	\$ 32,570,937

Payments expected to be paid by the Trust to its P3 partners over the lives of those P3 arrangements are as follows:

P3 Type	Tenant Improvement Allowances Paid	Security Deposits Returned	Other Rehab-Related	Management Fees	Working Capital Funding & Operating Expense Reimbursement	Totals
Building Rehab	\$ 5,322,051	\$ 1,094,377	\$ 2,292,698	\$ -	\$ -	\$ 8,709,126
Other Contracts	-	-	-	69,905,685	208,788,164	\$ 278,693,849
Sponsored Projects	-	-	10,006,874	-	-	\$ 10,006,874
TOTAL EXPECTED PAYMENTS PAID OVER LIFE OF P3	\$ 5,322,051	\$ 1,094,377	\$ 12,299,572	\$ 69,905,685	\$ 208,788,164	\$ 297,409,849

THE PRESIDIO TRUST
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Other amounts recognized in the financial statements for this period are as follows:

P3 Type	Fixed Assets Capitalized	Accounts Receivable	Accounts Payable	Advances to Program	Prepaid Rent	Deferred Rent Receivable	Other Deferred Revenue	Financing Source	Security Deposits
Building Rehab	\$ 901,186	\$ 494,850	\$ -	\$ -	\$ (74,176)	\$ 28,413,459	\$ -	\$ -	\$ (1,081,614)
Other Contracts	-	-	(53,442)	1,987,928	-	-	-	-	-
Sponsored Projects	-	3,264,601	(5,624,535)	-	-	-	(4,326,631)	(7,064,792)	-
TOTAL OTHER AMOUNTS RECOGNIZED IN FY19	\$ 901,186	\$ 3,759,451	\$(5,677,977)	\$ 1,987,928	\$ (74,176)	\$ 28,413,459	\$(4,326,631)	\$(7,064,792)	\$(1,081,614)

NOTE 22. DOYLE DRIVE [PRESIDIO PARKWAY PROJECT]

In October 2009, the Trust, the State of California (State) represented by its Transportation Department (CALTRANS), and the San Francisco County Transportation Authority (SFCTA) finalized a Right of Entry Agreement related to the construction to replace the south access road to the Golden Gate Bridge known as Doyle Drive (Route 101). 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. Revenue will be recognized over the life of the right of entry agreement for the State's use of these items. All other revenue will be recognized over the estimated life of the new roadway.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

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 2019. The Trust recognized earned revenue in the amount of \$939,718 and \$1,097,498 during fiscal years 2019 and 2018, respectively, leaving a balance of \$60,846,743 in unearned revenue at September 30, 2019. The Trust also recognized earned revenue in the amount of \$1,076,484 during Fiscal Year 2018. The reimbursable agreement was no longer in place in Fiscal Year 2019.

CALTRANS and its contractor finalized work in early Fiscal Year 2019 and the temporary construction easement was turned over 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. Payment for the Trust to do the work remaining on the project of \$54,325,000 was received in Fiscal Year 2019. This amount is in deferred revenue and will be amortized over the life of the landscape assets once the assets are complete. Assets are in the design and early construction phases in 2019. No revenue has been recognized.

NOTE 23. PRESIDIO TUNNEL TOPS

The Presidio Tunnel Tops Project (Tunnel Tops), an anticipated \$115 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.

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, 2019, the amount deferred is \$4,326,631.

THE PRESIDIO TRUST
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018

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, 2019 and 2018

RANKING AND PRIORITIZING MAINTENANCE AND REPAIR ACTIVITIES

Maintenance and repair activities are first prioritized by regulatory, health and safety considerations. Items governed by regulation include, but are not necessarily limited to, building life safety, elevators, emergency generation, specialized electrical-system vehicle maintenance, and water treatment backflow and general plant operation.

Tasks prioritized by health and safety involve electrical substations, overhead electrical equipment and transformers, tree and shrub pruning, and road, trail and masonry repairs.

Other maintenance and repair activities are prioritized based on the results of periodic inspection or as a response to functionality failures. Prioritization is generally adjusted to consider 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.

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.

THE PRESIDIO TRUST
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 and 2018

SIGNIFICANT CHANGES FROM PRIOR YEAR

There was an overall net increase of \$1,784,506 in deferred maintenance from 2018 to 2019. 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. 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:

CLASSIFICATION	2018 ENDING BALANCE	2019 BEGINNING BALANCE	2019 ENDING BALANCE
INFRASTRUCTURE & GROUNDS:			
INFRASTRUCTURE	\$ 1,277,385	\$ 2,748,203	\$ 1,158,550
STEWARDSHIP & LANDSCAPE	773,149	2,089,633	930,544
GOLF COURSE	202,980	251,690	144,490
TOTAL INFRASTRUCTURE & GROUNDS	2,253,515	5,089,526	2,233,584
BUILDINGS:			
HERITAGE	32,946	62,207	62,207
MULTI-USE HERITAGE	2,776,336	4,877,207	4,096,516
NON-HISTORIC	1,488,822	1,989,915	1,947,819
TOTAL BUILDINGS	4,302,104	6,929,329	6,106,541
GRAND TOTAL	\$ 6,555,619	\$ 12,018,855	\$ 8,340,125

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 not 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 economic stimulation.

Fraud Reduction Report

In Fiscal Year 2019, the Trust took several additional actions to reduce the risk of fraudulent activity:

- Issued policies and procedures in several areas related to financial management to ensure that procedures are clearly communicated, and controls are in place.
- Started work on a financial reporting improvement project to ensure financial information is available to managers for review on a timely basis.
- Drafted a strengthened delegation policy to ensure that decision making authority is understood by staff at all levels and it is clear who has responsibility.

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

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

PAR – Performance & Accountability Report

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