

Case No. 13-16554

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

PRESIDIO HISTORICAL ASSOCIATION and SIERRA CLUB,

Plaintiffs-Appellants,

v.

PRESIDIO TRUST,

Defendant-Appellee.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

Civil No. 3:12-cv-00522-LB
(Hon. Laura M. Beeler, Magistrate Judge)

APPELLANTS' REQUEST FOR JUDICIAL NOTICE

Deborah A. Sivas (CA Bar No. 135446)
Alicia E. Thesing (CA Bar No. 211751)
Matthew J. Sanders (CA Bar No. 222757)
Raza Rasheed (CA Certified Student No. 36637)
ENVIRONMENTAL LAW CLINIC
Mills Legal Clinic of Stanford Law School
559 Nathan Abbott Way
Stanford, California 94305-8610
Telephone: (650) 723-0325
Facsimile: (650) 723-4426

Attorneys for Plaintiffs-Appellants

PLAINTIFFS-APPELLANTS' MOTION TO TAKE JUDICIAL NOTICE

Under Federal Rule of Evidence 201, Plaintiffs-Appellants Presidio Historical Foundation and Sierra Club hereby request that the Court take judicial notice of the following exhibits, which demonstrate Defendant-Appellee Presidio Trust's intent to open a hotel in the historic Montgomery Street Barracks and its recent opening of additional lodging in renovated structures on the Main Post, in support of the Plaintiff-Appellants' Reply Brief:

Exhibit A: Presidio Trust, Performance and Accountability Report For the Years Ending September 30, 2014 and 2013, available at
<http://www.presidio.gov/about/Administrative%20Documents/EXD-700-FY2014PerfAccRpt.pdf>.

Exhibit B: Laura Dudnick, Presidio Trust Plans to Open Second Hotel, S.F. Examiner, Sept. 16, 2014, <http://www.sfexaminer.com/sanfrancisco/presidio-trust-plans-to-open-second-hotel/Content?oid=2899569>.

Exhibit C: Annie Sciacca, San Francisco's Presidio to Get a Second Hotel, S.F. Bus. Times, Sept. 17, 2014, <http://www.bizjournals.com/sanfrancisco/blog/2014/09/san-franciscos-presidio-to-get-a-second-hotel.html>.

Exhibit D: Renee Frojo, Funston House Checks into the Presidio, S.F. Bus. Times, July 22, 2014, <http://www.bizjournals.com/sanfrancisco/blog/2013/07/funston-house-checksinto-the-presidio.html>.

In its Response Brief, the Trust rejects the feasibility of rehabilitating historic buildings to provide for lodging on the Presidio National Historic Landmark District's Main Post to support its conclusion that it has satisfied its legal duty under Section 110(f) of the National Historic Preservation Act. In spite of this assertion, in July 2013, the Trust expanded its successful Inn at the Presidio by opening additional overnight lodging in the adjacent Funston House, which was formerly officers' quarters. And in September 2014, the Trust announced its plans to open a second hotel located in an historic building on the Presidio's Main Post. In its argument to this Court, the Trust rejects the feasibility of the very alternative it is undertaking. Plaintiffs request that the Court take judicial notice of this fact.

Under Federal Rule of Evidence 201, the Court may take judicial notice of an adjudicative fact that is not reasonably subject to dispute, if its accuracy can be readily determined from sources whose accuracy cannot reasonably be questioned. Fed. R. Evid. 201(b). The Court may take judicial notice at any stage of the proceeding, including on appeal. Fed. R. Evid. 201(d); see also In re Icenhower, 755 F.3d 1130, 1142 (9th Cir. 2014); Bryant v. Carleson, 444 F.2d 353, 357-58 (9th Cir. 1971). The Court must take judicial notice when requested by a party if the necessary information is supplied to the Court. Fed. R. Evid. 201(c).

Plaintiffs submit one newspaper article, attached as Exhibit D, covering the Funston House opening, and two newspaper articles, attached as Exhibits B and C,

which evidence the fact that the Presidio Trust intends to open a hotel in the existing historic Montgomery Street Barracks on the Main Post, following the success of its first hotel in the historic Pershing Hall on the Main Post. As long as the facts are capable of sufficiently accurate and ready determination, courts may take judicial notice of adjudicative facts reported in newspaper articles. See Ritter v. Hughes Aircraft Co., 58 F.3d 454, 458-59 (9th Cir. 1995) (holding that it was appropriate for a court to take judicial notice of the existence of a company's widespread layoffs reported in a newspaper article); see also Crowder v. Kitagawa, 81 F.3d 1480, 1491 n.10 (9th Cir. 1996) (O'Scannlain, J., dissenting) ("This court may take judicial notice of adjudicative facts appearing in newspapers.").

The Presidio Trust's own Performance and Accountability Report For the Years Ending September 30, 2014 and 2013, attached as Exhibit A, is a sufficiently accurate and readily available source that verifies the fact of which judicial notice should be taken. Government and public records are "among the generally accepted sources for verification," 1-201 Weinstein's Federal Evidence § 201.12, and the Trust's report is published and easily accessible on the Presidio Trust's official government website. The Trust states in its report: "the Trust is preparing to invest in an additional lodge on the Main Post, to open within the historic Montgomery Street Barracks, an iconic streetscape, in 2017." Exhibit A at 10.

Plaintiffs request that the Court also directly take judicial notice of the Trust's report. Publicly reported information, including official documents posted on government websites, is deemed readily verifiable and therefore appropriate for judicial notice under Federal Rule of Evidence 201(b).

Daniels-Hall v. Nat'l Educ. Ass'n, 629 F.3d 992, 998-99 (9th Cir. 2010) (taking judicial notice of official information posted on governmental website, the accuracy of which was undisputed); Sinaloa Lake Owners Ass'n v. City of Simi Valley, 864 F.2d 1475, 1479 n.2 (9th Cir. 1989) ("We take judicial notice of these figures, contained in the reports of a public body, pursuant to Fed. R. Evid. 201(b)(2).").

Evidence of the Trust's intent to open a second hotel in an historic Main Post building became available only after the administrative record closed. This information is therefore appropriate for the Court's consideration. See Gafoor v. I.N.S., 231 F.3d 645, 655 (9th Cir. 2000), superseded by statute on other grounds (taking judicial notice of changed political circumstances in an immigrant's home country which came to light after closure of administrative record).

For the foregoing reasons, Exhibits A, B, C and D may properly be considered by the Court in ruling on Plaintiff's appeal of the cross-motions for summary judgment.

November 21, 2014

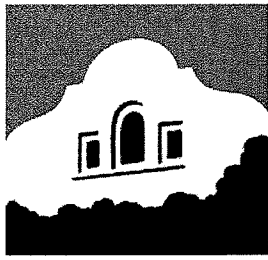
Respectfully submitted,

ENVIRONMENTAL LAW CLINIC
Mills Legal Clinic at Stanford Law School

By: /s/ Deborah A. Sivas
Deborah A. Sivas

Attorneys for Plaintiffs-Appellants

EXHIBIT A



Presidio Trust

Performance and Accountability Report
For the Years Ending September 30, 2014 and 2013

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

PRESIDIO TRUST FY 2014 PERFORMANCE AND ACCOUNTABILITY REPORT

AGENCY HEAD MESSAGE

November 2014

At the conclusion of fiscal year 2014, the Presidio has been a national park site for two decades. These have been eventful years for the historic military post-turned-national park. Operating under a unique and innovative management entity, the Presidio Trust, the park has become one of the leading preservation projects in the country while also achieving independence from annual appropriations. Well over a billion dollars has been invested into improvements to the park – over 800 buildings, infrastructure, natural environments and landscapes – and every federal dollar has been matched by four dollars from non-public sources.

As the Presidio Trust looks toward the future, we realize that the job is not finished. Over a million square feet of buildings still need attention (of 5.9 million square feet); natural systems such as the Tennessee Hollow watershed are not yet restored; and the park needs to become more intentional about welcoming a broad array of public visitors. Programs that welcome people, and initiatives that drive broad public impact, are being elevated in importance.

All that has been accomplished at the Presidio has been the result of partnership. Our foundational partnerships – with the National Park Service and the non-profit Golden Gate National Parks Conservancy – continue to deepen in ways that promise to provide greater public benefit. Other organizational partners – over 150 in all – support programs, stewardship work and research efforts. Over 200 organizations call the Presidio home, as well as 3,000 residents. The enthusiastic response of volunteers – individuals, groups and corporations – has made the Presidio's volunteer programs some of the most successful in the national park system; they also give new expression to the centuries-long legacy of service that defines the culture of the place.

We enter FY2015 with a great deal of optimism, tempered by the realization of all that remains to be accomplished. We look forward to advancing work in three major categories of endeavor: Stewarding the Presidio; Welcoming People; Creating Broad Impact. We will, of course, continue to focus on keeping our organization flexible and innovative; and will apply the financial rigor to our efforts that has resulted in a successful base conversion and national park model with no ongoing impact to taxpayers.

This document chronicles the activities of the past year, and describes our objectives for FY 2015.

We cannot overstate the importance of the support we have received from the Administration and Congress, as well as from our local community. Today's success would not have been possible without it.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mission and Organizational Structure

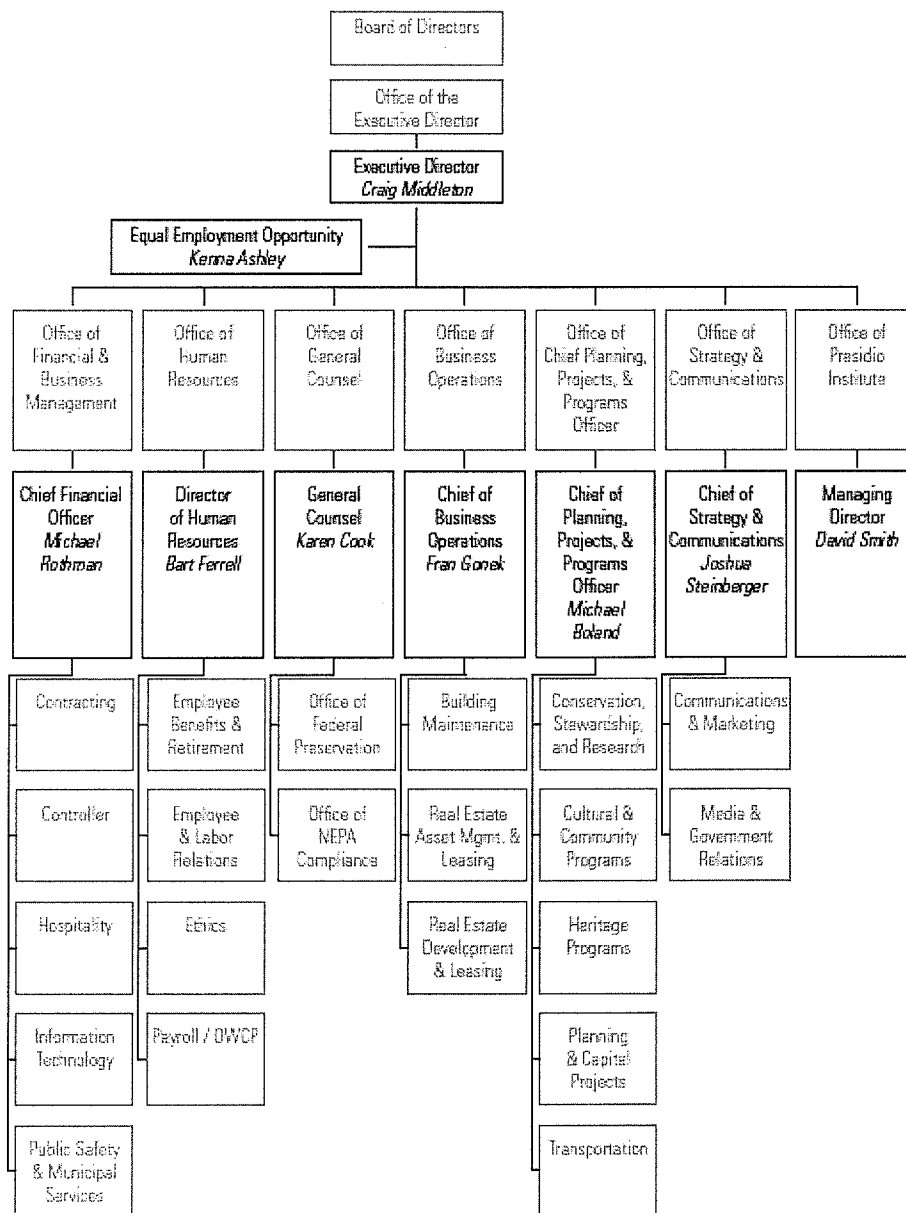
The Presidio Trust is an innovative federal agency created to save the Presidio as forever a public place. The agency's mission is to fulfill the promise of the Presidio by extending its legacy into a new era of service to our nation.

The Presidio Trust was established by Congress as a wholly owned corporation of the federal government. The Presidio Trust Act gives the Trust the flexibility to operate in the marketplace, make real-time decisions, and retain revenues to reinvest in the Presidio.

Authority is vested in a seven-member board of directors, six of whom are appointed by the President of the United States and the seventh of whom is the Secretary of the Interior or the Secretary's designee. An Executive Director oversees the organization, which includes a Chief Business Officer; Chief of Planning, Park Projects and Programs; Chief Financial Officer; General Counsel; Director of Strategy and Communications; Director of Human Resources; and other positions essential to operating this unique park.

The Trust has approximately 314 employees with a wide range of skills, including ecological restoration, historic preservation, real estate management, finance, communications, and operations.

PRESIDIO TRUST ORGANIZATON CHART



ANALYSIS OF FINANCIAL STATEMENTS & STEWARDSHIP INFORMATION

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

Trust management maintains the goal to ensure sound financial management and to provide accurate information and is also responsible for the integrity and objectivity of the information presented in the financial statements. The accompanying financial statements summarize the Trust's financial position, show the net cost of operations and changes in net position, provide information on budgetary resources and financing, and present the sources of revenues and expenditures during Fiscal Years 2014 and 2013.

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

Balance Sheet

This statement is designed to show the Trust's position as of September 30, 2014 and to compare it to the Trust's position the previous year.

Assets

The Trust's total assets were \$496.0 million at the end of Fiscal Year 2014, and \$499.0 million at the end of Fiscal Year 2013. The net decrease of \$3 million is made up of various increases and decreases to assets. "Accounts Receivable, Net" decreased by \$19.2 million as the fiscal year 2013 balance included a receivable of \$18.7 million related to claims under the Trust's Remediation Stop Loss (RSL) policy. This large receivable was fully collected in fiscal year 2014 and the work covered under this claim was substantially completed by May 2014, the date at which the RSL policy expired.

In FY 2014, cash and investments increased \$7.0 million over the previous year due to increased collections related to revenue.

In 2014 the Trust's Property, Plant, and Equipment (PP&E) increased by \$8.4 million net of depreciation. This represents \$26.4 million in Trust investments and a transfer of \$2.2 million in utility infrastructure assets from the State of California due to the Presidio Parkway project. In addition, the Trust recorded depreciation in the amount of \$20.2 million.

Liabilities

There were \$197.4 million in liabilities at the end of Fiscal Year 2014 and \$205.4 million at the end of Fiscal Year 2013, a decrease in liabilities of \$8.0 million. The decrease is made up of fluctuations in several liabilities.

The environmental remediation liability has decreased by \$6.5 million due to work completed on the remaining remediation projects. See Note 11 of the accompanying financial statements for a further discussion.

Other liabilities increased by \$5 million due to advances from our food vendor for the build out of two new restaurants the Commissary and *Arguello*.

Unearned revenue decreased by \$5.1 million largely due to recognition of revenue associated with the Doyle Drive project. See Note 22 of the accompanying financial statements for further explanation.

The non-friable asbestos cleanup liability increased by \$1.1 million as the liability was adjusted for inflation. See Note 12 for more information.

Trust liabilities include \$50.0 million in debt to the U.S. Treasury. Payments on this debt are for interest only until Fiscal Year 2015, and the debt is to be repaid in full by Fiscal Year 2029. Interest payments on this debt are partially offset by investments specifically designated for this purpose and held by the U.S. Treasury in the amount of \$33.2 million. See Note 4 for more information on investments and Note 10 for more information on debt.

Net Position

The Trust's net position was \$298.6 million at the end of Fiscal Year 2014 and \$293.6 million at the end of Fiscal Year 2013, an increase in net position of \$5.0 million. This growing "equity" position of the Trust provides tangible and compelling evidence that the Presidio continues to be a self-sustaining national park site.

Net Cost of Operations

This statement is intended to report net costs of the Trust as a component unit of the Federal Government and the net cost to the public. Costs reported on this statement – including depreciation, future funded expenses, adjustments to actuarial estimates, and all remediation activities – are stated on a proprietary basis.

The Trust had net revenue of \$3.2 million during Fiscal Year 2014 and net revenue of \$44.7 million in Fiscal Year 2013. Net cost should continue to decrease in coming years but will not be fully reflective of amounts earned to operate the park as some entries are made for financial reporting purposes under Generally Accepted Accounting Principles (GAAP), while budgetary resources are available in a subsequent period. The net cost statement reflects all of the expenses incurred by Trust activities during Fiscal Year 2014, including the remediation program and the depreciation of fixed assets. In fiscal year 2013, the remediation program insurance reimbursement was \$32.6 million which is a large part of the decrease year over year.

Budgetary Resources

As a unit of the Federal Government, the Trust reports on the status of its budgetary resources, the extent to which obligations exist as claims on those resources, and the relationship of those obligations to outlays. In Fiscal Year 2014, the Trust received more than 95% of its funding from revenues earned, with the largest revenue streams being associated with residential and non-residential leasing. Funding of \$5 million was received from the food program management company for capital improvements for the build out of two restaurants. Resources consist of the balance at the beginning of the year and spending authority from offsetting collections.

Budgetary resources amounted to \$169.2 million for Fiscal Year 2014, compared to \$170.4 million in Fiscal Year 2013. Of this amount, the Trust obligated \$113.5 million in Fiscal Year 2014 and \$113.5 million in Fiscal Year 2013. Unobligated balances at the end of Fiscal Year 2014 and Fiscal Year 2013 were \$55.7 million and \$56.9 million, respectively. This unobligated balance is due primarily to the funds held for capital improvements, tenant security deposits, and the receipt of gifts.

Risks and Uncertainties

The Trust received appropriations for the first 15 years of operations, through FY 2012. Fiscal Year 2014 marks the second year the Trust operated solely on revenues earned. The Trust continues to maintain sound financial plans to ensure that Trust operations continue into the future and the park is preserved for the public. While Trust operations are expected to generate funds available to reinvest in the park, the full realization of the park's potential to serve the public will also depend on the availability of other forms of capital.

The Trust is responsible for rehabilitation and maintenance of the Presidio's fixed assets, including infrastructure. Many of the assets have exceeded their depreciable lives; the life spans of the assets and the cost to replace them are uncertain. Annual budgetary constraints are considered in evaluating the replacement of assets. Regular and ongoing maintenance of assets prolongs their useful life and reduces the likelihood of unexpected failures. Maintenance of 100 percent of the assets is not feasible, so the Trust evaluates deferred maintenance on an annual cycle and identifies the most important preventive maintenance for completion. Deferred maintenance data can be found in the required supplementary information accompanying the financial statements.

Stewardship Investments

Stewardship assets are detailed in Note 7 to the financial statements as required by Statement of Federal Financial Accounting Standards (SFFAS) 29, Heritage Assets and Stewardship Land. The Trust's reported values for property plant and equipment exclude stewardship assets because they are considered "priceless" and therefore monetary amounts cannot be assigned.

Systems, Controls, and Legal Compliance

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to conduct an annual evaluation of their management controls and financial systems and report the results to the President and Congress. The Trust prepares an annual Statement of Assurance based on these internal evaluations.

Statement of Assurance on Internal Controls over Financial Reporting

Trust management is responsible for establishing and maintaining effective internal controls to support programmatic operations, financial reporting, and compliance with applicable laws and regulations. The Trust conducted its assessment of the effectiveness of its internal controls over financial reporting in accordance with OMB Circular A-123, Management's Responsibility for Internal Control.

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

Statement of Assurance on Financial Systems

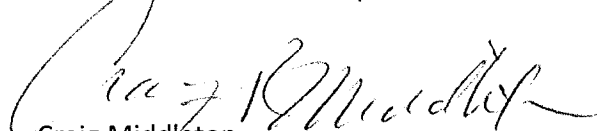
The financial management systems of the Trust conform to federal financial system requirements, Federal Accounting Standards Advisory Board (FASAB) standards, and the U.S. Standard General Ledger at the transaction level.

Statement of Assurance on Internal Controls over Operations

The Trust management is responsible for establishing and maintaining effective internal controls to support programmatic operations and compliance with applicable laws and regulations. Management certifies that these controls are in place and effective.

Statement of Assurance on Other Legal Matters

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



Craig Middleton

November 17, 2014

Limitations of the Financial Statements

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

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

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

CFO Letter

The Trust continues to be a sound steward of its financial resources. Fiscal Year 2014 marks the Trust's second year without appropriations, and the Trust continues to remain self-sufficient. While operating solely on revenues earned, the park continues to have funding needs for programs and projects that are not met with revenues from operations but could be funded through grants or donations. In addition, new programs in the park need to be monitored closely to ensure that they reach full financial potential.

The environmental remediation program has been completed and the Trust has received insurance reimbursement under the Remediation Stop Loss policy. This achievement is a milestone for the park that was seventeen years in the making and sound financial management contributed to the success of ensuring completion of this program. The remaining liability reflected on the Trust's balance sheet is for operations and maintenance of environmental monitoring and controls.

There were no new accounting pronouncements or changes to accounting policies in this fiscal year, but it was a year of financial change. The Trust continued implementation of a new comprehensive management system primarily designed to support its core revenue-generating business of property and lease management, facility work order control, costing, and financial management. The property management and work order modules were implemented this year and implementation of additional accounting and budget functions will proceed through the coming year to 18 months.

The Trust maintains the unmodified audit opinion first achieved in Fiscal Year 2012. In the past year we continued efforts to refine and improve the Trust's processes, with the goal of providing Trust managers, board members, federal oversight officials, and the general public with timely, accurate, and useful financial information.

We remain committed to providing the Trust with the highest levels of financial management services and ensuring the efficiency, economy and effectiveness of the Trust programs and activities.



Michael Rothman
CFO



Carla Armstrong
Deputy CFO

November 17, 2014

FISCAL YEAR 2014 PERFORMANCE

Initiative I: Welcoming the Public – attracting diverse audiences and engaging them through exceptional places, activities, and experiences

Presidio Officers' Club

In September 2014 the Presidio Trust formally unveiled its most significant visitor resource to date, the Presidio Officers' Club. Located at the site where the first Spanish fort was established at the Golden Gate in 1776, the Officers' Club is the Presidio's oldest building and a contributing resource to the park's National Historic Landmark District status. It is one of just two buildings remaining in San Francisco from the Spanish colonization of California. Originally used as the post headquarters, in the 20th century it became a beloved backdrop for military ceremonies and social gatherings.

Over a three year period, the Presidio Trust invested \$30 million for a "once-in-a-century" complete rehabilitation, transforming the structure into a cultural destination. The renewal of the nearly 37,000 square foot structure included restoration of the building's original adobe walls, a full seismic upgrade, and the creation of classrooms and museum-quality exhibits. Today, the Presidio Officers' Club is a multi-faceted resource and the principal gateway to the visitor experience. In addition to exhibits, it features a full schedule of free public programs from lectures to live music. It also offers a new Presidio Trust-operated restaurant (see Food and Lodging Amenities) and revenue-generating rental space.

The Presidio Officers' Club is allowing for a significant expansion of the Trust's educational offerings. The building is the backdrop for curriculum-based field trips for elementary, middle, and high school students, tied to the State Content Standards, the Common Core, and Next Generation Science Standards. An ongoing archaeological research program is conducted at the Officers' Club site, providing learning opportunities for students and adults alike.

In its first month of operation, the club attracted over 10,000 visitors.

Food and Lodging Amenities

Beginning in Fiscal Year 2012, the Presidio Trust began investing in food and lodging amenities to support the visitor experience. The Trust opened its first hotel – the Inn at the Presidio – in April 2012 and expanded it with additional rooms one year later. Since opening, the Inn has welcomed 25,000 guests and received numerous awards, including the Historic Hotels of America's 2014 Award of Excellence - Best Small Historic Hotel/Inn. Having demonstrated high public demand for overnight stays at the Presidio, the Trust is preparing to invest in an additional lodge on the Main Post, to open within the historic Montgomery Street Barracks, an iconic streetscape, in 2017.

In Fiscal Year 2013 the Presidio Trust launched a partnership with two food industry leaders – chef Traci Des Jardins and Bon Appétit Management Company – to create park dining options at a variety of price points. Following the Trust’s rehabilitation of historic buildings, the Trust and the team opened two restaurants in Fiscal Year 2014: *The Commissary* and *Arguello*. Since launching in May, *The Commissary* has welcomed an average 1,600 park visitors per week and has been recognized for its quality. In September, the team opened *Arguello* restaurant as a key amenity within the historic Presidio Officers’ Club, the Trust’s gateway visitor facility.

Art in the Presidio

Building on the long history of art in national parks, the Presidio Trust invites artists to create works that encourage visitors to see the park’s natural and cultural treasures from a new perspective. Since 2008, the Trust has exhibited eight short-term and long-term installations.

Through a partnership with the non-profit FOR-SITE Foundation, the Trust has welcomed renowned artist Andy Goldsworthy to create a collection of works that illustrate the cultural significance of the Presidio’s forest, first planted by the U.S. Army in the 1880s. His first works are *Spire* (2008) and *Wood Line* (2010), located outdoors on the Presidio trail network. His third piece, *Tree Fall*, was created inside the Presidio’s historic Powder Magazine at the beginning of Fiscal Year 2014; to date it has welcomed more than 10,000 visitors. His fourth-work, *Earth Wall*, was completed at the conclusion of Fiscal Year 2014 and is a principal attraction within the Presidio Officers’ Club. The park is now home to the largest collection of Andy Goldsworthy installations on public display in North America.

Also in 2014, the Trust hosted an exhibit – *Picturing the Presidio* – that uses images by celebrated local photographer Lyle Gomes to showcase the evolution and rejuvenation of the Presidio forest over the past two decades.

Since the Art in the Presidio program began, more than 300,000 people have come to the park to enjoy creative and thoughtful works, many visiting for the first time.

Public Access: Transportation and Trails

The Presidio Trust has invested in infrastructure that enables visitors to access the Presidio and move easily within the gates to experience the park’s historic, natural, and recreational resources. In 2005, the Trust built a public transit center and launched a free shuttle program known as PresidiGo. The shuttle supplements municipal offerings, creating a vital connection between the Presidio and regional transit systems for residents, employees, and visitors. In January 2014, the Trust expanded service to downtown San Francisco from five to seven days per week. Over the past three years, shuttle ridership has increased approximately 10 percent year over year. In Fiscal Year 2014, the PresidiGo Shuttle provided over 500,000 total rides.

The Presidio Trust has also worked with its partners at the National Park Service and the Golden Gate National Parks Conservancy to establish an exceptional system of trails and overlooks. To

date, 22 miles of trails, 15 miles of bikeways, and eight overlooks have been constructed or improved.

In Fiscal Year 2014, the Trust filled a significant gap in the network by creating a new pedestrian trail and in-road bike lanes at one of the park's primary entrances, the Arguello Gate. The project used Trust funding to leverage significant outside support from philanthropic and municipal public transportation funding sources. The new infrastructure creates a safe and inviting connection from the City of San Francisco into the Main Post, the historic heart of the park and center of the visitor experience. The new bike lanes also improve safety for cyclists along the route to the Golden Gate Bridge.

Also in Fiscal Year 2014, the Trust made a segment of the regional Bay Area Ridge Trail accessible to visitors with disabilities and built a new segment of the Juan Bautista de Anza National Historic Trail, connecting the southern gate to the Golden Gate Bridge, with links to the Presidio's beach and forest.

Events and Programs

In Fiscal Year 2014, the Presidio Trust continued to offer a diverse array of events and programs that connect visitors to Presidio resources and experiences. For the third year, successful weekly community gatherings were held by the Trust with its partner, Off the Grid, a Bay Area leader in food events. The Picnic at the Presidio series drew approximately 150,000 visitors to the Main Parade Ground from April to October 2014. Additionally, the Trust curated a major public exhibition – *Crown Jewels: Five Great National Parks-Around the World and the Challenges they Face*. The exhibit, examined strategies for preserving beloved areas across the globe. Other park events included guided tours, family events, historic and cultural gatherings, nature walks, and commemorations such as Memorial Day.

At the Presidio Officers' Club multi-media exhibits explore American history from a West Coast perspective and invite the public to contribute to the site's new chapter as a national park. The facility is also the backdrop for lectures, live music, and children's activities four days per week.

Initiative II: Creating Broad Impact – actively sharing knowledge, promoting leadership and service, and fostering innovative problem solving

Education and Professional Development

Over the past decade the Presidio has become an important resource for learners and educators. Each year more than 20,000 students and teachers visit for curriculum-based field trips as well as less structured experiences. Programs tie to the Presidio's natural and cultural heritage, inspire an ethic of service, and address Common Core, Next Generation Science Standards, and California State Content Standards.

In Fiscal Year 2014 the Presidio Trust formalized its educational partnership with the National Park Service and the Golden Gate National Parks Conservancy. This reenergized alliance – dubbed the Park Youth Collaborative (PYC) – will establish a spectrum of educational offerings from elementary school through career development, will identify and fill in gaps to the learning experience, and will ensure the efficient investment of educational dollars. The partners also hosted the 13th annual Presidio Teachers Night, hosting nearly 400 educators to learn about educational resources in the park.

With the 2014 opening of the Presidio Officers' Club, the Presidio Trust expects to double the number of students served in its curriculum-based education programs. The Club's new classrooms serve as the starting point for field trips, which then extend outward to trails, archaeology sites, exhibit areas, and historic destinations such as San Francisco National Cemetery.

Through an internship program, the Presidio Trust also provides young college graduates with the opportunity to live in the Presidio while gaining work experience and training in various disciplines: ecological restoration, historic preservation, public programs, real estate development, communications, and more. Since the program was launched in 2011, 92 young professionals have served as Presidio Trust interns, including 55 participants in Fiscal Year 2014. Additionally, in 2014 the Presidio Trust welcomed its eighth AmeriCorps team for a six-week service period. In total, AmeriCorps participants have offered more than 19,000 hours of service to the park.

The Presidio Trust, working in partnership with the Golden Gate National Parks Conservancy, operates a program to provide overnight national park experience to young people who otherwise would not have access. Camping at the Presidio (CAP), now completing its eighth year, is based at Rob Hill Campground. In Fiscal Year 2014, it welcomed 5,895 youth and adults. Since its inception, the program has served more than 28,000 youth and adults.

Presidio Institute

Leveraging the model of multi-sector collaboration that the Trust employs to steward the Presidio, in Fiscal Year 2013 the agency advanced a new initiative to cultivate leaders to address major societal challenges. The Presidio Institute is based at the former command headquarters for the Army Coast Artillery Corps. The Presidio Trust began by rehabilitating the headquarters building (Building 1201) and an adjacent historic former barracks (Building 1202) to provide space for institute staff and mission-align tenants.

The Presidio Institute formally launched in September 2013 with a day-long symposium on cross-sector leadership in collaboration with the White House. During Fiscal Year 2014, the Institute hosted a dozen additional events welcoming more 2,000 people to the Presidio, including a 20th anniversary celebration of the AmeriCorps program.

In 2014, the Presidio Institute also launched the Cross Sector Leadership Fellows program in partnership with the White House, McKinsey, BlackRock, and the U.S. Office of Personnel Management. The program provides leadership development experiences in San Francisco, Washington, D.C., and New York City. In its inaugural year, 24 mid-career executives from business, non-profit, and government participated in the six month fellowship.

Through philanthropic support and fee for service, the Presidio Institute has to date attracted over \$1.1 million.

Volunteerism and Service

As a military post that defended the nation for generations, the Presidio has always been defined by service. Today, that tradition continues as a dedicated cadre of park volunteers support natural area restoration, the rejuvenation of the Presidio forest, and repairs to the trail system. Between 2008 and 2014, volunteers have shared more than 192,000 hours of service with the Presidio Trust. In Fiscal Year 2014 alone, 5,218 volunteers supported the park with 26,575 hours of service. In 2014, the Trust created a new way to serve, a docent program through which trained volunteers welcome visitors to the Presidio. Nearly 50 volunteers now engage the public at the Presidio Officers' Club. Docents also support visitors at Presidio art installations and on the trail system.

Initiative III: Stewarding the Presidio – enhancing the Presidio’s physical, natural, and historic resources as a cherished public place and national landmark

Financial Stewardship

Establishing a solid financial foundation to care for the park is principle to the Trust’s mission. In Fiscal Year 2014, the Presidio Trust generated \$99.8 million in revenue from operations. Approximately \$47.6 million were earned through the housing program, through which 1,150 units are occupied by 3,000 residents. The Presidio tenant community, which includes 225+ organizations, contributed \$21.5 million. Other income was derived from the fee-based amenities such as the Inn at the Presidio, philanthropy, and other sources.

“New Presidio Parklands” Project

When the Golden Gate Bridge was constructed in 1937, the U.S. Army allowed the State of California to connect the City of San Francisco to the span via an above-ground highway that cut through the military post along the northern waterfront. This seismically compromised structure (known as Doyle Drive) is now being replaced with a new “Presidio Parkway.”

As part of this large infrastructure project, the portion of the highway that severed Crissy Field from the Main Post is now being lowered into discrete “at grade” tunnels. In Fiscal Year 2014, the Trust and its partners at the Golden Gate National Parks Conservancy and the National Park Service launched a major public process to plan for a dramatic new landscape that will be built atop these tunnels. Given its location proximate to both the Main Post and Golden Gate views, the site has the potential to become one of the nation’s most impressive and cherished landscapes. In early 2014, the Trust selected five internationally-renowned teams to submit design and program ideas that would stimulate public feedback. In Fiscal Year 2015, the Trust expects to select one team and to begin the formal design effort.

Simultaneously, the multi-year philanthropic effort required to advance this project continued. To date, the Golden Gate National Parks Conservancy, which leads the philanthropic program, has raised more than \$33 million, including the largest cash gift ever given to the national park system. The new public landscape is expected to be complete in 2018/2019.

Mountain Lake Restoration

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

Fiscal Year 2014 marked a pivotal moment in this process. Following an environmental remediation effort that removed toxins from the lake and increased its depth, the Trust began restoration of the lake's east arm with the goal of returning it to wetland habitat. The Trust continued its effort to remove non-native fish, as well as non-native turtles that were relocated to a rescue facility.

Additionally, the Trust began planting Submerged Aquatic Vegetation (SAV) along the lake's shoreline in order to remove algae-forming nutrients. This is a critical step that supports the future re-introduction of native species, including the Western Pond Turtle and the California Floater Muscle. To inform the community about how everyone can support lake restoration, the Trust conducted a major outreach effort that included frequent educational talks entitled *Science Saturdays at Mountain Lake*. The Trust also hosted field trips for school groups and instituted a community "pledge" that raises awareness about simple steps visitors can take to support the lake's health.

Forestry

The 300-acre forest is one of the park's defining attributes and is a contributing resource to the Presidio's National Historic Landmark District status. In Fiscal Year 2014, the Trust completed the 11th year of its 65-year program to rejuvenate the forest, first planted by the U.S. Army in the 1880s. In total, 3,900 cypress and pine trees have been planted at sites where groves required removal. An active volunteer program supports the effort to maintain young trees and to extend the life of existing groves to the maximum extent possible.

Environmental Remediation

In Fiscal Year 2014, the Trust reached a critical milestone as its 15-year environmental remediation effort was declared substantially complete. The Restoration Advisory Board, the citizen-led body that monitored the program's progress, voted to disband and in their penultimate act, issued a resolution commending the Trust and other agencies for the successful cleanup of the Presidio and expressing "confidence that visitors to this new national park will enjoy a safe environment now and in the future."

Since 1999, through a unique undertaking involving the collaboration of multiple governmental agencies, private organizations, and public groups, more than 200 former Army waste release sites were remediated, resulting in the restoration of approximately 85 acres of native habitat, three acres of wetlands, five acres of historic forest, and 26 acres of recreational and scenic areas. The project also included the rehabilitation of 101 and acres of cultural landscapes at over 800 residential and non-residential buildings.



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

Independent Auditors' Report

The Board of Directors of
The Presidio Trust:

Report on the Financial Statements

We have audited the accompanying financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of September 30, 2014 and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Agency Head Letter, information in the Fiscal Year 2014 Performance section, the CFO Letter and Other Accompanying Information are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014 on our consideration of the Trust's internal control over financial reporting and our report dated November 17, 2014 on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

KPMG LLP

November 17, 2014

THE PRESIDIO TRUST
BALANCE SHEETS

AS OF SEPTEMBER 30,

	2014	2013
ASSETS		
Intragovernmental		
Fund Balance with Treasury [NOTE 2]	\$5,004,108	\$5,066,539
Investments [NOTE 4]	67,124,000	59,995,000
Accounts Receivable [NOTE 5]	192,967	429,533
TOTAL INTRAGOVERNMENTAL	72,321,075	65,491,072
Cash and Other Monetary Assets [NOTE 3]	589,662	1,057,423
Accounts Receivable, Net [NOTE 5]	3,310,588	22,524,882
General Property, Plant, and Equipment (PP&E), Net [NOTE 6]	395,253,619	386,800,506
Stewardship PP&E [NOTE 7]		
Other Assets		
Prepayments [NOTE 8]	979,075	1,045,305
Deferred Rent Receivable [NOTE 8]	23,084,634	21,455,983
Other Deferred Real Estate Costs [NOTE 8]	494,748	618,292
	423,712,326	433,502,391
TOTAL ASSETS	496,033,401	498,993,463
LIABILITIES		
Intragovernmental		
Accounts Payable	1,917,755	1,204,854
Debt [NOTE 10]	49,978,000	49,978,000
Other Liabilities		
Employer Contributions Payable [NOTE 13]	153,875	132,854
Other Employment Benefits Payable [NOTE 13]	779,553	954,289
Unearned Revenue [NOTE 13]	15,582	794,054
TOTAL INTRAGOVERNMENTAL	52,844,765	53,064,051
Accounts Payable	15,433,160	17,244,013
Other Liabilities		
Environmental Remediation Liability [NOTE 9, 11, 13]	4,397,810	10,911,317
Non-friable Asbestos Cleanup Liability [NOTE 9, 12, 13]	40,247,327	39,153,506
Contingent Liabilities [NOTE 9, 13, 15]	505,000	315,000
Security Deposits [NOTE 13]	5,683,387	5,272,648
Unearned Revenue [NOTE 13, 22]	56,149,964	61,203,175
Payroll Payable [NOTE 13]	760,504	2,085,301
Annual Leave Liability [NOTE 9, 13]	2,463,433	2,377,700
Rent Credit Liability [NOTE 9, 13]	5,021,204	4,209,004
Prepaid Rents & Services [NOTE 13]	1,232,388	1,418,269
Accrued Interest Payable [NOTE 9, 13]	758,134	728,470
FECA Actuarial Liability [NOTE 9, 13]	6,809,069	7,371,273
Food Program Liability [NOTE 9, 13]	4,913,462	0
Other Liabilities [NOTE 13]	171,461	78,328
	144,546,303	152,368,004
TOTAL LIABILITIES	197,391,068	205,432,055
NET POSITION		
Unexpended Appropriation - Other Funds	0	0
Cumulative Results of Operations - Other Funds	298,642,333	293,561,407
TOTAL NET POSITION	298,642,333	293,561,407
TOTAL LIABILITIES & NET POSITION	\$496,033,401	\$498,993,463

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

THE PRESIDIO TRUST
STATEMENTS OF NET COST

FOR THE YEARS ENDED SEPTEMBER 30,
2014 2013

PROGRAM COSTS

Operating Cost	\$116,221,824	\$99,363,855
Less: Earned Revenues	119,459,755	144,077,967
Net Costs with the Public	(3,237,931)	(44,714,112)
Total Net Cost	(3,237,931)	(44,714,112)
(NET REVENUE) OR NET COST OF OPERATIONS	(\$3,237,931)	(\$44,714,112)

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

STATEMENTS OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30,
2014 2013

	Cumulative Results of Operations	Unexpended Appropriations	Restated Cumulative Results of Operations	Unexpended Appropriations
Beginning Balance	\$293,561,407	\$0	\$285,415,227	\$0
Change in Accounting Principle [Note 12]			39,442,543	
Beginning Balance as adjusted	293,561,407	0	245,972,684	0

Other Financing Sources

Donations	668,211		1,925,197	
Imputed Financing from Costs Absorbed by OPM	1,174,785		949,414	
Total Financing Sources	1,842,996	0	2,874,611	0
Net Cost of Operations	(3,237,931)		(44,714,112)	
ENDING BALANCES	\$298,642,333	\$0	\$293,561,407	\$0

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

THE PRESIDIO TRUST
STATEMENTS OF BUDGETARY RESOURCES

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2014	2013
<u>BUDGETARY RESOURCES</u>		
Unobligated Balance - Brought Forward, October 1	\$56,899,617	\$40,707,456
Unobligated Balance from prior year budget authority, net		
Spending Authority from Offsetting Collections (discretionary and mandatory)	112,258,675	129,679,945
TOTAL BUDGETARY RESOURCES	169,158,292	170,387,401
<u>STATUS OF BUDGETARY RESOURCES</u>		
Obligations Incurred [NOTE 17]	113,519,367	113,487,784
Unobligated Balances - End of Year		
Apportioned	55,638,925	56,899,617
Total unobligated balance, end of year	55,638,925	56,899,617
TOTAL STATUS OF BUDGETARY RESOURCES	169,158,292	170,387,401
<u>CHANGE IN OBLIGATED BALANCE</u>		
Unpaid Obligations:		
Unpaid Obligations, brought forward October 1 (gross)	37,689,672	50,321,749
Obligations Incurred	113,519,367	113,487,784
Outlays Gross	(126,927,319)	(126,119,861)
Unpaid Obligations, end of year	24,281,720	37,689,672
Uncollected payments:		
Uncollected Customer Payments from Federal Sources, brought forward, October 1st	(29,527,750)	(12,665,630)
Change in Uncollected Customer Payments from Federal Sources	21,735,213	(16,862,120)
Uncollected Customer Payments from Federal sources, end of year	(7,792,537)	(29,527,750)
Obligation Balance, Start of Year, net	8,161,922	37,656,119
Obligated Balance End of Year, net	16,489,183	8,161,922
<u>BUDGET AUTHORITY AND OUTLAYS, NET</u>		
Budget Authority, gross (discretionary and mandatory)	112,258,675	129,679,945
Actual Offsetting Collections (discretionary and mandatory)	(133,993,888)	(112,817,825)
Change in Uncollected Customer Payments from Federal Sources	21,735,213	(16,862,120)
Budget Authority, net	0	0
Outlays, Gross	126,927,319	126,119,861
Actual Offsetting Collections	(133,993,888)	(112,817,825)
NET OUTLAYS	(\$7,066,569)	\$13,302,036

The accompanying notes are an integral part of the financial statements

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Presidio Trust (the "Trust"), an executive agency, is a wholly-owned government corporation established by Congress in 1996 through enactment of the Presidio Trust Act (P.L. 104-333). The Trust's mission is to preserve and enhance the Presidio as an enduring resource for the American public. The Presidio Trust is a component unit of the United States Government.

The United States acquired the Presidio by virtue of the Treaty of Guadalupe Hidalgo between the United States and Mexico that ended the Mexican-American War of 1846-1848. From 1848 to 1994, the Presidio was used as a military installation. In 1994, the NPS assumed full control of the Presidio until 1998 when the Trust assumed responsibility for approximately 1,100 acres of non-coastal areas.

The Trust is guided by the Presidio Trust Act to operate in accordance with general objectives of the 1994 General Management Plan Amendment for the Presidio and the Government Corporation Control Act. The Trust primarily finances operations through rental leases for both residential and non-residential property as well as utility billing, hospitality income from hotel and food program operations, venue rentals, and other miscellaneous items and reimbursable agreements.

B. Organization and Structure

The Trust is governed by a seven-member board of directors. Six members are appointed by the President of the United States. The seventh is the U.S. Secretary of the Interior or his designee. The head of agency for the Trust is an executive director who reports to the board and oversees a staff with expertise including environmental science, historic preservation, operations and maintenance, landscape design, planning, resource management, real estate development, communications and programs, law, and finance.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of the Trust as required by the Trust Act. These financial statements were prepared from the Trust's accounting records in accordance with accounting principles generally accepted in the United States of America (GAAP), and the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements* revised September 18, 2014. 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 PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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

The Trust presents comparative quarter end statements for the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary Resources.

The Trust accounts for its assets, liabilities, net position, revenues, expenses, and other financing sources in accordance with the requirements of the U.S. Government Standard General Ledger. The use of sub-accounts allows transactions to be recorded at a more detailed level and provide relevant management information.

Although, the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are on an accrual basis, underlying transactions are recorded using both the accrual basis of accounting and a budgetary basis of accounting. The Statement of Budgetary Resources is on a budgetary basis. Under the accrual method, expenses are recognized when resources are consumed and revenues are recognized when earned without regard to the payment or receipt of cash. Budgetary accounting recognizes the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

D. Fund Balance with Treasury and Cash

The Trust maintains all cash accounts with the U.S. Department of Treasury except for petty cash accounts maintained at the Trust, by the Trust's Residential Property Manager, by the Trust's Inn Operator, and by the Trust's Food Program manager. All banking activities are conducted in accordance with the directives issued by the Department of the Treasury – Bureau of the Fiscal Service (BFS). Treasury processes cash disbursements and receipts on behalf of the Trust and the Trust's accounting records are reconciled with those of Treasury on a monthly basis. The Trust currently only has funds designated as revolving funds with the Treasury. Revolving funds are funds that conduct continuing cycles of business-like activity in which the fund charges for the sale of a service and uses the proceeds to finance its spending. The Trust's accounting records are such that internal segmentation occurs to ensure that funds are tracked to appropriate activities or requirements.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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

E. Investment, Net

Trust investments in non-marketable, market based U.S. Treasury securities are traded through and held in book entry form at the Department of the Treasury – Bureau of the Fiscal Service (BFS). The Trust is required by Public Law 104-333 to invest excess cash only in non-marketable, market based Treasury securities issued by the BFS. Non-marketable, market based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms.

F. Accounts Receivable, Net

Accounts Receivable consists of amounts owed to the Trust by other federal agencies and the public. Receivables generally arise from rental properties, service district charges, utilities, reimbursable contracts, environmental remediation insurance reimbursement, and other miscellaneous services.

An allowance for doubtful accounts is established based upon a review process. The Trust reviews accounts over 90 days past due and identifies collectable accounts. If an account is identified as collectable the Trust does not record any bad debt expense for that account; conversely if an account is deemed to be uncollectible, the Trust records a bad debt expense and establishes an allowance. If a debt is less than 90 days of age but deemed to be uncollectible a bad debt expense is recorded and an allowance established. For the remaining receivables over 90 days old, the Trust reserves 75% of the balance as an allowance for uncollectible accounts. The reserve is not established at 100% because there is some likelihood of collection based on contractual arrangements and the collection tools the Trust has at its disposal.

As a federal agency, the Trust has the full force of the United States government to facilitate collecting past due amounts. The Trust has an interagency agreement with the US Treasury, Debt Management Services (DMS) for debt collection, and once a debt is deemed uncollectible, and the Trust has taken appropriate collection action, the debtor information is sent to DMS for collection. Debts that are given to DMS for collection are not written off until DMS deems the debt as uncollectible.

G. Direct Loans and Loan Guarantees

The Trust is empowered to provide direct loans to non-Federal borrowers and to guarantee loans to non-Federal borrowers for construction and renovation. The Trust has not exercised this authority.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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

H. General Property, Plant, and Equipment, Net

General Property, Plant, & Equipment

General Property, Plant, & Equipment (PP&E) includes fixed assets owned by the Trust as the result of purchases by the Trust and/or transfers from other governmental entities, primarily the NPS. General PP&E consists of buildings, improvements to buildings, structures and facilities, land improvements, equipment, vehicles, capital leases, and construction in progress.

In general, the Trust capitalizes fixed assets valued in excess of \$25,000 with a useful life of two or more years and depreciates assets using the straight-line amortization method over the assigned useful lives of the property. All assets are assigned a useful life between three to ninety years dependent upon the asset category. For financial statement purposes, a pro-rated share of depreciation expense for the asset is recorded in the year of acquisition or project completion depending on the month the asset is placed into service.

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

- costs exceed \$25,000
- are not considered to be repairs and maintenance
- have a useful life of two or more years

Assets may include, in addition to direct costs, an assigned indirect cost component. Indirect costs are determined in accordance with the guidelines set forth in OMB Circular A-11, *Preparation Submission and Execution of the Budget*, and the SFFAS No. 6, and are comprised of those indirect costs incurred to bring the PP&E to a form and location suitable for its intended use. The Trust identified these costs based upon a review of its operating activities. Indirect costs are allocated to capital assets using systematic methods approved by management.

Land is considered to be general PP&E and, in accordance with SFFAS No. 6, is to be recorded at cost. The Trust has no land, other than roadbeds recorded as part of General PP&E.

Assets received from the Doyle Drive project (Note 22) are subject to the Trust's asset capitalization criteria but may be constructively accepted if a formal acceptance has not occurred upon completion of construction and when the asset has been placed in use.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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

Construction in Progress

Construction in Progress (CIP) is used for the accumulation of the cost of construction or major renovation of fixed assets during the construction period. The assets are transferred out of CIP when the project is substantially completed.

Stewardship & Heritage Assets

Stewardship Assets consist of the public domain land of the Presidio. Heritage assets exist throughout the Presidio and consist of such items as historic buildings, monuments, and historic sites. Both stewardship assets and heritage assets have been entrusted to the Trust to maintain in perpetuity for the benefit of current and future generations.

The stewardship land and heritage assets are considered priceless and irreplaceable. As such the Trust assigns no value to them and the PP&E on the balance sheet excludes these assets.

I. Advances and Prepayments

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

J. Other Assets

Rental revenue is recognized using the straight-line method over the term of the lease. Any amounts deferred that are not payable by the lessee until future years are included in deferred rent receivable.

Broker commissions and other direct costs associated with leasing revenue are placed into a deferred asset account and amortized over the term of the lease.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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

K. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the Trust as the result of a transaction or an event that has already occurred. No liability can be paid by the Trust absent an appropriation or spending authority (authority to spend revenues as granted by the Trust Act) granted by the Congress and OMB.

Future liabilities for which current year spending authority will not be used are disclosed as liabilities not covered by budgetary resources or unfunded liabilities. In addition, if other resources or advances that would allow for future spending authority to be designated for the particular liability are not available the liability will be disclosed as a liability not covered by budgetary resources or an unfunded liability. The liquidation of liabilities not covered by budgetary or other resources is dependent on funding.

The Trust estimates accounts payable on a current assessment of services and goods received but not paid.

Environmental Remediation Liabilities

The Army closed its base at the Presidio in September 1994 and transferred administrative jurisdiction of the Presidio to the NPS through the DOI for incorporation into the Golden Gate National Recreation Area.

Executive Order 12580 delegated the responsibility to conduct the environmental cleanup of the Presidio to the Army. Under an interagency agreement with the DOI, the Army retained this responsibility as one of the terms of the jurisdictional transfer and initiated certain actions to address environmental conditions at the Presidio.

When Congress created the Trust in 1996, it separated the administrative jurisdiction of the Presidio into two areas: Area A, over which DOI retained authority, and Area B, which was transferred to the Trust in July 1998.

Under a Memorandum of Agreement (the Presidio MOA) among the Trust, DOI, and the Army, the Trust assumed the Army's responsibilities as lead agent for the environmental cleanup in both Area A and Area B. The Army provided \$99 million to the Trust in exchange for the Trust's assumption of such responsibilities. All of the Army funds have been spent and the remaining liability is unfunded. As discussed in Note 11, the Trust obtained two environmental insurance policies related to liabilities in excess of the Army funds. Those policies expired on May 24, 2014.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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

Changes in cleanup costs result in an increase or decrease to the environmental remediation liability and are calculated in current year dollars as prescribed by accounting standards. The liability that remains on the Trust's balance sheet is the liability associated with the operations and maintenance of various remediation sites as required by Trust regulators.

Non-friable Asbestos Cleanup Liability

Technical Bulletin 2006-1 – Recognition and Measurement of Asbestos Cleanup cost requires that federal entities recognize a liability for friable and nonfriable asbestos that are probable and reasonably estimable. This liability has been adjusted for work accomplished to date in 2014.

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

Contingent Liabilities

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

Other Liabilities

Other liabilities on the Trust's balance sheet arise largely from Trust payroll, normal leasing transactions, and monies received for projects throughout the park. Liabilities such as security deposits and rent credits are directly related to leasing activity with both commercial tenants and residential tenants. Such monies would generally be refundable to the tenants and are therefore shown as a liability. The accrued interest payable is related specifically to agreements with

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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

tenants that have rent credits. The accrued interest is unfunded as it will not be paid but will be depleted by applying it as a rent credit against future earnings of the Trust. Unearned revenues are those monies advanced to the Trust for venue rentals and special park uses as well as monies received for projects which are at various stages but not yet complete. The Trust recognizes revenue related to these liabilities as the revenue is earned.

L. Revenues and Financing Sources

The United States Constitution prescribes that no money may be expended by a federal agency unless and until funds have been appropriated by Congress. Appropriations are considered to be a financing source. The Trust no longer receives an appropriation.

The Trust Act allows the Trust to retain funds earned for its own use and those funds are considered spending authority. Spending authority is subject to apportionment by OMB. The Trust provides services to the public and other government entities which are priced at market value. Previously, Congress provided the Trust's appropriation from the general receipts of the Treasury. Fiscal year 2012 was the last fiscal year the Trust received appropriated funds. The Statement of Budgetary Resources presents information about the spending authority from offsetting collections that the Trust has earned.

Exchange and Non-Exchange Revenue

All receipts and revenues of the Trust are classified as either exchange or non-exchange revenue. Exchange revenues are those that are derived from transactions in which the Trust and the other party receive value, including: rent, service district charges, utilities, permits, venue rentals, lodging, food purchases, and reimbursement for services performed for other federal agencies and the public, etc. These revenues are presented on the Trust's Statement of Net Cost and serve to offset the costs of the goods and services received by the Trust.

Non-exchange revenues result from donations to the government. These revenues are those that are considered not to reduce the cost of the operations of the Trust and are reported on the Statement of Changes in Net Position.

With a few minor exceptions, all receipts or revenues by the Trust are retained by the Trust to fund Trust operations. The Trust deposits all funds received in the Treasury General Account and these funds are designated for Trust use through Treasury's accounting process.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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

Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies. Prices set for the various revenue activities are designed to recover full costs or market value of those activities and maintain operations of the park as a self sufficient entity to include insuring funds are available for capital asset replacement and capital renovations.

Imputed Financing Sources

In certain instances operating costs of the Trust are paid out of funds appropriated to other federal agencies. For example, the Office of Personnel Management (OPM), by law pays certain costs of retirement programs. The Trust recognizes these costs as an operating expense and also recognizes an imputed financing source on the Statement of Changes in Net Position.

Other Financing Sources

From time to time the Trust works on projects in partnership with the National Park Service (NPS), and the Golden Gate National Parks Conservancy (GGNPC) on Trust owned assets. These amounts are recorded as transfers in without reimbursement or donations of property.

M. Personnel Compensation and Benefits

Annual and Sick Leave Program

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefits cost. An unfunded liability is recognized for earned but unused annual leave since from a budgetary standpoint this annual leave will be paid from future funding sources when the leave is used by employees. The amount accrued is based upon current pay rates of the employees. Sick leave is expensed when used and no liability is recognized as employees do not vest in that benefit.

Federal Employees Workers' Compensation Program (FECA).

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 beneficiaries of employees whose deaths are attributable to job related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL) which pays valid claims and subsequently is reimbursed from the Trust for these claims.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the Trust. There is generally a one year lag between payment by DOL and reimbursement by the Trust. The Trust recognizes a liability for the actual claims paid by DOL that are to be reimbursed by the Trust which is recorded in the liability account entitled other employment benefits payable (Note 13). The second component is the estimated liability for future benefit payments as a result of past events.

This liability includes death, disability, medical, and miscellaneous costs. The Trust determines this component annually, as of September 30, using a method that considers historical benefit patterns and other variables. The DOL provides non-CFO Act agencies a model to use to calculate this liability. The Trust recognizes an unfunded liability to DOL for these estimated future payments.

Federal Employees Group Life Insurance Program (FEGLI)

Most Trust employees are entitled to participate in the FEGLI program. Participating employees can obtain "basic life" term insurance, with the Trust reimbursing the employees the cost of the basic life insurance biannually. Additional coverage is optional and is to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. Government's service costs for the post retirement portion of the basic life coverage. The Trust's contributions are fully allocated by OPM to the preretirement portion of coverage, so the Trust has recognized the entire service cost of the post retirement portion of basic life coverage as an imputed cost and an imputed financing source.

Retirement Plans

There are two primary retirement systems for Federal employees. Employees hired prior to January 1, 1984, may participate in the Civil Service Retirement System (CSRS), and employees hired after that date are eligible to participate in the Federal Employee Retirement System (FERS). The Trust Act affords the Trust the ability to manage the payroll process outside of the laws governing civil service retirement; however, the Trust has elected to use the retirement systems in place for federal employees. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. Although the Trust hired its first employees in 1999, the Trust does have some employees in CSRS as these employees have transferred to the Trust from other federal agencies and have prior federal service, six percent of employees participate in CSRS and ninety-four percent of employees participate in FERS.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

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

A primary feature of FERS is that it offers a savings plan to which the Trust contributes one percent of employees' pay and matches any employee contribution up to five percent of pay, dollar for dollar on the first three percent and fifty cents per dollar thereafter. An employee must contribute up to five percent of their pay to take advantage of the matching but employees are eligible for the one percent contribution no matter if they elect to contribute to the fund or not.

For FERS employees the Trust also contributes the employer's matching share of Social Security. The Trust does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the OPM. The Trust does report as an imputed financing source and a program expense, the difference between its contributions to Federal employee pension and other retirement benefits and the estimated actuarial costs as computed by the OPM. The amounts reported as of September 30, 2014 and 2013 are \$1,174,785 and \$949,414 respectively.

N. Federal Government Transactions

The Trust's financial activities interact with the financial activities of the centralized management functions of the Federal Government. These activities include public debt and cash management activities and employee retirement, life insurance, and health benefits. The financial statements of the Trust do not include the costs of centralized activities performed for the benefit of the entire government.

O. Income Taxes

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

P. Estimates

Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in the financial statements include environmental liabilities, non-friable asbestos cleanup liabilities, allowance for doubtful accounts, the historical cost of assets acquired from NPS, and useful lives of general PP&E. Actual results may differ from those estimates.

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury, which consists entirely of revolving funds, is \$5,004,108 and \$5,066,539 as of September 30, 2014 and 2013 respectively.

Status of Fund Balance with Treasury on September 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Fund Balance with Treasury and Overnight Investments	\$38,884,108	\$31,817,539
Less Invested Unobligated Balance	(9,589,280)	0
Less Invested Unpaid Obligated Balance	<u>(24,281,720)</u>	<u>(26,751,000)</u>
Fund Balance	<u>\$5,004,108</u>	<u>\$5,066,539</u>

The fund balance contained an unobligated amount of \$9,589,280 at September 30, 2014 but was completely obligated and unavailable as of September 30, 2013.

3. CASH AND OTHER MONETARY ASSETS

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

	<u>2014</u>	<u>2013</u>
Trust Petty Cash	\$1,000	\$1,000
Residential Property Management Petty Cash	750	600
Residential Property Management Security Deposits	0	12,285
Inn at the Presidio Petty Cash	1,500	1,500
Deposits in Transit	<u>586,412</u>	<u>1,042,038</u>
Total Cash	<u>\$589,662</u>	<u>\$1,057,423</u>

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013

4. INVESTMENTS

INVESTMENTS AS OF SEPTEMBER 30, 2014
INTRAGOVERNMENTAL SECURITIES

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost/ Par Value</u>	<u>Unamortized Discount</u>	<u>Net Value</u>
Non-marketable/Market Based	10/01/14	0.010%	\$33,880,000	\$ 0	\$33,880,000
Non-marketable/Market Based	9/30/29	5.52%	2,978,000	0	2,978,000
Non-marketable/Market Based	9/30/29	6.12%	<u>30,266,000</u>	<u>0</u>	<u>30,266,000</u>
TOTAL INVESTMENTS			<u>\$67,124,000</u>	<u>\$ 0</u>	<u>\$67,124,000</u>

INVESTMENTS AS OF SEPTEMBER 30, 2013
INTRAGOVERNMENTAL SECURITIES

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost/ Par Value</u>	<u>Unamortized Discount</u>	<u>Net Value</u>
Non-marketable/Market Based	10/01/13	0.030%	\$26,751,000	\$ 0	\$26,751,000
Non-marketable/Market Based	9/30/29	5.52%	2,978,000	0	2,978,000
Non-marketable/Market Based	9/30/29	6.12%	<u>30,266,000</u>	<u>0</u>	<u>30,266,000</u>
TOTAL INVESTMENTS			<u>\$59,995,000</u>	<u>\$ 0</u>	<u>\$59,995,000</u>

In fiscal years 2014 and 2013, both of the investments with a September 30, 2029 maturity date are investments of the proceeds from Trust borrowings from the Treasury (see **Note 10**). The BFS invests these proceeds with the agreement that the borrowing and investment net to zero unless the Trust needs access to the cash. The Trust was not owed interest on the investment of the proceeds from the borrowing, and the amount of \$2,017,287 was paid in full to the Trust by the BFS prior to the end of each fiscal year.

5. ACCOUNTS RECEIVABLE, NET

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

	<u>Intra-Government</u>	<u>Non-Government</u>	<u>Total</u>
Gross Accounts Receivable	\$192,967	\$4,490,425	\$4,683,392
Less Allowance for Uncollectible Accounts	<u>0</u>	<u>(1,179,837)</u>	<u>(1,179,837)</u>
Net accounts receivable at September 30, 2014	<u>\$192,967</u>	<u>\$3,310,588</u>	<u>\$3,503,555</u>

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013

5. ACCOUNTS RECEIVABLE, NET (CONTINUED)

The Non-Government accounts receivable as of September 30, 2014, includes a \$654,740 receivable related to insurance reimbursement for the environmental remediation program (Note 11).

Accounts receivable as of September 30, 2013, is comprised of the following:

	<u>Intra-Government</u>	<u>Non-Government</u>	<u>Total</u>
Gross Accounts Receivable	\$429,533	\$24,492,412	\$24,921,954
Less Allowance for Uncollectible Accounts	<u>0</u>	<u>(1,967,530)</u>	<u>(1,967,530)</u>
Net accounts receivable at September 30, 2013	<u>\$429,533</u>	<u>\$22,524,882</u>	<u>\$22,954,415</u>

The Non-Government accounts receivable as of September 30, 2013, of \$24,492,412 includes an \$18,722,183 receivable related to insurance reimbursement for the environmental remediation program (Note 11).

6. GENERAL PROPERTY, PLANT AND EQUIPMENT

Property Plant and Equipment (PP&E) consists of property used in operations:

<u>Classification</u>	<u>Estimated Useful Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Balance at 9/30/14</u>	<u>Net Balance at 9/30/13</u>
Land and Land Rights ¹	N/A	\$3,460,320	N/A	\$3,460,320	\$3,460,320
Improvements to Land	²	49,816,636	21,350,553	28,466,083	28,403,222
Construction-in-Progress	N/A	9,936,858	N/A	9,936,858	27,430,113
Buildings, Improvements, Renovations & Rehabilitations	40 years ²	374,426,551	80,418,566	294,007,985	266,990,672
Other Property, Plant and Equipment (including furnishings, equipment, and software) ³		<u>105,394,833</u>	<u>46,012,460</u>	<u>59,382,373</u>	<u>60,516,180</u>
		<u>\$543,035,198</u>	<u>\$147,781,579</u>	<u>\$395,253,619</u>	<u>\$386,800,506</u>

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

6. GENERAL PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense was \$20,210,916 and \$18,623,221 in fiscal years 2014 and 2013 respectively.

¹The land asset classification cost is the cost of road beds.

²Buildings, Improvements and Related Renovations and Rehabilitations have useful lives of 40 years or less for improvements and renovations depending on remaining building life. Tenant Improvements are amortized over the life of the tenant's lease.

³Other Property, Plant and Equipment and Land Improvements are depreciated using a straight line method over their estimated useful lives ranging from three to ninety years.

7. STEWARDSHIP PROPERTY PLANT & EQUIPMENT

The heritage and stewardship assets of the Presidio Trust are the natural resources and historic buildings that are directly related to preserving the historical integrity of the Presidio. The Trust's stewardship policies are outlined in several key documents including: the Presidio Trust Management Plan (PTMP) and the Vegetation Management Plan (VMP). The PTMP proposes a focused and realistic vision which ensures that the Presidio's cultural, natural, scenic, and recreational resources are preserved while at the same time ensuring that the Presidio's historic buildings are rehabilitated. The stewardship and heritage assets are an integral part of the park and the PTMP commits the Trust to preserving open space within the park. The VMP describes how the historic forest will be rehabilitated, how wetlands will be enhanced, and how native plant and wildlife species will be protected. Further, the PTMP outlines how the Trust will preserve its National Historic Landmark Status.

Heritage and Multi-Use Heritage assets are historic buildings. Heritage assets are the buildings that will never be occupied by a tenant but will be preserved to ensure that historic integrity remains intact. Multi-use heritage assets, while historical in nature, are buildings that are or may be leased to tenants.

A building can only be added to the heritage category if it is deemed that the building will not ever be occupied.

Stewardship assets consist primarily of historic forest and restoration of lands within the boundaries of the park. There has been no acquisition of new land. Land stewardship consists of forestry acreage added and withdrawn; this represents reforestation activities which results in a turnover of approximately two acres of forest each year.

THE PRESIDIO TRUST
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7. STEWARDSHIP PROPERTY PLANT & EQUIPMENT (CONTINUED)

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

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

The following table depicts the number of physical units at the end of fiscal year 2012, additions and withdrawals during fiscal year 2013 and the ending number of units at the end of fiscal year 2013.

	Beginning Balance			Ending Balance
Classification	Number of Buildings	Additions	Withdrawals	Number of Buildings
Heritage	11	0	1	10
Multi-use Heritage	410	1	0	411
	Number of Acres	Acres Added	Acres Withdrawn	Number of Acres
Land Stewardship	869	3.9	20.1	852.8

Heritage buildings are those buildings that are historical in nature but which the Trust never expects to lease, in fiscal year 2014 the Trust elected to move building 95 to the multi-use heritage category as it is being used to house an art exhibit and in 2013 the State of California renovated Building 669 as part of the Doyle Drive project and that building was moved into the Multi-Use Heritage category.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013

7. STEWARDSHIP PROPERTY PLANT & EQUIPMENT (CONTINUED)

Acreage is added and withdrawn based on projects completed within the park. The large shift in acreage is largely due to the Doyle Drive project which has shifted areas into built space temporarily. Once the project is complete, acreage will be reclaimed for stewardship.

8. OTHER ASSETS

Other assets as of September 30, 2014 and 2013 are comprised of the following:

	<u>2014</u>	<u>2013</u>
Prepayments	\$979,075	\$1,045,305
Deferred Rent Receivable	23,084,634	21,455,983
Other Deferred Real Estate Assets	<u>494,748</u>	<u>618,290</u>
Total Other Assets	<u><u>\$24,558,457</u></u>	<u><u>\$23,119,578</u></u>

9. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources are those liabilities that may be funded from future resources. Liabilities not covered by budgetary resources as of September 30, 2014 and 2013 are comprised of the following:

	<u>2014</u>	<u>2013</u>
FECA Actuarial	\$6,809,069	\$7,371,273
Contingent Liabilities (Note 15)	505,000	315,000
Environmental Remediation Liability (Note 11)	4,397,810	10,911,317
Non-friable Asbestos Liability (Note 12)	40,247,327	39,153,506
Annual Leave Liability	2,463,433	2,377,700
Rent Credit Liability	5,021,204	4,209,004
Accrued Interest Payable	<u>758,134</u>	<u>728,470</u>
Liabilities Not Covered By Budgetary Resources	60,201,977	65,006,270
Liabilities Covered by Budgetary Resources	<u><u>137,189,091</u></u>	<u><u>139,365,785</u></u>
TOTAL LIABILITIES	<u><u>\$197,391,068</u></u>	<u><u>\$205,432,005</u></u>

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

10. DEBT

The Trust has the following debt to Treasury as of September 30, 2014 and 2013:

	Maturity Date	<u>2014</u>	<u>2013</u>
Debt to the Treasury			
Note C (dated 09/29/00)	09/30/2029	\$20,000,000	\$20,000,000
Note C (dated 09/28/00)	09/30/2029	20,000,000	20,000,000
Note C (dated 9/29/01)	09/30/2029	<u>9,978,000</u>	<u>9,978,000</u>
Total Principal		<u>\$49,978,000</u>	<u>\$49,978,000</u>

The Presidio Trust Act granted the Trust the authority to borrow from the U.S. Treasury. The aggregate amount of outstanding obligations at any one time is limited to \$150 million. These borrowings financed building and infrastructure rehabilitation by the Trust. Borrowing was contingent on the Secretary of the Treasury determining that the projects to be funded from the proceeds were creditworthy. In 1999, the Trust and the Secretary of the Treasury established a written borrowing agreement to advance funds for capital improvement projects. The Trust executed a promissory note for the requested amount to evidence the obligation of the Trust to repay the Treasury the sum borrowed, together with any late charges that might be incurred.

The Trust was granted \$49,978,000 in borrowing authority. The terms surrounding the Trust's borrowing authority have been described below. The debt the Trust has incurred is all related to the borrowing authority granted to the Trust.

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

1) **Note C** (dated 9/29/00)

Principal amount is \$20 million. The amount was used for the capital improvement projects activities in, on, or in support of particular Trust assets, specifically the Baker Beach Apartments, Building 220 and Building 36. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220, and Building 36 that have been improved. The note carries an interest rate of 6.122% requires principal payments starting in 2015 and matures on September 30, 2029.

2) **Note C** (dated 9/28/00)

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

10. DEBT (CONTINUED)

Principal amount is \$20 million. The amount of the request was used for the capital improvement projects activities in, on, or in support of any Trust assets. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220 and Building 36. The note carries an interest rate of 6.122% requires principal payments starting in 2015 and matures on September 30, 2029.

3) Note C (dated 9/29/01)

Principal amount is \$9,978,000. The amount of the request was used for the capital improvement projects activities in, on, or in support of any Trust assets. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220 and Building 36. The note carries an interest rate of 5.515% requires principal payments starting in 2015 and matures on September 30, 2029.

The Trust incurred \$2,999,087 in interest cost for both fiscal year 2014 and fiscal year 2013 which was included in program costs.

In fiscal year 2014, no additional debt obligations were issued and there was no borrowing authority available at September 30, 2014 or September 30, 2013. Debt repayment on the current borrowings is \$2,192,191 in fiscal year 2015; \$2,317,726 in fiscal year 2016; \$2,450,454 in fiscal year 2017; \$2,590,788 in fiscal year 2018, 2,739,162 in fiscal year 2019 with the remainder in years thereafter.

11. OTHER LIABILITIES – ENVIRONMENTAL REMEDIATION

Agency Responsibilities for Environmental Cleanup

As discussed in Note 1, Significant Accounting Policies, the Trust is the lead agent for environmental cleanup of the Presidio.

Cleanup included enumerated sites where an environmental threat (Substance and Condition) was known based on past Army studies or records. All enumerated sites have been remediated to current standards protective of human health and the environment in accordance with future reuse plans for the Presidio. All enumerated sites were closed with no further action required or are governed by land use control with regulatory oversight if applicable. Costs for enumerated sites were funded through an advance from the Army, Trust funding, and reimbursement from insurance policies (see discussion of the Trust's insurance policies below). Future cleanup also includes unknown contamination which is any environmental threat at or migrating from the Presidio that is not an enumerated site and is attributable to the Army. The

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

11. OTHER LIABILITIES – ENVIRONMENTAL REMEDIATION (CONTINUED)

Army retained sole responsibility to fund and/or to perform all environmental cleanup work of unknown contamination as well as for the cleanup of radioactive materials, chemical and biological warfare agents, and unexploded ordnance if discovered at the Presidio.

The Trust obtained two environmental insurance policies: a Remediation Stop Loss (RSL) policy and a Real Estate Environmental Liability (REEL) policy (both policies expired on May 24, 2014):

The RSL policy provided the Trust with insurance against cost overruns in implementing environmental remedies that had been approved by the appropriate regulatory agencies for known contamination at enumerated sites. The RSL policy paid for remediation costs in excess of \$100 million (self-insured retention) spent by the Trust for “necessary and reasonable” costs. The RSL policy had a liability limit of \$100 million, and was set up so that the Trust paid the first \$100 million of remediation costs and the RSL policy would pay for the second \$100 million. The Army and DOI were each named as an additional insured on the RSL policy. Allowable cleanup exceeded the \$100 million self-insured retention in fiscal year 2012; subsequently, costs incurred through May 24, 2014 were reimbursed except for a remaining receivable of \$275,285. The REEL policy provided coverage for unknown contamination. The REEL policy has a limit of \$10 million (with a \$25,000 deductible) and a \$50 million total for all claims. At September 30, 2014 there was one active project being reimbursed under the REEL policy.

Liability for Environmental Cleanup Costs

Changes in cleanup cost estimates were developed in accordance with agency procedure which provided for a systematic process for cost estimating and placed emphasis on development and retention of supporting documentation. This total cost to complete has been updated to reflect the cost of cleanup as of September 30, 2014.

The liability reflected on the Trust balance sheet as of September 30, 2014 is for operations and maintenance of sites as required by regulatory agencies. The operations and maintenance estimates will be reviewed each year. Operations and maintenance are largely estimated to extend for thirty years or a shorter period if regulatory land use controls allow for a shorter period.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
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11. OTHER LIABILITIES – ENVIRONMENTAL REMEDIATION (CONTINUED)

The table below identifies the Trust's costs from inception of the environmental cleanup program to completion. The table separately identifies the costs related to the cleanup of known contaminants (enumerated sites) at the time the Army turned the cleanup over to the Trust and contaminants identified by the Trust subsequent to the Army's turnover (unknown contamination).

	Known Contaminants As of 9/30/14 At Completion		Unknown Contaminants As of 9/30/14 At Completion		Total Spent As of 9/30/2014	Cost At Completion
Allowable Costs	137,744,295	137,744,295	8,053,768	13,813,683	145,798,063	151,557,978
Other Costs	21,397,055	21,397,055	0	0	21,397,055	21,397,055
Total Costs	159,141,350	159,141,350	8,053,768	13,813,683	167,195,117	172,955,033
Remediation Stop Loss Liability					0	
Less Resources						
Army/Other (Reimbursement)		152,423,797	7,422,917	(7,422,917)	159,846,714	
Insurance/Other (Estimate)		245,285		393,119	(393,119)	638,404
Total After Resources		6,472,268		5,997,647		12,469,915
Total of Known Contaminants At Completion					159,379,081	
Operations & Maintenance Liability Balance Sheet					4,397,810	

The Trust's financial statements reflect a liability for environmental remediation cleanup costs of \$4,397,810 and \$10,911,317 which is unfunded as of September 30, 2014 and 2013 respectively. This represents the total estimated cost at completion less the expected Army and insurance reimbursements (claims filed). The actual cost at completion may vary from the current estimated cost at completion. The change in liability as of September 2014 and 2013 is reflected in the chart below:

<u>Liability per Balance Sheet</u>	<u>2014</u>	<u>2013</u>
Beginning Balance	\$10,911,317	\$29,450,986
Costs applied, net	(9,717,214)	(18,594,420)
Cost to Complete/Operations & Maintenance	<u>3,203,707</u>	<u>55,251</u>
Total Liability	<u>\$4,397,810</u>	<u>\$10,911,317</u>

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

11. OTHER LIABILITIES – ENVIRONMENTAL REMEDIATION (CONTINUED)

The total estimated cost at completion is reflective of the final expenses to be incurred on the major portion of the program and regulatory operations and maintenance. Annually, management will update the total estimated cost at completion and will periodically enlist third party expertise to assist management in formulating detailed projections based on a thorough review of the remediation program.

12. OTHER LIABILITIES - NON-FRIABLE ASBESTOS CLEANUP

The Trust's financial statements reflect an asbestos cleanup liability of \$40,247,327 as of September 30, 2014 and \$39,153,506 as of September 30, 2013. This liability was recorded in 2013 as required by Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, and will be adjusted annually to reflect asbestos cleanup performed and revised estimated liability amounts.

Almost all of the liability reflects non-friable asbestos, which is material that contains asbestos fibers which are bonded by cement, vinyl, resin or other similar material and cannot be crumbled, pulverized, or reduced to powder by hand pressure. As such, the Trust anticipates the removal of this asbestos will occur over time as individual facilities are renovated.

The Trust recognized clean-up cost associated with non-friable asbestos of \$232,872 and \$289,037 in fiscal years 2014 and 2013 respectively.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013

13. OTHER LIABILITIES

Other liabilities as of September 30, 2014 and 2013 are comprised of the following:

	2014		2013	
	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>
Intragovernmental				
Employer Contributions Payable	\$ 0	\$153,875	\$ 0	\$132,854
Other Employment Benefits	148,852	630,701	175,009	779,282
Unearned Revenue	<u>0</u>	<u>15,582</u>	<u>0</u>	<u>749,054</u>
Total Intragovernmental	148,852	800,158	175,009	1,706,190
Environmental Remediation Liability (Note 11)	3,979,529	418,281	0	10,911,317
Non-friable asbestos cleanup cost (Note 12)	39,947,327	300,000	38,853,506	300,000
FECA Actuarial (Note 9)	6,250,242	558,827	6,797,036	574,237
Contingent Liabilities (Note 15)	0	505,000	0	315,000
Security Deposits	5,683,387	0	5,272,648	0
Unearned Revenue	34,045,497	22,104,467	40,778,777	20,424,398
Payroll Payable	0	760,504	0	2,085,301
Annual Leave Liability (Note 9)	0	2,463,433	0	2,377,700
Rent Credit Liability (Note 9)	4,329,928	691,276	4,107,995	101,009
Prepaid Rents & Services	0	1,232,388	0	1,418,269
Accrued Interest Payable (Note 9)	758,134	0	728,470	0
Food Program Liability	4,663,462	250,000	0	0
Other Liabilities	<u>0</u>	<u>171,461</u>	<u>0</u>	<u>78,328</u>
Total Other Liabilities	<u>\$99,806,358</u>	<u>\$29,696,968</u>	<u>\$96,713,439</u>	<u>\$40,291,749</u>

14. LEASES**Trust as Lessee****Operating Leases**

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

Trust as Lessor**Operating Leases****Description of Lease Arrangements:**

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013

14. LEASES (CONTINUED)

The Trust's properties are leased under terms from one month up to 67 years. The Trust expects that these leases will be renewed or replaced by other leases in the normal course of business. In addition, fifteen leases are operated under contingent rental agreements wherein the monthly rental revenue is either a percent of the lessees' monthly revenue or base rent plus additional rent based upon a percent of the lessees' monthly revenue. The Trust also provides free rent or reduced rental rates to certain employees of the Trust, other Presidio based employees, and other governmental agencies.

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

<u>Fiscal Year</u>	<u>Total</u>
2015	\$20,427,111
2016	19,002,363
2017	15,677,278
2018	13,600,146
2019	12,313,979
Thereafter	<u>408,757,031</u>
Total	<u>\$489,767,908</u>

15. COMMITMENTS AND CONTINGENCIES

From time to time, the Trust is involved in legal matters, including tort and employment-related claims. Currently the Trust has pending one workplace discrimination claim and two tort claims. The Trust is actively pursuing each of these claims and has assigned a contingent liability of \$505,000 to all of the claims, in the aggregate. Trust management does not expect other pending legal matters to have a material impact on its financial condition or net costs.

16. INTRAGOVERNMENTAL COSTS & EXCHANGE REVENUES**Exchange Revenue**

The Trust provides services to the public and other government entities. Revenue earned from the U.S. Treasury is from earnings on investments. Revenue earned from the Department of the Interior was related to work on a reimbursable project and other miscellaneous services that the Trust provides. Revenue earned from the Department of Defense is primarily related to a grant for work on the Main Post. Revenues earned from the Department of the Army are primarily related to the environmental remediation program.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013

16. INTRAGOVERNMENTAL COSTS & EXCHANGE REVENUES (CONTINUED)

<u>Agency</u>	<u>2014</u>	<u>2013</u>
US Treasury	\$2,029,795	\$2,042,907
Department of Defense	668,664	5,779,106
Department of the Army	0	81,873
Department of Interior	272,658	190,778
Other	<u>420,029</u>	<u>665,933</u>
Total	<u>\$3,391,146</u>	<u>\$8,760,597</u>

The Trust also incurs costs for services provided by other government agencies or for programs run by other government agencies. Costs incurred with the OPM are for employee benefits. The Department of Interior provides public safety, payroll, and other miscellaneous services to the Trust. Costs incurred with the U.S. Treasury are for interest on loans.

<u>Agency</u>	<u>2014</u>	<u>2013</u>
OPM	\$7,059,301	\$ 6,727,535
Department of Interior	4,642,043	4,819,761
US Treasury	2,999,087	3,006,140
Department of Labor	588,899	877,850
GSA	637,215	627,194
Other	<u>84,483</u>	<u>22,888</u>
Total	<u>\$16,011,028</u>	<u>\$16,081,368</u>

17. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED: DIRECT VS. REIMBURSABLE OBLIGATIONS

All obligations are under reimbursable authority. The amount of obligations incurred as of September 30, 2014 and 2013 was \$113,519,367 and \$113,487,784 respectively.

18. PERMANENT INDEFINITE APPROPRIATIONS

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

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

19. UNDELIVERED ORDERS AT END OF PERIOD

Undelivered orders represent amounts for which funds were obligated but the goods and/or services related to those specific orders have not been received. The balance of undelivered orders at September 30, 2014 and 2013 were \$5,254,022 and \$16,040,640 respectively.

20. CONTRIBUTED CAPITAL

The Trust is granted the authority to accept donations in the Trust Act. The Trust received direct donations of \$15,993 and \$2,195 in fiscal years 2014 and 2013 respectively. The Trust also receives grants and other funding for various projects within the park. In fiscal year 2014, the Trust received \$2,311,191 in funds related to land improvements, historical renovations, and programs at the Presidio Institute, and in fiscal year 2013 the Trust received \$119,231. The Trust also received \$3,000,000 from the San Francisco Airport for ongoing wetlands mitigation work.

21. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET

The following schedule has been prepared in accordance with SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting. It represents a reconciliation between the proprietary accounts and the budgetary accounts, and is a reconciliation of the Statement of Net Costs to the Statement of Budgetary Resources. Accrual basis accounting standards used in the Statements of Net Cost, Statements of Changes in Net Position, and Balance Sheets differ from the budgetary basis used in the Statement of Budgetary Resources, with regard to the treatment of liabilities. A liability not covered by budgetary resources may not be recorded as a funded liability in the budgetary accounts of the Trust's general ledger, which supports the Statement of Budgetary Resources. Liabilities are considered "funded" for purposes of the Balance Sheets, Statements of Net Cost and Statements of Changes in Net Position.

The reconciliation between budgetary and proprietary includes a section depicting the change in certain unfunded liabilities. The amounts in this section may not correlate exactly with the amounts shown in Note 9 – Liabilities not covered by Budgetary Resources. Differences primarily result from Treasury requirements related to where the changes in these liabilities are reported in the Reconciliation of Net Costs of Operations. These requirements are dependent upon whether the change resulted in an increase or a decrease to the liability account.

THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013

21. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET CONTINUED

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2014	2013
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	\$113,519,367	\$113,487,784
Less: Spending Authority from Offsetting Collections and Recoveries	112,258,675	129,679,945
Obligations net of offsetting collections and recoveries	1,260,692	(16,192,161)
Less: Offsetting Receipts		
Net Obligations	1,260,692	(16,192,161)
Other Resources		
Donations Non-Financial Resources	668,211	1,925,197
Imputed Financing from Costs Absorbed by Others	1,174,785	949,414
Net Other Resources Used to Finance Activities	1,842,996	2,874,610
Total Resources Used to Finance Activities	3,103,687	(13,317,551)
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in budgetary resources obligated for goods, services, and benefits not yet provided	3,075,564	747,959
Resources that fund expenses recognized in prior periods	(8,533,877)	(19,476,278)
Other	4,062,592	(2,472,562)
Resources that finance the acquisition of assets	(24,627,453)	(34,279,494)
Total Resources Used to Fund Items Not Part of the Net Cost of Operations	(26,023,174)	(55,480,374)
Total Resources Used to Finance the Net Cost of Operations	(22,919,487)	(68,797,924)
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components requiring or generating resources in future periods		
Increase / Decrease in annual leave liability	85,733	(101,406)
Increase in Environmental Remediation Cleanup Cost Liability	3,203,707	55,251
Increase in Asbestos Liability	1,093,821	0
Resources that funded from (prior periods) / current periods	(447,012)	(266,909)
Other	(1,368,134)	1,458,208
Total components of Net Cost of Operations that will require or generate resources in future periods	2,568,115	1,145,144
Components not requiring or generating resources		
Loss on Disposition of Assets	95,162	1,400,779
Depreciation and amortization	20,215,967	18,625,089
Other	(3,197,687)	2,912,799
Total Components Not Requiring or Generating Resources	17,113,441	22,938,668
NET COST OF OPERATIONS	(\$3,237,931)	(\$44,714,112)

**THE PRESIDIO TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 and 2013**

22. DOYLE DRIVE (PRESIDIO PARKWAY PROJECT)

In October 2009, the Trust, the State of California (State) represented by its Transportation Department (CALTRANS), and the San Francisco County Transportation Authority (SFCTA) finalized a Right of Entry Agreement related to the construction to replace the south access road to the Golden Gate Bridge known as Doyle Drive (Route 101). Work on the major construction began at that time and remains ongoing through fiscal year 2014.

The Trust has received cash compensation under the Right of Entry agreement with the project sponsors, and will receive assets since the project must relocate, rebuild, and restore Trust assets in order to build the parkway.

The cash compensation and fair market value of assets will be recognized as unearned revenue as they are received, and the revenue will be earned over time in accordance with SFFAS No. 7. The State currently has the use of a temporary construction easement and a Trust owned building; revenue will be recognized over the life of the right of entry agreement for the State's use of these items. All other revenue will be recognized over the estimated life of the new roadway.

The Trust has received a total of cash compensation in the amount of \$66,702,825 and \$20,716,713 in fixed assets through fiscal year 2014. The Trust recognized earned revenue in the amount of \$8,983,383 in fiscal year 2014 and \$9,067,489 in fiscal year 2013, leaving a balance of \$43,028,879 in unearned revenue.

The Trust has also recognized earned revenue of \$2,763,640 through September 30, 2014 and \$1,406,921 in fiscal year 2013 related to reimbursement for project support.

THE PRESIDIO TRUST
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)
SEPTEMBER, 2014 AND 2013

1. DEFERRED MAINTENANCE

Deferred maintenance is maintenance or repairs not performed when it was scheduled to be performed, essentially maintenance delayed until a future time. Maintenance is described as the act of keeping fixed assets in an acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the Trust's assets so that the asset continues to provide acceptable service and achieve its expected life.

Trust deferred maintenance is determined, through use of staff expertise, using a total life-cycle cost method for all deferred maintenance categories of major assets. This effort was worked on throughout the year and during preceding fiscal years.

Heritage assets and multi-use heritage assets that have deferred maintenance are a subset of the building category. The Trust is currently in the process of renovating buildings throughout the Presidio. Buildings that are renovated are maintained to ensure that the renovated condition is maintained. Buildings that have not been renovated are maintained to a level to ensure that they are preserved until such time as they can be rehabilitated.

Stewardship assets are included in the grounds category. Stewardship Lands consist primarily of forested lands and trails. The Trust is currently rehabilitating the forest through several reforestation projects, and reforests approximately two acres per year.

THE PRESIDIO TRUST
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)
SEPTEMBER, 2014 AND 2013

1. DEFERRED MAINTENANCE (CONTINUED)

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

Category	2013 Ending Balance	2014 Scheduled	2014 Actual	Actual vs Budget Adjustment	Subtotal 2014 Ending Balance
Infrastructure	\$288,422	\$2,252,059	\$719,870	(\$123,131)	\$1,409,058
Grounds:					
Stewardship & Landscape	1,352,613	2,013,227	806,973	(199,657)	1,006,597
Total Non-Buildings	1,641,035	4,265,286	1,526,843	(322,788)	2,415,655
Buildings:					
Heritage	19,919	6,104	0	0	6,104
Multi-Use Heritage	3,454,464	2,881,924	783,196	0	2,098,728
Non-Historic	1,180,954	1,411,005	498,458	0	912,547
Total Buildings	4,655,337	4,299,033	1,281,654	0	3,017,379
Grand Total	\$6,296,372	\$8,564,319	\$2,808,497	(\$322,788)	\$5,433,034

Other Accompanying Information:**Inspector General Summary**

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

Improper Payments

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

Summary of Financial Statement Audit and Management Assurances

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

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

Glossary

BAPR – Barnard Avenue Protected Range

BB – Baker Beach

BFS – Bureau of the Fiscal Service

CAP – Camping at the Presidio

Caltrans – California State Department of Transportation

CIP – Construction in Progress

CSRS – Civil Service Retirement System

DMS – Debt Management Services

DOI – Department of the Interior

DOL – Department of Labor

FASAB – Federal Accounting Standards Advisory Board

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

FEGLI – Federal Employees Group Life Insurance

FERS – Federal Employees Retirement System

FMFIA – Federal Managers' Financial Integrity Act

GAAP – Generally Accepted Accounting Principles

GGNPC – Golden Gate National Parks Conservancy

GSA – General Service Administration

MOA – Memorandum of Agreement

NPS – National Park Service

OMB – Office of Management and Budget

OPM – Office of Personnel Management

PP&E – Property, Plant, and Equipment

PTMP – Presidio Trust Management Plan

REEL – Real Estate Environmental Liability Insurance Policy

RSL – Remediation Stop Loss Insurance Policy

SFFAS – Statements of Federal Financial Accounting Standards

SFCTA – San Francisco County Transportation Authority

USSGL – United States Standard General Ledger

VMP – Vegetation Management Plan



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

**Independent Auditors' Report on Internal Control Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Directors of
The Presidio Trust:

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2014, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 17, 2014



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

Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors of
The Presidio Trust:

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Presidio Trust (the Trust), which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2014.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. 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. 14-02.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on the Trust's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 17, 2014

EXHIBIT B



News » Other News

September 16, 2014

Presidio Trust plans to open second hotel

By Laura Dudnick

@Lauradudnick

click to enlarge



COURTESY OF THE PRESIDIO TRUST

A building of the Montgomery Street Barracks in the Presidio is proposed to offer up to 40 rooms as the former military base's second hotel.

A more than 100-year-old building in San Francisco's Presidio that for decades housed U.S. soldiers is poised to become the national park and former military base's second hotel.

Constructed in 1895, the yet-to-be-named lodge currently known as Building 105 of the Montgomery Street Barracks will offer up to 40 rooms, which is nearly twice as many as the Inn at the Presidio, said Dana Polk, a spokeswoman for the Presidio Trust.

Designs for the new inn have not been created, but views of the Golden Gate Bridge will certainly be included - at least from some rooms.

"It's an amazing location," Polk said. "It's right on the main parade ground where we have our Presidio picnic; it's near the transit center; it's walking distance to the Presidio's restaurants and trailheads."

On May 31, the seven-member board of directors that oversees the Presidio Trust approved a \$20 million renovation of the three-story, 42,000-square-foot building as part of the Five Year Construction Plan.

The site at the Montgomery Street Barracks - colloquially known as "infantry row" - was earmarked as a potential inn years ago, and

success at the first inn and the anticipated reopening of the Presidio Officers' Club in October prompted the Presidio Trust to build a second hotel.

The Inn at the Presidio, located at 42 Moraga Ave. in Pershing Hall, has seen near-full capacity since opening in April 2012, said Polk. July occupancy was 93.3 percent and August reached 97.4 percent, while the year-to-date figure as of Aug. 7 was 88 percent.

RELATED STORIES

Presidio celebrates reopening of historic Officers' Club

By Laura Dudnick

Design firms lay out visions for new 13-acre Presidio parklands space

By Laura Dudnick

Michael Painter and his vision for the Presidio Parkway

By Richard Rapaport

Inn at the Presidio opens for business in San Francisco

By Bay City News

The \$20 million will be used to seismically retrofit the building - which currently operates a temporary visitor center on its first floor - and fund other renovations.

Costs to rent rooms have not been determined, but it will likely offer less expensive options than the Inn at the Presidio, where rooms start at \$250 a night.

The Presidio Trust will seek requests for proposals from construction and architecture firms, and it expects to open the new inn by mid-2016.

Correction: This story was updated Sept. 16 to correct a quote from Presidio Trust spokeswoman Dana Polk in which she discusses the location of the new hotel at the main parade ground.

[More Other News »](#)

Tags: Other News, Presidio of San Francisco, Montgomery Street Barracks, U.S. Military, Presidio Trust, Inn at the Presidio



LAURA DUDNICK

ldudnick@sfxaminer.com

[@lauradudnick](#)

Bio:

Laura Dudnick, a Bay Area native, covers education, health and other topics for The San Francisco Examiner. She previously worked as a senior local editor for Patch.com, and as the San Mateo County bureau reporter and weekend editor for Bay City News Service.

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EXHIBIT C

From the San Francisco Business Times

<http://www.bizjournals.com/sanfrancisco/blog/2014/09/san-franciscos-presidio-to-get-a-second-hotel.html>

San Francisco's Presidio to get a second hotel

Sep 16, 2014, 2:18pm PDT Updated: Sep 17, 2014, 9:26am PDT



[Annie Sciacca](#)

Reporter- *San Francisco Business Times*

[Email](#) | [Twitter](#)

The Presidio is adding 40 rooms to its hotel inventory as the national park makes a push for increased hospitality options.

The Presidio's Building 105 of the Montgomery Street Barracks will soon become a 40-room hotel as part of the park's five year construction plan. The board of directors that oversees the Presidio Trust approved a \$20 million revamp of the three-story, 42,000-square-foot building last spring.

The Presidio Trust will seek requests for proposals from architecture and construction firms, and while it will probably seek requests for proposals for hotel operators, the likely choice is California-based Waterford Hotels and Inns, which operates the Inn at the Presidio, said spokesperson [Dana Polk](#).

That inn, which offers 22 guest rooms, has been successful, having seen near-full capacity since it opened in April 2012.

The Presidio Trust expects the new inn to open in early 2017.

The announcement comes just before the unveiling of the Presidio's Officers' Club, a historic site that includes a 118-seat restaurant, Arguello, from notable chef Traci Des Jardins, two new event spaces, and a museum. Des Jardins opened [another restaurant in the Presidio's Main Post called The Commissary](#), last spring.

The renovations are part of [the Presidio Trust's strategy to boost hospitality in the park](#), which [includes the expansion of the Inn at the Presidio](#) and the push to bring more restaurants to the park.

"We are rolling out the welcome mat and inviting the public to discover the Presidio in new ways," said Presidio Trust Executive Director [Craig Middleton](#).

Annie covers hospitality & food.

EXHIBIT D

From the San Francisco Business Times

:<http://www.bizjournals.com/sanfrancisco/blog/2013/07/funston-house-checks-into-the-presidio.html>

Funston House checks into the Presidio

Jul 22, 2013, 11:08am PDT



[Renée Frojo](#)

Reporter- San Francisco Business Times

[Email](#) | [Twitter](#) | [Google+](#)

The four-room Funston House is now welcoming guests in the Presidio.

An extension of the park's popular 22-room Inn at the Presidio, Funston House was built from a renovated historic home dating back to 1889 that was once used as an Army officer residence.

The new space has four suites that sleep up to eight people — including a King Room, two Queen Rooms and one Queen Suite with a separate sitting area — which can be reserved separately or booked out all together. The common area includes a living room, dining room, kitchen, outdoor patio and porch.

Like the Inn, the Funston House highlights the national park's military history with artisan touches, old photos and a collection of memorabilia.

"Since the opening of the Inn, guests have raved about our location and being surrounded by memorabilia that tells the story of the property," said General Manager [Terry Haney](#). "Funston House is a wonderful addition that introduces more privacy and a residential style floor plan that is ideal for families, bridal parties, weekend getaways with friends, and even corporate offsite trips."

Room rates start at \$215 to \$325 per night.

Renée Frojo covers hospitality, restaurants, retail and nonprofits for the San Francisco Business Times.

9th Circuit Case Number(s)

13-16554

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