

# A Park for People

THE PRESIDIO TRUST 2004 YEAR-END REPORT



1	Mission Statement
2	Letter from the Chairman
4	Letter from the Executive Director
6	Historical Overview
8	About the Presidio Trust
10	The Bay School of San Francisco
12	Presidio Sport and Medicine
14	Presidio Performing Arts Foundation
16	Sunset Scrub
18	Restoring Natural Areas
20	Presidio Trails
22	The Historic Forest
24	Preserving and Improving the Landscape
25	Revitalizing Historic Buildings
26	Celebrations and Events at the Presidio
27	Financial Statements
63	Board of Directors
64	Organizations at the Presidio
65	Points of Interest

# A Year-End Report

The Presidio Trust's mission is to preserve and enhance the natural, cultural, scenic, and recreational resources of the Presidio for public use in perpetuity, while achieving long-term financial sustainability. These efforts encompass the natural areas, wildlife, and native habitats of the park, as well as the historic structures and designed landscapes that make the park a National Historic Landmark District. The Presidio Trust is dedicated to ensuring that visitors to this spectacular place will have the opportunity to gain a broader understanding of the Presidio and its contribution to American history.



# Letter from the Chairman

This year the Presidio celebrated its 10th anniversary as a national park. Ten years may not seem like much time in the Presidio's long history, but in the past decade this 220-year old military post has been transformed into a unique national park — from the first efforts to save this historic post and passage of the Trust Act, to adoption of the *Presidio Trust Management Plan* and construction of the Letterman Digital Arts Center for the Presidio's anchor tenant, Letterman Digital Arts, Ltd.

The Trust was created in 1996 to oversee the preservation and maintenance of the Presidio. I am proud of how much we have accomplished since that time. Five years ago the obsolete Letterman Hospital stood empty, haunting the Presidio's main gate. Today, four handsome buildings have taken shape and a beautiful landscape designed by the renowned Larry Halprin is replacing acres of asphalt. In a few months, the buildings will be alive with activity as George Lucas' enterprise establishes itself in the park. The Letterman Digital Arts Center signals to the world at large that this is a different kind of park — a park where everyday human pursuits keep the history and the spirit of the place alive, where new tenants and activities become part of a broader civic context, and where government agencies and private organizations can work together for the general public.

The Letterman project set an ambitious course and a high standard. As it nears completion, there are other equally impressive markers of the steady progress we have made in revitalizing the Presidio and bringing people to the park. We have rehabilitated and leased nearly all of the Presidio's 1100 residential units, including more than 250 historic homes; 42 non-residential buildings have also been rehabilitated and leased, 23 of which were historic preservation projects. More than \$35 million of private capital has been attracted and invested in preserving the Presidio's historic buildings. And the Trust now earns more than \$40 million per year to support the park.

In this past year, we made great headway on a number of projects that will rehabilitate historic buildings and bring more people to the Presidio. The former Public Health Service Hospital has stood empty for two decades, blighting the southern edge of the park. The Trust is negotiating with a development partner to undertake our largest historic preservation project to date — converting the institutional buildings of the Public Health Service Hospital complex into a residential community. The largest building in the Main Post, Building 35, is becoming a state-of-the-art educational facility. Built in 1912 as cavalry barracks, it will welcome

**Toby Rosenblatt** / CHAIRMAN, BOARD OF DIRECTORS, THE PRESIDIO TRUST

high school students in September 2005. We entered into negotiations for two of the stately brick buildings along the Main Parade, also built as barracks at the end of the 19th century. In September, we released an RFP for the historic cavalry stables and airplane hangars in the Crissy Field district, 10 buildings in all. Crissy Field is one of the country's most spectacularly scenic areas, and the Trust expects to receive exceptional proposals for reuse of the spacious buildings that line the open shore of the San Francisco Bay.

One measure of our success is the timely rehabilitation of our historic buildings for new uses. Today, 250 organizations are located in the park and more than 2,500 people call the Presidio home. This Annual Report profiles three of our tenants. They bring creativity and vision to the park, and their activities contribute greatly to our vision of the Presidio and to our success. Over the course of the next few years, the number of people in the park will grow substantially, and the vital link between the Presidio as a community and its preservation as a national park will become stronger.

The mission of the Presidio Trust is to “preserve and enhance the natural, historic, recreational and scenic resources for the use of the public.” Much progress has been made in this decade toward achieving our mission. By Congressional mandate the Trust must also be managed in such a way that the Presidio can be sustained without federal appropriations after 2012. We are well

on our way to meeting that requirement as well.

Millions of dollars are still needed, however, to preserve and enhance this national park and to maintain both its grand and its intimate spaces. Many historic buildings still need to be rehabilitated and occupied; many elements of the open space need restoration and upgrading; many opportunities lie before us.

*It has been my great fortune to have been part of this extraordinary project for more than 20 years, first as a member of the Presidio Council, which lobbied Congress to preserve the Presidio and began to shape a vision for it as a park, and as the board chair of the Golden Gate National Parks Association, now the Parks Conservancy, which has helped make the Golden Gate National Recreation Area one of the world's great parks. And for the past eight years I have served as chair of the Presidio Trust. Through it all I have been deeply moved by the remarkable efforts so many have made on behalf of the Presidio. Thousands have given their time and energy to making the Presidio the unique park that it is, from the community members who worked so hard to ensure that it would be preserved and who continue as its stewards, to the dedicated and talented staff that oversee daily operations. On behalf of all our Board, I express our great appreciation to all these people and to the park's supporters in Congress who share our passion for this unique national park.*



A handwritten signature in black ink, appearing to read "Toby Rosenblatt". The signature is fluid and cursive, with a long, sweeping underline.

**Toby Rosenblatt**  
Chairman, Board of Directors

# Letter from the Executive Director

Ten years ago, when the Army lowered its flag and departed from the Presidio, the future of the post was unclear. Most of its 800 structures stood empty, and the Presidio, though it was included in the Golden Gate National Recreation Area, had not yet gained public recognition as a park.

Much had to be done to usher the 218-year-old military post into its new role as national park. Most of the early work involved building and infrastructure upgrades that would protect historic structures, making them usable for new tenants and residents and enabling them to generate revenue to support park improvements and ongoing operations. Results of this early work have been impressive. While much more needs to be done to protect historic buildings and assure the continued financial viability of the park, the Trust is now positioned to enhance public areas, develop recreational amenities, intensify public programming, improve the viability of the forest and natural areas, and create the public attributes that will define the Presidio as a singularly spectacular site within the national park system.

This year, the Presidio Trust formally joined forces with the Golden Gate National Parks Conservancy to develop

community partnerships and support that will advance open space and recreational enhancements throughout the Presidio. Adding to the tremendous Conservancy and National Park Service success in transforming the Presidio's shoreline at Crissy Field, these park enhancements will draw visitors to interior spaces of the park to enjoy its views, experience its diverse landscapes — natural and manmade — and explore its history.

Within the next several years, Presidio plans include the development with community support of a 24-mile network of trails for hikers, bicyclists and runners that will connect the Main Post and eight scenic overlooks. Thank you to George and Sejong Sarlo who have made the first donation towards creating this great system of trails and overlooks, and have enabled us to leverage limited federal resources. With their generous gift, we are constructing an overlook in view of the Pacific Ocean and the Golden Gate Bridge which will be dedicated "Immigrant Point" early this spring. The overlook is truly a remarkable place from which to think about the experiences and contributions of millions of immigrants who have passed through the Golden Gate.

The future of the historic forest, so essential to the Presidio's character and to understanding its history, is being secured, and we will leave future generations a healthy forest and a strategy for its ongoing care and maintenance. Eight reforestation projects are underway, from pilot projects to establish disease-resistant trees, to experiments in diversifying the forest's understory.

Rob Hill Campground, with views of both ocean and city, is the only campground within San Francisco. It serves hundreds of community groups, schools, and youth organizations, and the demand exceeds what we can accommodate. We have developed designs to double its size and improve its facilities, while evoking the classic character of the WPA-era campgrounds that distinguish many of our national parks.

Once the ceremonial center of the Presidio as well as the heart of its social life, the Main Parade is a magnificent place rich in history and scenic grandeur. This past year we completed conceptual designs to transform the current seven-acre parking lot into a dramatic green open space where people can gather for ceremonies and events, or enjoy a tranquil moment in a beautiful place. The rehabilitated Main Parade will include a grand esplanade that connects the Parade with Crissy Field to the north and the archeological site of El Presidio to the south, and will offer views of one of the most spectacular landscapes in the country.

The success of these projects will depend greatly on the people who are essential to making this extraordinary place a great and national park: philanthropists who support the park financially, local school children and other volunteers who give of their time and energy, Presidio tenants who come to live and work here and help us to create and sustain the park, and visitors.

*Gazing north from the uppermost reaches of the Presidio National Cemetery toward the bay and the Golden Gate, one is reminded that the duty of each generation is to protect the legacy of its forebears, and to create a legacy to bestow on the generations that follow. We have been given a rich legacy at the Presidio, and through the hard work and support of many people, the Presidio's future as a great national park site is now clear. We must redouble these efforts, to ensure that future generations will have the opportunity to marvel at the views, take in the scent of a healthy forest, learn from a history preserved, and celebrate their good fortune at having inherited this magnificent place.*



A handwritten signature in black ink that reads "Craig Middleton".

**Craig Middleton**  
Executive Director

# Historical Overview



This short street between Funston Avenue and Mesa Street was once known as the Alameda, and was the formal entrance to the post.

The Presidio is rich in natural beauty and history. The magnificent lands at the Golden Gate first supported the Ohlone Indians, and later explorers, immigrants, and pioneers from around the world. Its strategic location overlooking bay and ocean attracted the armies of three nations: Spain in 1776, followed by Mexico in 1821 and finally the United States in 1846. The Presidio was one of the oldest continuously operating military posts in the nation. From the Civil War through the Cold War, the Presidio was used as a training site and a point of debarkation to foreign theaters of combat.

The Presidio was designated a National Historic Landmark in 1962. When the Sixth U.S. Army departed in 1994, the Presidio became part of the 78,000-acre Golden Gate National Recreation Area. Today, the Presidio is one of the largest historic preservation projects in the nation. The Presidio currently attracts more than four million visitors each year, and is home to more than 1,000 households and 250 tenant organizations.

## c. 700

The Ohlone Indians were the first known users of the lands at the Golden Gate.

## 1776

The Spanish establish a military and civilian “presidio” (the Spanish word for “walled fortification”) on the site.

## 1821

After the Mexican Revolution, Mexico takes possession of the Presidio.

## 1846

War erupts between Mexico and the United States. American forces seize control of the Presidio.

## 1861

The Civil War establishes the Presidio as a strategic U.S. military post.

## 1941

The Presidio serves as a major training center for U.S. troops headed for World War II’s Pacific Theater.

## 1962

The Presidio is designated a National Historic Landmark District.

## 1989

The Base Realignment and Closure Commission identifies the Presidio for closure.

## 1994

The Sixth U.S. Army departs the Presidio. The National Park Service assumes management of the area.

## Natural Beauty and Human History / HISTORY OF THE PRESIDIO

The Presidio's natural areas contribute greatly to the beauty and character of the park. The broad variety of natural habitats found in the Presidio, from dune scrub to riparian corridors and lush forestland, are now being restored through the combined efforts of the Presidio Trust, National Park Service, Parks Conservancy, and scores of volunteers. Former Army landfills are being remediated. Part of the International Network of Biosphere Reserves, the Presidio is a refuge for hundreds of wildlife and plant species.



The morning salute on the Main Parade circa 1909.



Company C of the 30th Infantry, "San Francisco's Own," winners of the post's basketball tournament, on the steps of their Montgomery Street barracks.

**1996**  
Federal legislation creates the Presidio Trust.

**1998**  
The Presidio Trust assumes management of the interior 1,100 acres of the Presidio (80 percent of the park).

**2002**  
The *Presidio Trust Management Plan*, which outlines land use policies for Area B of the Presidio, is adopted by unanimous vote of the Trust Board of Directors.

**2003**  
A ground lease is signed by Letterman Digital Arts, Ltd. for the 23-acre site of the former Letterman Hospital, and ground is broken to begin construction on the new digital arts center.

**2004**  
The Trust begins planning for major revitalization projects at the Public Health Service Hospital and the Main Parade Ground.

Work begins, to create an integrated and extended network of trails throughout the Presidio.

A record number of visitors come to the

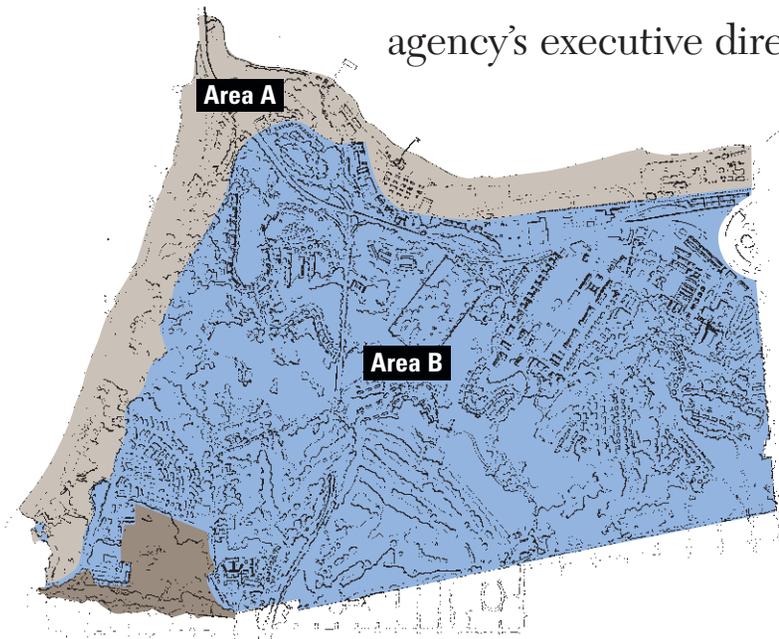
Presidio to participate in programs and public events, view exhibits and educational programs, and volunteer their time in habitat restoration programs as park stewards.

**2013**  
The Presidio must achieve financial self-sufficiency by this deadline, as mandated by Congress.

The Presidio Trust is a wholly-owned federal corporation created by Congress in 1996. The Presidio Trust manages the interior 80 percent of park lands (Area B), and the National Park Service manages its coastal areas (Area A).

Seven Presidential appointees including the Secretary of the Interior or the secretary's designee serve on the Presidio Trust's Board of Directors. The agency's executive director reports to the board, and oversees a professional

staff whose expertise includes environmental science and preservation, historic preservation and restoration, operations and maintenance, landscape design, planning and resource management, real estate development, public affairs and programs, law, and finance.





A BLENDING OF FORMS AT A UNIQUE PARK / *Shades of Nature, Shapes of Man*

# People Working in the Park



"We're trying to create an institution that will define and unite us as the school becomes established," said Manson. "Our school's mission is to provide our students with an understanding of the world in which they are growing up, and a concern for the world as a whole."

School Days Redux / MALCOLM MANSON, HEADMASTER OF THE BAY SCHOOL OF SAN FRANCISCO, WELCOMES HIS INAUGURAL CLASS OF 2009 TO ITS NEW PRESIDIO CAMPUS.

At the foot of the Presidio's Main Post is a 62,000 square foot building constructed in 1912 as a cavalry barracks. Although worn by time and disuse, the structure's stately design and historic significance are undeniable. Building 35 was converted into Army offices in 1921, and became the headquarters of the Western Defense Command in 1941. It was here that, under Lt. General John L. DeWitt, the Army coordinated the defense of the West Coast during World War II. It was also here that DeWitt signed Executive Order 9066, which called for the internment of Japanese and Japanese Americans in remotely located camps.

Building 35 is now undergoing renovation that will transform it into a campus for the Bay School of San Francisco, a new independent college-preparatory high school. The school's board of trustees spent two years looking for an appropriate campus location before discovering Building 35, which offered ideal space, a spectacular setting, and a location with the benefits of both community and park. Rehabilitation of the building began in April 2004 and is scheduled to be completed in Fall 2005, in time for the start of the school's second academic year.

In the mean time, the Bay School is off to a running start in another historic building on Schofield Road near Fort Scott, and is rapidly integrating itself into the Presidio community. As part of the innovative curriculum, students will actively participate in community service projects. Many will have hands-on internships at Presidio-based organizations; others will work on natural restoration projects for the Trust or the Parks Conservancy.

As Bay School students are being prepared to face a changing world, they will grow up experiencing and contributing to the beauty and vibrancy of the Presidio.



Historic Building 35 on the Main Post will offer students a 21st-century college preparatory education in a historic setting. The building will be ready for occupancy in fall 2005.

"We're all about wellness, healing, and returning to fitness," says Christin Chorak, physical therapist, endurance athlete, and founder of Presidio Sport and Medicine. "Although we see patients of all ages and fitness levels, we specialize in a goal-oriented approach to rehabilitation, conditioning, and wellness that helps each patient reach their athletic potential."



The minute you walk in the door, the atmosphere at Presidio Sport and Medicine (PSM) seems to encourage the healing of body and mind. Sunlight streams through windows and skylights. A fresh breeze blows in off the bay. Structural elements of the historic former warehouse complement modern and comfortable spaces where patients undertake the work of recovery. "This location, near to Crissy Field and the trails and bikeways of the Presidio, provides an added encouragement to our patients," says founder Christin Chorak. "We're in the middle of a very active sporting community that our patients can see and feel around them as they work their way back to health."



PSM is a physical therapy clinic where patients receive personalized treatment to help them recover from illness or injury. Although a full range of traditional physical therapy services are available, this "active lifestyle and wellness" clinic has a special niche in helping athletes return to their peak performance after suffering a physical setback.

A visit to PSM may involve hands-on orthopaedic rehabilitation such as body adjustment and massage,

customized strengthening exercises, and procedures such as ultrasound and electronic muscle stimulation. The PSM staff stresses the importance of an energetic and fun atmosphere, active lifestyles, and teamwork applied to the benefit of each patient.

In addition to traditional services, PSM offers aquatic therapy at the Presidio YMCA pool, Pilates classes, and personalized bike fitting. PSM also sponsors public lectures on health and fitness. According to Chorak, PSM's new home in a historic Gorgas Street warehouse in the Presidio gave them an opportunity to expand, and to serve patients in Marin and San Francisco more conveniently. "We've brought a business of health to the healthiest possible environment," she says. "It's a great fit."

**Presidio Sport and Medicine** / PATIENTS AT PRESIDIO SPORT & MEDICINE USE STATE-OF-THE-ART EQUIPMENT AND THERAPY TREATMENTS TO REGAIN STRENGTH AND RESTORE FITNESS AFTER INJURY OR ILLNESS.

# People Working in the Park



CHRIS CHORAK, FOUNDER OF PRESIDIO SPORT & MEDICINE, APPRECIATES THE VERSATILITY OF HER GORGAS STREET WAREHOUSE LOCATION, / **A Business of Wellness**  
WHICH HAS ALLOWED HER BUSINESS TO EXPAND, AND ENCOURAGES A POSITIVE ATTITUDE AMONG STAFF AND PATIENTS ALIKE.

# People Working in the Park



“We wanted to be in the Presidio for years,” says founder and executive director Judy Bretschneider. “We wanted to create an urban oasis where kids from all over the area could develop their love of dance, music, and international culture.”

**Room to Stretch Out** / SHERENE MELANIA BRETSCHNEIDER, BALLET REPITITEUR AND ASSISTANT CHOREOGRAPHER OF PRESIDIO DANCE THEATRE, STRETCHES OUT AS YOUNG DANCERS WARM UP IN THE PRESIDIO DANCE THEATRE STUDIO.

Vassilii Moutian, artistic director and principal choreographer of Presidio Performing Arts Foundation, wakes at 4 a.m. each morning. “I can’t wait to begin each day,” he says in English thickly accented with Russian. “My life is a volcano, it is fueled by the passion and nerve of dance.” The prolific choreographer has created more than 40 original dances over five years, in addition to his full days of dance instruction. He is the driving force behind this innovative dance program that provides Bay Area young people with dance, music, and theatre education based on cultures and traditions from around the world.

The group recently moved into its new permanent home in Presidio Building 1158 on Gorgas Avenue. The building, formerly a convenience store, has been completely refitted to include two studios with spring-loaded floors, large unobstructed spaces, and floor-to-ceiling mirrors and ballet barres.

Presidio Performing Arts Foundation is a dance academy, performing company, and community outreach program. Dancers of all abilities and ages may attend dance classes offered at the academy. Gifted young dancers from throughout the area are recruited for the more intensive Presidio Dance Theatre, which performs throughout the Bay Area and around the world. All students experience the authentic music and dazzling costumes of international cultures.

Presidio Dance Theater gives 20 performances each year, including its annual Spring shows at the Palace of Fine Arts Theatre, the San Francisco War Memorial Opera House (to which 6,000 underserved children receive free tickets), and Yerba Buena Gardens, headlining the San Francisco Youth Arts Festival. The group will be a featured performer at the United Nations 60th Anniversary Celebration in 2005, and hopes to form a touring company by 2006.

The reason for the Presidio Performing Arts Foundation’s growing success, group founder and executive director Judy Bretschneider speculates, is Moutian’s unique ability to identify individual talents within a diverse group of dancers, and highlight those talents to create an ensemble. He is also skilled at motivating students to do their best. “I never tell a dancer that their performance was great,” says Moutian. “Instead I say that tomorrow it will be better. As artists, we must never stop growing. This is what I teach my students.”



A remarkable transformation is taking place at a former Army landfill in the west region of the Presidio. In 2003, 20,000 tons of waste were removed from former Fill Site 5, exposing 2.7 acres of native soil. The area, now called Sunset Scrub, is being replanted with one-year old native plants grown in the Presidio Native Plant Nursery.

This undertaking could not have succeeded without volunteer support. In fiscal year 2004, more than 700 volunteer hours were donated at Sunset Scrub. Among those giving their time to the project were groups from universities, service organizations, local high schools, clubs, and Presidio-based groups. Volunteers contribute approximately 10,000 hours each year to the Presidio restoration effort.

More than 30,000 plants of 91 different species were planted at Sunset Scrub in 2004. Twenty-four additional species were added in the form of thousands of locally-collected seeds. Twenty-four more species that were neither planted nor seeded have sprouted at the site. Staff and volunteers have pulled 92 species of non-native plants to encourage growth of the native species.

Included at Sunset Scrub are three locally rare species: Franciscan wallflower (*Erysimum franciscanum*), San Francisco gum plant (*Grindelia hirsutula* var. *maritima*), and Dolores campion (*Silene verecunda* ssp. *verecunda*). Trust naturalists discovered that two other rare plants came up on their own (*Clarkia franciscana* and *Gilia capitata*).

Thirty plots were established soon after excavation to monitor soil biology, chemistry, physical and environmental characteristics, and plant success. Initial results, which were presented at the Ecological Society of America annual meeting, suggest that soil characteristics vary across the site and are lower in almost every measured characteristic than reference sites. However, after one year 86 percent of the planted species have survived.

## Sunset Scrub / FROM LANDFILL TO LANDSCAPE



# People Transforming the Landscape

More than 30,000 native plants now grace the site of a former Army landfill as restoration continues at Sunset Scrub.



TRUST PROJECT MANAGER MARK FREY SMILES AT THE RESTORED LANDSCAPE IN THE SANDY SOIL AT SUNSET SCRUB. / **Sunset Scrub**

- 1
- A one-year-old oak seedling. Coast live oaks can live more than 200 years.**
- 2
- Staff and volunteers plant oaks and acorns.**
- 3
- In 2004 “Coyote Crossing” signs helped alert and inform park visitors on the west side of the park.**
- 4
- Volunteers at the Presidio Native Plant Nursery helped grow 177 different native plant species in 2004.**
- 5
- White-crowned sparrow on newly planted flowering currant at Mountain Lake.**
- 6
- Eucalyptus Understory Diversification Study Site three years after planting, in April 2004.**
- 7
- Community service projects for local schools include support for the park’s ecology.**

**Mountain Lake Enhancement Project**  
The Mountain Lake Enhancement Project was initiated in 2001 by the Parks Conservancy, the Trust, and the NPS to improve the lake’s water quality, the wildlife habitat, and the visitor experience. The ongoing project has been supported by thousands of volunteer hours from local neighbors, organizations, and a community group called Friends of Mountain Lake.

In 2004, the project was honored by San Francisco Beautiful, a group that recognizes efforts to improve the beauty of urban San Francisco.

Accomplishments to date include removing eucalyptus trees that add unwanted leaves and organic debris to the water, and the addition of more than 6,000 plants from wetland, riparian, and oak woodland plant communities.

#### Stewardship of Native Habitats in the Park

In 2004, the Presidio Park Stewards Habitat Restoration Program marked its first decade of success. The

Presidio Trust continued its support of the park’s volunteer restoration activities in partnership with the NPS and Parks Conservancy. This year, the Trust increased its support of volunteer stewardship by funding a staff member to coordinate the Presidio Stewards Guild. The guild gives volunteers the chance to make a long-term commitment to a specific natural area in the park.

#### Presidio Native Plant Nursery

In 2004, the Trust funded the Presidio Native Plant Nursery operations, supporting a celebrated volunteer-based endeavor to supply park restoration projects with native plants. With more than 10,000 hours of volunteer time, 62,000 plants representing 177 species were grown. In 2004, the Presidio Trust received a gift of \$20,000 from Chevron Texaco to support the Presidio Nursery Education Program.

Seeds were collected by hand from within the Presidio, and carefully nurtured at the nursery until ready for plant-

ing at sites around the park including Inspiration Point, Sunset Scrub, and Mountain Lake. Trust-produced compost is the main ingredient of potting mix used at the nursery.

#### Environmental Remediation

In 1999, the Presidio Trust assumed responsibility from the U.S. Army for the environmental remediation of the Presidio. Since that time, the Trust has removed waste landfills, petroleum and lead deposits, skeet and firing range debris, and other contaminants from sites throughout the park.

This year saw significant progress in the park-wide remediation effort, including the following:

**The Trust’s second Remedial Action Plan (RAP)**, which includes three hazardous waste sites, was approved by regulating agencies for implementation. A third RAP, which includes 31 hazardous waste sites, was submitted to regulating agencies for approval.

**Approximately 36,000 tons** of waste located along steep coastal bluffs were removed from two former Army landfills known as Baker Beach Disturbed Areas 3 and 4.

**Approximately 40,000 cubic yards** of high quality dune sand were moved to a Presidio site known as Graded Area 9. It will be stored at this site for future remediation and restoration work in the Presidio.

**More than 5,600 tons** of petroleum-contaminated soil were removed from the grounds near Building 1065. The work is part of an interim cleanup action of the site, which is slated for the Trust’s new recycled water plant.

**A Corrective Action Plan** for the former Commissary and PX area was completed and submitted for regulatory review.

**Lead was removed** from the soil at 15 building sites across the park.

**Groundwater was monitored** at more than 100 locations across the Presidio.

## Restoring Natural Areas / PEOPLE MAKING A PLACE FOR NATURE IN THE CITY



2



5

1



3

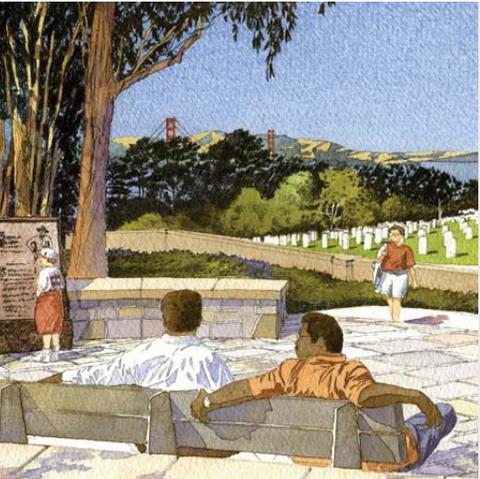
6



4

7





1

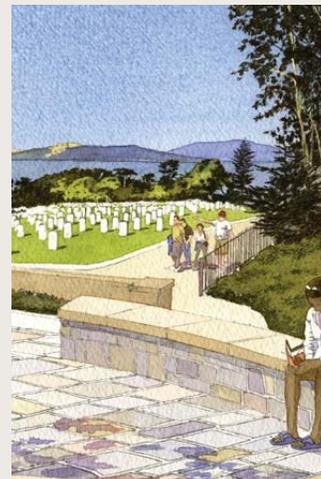


2



3

4



5

## Presidio Trails

The Presidio's trails give visitors an opportunity to enjoy the beauty of the park in a personal way, at their own pace. The *Presidio Trails and Bikeways Master Plan*, completed in 2003, provides a blueprint for expanding and improving the Presidio's trails and overlooks, and outlines an ambitious program of establishing new trails, bike-ways, and scenic overlooks that will provide a variety of user-friendly trail experiences.

The Parks Conservancy, in collaboration with the Trust and NPS, launched an initiative called "Trails Forever," dedicated to improving trails throughout the Presidio and the Golden Gate National Recreation Area by providing a way for private individuals to contribute funds that will sustain trails "forever."

The three agencies sponsor monthly volunteer days for families, groups and individuals to work on improving trails in the Presidio and across the GGNRA. This year, hundreds of volunteer hours have been given to pull weeds, remove rocks, and improve trail contouring.

In 2004, several projects were begun in the Presidio.

### Immigrant Point Overlook

Construction has begun on a new scenic overlook on Washington Boulevard west of the Rob Hill Campground. The new overlook, which will be dedicated in spring 2005, will include a stone terrace with benches and interpretative information surrounded by native plants, wildflowers and shrubs.

This vista point, overlooking the Golden Gate and Pacific Ocean, is made possible through a \$1 million gift from the Sarlo Foundation of the Jewish Community Endowment Fund. It honors those who came to this country to begin new lives.

### Bay Area Ridge Trail

As it loops through the Presidio on its 400-mile route around the Bay Area, the Ridge Trail is currently routed along sidewalks in the Presidio's East and West Washington neighborhoods. Work is now underway to re-route the trail through the historic forest along the upper edge of the National Cemetery. A scenic overlook offering panoramic views over the cemetery

towards the Golden Gate and the Marin Headlands will highlight the trail experience.

### Presidio Promenade

This new multi-use trail will stretch from the Lombard Gate to the Golden Gate Bridge, linking several of the Presidio's most historic districts including the Main Post, Cavalry Stables, and Fort Scott. Construction has begun on the first segment of the trail from the Lombard Gate to the Main Post. When completed, the trail will include a grand overlook above Crissy Field and the bay.

### Coastal Trail

The Coastal Trail runs the length of California, connecting the Golden Gate Bridge with the 25th Avenue Gate as it traverses the Presidio. The Presidio segment of the trail is undergoing improvements that will allow hikers and bikers to safely enjoy the beauty of the park's coastal bluffs, dunes and historic batteries, as well as adjacent plant communities and breathtaking ocean views.

### 1 and 4

**This planned vista point along the Bay Area Ridge Trail offers a view over the National Cemetery towards the Golden Gate.**

### 2

**When completed, the Presidio Promenade will include a grand overlook above Crissy Field.**

### 3

**The plans for Immigrant Point call for a stone terrace and benches overlooking the Pacific.**

### 5

**Volunteers at a "Trails Forever" event help improve the Presidio's trail network.**

- 1
- The understory adds beauty and biological diversity to the Presidio Forest.**
- 2
- Trees grown from pines shown to be resistant to pine pitch canker have been planted and will be closely monitored.**
- 3
- Volunteers of all ages have given hundreds of hours to the Presidio reforestation project.**
- 4
- Young volunteers enjoy a day helping restore native plant habitats.**
- 5
- Presidio trails are enjoyed by visitors of all ages.**
- 6
- The Rob Hill area now has 150 new eucalyptus trees that will replenish this historic stand.**

## The Historic Presidio Forest

The Presidio's forest contributes more to the Presidio's character as a park than perhaps any other of its landscapes. In 2004, the Trust carried out reforestation pilot projects that experiment with species diversification and developing disease-resistant trees, that investigate new methods of irrigation and hazard mitigation, and that will restore the historic character of the forest while making it more sustainable. The following projects are indicative of the range of activities required to preserve the forest.

### Diversifying the Understory of an Historic Blue Gum Eucalyptus Stand

Increasing the diversity and health of the plants that grow among the trees (called the understory) can also benefit the Presidio's wildlife.

In an experimental effort to improve wildlife habitat while maintaining the historic landscape, the Trust introduced 22 native plant species to a historic stand of eucalyptus trees, and found that shade-tolerant species are very suitable for forest understory diversification. The project

also found that additional species can thrive where gaps in the tree canopy allow light to pass through. The study provides guidelines for ground preparation, irrigation, and ongoing maintenance.

These findings will help the Trust choose plant species that will thrive in the forest understory so that we can design cost-effective planting efforts suited to the particular conditions of forest stands. This work will enhance the ecological health of the park.

### Tree Hazard Mitigation

Poor maintenance of the forest by the Army has hastened the decline of many areas of the forest. A tree Hazard Assessment was conducted to identify potential hazards for roads, buildings, parking lots, playgrounds, and other facilities. To date, 130 tree hazards have been abated either by tree pruning or removal.

### West Pacific Grove Reforestation

After years of "topping," the trees in West Pacific Grove near Julius Kahn Playground are declining. A project to revitalize the eight-acre grove began in 2002. Diseased trees

were replaced with 150 Monterey and Gowen cypress trees, which are thriving in the grove. In August 2004, 65 diseased trees were removed from an additional 1.8 acres to the east, and the area will be reforested with 275 cypress trees.

### Pine Experimental Site

The Pine Experimental Site is located on the west side of Highway 1, just north of Kobbe Avenue. In 2003, nearly an acre of unhealthy trees was removed and the site cleared of debris. Working with foresters from UC Davis, pines that showed resistance to pine pitch canker were cloned from branch cuttings. In 2004, more than 140 of the experimental disease-resistant pines were planted at the site, and are thriving.

### Oak Reforestation Site

Aging cypress trees located south of the Infantry Terrace neighborhood were removed, and the site prepared for planting. The cypress trees were replaced by 74 coast live oak trees, which were selected for the site due to its rich soil and ample moisture.

### Rob Hill Reforestation

In 2003, nearly an acre of unhealthy blue gum eucalyptus was removed near Rob Hill, and the site prepared for replanting. More than 150 spotted gum, mountain gum, and Sydney blue gum eucalyptus were planted in the historic grove this year, replacing the messy and invasive blue gum eucalyptus without compromising the historic character of the grove.

### Kobbe Historic Stand

Located near the World War II Memorial in a triangle of land surrounded by Kobbe, Harrison, and Washington streets, the Kobbe Historic Stand is one of the Presidio's most beautiful places. This 3.5 acre grove requires reforestation. Irrigation lines have been installed, and in September of 2004, approximately 30 unhealthy trees were removed. In November, 40 Monterey pine that are resistant to pine pitch canker and 60 Monterey cypress were planted.

## The Historic Forest / IMPROVING A NATURAL AND HISTORIC TREASURE



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**The historic Main Parade, now a parking lot, will become a signature urban park venue.**

**Historic landscapes that gave Presidio neighborhoods unique character are being restored throughout the park.**



### Preserving Historic Landscapes

Many of the Presidio's designed landscapes have existed for more than a century, and contribute to the historic character of the former army post. The Trust is preserving and improving the man-made gardens and landscapes that contribute to the Presidio's National Historic Landmark District status.

### The Main Parade

The 2002 *Presidio Trust Management Plan* described a vision for the future of the Presidio Main Parade that preserves its historic character while creating a vibrant new public space. Late in 2003, the Philadelphia-based Olin Partnership was selected to develop design concepts that will invite the public to use and enjoy the Main Parade. In 2004, the firm presented its initial recommendations for the greening of the Main Parade, proposing that the existing parking be relocated, and the area be re-landscaped to take advantage of its expansiveness, and to capture the spectacular views. The edges of the historic parade ground would be defined, and the space activated with a new esplanade that offers the possibility of commemorating the Presidio's long history both through artifacts in the landscape and a timeline embedded in the walkway.

Olin's initial recommendations were presented in a series of public workshops held in spring of 2004. Feedback from those workshops and ongoing discussions with members of the public and historic preservation advocates have been incorporated into a refined set of design concepts that narrow in on the landscape design, and will form the basis for an upcoming environmental and historical compliance process.

### El Presidio

El Presidio de San Francisco, the site of the original 1776 Spanish settlement, is one of the most important archaeological sites in California and is buried at the head of the Presidio's Main Parade. Over the past several years, Trust and NPS archaeologists and planners have been

studying the El Presidio site, and working on a strategy for managing the site and increasing public understanding of its significance.

In 2004, a draft Archaeological Management Strategy was created for the El Presidio Site, including measures for site preservation and priorities for future work. The plan suggests that El Presidio's archaeological resources become a focal point for visitor orientation, educational programs, and commemoration of the Presidio's diverse cultural heritage. This could be accomplished through ongoing site investigations, landscaping, and development of a new archaeology education center at the site.

## Preserving and Improving the Landscape / RESTORING HISTORIC GROUNDS AND GARDENS

### Real Estate

Leasing the Presidio's residential and non-residential properties is the primary source of income to support the park.

In 2004, the Trust executed 45 leases totaling nearly 180,000 square feet. These leases will bring in an additional \$1 million in annual revenue. Among the year's significant projects are:

**The Bay School of San Francisco**, an independent college-preparatory high school, signed a lease to rehabilitate and occupy Building 35, a 62,000 square foot historic structure on the Main Post.

**Building 563**, an historic barracks building near the Lombard Gate, has been leased and will undergo extensive historic rehabilitation to open as a restaurant in late summer 2005.

**Buildings 4, 5, 6, and 8** on Funston Avenue, among the oldest structures on the Presidio, were leased for a variety of uses.

**The 16 identical duplexes** along Storey Avenue, built as officers' quarters in 1933, have been rehabilitated and leased. The former atmosphere and beauty of the historic neighborhood was restored with landscaping and a period streetscape.

**Two single-family homes** and 12 duplexes along Kobbe Avenue in the Fort Scott area have been rehabilitated and leased. These stately structures, built in 1912, are among the most architecturally significant homes in the park. One remaining home on Kobbe Avenue will be rehabilitated in Winter 2004.

**An RFP was issued** to rehabilitate and lease the historic cavalry stables and airplane hangars along West Crissy Field. This offering, with nearly 140,000 square feet of building space, will further revitalize one of the most frequently visited and beautiful areas of the park.

**Forest City Development** was selected as the Trust's partner to rehabilitate the Public Health Service Hospital and convert it for housing. The Trust completed a Draft Supplemental Environmental Impact Statement, and is completing the environmental review.

**The buildings and landscape** of the Letterman Digital Arts Center are taking shape as an elegant campus. Landscaping is being put in place, and Letterman Digital Arts, Ltd. will take occupancy in June of 2005.

### Residential Landscape Improvements

Much of the Presidio's charm comes from its historic neighborhoods. Their distinctive architecture reflects the changing style of American homes. Domestic landscaping draws the homes together to form a cohesive district. As historic housing throughout the Presidio is rehabilitated and leased, the historic landscape of each neighborhood is restored.

### Upper Storey Avenue

As part of neighborhood improvements in Upper Storey, all utility lines were run underground to enhance the area's open feeling. Traditional military landscaping, including foundation plantings, was installed around the homes.

### Kobbe Avenue

The Trust's landscape architects researched the landscaping that existed on Kobbe Avenue during the 1940s, its period of historical significance. In 2004, the landscape of the neighborhood was restored to that period. The original palm trees that have survived along the street will be retained, and new palms will replace those that have died or been removed. Large lush front lawns again flow from house to street, dotted with circular "rosettes" of plants that resemble islands floating on a green sea.



**The beautiful and stately homes along Kobbe Avenue are being rehabilitated.**

**The deteriorating Public Health Service Hospital will become the center of a vibrant residential community in the district.**





**Tree lovers of all ages celebrated Arbor Day at the Presidio.**

**Mayan Textile Art was a free exhibition that had its U.S. premiere at the Presidio Officers' Club Exhibition Hall.**



## 2004 Events

The **Mayan Textile Art** from the Museum of History and Anthropology in Mexico City made its U.S. debut at the Presidio Officers' Club Exhibition Hall from October 2004 to January 2005.

In October, more than 300 Bay Area teachers attended **Presidio Teachers' Night**, an evening of recognition and resource sharing at the Presidio Officers' Club. Dozens of local organizations participated, sharing resources, making presentations, and exchanging ideas to improve local educational programs.

October marked the **10th anniversary** of the Presidio's transformation from military post to national park. The anniversary was celebrated with a ceremony officiated by House Democratic Leader Nancy Pelosi, and an entire month of special guided walks, tours, and informative lectures.

**Film in the Fog** returned for its third year, co-sponsored by the San Francisco Film Society. Thousands of film buffs gathered for live music, tours of the historic Presidio Theatre, and a screening of a classic si-fi thriller.

This September, the Presidio welcomed **Free Shakespeare in the Park**, a San Francisco tradition, to the Main Post. Thousands attended free performances of Twelfth Night, and had an opportunity to enjoy the beauty of this national park setting.

**Birds of the Pacific Slope: Sights and Songs**, an exhibition curated and designed by the Trust, celebrated bird life on the Pacific Slope and in the Presidio. The exhibit ran at the Presidio Officers' Club Exhibition Hall from July to August. It included historic and contemporary art, fine printing, and the story of contemporary habitat restoration and bird conservation. The Trust also sponsored related lectures and bird tours of the park in conjunction with the exhibit.

In August, the annual **Aloha Festival** returned to the Presidio Main Post. The event, sponsored by the Pacific Islander Association in cooperation with the Trust, brings thousands to the park to enjoy live music and dance, native cuisine, and crafts.

The annual **Presidio Pasados**, held in June, commemorated the Presidio's past with dance, music, children's activities, and storytelling. The evening event featured a special concert and dance performance.

**Arbor Day** brought Presidio friends, neighbors, and volunteers together to appreciate the wonder of trees, and collaborate on restoration work in the historic Presidio forest.

The Presidio is host to the city of San Francisco's largest **Memorial Day Commemoration**. In 2004, hundreds of veterans, families, and officials united at the National Cemetery to honor those who have made the supreme sacrifice for their country.

An exhibit titled **Panoramic Spectacle: The Panama-Pacific International Exposition of 1915** explored the famous exposition and its long-term effects on San Francisco. On display February through March were hundreds of collectibles, artifacts, photos, and film footage. The exhibition, presented by the NPS, Trust, and Parks Conservancy was supplemented by informative lectures and tours.

In December, the Holiday Season is welcomed to the Presidio with the annual **Holiday Lights**, a beloved community event.

**Races and Public Events**  
The Presidio is a favorite location for sporting events, races, festivals, and group gatherings. An average of 25 races including the KNBR Bridge to Bridge Run, the SEIU Golden Gate Bridge Walk, and the San Francisco Marathon pass through the park each year. Also, more than 100,000 people come to the park for other public events and festivals.

## Celebrations and Events at the Presidio / INCREASING PUBLIC ENJOYMENT OF THE PRESIDIO



# Financial Statements

Years Ended September 30, 2004 and 2003,  
with Report of Independent Certified Public Accountants



# Financial Statements

*Years ended September 30, 2004 and 2003*

## **TABLE OF CONTENTS**

---

Management's Discussion and Analysis .....	29
Report of Independent Certified Public Accountants .....	35
Balance Sheets .....	37
Statements of Net Cost & Statements of Changes in Net Position .....	38
Statements of Budgetary Resources .....	40
Statements of Financing .....	41
Notes to Financial Statements .....	42
Report of Independent Certified Public Accountants on Internal Control .....	58
Report of Independent Certified Public Accountants on Compliance with Laws and Regulations .....	60

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## Management's Discussion and Analysis

### OVERVIEW

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The Presidio Trust (the Trust) is the wholly-owned federal corporation created by Congress to preserve, protect, and enhance the many resources of the Presidio of San Francisco (the Presidio), and to transform one of the nation's most beautiful and historically significant military posts into a first-of-its-kind sustainable national park. The Presidio Trust oversees the interior 1,168 acres of the Presidio, and the National Park Service manages the 323 coastal acres. The two agencies work in collaboration on natural and cultural resource programs, environmental remediation, and interpretive programs.

Since it began operations in 1998, the Trust has made significant progress rehabilitating the historic landscapes and structures that distinguish the Presidio as a National Historic Landmark District, and has also been successful in preserving the Presidio's extraordinary natural environment.

In addition to preservation goals, the Presidio Trust Act mandates that the Trust become independent of annual federal appropriations by fiscal year 2013. The Trust operations are financed through a direct appropriation, rental revenue from both residential and non-residential property, reimbursable agreements with other governmental agencies, and fees for services. In July 1998, the Trust submitted to Congress its *Financial Management Program (FMP)*, which outlined how the Trust would reduce its reliance on appropriated funds which end in fiscal year 2012. The Trust generates revenue from leasing its buildings, and has demonstrated that it can be financially self-sufficient by 2013 provided that appropriations prior to 2013 meet levels established by the FMP.

The Presidio Trust Act directs the Trust to adhere to the general objectives of the 1994 *General Management Plan Amendment for the Presidio (GMPA)* and to abide by the Government Corporation Control Act. The Trust is a wholly-owned government corporation. The Trust is required to submit annual reports to Congress as well as quarterly and annual financial reports to the Office of Management and Budget (OMB) and the Department of the Treasury.

## **MISSION, ORGANIZATIONAL STRUCTURE, AND GOALS**

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### **Mission**

The Trust's mission is to preserve and enhance cultural, natural, scenic and recreational resources of the Presidio for public use while ensuring its financial sustainability. In order to ensure its continued preservation for public benefit, Congress has mandated that the Trust become independent of annual federal appropriations by fiscal year 2013. Given the integration of financial and preservation goals, consideration of long-term environmental, community, and economic effects is essential to all of the Trust's decisions and undertakings. The Trust is creating a model of sustainability, an innovative approach to park management.

The requirement to become financially self-sufficient fundamentally affects the parameters within which the Presidio can be operated as a national park site; therefore, the Trust issued a plan in 2002 to replace the GMPA. *The Presidio Trust Management Plan: Land Use Policies for Area B of the Presidio of San Francisco (PTMP)* sets the framework for the Trust's actions and presents a vision for the future of the park. PTMP was developed over the course of two years with substantial public input – more than nine months of public comment in all. Planning efforts at the Presidio continue to include extensive outreach to the general public, whether through regular meetings and communications with the community, or through the more formal procedures triggered by the National Historic Preservation Act, the National Environmental Policy Act, and other regulating legislation.

### **Organizational Structure**

The Presidio Trust was established as a wholly-owned corporation of the federal government. Authority is vested in a seven-member board of directors that is appointed by the President of the United States. The Presidio Trust Act stipulates that one of the seven be the Secretary of the Interior or the Secretary's designee. An executive

director heads the Trust's management team, which includes the chief financial officer, the general counsel, and the directors of the Trust's seven divisions: human resources, planning, real estate, operations and maintenance, design and construction, environmental remediation, and public affairs and programs.

The Presidio Trust is an effort by Congress to require increased responsibility for the "bottom line," and to do so in pursuit of a laudable public objective. The Presidio Trust Act (Public Law 104-333) gave the Trust managerial latitude and fiscal authorities that allow the Trust to operate in the marketplace, make real-time decisions, and retain revenues to reinvest in the park.

### **Goals**

The Trust has identified four strategic goals that are essential to achieving its mission:

1. Preserve and enhance the Presidio's rich historical, cultural, and natural resources
2. Generate revenue and develop philanthropy to support the preservation, enhancement, and operation of the Presidio as a national park
3. Operate, maintain, and upgrade the Presidio's facilities and infrastructure in an efficient and sustainable manner to support the Presidio as a national park
4. Encourage public use, understanding, and enjoyment of the Presidio

In the course of fiscal year 2004, the Trust completed numerous projects that advance each of these goals, and the Trust is proud of the wide range of its accomplishments.

#### ***Goal 1 Preserve and enhance the Presidio's rich historical, cultural, and natural resources***

The Presidio is a National Historic Landmark District with 469 historic buildings, buried archeological resources, and diverse designed landscapes, including a forest planted at the end of the

19th century. The Presidio also has important natural resources, including native plant communities, wildlife, and riparian habitats. Taken together, these resources and attributes are the reason that the Presidio is being preserved as a national park. During fiscal year 2004, the Trust undertook activities to safeguard and enhance these resources, bringing forth the Presidio's character as a park.

**HISTORIC BUILDINGS:** In fiscal year 2004, the Trust focused on rehabilitating its historic homes and completed 38 of the homes planned for rehabilitation. The Trust also pursued non-residential tenants who could facilitate the rehabilitation and reuse of the historic buildings including the upgrade of two civil war homes for use as office space. Leases were signed and rehabilitation was begun on the 62,000 gross sq. ft. Building 35 for use as a high school and for the 4,100 gross sq. ft. Building 563 for use as a restaurant.

Unoccupied buildings pose a significant preservation challenge and the Trust undertakes ongoing preservation maintenance to stabilize historic buildings. Recognizing that the most effective way to preserve buildings is to occupy them, the Trust makes every effort to occupy buildings, whether for short-term leases, or for park operations, even if there isn't sufficient capital for a full rehabilitation.

**HISTORIC FOREST:** In fiscal year 2004, the Trust continued to make progress on many key reforestation projects. Reforestation projects take approximately four years from removal of diseased trees to establishing new saplings. Reforestation is followed by ten years of intensive maintenance. In fiscal year 2004, the Trust initiated a community stewardship program to help care for newly planted areas. Overall, the Trust is actively reforesting and maintaining approximately ten acres of newly planted forest.

Damaged or diseased trees pose an ongoing maintenance challenge and in fiscal year 2004, the Trust pruned or removed 83 hazardous trees before winter storms.

**DESIGNED LANDSCAPES:** The Trust restored the landscapes of three historic residential neighborhoods and one non-historic neighborhood. The Trust also advanced design plans to revitalize the historic Main Parade as a grand civic open space, and to enhance its main entrance, the Lombard Gate, as the first segment of a new promenade from the entrance to the Golden Gate Bridge. Designs for the Lombard entrance and the promenade will be implemented in fiscal year 2005.

**ARCHAEOLOGICAL RESOURCES:** The Trust developed a draft Archaeological Management Strategy for El Presidio, one of California's most significant archaeological sites, and undertook investigations of the original adobe structure of the Officers' Club. The Trust also provides oversight for any ground disturbance activities, and operates an archaeology lab where it inventories objects found in the course of excavations. During the past two summers, the Trust has hosted a dig overseen by Stanford University.

**ENVIRONMENTAL REMEDIATION:** Remedial Action Plans for 34 sites were approved, a Corrective Action Plan for one major site was submitted for regulatory review, two landfills were remediated, and petroleum and lead-based paint in soil projects were completed as scheduled.

**NATURAL RESOURCES:** Natural resources projects to diversify the historic forest understory, establish native coast live oaks, and restore remediation sites with native plants were essential to both the forestry and environmental remediation programs, and to the ongoing transformation of the military post into a national park. The Natural Resources program continued conservation activities on more than 11 acres of diverse habitat and landscape, oversaw stewardship and public outreach activities, and supported operation of the Presidio Native Plant Nursery. The Natural Resources program also included two wildlife studies, a study of the Crissy Marsh, a planning process to restore Tennessee Hollow, and restoration efforts at Mountain Lake.

***Goal 2 Generate revenue and develop philanthropy to support the preservation, enhancement, and operation of the Presidio as a national park***

Congress intended that the Trust would generate sufficient revenue by rehabilitating and leasing the Presidio's buildings to support the ongoing operations of the park. In fiscal year 2004, the Trust invested approximately 85 percent of its capital to support revenue-generating projects. The Trust has made prudent investments in building rehabilitation, and negotiated agreements that realize the full economic benefit of each leasing opportunity. The Trust is establishing a strong financial foundation for the park's future, and will be able to demonstrate in 2013, when federal appropriations end, that it has the financial capacity to operate and maintain the Presidio in perpetuity for public use.

**LEASING:** In fiscal year 2004, the Trust executed seven non-residential leases, and leased 38 newly rehabilitated historic homes. The Trust also selected a development partner for the Public Health Service Hospital historic preservation project, and continued to oversee completion of the Letterman Digital Arts complex (LDA), which will be completed in mid 2005.

The Trust began negotiations with potential tenants for two of the Montgomery Street barracks buildings on the Main Parade. These buildings were built at the end of the 19th century and are among the Presidio's most significant buildings. The Trust anticipates that it will have agreements on these projects before the end of fiscal year 2005. In September 2004, the Trust issued an RFP to rehabilitate and lease the historic cavalry stables and airplane hangars in the Crissy Field district, ten buildings in all.

Net non-residential revenues of \$10.35 million exceeded the budget of \$9.69 million, and residential leasing revenues of \$24.23 million exceeded the projections of \$23.23 million.

**SPECIAL EVENTS:** The Trust manages a number of special event

venues throughout the park and facilitates formal use of the park for active recreation and celebration. Fiscal year 2004 revenues from these activities were \$1.09 million, exceeding projections by 21 percent.

**PHILANTHROPY:** The Trust engaged in a formal partnership with the Golden Gate National Parks Conservancy to develop a philanthropy campaign for the Presidio with a focus on open space enhancements. The Trust received a \$1 million grant for improvements to trails and bikeways, which will be completed by the end of 2005.

***Goal 3 Operate, maintain, and upgrade the Presidio's facilities and infrastructure in an efficient and sustainable manner to support the Presidio as a national park***

Efficient operations and sustainable practices are critical to the Trust's ability to achieve its mission of becoming financially self-sustaining and of becoming a great national park site.

**SAFETY:** In fiscal year 2004, the Trust reduced the number of lost-work days by more than 50 percent, and reduced the cost of worker's compensation by approximately 17 percent.

**TRANSPORTATION:** The Trust implemented plans to regulate and charge for parking in 5 neighborhoods. Construction on a Main Post transit center was to have been underway in 2004, but the cost of the project increased with the cost of materials. The Trust modified the designs and reduced the cost of the project; the project is now scheduled for completion in 2005.

**INFRASTRUCTURE:** The Trust has completed designs for a new reclaimed water plant that was originally scheduled to be built in 2004; however, the bids that were submitted exceeded original estimates. The project has been re-scoped, and will be re-bid in 2005, with construction to begin later in the year.

The Presidio's water treatment plant was upgraded to be compatible

with new city requirements, and sanitary and storm sewers were upgraded to support capital projects. The Trust continued to upgrade infrastructure and to upgrade and underground utilities in support of capital projects and leasing goals.

**ROADS AND GROUNDS:** The Trust maintains more than 60 miles of roads, 200 acres of landscaped areas, and ten miles of trails. In fiscal year 2004, the Trust undertook numerous additional projects to upgrade roadways and walkways, to support landscape and forestry projects, to support leasing efforts, and to improve visitor orientation with additional directional signage, wayfinding kiosks, and bus shelters. The Trust also began a landscape management plan that will be completed early in fiscal year 2005.

**RESOURCE CONSERVATION AND POLLUTION PREVENTION:** The Trust operates four programs to promote resource conservation and to prevent pollution. In fiscal year 2004, the Trust was awarded an “Honorable Mention” from the Environmental Protection Agency’s *Wastewise* program, and diverted more than 3,000 tons of waste. The Trust also generated 450 tons of compost from green debris to support reforestation and other projects that required soil amendments. In anticipation of the West Nile virus, the Trust coordinated multiple departments to develop an action plan that included public outreach and educational materials, installation of screens, elimination of standing water, and targeted applications of larvicide.

**BUILDINGS AND FACILITIES MAINTENANCE:** The Trust manages nearly 1000 residential units and provides maintenance services to more than 160 non-residential tenants – in excess of three million square feet of building space in all – responding to approximately 6,500 work order requests each year. In 2004, the Trust completed inspections and planning for cyclic maintenance of its residential buildings, which will be implemented in fiscal year 2005.

#### ***Goal 4 Encourage public use, understanding, and enjoyment of the Presidio***

**PUBLIC ENJOYMENT AND PARTICIPATION:** The Trust sponsored or co-sponsored nine major events, produced two exhibitions with related lecture series and additional programmatic activities, and conducted numerous tours, bringing more than 100,000 people to the park. The Trust also supported more than 25 athletic events, festivals, and community events, which attracted thousands of participants and spectators.

Volunteers contributed more than 10,000 hours to activities as diverse as habitat restoration and cultural program support.

**PUBLIC INFORMATION:** The Trust conducted more than 30 public meetings that ranged in topics from environmental remediation to design concepts for open space projects; upgraded and maintained its website; and published eight issues of its newsletter, quarterly calendars of events and meetings, and three special project updates. The Trust also hosted the 2004 California Preservation Conference.

**RECREATION:** In fiscal year 2004, the Trust began implementation of the *Presidio Trails and Bikeways Plan*, and is partnering with the Golden Gate National Parks Conservancy and the National Park Service in an initiative to establish a coherent network of trails throughout the Golden Gate National Recreation Area. The Trust is developing designs for trails and overlooks, a system of trail signage, and trail maps and interpretive guides.

#### **FINANCIAL RESOURCES AND RESULTS OF OPERATIONS**

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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 2004 and 2003. Highlights of the financial information presented in the financial statements are shown below.

### **Financial Position**

The Trust's total assets were \$233.67 million and \$221.09 million at the end of fiscal years 2004 and 2003, respectively. Of the fiscal year 2004 amount, \$110.86 million consisted of investments in U.S. Treasury securities through the Bureau of Public Debt. There was also \$129.44 million and \$138.12 million in liabilities at the end of fiscal years 2004 and 2003 respectively. Fiscal year 2004 liabilities include \$49.98 million in debt to the U.S. Treasury, and advances of \$61.29 million from the Army for environmental remediation. The Trust's net position was \$104.23 million at the end of fiscal year 2004, and \$82.97 million at the end of fiscal year 2003.

### **Net Cost of Operations**

The gross operating costs of \$64.22 million and \$64.53 million, for fiscal years 2004 and 2003, are shown on the Statements of Net Cost. These gross operating costs consist of intra-governmental costs of \$16.14 million and \$16.25 million, and costs incurred with the public of \$39.25 million and \$38.92 million during fiscal years 2004 and 2003 for the Presidio Trust General Program. For the Environmental Remediation program the intra-governmental costs were \$0.34 million and \$0.19 million, and the gross costs with the public were \$8.49 million and \$9.18 million during fiscal years 2004 and 2003. These costs were reduced by \$63.96 million and \$65.02 million of earned revenues to arrive at net cost of operations of \$0.26 million in fiscal year 2004 and \$(0.48) million in 2003. For the Presidio Trust General Program the intra-governmental earned revenues were \$3.80 million and \$5.41 million, and the revenues earned from the public were \$50.45 million and \$50.27 million for fiscal years 2004 and 2003. For the Environmental Remediation Program all revenues are considered intra-governmental. For fiscal years 2004 and 2003, those revenues were \$9.71 and \$9.34.

### **Budgetary Resources**

The Trust's budgetary resources were \$171.23 million in fiscal year

2004 and \$179.43 million in 2003. For fiscal years 2004 and 2003, this consisted of \$20.70 million, less a rescission of \$0.13 million, and \$21.33 million in appropriated funds, \$99.82 million and \$109.86 million in unobligated funds from the previous year, and \$57.71 million and \$60.33 million in collections. Obligations incurred against these resources were \$81.69 million for fiscal year 2004 and \$79.61 million for 2003. Unobligated balances at the end of fiscal years 2004 and 2003 were \$89.54 million and \$99.82 million. This unobligated balance is due primarily to the advance from the Army of remediation funds and funds reserved for major projects that cross the fiscal year.

### **Financing Sources Other Than Earned Revenues**

Financing sources other than earned revenues funded the Trust's net cost of operations. The Trust reported \$21.52 million and \$22.58 million of other financing sources on the Statement of Changes in Net Position for fiscal years 2004 and 2003. This consisted primarily of appropriations used.

### **LIMITATIONS OF THE FINANCIAL STATEMENTS**

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The Trust has prepared its financial statements to report its financial position and results of operation. These financial statements have been prepared from the Trust's general ledger and subsidiary reports in accordance with the formats prescribed by the Office of Management and Budget. 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 in view of the fact that the Trust is a component of the U.S. government and a sovereign entity; therefore, liabilities cannot be liquidated without authorizing legislation.

The accuracy of the information contained in the principal financial statement and the quality of internal control rests with management.

## Report of Independent Certified Public Accountants



**Accountants and Business Advisors**

### **Report of Independent Certified Public Accountants**

To the Board of Directors of  
The Presidio Trust

We have audited the accompanying balance sheets of the Presidio Trust (the Trust) as of September 30, 2004 and 2003, the related statements of net cost, changes in net position, budgetary resources and financing for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Audit Standards Board of the American Institute of Certified Public Accountants, 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. 01-02, *Audit Requirements for Federal Financial Statements*. These standards and requirements require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

On July 1, 1998, the Trust assumed jurisdiction over approximately 1,100 acres of federal land and over 800 buildings from the National Park Service. The United States Army previously administered the property. Many of the structures are greater than 40 years old and pursuant to Trust depreciation policies were fully depreciated at the date of transfer. Statement of Federal Financial Accounting Standards (SFFAS) No. 6 – *Accounting for Property, Plant and Equipment* (PPE) – requires PPE to be recognized when title passes to the entity. Additionally, SFFAS No. 6 requires that the cost of general PPE transferred from other federal entities be the cost recorded by the transferring entity, net of accumulated depreciation; if such amounts cannot be reasonably ascertained, the cost of the PPE is to be its fair value at the time transferred.

One California Street  
Suite 1100  
San Francisco, CA 94111  
T 415.986.3900  
F 415.986.3916  
W [www.grantthornton.com](http://www.grantthornton.com)

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As discussed in Note 7 to the Financial Statements, because of the lack of available information from the National Park Service and the United States Army, the Trust valued buildings less than 40 years old by using appropriate construction industry indices, less an accumulated depreciation adjustment to ascertain net asset value at the date of the Trust's formation. However, improvements made to buildings over 40 years old and land improvements have been valued at zero net book value but may still have a net cost value. Under SFFAS No. 6, the Trust should have recorded these improvements at fair value. Estimating the values of these improvements would have been a process that the Trust considers to be lengthy, cost prohibitive, and which would have resulted in information that is meaningless to the users of the Trust's financial statements. We were unable to satisfy ourselves as to the estimate of the carrying amount for these assets.

In our opinion, except for the effects of adjustments to the financial statements, if any, that might have been determined to be necessary had we been able to examine evidence supporting the recorded balances of certain improvements within the property, plant and equipment accounts, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of September 30, 2004 and 2003, and its net costs, its changes in net position, budgetary resources, and financing for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of expressing an opinion on the financial statements referred to in the first paragraph. The information presented in the Overview of the Trust is not a required part of the Trust's financial statements, but is considered supplementary information, as applicable. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 4, 2004, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with applicable laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are 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* and should be read in conjunction with this report in considering the results of our audits.



November 4, 2004  
San Francisco, California

# Financial Statements

## BALANCE SHEETS

	SEPTEMBER 30	
	2004	2003
<b>ASSETS</b>		
Intra-governmental Assets		
Fund balance with Treasury <b>[NOTE 2]</b>	\$ 5,063,178	\$ 5,751,541
Investments <b>[NOTE 4]</b>	110,859,708	121,593,331
Accounts Receivable, Net <b>[NOTE 5]</b>	225,253	668,766
	<u>116,148,139</u>	<u>128,013,638</u>
Cash and Other Monetary Assets <b>[NOTE 3]</b>	503	1,247
Accounts Receivable, Net <b>[NOTE 5]</b>	1,995,462	1,018,504
General Property, Plant, and Equipment, Net <b>[NOTE 7]</b>	103,540,099	85,380,573
Other Assets		
Government Improvement Accounts <b>[NOTE 8]</b>	423,194	406,629
Deferred Rent Receivable <b>[NOTE 8]</b>	10,896,105	6,249,424
Prepayments <b>[NOTE 8]</b>	664,656	19,400
	<u>117,520,020</u>	<u>93,075,777</u>
<b>Total Assets</b>	<u><u>233,668,159</u></u>	<u><u>221,089,415</u></u>
<b>LIABILITIES</b>		
Intra-governmental Liabilities		
Accounts Payable	2,650,178	6,051,875
Debt <b>[NOTE 9]</b>	49,978,000	49,978,000
Other Liabilities		
Employer Contributions Payable <b>[NOTE 11]</b>	128,982	232,892
Other Post Employment Benefits Payable <b>[NOTE 11]</b>	1,454,242	1,612,696
	<u>54,211,402</u>	<u>57,875,463</u>
Accounts Payable	5,378,681	2,604,083
Other Liabilities		
Environmental Remediation Advance <b>[NOTE 10]</b>	61,294,807	70,111,732
Capital Lease Liability <b>[NOTE 13]</b>	54,305	2,020,104
Security Deposits <b>[NOTE 11]</b>	3,107,083	2,783,399
Unearned Revenue <b>[NOTE 11]</b>	1,307,886	0
Payroll Payable <b>[NOTE 11]</b>	859,048	533,563
Annual Leave Liability <b>[NOTE 12]</b>	1,678,344	1,456,508
Unfunded Liabilities <b>[NOTE 12]</b>	63,954	136,750
Prepaid Rents <b>[NOTE 11]</b>	1,479,622	593,928
	<u>75,223,731</u>	<u>80,240,067</u>
<b>Total Liabilities</b>	<u><u>129,435,133</u></u>	<u><u>138,115,530</u></u>
<b>NET POSITION</b>		
Balances		
Unexpended Appropriation	0	0
Cumulative Results of Operations	104,233,026	82,973,885
<b>Total Net Position</b>	<u>104,233,026</u>	<u>82,973,885</u>
<b>Total Liabilities &amp; Net Position</b>	<u><u>\$ 233,668,159</u></u>	<u><u>\$ 221,089,415</u></u>

The accompanying notes are an integral part of these statements.

**STATEMENTS OF NET COST**

**FOR THE YEARS ENDED SEPTEMBER 30**  
**2004**                      **2003**

**PROGRAM COSTS**

**PRESIDIO TRUST – GENERAL PROGRAM**

Intra-governmental Gross Costs	\$ 16,137,176	\$ 16,248,320
Less: Intra-governmental Earned Revenues	3,797,427	5,406,997
Intra-governmental Net Costs	12,339,748	10,841,323
Gross Cost with the Public	39,253,861	38,922,219
Less: Earned Revenues	50,450,137	50,273,757
Net Costs with the Public	(11,196,276)	(11,351,538)

**ENVIRONMENTAL REMEDIATION**

Intra-governmental Gross Costs	\$ 337,339	\$ 185,073
Less: Intra-governmental Earned Revenues	9,710,661	9,341,898
Intra-governmental Net Costs	(9,373,321)	(9,156,825)
Gross Cost with the Public	8,492,132	9,184,355
Less: Earned Revenues	0	0
Net Costs with the Public	8,492,132	9,184,355
Net Cost of Operations	\$ 262,283	\$ (482,685)

*The accompanying notes are an integral part of these statements.*

**STATEMENTS OF CHANGES  
IN NET POSITION**

**FOR THE YEARS ENDED SEPTEMBER 30**  
**2004** **2003**

	<i>Cumulative Results of Operations</i>	<i>Unexpended Appropriations</i>	<i>Cumulative Results of Operations</i>	<i>Unexpended Appropriations</i>
Beginning Balances	\$ 82,973,885	\$ 0	\$ 59,909,573	\$ 0
<b>BUDGETARY FINANCING SOURCES</b>				
Appropriations Received	0	20,700,000	0	21,327,000
Other Adjustments (rescissions, etc.)	0	(133,722)	0	(138,625)
Appropriations Used	20,566,278	(20,566,278)	21,188,375	(21,188,375)
<b>OTHER FINANCING SOURCES</b>				
Transfers-in/out without Reimbursement	0	0	40,750	0
Imputed Financing from Costs Absorbed by Others	955,146	0	1,352,502	0
Total Financing Sources	21,521,424	0	22,581,627	0
Net Cost of Operations	262,283	0	(482,685)	0
Ending Balances	\$ 104,233,026	\$ 0	\$ 82,973,885	\$ 0

*The accompanying notes are an integral part of these statements.*





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## Notes to Financial Statements

September 30, 2004 and 2003

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### 1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### The Presidio Trust

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 part of the national park system
- achieve financial self-sufficiency by Fiscal Year 2013.

From 1846 to 1994, the Presidio was used as a U.S. military installation. In 1994, the National Park Service (NPS) assumed full control of the Presidio until 1998 when the Trust assumed responsibility for approximately 1,100 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 is overseen by a seven member board of directors including a designee from the Department of Interior (DOI) and six individuals from the private sector.

**It currently finances operations through appropriations, which will decrease over the next 8 years, borrowings from the U.S. Treasury for the renovation of properties, reimbursable agreements with other government agencies, and rental leases for both residential and non-residential property.** If the Trust fails to achieve self-sufficiency by Fiscal Year 2013, the net assets will be transferred to the General Services

Administration for disposition.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

#### Accounting Standards

The financial statements have been prepared to report the financial position and results of operations of the Trust. The financial statements were prepared from the Trust's accounting records in accordance with accounting principles generally accepted in the United States (GAAP), and the form and content specified by the Office of Management and Budget (OMB) in OMB Bulletin 01-09. GAAP for federal entities is the standard prescribed by the Federal Accounting Standards Advisory Board (FASAB), designated by the American Institute of Certified Public Accountants (AICPA) as the official accounting standards setting body of the Federal government. These financial statements are two year comparatives.

#### Basis of Accounting

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 (SGL). Use of sub-accounts allows transactions to be recorded at a more detailed level and provide relevant management information.

While the financial statements are on an accrual basis, underlying transactions are recorded using both the accrual basis of accounting, and a budgetary basis of accounting. Under the accrual method, expenses are recognized when resources are consumed, without regard to the payment of cash. Under the budgetary method, expenditures are recognized when the purchase order is issued. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

## Balance Sheets

The balance sheets present amounts of future economic benefits owned or managed by the Trust (assets), amounts owed (liabilities), and amounts that comprise the difference (net position). The major components are described below.

**ASSETS** include assets that the Trust holds and has the authority to use in its operations.

**LIABILITIES** represent amounts owed by the Trust as the result of transactions that have occurred. Liabilities funded by available budgetary resources include: (1) new budget authority, (2) spending authority from offsetting collections, (3) recoveries of unexpired budget authority, (4) unobligated balances of budgetary resources at the beginning of the year, and (5) permanent indefinite appropriation or borrowing authority.

Liabilities not covered by budgetary resources are incurred when funding has not yet been made available through Congressional appropriations or current earnings. The Trust recognizes such liabilities for employee annual leave earned but not yet taken and accounts payable incurred by the residential property management company (Note 12).

**NET POSITION** contains the following components:

*Unexpended Appropriations* include the portion of the Trust's appropriations represented by undelivered orders and unobligated balances.

*Cumulative Results of Operations* represent the net results of operations since the inception of the Trust.

## Statements of Net Cost

The Statements of Net Cost show the components of the net cost of the Trust's operations for the periods presented.

*Program Costs* represent the gross costs or expenses incurred

by the Trust for each program activity.

*Earned Revenues* or exchange revenues arise when a Government entity provides goods and services to the public or to another Government entity for a fee.

*Net Cost* is the difference between the program's gross costs and its related exchange revenues.

## Statements of Changes in Net Position

The Statements of Changes in Net Position report the change in net position and are affected by changes in Cumulative Results of Operations and Unexpended appropriations. Major components are described below.

*Financing Sources* arise primarily from exercise of the Government's power to demand payments from the public (e.g., taxes, duties, fines, and penalties). These non-exchange revenues include appropriations, transfers of assets from other Government entities, donations, and imputed financing.

*Appropriations* for financial statement purposes are recognized as a financing source as expenses are incurred.

## Statements of Budgetary Resources

The Statements of Budgetary Resources provide information about the availability of budgetary resources as well as their status at the end of the year. Major components are described below.

*Budget Resources* represents the funds available through appropriations, direct spending authority, obligation limitations, and unobligated balances at the beginning of the period or transferred in during the period, spending authority from offsetting collections, and any adjustments to budgetary authority.

*Obligations Incurred* consists of expended authority, recoveries of prior year obligations and the change in undelivered orders.

### Statements of Financing

The Statements of Financing are a reconciliation of the preceding statements. Accrual basis accounting standards used in the Statements of Net Cost differ from the budgetary basis used in the Statements of Budgetary Resources, especially in 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 Report on Budget Execution (SF-133) and the Statements of Budgetary Resources.

Based on appropriation language, liabilities are considered "funded" for purposes of the Balance Sheets, Statements of Net Cost and Statements of Changes in Net Position.

### Use of Estimates in Preparing Financial Statements

Preparation of financial statements in accordance with generally accepted accounting principals 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. Actual results may differ from those estimates.

### Revenue Recognition

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. Deferred rent receivable is included in other assets (Note 8).

### Intra-Governmental Relationships and Transactions

In the course of its operations, the Trust has relationships and financial transactions with numerous Federal agencies.

#### *Department of Interior (DOI)*

An interagency agreement exists between the Trust and the DOI for the DOI to provide payroll services. Additional interagency

agreements between the Trust and the National Park Service cover fire and police services provided to the Trust.

#### *Department of the Treasury (Treasury)*

All banking activities are conducted in accordance with the directives issued by the Department of the Treasury – Financial Management Service (FMS). Trust investments in non-marketable U.S. Treasury securities are traded through and held in book entry form at the Department of the Treasury – Bureau of the Public Debt.

## 2. FUND BALANCE WITH TREASURY

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Fund Balance with Treasury by fund type as of September 30, 2004 and September 30, 2003 consists of the following:

	<i>FY 2004</i>	<i>FY 2003</i>
Revolving Funds	\$ 5,063,178	\$ 5,751,541

Status of Fund Balance with Treasury on September 30, 2004 and September 30, 2003 consists of the following:

	<i>FY 2004</i>	<i>FY 2003</i>
Unobligated – Available	\$ 5,063,178	\$ 5,751,541
Unobligated – Unavailable	0	0

## 3. CASH AND OTHER MONETARY ASSETS

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The Trust does not maintain a petty cash fund or any bank accounts. The residential property management company under contract with the Trust maintains a petty cash account. The balance in this account as of September 30, 2004 and 2003 was \$503 and \$1,274, respectively.

#### 4. INVESTMENTS

The Trust is required by P.L. 104-333 to invest excess cash only in non-marketable Treasury securities issued by the Bureau of Public Debt (BPD).

Investments as of September 30, 2004:

##### INTRA-GOVERNMENTAL SECURITIES

	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Par Value</i>	<i>Net</i>
Non-marketable/Market Based	10/01/04	0.95%	\$ 77,612,000	\$ 77,612,000
Non-marketable/Market Based	09/30/29	5.52%	2,978,000	2,978,000
Non-marketable/Market Based	09/30/29	6.12%	30,266,000	30,266,000
			110,856,000	110,856,000
Interest Receivable			3,708	3,708
<b>Total Investments</b>			<b>\$ 110,859,708</b>	<b>\$ 110,859,708</b>

The investment with a September 30, 2029 maturity date is an investment of the proceeds from Trust borrowings from the Treasury (see Note 9). The BPD invests these proceeds until the Trust needs access to the cash. The Trust was owed \$3,708 of interest on the investments as of September 30, 2004. This amount was paid in full to the Trust by the BPD on October 1, 2004.

Investments as of September 30, 2003:

##### INTRA-GOVERNMENTAL SECURITIES

	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Par Value</i>	<i>Net</i>
Non-marketable/Market Based	10/01/03	0.95%	\$ 88,347,000	\$ 88,347,000
Non-marketable/Market Based	09/30/29	5.52%	2,978,000	2,978,000
Non-marketable/Market Based	09/30/29	6.12%	30,266,000	30,266,000
			121,591,000	121,591,000
Interest Receivable			2,331	2,331
<b>Total Investments</b>			<b>\$ 125,593,331</b>	<b>\$ 125,593,331</b>

The Trust was owed \$2,331 of interest on the investments as of September 30, 2003. This amount was paid in full to the Trust by the BPD on October 1, 2003.

## 5. ACCOUNTS RECEIVABLE, NET

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Accounts receivable as of September 30, 2004, is comprised of the following:

	<i>Government</i>	<i>Non-Government</i>	<i>Total</i>
Gross accounts receivable	\$ 225,253	\$ 2,122,094	\$ 2,347,347
Less allowance for uncollectible accounts	0	(126,632)	(126,632)
<b>Net accounts receivable at September 30, 2004</b>	<b>\$ 225,253</b>	<b>\$ 1,995,462</b>	<b>\$ 2,220,715</b>

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Receivables consist of amounts due from rental properties, utilities, venue rentals, reimbursable contracts, and service district charges. The Trust's allowance for uncollectible accounts is as follows:

As a federal agency, the Trust has the full force of the United States government to facilitate collecting past due amounts. In addition, the Trust reviews accounts over 90 days past due; the Trust identifies collectable accounts and does not record any bad debt expense for these accounts. For the remaining receivables over 90 days old, the Trust reserves 75% of the balance as allowance for uncollectible accounts.

Accounts receivable at September 30, 2003 is comprised of the following:

	<i>Government</i>	<i>Non-Government</i>	<i>Total</i>
Gross accounts receivable	\$ 668,766	\$ 1,146,729	\$ 1,815,495
Less allowance for uncollectible accounts	0	(128,225)	(128,225)
<b>Net accounts receivable at September 30, 2003</b>	<b>\$ 668,766</b>	<b>\$ 1,018,504</b>	<b>\$ 1,687,270</b>

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## 6. DIRECT LOANS AND LOAN GUARANTEE, NON-FEDERAL BORROWERS

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The Trust has authority to operate the following direct loan and/or loan guarantee programs:

- The Trust is empowered to provide direct loans to non-Federal borrowers. As of September 30, 2004, the Trust had not exercised this authority.
- The Trust is empowered to guarantee loans to non-Federal borrowers for construction and renovation. As of September 30, 2004, the Trust had not exercised this authority.

## 7. GENERAL PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment (PPE) 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. In general, the Trust capitalizes fixed assets valued in excess of \$25,000 and with a useful life of two or more years. These assets are depreciated over their useful lives in accordance with Trust guidelines.

Specific Trust capitalization and depreciation guidelines are as follows:

<i>Classification</i>	<i>Estimated Useful Life</i>	<i>Straight Line Depreciation</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Balance at 9/30/04</i>	<i>Net Balance at 9/30/03</i>
Land and Land Rights	N/A	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Improvements to Land	N/A	0	0	0	0	0
Construction-in-Progress	N/A	0	11,881,096	0	11,881,096	10,452,296
Buildings, Improvements and Related Renovations and Rehabilitations prior to takeover by the Trust	40 years ①					
• Over 40 years old		0	0	0	0	0
• Under 40 years old		714,095	28,563,792	16,664,127	11,899,665	12,613,760
Buildings, Improvements and Related Renovations and Rehabilitations since takeover by the Trust	40 years ①	1,531,641	69,876,324	4,152,408	65,723,916	49,688,243
Assets Under Capital Lease	②	53,377	166,131	148,192	17,939	3,129,140
Other Property, Plant and Equipment (including furnishings and equipment)	②	2,053,001	26,248,432	12,230,949	14,017,483	9,497,134
		<b>\$ 4,354,114</b>	<b>\$136,735,775</b>	<b>\$33,195,676</b>	<b>\$103,540,099</b>	<b>\$85,380,573</b>

① Buildings, Improvements and Related Renovations and Rehabilitations useful life of 40 years or less for improvements and renovations depending on remaining building life.

② Assets under Capital Lease are amortized based on the Trust's depreciation policy. Other Property, Plant and Equipment's estimated useful life is also based on the Trust's capitalization and depreciation policy.

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;
- extend the useful life of the building for at least 20 years.

Furnishings and equipment purchased for an individual unit cost in excess of \$25,000 are also capitalized. Construction-in-Progress may include not only direct costs, but also an assigned indirect cost component, including architectural fees and legal expenses.

Land is considered to be general PPE and, in accordance with Statement of Federal Financial Accounting Standards (SFFAS) #6, is to be recorded at cost. The land comprising the Presidio was acquired as an outcome of the resolution of hostilities between the United States and the government of Mexico in the mid-19th century. As such, no cost can be affixed to the land and land rights.

At September 30, 1999, most of the Trust's PPE was transferred from the NPS. After extensive investigation, the Trust determined that historical cost information for buildings, building improvements and land and infrastructure improvements was not available from the NPS and/or the Army. Therefore:

- any transferred building over 40 years old, including the cost of related renovations or rehabilitations prior to the Trust's formation, was considered fully depreciated and was recorded at a book value of \$0.
- any transferred structure less than 40 years old (built in 1959 or later) was recorded at estimated replacement cost reduced for the effects of inflation by using appropriate construction industry

indices, less an accumulated depreciation adjustment, to ascertain net asset value at the date of the Trust's formation.

- other PPE transferred to the Trust from the NPS was capitalized at historical cost less depreciation that would have been taken over its useful life, based on the Trust's depreciation guidelines.
- transferred land and infrastructure improvements are reflected at a net book value of \$0.

The Trust determines depreciation and amortization using straight-line methodology. 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.

## 8. OTHER ASSETS

	2004	2003
Intra-governmental	\$ 0	\$ 0
Government		
Improvement Account	423,194	406,629
Deferred Rent Receivable	10,896,105	6,249,424
Prepayments	664,656	19,400
<b>TOTAL OTHER ASSETS</b>	<b>\$11,983,955</b>	<b>\$6,675,453</b>

The Government Improvement Account (GIA) is a bank account that has contributions made by a tenant in lieu of rent for the sole purpose of improving the government facilities. Neither the Trust nor the tenant is able to withdraw monies from the account unilaterally (See Note 13).

Deferred rent receivable is the revenue recognized on a straight-line basis for long-term property leaseholds. There is no allowance for uncollectible accounts for the deferred receivables as they are all deemed collectible at this time.

## 9. DEBT

	<i>Maturity Date</i>	2004	2003
<b>DEBT TO THE TREASURY</b>			
<b>Note C</b> (dated 9/29/00)	9/30/2029	\$ 20,000,000	\$ 20,000,000
<b>Note C</b> (dated 9/28/00)	9/30/2029	20,000,000	20,000,000
<b>Note C</b> (dated 9/29/01)	9/30/2029	9,978,000	9,978,000
<b>TOTAL PRINCIPAL</b>		<b>\$49,978,000</b>	<b>\$49,978,000</b>

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 \$50 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.

In Fiscal Year 2004, no additional debt obligations were issued. The Trust has issued the following promissory notes to the BPD:

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 the particular Trust assets, specifically the Baker Beach Apartments, Building 220 and Building 36. The note included a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out the Trust's administration, operation, and leasing of the specific assets (Baker Beach Apartments, Building 220 and Building 36) that have been improved. The note carries an interest rate of 6.122% and matures on September 30, 2029.

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

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 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% and matures on September 30, 2029.

The BPD invested the unused portion of the account in government securities through their investment department. The interest earned was recorded in a governmental interest receipt account and used to pay the interest owed to the Treasury.

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 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% and matures on September 30, 2029.

The BPD invested the unused portion of the account in government securities through their investment department. The interest earned was recorded in a governmental interest receipt account and used to pay the interest owed to the Treasury.

The Trust incurred \$2,999,087 and \$2,999,087 in interest cost in 2004 and 2003, respectively, all of which was included in program costs.

#### **10. OTHER LIABILITIES – INTRA-GOVERNMENTAL – ADVANCES FOR ENVIRONMENTAL CLEANUP COSTS**

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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 agency for the environmental cleanup in both Area A and Area B. The Army provided \$100 million to the Trust in exchange for the Trust's assumption of such responsibilities.<sup>1</sup> The funds that have not been spent to-date are reported as Environmental Remediation Advance on the Trust's financial statements.

Under a separate memorandum of agreement between the Trust and DOI (the Area A MOA), the Trust confirmed its agreement to take over lead agency responsibility for the cleanup of Area A of the Presidio. The Area A MOA also set out specific time periods, priorities and processes for remedy selection for environmental cleanup of Area A.

Cleanup includes enumerated sites where a potential environmental threat (Substance and Condition) is presently known or may exist based on past Army studies or records. Cleanup also includes unknown contamination which is any environmental threat at or from the Presidio other than an enumerated site that existed at the Presidio before October 1, 1994 (Presidio base closure) or was the

1. The Trust agreed to accept the amount of \$100 Million based upon a feasibility study and estimated cost of environmental liability prepared by its environmental consultant, including an as yet undetermined amount related specifically to the property transferred to the Trust.

result of an Army act or omission on or after October 1, 1994.

The Trust assumed the Army's responsibility as the lead cleanup agency, and performs all cleanup work at enumerated sites using the Army's funds, and is the point of contact for all regulatory agencies and for the public. The Army retained responsibility to fund and to perform all environmental cleanup work of unknown contamination as well as sole responsibility for the clean up of radioactive materials, chemical and biological warfare agents, and unexploded ordnance if discovered at the Presidio.

The Trust must use the funds transferred from the Army to address environmental cleanup of enumerated sites. If any funds are left after cleanup of the enumerated sites, the Trust can use the excess to address other environmental conditions at or emanating from the Presidio. If cleanup costs for the enumerated sites exceed the \$100 million from the Army plus insurance proceeds (see discussion of the Trust'

the Army must seek additional appropriated funds for the enumerated sites. The Army is excused from this requirement if the Trust's mismanagement or inefficient use of funds causes the cost overrun.

The Trust obtained two policies of environmental insurance: a Remediation Stop Loss (RSL) policy and a Real Estate Environmental Liability (REEL) policy. The RSL policy provides the Trust with insurance against cost overruns in implementing environmental remedies that have been approved by the appropriate regulatory agencies. The RSL policy has a liability limit of \$100 million. The Army and DOI are each named as an additional insured on the policy. The REEL policy provides the Trust with insurance associated with the discovery of Unknown Contamination. The REEL policy has a limit of \$10 million per claim and \$50 million in the aggregate. DOI is a named insured under the REEL policy. The Trust set aside a total of \$25 million for the environmental remediation of Area A.

## 11. OTHER LIABILITIES

	2004		2003	
	Non-Current	Current	Non-Current	Current
<b>INTRA-GOVERNMENTAL</b>				
Employer Contributions Payable	\$ 0	\$ 128,982	\$ 0	\$ 232,892
Other Post Employment Benefits	595,289	858,953	835,503	777,193
<b>TOTAL INTRA-GOVERNMENTAL</b>	<b>595,289</b>	<b>987,935</b>	<b>835,503</b>	<b>1,010,085</b>
Annual Leave Liability [NOTE 12]	0	1,678,344	1,456,508	0
Security Deposits	2,985,735	121,348	2,633,223	150,176
Unearned Revenue	0	1,307,886	0	0
Prepaid Rents	615,235	864,387	0	593,928
Payroll Payable	0	859,048	0	533,563
Capital Lease Liability [NOTE 13]	25,288	29,017	1,002,738	1,017,366
Unfunded Accounts Payable [NOTE 12]	0	63,954	0	136,750
Advance for Environmental Cleanup [NOTE 10]	39,718,926	21,575,881	56,395,807	13,715,925
<b>TOTAL OTHER LIABILITIES</b>	<b>\$ 43,940,473</b>	<b>\$ 27,487,800</b>	<b>\$ 62,323,779</b>	<b>\$ 17,157,793</b>

### Other Post Employment Benefits

Other post employment benefits include worker's compensation (FECA) & unemployment payable to the Department of Labor.

### Security Deposits

The residential lease management company, John Stewart Company, collects security deposits from the residential tenants and deposits them directly into the Trust's Treasury General Account. The non-residential lease management company, Woodmont Real Estate Services collects security deposits from the non-residential tenants and deposits them directly into the Trust's Treasury General Account. The Trust also collects security deposits for other services managed by the Trust.

### Unearned Revenue

The Presidio Trust collects fees for events that are held at Trust facilities. These events are paid for in advance by the clients. The revenue has not been earned for these events until the event has occurred. The amount in unearned revenue represents the monies collected for events that will be taking place in fiscal year 2005 and beyond. In addition, the Trust received a \$1M grant for the specific purpose of improvement for trails and bikeways.

## 12. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	2004	2003
Annual Leave Liability	\$ 1,678,344	\$ 1,456,508
Accounts Payable	63,954	136,750
<b>TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES</b>	<b>1,742,298</b>	<b>1,593,258</b>
Liabilities Covered by Budgetary Resources	127,692,835	136,522,272
<b>TOTAL LIABILITIES</b>	<b>\$ 129,435,133</b>	<b>\$ 138,115,530</b>

Liabilities not covered by budgetary resources are those liabilities that may be funded from future resources. Annual leave is accrued as it is earned by employees and it is included in personnel compensation and benefits costs. An unfunded liability is recognized for earned but unused annual leave since, from a budgetary standpoint, this annual leave will be paid from future appropriations. The unfunded accounts payable is the liability that has been incurred by the residential property management company that had not been submitted to the Trust for reimbursement as of fiscal year end.

## 13. LEASES

### Trust as Lessee

#### Capital Leases

All capital leases are for machinery and equipment. Future minimum payments under the Trust's capital leases are as follows:

<i>Fiscal Year</i>	<i>Total</i>
2005	\$ 31,005
2006	26,199
Total minimum lease payments	57,204
Less: amounts representing interest	2,899
<b>PRESENT VALUE OF MINIMUM LEASE PAYMENTS</b>	<b>\$ 54,305</b>

#### Operating Leases

Future payments for the Trust's noncancellable operating leases with terms longer than one year are as follows:

<i>Fiscal Year</i>	<i>Total</i>
2005	\$ 14,759
2006	4,920
Thereafter	0
<b>TOTAL FUTURE LEASE PAYMENTS</b>	<b>\$ 19,678</b>

The operating leases are for equipment. The Presidio Trust also leases government vehicles from General Services Administration (GSA), but such leases do not have a definitive lease period of longer than a year.

**Trust as Lessor**

***Operating Leases***

**Description of Lease Arrangements:**

The Trust's properties are being leased under operating leases that expire over the next 50 years. The Trust expects that these leases will be renewed or replaced by other leases in the normal course of business. In addition, 5 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' month revenue. The Trust recognizes this revenue when payment is received.

Additionally, the Trust had one other lessee that operated under a contingent rental agreement wherein the monthly rent was a percent of the lessee's monthly revenue; however, the lessee remitted a portion of their monthly rental payment to a separate government improvement account at a commercial bank. These rental payments were accumulated and can only be used for improvements to the leased building. The Trust does not have signatory authority over the bank accounts and receives no rental payments related to these leases.

All improvements funded from these accounts must be mutually approved by both the lessee and the Trust. The Trust recognizes the payments made to the Government Improvement Account (GIA) as rental revenues. The balance of the commercial accounts total \$423,194 and \$406,629 in 2004 and 2003, respectively and is included in other assets. The arrangement of payments into the GIA account was terminated as of September 30, 2004 and all rental payments are now made directly to the Trust. The current lease term expires in 2006.

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:

<i>Fiscal Year</i>	<i>Total</i>
2005	\$ 12,451,775
2006	11,699,984
2007	13,444,149
2008	8,867,253
2009	7,536,863
Thereafter	392,294,276
<b>TOTAL</b>	<b>\$446,294,300</b>

**14. AVAILABLE BORROWING AUTHORITY, END OF PERIOD**

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There was no borrowing authority available at September 30, 2004 or September 30, 2003.

**15. TERMS OF BORROWING AUTHORITY USED**

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The Trust was granted \$49,978,000 in borrowing authority. The terms surrounding the Trust's borrowing authority have been described in Note 9 – Debt. The Debt the Trust has incurred is all related to the borrowing authority granted to the Trust.

**16. EXPLANATION OF THE RELATIONSHIP BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES ON THE BALANCE SHEET AND THE CHANGE IN COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS**

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The statements of financing include a section depicting the change in certain unfunded liabilities. The amounts in this section may not correlate exactly with the amounts shown in Note 12 – Liabilities not covered by budgetary resources. Differences result from Treasury requirements related to where the changes in these liabilities are reported in the Statements of Financing. These requirements are dependent upon whether the change resulted in an increase or a decrease to the liability account.

## 17. INTRA-GOVERNMENTAL ASSETS AND LIABILITIES

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### ASSETS

<i>Agency</i>	<i>Investments</i>	<i>Accounts Receivable</i>	<i>Fund Balance with Treasury</i>
Department of the Treasury	\$ 110,859,708	\$ 0	\$ 5,063,178
National Park Service	0	202,854	0
Other Federal Agencies	0	22,399	0
<b>TOTAL</b>	<b>110,859,708</b>	<b>225,253</b>	<b>5,063,178</b>

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### LIABILITIES

<i>Agency</i>	<i>Accounts Payable</i>	<i>Debt</i>
Department of the Treasury	0	49,978,000
Department of the Interior	2,601,695	0
Other	48,483	0
<b>TOTAL</b>	<b>\$ 2,650,178</b>	<b>\$ 49,978,000</b>

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## 18. DEFERRED MAINTENANCE

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The Trust determined that there is deferred maintenance to many of the buildings that were transferred to the Trust. Using an Inventory Condition Assessment Program document from the NPS upon receipt of the property and an assessment survey by Trust personnel, the Trust determined that there is \$1 million of deferred maintenance to buildings at the Presidio. There is no deferred maintenance for any other major class of asset.

## **19. COMMITMENTS AND CONTINGENCIES**

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From time to time, the Trust is involved in legal matters, including employment-related claims. Of the 13 Equal Employment Opportunity (EEO) claims outstanding from the previous year, 10 claims of former employees of the Trust remain pending. Only one claim is currently pending with the Equal Employment Opportunity Commission (EEOC). All of these claims arose as a result of the Trust's eliminating positions in two separate staff reductions. The demands in these cases include reinstatement of employment, back pay and compensatory damages ranging from \$300,000 to \$33,000,000. The Trust's processing of these claims has been complicated by legal issues regarding the jurisdiction of the EEOC and the EEOC's ability to apply its regulatory framework to the Trust's EEO process. The Trust remains engaged with the EEOC and the U.S. Department of Justice in resolving these jurisdictional issues. The likelihood of an outcome unfavorable to the Trust is remote.

The two other claims that were pending at the end of the previous

year were resolved in the Trust's favor, and the EEOC dismissed an EEO class complaint that was filed on behalf of the Trust's former African American employees in conjunction with the staff reductions. The period to file an appeal from such dismissal has elapsed.

There are three new EEO complaints by current employees. The likelihood of an unfavorable outcome in two of the cases is remote. The third case has been filed for damages of \$300,000. This claim is being investigated; the likelihood of an unfavorable outcome cannot be determined at this time.

Trust management does not expect other pending legal matters to have a material impact on its financial condition or net costs.

## **20. EXCHANGE REVENUE**

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The Trust provides services to the public and other government entities which are priced at market value.

## Report of Independent Certified Public Accountants on Internal Control



**Accountants and Business Advisors**

### **Report of Independent Certified Public Accountants on Internal Control**

To the Board of Directors of  
The Presidio Trust

We have audited the balance sheets and the related statements of net cost, changes in net position, budgetary resources and financing (hereinafter referred to as “financial statements”) of the Presidio Trust (the Trust) as of September 30, 2004 and 2003 and for the years then ended, and have issued our report thereon dated November 4, 2004, which was qualified due to the Trust’s valuation methodology for certain property, plant and equipment transferred to the Trust at its inception.

Except for the matter discussed in the third, fourth and fifth paragraphs of our report on the financial statements, we conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants; 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. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audits, we considered the Trust’s internal control over financial reporting by obtaining an understanding of the Trust’s internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers’ Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audits was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

One California Street  
Suite 1100  
San Francisco, CA 94111  
T 415.986.3900  
F 415.986.3916  
W [www.grantthornton.com](http://www.grantthornton.com)

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Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Trust's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

In addition, we considered the Trust's internal control over required supplementary information by obtaining an understanding of the Trust's internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls as required by OMB Bulletin No. 01-02 and not to provide assurance on these internal controls. Accordingly, we do not provide an opinion on such controls.

A separate letter, dated November 4, 2004, was provided to the Board of Directors and management of the Trust, which further discusses matters related to internal controls over financial reporting and other matters that came to our attention as a result of our audits.

This report is intended solely for the information and use of the management of the Trust, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*Grant Thornton LLP*

November 4, 2004  
San Francisco, California

# Report of Independent Certified Public Accountants on Compliance with Laws and Regulations



**Accountants and Business Advisors**

## **Report of Independent Certified Public Accountants on Compliance with Laws and Regulations**

To the Board of Directors of  
The Presidio Trust

We have audited the balance sheets and the related statements of net cost, changes in net position, budgetary resources and financing (hereinafter referred to as “financial statements”) of the Presidio Trust (the Trust) as of September 30, 2004 and 2003 and for the years then ended, and have issued our report thereon dated November 4, 2004 which was qualified due to the Trust’s valuation methodology for certain property, plant and equipment transferred to the Trust at its inception.

Except for the matter discussed in the third, fourth and fifth paragraphs of our report on the financial statements, we conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants, 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. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of the Trust is responsible for complying with laws and regulations applicable to the Trust. As part of obtaining reasonable assurance about whether the Trust’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Trust.

One California Street  
Suite 1100  
San Francisco, CA 94111  
**T** 415.986.3900  
**F** 415.986.3916  
**W** [www.grantthornton.com](http://www.grantthornton.com)

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The results of our tests of compliance disclosed no instances of noncompliance with other laws and regulations or other matters discussed in the preceding paragraph that are required to be reported under *Government Auditing Standards* or OMB Bulletin No.01-02.

Under FFMI A, we are required to report whether the Trust's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMI A section 803(a) requirements.

The results of our tests disclosed no instances in which the Trust's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the management of the Trust, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*Grant Thornton LLP*

November 4, 2004  
San Francisco, California

**Toby Rosenblatt, Chair** | Toby Rosenblatt, the Presidio Trust's first board chair, is president of Founders Investments, Ltd., a private investment firm. He is also director of several other business and investment companies. From 1991 to 2000, Mr. Rosenblatt served as chairman of the board of trustees of the Golden Gate National Parks Conservancy, a non-profit member-supported organization which provides financial and volunteer support to the Golden Gate National Recreation Area. | From 1977 to 1988, Mr. Rosenblatt was president of the San Francisco City Planning Commission. He has also served on the boards of several civic organizations devoted to health-care, the arts, education, and philanthropy. Mr. Rosenblatt holds a Bachelor of Arts degree from Yale University and an M.B.A. from Stanford University.

**Lydia Beebe** is corporate secretary of Chevron Texaco Corporation. In this capacity she counsels the board and senior management, and manages stockholder relations and legal compliance. | Ms. Beebe is a member of the State Bar of California and the American Bar Association. She is a member of the San Francisco Municipal Fiscal Advisory Committee to the Mayor and served on the California Fair Employment and Housing Commission from 1991 to 1999 (as Chairperson from 1995 to 1999). Ms. Beebe serves on the boards of the Seneca Network and Golden Gate University, and is past president and current advisory board member of the Professional Business Women of California. She serves as chairperson of the Corporate Practices Committee for the American Society of Corporate Secretaries, and is a past member of the Society's board of directors. Ms. Beebe earned a Bachelor of Arts degree in journalism in 1974, and a doctor of law degree in 1977 from the University of Kansas. She obtained an M.B.A. from Golden Gate University in 1980.

**Donald G. Fisher** is chairman of Gap Inc., a global retail corporation which he founded in 1969. Mr. Fisher is a member of the California State Board of Education, and is a governor of the Boys & Girls Clubs of America. He serves as a member of the advisory committee of the University of California Haas School of Business, and on the board of the California Business Roundtable. He is on the executive committee of the Boys & Girls Clubs of San Francisco, the Bay Area Council, the National Retail Federation, and the San Francisco Museum of Modern Art. Mr. Fisher is also on the board of Gap, Inc., and the Charles Schwab Corporation. | Mr. Fisher holds a Bachelor of Sciences degree from U.C. Berkeley.

**David H. Grubb**, vice-chair of the Presidio Trust Board of Directors, is the U.S. Department of the Interior's designee to the board. Mr. Grubb was chairman of Swinerton Inc., a prominent San Francisco general contracting firm, and still serves on its board. He served as chair of the project committee for the Crissy Field restoration effort in 2000, and as a member of the board of trustees for the Golden Gate National Parks Conservancy. He also chaired the construction committee of the San Francisco Zoo Board of Directors. He serves on the board of San Francisco General Hospital's Trauma Foundation. | Mr. Grubb graduated from Princeton University in 1958, and received a master's degree in construction management from Stanford University in 1962. His appointment was effective January 1, 2004.

**Mary G. Murphy** is a partner at the law firm of Farella, Braun + Martel, and devotes her practice primarily to land use and entitlements, including development agreements and ground leases with public agencies. From 1993 to 1996, Ms. Murphy was vice-president of the San Francisco Board of Appeals. | Ms. Murphy is a member of the board of directors of the San Francisco Chamber of Commerce. | Ms. Murphy earned a Bachelor of Arts degree from Yale University in 1981. She received an Honours Bachelor of Arts degree from Oxford University in 1983, where she was a Rhodes Scholar. She received her J.D. from Harvard University in 1986.

**William Wilson, III** has led Bay Area-based real estate investment firms for more than 25 years. These firms include William Wilson and Associates, Wilson/Cornerstone Properties, and Wilson/Equity Office. He is currently managing partner of Wilson Meany Sullivan, Inc., which developed the San Francisco Ferry Building. Previously, he founded the Borel Companies, Webcor Builders Inc., and Rusty Scupper restaurants. | Mr. Wilson serves on several boards, including the Multiple Myeloma Research Foundation. He is a trustee of the California Academy of Sciences and is also a director of the Stanford University Department of Athletics Investment Fund. Mr. Wilson earned a Bachelor of Sciences degree in engineering from Stanford University in 1958.

**Joseph Yew, Jr.** is a vice president with E.J. De La Rosa & Co. Inc., an investment banking firm serving public clients by developing and implementing financing programs. Prior to this position, Mr. Yew served as treasury manager for the city of Oakland from 1999 to 2004. In this capacity, he was responsible for the issuance of nearly \$1 billion of municipal debt, cash management, and investment and administration of Oakland's public funds totaling \$600 million. | Mr. Yew previously served as assistant treasurer with the California State Treasurer's Office, and as executive director of the California Debt Limit Allocation Committee from 1995 to 1999. He also worked as an investment banker at Stone & Youngberg from 1992 to 1994. Mr. Yew serves on the board of the Chinatown YMCA, and is a treasurer and board member of the Community Youth Center. He earned a Bachelor of Arts in economics from U.C. Irvine in 1988, and a Master of Industrial Administration (MBA) from Carnegie Mellon University in 1992.



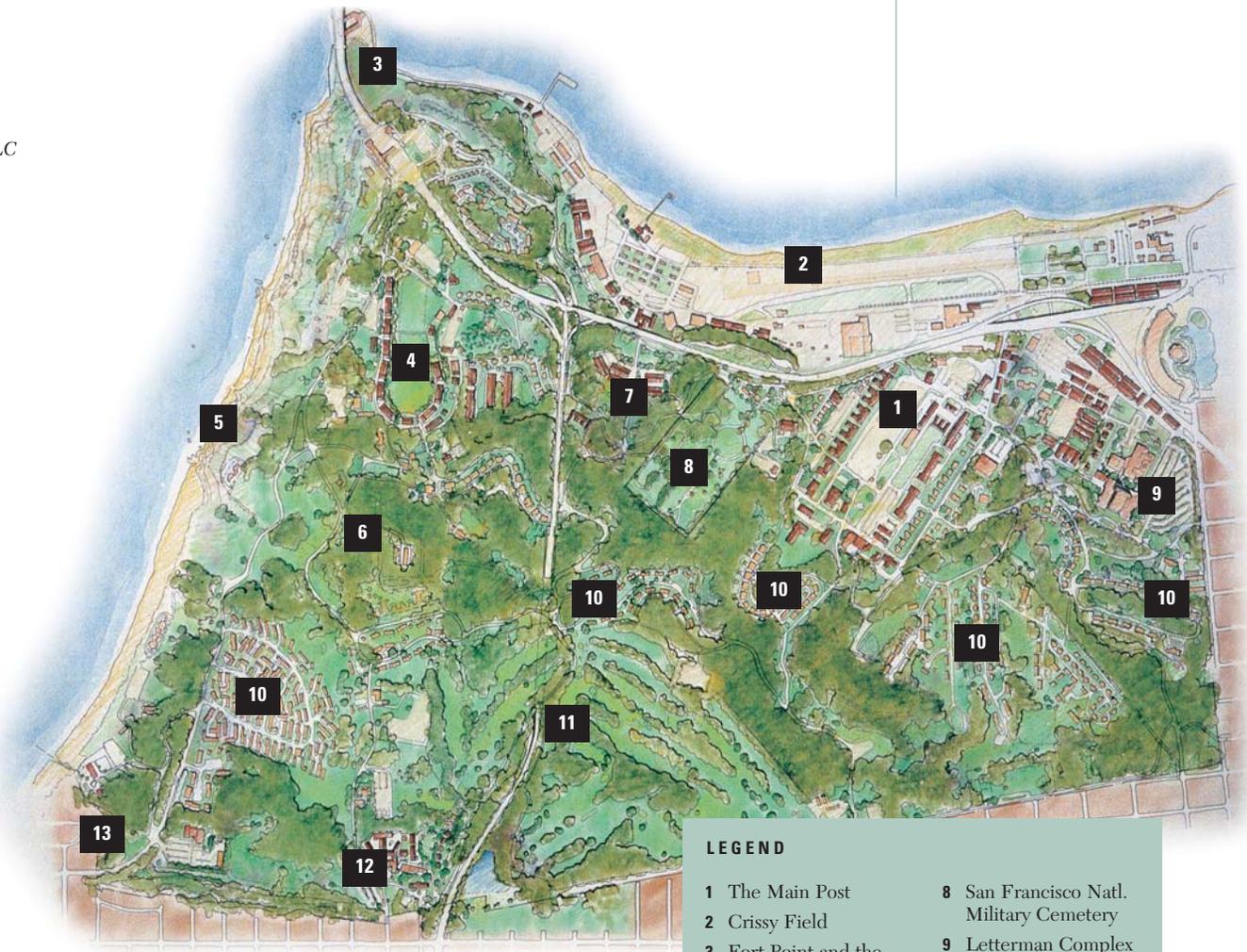
The growing community of Presidio organizations includes educational, public service and environmental organizations.

- 3 Phases Energy Services  
39th Exposure  
Access Abilities  
Acre Café  
Adopt-A-Watershed  
Affordable Self Storage, Inc.  
African-American Association  
Alexa Internet  
Alliance for California Traditional Arts  
Aloha Networks, Inc.  
Angel Island Immigration Station Foundation  
ARCS Foundation  
Arion Press (aka Lyra Corporation)  
Arnold Palmer Golf Management. Co.  
Aspen Group  
Bay Area Ridge Trail Council  
Bay Area Youth Fund For Education  
Bay Kids  
Bay School of San Francisco  
Bellingham Investment Management  
Bellingham, Jack  
Benningfield Financial Advisors  
Blacksmith Management LLC  
Body of Work / Hopola, Inc.  
BoxIT  
Buffalo Soldiers Museum and Library  
California Indian Museum and Cultural Center  
Callendar, Peter  
Carlyn Hunter  
Cassidy, Patrick  
Center for Citizen Initiatives  
Center for Food Safety (CFS)  
Center for Leadership Renewal  
Center for Real Estate Enterprise Management  
Center for Resource Solutions (CRS)  
Cherner, David  
Children's Partnership  
Columbia Foundation, The  
Commonweal  
Community Clinics Initiative  
Concord Group, The  
Constellation Fund  
Consultative Group on Biological Diversity  
Crissy Field Center  
Culman, John  
Cultural Conservancy  
Dada  
Dept. of Veterans Affairs Medical Center (S.F. National Cemetery)  
Desiree Café  
Destination Conservation  
DeVries, Mary  
Discovery Mining, Inc.  
Door Dog Music Productions  
Douglas Wright Consulting  
DSG Strategies, Inc.  
Duler and Company  
ECB Management Services, Inc.  
ECOR-SF Holdings, Inc.  
EcoTalk/Trash Talk  
Ecotrust  
Energy Foundation  
Environmental Justice Solutions  
Envision Schools  
Equal Access  
Equity Community Builders, LLC  
Erler & Kalinowski  
Eucalyptus Associates, Inc.  
Eureka House, Inc.  
Exploratorium  
Family Childcare Association of San Francisco  
Fauna & Flora International Soundwood  
Fiber Futures  
First Home, Inc.  
First Republic Bank  
Fleishhacker Foundation  
Foghorn  
Fort Mason Foundation, The  
Fort Point & Presidio Historical Association  
Fort Point National Historic Site  
Forward Progress Consulting  
Friends of the Urban Forest  
Full Circle Fund  
Fund for International Non-Profit Development  
Garden Conservancy, The  
Geographic Expeditions, Inc.  
Glickman, Rubin  
Golden Gate Bridge District  
Golden Gate Club  
Grabhorn Institute  
Green, Steven A.  
Groundspring.org  
Grove Consultants International, The  
Guardsmen, The  
Guild for Psychological Studies  
Hamilton Zanze & Company  
Harry M. Snyder  
Houden, Patricia  
Hub Strategy and Communications, Inc.  
Husdawg  
Ian Toll  
Institute for the Study and Development of Legal System  
Interfaith Center  
International Forum on Globalization  
Internet Archive  
J. M. Huber Corporation  
Jenifer Altman Foundation  
Jeppesen VisionQuest, Inc.  
Joe Goode Performance Group  
John Stewart Company  
Just Think Foundation  
Kate Gude Special Events  
King Oscar, Inc.  
Kirk Boyd – International Bill of Rights Project  
Komen Breast Cancer Foundation  
L.S.B. Leakey Foundation  
Law School Consortium Project  
Lawyers for Clean Water  
Leadership Public Schools  
Ledoux Esquire Inc.  
Lexnet  
LoBue & Majdalany Management Group  
Lone Mountain Children's Center  
Long Now Foundation  
M&H Type  
Mad Dogs and Englishmen San Francisco, Inc.  
Maley, Catherine  
Mark Kitchell  
Mattson, Frank  
McMahan Group, The  
Miller Video and Film, Inc.  
Moore Foundation  
MV Transportation  
National Conference for Community and Justice (NCCJ) Nor Cal Region, The  
New Field Foundation  
Niantic Corporation  
Northcross, Hill & Ach  
Northern California Independent Booksellers  
Omnia Foundation  
Orphanage, The  
Pachamama Alliance, The  
Pacific Foundation Services  
Pacific Union Co.  
Playsongs, Inc.  
Pohaku Fund  
Pottruck Family Foundation  
Presidio Bowling Center  
Presidio Café  
Presidio Community YMCA of San Francisco  
Presidio Internet Center, LLC  
Presidio Performing Arts Foundation  
Presidio Sport and Medicine  
Presidio World College  
Public Interest Lawyers' Group (International Bill of Rights)  
R & A Investment Forestry  
Raven Group, The  
REDF  
Reference Media Group  
Regeneration Project  
Resource Media Solutions  
Revival Mercantile, Inc  
Rex Foundation  
Rights Workshop, The

## Organizations at The Presidio

Room To Read  
 Routson Films  
 Rudolf Steiner Foundation  
 Runyan, M. Kathryn  
 San Francisco Conservation Corps  
 San Francisco Film Centre  
 San Francisco Film Society  
 San Francisco Gymnastics  
 San Francisco Medical Science  
 San Francisco Museum and Historical Society  
 San Francisco Psychotherapy Research Group  
 San Francisco Recreation and Park Dept.—Julius Kahn Playground  
 San Francisco Unified School District (Child Care Center)  
 Schneider, Judith A  
 Serra Preschool, The  
 Silver Giving Foundation  
 Social Venture Network  
 Solidago Foundation  
 Sports Basement, Inc.  
 St. Francis Yacht Club  
 Stillwater Sound  
 SunGard Treasury Systems  
 Swords to Plowshares  
 Veterans Academy  
 Thoreau Center for Sustainability  
 Threshold Foundation  
 Tides Center  
 Tides Foundation  
 Tides, Inc.  
 Towers, Matthew  
 Tweak Films  
 United Religions Initiative  
 United States Postal Service

Unobskey Corporation  
 Van Acker Construction Company  
 Veriditas, Inc  
 Verity Wealth Advisors, LLC  
 W&JP Fund  
 W. Clement and Jessie V. Stone Foundation  
 WDF Foundation  
 Wellbeloved, Tremain  
 Wells & Hopkins Civil Rights Center  
 Wilderness Society, The  
 World Link Foundation  
 World Link Media  
 World Parks  
 Your Health / Olympic Rehabilitation Center, Inc.  
 Youth Horizons



**LEGEND**

- |   |   |
|---|---|
| 1 The Main Post                         | 8 San Francisco Natl. Military Cemetery   |
| 2 Crissy Field                          | 9 Letterman Complex                       |
| 3 Fort Point and the Golden Gate Bridge | 10 Housing Areas                          |
| 4 Fort Scott                            | 11 Presidio Golf Course                   |
| 5 Coastal Bluffs                        | 12 Public Health Service Hospital Complex |
| 6 Presidio Forest                       | 13 Lobos Creek Valley                     |
| 7 Cavalry Stables                       |   |

**DESIGN:**

**L STUDIO, SAUSALITO**

**PRINCIPAL PHOTOGRAPHY:**

**ROBERT BENGSTON, SAUSALITO**

**ADDITIONAL PHOTOGRAPHY:**

**PRESIDIO TRUST**

A TOUR OF THE PARK / **Points of Interest**



The Presidio Trust

34 Graham Street P.O. Box 29052

San Francisco, CA 94129-0052

Voice: 415.561.5300 Fax: 415.561.5315

[www.presidiotrust.gov](http://www.presidiotrust.gov)