



2020 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 FISCAL YEAR 2020

Agency Head Letter

November 13, 2020

Unlike other national park sites, the Trust is required by law to manage the Presidio lands under our jurisdiction with earned income instead of taxpayer dollars. We've just concluded our eighth year of welcoming park visitors without taxpayer support.

While Fiscal Year 2020 brought financial challenges to the Presidio Trust due to the coronavirus pandemic, it also underscored just how important parks are to our individual and collective well-being.

We're proud that through the pandemic, the Presidio's trails and outdoor spaces have been a refuge for people seeking respite in nature and open spaces during stressful times. When our golf course was closed to golfers due to the stay at home public health orders, we opened our gorgeous greens to people walking and biking. When traffic decreased due to people working from home, we temporarily closed some park roads to vehicles, so people walking, and biking could have more space.

The Presidio is now among the most popular national park sites in America; we host 10 million visits annually, while providing homes to 3,000 residents and 200 organizations whose rents fund park operations.

We are also proud that in January 2020, the Presidio became the first park in the United States to receive the Green Flag Award, the international standard for outstanding park management.

Going into the COVID-19 crisis, revenue from leasing, golf, lodging, restaurants, and other sources was at an all-time high, enabling us to accelerate needed investment in our infrastructure.

However, with the onset of the coronavirus pandemic, we faced a major reversal in our financial fortunes, with our hospitality businesses closed and the prospect of declines in our rental income. In response, we moved quickly to cut expenses and postpone non-essential projects. We also made the difficult decision to reduce our staff by 20% and to stop performing some visitor-serving functions.

As a result of these hard but necessary choices, we ended Fiscal Year 2020 on solid financial footing.

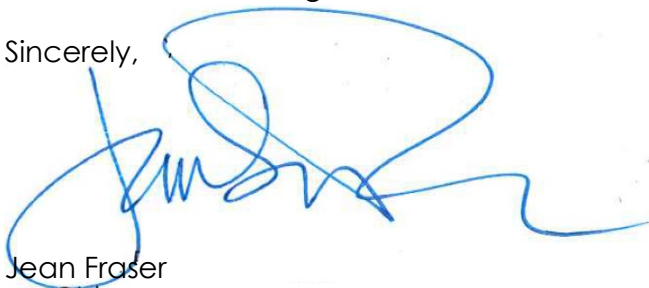
Despite the economic contraction, we're fortunate that now more than ever the Presidio is viewed as a desirable place to live and work because of our open space and park setting. Our residential and commercial occupancy remains high, and there is strong interest from organizations in locating in the Presidio. This is critical because every dollar we earn by

leasing our buildings helps us maintain the Presidio as a beautiful park for all. By redoubling our leasing efforts and maintaining tight cost control, we're confident we will weather the financial challenges of the pandemic and, we hope, come out stronger than before.

We have many reasons to be hopeful as we look to next year. In 2021, we'll finish major landscape projects that have been in the works for several years, including the Tunnel Tops, which opens this coming fall. In total, we'll transform approximately 40 acres on the northern edge of the Presidio into green open space. Most of this work will be funded by donated dollars and mitigation funds from the state of California to repair lands damaged by Presidio Parkway (Doyle Drive) construction.

In its long history as a military post, the Presidio was a beacon of strength and stability through turbulent times. Now as a national park site, we continue that legacy by serving as a place where visitors can play, relax, connect with nature, and learn about the history of our nation. I am so grateful to our staff for keeping the Presidio open, safe, and welcoming; to our donors for providing the funds for transformative park projects; to leasing and hospitality customers for supporting the park; and to the National Park Service and Golden Gate National Parks Conservancy for standing with us in uncertain times – our partnership has never been stronger.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jean Fraser', with a large, stylized flourish above it.

Jean Fraser
Chief Executive Officer
November 13, 2020

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.

Presidio Trust Board of Directors

Under the provisions of the Presidio Trust Act, six members of the Presidio Trust Board are appointed by the President of the United States. The seventh member is the U.S. Secretary of the Interior or his/her designee.

Presidentially appointed Board members serve a set term, then are either reappointed or replaced by the President when their terms expire. In the Trust's two-decade history, we've had wonderful Board members appointed by both Democratic and Republican Presidents.

William E. Grayson, Esq., chair of the Presidio Trust board, is Managing Director at RBC Wealth Management in San Francisco where he advises company founders, significant families and endowments, and foundations. Previously, he was the National Director – Family Offices at Bernstein Private Wealth Management, president of Falcon Point Capital, and vice president of J.P. Morgan & Co. and Montgomery Securities/Bank of America Securities. Mr. Grayson practiced law for ten years and was the Principal Deputy General Counsel of the Army in Washington, D.C. While at the Pentagon, he oversaw the Army's 2,700 civilian and military lawyers and focused on global legal and policy issues including the transition of the Presidio to a national park. Mr. Grayson has a long history of public service including on the President's Commission on White House Fellowships, and on numerous boards of trustees, including the University of Hawaii Foundation, the Bay Area Discovery Museum, the Woodrow Wilson International Center for Scholars (part of the Smithsonian), and the National Park Foundation. Most recently, he was confirmed by the Senate as the US Ambassador to Estonia. Bill, his wife Laurie, their three girls and their rescue dog live on the edge of the Presidio. He holds a B.A. from U.C. Santa Barbara and a J.D. from the University of San Francisco School of Law. He was appointed to the Presidio Trust board by President Donald J. Trump in 2017 and elected chair by his fellow board members in 2019.

Marie Louise Hurabiell, Esq., vice chair of the Presidio Trust board, an eighth generation San Franciscan, is a founder and board member of Ellipsis Health, Inc., a technology company using speech analytics to gauge the behavioral health of patients in real time. Previously, she ran her own law firm primarily providing negotiation services. She was General Counsel

at both Knight Ridder Digital and Red Herring Communications. After a federal clerkship in Los Angeles, she started her career at Skadden, Arps, Slate, Meagher and Flom in San Francisco. Ms. Hurabiell has led fundraising efforts for many organizations including Georgetown University, San Francisco Ballet, Wender Weis Foundation for Children, The Hamlin School, the International Museum of Women, the Junior League, Holy Family Day Home, and the SF Philharmonic. She has also served on the Georgetown University Board of Regents, as well as the boards of the Holy Family Day Home, the San Francisco Ballet Auxiliary, the National Charity League Golden Gate Chapter, and the Hamilton Family Center. Ms. Hurabiell received her B.A. with Honors from Georgetown University and her J.D. with Honors from the University of Pennsylvania. She was appointed to the Presidio Trust board by President Donald J. Trump in 2018.

Lynne Benioff is an independent marketing consultant and philanthropist active with several health care and community foundations. Previously, Ms. Benioff was Director of Public Relations Campaigns at OutCast Communications from 1998 to 2003. Ms. Benioff co-founded Star Community Home in 2011, a short-term residential community for homeless families in San Francisco. She is a member of the Board of Overseers of the University of California San Francisco Foundation, the Board of Directors of UCSF Benioff Children's Hospital Oakland, and the Board of Directors of Common Sense Media. Ms. Benioff was honored by Mayor Ed Lee as one of San Francisco's "Women of the Year" in 2014. She received a B.S. from the University of Washington. Ms. Benioff was appointed to the Presidio Trust board by President Barack Obama in 2015.

U.S. Navy Admiral Thomas B. Fargo (Ret.) is a California native and resident of Hawaii. He had a distinguished 35-year career, receiving the Navy Distinguished Service Medal. He completed his military career as the four-star Commander of the U.S. Pacific Command. As the senior U.S. military commander in East Asia, the Pacific, and Indian Ocean areas, Admiral Fargo led the largest unified command while directing the joint operations of the Army, Navy, Marine Corps and Air Force. Since retiring in 2005, he has led transportation and technology companies and has served on several public and private boards, including as Chairman of the financial services firm United Services Automobile Association (USAA). He was appointed to the Presidio Trust board by President Donald J. Trump in 2020.

Carole McNeil, a San Francisco Bay Area native, is Chairman and Strategic Director of McNeil Capital, which invests in a wide range of real estate, venture capital, and biotech interests. She is also a member of the Policy Advisory Board at the Fisher Center for Real Estate and Urban Economics at the UC Berkeley Haas School of Business. Additionally, she endowed a joint chair between the Hoover Institution and the Economics Department at Stanford University, a first-ever creative association. She is also on the Overseers Board at the Hoover Institution. Ms. McNeil resides in San Francisco. She was appointed to the Presidio Trust Board by President Donald J. Trump in 2019.

Dr. Michael A. Weiner is a Bay Area resident, radio host, author, activist, nutritionist, conservationist, and political commentator. He is the host of *The Savage Nation* talk radio show and the author of 25 books, including four *New York Times* best-sellers. He was inducted into the National Radio Hall of Fame in 2016. Dr. Weiner holds master's degrees in medical botany and in medical anthropology from the University of Hawaii, and a PhD. from the University of California at Berkeley in epidemiology and nutrition sciences. He was appointed to the Presidio Trust board by President Donald J. Trump in 2020.

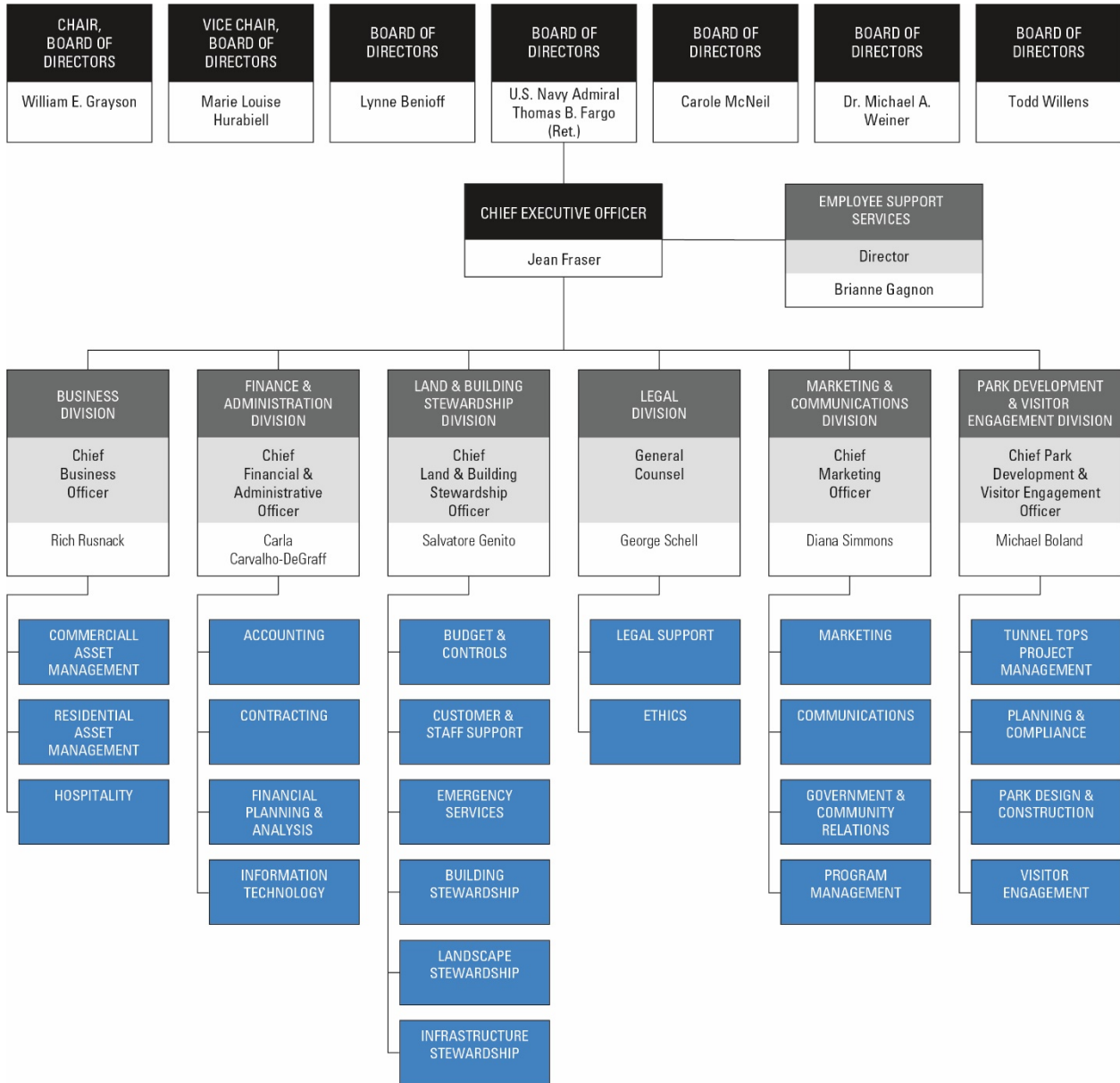
Todd Willens is Chief of Staff to U.S. Secretary of the Interior David Bernhardt. Mr. Willens has a long history in the federal government working on natural resources and public lands. He joined the Department of the Interior in July of 2017 as the Associate Deputy Secretary and assumed the duties of the Acting Chief of Staff in January 2019. From 2011-2017, Mr. Willens served as Chief of Staff to U.S. Congressman Steve Pearce of New Mexico and served as Deputy Assistant Secretary for Fish, Wildlife & Parks at the Department of the Interior from 2006-2008. Before he held these positions, he was the Senior Policy Director for the U.S. House of Representatives Committee on Natural Resources. A native of Stockton, California, Mr. Willens is a 1994 graduate of the University of California, Los Angeles and now resides with his family in Washington, D.C. He was appointed as the Secretary of the Interior's designee to the Trust board in November 2017.

Presidio Staff

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, Marketing and Communications.

The Presidio Trust has 290 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 public accounting firm KPMG, LLP, and the Trust received an unmodified opinion on its financial statements though we did receive a significant deficiency in internal control.

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 2020 and 2019.

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

Balance Sheet

This statement is designed to show the Trust's financial position as of September 30, 2020, and to compare it to the Trust's financial position the previous year.

Assets

The Trust's total assets increased by \$29.1 million for a total of \$698.5 million at the end of Fiscal Year 2020 compared to \$669.4 million at the end of Fiscal Year 2019. The net increase in assets consists of fluctuations in various assets categories.

The largest part of this increase is due to growth in the accounts receivable from the Golden Gate National Parks Conservancy (GGNPC) for the Tunnel Tops project (Note 24), and an increase in real estate portfolio receivables related to the COVID-19 pandemic and its impacts on our tenants.

Accounts receivable increased by \$9.6 million largely due to receivables related to the Tunnel Tops project (Note 24).

General Property Plant & Equipment, net increased by \$23.5 million; the Trust continues to renovate and replace capital assets.

Liabilities

Liabilities increased by \$13.1 million, ending at \$295.2 million in liabilities for Fiscal Year 2020 compared to \$282.1 million at the end of Fiscal Year 2019. The increase is made up of fluctuations in several liabilities.

Trust liabilities include \$44.8 million in debt to the U.S. Treasury, an increase of \$7.1 million due to \$10 million in new borrowing minus the \$2.9 million required principal payment on existing debt. See Note 4 for more information on investments and Note 9 for more information on debt.

Accounts payable increased \$4.9 million due to the timing of payment of invoices.

Unearned revenue decreased by \$2.2 million, largely due to recognition of deferred revenue from the Caltrans settlement, plus a decrease in advance payments received for hospitality and special park uses, each affected by the COVID-19 pandemic.

The rent credit liability decreased by \$1 million due to the amortization of the various rent credits.

The non-friable asbestos cleanup liability increased by \$1 million due to an adjustment for inflation.

Net Position

The Trust's net financial position increased by \$16.0 million, ending Fiscal Year 2020 at \$403.3 million compared to \$387.3 million at the end of Fiscal Year 2019.

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 a net cost (this means a net loss) of \$2.2 million during Fiscal Year 2020 compared to net income (meaning a surplus) of \$8.9 million in Fiscal Year 2019. The net cost statements reflect the expenses incurred by Trust activities during Fiscal Year 2020, including the future funded expenses for the remediation and abatement program and the depreciation of fixed assets which are recognized at the time the liability is incurred.

The decrease in revenues is related to the effects of the COVID-19 pandemic on our business activities. Operating costs decreased in proportion to the revenues earned; these decreases were partially offset by an increase in labor costs related to improvements in compensation to our staff members, an increase in the cost of emergency services and law enforcement, and an increase in bad debt expense related to an allowance for uncollectible receivables.

Budgetary Resources

The Statements of Budgetary Resources provide information on the budgetary resources available to the Trust for the year and the status of those resources at the end of the fiscal year. The Statements of Budgetary Resources are significant because they hold accounting for federal budget execution to accounting 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 2020, the Trust received the greatest portion of its funding from revenues earned, with the largest revenue streams being from residential and commercial leasing.

Budgetary resources amounted to \$343.6 million for Fiscal Year 2020, compared to \$302.8 million in Fiscal Year 2019. Of this amount, the Trust obligated \$158.5 million in Fiscal Year 2020 and \$168.3 million in Fiscal Year 2019. Unobligated balances at the end of Fiscal Year 2020 and Fiscal Year 2019 were \$185.1 million and \$134.6 million, respectively. This unobligated balance is due primarily to the funds held to complete multi-year capital improvements including the reconstruction of the park after Doyle Drive (see note 23), funds for the completion of the Tunnel Tops project (see note 24), the loan received from the US Treasury on September 30, 2020, and tenant security deposits.

Risks and Uncertainties

The Trust received appropriations for the first 15 years of operations, through Fiscal Year 2012. Fiscal Year 2020 marks the eighth 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 into the future and the park is preserved for the public. While Trust operating revenue is sufficient to cover current operating expenses, Trust operating revenues alone are not sufficient to fund ongoing replacement of assets and additional capital projects.

The Trust is responsible for rehabilitation and maintenance of the Presidio's fixed assets, including infrastructure. Many of the assets have exceeded their depreciable lives (the life spans of the assets), and the cost to replace them is over \$414 million. Annual budgetary constraints are considered in evaluating the replacement of assets. Regular and ongoing maintenance of assets prolongs their useful life and reduces the likelihood of unexpected failures. Maintenance of 100 percent of the assets is not feasible, so the Trust evaluates deferred maintenance on an annual cycle and identifies the most important preventive maintenance for completion.

The Trust embarked on a project to refine lifecycle maintenance/cost of ownership data in fiscal year 2018. The project was completed in fiscal year 2019 with the completed work resulting in replacement values and maintenance schedules. Due to concerns about potential reductions in our cash flow from the financial effects of the coronavirus pandemic, we deferred some projects from Fiscal Year 2020 to conserve funds. We will need to increase our spending to replace outdated assets in future years to make up for the projects we deferred in Fiscal Year 2020.

Deferred maintenance data can be found in the required supplementary information (RSI) accompanying the financial statements. The RSI information for deferred maintenance is based on scheduled maintenance as documented in the financial system. The difference between the deferred maintenance and renewal is that renewal calls for complete replacement of the asset. The Trust is currently implementing the use of a capital maintenance and budgeting system which will allow us to have better insight into the financial data in this area.

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 material weaknesses were found in the design or operation of the internal control.

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

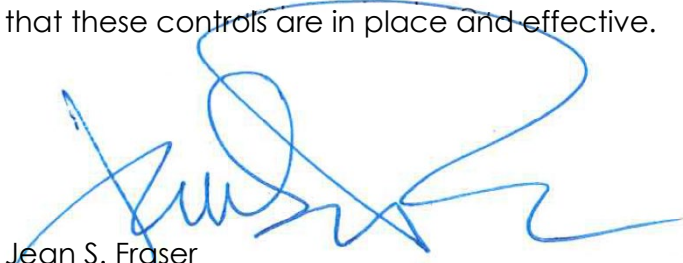
Statement of Assurance on Information Technology

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

While the Trust's systems are secure the Trust continues to work on strengthening the controls related to security. In Fiscal Year 2020, the Trust continued its work on reaching full FISMA compliance through working on several FISMA compliance 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 statement of assurance.

Jean S. Fraser
Chief Executive Officer
November 13, 2020

Limitations of the Financial Statements

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

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

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

Fiscal Year 2020 Performance

Since 2018, when the Board of Directors adopted our three strategic goals, we have organized our work around a triple bottom line. We focus on People, Planet, and Performance.

Earning the Green Flag Award for Operational + Environmental Excellence

In one of our major achievements of the year, in January 2020 the Presidio became the first park in the United States – and America's first national park site – to earn the prestigious Green Flag Award, which recognizes the premier parks around the world that meet the highest standards for visitor experience and management of parks and green spaces. The Presidio joined more than 2,000 parks and green spaces in 15 countries, including sites in Australia, Mexico, and the United Arab Emirates. Founded in 1996 in the United Kingdom, the aim of the Green Flag Award is to ensure that everyone has access to a quality green space to promote health and well-being.

The Presidio earned the recognition following an extensive evaluation conducted by professional peer judges from the park sector who inspected the Presidio's facilities, reviewed management documents and marketing materials, and met with Trust managers. The Presidio ranked in the highest scoring bracket in every one of the eight criteria: A Welcoming Place; Healthy, Safe and Secure; Well Maintained and Clean; Environmental Management; Biodiversity, Landscape and Heritage; Community Involvement; Marketing and Communication; and Management.

The evaluation concluded, "In a relatively short space of time the San Francisco Presidio has been transformed from a former military outpost designed to 'keep people out,' into one of the most welcoming and well-facilitated public resources the judges have ever visited. The management team is focused and committed to preserving and further enhancing the park."

The Green Flag team further acknowledged the value of our management partnership in their evaluation, saying, "The Presidio's journey would most certainly not have been possible without the complex collaboration between the Presidio Trust, National Park Service, and Golden Gate National Parks Conservancy. Also, the expertise and commitment of the management, operational teams and volunteers all work in forward motion to curate this fantastic resource for the local and international community."

The Green Flag Award is recertified annually.

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

Responding to the Safety + Financial Challenges of the Coronavirus Pandemic

When the coronavirus pandemic began in March, we moved quickly to keep the park open, accessible, and economically secure.

In the early days of the crisis, we adopted safety protocols for our staff and visitors based upon Centers for Disease Control + Prevention and local health department guidelines. Our maintenance staff members who are charged with operating our utilities, maintaining our landscapes and buildings, and responding to service requests adopted daily temperature checks, physical distancing, and the use of personal protective equipment. As a result, we kept the park open every day and provided excellent service to our residents, tenants, and visitors with no instances of COVID among staff in Fiscal Year 2020. *(see Strategic Goal Section 3 for more information about how we served visitors during the pandemic.)*

Our office employees also transitioned to remote working quickly and efficiently, ensuring that our administrative functions such as collecting rents, paying invoices, and providing information to the public continued without interruption.

We also responded decisively to address the severe financial impacts of the pandemic. The Trust relies on revenue from the businesses we own to fund park operations and capital improvements. These businesses include 1,400 residential units, two million square feet of leased commercial space, and a hospitality portfolio with an 18-hole public golf course, two restaurants, two hotels, five venue rental locations, and a catering operation.

While our income was at a record high prior to COVID buoyed by a strong Bay Area economy, with its onset we projected a Fiscal Year 2020 loss of \$26 million in revenue due to closed hospitality business, reduced rental income, and lost fees from camping, special events, parking, and other park uses.

Given this dramatic shortfall in revenue, we took immediate action to reduce costs. We implemented reductions in leadership pay ranging from 30% for the CEO to 5% for managers. We deferred more than \$12 million in essential projects and cut non-labor costs by more than \$3 million. We also made the very difficult decisions to cut 20% of filled positions (about 70 positions) through layoffs and to eliminate more than 30 vacant positions.

While our golf and lodging business reopened by the end of Fiscal Year 2020, the latter is experiencing a 56% decline in income from pre-COVID projections. Our food and venue rental businesses remain closed as of the writing of this report.

To maintain high occupancy during a challenging period, we implemented a rent deferral program. By keeping our residents in place, our average residential occupancy remained at 97% in FY20, with only 1.2% in unpaid rent.

Despite the economic downturn, demand for commercial property in the Presidio has remained strong, with solid interest from people who want to locate their businesses to the park because they are attracted to our stand-alone, low rise buildings and the access to nature and open space we provide. Through the COVID period in Fiscal Year 2020, we completed more than 25 new commercial leases or renewals, increasing occupancy over Fiscal Year 2019 levels to 98%, with only 6% unpaid rent.

To generate additional income, in Fiscal Year 2020 we also completed the rehabilitation of four historic warehouses in the northeast Presidio known as the Gorgas Rail Complex – a total of 40,000 square feet. These buildings were fully leased by the end of Fiscal Year 2020, resulting in an additional \$1.6 million income projected for Fiscal Year 2021.

Supporting the City of San Francisco with COVID Response

Honoring our mutual aid agreement with the City of San Francisco, we supported the City's COVID response by allowing the storage of RVs in the Presidio that were later used elsewhere for COVID-related temporary housing. We also issued a permit for an alternate care site in the Presidio that will allow the City to provide medical care to non-COVID patients in the event there is a surge of need in local hospitals due to the pandemic.

Renewing the Presidio's Physical Assets

The Presidio Trust maintains the equivalent of 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; many miles of roads, trails and sidewalks; and more than 900 acres of landscape including forest, natural areas, lawns and gardens.

While we've invested in maintaining and replacing our assets over two decades, particularly by rehabilitating buildings to generate income, only recently have we begun to get full visibility into the condition of our assets and a comprehensive estimate of the investment needed to keep them in good condition. The cost of replacing our outdated utilities, roads, forests, and other assets currently is estimated at \$414 million.

Though we were not able to invest in infrastructure improvement to the levels we wished in Fiscal Year 2020, we completed replacing and rerouting aging electrical infrastructure on the park's northern waterfront at the Quartermaster Reach site (see *Restoring Marshland on the Northern Waterfront* below). We also replaced aging electrical infrastructure and cabling in the heart of the park at the Main Post to allow for more resiliency and reliability. And we completed the design work to replace an aging electrical substation that provides power to parts of the Letterman District, Fort Scott, and major housing areas. Construction on that substation begins in spring 2021.

In terms of daily operations, we delivered 300+ million gallons of drinking water to our customers, maintained a sewer system with no reportable overflows, and resolved six unplanned power outages. Electrical outages were down 16% year over year due to the preventive work we completed on our power lines.

We also worked to increase the efficiency of our land, infrastructure, and building stewardship staff. By implementing operating metrics and controls, the percentage of planned work performed (as opposed to reactively responding to unscheduled service needs) increased from 32% to 60% (an 88% increase) in Fiscal Year 2020. We also created Key Performance Indicators to measure time, cost and quality, all of which are trending in a positive direction.

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

Enhancing the Presidio's Biodiversity

The Presidio is among the most biologically diverse national park sites per acre in America. And a great many people visit the Presidio because they are attracted by the opportunity to experience nature and wildlife so close to an urban area.

One of our three strategic goals is to model the very best environmental practices so we can substantially increase the number and health of species found in the Presidio. We complete much of our restoration work in partnership with the National Park Service and Golden Gate National Parks Conservancy.

To understand how the park's natural habitats are faring, in collaboration with other urban areas, we developed an Urban Biodiversity Inventory Framework (UBIF). We conduct dozens of surveys each year to track changes in the park's environment so we can prioritize our restoration efforts. This has helped us determine that we're about halfway toward our restoration targets.

In Fiscal Year 2020, we made progress on several projects (note that some of our more significant projects, including "Restoring Marshland on the Northern Waterfront," are described in detail elsewhere in this section):

- At a site known as the Quarry/MacArthur Habitat Restoration area, we removed a stand of dying pine trees and planted 6,000 plants to increase species diversity.
- At a three-acre site behind our largest historic building, the "Presidio Landmark" apartments, we removed dying pine trees and restored a native dune habitat by planting the endangered San Francisco lessingia and several other rare dune annuals, as well as more common perennial shrubs and trees.
- At Fort Winfield Scott, we continued to test best practices for converting the historic parade ground lawn into a landscape with native wildflowers and grasses that better support wildlife.
- We continued habitat restoration at the Presidio's Mountain Lake, one of San Francisco's last surviving natural lakes. We've been working with our partners here for two decades to restore the lake's ecosystem. In Fiscal Year 2020, we completed construction of a small wildlife tunnel beneath a busy trail to allow native turtles and other species to safely migrate to their breeding ground.
- We continued stewarding over 40 acres within the Presidio's Native Plant Community Zone. Work included controlling invasive species, monitoring wildlife and vegetation change, and planting native plants.

Managing our Coyote Population

Coyotes are once again an important part of the Presidio's ecosystem, having returned to the national park site in 2002 after a long absence. They are seen regularly here as they are in other open spaces near urban areas around the nation. Because the Presidio welcomes

millions of visitors each year and is a community where people live and work, the Presidio Trust has an active coyote management program. Our goal is to reduce potential conflicts between coyotes, dogs and people so visitors can enjoy the park in harmony with wildlife.

In 2016 we developed a monitoring strategy that involves humanely capturing and tagging coyotes and attaching temporary GPS collars to track their movements. These tactics along with wildlife observation cameras help us understand how coyotes use the park, including where they place their den during pupping season and their overall movement patterns.

Each year we've become more knowledgeable and adept in our management techniques. Based on lessons learned, we now seasonally close sections of trails to dog walking where coyotes with pups are frequently present. And we conduct an extensive public education program that includes visits to pre-schools in the Presidio, a public workshop, and outreach through media, social media, email, and signage.

In Fiscal Year 2020, our management program resulted in the third consecutive year without any significant encounters between coyotes and dogs.

Caring for the Presidio's Historic Forest

The Presidio's 306-acre historic forest was planted by the US Army beginning in the 1880s based on a vision by Major William A. Jones called his *Plan for the Cultivation of Trees Upon the Presidio Reservation*. His goal was to create wind barriers in the Presidio's sandy dune environment and to "crown the ridges, border the boundary fences" to set the Presidio apart visually from the surrounding city. The forest has become the largest contributing feature to the Presidio's National Historic Landmark District status and is an important part of the park's ecosystem.

The forest is made up of cypress, pine, eucalyptus, blackwood acacia, and redwood trees. The cypress and pine trees are at the end of their natural life span. In 2001 the Presidio Trust and the National Park Service developed the *Presidio Vegetation Management Plan* which included a comprehensive approach for ensuring a safe, healthy, and sustainable forest over time. In 2003, we began a multi-decade effort to rejuvenate the forest, each year removing and replacing dying trees. Since the beginning of the program, we've replanted 45 acres with 6,000 young and healthy trees.

In Fiscal Year 2020, we restored four acres of historic forest and planted more than 600 young trees. Additionally, we continued to conduct regular tree risk assessments to keep the forest as safe and healthy as possible. This determines which trees pose the highest risk so the Trust can proactively remove trees based on their risk score and also helps determine where reforestation efforts should be focused.

Restoring Marshland on the Northern Waterfront

The Presidio's largest watershed, Tennessee Hollow, covers 270 acres, or roughly 20 percent of the park. For the past two decades, the restoration of the Tennessee Hollow Watershed has been at the heart of the Presidio's transformation from a military post to a national park

site. Working with our partners at the National Park Service and Golden Gate National Parks Conservancy, we've completed a series of restoration projects that have brought the watershed back to life by daylighting streams that had been buried in culverts underground, returning long lost plant and wildlife species, and creating new ways for people to experience nature and history.

In Fiscal Year 2020, we substantially completed one of our largest and most dramatic watershed restoration projects yet by creating seven acres of new marshland at a site known as Quartermaster Reach. The reach is located where the watershed drains into Crissy Marsh and San Francisco Bay. It is named in honor of the U.S. Army's Quartermaster Corps, best known for its vital role provisioning troops with supplies. The corps was once located in this area of the Presidio.

For decades, this area was covered by Army landfill, debris from the construction of the former Doyle Drive highway through the Presidio, and asphalt, with the stream itself forced underground into a buried pipe. In Fiscal Year 2020, the Trust brought an 850-foot length of long-buried stream back to the surface by excavating approximately 50 tons of soil and debris.

We then built a 70-foot wide open-air water tunnel beneath the roadway, allowing water to flow back and forth from Crissy Marsh and San Francisco Bay, creating valuable brackish habitat. We worked with biologists and designers to create a special surface for the tunnel walls that will enable the native Olympic oyster to attach to the walls' surface, creating new habitat for a species that has long been in decline in San Francisco Bay; this will advance us toward our target of increasing biodiversity in the park.

We'll wrap up the project in the early months of Fiscal Year 2021 by planting thousands of native salt marsh and riparian plants. In addition, we're constructing a segment of the Tennessee Hollow Trail through the marsh so visitors can enjoy an up-close experience of nature; this trail ultimately will connect to the headwaters of the stream two miles away. The project is on budget and will open to the public in December 2020.

Reducing the Environmental Impact of Park Operations

In addition to making the Presidio a place where native plants and animals thrive, we also work to minimize the impact our operations have on the environment.

Getting to Zero Waste

The Presidio Trust's waste reduction program includes recycling programs, a salvage center that keeps durable goods in the reuse stream, and an on-site composting program. Our "zero waste" effort has the five-year goal of cutting in half the amount of waste the Trust and park residents, tenants, and visitors send to landfill. In Fiscal Year 2020, we pushed this goal forward by reducing our average monthly landfill disposal from 284 tons per month to 247 tons per month, or 26% of the way towards completing our five-year goal of 142 tons per month.

In Fiscal Year 2019, we negotiated a new contract with the Presidio's waste management company that commits them to supporting us in our goal. In Fiscal Year 2020, as the new contract went into effect, major efforts were made to increase recycling and composting throughout the park. This included changing refuse containers, updating signage, and providing consultations to commercial tenants on how to reduce waste and disposal costs.

We made major strides in Fiscal Year 2020; we increased our parkwide overall diversion rate of waste away from landfill to composting or recycling from 54% to 62% (8% increase). In Fiscal Year 2020, the monthly diversion rate for residents increased from 69% to 81%; for commercial tenants it increased from 54% to 57%. We also sponsored education and outreach to residents to promote recycling and composting, which was implemented virtually due to COVID-19 pandemic. We'll expand our outreach to include commercial tenants in Fiscal Year 2021.

We also focused on our own agency by reducing debris generated from Trust operations, including how we remodel Presidio housing units. Sixty Trust operations staff completed a training on the new sorting requirements. For example, we now recycle Styrofoam and carpet. As a result, we saved \$8,000 from source separated recycling programs, and an additional \$4,000 due to other process changes that captured more material from the landfill waste stream.

We also processed 485 tons of organic material in Fiscal Year 2020, creating compost which is utilized by our reforestation and landscape teams. The compost program contributes towards cost-savings in three ways. First, all material that would normally be hauled off site at a cost is processed on site. Second, it reduces the amount of compost we purchase to maintain our landscapes. Third, under our new refuse contract, the amount of on-site compost produced contributes towards a credit which is applied across the Presidio – and amounts to tens of thousands of dollars in savings park-wide.

Additionally, in Fiscal Year 2020 we began a major effort to upgrade our inventory management system. This included an exhaustive review of our warehouses so we can reduce the amount of space needed for our own operations by maintaining a stock of just what materials and tools we need. In support of this effort, our waste reduction team helped to dispose of excess materials and supplies that could not be reused within our agency. We reported these materials as excess property to GSA so they could be offered up to other federal, state, and local agencies. We then auctioned what remained through 26 GSA auctions, earning \$39,000 to support the park.

We also strive to share our lessons learned with others. The Trust's Zero Waste work was featured in the United States Environmental Protection Agency's (EPA) WasteWise 25th Anniversary Booklet and on the EPA's America Recycles web page in fall 2019.

Reducing Water Use

In another move to reduce our environmental footprint in a way that also saves us money, we are converting underutilized lawns and areas of turf and ornamental plants to more

drought tolerant plantings that better support biodiversity. In Fiscal Year 2020, we replanted 11 acres of Presidio landscape that were disturbed by the reconstruction of Doyle Drive with a mix of drought tolerant native and non-native species. Once established, these landscapes will use just 20% of the water of irrigated turf and support much greater biodiversity. In Fiscal Year 2020, we also identified priority areas for conversion from water and labor-intensive irrigated turf to lower water-using, lower maintenance, more sustainable landscape types, and incorporated them into our five-year priority project list, with work to begin in Fiscal Year 2021.

Beautifying a New Gateway to the Presidio

In Fiscal Year 2020, we substantially completed a project to beautify the entrance to the Presidio from the new Presidio Parkway. This key access point, known as Girard Road, will welcome park visitors with new landscaping and signage.

This project is one of several funded by mitigation dollars from the State of California to compensate for landscape damage done to the Presidio as a result of Parkway construction. In Fiscal Year 2021, we'll complete several other projects along the northern waterfront. Taken together, these projects, along with the philanthropically funded Presidio Tunnel Tops (see People Strategic Goal) will enable us to transform approximately 40 acres of damaged parkland into beautiful, green open space next year.

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

Celebrating 25 Years as a National Park Site

In October 2019, the Presidio celebrated a major milestone – 25 years as a national park site. Local and national media including the *San Francisco Chronicle* and *Forbes* used this opportunity to recap the journey from 1994 when the Presidio joined the national park system to today when the Presidio is among the most visited national park sites in America. Over those years the Trust, along with the National Park Service and Golden Gate National Parks Conservancy, has restored 600 of the park's 1,100 acres of open space, brought hundreds of historic buildings back to life as homes, workplaces, and visitor destinations, and built a secure financial foundation for the park.

Welcoming the Public through the Coronavirus Pandemic

We are gratified that the Presidio remained open, with appropriate safety protocols in place, to serve visitors during the ongoing coronavirus pandemic. We invited the public to use the park's trails and outdoor spaces for recreation, relaxation, and exercise, though some indoor facilities such as the Visitor Center were closed in compliance with health agency guidelines.

With safety as our highest priority, we launched an information campaign inclusive of signage, email outreach, and media to tell the public how to use the park safely. We also created additional open space for walking, hiking, and biking. In the weeks the Presidio Golf Course was closed, we allowed the public to recreate on its fairways. The Presidio Golf Course reopened for play in early May and has since been a popular place for recreation. We also launched a "Slow Streets" pilot program, which temporarily closes some roads to vehicle traffic to create more room for socially distanced exercise.

Recognizing that many people in higher risk groups could not physically come to the park, we adapted our website with a "Presidio at Home" section that used videos, photography, kids' craft projects, and articles to connect people to the beauty of the park.

While we were forced to cancel our large-scale public Memorial Day Commemoration, we were proud to host a group of local post-9/11 veterans at the Presidio's National Cemetery to ensure the 152-year tradition of a Memorial Day event continued. They honored men and women who died while serving in the U.S. armed forces at a small ceremony sponsored by the Heart and Armor Foundation for Veterans Health in cooperation with the Veterans Administration and the Presidio Trust. The event also included a wreath laying to honor Air Force Major Adrianna Vorderbruggen, who was killed in Afghanistan in 2015 and is the daughter-in-law of a former Presidio employee.

Redefining How We Deliver Education, Events, and Volunteerism

Faced with the economic impacts of the coronavirus pandemic, and urgently needing to increase investment in the park's utilities and other assets (see *Performance Strategic Goal: Renewing the Presidio's Physical Assets*), in Fiscal Year 2020 we made the difficult decision to

eliminate our education and interpretation programs. This aligns with our founding legislation, which gives the National Park Service primary responsibility for interpretation and education.

While we will focus less on sponsoring events for the public, the Trust will focus more on supporting the public to use the Presidio in the way they'd like. We will no longer host a regular schedule of Trust-sponsored exhibits or events, but we will continue to work with community partners on programs, such as the popular Sunday Presidio Picnic, when such gatherings can safely return. We'll also work with community organizations to host races and runs and other events like 2019's successful Korean Harvest Festival.

We're also in talks with our partners about streamlining how we run the Visitor Center, which will likely result in the National Park Service and Parks Conservancy taking over daily management duties. And we've partnered with the Parks Conservancy to establish a single "front door" for volunteer activities in the park, rather than having separate initiatives sponsored by each agency. While the Trust will still oversee volunteers on lands in our jurisdiction, the Parks Conservancy will be the visitor-serving interface when volunteers can safely return.

Making Progress on the Presidio Tunnel Tops

In Fiscal Year 2020, we made substantial progress on the Presidio Tunnel Tops project, passing the halfway mark on construction and heading on schedule and on budget toward a fall 2021 opening.

Designed in collaboration with James Corner Field Operations, best known for New York's *High Line*, the Tunnel Tops will feature 14-acres of world-class vistas, gardens, and trails on and around the Presidio Parkway highway tunnels. There will be gorgeous views of the Golden Gate Bridge, San Francisco Bay, and downtown San Francisco. It will also include places to gather such as a campfire circle and large picnic areas. And it will feature a three-acre youth campus with indoor learning centers and an outdoor interactive "playscape."

In Fiscal Year 2020, our partners at the Golden Gate National Parks Conservancy reached the \$98 million fundraising goal, ensuring we have the funds to take the project over the finish line. As construction got underway in November 2019, we hosted a "groundmaking" event to thank community supporters and the donors who are making the project possible. We and our partners at the Parks Conservancy and National Park Service are delighted to open this exciting new destination for visitors next year.

Understanding our Visitors

We want to ensure that the Presidio is visited by a large cross-section of people, as measured by ethnicity, income, and ability.

So that we understand our visitors, in Fiscal Year 2020, we developed a system for visitation data collection and reporting, publishing the first ever Presidio Visitor Profile. This allowed us to understand and communicate how many people visit the Presidio each year, who they are, where they come from, what they enjoy about the park, as well as satisfaction and awareness levels. We were able to report that the primary reason visitors come to the park is to “immerse themselves in an oasis for relaxation and restoration.” And 98% of visitors said they would recommend the park to a friend.

Our Fiscal Year 2020 visitor research included focus groups with 35 community members who serve San Franciscans who live in low-income neighborhoods, those who face accessibility challenges, and those who come from ethnically diverse backgrounds. Organizations represented included Walk SF, UCSF Medical Center, SF Veterans Affairs Medical Center, the Hearing and Speech Center of Northern California, San Francisco Human Services Agency, San Francisco Public Libraries, Asian Journal News, Parents for Public Schools, Latino Outdoors, BMAGIC, Bayview Network for Elders, and the San Francisco Department of Public Health.

Ensuring Transportation Access for All

We understand from our research that transportation can be a barrier to visiting the Presidio for some. To improve access, in September 2020 we worked with the San Francisco Municipal Transportation agency to extend the Muni 30 bus line to the Presidio. This is a significant improvement that for the first time offers direct public transit access to the Presidio from diverse and lower-income San Francisco neighborhoods.

Building on last year's success with bringing electric bikeshare to the Presidio, in Fiscal Year 2020 we began negotiations with a new firm to restore service, which was disrupted after the existing vendor departed the San Francisco market. We expect to return traditional and electrical bikeshare stations to the Presidio in Fiscal Year 2021.

Chief Financial Officer Letter

Fiscal Year 2020 marks the Trust's eight year without appropriations, and the fiscal year started out strong with Trust revenues outpacing the budget. This quickly changed with the advent of the COVID-19 pandemic and the subsequent shelter in place.

Our Executive Team realized very quickly that we were going to have significant financial constraints due to COVID-19, so we immediately embarked on an exercise to stabilize our real estate portfolios, understand tenant rent deferral needs, manage the loss from our hospitality businesses bringing down expenses to cover fixed expenses only, and control our internal expenses. The initial result was a reduction in revenue of approximately \$26 million that was offset by a reduction in expenses of \$29 million.

Financial hardship means difficult decisions and in order to reduce expenses the Trust laid off 20% of its workforce and eliminated the volunteer program and many of the visitor services functions. We stabilized our financial picture for Fiscal Year 2020 and in the Fiscal Year 2021 budget formulation process have established a prudent financial plan that guards against the risk of further economic downturn. We will continue to monitor our financial position and adjust accordingly.

In addition, the Trust remains in need of capital to invest in the renewal, rehabilitation, and development of buildings, landscape and infrastructure. While operating on revenues earned, the park continues to align budgetary resources with its strategic plan and to look for innovative ways to operate without access to traditional sources of funding available to either the private sector or traditional government agencies. This year we received authority to obtain a loan from the US Treasury for the first time in nearly twenty years. We will use these funds to invest in a revenue generating project to continue our investment of net operating income into the park.

COVID-19 has meant that we have had to reimagine the work of the finance and accounting teams. As the Chief Financial Officer, it has caused me to accelerate the work in creating an agile, resilient finance and accounting team, and to look for ways to use more, and more effective technology, in the Trust in the next fiscal year.

In Fiscal Year 2020, we ensured that we resourced the finance staff, bringing on key staff members, and in Fiscal Year 2021 we will be focused on continuing to improve the knowledge base of our staff as well as our processes.

In Fiscal Year 2020 we continued efforts to refine and improve the Trust's financial processes. Looking forward to Fiscal Year 2021, we will continue to focus on improved internal and external financial reporting to continue toward our goal of providing Trust managers, board members, federal oversight officials, and the general public with timely, transparent, accurate, and useful financial information.

The Trust maintains the unmodified audit opinion first achieved in 2012. However, we did receive a significant deficiency in internal control related to our review of subsequent events. We will work on a corrective action plan in Fiscal Year 2021 to eliminate this deficiency.

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 Trust programs and activities.

A handwritten signature in black ink, reading "Carla Carvalho-DeGraff". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Carla Carvalho-DeGraff
Chief Financial & Administrative Officer
November 13, 2020



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, 2020 and 2019, and the related statements of net cost, and changes in net position, and combined 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

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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, 2020 and 2019, 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 2020 Performance, Chief Financial Officer Letter, and Other Accompanying Information sections 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, 2020, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing 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, 2020 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 financial statements. 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, 2020

1. CONTROLS OVER YEAR- END FINANCIAL REPORTING

Internal control is a dynamic process that must be adapted continually to the risks and changes an entity faces. During fiscal year 2020, the Trust implemented corrective action plans to address internal control weaknesses and strengthen internal controls over financial reporting. Although the Trust made progress, an internal control deficiency remains in certain areas of accounting and financial reporting, as outlined below.

CONDITIONS

- The Trust does not have processes in place to analyze subsequent events to determine the impact to financial disclosures. When performing a year-end review of the financial statement footnotes, the Trust mistakenly included a lease in the lease footnote that was legally terminated after the fiscal year-end. This resulted in an overstatement of the future minimum lease receipts by \$6.1 million. Upon our observations, the Trust made the necessary corrections to ensure the disclosure noted above was presented fairly, in all material respect, and in accordance with applicable OMB requirements.
- Controls over the year-end closing procedures need to be strengthened. Specifically, we noted an instance where a CIP project was not transferred to completed property, plant, and equipment (PP&E) in a timely manner. Also, we noted an instance where the year-end accrual for expenses was overstated.

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 controls over financial reporting processes. 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:

1. Develop and implement a process to analyze subsequent events to determine the impact on financial reporting.
2. Evaluate the need to continue 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 standard.
3. Enforce ongoing monitoring controls, 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 unmatched accrued expenses and construction in progress projects 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,	
	2020	2019
<u>ASSETS</u>		
Intragovernmental		
Fund Balance with Treasury [NOTE 2]	\$10,498,908	\$7,016,686
Investments [NOTE 4]	153,244,000	161,100,000
Accounts Receivable [NOTE 5]	938,821	566,097
TOTAL INTRAGOVERNMENTAL	164,681,730	168,682,783
Cash and Other Monetary Assets [NOTE 3]	10,521	18,468
Accounts Receivable, Net [NOTE 5]	20,802,941	11,564,268
General Property, Plant, and Equipment (PP&E), Net [NOTE 6]	477,207,342	453,728,103
Other Assets		
Prepayments	4,927,467	4,711,409
Deferred Rent Receivable, Net	30,716,976	30,541,943
Other Deferred Real Estate Costs	201,857	183,379
	533,867,104	500,747,570
TOTAL ASSETS	698,548,834	669,430,353
Stewardship PP&E [NOTE 7]		
<u>LIABILITIES</u>		
Intragovernmental		
Accounts Payable	6,471,280	4,784,895
Debt [NOTE 9]	44,791,641	37,687,679
Other Liabilities [NOTE 12]		
Other Employment Benefits Payable	1,456,615	638,973
Unearned Revenue	8,086,414	8,375,045
TOTAL INTRAGOVERNMENTAL	60,805,950	51,486,591
Accounts Payable	22,057,121	18,818,816
Other Liabilities [NOTE 12]		
Environmental Remediation Liability [NOTE 8, 10, 12]	4,031,173	3,523,858
Non-friable Asbestos Cleanup Liability [NOTE 8, 11, 12]	48,868,089	47,906,916
Contingent Liabilities [NOTE 8, 12, 14]	1,016,068	3,964
Security Deposits [NOTE 12]	8,771,360	8,107,433
Unearned Revenue [NOTE 12]	128,300,497	130,249,632
Payroll Payable [NOTE 12]	2,059,302	1,987,796
Annual Leave Liability [NOTE 8, 12]	2,963,952	2,963,347
Rent Credit Liability [NOTE 8, 12]	5,037,647	5,997,995
Prepaid Rents & Services [NOTE 12]	2,396,413	1,923,308
FECA Actuarial Liability [NOTE 8, 12]	5,633,026	5,486,324
Food Program Liability [NOTE 12]	3,295,301	3,663,214
Other Liabilities [NOTE 12]	10,521	18,536
	234,440,469	230,651,139
TOTAL LIABILITIES	295,246,418	282,137,731
<u>NET POSITION</u>		
Unexpended Appropriation - Funds from Dedicated Collections		
Cumulative Results of Operations - Funds from Dedicated Collections	403,302,416	387,292,624
TOTAL NET POSITION	403,302,416	387,292,624
TOTAL LIABILITIES & NET POSITION	\$698,548,834	\$669,430,353

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

**THE PRESIDIO TRUST
STATEMENTS OF NET COST**

	FOR THE PERIOD ENDED SEPTEMBER 30,	
	2020	2019
PROGRAM COSTS		
Operating Cost	\$147,036,914	\$152,260,483
Less: Earned Revenues	144,865,362	161,192,149
Total Net Cost	2,171,553	(8,931,666)
(NET SURPLUS) OR NET COST OF OPERATIONS	\$2,171,553	(\$8,931,666)

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,	
	2020	2019
	Funds from Dedicated Collections	Funds from Dedicated Collections
Beginning Balance	\$387,292,624	\$369,509,334
Cumulative Results from Operations:		
Budgetary Financing Sources		
Donations and forfeitures of cash and cash equivalents [NOTE 20]	14,866,195	7,023,676
Other Financing Sources - Non-Exchange	987,065	341,174
Other Financing Sources		
Donations [NOTE 20]	2,683	140,946
Imputed Financing Sources - Funds from Dedicated Collections	2,325,402	1,345,828
Total Financing Sources	18,181,344	8,851,624
Net Cost of Operations	2,171,553	(8,931,666)
Net Change	16,009,792	17,783,289
Net Position	\$403,302,416	\$387,292,624

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

**THE PRESIDIO TRUST
STATEMENTS OF BUDGETARY RESOURCES**

FOR THE PERIOD ENDED SEPTEMBER 30,

	2020	2019
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary)	\$134,579,419	\$66,627,927
Borrowing authority (discretionary)	7,103,962	(2,739,162)
<hr/> Spending authority from offsetting collections (discretionary)	<hr/> 201,885,981	<hr/> 238,952,334
Total budgetary resources	<hr/> 343,569,361	<hr/> 302,841,099
Status of budgetary resources		
New obligations	158,478,386	168,261,680
Unobligated balance, end of year		
Apportioned, unexpired accounts [NOTE 17]	185,090,975	134,579,419
<hr/> Unobligated balance, end of year (total)	<hr/> 185,090,975	<hr/> 134,579,419
Total budgetary resources	<hr/> 343,569,361	<hr/> 302,841,099
Outlays, net		
<hr/> Outlays, net (total), (discretionary)	<hr/> 11,477,739	<hr/> (69,661,344)
Outlays, net (discretionary)	<hr/> \$11,477,739	<hr/> (\$69,661,344)

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, 2020 AND 2019**

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 Presidio Trust is a component unit of the United States Government.

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.

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 real estate rental income, hospitality income, utility billing, and other 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 operations and maintenance, landscape design, planning, resource management, real estate and hospitality business operations and development, environmental science, historic preservation, communications, law, and finance.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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 August 27, 2020. 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. 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.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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

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 term.

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. In fiscal year 2020, the impacts of COVID-19 on the Trust businesses necessitated changing our standard for calculating the allowance for doubtful accounts. The Trust reviews accounts over 90 days past due and identifies collectable accounts. If an account is identified as collectable, the Trust does not record any bad debt expense for that account. Conversely, if all or a portion of an account is deemed to be uncollectable, the Trust records a bad debt expense and establishes an allowance.

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

If a debt is related to an executed agreement with a tenant to defer payment due to the financial impacts of COVID-19 on the tenant, the entire amount of the debt, regardless of age, is assessed an allowance. Residential and Non-Residential past due debts are assessed at 50% and 65%, respectively. The reserve is not established at 100% because the presence of the rent deferral agreement gives the Trust a higher level of assurance that the receivable will be collected, per the terms of the agreement, as compared to unpaid rent for which no agreement is in place. However, since the presence of a rent deferral agreement implies a hardship or inability to pay current rent due in its entirety, the Trust took a conservative approach by applying an allowance even to the portion of the receivable aged less than 90 days, for these "COVID-deferral" tenants.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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

At year end, Intragovernmental receivables are assessed on an individual basis for collectability; only those deemed not collectable are included in the allowance for doubtful accounts. Intragovernmental receivables tend to age past the 90 days but also are more likely to be collected than not.

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

G. GENERAL PROPERTY, PLANT, AND EQUIPMENT (PP&E), NET

General PP&E consists of buildings, improvements to buildings, structures and facilities, land improvements, equipment, vehicles, capital leases, and construction in progress. In general, the Trust capitalizes fixed assets valued in excess of \$25,000 with a useful life of two or more years and depreciates each asset using straight-line amortization over the assigned useful life of the property.

All assets are assigned a useful life between three to ninety years dependent upon the asset category. For financial statement purposes, a pro-rated share of depreciation expense for the asset is recorded in the year of acquisition or project completion depending on the month the asset is placed into service.

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

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

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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 roadbeds, 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.

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

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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.

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 spending authority (authority to spend revenues as granted by the Trust Act) or an appropriation 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.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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 the Department of Interior 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 was \$4,031,173 as of September 30, 2020.

The Trust has a Pollution Legal Liability policy (PLL) that provides coverage for pre-existing pollution conditions discovered during the policy period, conditions that reopen at closed enumerated sites and coverage for new pollution conditions caused by the Trust as well as business interruption expenses. The self-insured retention under this policy is \$100,000 with a waiting period of 3 days for the business interruption.

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.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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

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. Unearned revenues are largely related to 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.

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 an 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.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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

N. 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 Year 2019, the Trust earned more revenue than it spent, resulting in a negative net cost (or net income). In Fiscal Year 2020, the Trust recorded more expenses than revenue earned (or net loss).

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.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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

Other Financing Sources

From time to time the Trust works on projects in partnership with the National Park Service (NPS), the Golden Gate National Parks Conservancy (GGNPC), the Federal Highway Administration (FHWA) or other partners on Trust-owned assets. These asset amounts are recorded as transfers in without reimbursement, non-exchange financing sources, or donations.

O. PERSONNEL COMPENSATION AND BENEFITS

Annual and Sick Leave Program

Annual leave is accrued as it is earned by employees. An unfunded liability is recognized for earned but unused annual leave since, from a budgetary standpoint, this annual leave will be paid from future funding sources when the leave is used by employees. The amount accrued is based upon current pay rates of the employees.

Sick leave is expensed when used and no liability is recognized as employees have no right to be paid for unused sick leave.

Federal Employees Workers' Compensation Act (FECA) Program

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

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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

Federal Employees Group Life Insurance (FEGLI) Program

Most Trust employees are entitled to participate in the FEGLI program. Participating employees can obtain "basic life" term insurance, with the Trust reimbursing the employees the cost of the basic life insurance biannually. Additional coverage is optional and 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. The Trust has no employees covered by CSRS. The Trust contributes a maximum of 16.7% of salary for employees hired after 1984 and 17.4% for employees hired after 2013.

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

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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

The Trust does not report 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, 2020 and 2019 are \$2,325,402 and \$1,345,828, respectively.

P. 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.

Q. 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.

R. 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.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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	2020	2019
Fund Balance with Treasury and Overnight Investments	\$ 130,498,908	\$ 134,872,686
Less: Invested Unpaid Obligated Balance	(73,816,655)	(73,487,836)
Less: Invested Unobligated Balance	(46,183,345)	(54,368,164)
TOTAL FUND BALANCE	\$ 10,498,908	\$ 7,016,686

3. CASH AND OTHER MONETARY ASSETS

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

CLASSIFICATION	2020	2019
Trust Petty Cash	\$ –	\$ 1,000
Deposits in Transit	10,521	17,468
TOTAL CASH AND OTHER MONETARY ASSETS	\$ 10,521	\$ 18,468

THE PRESIDIO TRUST
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019

4. INVESTMENTS

INVESTMENTS AS OF SEPTEMBER 30, 2020 - 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	10/01/20	0.110%	120,000,000	–	120,000,000
Total Intragovernmental Securities				153,244,000	–	153,244,000
Interest Receivable				–	–	–
TOTAL INVESTMENTS				\$ 153,244,000	\$ –	\$ 153,244,000

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	10/01/19	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

In Fiscal Years 2020 and 2019, both investments with a September 30, 2029 maturity date are investments of the proceeds from Trust borrowings from the Treasury (see Note 9). 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.

Interest in the amount of \$2,017,121 was paid to the Trust on the last day of the fiscal year in 2020 and 2019, respectively.

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

THE PRESIDIO TRUST
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019

4. INVESTMENTS (CONTINUED)

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.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2020 is comprised of the following:

CLASSIFICATION	INTRA- GOVERNMENT	NON- GOVERNMENT	TOTAL
Gross Accounts Receivable	\$ 938,821	\$ 21,763,680	\$ 22,702,502
Accrued Interest Receivable	-	16,742	16,742
Less: Allowance for Uncollectible Accounts	-	(977,481)	(977,481)
TOTAL ACCOUNTS RECEIVABLE, NET	\$ 938,821	\$ 20,802,941	\$ 21,741,763

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

THE PRESIDIO TRUST
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019

6. GENERAL PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment (PP&E) as of September 30, 2020 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	83,206,693	52,196,074	31,010,619
Construction-in-Progress	74,937,734	–	74,937,734
Buildings, Improvements, Renovations & Rehabilitations	462,920,538	151,341,341	311,579,196
Other PP&E, including furnishings, equipment, and software	139,529,172	83,550,380	55,978,792
TOTAL PP&E AT SEPTEMBER 30, 2020	\$ 764,295,137	\$ 287,087,795	\$ 477,207,342

CLASSIFICATION	BALANCE, BEGINNING OF YEAR	CAPITALIZED ACQUISITIONS	DISPOSITIONS	REVALUATIONS	DEPRECIATION EXPENSE	BALANCE, END OF YEAR
Land and Land Rights	\$ 3,701,000	\$ –	\$ –	\$ –	\$ –	\$ 3,701,000
Improvements to Land	36,399,453	135,157	(14,999)	–	(5,508,992)	31,010,620
Construction-in-Progress	44,526,346	30,411,387	–	–	–	74,937,734
Buildings, Improvements, Renovations & Rehabilitations	306,841,069	19,760,095	(586,811)	–	(14,435,158)	311,579,196
Other PP&E, including furnishings, equipment, and software	62,260,235	1,223,282	–	–	(7,504,725)	55,978,793
TOTAL PP&E AT SEPTEMBER 30, 2020	\$ 453,728,103	\$ 51,529,922	\$ (601,811)	\$ –	\$ (27,448,875)	\$ 477,207,342

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

CLASSIFICATION	BALANCE, BEGINNING OF YEAR	CAPITALIZED ACQUISITIONS	DISPOSITIONS	REVALUATIONS	DEPRECIATION EXPENSE	BALANCE, END OF YEAR
Land and Land Rights	\$ 3,701,000	–	–	–	–	\$ 3,701,000
Improvements to Land	38,987,115	3,157,668	–	–	(5,745,330)	36,399,453
Construction-in-Progress	20,109,870	24,416,477	–	–	–	44,526,346
Buildings, Improvements, Renovations & Rehabilitations	313,988,553	8,822,523	(2,358,551)	–	(13,611,455)	306,841,069
Other PP&E, including furnishings, equipment, and software	66,677,653	3,182,447	(24,319)	–	(7,575,547)	62,260,235
TOTAL PP&E AT SEPTEMBER 30, 2019	\$ 443,464,191	\$ 39,579,115	\$ (2,382,870)	\$ –	\$ (26,932,332)	\$ 453,728,103

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6. GENERAL PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

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 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 2019, additions and withdrawals during Fiscal Year 2020, and the ending number of units at the end of Fiscal Year 2020.

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7. STEWARDSHIP PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

CLASSIFICATION	FY20 BEGINNING BALANCE	ADDITIONS	WITHDRAWALS	FY20 ENDING BALANCE
Number of Buildings:				
Heritage	9.00	–	–	9.00
Multi-Use Heritage	411.00	–	–	411.00
TOTAL BUILDINGS	420.00	–	–	420.00
Number of Acres:				
Land Stewardship	856.58	16.28	(4.00)	868.86
TOTAL ACRES	856.58	16.28	(4.00)	868.86

The following table depicts the number of physical units at the end of Fiscal Year 2018, additions and projected 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
Number of Buildings:				
Heritage	9.00	–	–	9.00
Multi-Use Heritage	411.00	–	–	411.00
TOTAL BUILDINGS	420.00	–	–	420.00
Number of Acres:				
Land Stewardship	857.73	3.64	(4.79)	856.58
TOTAL ACRES	857.73	3.64	(4.79)	856.58

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8. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources are those liabilities that may be funded from future resources. As of September 30, 2020, and 2019, these liabilities consist of the following:

CLASSIFICATION	2020	2019
FECA Actuarial	\$ 5,633,026	\$ 5,486,324
Contingent Liabilities (Note 14)	1,016,068	3,964
Environmental Remediation Liability (Note 10)	4,031,173	3,523,858
Non-Friable Asbestos (Note 11)	48,868,089	47,906,916
Annual Leave Liability	2,963,952	2,963,347
Rent Credit Liability	5,037,647	5,997,995
Liabilities Not Covered by Budgetary Resources	67,549,954	65,882,404
Liabilities Covered by Budgetary Resources	227,696,464	216,255,327
TOTAL LIABILITIES	\$ 295,246,418	\$ 282,137,731

Liabilities not covered by budgetary resources require future spending authority (authority to spend revenues as granted by the Trust Act) or congressional action whereas liabilities covered by budgetary resources are covered by spending authority already earned by the Trust. When the liabilities are liquidated the Trust will have had to set aside spending authority for Treasury to finance that liquidation or Congress will have had to take special action to fund the liquidation as the Trust no longer receives appropriations.

9. DEBT

The Trust has the following debt to Treasury as of September 30, 2020 and 2019:

DEBT TO THE TREASURY	MATURITY DATE	2020	2019
Note C (dated 09/29/00)	09/30/29	\$ 13,901,920	\$ 15,063,102
Note C (dated 09/28/00)	09/30/29	13,901,920	15,063,102
Note C (dated 09/29/01)	09/30/29	6,987,801	7,561,475
MOU (dated 09/28/20)	09/30/50	10,000,000	-
TOTAL PRINCIPAL		\$ 44,791,641	\$ 37,687,679

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9. DEBT (CONTINUED)

The Presidio Trust Act granted the Trust the authority to borrow from the U.S. Treasury. The aggregate amount of outstanding obligations at any one time is limited to \$150 million. These borrowings financed building and infrastructure rehabilitation by the Trust. Borrowing was contingent on the Secretary of the Treasury determining that the projects to be funded from the proceeds were creditworthy.

In 1999, the Trust and the Secretary of the Treasury established a written borrowing agreement to advance funds for capital improvement projects. The Trust executed a promissory note for the requested amount to evidence the obligation of the Trust to repay the Treasury the sum borrowed, together with any late charges that might be incurred. The Trust was granted \$49,978,000 in borrowing authority.

In Fiscal Year 2020, the Trust was granted \$10,000,000 in borrowing authority. The Trust executed a Memorandum of Understanding (MOU) with Treasury for the requested amount and the Treasury advanced funds for a capital improvement project. The Trust must have a financial review of the project and credit worthiness before the Trust can expend the funds.

The terms surrounding the Trust's borrowing authority are described below. The Trust has issued the following promissory notes to the BFS:

Note C (dated 9/29/00)

The current principal amount was \$13,901,920 as of September 30, 2020. 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 \$1,161,182 and \$1,098,980 were made as of September 30, 2020 and 2019, respectively.

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9. DEBT (CONTINUED)

Note C (dated 9/28/00)

The current principal amount was \$13,901,920 as of September 30, 2020. 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 \$1,161,182 and \$1,098,980 were made as of September 30, 2020 and 2019, respectively.

Note C (dated 9/29/01)

The current principal amount was \$6,987,801 as of September 30, 2020. 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 5.515%, and requires principal payments starting in 2015 and ending on September 30, 2029. Principal repayments of \$573,674 and \$541,202 were made as of September 30, 2020 and 2019, respectively.

Additional yearly principal payments for the three notes are scheduled as follows: \$3,061,905 in Fiscal Year 2021, \$3,237,277 in Fiscal Year 2022, \$3,422,699 in Fiscal Year 2023, \$3,618,747 in Fiscal Year 2024, and the remainder in years thereafter.

MOU (dated 9/28/2020)

The current principal amount was \$10,000,000 as of September 30, 2020. The amount of the request will be used for a capital improvement projects once the Secretary of the Treasury's requirements for a financial review of the creditworthiness of the loan has been satisfied.

The note carries an interest rate of 1.146% and requires principal payments starting in 2021 and ending on September 30, 2050. No payments of principal or interest were made as of September 30, 2020.

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9. DEBT (CONTINUED)

Interest Expense Related to Borrowing

The Trust incurred \$2,261,342 and \$2,425,748 of interest expense for the fiscal years ended September 30, 2020 and 2019, respectively, which was included in program costs.

In Fiscal Year 2020, the Trust was authorized an additional \$10 million in borrowing authority, no interest was expense was incurred as the funds were advanced in September 30, 2020.

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 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 was \$4,031,173 as of September 30, 2020. 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.

The Trust's financial statements reflect a liability for environmental remediation cleanup costs of \$4,031,173 and \$3,523,858, which is unfunded as of September 30, 2020 and 2019, respectively. This represents the total estimated cost at completion less the expected Army

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10. OTHER LIABILITIES – ENVIRONMENTAL REMEDIATION (CONTINUED)

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, 2020 and 2019, respectively, was as follows:

LIABILITY PER BALANCE SHEET	2020	2019
Beginning Balance	\$ 3,523,858	\$ 3,590,904
Costs applied	(322,972)	(260,709)
Change in estimate to complete	830,286	193,664
TOTAL LIABILITY	\$ 4,031,173	\$ 3,523,858

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.

11. OTHER LIABILITIES - NON-FRIABLE ASBESTOS CLEANUP

The Trust's financial statements reflect an asbestos cleanup of \$48,868,089 and \$47,906,916 as of September 30, 2020 and 2019, respectively. This liability was first 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 costs associated with non-friable asbestos of \$35,508 and \$370,574 as of September 30, 2020 and 2019, respectively.

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12. OTHER LIABILITIES

Other liabilities as of September 30, 2020 and 2019, respectively are comprised of the following:

CLASSIFICATION	2020 NONCURRENT	2020 CURRENT	2019 NONCURRENT	2019 CURRENT
Intragovernmental Liabilities:				
Other Employment Benefits	\$ -	\$ 1,456,615	\$ -	\$ 638,973
Unearned Revenue	-	8,086,414	-	8,375,045
Total Intragovernmental Liabilities	-	9,543,028	-	9,014,018
Liabilities with the Public				
Environmental Remediation Liability	3,708,201	322,972	3,263,149	260,709
Non-Friable Asbestos Cleanup Liability	48,828,089	40,000	47,556,916	350,000
Feca Actuarial Liability	5,069,723	563,303	4,937,692	548,632
Contingent Liabilities	1,016,068	-	-	3,964
Security Deposits	8,771,360	-	8,107,433	-
Unearned Revenue	120,581,783	7,718,715	118,558,656	11,690,977
Payroll Payable	-	2,059,302	-	1,987,796
Annual Leave Liability	-	2,963,952	-	2,963,347
Rent Credit Liability	4,441,385	596,261	5,004,244	993,751
Prepaid Rents & Services	-	2,396,413	-	1,923,308
Other Liabilities	-	3,305,821	3,663,214	18,536
Total Liabilities with the Public	192,416,610	19,966,738	191,091,304	20,741,018
Total Other Liabilities	\$ 192,416,610	\$ 29,509,767	\$ 191,091,304	\$ 29,755,036

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.

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13. LEASES (CONTINUED)

Trust as Lessor - Description of Lease Arrangements

The Trust's commercial buildings are leased for 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:

FISCAL YEAR	FEDERAL	NON-FEDERAL	TOTAL
2021	\$ 37,952	\$ 30,069,993	\$ 30,107,945
2022	35,744	22,756,027	22,791,771
2023	-	16,267,180	16,267,180
2024	-	14,643,425	14,643,425
2025	-	13,373,950	13,373,950
Thereafter	-	411,530,871	411,530,871
TOTAL	73,697	508,641,446	508,715,143

14. COMMITMENTS AND CONTINGENCIES

From time to time, the Trust is involved in legal matters, including contract, tort and employment-related claims. As of September 30, 2020, and 2019, the Trust has contingent liabilities of \$1,016,068 and \$3,964, respectively.

15. FUNDS FROM DEDICATED COLLECTIONS

Funds from dedicated collections are financed by specifically identified revenues and are required by statute to be used by designated activities or purposed. All amounts in the financial statements presented herein are from dedicated collections.

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16. 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 commercial 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 commercial real estate 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. This competitive process establishes a fair market value for the space. All commercial leasing is managed by Trust staff.

Market rate housing is available to qualifying applicants, with full-time Presidio-based employees having first preference before the general public. Residential rents are set at market rate upon vacancy of a unit. The market rate is established 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 residential property manager, John Stewart Company, to lease residential units 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 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.

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

All obligations are under reimbursable authority. The amount of obligations incurred as of September 30, 2020 and 2019 were \$158,478,386 and \$168,261,680, respectively.

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18. PERMANENT INDEFINITE APPROPRIATIONS

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

19. UNDELIVERED ORDERS AT THE END OF THE PERIOD

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

The balance of undelivered orders as of September 30, 2020 was as follows:

DESCRIPTION	FEDERAL	NON-FEDERAL	TOTAL
Undelivered Orders Obligations Unpaid	\$ 3,937,866	\$ 37,846,737	\$ 41,784,603
Undelivered Orders Obligations Paid FF&E	-	4,927,467	4,927,467
TOTAL	\$ 3,937,866	\$ 42,774,204	\$ 46,712,071

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

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

20. CONTRIBUTED CAPITAL

The Trust is granted the authority to accept donations in the Trust Act. The Trust received direct donations of \$2,683 and \$140,946 during the fiscal years 2020 and 2019, respectively. In addition, the Trust received grants related to land improvements and historical renovations of \$14,866,195 and \$7,023,676 during fiscal years 2020 and 2019, respectively.

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21. RECONCILIATION OF NET COSTS TO NET OUTLAYS

Budgetary and financial accounting practices 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 financial data 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.

Fiscal Year 2020

Depreciation of property plant and equipment and amortization of real estate direct costs increased from \$27,025,572 in 2019 to \$27,606,329 in 2020. In 2020, the Trust spent \$51,649,883 toward the development or rehabilitation assets as the park continues to be developed.

Accounts receivable with the public increased by \$9,238,674 due to the rent deferrals offered to our residential and commercial tenants due to the COVID-19 pandemic, and an increase in project billing related to the Tunnel Tops project (Note 24).

Liabilities with the public increased by \$1,465,852 due to the timing of invoices and accruals, though unearned revenue has decreased as the Trust earned revenue on projects for which it received advances.

The Trust had significant financing sources with the public in the amount of \$14,866,195. These financing sources are related to projects that are financed through other entities, such as the GGNPC's funding for the Tunnel Tops project (Note 24).

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21. RECONCILIATION OF NET COST TO NET OUTLAYS (CONTINUED)

**PRESIDIO TRUST
BUDGET AND ACCRUAL RECONCILIATION
SEPTEMBER 30, 2020**

	INTRA- GOVERNMENTAL	WITH THE PUBLIC	TOTAL
NET (SURPLUS) COST	\$ (16,389,699)	\$ 18,561,251	\$ 2,171,552
Components of Net Cost That Are Not Part of Net Outlays:			
Property, Plant, and Equipment Depreciation Amortization of Broker Commission	–	(27,606,329)	(27,606,329)
Property, Plant, and Equipment Disposal & Revaluation. / Write-Off of Broker Commissions	–	(566,997)	(566,997)
Increase/(Decrease) in Assets:			
Accounts Receivable	372,724	9,238,674	9,611,398
Other Assets (Prepays)	–	401,622	401,622
(Increase)/Decrease in Liabilities:			
Liabilities (Accounts Payable, Unearned Revenue, Prepaid Rent, Security Deposits)	(1,397,755)	(1,465,852)	(2,863,607)
Salaries and Benefits	(817,642)	(71,506)	(889,148)
Environmental and Disposal Liabilities	–	(1,468,488)	(1,468,488)
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	–	(783,483)	(783,483)
Other Financing Sources:			
Federal Employee Retirement Benefit Costs Paid By OPM And Imputed To The Agency	(2,325,402)	–	(2,325,402)
Total Components of Net Cost That Are Not Part of Net Outlays (-)	(4,168,075)	(22,322,360)	(26,490,435)
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition Of Capital Assets And Direct Real Estate Costs	–	51,649,883	51,649,883
Other – Financing Sources With Budgetary Advances, Donations, and Other	(987,065)	(14,866,195)	(15,853,260)
Total Components Of Net Outlays That Are Not Part Of Net Cost	(987,065)	36,783,688	35,796,623
NET OUTLAYS	\$ (21,544,839)	\$ 33,022,578	\$ 11,477,739

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FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019**

21. RECONCILIATION OF NET COST TO NET OUTLAYS (CONTINUED)

**PRESIDIO TRUST
BUDGET AND ACCRUAL RECONCILIATION
SEPTEMBER 30, 2019**

	INTRA- GOVERNMENTAL	WITH THE PUBLIC	TOTAL
NET (SURPLUS) COST	\$ 13,465,054	\$ (22,396,720)	\$ (8,931,666)
Components Of Net Cost That Are Not Part Of Net Outlays:			
Property, Plant, And Equipment Depreciation, Amortization of Broker Commissions	–	(27,025,872)	(27,025,872)
Property, Plant, And Equipment Disposal & Revaluation / Write- Off of Broker Commission	–	(2,382,120)	(2,382,120)
Increase/(Decrease) In Assets:			
Accounts Receivable	(1,535,883)	7,106,428	5,570,546
Other Assets (Prepays)	–	5,648,523	5,648,523
(Increase)/Decrease In Liabilities:			
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
Other Financing Sources:			
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)
Components Of Net Outlays That Are Not Part Of Net Cost:			
Acquisition Of Capital Assets And Direct Real Estate Costs	–	39,676,124	39,676,124
Other – Financing Sources With Budgetary Advances, Donations, and 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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22. 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.

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. 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 master developer tenant in that leased location and assume that all options to extend the current lease term will be exercised.

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22. PUBLIC-PRIVATE PARTNERSHIPS P3 (CONTINUED)

Sponsored Projects

The Trust also works with certain private sector partners who sponsor projects to improve the park, especially the GGNPC (Note 24). 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 the 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 sponsorship of the Tunnel Tops project (Note 24).

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.

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

Other Contracts

The Trust outsources certain functions including the management of food services, park lodging, golf course, residential property management, commercial property management, shuttle operations, parking, and basic landscape maintenance operations. Some of these public-private partnership arrangements include a working capital subsidy.

The Trust's private sector partners in these arrangements bring specialized expertise to meet the Trust's strategic goal of being a model of operational excellence. The expected lives of these partnerships are the terms of the management contracts, including renewal options.

The Trust uses an RFP process for selection of partners and establishes operational review and approval controls over all functions. In addition, for the hospitality management, property management and parking functions, the Trust has included financial control measures to limit its risk of loss.

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22. PUBLIC-PRIVATE PARTNERSHIPS P3 (CONTINUED)

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 continue operations and transition to a new private sector partner possessing the required level of specialized expertise.

COVID-19 has impacted the Trust's hospitality, parking, and shuttle services. Impacts to these operations are reflected in the numbers that for revenues and expenses of those partnerships.

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
Historic Tax Credits	Not Available	N/A	N/A	
Federal Funding:				
Tenant Improvement Allowance / Rent Credit	\$ 22,547,471	\$ -	\$ -	\$ 22,547,471
Funds Invested For Rehabilitation Project	47,891,153	8,145,085	403,855	56,440,094
Parking Passes & Other	1,000,000		-	1,000,000
Working Capital Funding & Operating Expense Reimbursement	-	221,862,462	-	221,862,462
Management Fees	-	71,011,479	-	71,011,479
Expenditures Required Under Sponsorship Or Grant Agreement	-	-	22,389,940	22,389,940
Subtotal - Federal Funding	71,438,624	301,019,027	22,793,796	395,251,447
Partner Funding:				
Funds Invested For Building Rehabilitation	284,897,998	-	97,052,212	381,950,210
Other Investment By Partner	-	-	3,461,566	3,461,566
Subtotal - Partner Funding	284,897,998	-	100,513,778	385,411,776
TOTAL FUNDING TO P3	\$ 356,336,623	\$301,019,027	\$123,307,574	\$780,663,223

Revenues and cash received by the Trust from its P3 arrangements during the Fiscal Year ended September 30, 2020 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	\$ 20,009,098	\$ -	\$ -	\$ 186,000	\$ -	\$ -	\$20,195,098
Other Contracts	-	-	-	-	17,263,344	-	17,263,344
Sponsored Projects	-	-	-	-	-	7,737,200	7,737,200
TOTAL FY20 PAYMENTS RECEIVED	\$ 20,009,098	\$ -	\$ -	\$ 186,000	\$ 17,263,344	\$ 7,737,200	\$45,195,642

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22. PUBLIC-PRIVATE PARTNERSHIPS P3 (CONTINUED)

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	\$ 1,761,538,595	\$ 2,083,613	\$ 8,550,892	\$ 16,173,368	\$ -	\$ -	\$1,788,346,467
Other Contracts	-	-	-	-	264,033,538	-	\$ 264,033,538
Sponsored Projects	-	-	-	-	-	98,848,277	\$ 98,848,277
TOTAL EXPECTED PAYMENTS REC'D OVER LIFE OF P3	\$ 1,761,538,595	\$ 2,083,613	\$ 8,550,892	\$ 16,173,368	\$ 264,033,538	\$ 98,848,277	\$2,151,228,282

Payments paid by the Trust to its P3 partners during the Fiscal Year ended September 30, 2020 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	\$ -	\$ -	\$ 59,672	\$ -	\$ -	\$ 59,672
Other Contracts	-	-	-	5,057,456	18,255,200	23,312,656
Sponsored Projects	-	-	450,000	-	-	450,000
TOTAL FY20 PAYMENTS PAID	\$ -	\$ -	\$ 509,672	\$ 5,057,456	\$ 18,255,200	\$ 23,822,328

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	\$ 5,731,615	\$ 1,128,072	\$ 2,834,654	\$ -	\$ -	\$ 9,694,342
Other Contracts	-	-	-	71,011,479	220,739,867	291,751,347
Sponsored Projects	-	-	2,026,009	-	-	2,026,009
TOTAL EXPECTED PAYMENTS PAID OVER LIFE OF P3	\$ 5,731,615	\$ 1,128,072	\$ 4,860,663	\$ 71,011,479	\$ 220,739,867	\$ 303,471,698

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22. PUBLIC-PRIVATE PARTNERSHIPS P3 (CONTINUED)

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

P3 Type	Fixed Assets Capitalized	Accounts Receivable	Unearned Revenue (Unapplied Receipts)	Accounts Payable	Advances to Program	Prepaid Rent	Deferred Rent Receivable	Other Deferred Revenue	Financing Source	Security Deposits
Building Rehab	\$ -	\$1,093,842	\$ -	\$ -	\$ -	\$42,661	\$30,045,345	\$ -	\$ -	\$ 883,7488
Other Contracts	-	-	983,646	471,669	1,423,013	-	-	-	-	-
Sponsored Projects	-	14,771,693	455,195	5,383,331	-	-	-	8,035,501	11,117,838	-
TOTAL OTHER AMOUNTS RECOGNIZED IN FY20	\$ -	\$15,865,535	\$1,438,841	\$5,855,000	\$ 1,423,013	\$42,661	\$30,045,345	\$8,035,501	\$ 11,117,838	\$ 883,748

23. 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 relocated, rebuilt, and restored 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, Accounting for Revenue and Other Financing Sources*. Revenue will be recognized over the life of the right of entry agreement for the State's use of these items. All other revenue will be recognized over the estimated life of the new roadway.

The Trust has received 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 2020. The Trust recognized earned revenue in the amount of \$939,718 and \$939,718 during fiscal years 2020 and 2019, respectively, leaving a balance of \$59,907,025 in unearned revenue at September 30, 2020. CALTRANS and its contractor finalized work in early fiscal year 2020 and the temporary construction easement area was returned to the Trust. The Trust and Caltrans reached agreement in 2018 that allowed 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. The project is currently in construction.

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24. 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 raising the majority of the funds for the project. NPS manages the adjacent parklands at Crissy Field in 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, 2020, and 2019, the amount deferred was \$8,035,501 and \$4,326,631, respectively.

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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).

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RANKING AND PRIORITIZING MAINTENANCE AND REPAIR ACTIVITIES

Maintenance and repair activities are first prioritized by regulatory and then health and safety considerations. Examples of items governed by regulation include, but are not necessarily limited to, building life safety, elevators, emergency generation, and water treatment backflow and general plant operations.

Tasks prioritized by health and safety considerations 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 performed by Trust inspectors, 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 arcing 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.

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SIGNIFICANT CHANGES FROM PRIOR YEAR

There is an overall projected decrease of \$2,872,123 in deferred maintenance from 2019 to 2020. 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.

Stewardship and landscape balances increased due to less maintenance in tree, shrub, and road maintenance especially during the early months of the COVID-19 pandemic. 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	2019 ENDING BALANCE	2020 BEGINNING BALANCE	2020 ENDING BALANCE
INFRASTRUCTURE & GROUNDS:			
INFRASTRUCTURE	\$ 1,158,550	\$ 2,777,903	\$ 1,179,613
STEWARDSHIP & LANDSCAPE	930,544	2,096,864	1,081,046
GOLF COURSE	144,490	75,000	43,450
TOTAL INFRASTRUCTURE & GROUNDS	2,233,584	4,949,768	2,304,109
BUILDINGS:			
HERITAGE	62,207	69,827	69,827
MULTI-USE HERITAGE	4,096,516	3,588,992	2,774,324
NON-HISTORIC	1,947,819	414,021	319,741
TOTAL BUILDINGS	6,106,541	4,072,840	3,163,892
GRAND TOTAL	\$ 8,340,125	\$ 9,022,607	\$ 5,468,001

Other Information:

Inspector General Summary

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

Improper Payments

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

Summary of Financial Statement Audit and Management Assurances

Audit Opinion		Unmodified				
Restatement		No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance	
None	0	0	0	0	0	
Effectiveness of Internal Control over Financial Reporting						
Statement of Assurance		Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Effectiveness of Internal Control over Operations						
Statement of Assurance		See Below				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Conformance with Financial Management System Requirements						
Statement of Assurance		See Below				
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	N/A	N/A	N/A	N/A	N/A	N/A
Conformance with Federal Financial Management Improvement Act						
Statement of Assurance		Agency		Auditor		
Overall Substantial Compliance		Yes or No		N/A		
System Requirements		Yes		N/A		
Accounting Standards		Yes		N/A		
USSGL - Transaction Level		Yes		N/A		

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

Grants Oversight and New Efficiency (GONE) Act

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

Fraud Reduction Report

In fiscal year 2020, the Trust took some additional actions to reduce the risk of fraudulent activity though we were largely focused on mitigating impacts on the financials related to COVID-19. Controls put in place due to COVID-19 budget constraints also had the effect of reducing the risk of fraud.

The Trust reduced the credit cards on hand and instituted more stringent funds controls to have more oversight on spending. In addition, the Trust inventoried all areas where supplies/stock was being kept ensuring physical control over inventory.

Glossary

BFS – Bureau of the Fiscal Service

CAP – Camping at the Presidio

Caltrans – California State Department of Transportation

CIP – Construction in Progress

CPI – Consumer Price Index

CSRS – Civil Service Retirement System

DMS – Debt Management Services

DOI – Department of the Interior

DOL – Department of Labor

ERM – Enterprise Risk Management

ENR - Engineering New Record Rates

FASAB – Federal Accounting Standards Advisory Board

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

FEGLI – Federal Employees Group Life Insurance

FERS – Federal Employees Retirement System

FMFIA – Federal Managers' Financial Integrity Act

GAAP – Generally Accepted Accounting Principles

GGNPC – Golden Gate National Parks Conservancy

GONE Act – Grants Oversight and New Efficiency Act

GSA – General Service Administration

MOA – Memorandum of Agreement

MOU – Memorandum of Understanding

NPS – National Park Service

OMB – Office of Management and Budget

OPM – Office of Personnel Management

PP&E – Property, Plant, and Equipment

PTMP – Presidio Trust Management Plan

RSL – Remediation Stop Loss Insurance Policy

SFFAS – Statements of Federal Financial Accounting Standards

SFCTA – San Francisco County Transportation Authority

UBIF – Urban Biodiversity Inventory Framework

USSGL – United States Standard General Ledger

VMP – Vegetation Management Plan