Presidio Trust

2021 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

FY21 PERFORMANCE + ACCOUNTABILITY REPORT

Agency Head Letter

I'm pleased to report that in Fiscal Year 2021, the Trust successfully led the Presidio through the turbulence of the COVID-19 pandemic. We completed our ninth year of operating without an annual appropriation and hosted more than six million visits, providing a safe place for people to rejuvenate in nature when they needed it most.

The Trust received an unmodified audit opinion. While the Trust is a small agency, we have complex operations and multiple systems to support the financial transactions. I am proud to say that even with the complexity we continue to refine policies, procedures, and controls. Data contained in both the performance and financial sections of this report is complete and reliable. One area that we are working to improve is the required supplementary information. We continue to systematize the asset data for deferred maintenance and drive cost information down to the component level to ensure better and more accurate data.

Following the COVID-19 pandemic economic shock that resulted in difficult financial constraints in Fiscal Year 2020, our finances improved significantly in Fiscal Year 2021. The Presidio's low-scale historic buildings with operable windows and stairs instead of elevators – plus the park's fresh air and open space – perfectly matched the market demands. We maintained occupancy rates well over 90% in both our residential and commercial spaces. And as the vaccine took hold, our hotels and event venues also began to welcome back visitors eager for a national park experience.

Though we had a decline in national and international visitors due to the pandemic, our open spaces were a welcome refuge for more regional visitors of all backgrounds than ever. We continued to make steady progress against our goal that visitors to the park reflect the ethnic and income diversity of the Bay Area.

This year we also celebrated successes in our natural area restoration work. We opened seven acres of restored wetlands along the Presidio's northern waterfront, creating more space for nature and people to thrive. We also became the proud grandparents of our first set of baby turtles born to the adult turtles we reintroduced into Mountain Lake in 2015. And we reintroduced and sustained native species all around the park, from Ringlet Butterflies to the Western Fence Lizard to the Olympic Oyster.

We also made substantial progress in constructing the Presidio Tunnel Tops with funds raised by the Golden Gate National Parks Conservancy. Opening in spring 2022, the Tunnel

Tops will bring an additional 14 acres of open space to the Presidio where a highway once stood. We expect to welcome two million guests in its opening year.

As part of our strategic goal of being a model of environmental stewardship, we cut the use of drinking water for irrigation by 20% and reduced the percentage of our waste that goes to landfill. These moves have the dual benefit of protecting the park's environment and reducing our operating costs. We want to show the world that what is good for the environment is also good for the bottom line.

While there is much good news, our central financial challenge remains. The Trust is charged with caring for a national park site. Like other national park sites, we have many old physical assets that we inherited from the Army -- especially our utility systems -- that need to be replaced. The cost of replacing the park's aged assets is well over $400 million. Unfortunately, the Trust was the only national park site left out of the 2020 Great American Outdoors Act that funded the replacement of aging assets in national parks.

In Fiscal Year 2021, we began a strategic planning process to tackle this problem so we can maintain this magnificent place for everyone to enjoy forever. This will be our focus in Fiscal Year 2022 and beyond.

As we prepare to celebrate the 50th anniversary of the Golden Gate National Recreation Area in 2022, we're grateful for the leaders of prior generations who understood the importance of setting aside lands to remain in public trust forever. And we're grateful to our partners at the National Park Service and the non-profit Golden Gate National Parks Conservancy for working with us to deliver the joy of national parks to all.

Sincerely,

Jean Fraser
Chief Executive Officer
November 12, 2021

Management Discussion + Analysis

Mission

The mission of the Presidio Trust is to steward and share the beauty, history, and wonder of the Presidio for everyone to enjoy forever.

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 (currently vacant). 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.

Lynne Benioff, chair of the Presidio Trust board, is the co-chair of TIME and active on the boards of several organizations. She is a Distinguished Director of the Board of Overseers of the University of California San Francisco Foundation and serves on the board of directors of The Rise Fund, UCSF Benioff Children’s Hospitals, and the Benioff Ocean Initiative. Ms. Benioff co-chairs the Presidio Tunnel Tops Campaign Committee, which has successfully raised over $100 million to create 14-acres of new parkland with a youth learning campus. In 2020, Ms. Benioff was honored by the AFP Golden Gate Chapter on National Philanthropy Day with an “Outstanding Fundraising Volunteer Award” for her work as the co-chair of the Presidio Tunnel Tops campaign. She formerly chaired the Presidio Trust board Governance Committee and served as a director of Common-Sense Media. In 2014, Ms. Benioff was honored by Mayor Ed Lee as one of San Francisco’s “Women of the Year.” In 2020, she and her husband, Marc, received a George H.W. Bush Points of Light Award for their civic engagement. Ms. Benioff received a B.S. from the University of Washington. She was appointed to the Presidio Trust board in 2015 and reappointed in 2019.

Mark W. Buell, vice chair of the Presidio Trust board, is a native San Franciscan who has spent 35 years in public and private real estate development. He served as San Francisco’s first Director of Economic Development and later as the first Director of the Emeryville Redevelopment Agency. Mr. Buell is a former board president of the Golden Gate National Parks Conservancy and currently co-chairs the Presidio Tunnel Tops Campaign Committee with Presidio Trust board acting chair Lynne Benioff. He has also served on the boards of the Bolinas Museum, the Chez Panisse Foundation, and the California Academy of Sciences. He is president of the San Francisco Recreation and Park Commission and president of the Marin Community Foundation. A graduate of the University of San Francisco, he also sits on their Board of Trustees. Mr. Buell is a decorated Vietnam War veteran. He was appointed to the Presidio Trust board in June 2021.

Leni Eccles began her career in education in various roles including high school principal, counselor, and advisor for a university graduate school. She later served as director of a healthcare organization, working also with its national affiliates, and then for the U.S Department of Health, Education and Welfare as a consultant for assessment and management development for federally funded health providers. Over the past two decades, her focus has been public service, working on governance, resource optimization, collaboration, and strategic planning. Ms. Eccles has served on the board of North Bay Summer Search, as chair of the Board of Trustees of a college preparatory high school, and most recently as chair of the Board of Trustees for the Belvedere Community Foundation. She was appointed to the Presidio Trust board in June 2021.

George M. Marcus is the co-founder and chairman of Marcus + Millichap, a publicly traded real estate brokerage firm in San Francisco. He is also the founder and chairman of Essex Property Trust. He has served on the boards of the Millennium Challenge Corporation, the UCSF Foundation, the Corporation of Fine Arts Museums that built San Francisco's de Young Museum and was a University of California regent for 12 years. He also established the George and Judy Marcus Funds for Excellence in the Liberal Arts at San Francisco State University, his alma mater, to support students and faculty in liberal and creative art programs. He was appointed to the Presidio Trust board in June 2021.

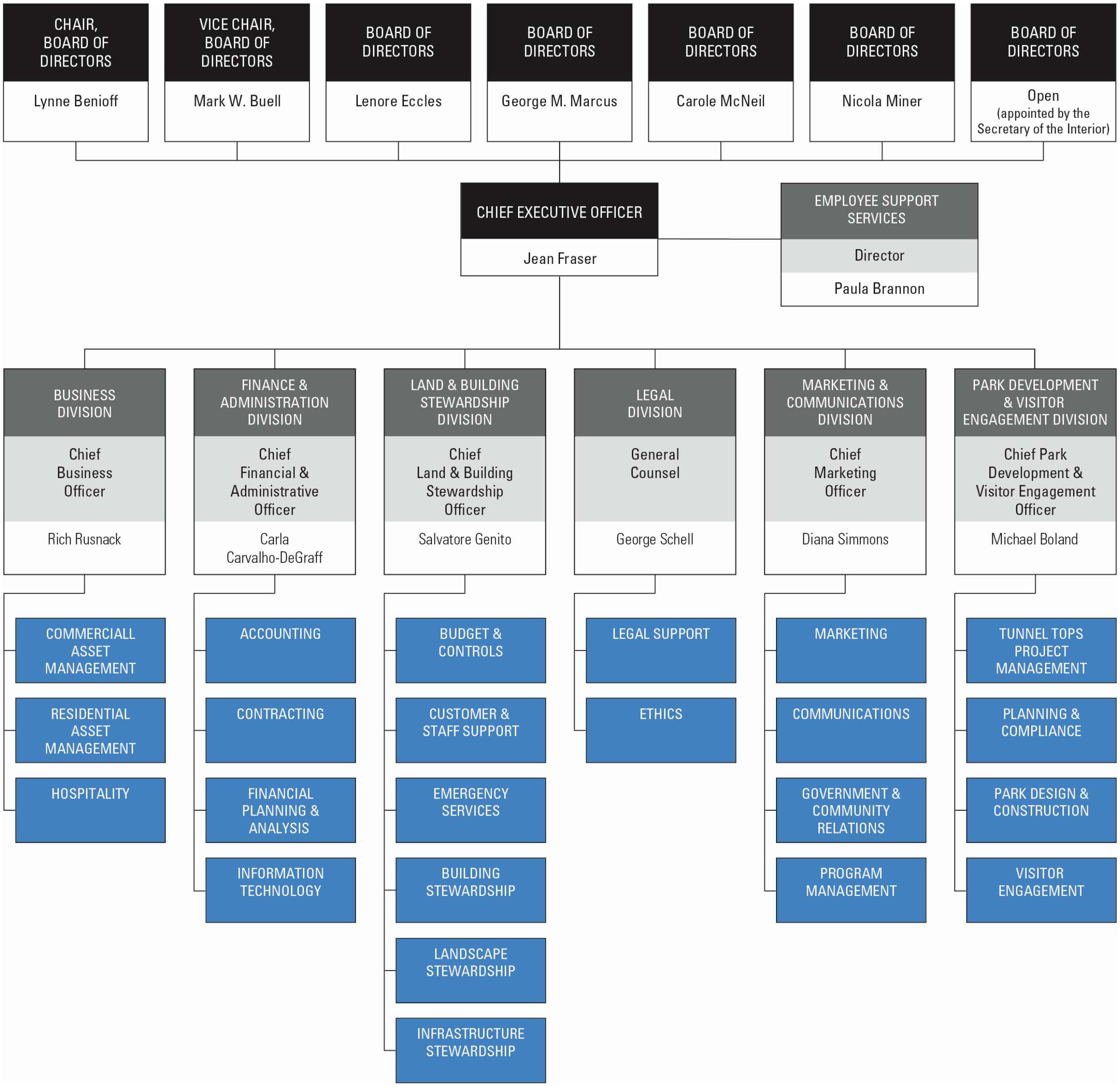
Carole McNeil, a San Francisco Bay Area native, is Chairman and Strategic Director of McNeil Capital, which invests in a wide range of real estate, venture capital, and biotech interests. She is also a member of the Policy Advisory Board at the Fisher Center for Real Estate and Urban Economics at the 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 in 2019.

Nicola Miner is founder of the Miner Anderson Family Foundation, a non-profit organization that advances social justice and access to equal opportunity in San Francisco and throughout the United States. She is an instructor of English composition at several Bay Area community colleges. Ms. Miner is also on the advisory panel for San Francisco's Grants for the Arts and is a member of Earthjustice Action's board of directors. She has a degree in History from Brown University, a master's degree in journalism from Columbia University and a master's degree in English literature from Mills College. She was appointed to the Presidio Trust board in June 2021.

Presidio Staff

A Chief Executive Officer (CEO) oversees the organization, which includes the following divisions: Park Development and Visitor Engagement, Business, Land and Building Stewardship, Finance and Administration, Legal, and Marketing and Communications. The Presidio Trust has 284 employees with a wide range of skills, including real estate management, ecological restoration, historic preservation, 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 and accompanying notes have been audited by the independent public accounting firm KPMG, LLP, and the Trust received an unmodified opinion.

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 2021 and 2020.

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, 2021, and to compare it to the Trust's financial position the previous year.

Assets

The Trust's total assets increased by $77.9 million for a total of $776.4 million at the end of Fiscal Year 2021 compared to $698.5 million at the end of Fiscal Year 2020. The net increase in assets consists of fluctuations in various assets categories.

The largest parts of this increase are due to growth in General Property Plant & Equipment related to capital projects, and an increase in our Fund Balance with Treasury related to $20 million in additional Treasury borrowing received in Fiscal Year 2021.

General Property Plant & Equipment, net increased by $56.2 million as the Trust continues to renovate and replace capital assets.

Accounts receivable increased by $2.5 million largely due to receivables from the Golden Gate National Parks Conservancy (GGNPC) for the Tunnel Tops project (Note 23), offset by a decrease in real estate portfolio receivables.

Liabilities

Liabilities increased by $39.8 million, ending at $335 million in liabilities for Fiscal Year 2021 compared to $295.2 million at the end of Fiscal Year 2020. The increase is made up of fluctuations in several liabilities. Trust liabilities include $61.7 million in debt to the U.S. Treasury, an increase of $16.9 million due to $20 million in new borrowing minus the $3.1 million required principal payment on existing debt. See Note 3 for more information on investments and Note 8 for more information on debt.

Accounts payable increased $15.5 million due to increased construction activity on various park projects, and the timing of payment of invoices.

Unearned revenue increased $4.8 million, largely due to an increase in deferred revenue related to the Tunnel Tops project, offset by recognition of deferred revenue from the Caltrans settlement due to the Fiscal Year 2021 completion of the Quartermaster Reach project (see Note 22). Upon completion of the Tunnel Tops project, deferred revenue for the project will be recognized over a 30-year period (see Note 23).

The Food program liability decreased $3.3 million due to the repayment of the debt to the former food program partner. The non-friable asbestos cleanup liability increased by $5.9 million due to an adjustment for inflation and an update in the method of estimating the liability due to an increase in the use of contractors for asbestos remediation work.

Net Position

The Trust's net financial position increased by $38.1 million, ending Fiscal Year 2021 at $441.4 million compared to $403.3 million at the end of Fiscal Year 2020.

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 an accrual 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 $8.4 million during Fiscal Year 2021 compared to net cost of $2.2 million in Fiscal Year 2020. The net cost statements reflect the expenses incurred by Trust activities during Fiscal Year 2021, 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 of $5.8 million is primarily related to changes in our food and venues businesses, and a decrease in residential rental income. In both the food and venues business lines, the Trust's business model shifted from operator to lessor, with new leases either executed or planned as of the Fiscal Year-end which will result in increased commercial real estate revenue in the coming years. Residential rents decreased $3.3 million due to ongoing impacts of the COVID-19 pandemic. These decreases in revenue were offset by increases in golf and lodging revenues, as these business lines were less impacted by the COVID-19 pandemic than in the prior year.

Operating costs were flat overall versus Fiscal Year 2020 due to various increases and decreases. Operating costs related to hospitality increased or decreased in proportion to the revenues earned. Benefits expense decreased, primarily due to layoff-related expenses incurred in Fiscal Year 2020. Bad debt expense also decreased, related to a reduction in the allowance for uncollectible receivables. These decreases were partially offset by increases in costs related to a higher-than-normal turnover of our residential real estate units, a large increase in the cost of insurance, increases in the cost of emergency services and law enforcement, and an increase in non-capitalizable costs of our street paving program.

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 basis of accounting, which differ from accrual basis of accounting as transactions are recognized at different points in time. In Fiscal Year 2021, 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 $289.2 million for Fiscal Year 2021, compared to $343.6 million in Fiscal Year 2020. Of this amount, the Trust obligated $162.2 million in Fiscal Year 2021 and $206 million in Fiscal Year 2020. Unobligated balances at the end of Fiscal Year 2021 and Fiscal Year 2020 were $127 million and $137.6 million, respectively.

This unobligated balance is due to holding funds to complete multi-year capital improvements including the reconstruction of the park after Doyle Drive (see Note 22), the Tunnel Tops project (see Note 23), the East Mason rehabilitation project funded from the loan received from the U.S. Treasury (see Note 8), and tenant security deposits. In addition, the Trust holds funds to survive future economic downturns and unexpected events and saves up funds to replace large assets as they age.

Risks and Uncertainties

The Trust did not receive any appropriations or aid for the impacts of COVID-19 on its businesses. In Fiscal Year 2020 and 2021 the Trust received $30 million in loans from the U.S. Treasury to invest in a building rehabilitation project to create an additional stream of ongoing revenue.

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 yet 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 $400 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 items 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 resulting in replacement values. Throughout 2020 and 2021, the Trust has worked on systematizing the lifecycle maintenance/cost of ownership by implementing capital planning software. This software hold data for all of our various asset classes at the component level. It is not yet fully linked to our financial system; this work will continue to happen in Fiscal Year 2022. We understand from this data that we need to spend approximately $30 million per year to continue to renew our assets.

Deferred maintenance data can be found in the required supplementary information (RSI) accompanying the financial statements. The 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 is the complete replacement of the asset.

Stewardship Investments

Stewardship assets are detailed in Note 6 to the financial statements as required by *Statement of Federal Financial Accounting Standards (SFFAS) 29, Heritage Assets and* Stewardship *Land*. The Trust's reported values for Property Plant & Equipment exclude stewardship assets, which are primarily park open space, because these assets 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 2021, the Trust continued its work on reaching full FISMA compliance.

Statement of Assurance on Other Legal Matters

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

Jean Fraser
Chief Executive Officer
November 12, 2021

Fiscal Year 2021 Performance

Since 2018, when the Presidio Trust Board of Directors adopted our three strategic goals, we have organized our work around a triple bottom line: People, Planet, and Performance. This section highlights our progress in FY21 against each goal.

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

Earning the Green Flag Award for the Second Year

For the second year, the Presidio earned the prestigious Green Flag Award, which honors parks around the world that have achieved the highest management standards. We remain the only park in the United States to have this distinction, which is bestowed after an evaluation by professional peer judges who consider the full range of park management activities, including maintenance, safety, biodiversity, community involvement, marketing, and visitor services.

Rebounding from the COVID Economic Crisis

We rely primarily on revenue generated from the park's real estate assets to fund Presidio operations and improvements. These include 1,400 residential units, two million square feet of leased commercial space, and a hospitality portfolio that includes a public golf course, two hotels, restaurants, and venue rental operations. All businesses were significantly challenged by the COVID economic crisis, and we've worked diligently over the past 18 months to return the Presidio to profitability.

In the early days of the pandemic in Fiscal Year 2020, we moved quickly to stabilize the agency by reducing executive pay, deferring projects, and making the difficult decision to reduce our staff by 20%. We ended that year showing losses of $26 million due to the closure of our hospitality businesses, reduced rental income from residents and tenants, and lost fees from camping, special events, parking, and other park uses.

In Fiscal Year 2021, we guided the Trust through a steady rebound. Our housing portfolio remained central to funding the Presidio. To maintain income and support our residents, we continued our rent deferral program. This allowed residents to remain in place and kept our average occupancy at 95.1%, with only 1.0% in unpaid rent. Though our turnover rate increased significantly to 27% due to the economic turbulence, demand for homes from new residents remained strong, and our teams repaired and quickly returned to market 307 housing units, a 62% increase over a normal year. While our rents for new leases declined 4.4%, we performed much better than the surrounding city of San Francisco. In total, we earned $61.8 million from our residential leasing program in Fiscal Year 2021.

The Presidio's commercial portfolio was also well positioned to attract potential tenants seeking fresh air, open space, and interiors that allow for social distancing during the pandemic. We saw a 68% increase in inquiries compared to the previous fiscal year.

Given the strong demand and need to earn income to support the park, we vacated three buildings that had been used for Presidio Trust operations so we could return them to the commercial rental portfolio. This was possible given the high productivity of office staff working remotely, who kept our administrative functions operating seamlessly. By freeing up and then leasing 43,000 square feet of space, we expect the Trust's former office space will generate $1.4 million in rent revenue in Fiscal Year 2022.

In total, we executed 46 commercial leases in Fiscal Year 2021, representing $10 million in annual revenue. Our rents remained higher than similar space available in San Francisco. Notable examples of new leases include a 10,000 sq ft office lease at Building 86 Graham, a 10,000 square feet office lease at Building 101 Montgomery, 11,000 square feet of office leases in Building 103 Montgomery and an 8,000 square feet office lease at Building 920 Mason.

Additionally, we continued to successfully negotiate base rent reappraisals with master tenants whose leases provide for such reappraisals at specified intervals.

Overall, we maintained a commercial occupancy rate of 96.3%, with 16 master and 230 direct tenants.

To build up our leasing pipeline for the future, in Fiscal Year 2021 we began the rehabilitation of the seven historic Mason Street warehouses on the Presidio's northern waterfront. This opportunity totals 84,000 square feet. We are rehabilitating them for lease using $30 million in loans provided by the U S Treasury. We expect to finish rehabilitation and rent them in Fiscal Year 2023, resulting in $2.4M in projected income after debt service in the first stabilized year.

In our Hospitality portfolio, our golf course performed extremely well. We hosted a record 75,400 rounds, earning $8.4 million in revenue, with a net income of $2 million.

Business at our two hotels – Inn at the Presidio and Lodge at the Presidio – continued to be negatively impacted in Fiscal Year 2021 by the COVID pandemic. While occupancy rates were above 30% in October, they dropped as COVID infection rates increased. Due to falling demand, we closed the Inn at the Presidio in January and re-opened in April, while the Lodge remained open with low occupancy in order to retain key staff. Since then, travel has been slowly but steadily increasing as the vaccine takes hold. By September 2021 the combined occupancy rate for both hotels reached 72%, the strongest since the pandemic began. Revenue from both hotels in Fiscal Year 2021 was $4.62 million, with a net income of $1.2 million.

We realigned two hospitality businesses during the pandemic. First, we made the decision to lease the park's event venues instead of operating them ourselves. After a competitive process, in February we signed an agreement with Wedgewood Weddings and Events, a well-established event company that manages nearly 50 properties in the United States.

Wedgewood now operates five of our historic venues and a catering program. As health guidelines allowed, special events resumed in May 2021. Inquiries and bookings are coming back; Wedgewood has 246 events booked in the Presidio in the next two years with projected sales of $4.7 million.

We also decided to exit the restaurant business. We are seeking tenants to lease three existing restaurant spaces and a new food space that will be available when the Presidio Tunnel Tops opens in 2022 (*see Strategic Goal: Visited and Loved by All*).

In Fiscal Year 2021 our total revenue from all sources was $131 million, excluding income entries related to generally accepted accounting principle such as straight-line rent. We ended the year above budget on revenue and under budget on expenses. This was the ninth year that the Presidio Trust operated without an annual appropriation.

Maintaining our Buildings, Landscapes, and Infrastructure

The Trust inherited from the Army the infrastructure of a small city. The Trust manages more than 700 buildings; operates the electrical, wastewater, drinking water, and telecom utilities; maintains many miles of roads, trails, and sidewalks; and stewards more than 900 acres of gardens, forest, lawns, and natural areas.

In Fiscal Year 2021, we delivered nearly 300 million gallons of drinking water to our customers and maintained our wastewater system with no reportable overflows, a result achieved by no neighboring jurisdiction. As a result of proactive preventive maintenance, we reduced electrical outages by 63% from the previous year.

Additionally, our maintenance crews completed 22,000 work orders in Fiscal Year 2021, with more focus than ever on addressing issues proactively rather than responding to problems after they've occurred. By leveraging operating metrics and controls, the percentage of planned work performed (as opposed to reactively responding to unscheduled service calls) increased from 73% to 93% (a 27% increase) in Fiscal Year 2021.

Additionally, we used funding from the Federal Lands Transportation Program to upgrade 25% of Presidio roadways and parking lots, a total of seven miles in all. We took this opportunity to improve drainage and to make the park safer for drivers, pedestrians, and bicyclists by adding bike lanes, including the very first Advisory Bike Lane in California.

Though we were not able to invest in infrastructure improvement to the levels we wished in Fiscal Year 2021, we completed design and preconstruction activities to replace one of our electrical substations and began preconstruction activities to perform the work. When complete, this project will provide more reliable service to a significant portion of the park.

Providing Reliable Service to our Community

Enhancing Public Safety

As we entered the second year of the pandemic, we continued to follow the Centers for Disease Control and local safety protocols to protect our staff, customers, and visitors. Additionally, we worked with the US Park Police, the Presidio's law enforcement agency, to improve the park's public safety program. We established an emergency Watch Center, providing real-time monitoring of conditions around the park, including weather and air quality data. We increased our ability to monitor park conditions by installing fixed CCTV cameras in key traffic intersections and other locations. This also helped us reduce theft from vehicles.

Reducing Costs + Protecting the Environment

At the start of Fiscal Year 2021, the Presidio fleet included 170 vehicles. In Fiscal Year 2021, we made a concerted effort to reduce the size of the fleet and to eliminate the oldest vehicles with the highest emission rates. We evaluated the needs of our field and office staff, taking into account that fewer car trips are necessary due to remote work. Ultimately, we returned 50 vehicles (30% of our fleet) to the General Services Administration (GSA), saving an estimated $130,000 annually while also reducing our carbon footprint.

We also disposed of excess materials resulting from our move out of three office buildings. We reported the 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 105 GSA auctions, earning $133,500 to support the park. This is approximately five times the number of sales and five times the revenue generated compared to an average year. In addition to revenue, the 82 tons of material we sold saved us an estimated $14,000 in disposal costs.

Bringing New Life to Our Historic Buildings

Fiscal Year 2021 was a period of significant progress in preserving the Presidio's historic buildings. As part of the Presidio Tunnel Tops project (*see Strategic Goal: Visited and Loved by All*), we rehabilitated and expanded historic Building 603 for use as a youth education center known as the Crissy Field Center. This work earned a Concrete Construction Award in the Repair and Restoration Category.

Additionally, the Presidio Theatre was recognized with a prestigious Preservation Design Award from the California Preservation Foundation. This building, constructed in 1939 by the Works Progress Administration, reopened in 2019 following a $30 million privately financed rehabilitation and expansion.

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

Major Marshland Restoration Completed on the Northern Waterfront

The Presidio's largest watershed, Tennessee Hollow, encompasses 270 acres, or roughly 20 percent of the park, ultimately draining to San Francisco Bay. The restoration of the 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, reintroducing long lost plant and wildlife species, and creating new ways for people to experience nature and history.

In Fiscal Year 2021, we completed our largest and most dramatic watershed restoration project yet by creating seven acres of new marshland at a site known as Quartermaster Reach. Despite the pandemic, work was completed on time and on budget. The reach is located where the watershed drains into Crissy Marsh and the San Francisco Bay. It's 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, 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 constructed box culverts to allow the fresh water of the stream to flow below a roadway into the saltwater Crissy Marsh and ultimately to the bay. We also installed specially fabricated fiberglass panels within the culverts, and placed concrete and shell "reef balls" in the marsh channels, to promote the resurgence of the native Olympic oyster.

We wrapped up the project in Fiscal Year 2021 by planting 25,000 thousand native salt marsh and upland scrub plants grown in the Presidio Nursery to create habitat for migratory shorebirds, fish and crabs. We expect tremendous growth in the number and diversity of plants and animals in the marsh in the years to come.

We also finished construction of a segment of the Tennessee Hollow Trail though 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. In the past year, we've seen a return of wildlife to the area with everything from birds and butterflies to oysters, crab, and other sea creatures visiting the marsh, and it's become a hot spot for bird watchers.

Enhancing the Presidio's Biodiversity

The Presidio is among the most biologically diverse national park sites in America, with more special status plant species per acre than any other national park. The Presidio features 900 acres of open space with more than 300 native plant species (including five that are endangered), 323 bird species, and 12 different native plant communities including dunes, wetlands, and grasslands. Many people visit the Presidio to experience nature and wildlife within easy reach of an urban area, so we are always looking for ways to increase the size and the fecundity of our natural areas.

To understand how the park's natural habitats are faring, in Fiscal Year 2018 we developed an Urban Biodiversity Inventory Framework (UBIF) in collaboration with other urban areas. The UBIF use measures the quantity and health of plant and animal species in the Presidio over time. We then use this data to guide our restoration efforts.

In Fiscal Year 2021, we made progress on several projects:

- We continued stewarding more than 40 acres within the Presidio's Native Plant Community Zone. Work included controlling invasive species, monitoring wildlife and vegetation change, and planting native, rare, and endangered plant species. We're gratified that our endangered species appear to be doing well despite drought conditions in California.
- In Fiscal Year 2021, Point Blue Bird Conservation provided long-term data sets based on monitoring of the Presidio's habitat over the past 10 years. Their preliminary findings analyzed by scientists show that Presidio restoration work is enhancing the park's bird habitat and that birds are increasing in the Presidio.
- We continued habitat restoration at the Presidio's Mountain Lake, one of San Francisco's last surviving natural lakes. We've been working with the National Park Service and Golden Gate National Parks Conservancy here for two decades to restore the lake's ecosystem. In 2015, freshwater California floater mussels were reintroduced, and in Fiscal Year 2021, these mussels that filter water and contribute to a more biodiverse environment were confirmed to be thriving in the lake. We also confirmed that Western Pont Turtles, reintroduced in 2015, have started breeding.
- Over the last few years, we've focused on reintroducing rare native butterflies to the park. In Fiscal Year 2017, we reintroduced Checkerspot butterflies to the Presidio's El Polin Spring area; they continue to increase and migrate to other parts of the park. In Fiscal Year 2021, we reintroduced California ringlet butterflies.
- In Fiscal Year 2021, our Natural Resources and Forestry teams developed a native forest understory to create habitat for wildlife and increase biodiversity in the park. We also began exploring the possibility of reintroducing the California Quail to the Presidio, a species that has been absent in the park since 2008.
- In Fiscal Year 2016, in collaboration with the San Francisco Zoo, we reintroduced the San Francisco Forktail Damselfly to the Presidio. Similar to a small dragonfly, this species is the rarest in North America. In Fiscal Year 2021, our surveys determined that the damselflies were reproducing on their own.
- In Fiscal Year 2019, Trust ecologists discovered a sizable colony of rare Silver Digger Bees in Presidio sand dunes. This species hadn't been seen nesting in San Francisco since 1928. In Fiscal Year 2021, our ecologists discovered another nest in the Presidio

Hills neighborhood, proof that our restoration work is helping restore biodiversity in and outside of the park.

- At the Presidio's Fort Winfield Scott, after several years of experimentation, we've settled on a technique that will increase biodiversity by converting the historic parade ground lawn into a landscape with native wildflowers and grasses that support wildlife.

- Beginning in Fiscal Year 2018, the Trust began translocating Western Fence Lizards from western areas of the park to areas near El Polin Spring and Inspiration Point with a goal of relocating around 50 lizards per year. In Fiscal Year 2021, ecologists found that the lizards were breeding in these areas, proof that the relocation was successful.

Co-Existing with Coyotes

Coyotes returned to the Presidio in 2002 after a long absence; they are an important part of the ecosystem, helping to control populations of rodents, raccoons, and skunks. To reduce potential conflicts between coyotes, dogs, and people, the Presidio Trust has an active coyote management program.

In 2016 we began humanely tagging coyotes and attaching temporary GPS collars. Along with wildlife observation cameras, the tracking collars help us understand how coyotes move around the park, including where they place their dens during pupping season. We now seasonally close sections of trails to dog walking where coyotes with pups are frequently present. We educate visitors, residents and neighbors about coyotes through media, social media, email, and signage. As a result, in Fiscal Year 2021, we had our fourth consecutive year without any reported significant negative encounters between coyotes and dogs.

Providing thought leadership on environmental stewardship in 2021, Trust ecologists shared their expertise in various ways. In September, they spoke at the National Park Service science symposium – a biennial event where park staff, volunteers, and partners explore important topics in science, research, and natural resource conservation. This summer, they also participated in the San Francisco Public Library's virtual "nature boosts," sharing their knowledge about the presidio's wildlife and habitat restoration work. They also participated in "conversations about landscape online: Hidden Nature SF" at the Exploratorium and were featured in a new film about coyotes in San Francisco titled, don't feed the coyotes.

Caring for the Presidio's Historic Forest

The Presidio's 306-acre historic forest was planted by the US Army in the 1880s to create wind barriers and to set the Presidio apart visually from the surrounding city. The forest is an important part of the park's ecosystem, and it is the largest contributing feature to the Presidio's National Historic Landmark District status.

The forest is made up of five species: 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 guides our work to create a safe and healthy forest. In 2003, we began a multi-decade program to rejuvenate the forest by removing and replacing dying trees and replacing them with young trees. To date, we have replanted 45 acres with 6,000 young and healthy trees.

In Fiscal Year 2021, we maintained existing reforestation sites and prepared three sites for tree removal and replanting that will occur in fall 2021. We also conducted a tree risk assessment by evaluating the condition of 8,000 trees. This helps us remove trees based on their risk score and informs where future removal and replanting efforts should be focused. We conduct these assessments every four years.

We also continued our focus on fire management in our forests. Two years ago, we assessed wildfire risk in the Presidio and learned that our high humidity and relatively cool temperatures make the risk of fire low, even with changes in the climate. To reduce fire risk even further, in Fiscal Year 2021 we created “defensible space” around buildings and the Presidio wall by removing debris, leaves, and non-native species.

Reducing the Environmental Impact of Park Operations

In addition to making the Presidio a place where native plants and animals thrive, three years ago we set a goal to be Net Zero with regard to carbon emissions, waste to landfill, and use of drinking water for irrigation. In Fiscal Year 2021, we made progress in each area.

Reducing Carbon Emissions

Transportation is one of the largest contributors to the Presidio’s carbon footprint. We use the free, Trust-funded PresidiGo Shuttle and a comprehensive transportation demand management program to encourage Presidio residents, tenants, and visitors to use transit, bikes, and walking to get to and around the park rather than driving. In Fiscal Year 2021, we began the process of converting our shuttle fleet from compressed natural gas to electric with the purchase of our first battery electric shuttle bus, funded by the Trust and grants from the Federal Highway Authority and San Francisco County Transit Authority. The new bus will join our fleet in late Fiscal Year 2022. In Fiscal Year 2021, we also implemented a new partnership with Bay Wheels, which brought to the Presidio dockless electric bicycles, an affordable, healthy, and environmentally friendly way to travel to and within the park (see also Strategic Goal: Visited and Loved by All).

Getting to Zero Waste

In Fiscal Year 2021, we increased our park-wide waste diversion rate of from 60% to 68%, reducing our average monthly landfill disposal from 247 tons per month to 190 tons per month. While some of this reduction is due to reduced activity in the Presidio during the COVID-19 pandemic, efforts to reduce waste among our park operations and residents contributed to the reduction.

During Fiscal Year 2021 we published zero waste guides for staff and Presidio residents and expect to publish one for commercial tenants by the end of calendar year 2021. We trained 87 Presidio Trust staff and contractors on best waste sorting practices. We also began sending regular notices to residents and tenants via our e-newsletters promoting zero waste and refuse sorting. Our waste management contractor hosted several virtual trainings to educate park residents and commercial tenants on how to cut waste to the landfill.

Through our on-site compost program, we processed 526 tons of material in Fiscal Year 2021 – an 8% increase over last fiscal year. The increase can be attributed to a new partnership with a Presidio-based brewery to compost a portion of their spent grain. By composting, we reduce the cost of disposing of materials off site. And we decrease the amount of compost we have to purchase.

Saving Water for Drinking

We use millions of gallons of drinking water each year to water our plants, but we have a variety of strategies to reduce our consumption. First, through the use of high-tech sensor-based irrigation systems, we keep the Presidio's landscapes thriving with the minimum amount of water. We also monitor water meters month-over-month to identify areas of leakage and waste. Finally, we are gradually replacing little-used lawns with drought tolerant plants, reducing water use and maintenance costs; the bonus is that the variety of plants provides habitat for more species than grass. With all this work, in Fiscal Year 2021 we cut water use by 20% from the previous fiscal year which is remarkable given the severity of the drought.

Leading the Way on "Green" Historic Building Rehabilitation

The Presidio is one of the largest and most ambitious historic preservation projects in the United States. Reusing historic buildings both preserves their character and avoids greenhouse gas emissions from building new structures. The Trust is a leader in implementing "green" building rehabilitation in historic buildings. We adopted LEED standards for all large rehabilitation projects in 2010; since then, 28 projects have been LEED-certified. Our latest project to be LEED-certified is the Lodge at the Presidio. Constructed in 1897 and rehabilitated in 2018, in Fiscal Year 2021 the Lodge earned a LEED Gold certification, underscoring the Trust's leadership in marrying environmental stewardship and historic preservation.

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

Welcoming Visitors through the COVID Pandemic

The Presidio remained a safe place for people to get outside during the COVID pandemic. While the park's indoor visitor facilities were closed through much of Fiscal Year 2021, the Presidio's trails and open spaces welcomed millions.

To ensure adequate socially distanced space for walking and bicycling, we continued our "Slow Streets" program, through which opened up some streets to people walking, scootering, and biking by restricting car traffic. The program has proven popular, and in Fiscal Year 2022 we will conduct a public comment process to determine if and how to make some adjustments permanent.

In addition, in Fiscal Year 2021 we continued our educational campaign inclusive of signage, email, website, and social media to keep visitors aware of safety protocols. We also continued our "Presidio at Home" website, which invited people in high-risk groups who could not come to the park physically to enjoy the beauty of the Presidio through stories, photos, and videos.

In Fiscal Year 2021, nearly 3,000 people enjoyed an overnight camping experience at Rob Hill Campground, while 3,500 youth from local schools used the campsite for daytime educational fieldtrips.

In September we reopened the Presidio Officers' Club on Saturdays so visitors could enjoy its extensive history exhibitions. And the National Park Service began once again to support the public at the Presidio Visitor Center on weekends.

Through our visitation research, we learned that for calendar year 2020, the Presidio hosted 6.3 million visits. This was a decrease from the 10 million visits in 2019 due to the absence of national and international travelers. However, we saw a significant increase in local and regional travelers seeking nearby safe outdoor national park experiences. Despite lower overall visitation in 2020, the Presidio remained one of the most visited national park sites in America, welcoming more visits than the Grand Canyon, Yosemite, and Zion.

Reaching out to Welcome All

In addition to understanding how many people are visiting the Presidio, our research also provides insights on who they are, where they come from, and what they enjoy about the park. This helps us determine how we are progressing against our strategic goal that the Presidio be visited and loved by all.

For calendar year 2020, we are proud that the ethnicity and income of Presidio visitors continued to become more closely aligned with the Bay Area's diverse population. The top motivators for visiting the Presidio were its scenic beauty, its views, and that it is clean and safe.

To reach audiences that have traditionally been underserved by parks, in Fiscal Year 2021 we and our partners continued engaging the community. For example, we implemented Train-the-Trainer programs for community-based organizations serving youth, in partnership with San Francisco's Department of Children, Youth, and Families. One hundred youth leaders learned what's in the Presidio, ways to get here, and what resources are available for outdoor classroom and youth programming. We also equipped them with tools needed to experience the park, such as in-language maps, backpacks with binoculars, and bird guides. The program was recognized by the Urban Land Institute for its innovative response to public service during the pandemic.

We also continued the "Summer Stride" program, a partnership between the San Francisco Public Library, Golden Gate National Parks Conservancy, Presidio Trust, and National Park Service, to encourage reading adventures in Bay Area national parks. This effort includes three Presidio-based "StoryWalks," where pages of a children's book are placed on sign panels along a trail so you can "seek, find and read" as you walk. Additionally, we co-curated virtual "Nature Boosts" as a safe way to virtually "meet" national park rangers, Trust experts, and other guests to learn about local plants and animals.

Finally, we collaborated with San Francisco Recreation + Park and the YMCA to produce the San Francisco Nature Exploration Area Playbook, a practical guide to help government agencies, educators, and others create spaces where children can play, explore, and connect with nature.

Finishing Construction on Presidio Tunnel Tops + Raising Awareness Among Visitors

Our next transformational project to welcome and serve our diverse public is Presidio Tunnel Tops, 14 acres of new open space that will soon connect the historic heart of the Presidio to the park's northern waterfront.

Presidio Tunnel Tops has been significantly supported and shaped by the community. It has been made possible with the more than $98 million in funds raised by the Parks Conservancy. Over the course of several years, we also reached out to communities across the Bay Area and beyond for feedback on how the site should be designed and what activities should occur there. Thousands dropped off comment cards in our "design lab," went on walking tours, or submitted an idea on our website. Many more shared their input at one of 14 public workshops held in San Francisco's neighborhoods and in the Presidio. In total, more than 10,000 people provided comments on the project which were instrumental in guiding the design and future operations and programming for the site.

Construction is scheduled to conclude in December 2021. We'll then host a three-month pre-opening period where organizations and leaders serving low- to middle-income communities, communities of color, and the disabled community will experience the site and help define inclusive and relevant programs to welcome visitors during opening year. Toward this end, we are launching a Presidio Activators Council, a group of community leaders and connectors who are passionate about making our city more inclusive through parks and nature.

As a precursor to opening– and to further our objective that Tunnel Tops be welcoming to everyone – in Fiscal Year 2021 we created a contest inviting people from across the nation to send in photos of themselves enjoying their parks. The *My Park Moment* photo contest attracted more than 7,000 images from everyday parkgoers, teens, and professional photographers. From these, a panel of community leaders selected 400 entries, and in September we opened a free outdoor photo show at four sites all around the Tunnel Tops construction site. We hope that people visit the Presidio for the photo show, discover the Tunnel Tops site, and then return with their families and friends when Tunnel Tops opens in 2022. The photo show will be up for one year.

Ensuring Transportation Access

We also understand from our research that transportation can be a barrier to visiting the Presidio for some. To address this, we operate a free shuttle system that provides service to the park from local public transit hubs. We also work with the City of San Francisco to expand municipal bus service to the park, including a new line offering direct service to the Presidio's northern waterfront that was added in Fiscal Year 2020.

Additionally, in Fiscal Year 2021 we restored electric bikeshare to the Presidio after the existing service was disrupted when the vendor departed the San Francisco market. In April, we welcomed Bay Wheels, creating a new affordable way to navigate around the park.

Honoring our Veterans on Memorial Day

Due to the COVID-19 pandemic, large-scale public Memorial Day ceremonies could not take place at the Presidio for a second year. To continue the 153-year tradition of Memorial Day observances here, the Veterans Administration held a small wreath laying ceremony and had a moment of silence at San Francisco National Cemetery to honor those who served our country and made the ultimate sacrifice. The Bay Area Boy Scouts continued a Memorial Day tradition by decorating graves to remember our nation's fallen service men and women.

Welcoming Back our Volunteers

Since becoming a national park site, the Presidio has benefitted from dedicated volunteers who revitalize the park's natural areas and welcome the public. Due to the COVID pandemic, in the first half of the year, volunteers could only engage in independent, individual roles with no in-person contact with staff, visitors, or other volunteers. In response, our teams created new opportunities for long-time, experienced volunteers that allowed them to continue giving back to the Presidio throughout the pandemic.

As safety restrictions eased in the second half of Fiscal Year 2021, we were able to resume weekly volunteer programs to steward our native habitats and forest. Our volunteers who welcome the public were instrumental in welcoming visitors to the *My Park Moment* photo show and to history exhibitions inside the Presidio Officers' Club. In total, 1,227 volunteers provided more than 3,600 hours of service, equating to a value of $102,474.

Advancing Equity

In another move to support our goal of inclusiveness – and to respond to the Biden Administration's executive order to advance racial equity – in Fiscal Year 2021 we launched a Diversity, Equity, and Inclusion initiative. In our first year, we focused on examining our internal practices with the goal of ensuring the Trust's working environment is clear, fair, inclusive, and respectful. In Fiscal Year 2022, we'll examine our hiring and onboarding practices, and will also review our work to welcome diverse visitors.

Chief Financial Officer Letter

In Fiscal Year 2020, we had a significant impact to our revenue as the pandemic impacted all of our business lines. We entered Fiscal Year 2021 with a very conservative financial forecast. It was more important than ever that we ensure that we had a prudent financial plan so we could manage through the uncertainty the economy was experiencing due to the impacts of COVID-19.

We proactively managed our real estate portfolios, developed an innovative master lease for management of our venues, held costs low in our lodging to reduce negative impacts on lodging from COVID, exited an unprofitable food business, and started to pursue a new business model for restaurants. All to say that the agency managed its businesses well, and because of that work we came in over budget. The finances are stable, though we still need to overcome the challenge of our renewal backlog. There is more detail on this in the Management Discussion & Analysis in the performance section.

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 the traditional sources of funding available to either the private sector or traditional government agencies.

Operating as a federal agency with business lines, and the need for financial innovation has necessitated growth in our financial tools. Fiscal Year 2021 has been a year that has resulted in many financial improvements.

Our Planning and Finance teams developed a 40-year financial model to support the park planning and the financial decision making that goes with that planning. The model was peer reviewed by an independent firm and was found to be sound. This tool will help the agency make sound financial decisions far into the future, and I view this as seminal work in the financial area.

We developed a reserve policy that was approved by the Board. Starting in Fiscal Year 2022, we will have an operating reserve, asset renewal reserve, and a capital project reserve. As we prepared the Fiscal Year 2022 budget, we developed a reserve report and anticipate working through the processes early in the fiscal year. Having reserves will help the Trust replace assets as they age. In addition, an operating reserve will help us survive the impacts of a serious economic down-turn. We learned how important having unobligated funds was during the COVID-19 down-turn.

The Trust received an additional $20M loan from the US Treasury so that we could expand the East Mason rehabilitation project from two buildings to seven. Obtaining the loan required a creditworthiness review by an independent firm of both the project and the Trust. We finalized the interim review with positive results and are going through the final review early in Fiscal Year 2022. East Mason is a $33M capital investment that will result in ongoing revenue to support the park in the future.

The Accounting team made a number of operational improvements. We developed a tool that allows easy reconciliation of general ledger accounts. We streamlined our revenue reporting. We moved many of our accruals from annual or quarterly recordings to monthly. And we revamped the financial statement reconciliation process to ensures that the budgetary and proprietary tie points are met.

Improvements in the work of both the Financial Planning & Analysis and Accounting teams allowed us to produce monthly budget to actual reports for the first time ever. This allowed Trust management to make more timely financial decisions than ever before.

A cross-functional team implemented on-line purchase card ordering, processing, and accounting. This effort saved time for staff members across the agency, while also reducing the risk of fraud.

Another cross-functional team continued our work to systematize our data on maintenance of our assets. This will allow the Trust to have accurate deferred maintenance costs. Incorporating this data into our financial reporting is work we will undertake in Fiscal Year 2022.

We have more to do to improve our procedures, budget planning, and financial reporting. In Fiscal Year 2022, we will implement G-invoicing, focus on documenting our policies and procedures, and implement software to make the budgeting process easier. We will also work on the planning the implementation of the new *Statement of Federal Financial Accounting Standards (SFFAS) 54 Lease Accounting.*

The Trust maintains the unmodified audit opinion first achieved in 2012.

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 and effectiveness of Trust programs and activities.

Carla Carvalho-DeGraff

Carla Carvalho-DeGraff
Chief Financial & Administrative Officer
November 12, 2021

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

Independent Auditors' Report

The Board of Directors
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, 2021 and 2020, and the related statements of net cost and changes in net position, and statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Presidio Trust as of September 30, 2021 and 2020, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Table of Contents, Agency Head Letter, Fiscal Year 2021 Performance, Chief Financial Officer Letter, and Other Information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2021, 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 A and B, that we consider to be significant deficiencies.

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, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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. 21-04.

The Trust's Responses to Findings

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

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 12, 2021

Exhibit I

THE PRESIDIO TRUST

Significant Deficiencies

September 30, 2021

A. Deficiencies in Procurement Controls

The Presidio Trust's (the Trust's) controls within their procurement process are not effectively designed and implemented to prevent, or detect and correct, a misstatement in the financial statements on a timely basis as required by the Government Accountability Office's *Standards for Internal Controls in the Federal Government (Green Book*), principle 10.

The Trust initiates purchases through the creation of a purchase requisition within their financial management system. After the purchase requisition is approved, a purchase order is created in the system to obligate funding. Within their procurement process, management failed to effectively design a reconciliation control to prevent discrepancies between amounts recorded on the purchase requisition and those recorded on a purchase order. This could result in misstatements to New Obligations and the Unobligated Balance, End of Year balances reported on the Statement of Budgetary Resources.

This deficiency in the design and implementation of procurement controls was caused by management's ineffective risk assessment within the procurement process which did not identify and respond to all risk points related to the recording of purchase orders (Green Book principle 7).

We recommend management update their risk assessment procedures to identify and respond to all risk points within the procurement process including designing and implementing a reconciliation control between purchase requisitions and purchase orders (Green Book principle 7).

The Trust's Response

Management agrees with the identified deficiency and will assess the risk points and implement appropriate controls and procedures.

B. Deficiencies in Financial Management Systems Controls

The Trust's general information technology controls (GITCs) are not properly designed and implemented to protect its financial management system and data as required by Green Book, principle 11.

The Trust GITCs over granting of system administrator access are not designed and implemented. Specifically, management has not designed and implemented policies and procedures outlining the approval process for granting system administrator access. As a result, there is an increased risk that that users may be inadvertently granted access to roles and privileges beyond what is needed to perform their job, which exposes data to an increased risk of unauthorized modification.

The Trust's GITCs over excessive system privilege are not effectively designed and implemented. Specifically, management assigned database, operating system, and application administrator roles to a single individual without properly designed and implemented mitigating controls to address this segregation of duties issue. As a result, there is an increased risk an individual could perpetuate and conceal unapproved updates to financial management system programs and data.

And finally, several of the Trust's GITCs over access management and data backup procedures are not effectively designed and implemented as management has not formally documented these controls within their policies and procedures to communicate the who, what, when, where, and why of the internal controls execution to personnel. As a result, there is an increased risk that these controls will not operate effectively, which leads to an increased risk over the integrity and the availability of the data within the financial management system.

These deficiencies in the design and implementation of GITCs were caused by management's ineffective risk assessment which did not identify and respond to all risk points within the financial management systems process (Green Book principle 7), and management's failure to document its internal control system (Green Book principle 3).

We recommend the Trust management:

1. Design and implement controls over the granting of system administrator access and consider the approvals required for the access (Green Book principle 7).
2. Assess the impact of segregation of duties risks posed by a single individual holding administrator roles for the database, operating system, and application and consider these risk points when designing and implementing compensating controls (Green Book principle 7).
3. Document GITCs within management's policies and procedures (Green Book principle 3).

The Trust's Response

Management agrees with the identified deficiency and will implement appropriate controls and will develop and issue policies and procedures.

THE PRESIDIO TRUST
BALANCE SHEETS
As of September 30, 2021 and 2020

	2021	2020
ASSETS		
Intragovernmental		
Fund Balance with Treasury **[Note 2]**	$28,451,072	$10,498,908
Investments, Net **[Note 3]**	152,696,000	153,244,000
Accounts Receivable, Net **[Note 4]**	1,216,819	938,821
Total Intragovernmental	182,363,891	164,681,730
Other than intragovernmental		
Cash and Other Monetary Assets	45,064	10,521
Accounts Receivable, Net **[Note 4]**	22,957,704	20,802,941
General Property, Plant, and Equipment, Net **[Note 5]**	533,359,300	477,207,342
Advances and Prepayments **[Note 18]**	3,935,852	4,927,487
Other Assets		
Deferred Rent Receivable, Net	33,550,304	30,716,976
Other Deferred Real Estate Costs	197,166	201,857
Total Other than Intragovernmental	594,045,390	533,867,104
TOTAL ASSETS	**$ 776,409,282**	**698,548,834**
Stewardship PP&E **[Note 6]**		
LIABILITIES		
Intragovernmental		
Accounts Payable		
Accounts Payable	$ 6,656,289	$ 6,471,280
Other Employment Benefits Payable **[Note 11]**	575,042	1,456,615
Debt **[Note 8]**	61,729,736	44,791,641
Advances from Others and Deferred Revenue **[Note 11]**	8,397,615	8,086,414
Total Intragovernmental	77,358,682	60,805,950
Other than intragovernmental		
Accounts Payable	37,418,239	22,057,121
Federal Employee Benefits Payable:		
FECA Actuarial Liability **[Notes 7 and 11]**	5,295,528	5,633,026
Environmental and Disposal Liabilities:		
Environmental Remediation Liability **[Notes 7 and 9]**	4,201,176	4,031,173
Non-Friable Asbestos Cleanup Liability **[Notes 7 and 10]**	54,773,829	48,868,089
Advances from Others and Deferred Revenue:		
Security Deposits **[Note 11]**	9,332,123	8,771,360
Rent Credit Liability **[Notes 7 and 11]**	4,338,492	5,037,647
Food Program Liability **[Note 11]**	-	3,295,301
Prepaid Rents & Services **[Note 11]**	2,764,053	2,396,413
Unearned Revenue **[Note 11]**	133,125,967	128,300,497
Other Liabilities:		
Contingent Liabilities **[Notes 7, 11 and 13]**	1,025,000	1,016,068
Annual Leave Liability **[Notes 7 and 11]**	2,964,039	2,963,952
Payroll Payable **[Note 11]**	2,403,163	2,059,302
Other Liabilities **[Note 11]**	45,064	10,521
Total Other than Intragovernmental	257,686,673	234,440,469
TOTAL LIABILITIES	**335,045,355**	**295,246,418**
Commitments and Contingencies **[Note 13]**		
Net Position		
Cumulative Results of Operations - Funds from Dedicated Collections **[Note 14]**	441,363,927	403,302,416
Total Net Position	**441,363,927**	**403,302,416**
Total Liabilities and Net Position	**$ 776,409,282**	**$ 698,548,834**

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

THE PRESIDIO TRUST
STATEMENTS OF NET COST
For the Years Ended September 30, 2021 and 2020

	2021	2020
PROGRAM COSTS		
Operating Costs	$147,512,651	$147,036,914
Less: Earned Revenues	139,089,894	144,865,362
Net Program Costs	8,422,757	2,171,553
NET COST OF OPERATIONS	**$8,422,757**	**$2,171,553**

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

THE PRESIDIO TRUST
STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2021 and 2020

	2021 Funds from Dedicated Collections [Note 14]	2020 Funds from Dedicated Collections [Note 14]
Cumulative Results from Operations:		
Net Position, Beginning Balance	**$403,302,416**	**$387,292,624**
Non-Federal Non-Exchange Revenue:		
Donations and Forfeitures of Cash and Cash Equivalents **[Note 19]**	29,952,559	14,866,195
Donations - Non-Financial Sources	10,300,585	2,683
Total Non-Federal Non-Exchange Revenue	40,253,143	14,868,878
Financing Sources		
Expenditure Transfers-in of Financing Sources	3,992,307	987,065
Imputed Financing Sources - Funds from Dedicated Collections	2,238,818	2,325,402
Total Financing Sources	6,231,125	3,312,467
Net Cost of Operations	8,422,757	2,171,553
Net Change in Net Position	**38,061,511**	**16,009,792**
Net Position, Ending Balance	**$441,363,927**	**$403,302,416**

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

THE PRESIDIO TRUST
STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2021 and 2020

	2021	2020
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary)	$ 137,615,000	$134,579,419
Borrowing Authority (Discretionary)	16,938,095	7,103,962
Spending Authority from Offsetting Collections (Discretionary)	134,669,668	201,885,981
Total Budgetary Resources	**$289,222,763**	**343,569,361**
Status of Budgetary Resources:		
New Obligations **[Note 16]**	$162,207,419	$205,954,36
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	127,015,344	137,615,000
Unobligated Balance, End of Year (Total)	127,015,344	137,615,000
Total Budgetary Resources	**$289,222,763**	**343,569,361**
Outlays, Net		
Outlays, Net (Total) (Discretionary)	(466,069)	11,477,739
Agency Outlays, Net (Discretionary)	**$(466,069)**	**$11,477,739**

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

NOTE 1 - THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The mission of the Presidio Trust is to steward and share the beauty, history, and wonder of the Presidio for everyone to enjoy forever.

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 of the Presidio.

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 revenue, and other reimbursable agreements.

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.

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 10, 2021. 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. Dedicated Collections are 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. In addition to the revenue the Trust has collected from its operations, the Trust has received loans appropriated by Congress in 2020 and 2021.

The Balance Sheets, 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 required for compliance with legal constraints and controls over the use of Federal funds.

FUND BALANCE WITH TREASURY AND CASH

The Trust maintains all cash accounts with the U.S. Department of the Treasury (the Treasury). All banking activities are conducted in accordance with the directives issued by the Treasury – Bureau of the Fiscal Service (BFS).

The Treasury processes cash disbursements and receipts on behalf of the Trust, and the Trust’s accounting records are reconciled monthly with those of the Treasury. The majority of the Trust’s fund balance with the Treasury is from Dedicated Collections with the exception of funds related to the loans (Note 8).

INVESTMENTS, NET

Trust investments in non-marketable, market-based U.S. Treasury securities are traded through and held in book entry form at the BFS as required by Public Law 104-333. Non-marketable, market-based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms.

ACCOUNTS RECEIVABLE, NET

Accounts Receivable consists of amounts owed to the Trust by individuals, organizations and other federal agencies. Receivables generally arise from required rent payments, service district charges, utility bills, reimbursable contracts, and other miscellaneous services.

An allowance for doubtful accounts is established each fiscal year. In Fiscal Years 2021 and 2020, impacts from 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. For a small group of tenants with aged receivables due to the impacts of COVID-19, the allowance is established at 65%. 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.

In cases where the likelihood of collecting is extremely low, the Trust established the allowance at 100%. These are cases where our judgement leads us to believe that there is very little chance of collection regardless of the collection tools available.

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 likely to be collected.

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 Debt Management Services branch of the Treasury (DMS). Once the Trust has taken appropriate collection action, and a debt is deemed uncollectable, then the debt is sent to DMS for collection. The Trust does not write off debts that are transferred to DMS for collection, until they are two years old, or DMS notifies the Trust that the debt is uncollectable. Debts continue to reside in the Treasury Offset Program (TOP) after the two-year period.

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

General Property, Plant & Equipment consists of buildings, improvements to buildings, structures and facilities, land improvements, equipment, vehicles, capital leases, and construction in progress.

The Trust capitalizes fixed assets that are valued in excess of $25,000 and that have a useful life of two or more years. All assets are assigned a useful life between three to ninety years dependent upon the asset category. The Trust depreciates each asset using straight-line amortization over the assigned useful life of the property. 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, donated or otherwise received) 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.

Land is general PP&E. In accordance with *Statement of Federal Financial Accounting Standards (SFFAS) Accounting for Property Plant and Equipment 6,* the Trust must record the value of land 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.

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 and into the appropriate asset category when the project is substantially complete.

STEWARDSHIP, MULTI-USE HERITAGE & HERITAGE ASSETS

Stewardship Assets consist of the public domain land of the Presidio. Heritage assets exist throughout the Presidio and consist of such items as historic buildings, monuments, and historic sites.

Stewardship, multi-use heritage, and heritage assets have been entrusted to the Trust to maintain in perpetuity for the benefit of current and future generations, and as such are considered priceless and irreplaceable. For these assets, no value is assigned, and the PP&E amount on the balance sheet excludes these assets. See Required Supplementary Information for deferred maintenance and repairs related to stewardship and heritage assets.

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.

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.

LIABILITIES

Liabilities represent the 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 based on a current assessment of services and goods received for which we have not yet paid.

Environmental Remediation Liabilities

The Army closed its base at the Presidio in September 1994 and transferred administrative jurisdiction of the Presidio to the NPS through the Department of the Interior (DOI) for incorporation into the Golden Gate National Recreation Area. Executive Order 12580 delegated the responsibility to conduct the environmental cleanup of the Presidio to the Army. Under an interagency agreement with the DOI, the Army retained this responsibility as one of the terms of the jurisdictional transfer and initiated certain actions to address environmental conditions at the Presidio. When Congress created the Trust in 1996, it separated the administrative jurisdiction of the Presidio into two areas: Area A, over which 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 of known contaminated sites in exchange for the Trust’s assumption of such responsibilities. All the Army funds have been spent and any remaining liability for known sites 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 $4,201,176 as of September 30, 2021.

The Trust has a Pollution Legal Liability policy (PLL) that provides coverage for pre-existing pollution conditions discovered during the policy period, coverage for conditions that reopen at closed enumerated sites, and coverage for new pollution conditions caused by the Trust. The policy includes coverage of business interruption expenses. The self-insured retention under this policy is $100,000 with a waiting period of three 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 remediating friable and non-friable asbestos that are probable and reasonably estimable. Cost estimates are calculated in current year dollars as prescribed by the accounting standards.

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

Contingent Liabilities

Contingent Liabilities are liabilities where the existence or the 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 leases with both commercial and residential tenants. Such monies generally would be refundable to the tenants and are therefore shown as a liability.

Unearned revenues are largely related to monies and assets received for projects, which are recognized over the life of the related completed assets or held for projects not yet completed.

REVENUES AND FINANCING SOURCES

The Trust Act allows the Trust to retain the funds it earns to be spent in or on the Presidio; those funds are considered spending authority. The Trust provides services to the public and other government entities which are priced at market value. In prior years, Congress provided the Trust an appropriation from the general receipts of the Treasury.

The Trust last received appropriated funds in Fiscal Year 2012. Therefore, the spending authority presented in the Statements of Budgetary Resources correlates to the revenue the Trust earned with the exception of borrowing received from the US Treasury in 2020 and 2021.

Exchange and Non-Exchange Revenue

All receipts and revenues of the Trust are classified as either exchange or non-exchange revenue. Exchange revenues are from transactions in which both the Trust and the other party receive value, such as rent, service district charges, payments for utilities, permit fees, lodging payments, and reimbursement for services performed for other federal agencies and the public. These are presented on the Trust's Statements of Net Cost as earned revenues. In both Fiscal Years 2021 and 2020, the Trust recorded more expenses than revenue earned (or incurred a net loss).

The Trust retains all receipts and revenues to fund Trust operations. The Trust deposits all funds received in the Treasury General Account. These funds are designated for Trust use through the Treasury's accounting process. The Trust sets prices for goods and services at market value or at or above the Trust's cost.

Non-exchange revenues are transactions where the Trust does not provide a good or service in exchange for the revenue or asset. These are primarily donations from non-federal partners. Non-exchange revenues do not fund the cost of operations and are reported on the Statements of Changes in Net Position. In Fiscal Year 2021, the Trust received assets from a lessor in conjunction with the termination of a lease and the Trust received a donation of services from a consultant. Both transactions were deemed donations of non-cash assets and are presented in the Statement of Changes in Net Position.

Financing Sources

Statement of Federal Financial Accounting Standards (SFFAS) 55, Amending Inter-entity Cost Provisions, provides guidance for the accounting treatment of imputed costs. The only imputed financing source the Trust is required to record is with the Office of Personnel Management (OPM) because the Trust participates in the federal retirement program. By law, the Office of Personnel Management (OPM) pays certain portions of the costs of the Trust's retirement programs. The Trust recognizes this cost as an operating expense, and recognizes an imputed financing source, on the Statements of Changes in Net Position.

Other Non-Budgetary Financing Sources

Other non-budgetary financing sources are grants received by the Trust from the Federal Highway Administration (FHWA) and other federal partners for projects related to Trust-owned assets are recorded as "expenditure transfers-in of financing sources" on the Statement of Changes in Net Position.

PERSONNEL COMPENSATION AND BENEFITS

Annual and Sick Leave Program

Annual leave is accrued as it is earned by employees and expensed when employees use it or when they cash out their annual leave (allowed twice a year). An unfunded liability is recognized for accrued annual leave since employees have the right to be paid for any used annual leave when they leave Trust employment. The liability amount is based upon the current pay rates of the employees.

Sick leave is accrued as it is earned by employees and expensed when employees use it. However, no liability is recognized because 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.

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. 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 recognizes the entire cost of the post retirement portion of basic life coverage as an imputed cost and an imputed financing source as required by *Statement of Federal Financial Accounting Standards (SFFAS) 55, Amending Inter-entity Cost Provision*.

Retirement Plans

The Trust participates in the federal retirement systems for federal employees. 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).

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 17.3% of salary for employees hired after 1984 and 15.5% for employees hired after 2013.

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

The Trust does not report FERS assets, accumulated plan benefits, or unfunded liabilities applicable to its employees; OPM reports those amounts. The Trust reports the difference between its contributions for federal employee retirement benefits and the estimated actuarial costs as computed by the OPM as a program expense and an imputed financing source.

FEDERAL GOVERNMENT TRANSACTIONS

The financial statements of the Trust do not include the costs of activities performed by federal agencies for the benefit of the entire government. For example, as a federal agency, the Trust receives public debt and cash management services from the Treasury, and the management of employee retirement, life insurance, and health benefits from OPM.

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.

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, the value of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Significant estimates in the financial statements include the Trust's environmental liabilities, non-friable asbestos remediation liabilities, allowances for doubtful accounts, the historical cost of assets acquired from the National Park Service, the fair market value of assets acquired in conjunction with the Doyle Drive project, the value for assets received in conjunction with the termination of lease, and the useful lives of general PP&E. Actual results may differ from those estimates.

RECLASSIFICATION

The format of the Balance Sheets has changed to reflect more detail for certain line items, as required for all significant reporting entities by OMB Circular A-136. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this Report to see how the amounts shown on the Balance Sheets are reflected on the Government-wide Balance Sheets, thereby supporting the preparation and audit of the Financial Report of the United States Government. The presentation of the fiscal year 2020 Balance Sheet was modified to be consistent with the fiscal year 2021 presentation.

NOTE 2 - FUND BALANCE WITH TREASURY

The Trust's Fund Balance with the Treasury, which consists entirely of enterprise funds, was $28,451,072 and $10,498,908 as of September 30, 2021 and September 30, 2020, respectively.

The status of the Fund Balance with Treasury on September 30, 2021 and September 30, 2020 is as follows:

	2021	2020
Fund Balance with Treasury and Overnight Investments	$ 147,903,072	$ 130,498,908
Less: Invested Unpaid Obligated Balance	(111,971,521)	(120,000,000)
Less: Invested Unobligated Balance	(7,480,479)	-
TOTAL FUND BALANCE	**$ 28,451,072**	**$ 10,498,908**

NOTE 3 - INVESTMENTS

Investments as of September 30, 2021 - Intragovernmental Securities

CLASSIFICATION	CUSIP #	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	10/01/21	0.050%	119,452,000	–	119,452,000
Total Intragovernmental Securities				152,696,000	–	152,696,000
Interest Receivable				–	–	–
TOTAL INVESTMENTS				**$ 152,696,000**	**$ –**	**$ 152,696,000**

Investments as of September 30, 2020 - Intragovernmental Securities

CLASSIFICATION	CUSIP #	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**

In Fiscal Years 2020 and 2021, the Trust earned interest in the amount of $2,017,121 on funds invested with the Treasury.

The two investments listed above with a September 30, 2029 maturity date are investments of the loans the Trust received from the Treasury (see Note 8). The Trust invested the funds from the loans with the agreement that the Trust's borrowing costs and the Trust's investment returns will be equal (and thus net to zero) until the Trust needs the cash.

The Treasury does not segregate the Trust's funds from other funds held by the Treasury. Instead, the Treasury issues Treasury securities to the Trust as evidence of the receipt of funds on behalf of the Trust. These 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 Federal Government, these assets and liabilities offset each other from the standpoint of the Federal 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 Federal 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 Federal Government finances all other expenditures.

NOTE 4 - ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2021 are comprised of the following:

	INTRA-GOVERNMENT	NON-GOVERNMENT	NET BALANCE
Gross Accounts Receivable	$ 1,216,819	$ 24,300,818	$ 25,517,637
Accrued Interest Receivable	–	21,043	21,043
Less: Allowance for Uncollectible Accounts	–	(1,364,157)	(1,364,157)
TOTAL ACCOUNTS RECEIVABLE, NET	**$ 1,216,819**	**$ 22,957,704**	**$ 24,174,523**

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

	INTRA-GOVERNMENT	NON-GOVERNMENT	TOTAL
Gross Accounts Receivable	$ 938,821	$ 21,763,680	$ 22,702,501
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**

NOTE 5 - GENERAL PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment (PP&E) as of September 30, 2021 consists of the following:

	COST	ACCUMULATED DEPRECIATION	NET BALANCE
Land and Land Rights	$ 3,701,000	$ –	$ 3,701,000
Improvements to Land	92,042,146	57,449,424	34,592,722
Construction-in-Progress	118,313,768	–	118,313,768
Buildings & Improvements	475,906,546	165,000,184	310,906,362
Other PP&E	156,917,709	91,072,261	65,845,448
TOTAL GENERAL PP&E	**$ 846,881,169**	**$ 313,521,869**	**$ 533,359,300**

	BALANCE, BEGINNING OF YEAR	CAPITALIZED ACQUISITIONS	DISPOSITIONS	DEPRECIATION EXPENSE	DONATIONS	BALANCE, END OF YEAR
Land and Land Rights	$ 3,701,000	$ –	$ –	$ –	$ –	$ 3,701,000
Improvements to Land	31,010,619	9,078,317	–	(5,496,214)	–	34,592,722
Construction-in-Progress	74,937,734	43,376,034	–	–	–	118,313,767
Buildings & Improvements	311,579,196	6,374,182	(948,756)	(15,133,670)	9,035,410	310,906,363
Other PP&E	55,978,792	17,621,863	(12,957)	(7,791,883)	49,633	65,845,448
TOTAL GENERAL PP&E	**$ 477,207,342**	**$ 76,450,395**	**$ (961,713)**	**$ (28,421,767)**	**$ 9,085,043**	**$ 533,359,300**

Property, Plant and Equipment (PP&E) as of September 30, 2020 consists of the following:

	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	462,920,538	151,341,341	311,579,196
Other PP&E	139,529,172	83,550,380	55,978,792
TOTAL GENERAL PP&E	**$ 764,295,137**	**$ 287,087,795**	**$ 477,207,342**

	BALANCE, BEGINNING OF YEAR	CAPITALIZED ACQUISITIONS	DISPOSITIONS	DEPRECIATION EXPENSE	DONATIONS	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)	–	31,010,619
Construction-in-Progress	44,526,346	30,411,387	–	–	–	74,937,734
Buildings & Improvements	306,841,069	19,760,095	(586,811)	(14,435,158)	–	311,579,196
Other PP&E	62,260,235	1,223,282	–	(7,504,725)	–	55,978,792
TOTAL GENERAL PP&E	**$ 453,728,103**	**$ 51,529,922**	**$ (601,809)**	**$ (27,448,875)**	**$ –**	**$ 477,207,342**

Land and land rights consist of the cost of roadbeds and are expected to last forever if proper maintenance is done on the road surface. Buildings, improvements and related renovations and rehabilitations are assigned useful lives of 40 years or less. Tenant improvements are amortized over the life of the tenant's lease. Other property, plant and equipment and land improvements are depreciated over their estimated useful lives ranging from three to ninety years.

NOTE 6 - STEWARDSHIP PROPERTY, PLANT & EQUIPMENT

The Trust's mission is to steward and share the beauty, history, and wonder of the Presidio for everyone to enjoy forever.

The Presidio is a site with deep historical value. As such the Trust has an archeological collection related to the history of the park, as well as a number of historic buildings which are either characterized as heritage or multi-use heritage assets. The Trust's stewardship policies are outlined in several key documents including the Presidio Trust Management Plan. Vegetation Management Plan (VMP).

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 historic buildings that are leased to tenants. During Fiscal Year 2021, four buildings were added to those owned by The Trust, including Battery Baldwin, Battery Slaughter, Sighting Station and the former Public Health Hospital Incinerator. These four buildings are the type of buildings that add to the historic character of the Presidio but will not be leased to a tenant.

The Presidio also has remarkable natural and cultural resources. Stewardship assets are the Presidio's natural resources consisting of historic forest, of natural areas that have been restored by the Trust, and the Trust's collection of artwork. The Presidio is home to North America's largest collection of works by the artist Andy Goldsworthy, as four of his art installations are in the park.

As part of the Trust's stewardship of the land each year we harvest and reforest trees in the park to maintain the forest. The Trust did not reforest any acreage in Fiscal Year 2021 due to irrigation not being completed on the Doyle Drive Battery Bluff project. The Trust harvested 3.49 acres of forest in Fiscal Year 2021 and reforested four acres and harvested two acres of forest in Fiscal Year 2020.

Additions/Withdrawals of Heritage, Multi-Use Heritage & Stewardship Assets in Fiscal Year 2021:

CLASSIFICATION	FY21 BEGINNING BALANCE	ADDITIONS	WITHDRAWALS	FY21 ENDING BALANCE
Number of Buildings:				
Heritage	9.00	4.00	–	13.00
Multi-Use Heritage	411.00	–	–	411.00
TOTAL BUILDINGS	**420.00**	4.00	–	**424.00**
Number of Acres:				
Land Stewardship	868.86	1.86	(0.44)	870.28
TOTAL ACRES	**868.86**	**1.86**	**(0.44)**	**870.28**

Additions/Withdrawals of Heritage, Multi-Use Heritage & Stewardship Assets in Fiscal Year 2020:

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	12.28	–	868.86
TOTAL ACRES	**856.58**	**12.28**	–	**868.86**

NOTE 7 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources are liabilities that will be funded in future years. The Trust has no intragovernmental liabilities that are not covered by budgetary resources.

As of September 30, 2021 and 2020, these liabilities consist of the following:

	2021	2020
Federal Employee Benefits Payable	$ 5,295,528	$ 5,633,026
Environmental and Disposal Liabilities (Notes 9 and 10)	58,975,005	52,899,262
Advances from Others and Deferred Revenue	4,338,492	5,034,647
Other Liabilities	3,989,039	3,980,020
Liabilities Not Covered by Budgetary Resources	72,598,064	67,546,955
Liabilities Covered by Budgetary Resources	131,157,181	102,098,969
Liabilities Not Requiring Budgetary Resources	131,290,110	125,600,494
TOTAL LIABILITIES	**$ 335,045,355**	**$ 295,246,418**

Liabilities covered by budgetary resources are covered by funds already earned by the Trust. 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. Liabilities not requiring budgetary resources are liabilities that have not in the past required budgetary resources and that will not require the use of existing or future budgetary resources. Unearned revenues for various park projects, where funds would not be returned should the project not be completed, are Trust liabilities not requiring budgetary resources.

NOTE 8 - DEBT

The Trust owes the following debt to Treasury as of September 30, 2021 and September 30, 2020:

DEBT TO THE TREASURY	MATURITY DATE	2021	2020
Note C (dated 09/29/00)	09/30/29	$ 12,675,015	$ 13,901,920
Note C (dated 09/28/00)	09/30/29	12,675,015	13,901,920
Note C (dated 09/29/01)	09/30/29	6,379,706	6,987,801
MOU (Amended 09/29/21)	09/30/50	30,000,000	10,000,000
TOTAL PRINCIPAL		**$ 61,729,736**	**$ 44,791,641**

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. Congressional action is required to authorize the Treasury to grant a loan to the Trust.

In 1999, the Trust and the Secretary of the Treasury established a written borrowing agreement to advance funds for capital improvement projects. The Trust signed a promissory note to the Treasury for the loan, including penalties for any late payments. The Trust was granted $49,978,000 in borrowing authority. The Trust has made every required payment on the promissory note on time.

The Trust was granted additional borrowing authority and advanced cash in the amounts of $20,000,000 and $10,000,000 in Fiscal Years 2021 and 2020, respectively. In Fiscal Year 2021, the Trust signed an updated Memorandum of Understanding (MOU) with the Treasury to reflect the entire $30,000,000 loan.

A preliminary financial review performed by an independent financial advisor in Fiscal Year 2021 confirmed the creditworthiness of the East Mason Warehouse rehabilitation project to be funded by the loans. To utilize the loans, the independent financial advisor must provide an updated, final report for Treasury review prior to the project going into construction. The final report is expected to be completed in Fiscal Year 2022.

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

Note C (dated 9/28/00)

The current principal amount was $12,675,015 as of September 30, 2021. The amount was used for capital improvement projects 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 $1,226,905 and $1,161,182 were made as of September 30, 2021 and 2020, respectively.

Note C (dated 9/29/00)

The current principal amount was $12,675,015 as of September 30, 2021. The loan was used for capital improvement projects at 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 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 $1,226,905 and $1,161,182 were made as of September 30, 2021 and 2020, respectively.

Note C (dated 9/29/01)

The current principal amount was $6,379,706 as of September 30, 2021. The loan was used for capital improvement projects 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 $608,095 and $573,674 were made as of September 30, 2021 and 2020, respectively.

Additional yearly principal payments for the three notes are scheduled as follows: $3,237,277 in Fiscal Year 2022, $3,422,699 in Fiscal Year 2023, $3,618,747 in Fiscal Year 2024, $3,826,030 in Fiscal Year 2025 and the remainder in years thereafter.

Revised MOU (dated 09/29/2021)

The current principal amount was $30,000,000 as of September 30, 2021. The loan will be used for the rehabilitation of seven buildings collectively called "the East Mason Warehouses." The note carries an interest rate of 1.146% for the $10,000,000 advance issued in Fiscal Year 2020 and an interest rate of 1.194% for the $20,000,000 advance issued in Fiscal Year 2021. Interest is paid semi-annually in March and September for the term of the loan. Principal repayments start in Fiscal Year 2025.

Interest Expense Related to Borrowing

The Trust incurred $2,202,128 and $2,261,342 of interest expense for the fiscal years ended September 30, 2021 and 2020, respectively, which was included in program costs reported on the Statement of Net Cost.

NOTE 9 - ENVIRONMENTAL AND DISPOSAL 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 the applicable standards protective of human health and the environment in accordance with future reuse plans for the Presidio. All enumerated sites were either closed by applicable regulatory bodies with no further action required or are governed by land use controls with regulatory oversight as appropriate. Costs for enumerated sites were funded through a combination of an advance from the Army, Trust funding, and reimbursement from insurance policies.

The Army retained sole responsibility to fund and/or to perform all environmental remediation of unknown contaminated sites as well as for the cleanup of radioactive materials, chemical and biological warfare agents, and any unexploded ordnance discovered in the Presidio.

The liability remaining on the Trust's balance sheet is related to land use controls and associated operations and maintenance required by state regulatory agencies for closed enumerated sites. Operations and maintenance are estimated to extend from the point of discovery and identification for the period required by the regulatory land use controls or a minimum of thirty years.

The liability related to environmental remediation operations and maintenance is an ongoing and thus unfunded liability and is $4,201,176 and $4,031,173 as of September 30, 2021 and 2020, respectively. This represents the total estimated cost at completion less the expected Army and insurance reimbursements based on claims the Trust has filed. The actual cost at completion may vary from the estimated cost. Annually, management updates 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. The change in liability over the last two fiscal years was as follows:

	2021	2020
Beginning Balance	$ 4,031,173	$ 3,523,859
Cost applied	(426,063)	(322,972)
Change in estimate to complete	596,066	830,286
TOTAL LIABILITY	**$ 4,201,176**	**$ 4,031,173**

NOTE 10 - ENVIRONMENTAL AND DISPOSAL LIABILITIES - NON-FRIABLE ASBESTOS CLEANUP

The Trust's financial statements reflect an asbestos cleanup cost estimate of $54,773,829 and $48,868,089 as of September 30, 2021 and 2020, respectively. This liability was first recorded in 2013 as required by Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs. The liability will be adjusted annually to reflect the cleanup of asbestos during the year and revised estimated liability amounts based on updated costs.

Almost all the liability reflects non-friable asbestos, which is material that contains asbestos fibers that 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 facilities are renovated. The Trust incurred clean-up costs associated with non-friable asbestos of $856,750 in Fiscal Year 2021 and $35,508 in Fiscal Year 2020.

NOTE 11 - OTHER LIABILITIES

Other liabilities as of September 30, 2021 and 2020, respectively are comprised of the following:

CLASSIFICATION	2021 NONCURRENT	2021 CURRENT	2020 NONCURRENT	2020 CURRENT
Intragovernmental Liabilities:				
Other Employment Benefits Payable	$ -	$ 575,042	$ -	$ 1,456,615
Advances from Others and Deferred Revenue	-	8,397,615	-	8,086,414
Total Intragovernmental Liabilities	-	8,972,657	-	9,543,028
Liabilities with the Public:				
Federal Employee Benefits Payable:				
FECA Actuarial Liability [Note 7]	4,765,976	529,553	5,069,723	563,303
Environmental and Disposal Liabilities:				
Environmental Remediation Liability [Notes 7 and 9]	3,970,251	230,925	3,708,201	322,972
Non-Friable Asbestos Cleanup Liability [Notes 7 and 10]	53,917,079	856,750	48,828,089	40,000
Advances from Others and Deferred Revenue:				
Security Deposits	9,332,123	-	8,771,360	-
Rent Credit Liability [Note 7]	3,713,188	625,304	4,441,385	596,261
Food Program Liability	-	-	-	3,295,300
Prepaid Rents & Services	-	2,764,053	-	2,396,413
Unearned Revenue	123,752,044	9,373,923	120,581,783	7,718,715
Other Liabilities:				
Contingent Liabilities [Notes 7 and 13]	500,000	525,000	1,016,068	-
Annual Leave Liability [Note 7]	-	2,964,039	-	2,963,952
Payroll Payable	-	2,403,163	-	2,059,302
Other Liabilities	-	45,064	-	10,521
Total Liabilities with the Public	**199,950,661**	**20,317,773**	**192,416,610**	**19,966,738**
Total Other Liabilities	**$ 199,950,661**	**$ 29,290,430**	**$ 192,416,610**	**$ 29,509,767**

NOTE 12 - 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.

<u>Trust as Lessor - Description of Lease Arrangements</u>

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, fourteen leases are operated under contingent rental agreements wherein the monthly rental payment 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 provides housing to Trust employees who are required to live in the Presidio to be available to respond to emergencies at no or reduced cost. The Trust provides commercial space at no cost or at a reduced rate to the National Park Service and to the Golden Gate National Park Conservancy. The Trust provides housing at a discounted rate to a limited number of U.S. Park Police officers and to a limited number of Presidio-based employees with household incomes at or below the Bay Area Median Income.

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

FISCAL YEAR	FEDERAL	NON-FEDERAL	TOTAL
2022	$ 35,744	$ 28,115,895	$ 28,151,639
2023	–	21,490,901	21,490,901
2024	–	19,008,147	19,008,147
2025	–	15,662,455	15,662,455
2026	–	14,451,730	14,451,730
Thereafter	–	415,110,448	415,110,448
TOTAL	**$ 35,744**	**$ 513,839,576**	**$ 513,875,320**

NOTE 13 - 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, 2021 and September 30, 2020, the Trust has contingent liabilities of $1,025,000 and $1,016,068, respectively.

NOTE 14 - FUNDS FROM DEDICATED COLLECTIONS

All of the funds earned by the Trust are considered funds from dedicated collection. The Trust is financed by specifically identified revenues and is required by statute to be use the revenues it earns for the park.

NOTE 15 - EXCHANGE REVENUES

The Presidio Trust earns the majority of its revenue by leasing buildings. The real estate portfolio consists of approximately 5.6 million square feet of space and includes approximately 240 commercial tenants, and over 2,500 residents in the residential units.

Approximately 725,000 square feet is vacant and in need of rehabilitation. Another 460,000 square feet of buildings are occupied by the Trust itself, the NPS and/or the U.S. Park Police. These spaces do not generate revenue for the Trust.

The Trust generally leases commercial real estate at 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 operates a golf course and two hotels. Each is managed by a third-party management firm that specializes in that industry. The Trust relies on the expertise of the third-party managers to set the prices and manage the operations of these businesses.

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

All obligations are under reimbursable authority; total obligations incurred as of September 30, 2021 and September 30, 2020 were $162,207,419 and $205,954,361, respectively.

NOTE 17 - PERMANENT INDEFINITE APPROPRIATIONS

An indefinite appropriation is one that does not have a specific amount but is determined from sources specified in the appropriations act. The Trust Act created an indefinite appropriation for the Trust by authorizing the Trust to retain the revenues it earns to fund Trust operations, maintenance and capital improvements in Area B of the Presidio.

NOTE 18 - UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders represent the remaining value of contracts or purchase orders signed by the Trust for goods or services where some portion of the goods or services have not yet been received by the Trust.

The balance of undelivered orders as of September 30, 2021 was as follows:

	FEDERAL	NON-FEDERAL	NET BALANCE
Undelivered Orders Obligations Unpaid	$ 787,553	$ 64,135,955	$ 64,923,508
Undelivered Orders Obligations Paid	–	3,935,852	3,935,852
TOTAL	**$ 787,553**	**$ 68,071,807**	**$ 68,859,360**

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

	FEDERAL	NON-FEDERAL	NET BALANCE
Undelivered Orders Obligations Unpaid	$ 3,937,866	$ 85,322,712	$ 89,260,578
Undelivered Orders Obligations Paid	–	4,927,467	4,927,467
TOTAL	**$ 3,937,866**	**$ 90,250,179**	**$ 94,188,046**

IMMATERIAL CORRECTION

The new obligations and unobligated balance reported on the September 30, 2020 Statement of Budgetary Resources include an immaterial correction of $47,475,975. Corresponding corrections have also been made to related balances presented in Notes 2, 16 and 18.

NOTE 19 - CONTRIBUTED CAPITAL

The Trust Act authorized the Trust to accept donations. The Trust received grants related to land improvements and historical renovations of $29,952,559 and $14,866,195 during Fiscal Years 2021 and 2020, respectively, primarily from the Golden Gate National Parks Conservancy for the Tunnel Tops project.

NOTE 20 - RECONCILIATION OF NET COST TO NET OUTLAYS

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities.

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

<u>Fiscal Year 2021</u>

Depreciation of property, plant, and equipment and amortization of real estate direct costs increased from $27,606,329 at September 30, 2020 to $28,525,875 at September 30, 2021. In 2021, the Trust spent $76,488,195 toward the development or rehabilitation of assets with the largest project being the Tunnel Tops project.

Accounts receivable with the public increased by $2,154,763 largely due to the timing of reimbursable billings for the Tunnel Tops project offset by a decrease of receivables in the real estate portfolio (Note 23).

Liabilities with the public increased by $20,415,835 for two reasons: the timing of invoices and accruals in accounts payable and unearned revenue largely due to the deferred rent related to the Tunnel Tops. The Trust had significant financing sources with the government in the amount of $3,992,307 primarily related to funding from the Federal Highway Administration (FHWA) as part of their Federal Lands Transportation Program and other FHWA programs. Additionally, the Trust had significant financing sources with the public in the amount of $29,952,559. These financing sources are related to projects that are financed through other entities such as Tunnel Tops (Note 23).

The budget accrual reconciliation for Fiscal Year 2021 is as follows:

	INTRA-GOVERNMENTAL	WITH THE PUBLIC	TOTAL
NET (SURPLUS) COST	**$ (11,223,093)**	**$ 19,645,850**	**$ 8,422,757**
Components of Net Cost That Are Not Part of Net Outlays:			
Property, plant, and equipment depreciation, amortization of broker commissions	-	(28,525,875)	(28,525,875)
Property, plant, and equipment disposal & revaluation/ Write-off of broker commission	-	(895,407)	(895,407)
Increase / (Decrease) In Assets:			
Accounts Receivable	277,998	2,154,763	2,432,761
Other Assets (Prepaids)	-	1,871,565	1,871,565
(Increase) / Decrease In Liabilities:			
Liabilities (Accounts Payable, Unearned Revenue, Prepaid Rent, Security Deposits)	(496,210)	(20,415,835)	(20,912,045)
Salaries And Benefits	881,573	(343,861)	537,712
Environmental And Disposal Liabilities	-	(6,075,743)	(6,075,743)
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	-	3,589,236	3,589,236
Other Financing Sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(2,238,818)	-	(2,238,818)
In-kind donations	-	(1,215,541)	(1,215,541)
Total Components Of Net Cost That Are Not Part Of Net Outlays (-)	(1,575,457)	(49,856,698)	(51,432,155)
Components Of Net Outlays That Are Not Part Of Net Cost:			
Acquisition of capital assets and direct real estate costs	-	76,488,195	76,488,195
Other - Financing Sources with Budgetary Advances, Donations, and other	(3,992,307)	(29,952,559)	(33,944,866)
Total Components of Net Outlays That Are Not Part of Net Cost	(3,992,307)	46,535,636	42,543,329
NET OUTLAYS	**$ (16,790,857)**	**$ 16,324,788**	**$ (466,069)**

Fiscal Year 2020

The budget accrual reconciliation for Fiscal Year 2020 is as follows:

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 commissions	-	(27,606,329)	(27,606,329)
Property, plant, and equipment disposal & revaluation/ Write-off of broker commission	-	(566,997)	(566,997)
Increase / (Decrease) In Assets:			
Accounts Receivable	372,724	9,238,674	9,611,398
Other Assets (Prepaids)	-	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**

NOTE 21 - PUBLIC-PRIVATE PARTNERSHIPS [P3]

The Presidio Trust uses several types of public-private partnerships (P3) to leverage private sector expertise and resources in achieving the Trust's 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)

Due to the limitations in getting approval for loans from the Treasury and the prohibition on the Trust getting loans from private sources, the Trust has never had the capital needed to rehabilitate all of the buildings in the Presidio that could produce income. Accordingly, the Trust has leased some buildings in the Presidio to private developers with what are called "Master Developer" leases. Master Developer leases are long-term leases to private developers who put their own capital (or privately sourced loans) into rehabilitating the historic buildings in exchange for historic tax credits, a reduced rent and/or long-term (often multi-decade) leases. Typically, the Master Developer then sub-leases all of a portion of the building at a significant profit.

The positive aspect of Master Developer leases is that historic buildings are rehabilitated, and the Trust earns some income. The downside is that the majority of the profit from the rehabilitation is kept by the master developer.

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 examines the creditworthiness of the tenant and the project 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.

Other Significant Leases

In some cases, the Trust requires capital improvements from tenants in a form other than the master developer model. In some cases, the Trust may require tenants to carry a capital reserve for improvements to Trust assets over the life of the lease.

Tenants in this category have been accepted through a competitive RFP process; in addition, before accepting a tenant, the Trust uses prudent credit practices to ensure that the tenant has the financial resources necessary to complete required projects 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 finalize capital projects 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 tenant in that leased location and assume that all options to extend the current lease term will be exercised.

There are Master Tenants and tenants with capital investment requirements in the recreation and hospitality areas that have had financial challenges due to COVID-19. The Trust has worked with these tenants to make alternative arrangements to ensure that the tenants can continue to operate. Reductions in revenues associated with these tenants are reflected in the Trust's rental income.

Philanthropic Projects

The Trust also works with private sector partners who reimburse the Trust for projects to improve the park, especially the Golden Gate National Parks Conservancy (Note 23). In these partnerships, the Trust and the private sector partner jointly develop the improvement plan. Generally, the Trust is responsible for executing some or all the improvement work, and the partner reimburses the Trust for the expenditures made for the project. The partner may also undertake work in accordance with the plan. An example of this type of partnership is the Golden Gate National Parks Conservancy sponsorship of the Tunnel Tops project (Note 23).

Since the Trust is reimbursed after the work is completed, the Trust would experience a loss if costs were not reimbursed as agreed. The Trust has assessed the financial strength of its partners and believes the risk of such losses is remote. Partners in this category are generally nonprofit entities, and funds for these projects typically are restricted for use on the project, thus reducing the risk of non-reimbursement to the Trust.

The expected lives of these 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 performs so many functions that we cannot possibly be expert in all of them. Instead, we use private and non-profit partners to perform many functions such as lodging management, golf management, residential property management, commercial property management, shuttle operations, the collection of parking fees, design and construction services, plant nursery and basic landscape maintenance. Some of these public-private partnership arrangements include a working capital subsidy. The Trust's partners 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 contracts, including renewal options.

The Trust uses an RFP process for the selection of private sector partners and establishes operational review and approval controls over all functions. In addition, for the hospitality management, property management and parking fee collection functions, the Trust has included financial control measures to limit its risk of loss. 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 contractor possessing the required level of specialized expertise. The COVID-19 pandemic affected the Trust's hospitality, parking fee collection, and shuttle services. These impacts are reflected in the revenues and expenses for these services.

Funding by all partners to the Trust's P3s over the expected life of the arrangement is estimated 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	$ 22,711,411	$ -	$ -	$22,711,411
Funds Invested For Rehabilitation Project	47,729,374	-	403,855	48,133,229
Parking Passes & Other	1,000,000	-	-	1,000,000
Working Capital Funding & Operating Expense Reimbursement	-	153,610,806	-	153,610,806
Management Fees	-	74,895,837	-	74,895,837
Expenditures Required Under Sponsorship Or Grant Agreement	-	-	22,326,593	22,326,593
Subtotal - Federal Funding	71,440,785	228,506,643	22,730,448	322,677,876
Partner Funding:				
Funds Invested For Building Rehabilitation	288,618,038	-	98,552,212	387,170,250
Other Investment By Partner	-	-	3,461,566	3,461,566
Subtotal - Partner Funding	288,618,038	-	102,013,778	390,631,816
TOTAL FUNDING TO P3	**$ 360,058,824**	**$228,506,643**	**$124,744,226**	**$713,309,692**

Revenues and cash received by the Trust from its public-private arrangements during Fiscal Year 2021 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	$ 17,758,599	$ 454,610	$ –	$ 196,000	$ –	$ –	$18,409,209
Other Contracts	–	–	–	–	14,874,245	–	14,874,245
Sponsored Projects	–	–	–	–	–	34,338,100	34,338,100
TOTAL FY21 PAYMENTS RECEIVED	**$ 17,758,599**	**$ 454,610**	**$ –**	**$ 196,000**	**$ 14,874,245**	**$ 34,338,100**	**$67,621,554**

Revenues and cash items expected to be received by the Trust from its public-private 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	$ 1,808,173,201	$ 2,536,223	$ 8,550,892	$ 16,183,368	$ –	$ –	$1,835,443,684
Other Contracts	–	–	–	–	192,760,802	–	192,760,802
Sponsored Projects	–	–	–	–	–	100,348,278	100,348,278
TOTAL EXPECTED PAYMENTS REC'D OVER LIFE OF P3	**$ 1,808,173,201**	**$ 2,536,223**	**$ 8,550,892**	**$ 16,183,368**	**$ 192,760,802**	**$ 100,348,278**	**$2,128,552,764**

Payments by the Trust to its P3 partners during Fiscal Year 2021 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	$ –	$ –	$ 909,311	$ –	$ –	$ 909,311
Other Contracts	–	–	–	5,404,563	10,600,670	16,005,233
Sponsored Projects	–	–	450,000	–	–	450,000
TOTAL FY21 PAYMENTS PAID	**$ –**	**$ –**	**$ 1,359,311**	**$ 5,404,563**	**$ 10,600,670**	**$ 17,364,544**

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	$ 5,569,837	$ 1,582,682	$ 3,919,595	$ –	$ –	$ 11,072,114
Other Contracts	–	–	–	74,895,837	153,610,806	228,506,643
Sponsored Projects	–	–	2,412,682	–	–	2,412,662
TOTAL EXPECTED PAYMENTS PAID OVER LIFE OF P3	**$ 5,569,837**	**$ 1,582,682**	**$ 6,332,257**	**$ 74,895,837**	**$ 153,610,806**	**$ 241,991,419**

Other amounts recognized in the financial statements for this period were 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	$ –	$1,003,306	$ –	$ –	$ –	$ 229,628	$ 32,059,641	$ –	$ –	$ 2,341,724
Other Contracts	–	–	1,026,326	656,227	1,025,045	–	–	–	–	–
Sponsored Projects	63,665,404	7,523,950	403,786	–	–	–	–	17,533,018	29,576,784	–
TOTAL OTHER AMOUNTS RECOGNIZED IN FY21	**$ 63,665,404**	**$ 8,527,256**	**$ 1,430,112**	**$ 656,227**	**$ 1,025,045**	**$ 229,628**	**$ 32,059,641**	**$ 17,533,018**	**$ 29,576,784**	**$ 2,341,724**

NOTE 22 - DOYLE DRIVE [PRESIDIO PARKWAY PROJECT]

In October 2009, the Trust, the State of California (State) represented by its Transportation Department (CALTRANS), and the San Francisco County Transportation Authority (SFCTA), finalized a Right of Entry Agreement related to the construction to replace the south access road to the Golden Gate Bridge known as Doyle Drive (Route 101).

The Trust received cash compensation under the Right of Entry agreement related to the use of a temporary construction easement, office space, and demolition of several buildings. The project also 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 *Statement of Federal Financial Accounting Standards (SFFAS) 7, Accounting for Revenue and Other Financing Sources*. Unearned Revenue related to the Right of Entry is as follows:

	2021	2020
Beginning Balance	$ 59,907,025	$ 60,846,743
Revenue Recognized	(939,715)	(939,718)
TOTAL LIABILITY	**$ 58,967,310**	**$ 59,907,025**

When CALTRANS and its contractor finalized work in early Fiscal Year 2020 and the temporary construction easement area was returned to the Trust, the parts of the park that were damaged during construction had not been repaired. The Trust and Caltrans reached agreement in 2018 and the Trust received $54,325,000 to complete the remaining landscape work. The cash was recognized as unearned revenue when received, and the revenue is earned over the life of the assets that were repaired or constructed with the funds.

Unearned Revenue related to Reconstruction of the Park (Doyle Drive Phase III and Quartermaster Reach) is as follows:

	2021	2020
Beginning Balance	$ 54,325,000	$ 54,325,000
Revenue Recognized	(1,095,221)	-
TOTAL LIABILITY	**$ 53,229,780**	**$ 54,325,000**

NOTE 23 - PRESIDIO TUNNEL TOPS

The Presidio Tunnel Tops Project (Tunnel Tops), a $116.5 million project, will add 14 acres of parklands to the Presidio. The project budget increased by $1.5M in Fiscal Year 2021 due to increased costs related to COVID-19 measures on the construction site. The Trust is responsible for the planning, design, and construction of the project. The Golden Gate National Parks Conservancy, a non-profit organization that raises funds to support projects in the Golden Gate National Recreation Area (including the Presidio), is responsible for raising the majority of the funds for the project. The National Park Service 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 Golden Gate National Parks Conservancy 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 market value amount of the lease will be deferred rent that will be recognized as income over the term of the 30-year tenancy. As of September 30, 2021 and September 30, 2020, the amount deferred was $17,533,018 and $8,035,501, respectively.

REQUIRED SUPPLEMENTARY INFORMATION - DEFERRED MAINTENANCE & REPAIRS (Unaudited)

The Trust owns and manages real property assets such as buildings, roads, utility systems and landscapes. Maintenance and repairs to these assets that were not performed when they should have been or were scheduled and then delayed until a future period, are considered Deferred Maintenance and Repairs (DM&R).

Prior to Fiscal Year 2021, the Trust reviewed the completion of scheduled maintenance and repairs to determine its DM&R. This was because the Trust did not have a sufficiently comprehensive inventory of its assets, nor did it have a sufficiently thorough assessment of the condition of the assets, to comprehensively report the deferred maintenance.

In Fiscal Year 2019, the Trust finalized a comprehensive inventory of its assets. In Fiscal Years 2020 and 2021 the Trust completed condition assessments of the assets. The condition assessments validated inventory data, determined the current condition of our assets, and provided a cost estimate for necessary maintenance and repairs.

In Fiscal Year 2021, the Trust entered as much of the data as possible into newly acquired capital planning software (VFA) so that we have the ability to measure DM&R and the condition of our assets on an ongoing basis. We also calculated our deferred maintenance as part of our financial planning process to establish reserves. Part of the DM&R reported below for Fiscal Year 2021 comes from the capital planning software and part of it from our budget documents. Changing our methodology from simply reporting what maintenance was scheduled but not performed to reporting based on a comprehensive inventory and condition assessment is why there has been such a large increase in the reported amount of DM&R from Fiscal Year 2020 to Fiscal Year 2021.

Utilities and stewardship land assets are still in the process of being entered into the capital planning software, so we have used our financial estimates. The capital software will have everything entered in Fiscal Year 2022.

The following is the Trust's Deferred Maintenance & Repairs as of September 30, 2021:

CLASSIFICATION	2020 ENDING BALANCE	2021 ENDING BALANCE
General Property Plant & Equipment	$ 1,499,355	$ 313,458,311
Heritage Assets	2,844,151	34,413,469
Stewardship Land	1,124,495	121,673,255
TOTAL DEFERRED MAINTENANCE & REPAIRS	**$ 5,468,001**	**$ 469,545,035**

Note that due to the location, age, and variety of the assets entrusted to the Trust, as well as the nature of DM&R itself, precise cost estimates for DM&R cannot be determined prior to developing the final design and specifications for the repairs. Until that time, estimates are conceptual in nature.

In the capital planning software, the overall condition of the asset is represented by the Facility Condition Index (FCI), which is the ratio of the DM&R to the Current Replacement Value. Current Replacement Value is the estimated cost of replacing all of the Trust's assets. Assets with an FCI closer to zero – because they have little deferred maintenance -- are considered to be in good condition while those with an FCI closer to 1.0 are considered to be in poor condition.

Another way of thinking of this that is a bit easier to grasp is to use the Condition Index. The Condition Index is simply the inverse of the Facility Condition Index, meaning instead of reporting how much maintenance has not been done, we report the overall condition of the asset. For example, a Facility Condition Index of .20 for an asset means that 20% of the asset is in poor condition and needs to be repaired or replaced. The Condition Index simply says that 80% of the asset is in adequate to good condition.

At the end of Fiscal Year 2021, the Trust's Facility Condition Index was .34. This means that 34% of the assets needed significant repair or replacement. The Trust's Condition Index was 66%. This means that 66% of the Trust's assets were in adequate to good working condition. This breaks down as follows: 79% buildings, 69% stewardship land and forest, and 43% utilities. Most worrisome is that such a low percentage of our utilities are in adequate condition.

Our target is to get 80% of our assets in good working condition. Ideally the target would be 100%, but since the cost is over $400M that is not financially feasible for the Trust, so we are targeting 80%.

In Fiscal Year 2022, once the Trust systematizes the data, it will present DM&R as beginning and ending balances by categories of PP&E, in accordance with *SFFAS No. 42, Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32.* Categories of PP&E include general PP&E, Heritage Assets, and Stewardship Land per SFFAS No. 6, *Accounting for Property, Plant, and Equipment.*

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

<table>
<tr><td>Audit Opinion</td><td colspan="6">Unmodified</td></tr>
<tr><td>Restatement</td><td colspan="6">No</td></tr>
<tr><td colspan="7"></td></tr>
<tr><th>Material Weaknesses</th><th>Beginning Balance</th><th>New</th><th>Resolved</th><th colspan="2">Consolidated</th><th>Ending Balance</th></tr>
<tr><td>None</td><td>0</td><td>0</td><td>0</td><td colspan="2">0</td><td>0</td></tr>
<tr><th colspan="7">Effectiveness of Internal Control over Financial Reporting</th></tr>
<tr><td>Statement of Assurance</td><td colspan="6">Unqualified</td></tr>
<tr><th>Material Weaknesses</th><th>Beginning Balance</th><th>New</th><th>Resolved</th><th>Consolidated</th><th>Reassessed</th><th>Ending Balance</th></tr>
<tr><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><th colspan="7">Effectiveness of Internal Control over Operations</th></tr>
<tr><td>Statement of Assurance</td><td colspan="6">See Below</td></tr>
<tr><th>Material Weaknesses</th><th>Beginning Balance</th><th>New</th><th>Resolved</th><th>Consolidated</th><th>Reassessed</th><th>Ending Balance</th></tr>
<tr><td>None</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><th colspan="7">Conformance with Financial Management System Requirements</th></tr>
<tr><td>Statement of Assurance</td><td colspan="6">See Below</td></tr>
<tr><th>Non-Conformances</th><th>Beginning Balance</th><th>New</th><th>Resolved</th><th>Consolidated</th><th>Reassessed</th><th>Ending Balance</th></tr>
<tr><td>None</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><th colspan="7">Conformance with Federal Financial Management Improvement Act</th></tr>
<tr><th>Statement of Assurance</th><th colspan="2">Agency</th><th colspan="4">Auditor</th></tr>
<tr><td>Overall Substantial Compliance</td><td colspan="2">Yes or No</td><td colspan="4">N/A</td></tr>
<tr><td>System Requirements</td><td colspan="2">Yes</td><td colspan="4">N/A</td></tr>
<tr><td>Accounting Standards</td><td colspan="2">Yes</td><td colspan="4">N/A</td></tr>
<tr><td>USSGL - Transaction Level</td><td colspan="2">Yes</td><td colspan="4">N/A</td></tr>
</table>

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 2021, 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.

To continue reducing the risk of fraud the Trust improved the purchase card program by converting from a manual process to an electronic process using US Bank's platform. The system is able to alert the Program Manager if unusual activity occurs and reduced the risk of credit card information being exposed.

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