



A Journey through the Presidio

THE PRESIDIO TRUST
2007 YEAR-END REPORT

A Journey through the Presidio



One of the best ways to experience the Presidio is along its trails, whether out for a morning run, a Sunday afternoon bike ride, or a leisurely stroll. Each pathway reveals a different aspect of the Presidio's character and history. Many of the trails that cross the Presidio were informally cut by soldiers as they went about their daily routines, reminding us that generations of America's youth once trained here. Some paths suggest the curiosity of nature lovers and history buffs alike, as they lead into fog-shrouded forests and wildflower glens, or to mysterious fortifications and parade grounds. Scenic overlooks interpose gracefully and draw visitors to breathtaking views of the Pacific, the bay, the Golden Gate Bridge, the Marin headlands, and the San Francisco skyline. The Presidio's trails tell the story of the place – how it evolved to meet the needs of the military, and how it is serving the community today as a national park.

A dozen major routes cross the Presidio. Several, such as the California Coastal Trail, the Bay Area Ridge Trail, and the Juan Bautista de Anza National Historic Trail, are regional trails that connect the varied topographies of Marin and the East Bay to San Francisco and the Peninsula, and points beyond as far as Oregon and Mexico, creating a system that draws the local community as well as visitors from around the world.

To celebrate the Presidio's signature event of 2007 – a landmark gift from the Evelyn and Walter Haas, Jr. Fund to improve and expand the Presidio's trails and Rob Hill Campground – this report takes a journey through the park on five major trails. Exciting improvements are underway in every corner of the park. Walk with us and get answers to “what's going on over there,” find hidden treasures, and discover new ways to enjoy the park – now and in years to come.

This report takes a journey through the Presidio on five major routes, illustrating exciting improvements underway in every corner of the park.

PRESIDIO TRAILS

 Bay Area Ridge Trail
 Batteries to Bluffs Trail
 Ecology Trail
 Golden Gate Promenade

 California Coastal Trail +
 Juan Bautista de Anza +
 Lobos Creek Valley
 Mountain Lake +

 Presidio Promenade +
 Lovers' Lane +
 Tennessee Hollow
 Park Boulevard

+ Trails featured in this report

PRESIDIO TRAILS AND OVERLOOKS



LEGEND

- Existing Trail
- Coming Soon
- # Trail Page Number

The Presidio of San Francisco

The Presidio is a place where American stories are told and new history is created. Guarding the Golden Gate since the nation's birth, the Presidio was in constant use as a military post for more than two hundred years. It was founded by Spain in 1776, and came under the control of the U.S. Army in 1846. The first "around the world" flights touched down in the Presidio; the first women to enter the Army trained as nurses at Letterman Hospital; and the Army commanded its Pacific Troops during World War II from the Main Post. The Presidio remained the seat of military power for the western states until 1994 when the Presidio became a national park.

One of the most important places in the west, the Presidio became a National Historic Landmark in 1962. It holds the story of our nation as the military pushed the country's frontier across the con-

continent. Through a century of national expansion and growing power, the role of the military is articulated in the Presidio's buildings and landscapes, its fortifications and memorials. Generations of young Americans passed through its gates, committing their lives to an ideal, protecting the nation. The Presidio has enduring value for the American people.

Today, a community is growing in the Presidio, making it a unique national park. Nearly 3,000 people live in the homes that the Army built from the Civil War through the Cold War. More than 200 organizations and businesses operate from buildings that the Army vacated little more than a decade ago. The everyday activity of people reminds us that the Presidio, unlike the wilderness parks, was shaped by people. Its preservation requires new ways of thinking about national parks.

The Presidio Trust

Created by Congress in 1996, the Presidio Trust's mission is to preserve and enhance the Presidio as an enduring resource for the American people. Six presidential appointees and the Secretary of the Interior, or his designee, sit on the Board of Directors and set the direction and policies for the transformation of the historic military post into a national park. The Trust is charged with making the Presidio financially self-sustaining. After 2012, the Trust will not receive annual

appropriations, and is required to fund the Presidio's operations, maintenance, and ongoing upgrades with income earned from rehabilitating and reusing the park's buildings.

The Presidio is sustaining itself like every healthy community – earning, saving, and investing in the future. This simple economy generates the capital that is making the Presidio a great national park and will ensure its preservation.



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A Place in Motion

The Presidio has always been a place in motion. Throughout its history, this beautiful land at the Golden Gate has undergone continual change and evolution: windswept sand dunes became forested ridges and parade grounds; humble adobe gave way to clapboard and brick.

Although no longer serving the needs of a military community, the Presidio is still evolving to serve the American people – as a national park and as a National Historic Landmark. One of the largest historic preservation projects in the country, more than half of the Presidio’s historic buildings have been rehabilitated. Many of these buildings are being used by people dedicated to addressing the issues of our time, from media and energy resources, to fitness and youth development. A new generation is making history.

Every quarter of the park is in motion. Plans have been put forth by Equity Community Builders (ECB) to transform the Thornburgh district, a small-scale streetscape in the northeastern quadrant of the park with world-class views, into a “green” village where innovators will explore alternative energy. The Thornburgh project will be ECB’s fifth project in the park. The Main Post, the heart of the Presidio, is becoming the urban center of the national park, alive with cultural programs and services that welcome visitors. We have chosen Larkspur Hotels and Restaurants to convert historic officers’ quarters into guest suites as well as to build a new lodge and restaurant. We are also seeking cultural institutions for the Main Post. A request for proposals has elicited strong interest and we look forward to selecting tenants in the coming months. Recreational activities are coming to the airplane hangars that curve along the bay’s western shoreline at Crissy Field. Soon people will create a new community in the historic buildings in the southeastern section of the park, once the busy Public Health Service Hospital complex. New trails and overlooks will integrate the area, abandoned for more than 20 years, with the rest of the park, allowing visitors to hike the complete perimeter of the park and to explore the rich habitats of the Presidio’s southern hills.

Many partners have worked with us on the Presidio’s transformation from an historic military post into a national park. Over the past year we have worked closely with our long-standing partners, the Golden Gate National Parks Conservancy and the National Park Service, and with one of the earliest Presidio benefactors, the Evelyn and Walter Haas, Jr. Fund, to improve the Presidio’s open spaces. Thanks to a lead gift and challenge grant from the Haas, Jr. Fund, a 24-mile network of trails and eight scenic overlooks will be completed within the next three to five years. By



Mission Blue Butterfly on Lupine

summer 2009, Rob Hill Campground will welcome twice the number of campers to a national park camping experience. The Haas, Jr. gift in combination with their earlier gift to the Golden Gate National Parks Conservancy for Crissy Field is the largest gift of its kind to the national park system. We honor the Haas, Jr. family for their generosity, vision, and dedication to the community and our national treasures, and we are grateful to them for their leadership.

In keeping with the spirit of the Haas, Jr. Fund gift, we are proud to fund a new program at Rob Hill Campground, Camping at the Presidio (CAP), which reaches out to underserved urban children who have little opportunity to enjoy nature, sleep under the stars, listen to the ocean, and explore a national park. The program is being developed in partnership with the Golden Gate National Parks Conservancy and Bay Area Wilderness Training. In its pilot year, CAP introduced 270 children to the Presidio. Over the next five years, we intend to serve more than 10,000 children.

The Presidio is still a place in motion – change is the essence of its character. As you follow the trails through and around the park, you will see activity throughout. All that we have accomplished in the last decade and all that we plan to achieve in the coming years will continue the Presidio's evolution, adding to its legacy as an important American place, as a singular national park, and as a beloved community resource.

Some things never change – the fog hanging under the bridge, the light through the trees, the restrained beauty of the buildings, and the energy of people who keep the Presidio a living place. A new kind of park is taking shape at the Golden Gate. Come take a hike, explore the park, and let us know what you think.



David H. Grubb
Chairman, Board of Directors



Craig Middleton
Executive Director



Craig Middleton and David Grubb



Presidio Promenade

The most “urban” of Presidio trails, the Presidio Promenade takes travelers on a journey from the Lombard Gate to the Golden Gate Bridge through some of the park’s most historic districts, including Letterman and the Main Post.

Length

2.1 miles (3.4 km)

Don't Miss

The Wayburn Redwood Grove was dedicated in 2006 to honor Dr. Edgar and Peggy Wayburn, whose advocacy helped preserve more parkland than anyone else in our history. This restful spot overlooks a newly restored creek habitat.

For Kids

A statue of Yoda greets visitors to the Letterman Digital Arts Center, home to Lucasfilm.

Coming Soon

The section of the Promenade from the Main Post Transit Center to the Golden Gate Bridge is currently being improved. The new route will allow visitors to hike near the historic Cavalry Stables where the U.S. Park Police Mounted Patrol boards its horses.



SEEN ALONG THE PRESIDIO PROMENADE



First in Nursing

Built in 1918 as part of the Letterman Hospital Complex, Thompson Hall housed the first school of nursing ever created by the Army, and also served as nurses’ quarters. It was removed in the early 1990s. A nearby landfill restoration site was recently named Thompson Reach, honoring this military history. **4**

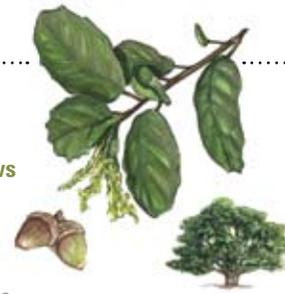


Pacific Chorus Frogs

On a quiet night you might hear chorus frogs croaking from the freshwater swale at Crissy Field. Though tiny, their voices can carry a distance.

Oaks and Willows

Oak and willow woodlands are indigenous to the Presidio landscape. They are the most valuable plants in the park for wildlife.



Letterman Memorial Tiles

In 1990, before the hospital closed, nearly 800 staff members from Letterman Army Medical Center purchased terra cotta tiles commemorating their service. In 2005, these tiles were relocated to a place of honor along the Promenade. **2**

Mexican Fan Palm

This tree, native to Baja California, has been planted in several spots along the Promenade. The skirts of dried leaves clothing the trunks provide a nesting place for Hooded Orioles.



National Cemetery

National Cemetery was the first established on the West Coast. More than 30,000 people are buried here, including 35 Congressional Medal of Honor recipients, Members of Congress Phillip and Sala Burton, and Major Dana Crissy, for whom Crissy Field is named. **7**

After the Civil War, Congress included segregated African American regiments in the Regular Army. The troops, which eventually became known as "Buffalo Soldiers," helped map the western frontier, sometimes engaging in conflict with native peoples while protecting American settlers. They also served notably in Cuba, and all four regiments passed through the Presidio on their way to and from the Philippine War.

Buffalo Soldier history is visible at several sites along the Presidio Promenade, including the Ruger Street barracks near the Lombard Gate and at the Cavalry Stables.

In 1903, a Presidio Buffalo Soldier squadron was dispatched to patrol Yosemite, Kings Canyon, and Sequoia National Parks, protecting lands from "injury and depredations," creating new roadways, and opening the parks to visitors. A second troop served as a "Guard of Honor" welcoming President Theodore Roosevelt to the Presidio.

Four hundred fifty Buffalo Soldiers are buried at San Francisco National Cemetery along the Promenade route.



Wildlife and Fresh Waters

Thirty-five thousand native plants are growing at the site where an Army-era landfill was removed and creek waters were "daylighted" above ground. Since restoration work was completed, the number of resident and migrating breeding birds that use the area has increased from five to thirteen, and stickleback fish are seen swimming upstream. **4**

West Crissy

The historic airplane hangars and warehouses at West Crissy Field, dating from the waterfront's history as the center of west coast aviation, are becoming recreational destinations. A rock climbing gym and children's swim school will soon open their doors. **9**



Thornburgh Revitalization

The Trust is working with Equity Community Builders to revitalize twelve historic buildings in the district west of Gorgas Gate. Once providing "back of house" services for Letterman Hospital, Thornburgh will become a "green" village for innovators and entrepreneurs in sustainability and the new energy economy. **3**



Crissy Field Overlook

Ground has been broken to create a new scenic overlook with views of the bay, Crissy Field, and the San Francisco skyline. A beautiful stone plaza will welcome the public in spring 2008, thanks to a lead gift and challenge grant from the Evelyn and Walter Haas, Jr., Fund. **8**



Cavalry Stables

National Cemetery

Main Post

Letterman Digital Arts Center

Gorgas Gate

Lombard Gate



Transit Center

A new Transit Center at the foot of the Main Post is the hub for the free PresidiGo Shuttle Service, as well as regional transit. A popular "downtown" shuttle for park employees and residents serves more than 800 people each weekday. A new restaurant, which opened in early 2007, welcomes visitors. **5**

Dining at the Park

In the past year, three new restaurants have located along the Presidio Promenade, including Presidio Social Club, in a carefully rehabilitated military barracks built in 1903. In total, ten eateries serve park visitors, offering a variety of experiences from "take out" cafes to full-service dining. **1**



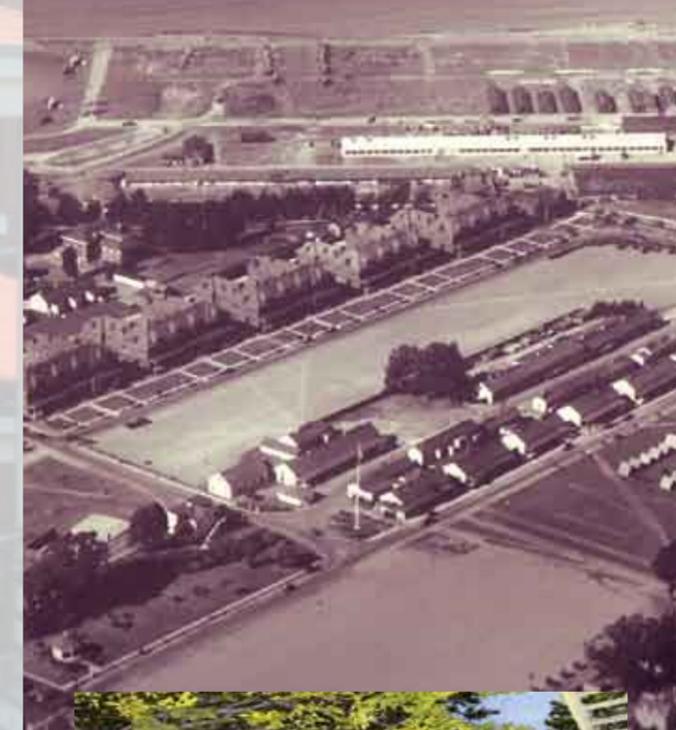
The Main Post – Revitalizing the Heart of the Park

The Presidio Promenade loops through the Main Post, the Presidio's historic center, before it meets up with the trails in the wilder western regions of the park.

The Main Post developed around three parade grounds, 25 acres of open space, and is still evolving around its magnificent open spaces. During 2007, the Trust completed the environmental review process and is finalizing designs for re-landscaping the largest of the parade grounds. With its dramatic slope and surprising views, it will become one of the region's premier gathering places.

The Trust has also chosen a partner to develop lodging and a restaurant, and has issued a request for proposals seeking tenants that bring cultural activity, programs, and liveliness to the heart of the park. An archaeology program is taking shape at El Presidio, the original Spanish fort, and construction has begun to convert one of the Post's signature buildings into a museum about Walt Disney's contribution to popular culture.

The Main Post will welcome all, those who come from nearby for a stroll to the bridge, as well as from around the world to explore the history of one of the most important places in the west. **6**



A scenic landscape photograph of the California Coastal Trail. The foreground shows a sandy, eroded hillside with sparse vegetation and a dirt path. The middle ground features a wide expanse of blue ocean meeting a sandy beach. In the background, there are rolling hills and mountains under a clear blue sky with a few wispy clouds. The lighting suggests late afternoon or early morning.

California Coastal Trail

The Presidio section of this state-wide trail traverses the wildest part of the park, showcasing beaches, wildflowers on the bluffs, and wind-blown cypress groves. Gun batteries from the late 19th century tell the story of the Presidio's emergence as an important military post.

Length

4.2 miles (6.8 km)

Don't Miss

The picnic area at Baker Beach is a serene "base camp" for a day at the shore. The beach offers fantastic opportunities for visitors to barbeque, fish, or stroll along the coastline.

For Kids

On the first full Saturday and Sunday of each month (11 am-3 pm), the National Park Service demonstrates a "disappearing gun" at Battery Chamberlin. The 50-ton gun defended the Golden Gate during World War II and was deactivated in 1948. A small seacoast defense museum is located inside the battery.

Coming Soon

Four new vantage points along the coastal bluffs will allow visitors to observe the rugged Pacific coastline: Golden Gate Overlook, Battery Godfrey Vista, Battery East Vista, and Pacific Overlook.



California Wrenbird

The Coastal Trail is home to the last known population of Wrenbirds in the City of San Francisco.



San Francisco Fence Lizard

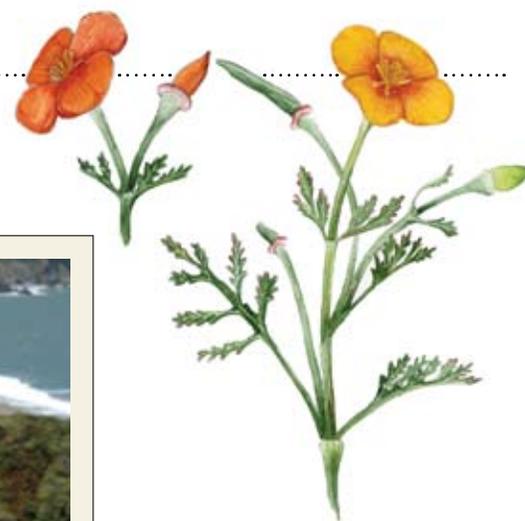
The coastal bluffs are the "wildest" part of the Presidio and are home to numerous reptiles and amphibians.

Fence lizards (shown here) are less common than alligator lizards, which have smoother scales. Look for tiny Fence Lizard young on Presidio trails in the late summer.



Dunes

The Presidio boasts the largest intact coastal dune habitat of the kind that once covered one-third of San Francisco.



California Poppy

California's state flower can be seen in both serpentine and dune soils. Golden yellow poppies bloom every month of the year throughout the Presidio.



Acmon Blue Butterfly

This "dune dweller" is frequently seen in spring and summer months.

Serpentinite and Biodiversity

A dramatic display of California's grey-green state rock can be viewed on the Coastal Trail (in striking contrast with the colorful orange Golden Gate Bridge). Due to these highly metallic soils, the park's serpentine plant communities have twice the species diversity of other native habitats in the Presidio.



Forging the Trail

Growing concern about public access to the California shoreline peaked in 1972 with the passage of a state initiative providing that “a hiking, bicycle, and equestrian trails system shall be established along or near the coast.” Over the course of thirty-five years, public agencies, non-profits, and land owners have assembled about half of the planned 1,200-mile route, which could ultimately traverse 15 counties from San Diego to the Oregon border. The Coastal Trail was declared California’s Millennium Legacy Trail in 1999.

Batteries on the Bluffs

In 1885, Secretary of War William Endicott led the charge to strengthen America’s coastal defenses. His commission recommended reinforced-concrete gun batteries (known as Endicott batteries) be placed at 22 seaports. San Francisco Bay was considered second only to New York harbor in strategic value. Battery Marcus Miller, constructed in 1891, was the first of seventeen to be built at the Presidio. Others were placed north of the Golden Gate, including at Fort Baker and Fort Barry. Two decades later, the Fort Winfield Scott campus was established in the Presidio as the coast artillery post, serving as the headquarters for most other artillery posts around the bay until just after World War II. **3**



Emblematic Coastline

The State Coastal Conservancy and its partners created a beautiful new emblem for the Coastal Trail, helping visitors to identify and link various segments of this lengthy route; the new crests are now being placed along the Presidio “leg” of the journey.



Golden Gateway

The western park gateway at Merchant Road was redesigned to offer a safe and welcoming entrance for motorists, bicyclists, and pedestrians arriving via the Golden Gate Bridge. Designs are complete for a new Golden Gate Overlook. **3**



Doyle Drive

The effort to replace Doyle Drive, the outdated highway connecting San Francisco to the Golden Gate Bridge, will reach a major milestone in 2008 when environmental review and design are completed. The new parkway will take an underground route near the shoreline, allowing the Main Post to be reconnected to Crissy Field. **1**



Spectacular Trail Improvements

A dramatic upgrade along the Batteries to Bluffs trail, which loops through cypress groves from Battery Godfrey to Battery Crosby, allows visitors to experience the wild western bluffs as never before, including new access to the beach. The project is part of the Trails Forever initiative and was led by the Golden Gate National Parks Conservancy, in partnership with the National Park Service and the Presidio Trust. **4**



Baker Beach Native Plant Landscaping

The landscapes in the north Baker Beach neighborhood are being restored with native coastal scrub as part of a five-year project. The wildflowers, nurtured by neighborhood volunteers, beautify the area and provide habitat for birds and other wildlife. **5**



Water Treatment Plant

The Presidio Water Treatment Plant draws nearly a million gallons each day from nearby Lobos Creek for use by the park community. The Presidio is unusual in that most of its potable water needs are met by a local surface water source. The facility is the second longest continuously operating water treatment plant in California. **6**

Baker Beach Landfill Removal – Restoring the Pacific Bluffs

Until the 1950s, the Army regularly disposed of debris by dumping it over the Presidio’s coastal bluffs. Since 1999, the Trust has removed five major landfills, but no remediation project has been more complex than the clean up above Baker Beach.

Between August and November of 2007, 73,000 tons of debris were unearthed and conveyed 250 feet along treacherous slopes to the top of the cliffs. The operation was conducted 12 hours a day, six days a week.

Objects of interest always surface during excavations: dog tags, mess kits, even horseshoes. The “stop everything” finds, however, are unexploded ordnance. Civil War-era ordnance were found at the Baker Beach sites – two 8-inch cannon balls and two 8-inch armor-piercing shells designed for the Rodman Rifle. All were exploded in place.

The nearby Coastal Trail is being restored, complementing the dramatic Batteries to Bluffs trail recently completed by the Golden Gate National Parks Conservancy and the National Park Service. A scenic overlook with views of the Golden Gate Bridge from the bluffs will create a “sense of arrival” at a new park entrance. **2**





Juan Bautista de Anza National Historic Trail

This national historic trail commemorates the route followed in 1776 by the Anza expedition settlers, who traveled 1,200 miles from Sonora, Mexico to Alta California to establish a fort at the entrance to San Francisco bay. The Presidio portion of the trail offers glimpses of Mountain Lake, dune habitat, batteries and bunkers, forest groves, and the Pacific Ocean.

Length

2.7 miles (4.3 km)

Don't Miss

Enjoy an evening picnic at the Immigrant Point Overlook as the sun sets over the Pacific Ocean. **5**

For Kids

Rob Hill Campground, the only overnight group camping facility in San Francisco, welcomes families, scout troops, schools groups and Camping at the Presidio (CAP) program participants. **6**

Coming Soon

Trail enhancements along Battery Caulfield Road are on the drawing board. A new scenic overlook will survey the Lobos Creek Valley and western San Francisco neighborhoods.



Compost and Regeneration Center

At this facility, green debris such as grass clippings and tree trimmings are transformed into a nourishing soil amendment. In 2007, the program diverted 2,300 cubic yards of organic debris in an effort to retain and reuse as much material as possible within the park. **3**



Gardens at Fort Scott Officers' Club

The little-known historic garden at the Fort Scott Officers' Club, near the YMCA tennis courts, features stone bridges and informal strolling paths that lead west toward Dragonfly Creek and the Presidio Nursery. **4**



Quotable Wilson

In July 2007, traditional stone mason Christopher Stinehour chiseled President Woodrow Wilson's words at the Immigrant Point Overlook – "We opened the gates to all the world and said: 'Let all men who want to be free come to us and they will be welcome.'" **5**

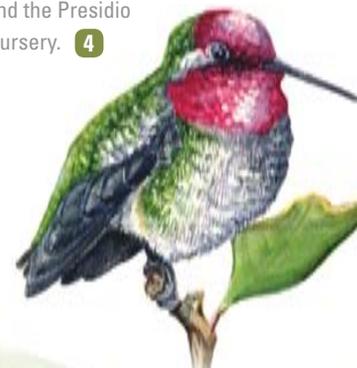


San Francisco Lessingia

An endangered species success story, this tiny member of the sunflower family has responded well to habitat expansion in the Presidio's southwest dunes.

Ensatina

Also known as a yellow-eyed salamander, these uncommon Presidio amphibians have been observed at Mountain Lake.



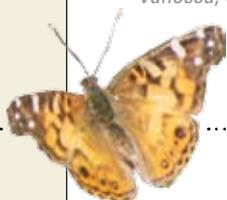
Anna's Hummingbird

Anna's hummingbirds live year-round in the park. In the 1800s Italian archaeologist Dr. Paolo Emilio Botta collected in or near the Presidio the first specimen of this hummingbird known. Its name refers to the wife of the Duke of Rivoli. Umunhum is the Ohlone word for Hummingbird. According to Ohlone folklore, the hummingbird stole fire from the badgers for cooking. While carrying the hot amber in its beak, the hummingbird's throat feathers turned the brilliant red color they are today.

American Lady Butterfly

The American Lady, one of 20 butterfly species seen in the Presidio, belongs to the genus *Vanessa*, which is Greek for butterfly. Johan

Christian Fabricius, a Danish entomologist, named the genus in 1807.



Nike Missile Site

At the height of the Cold War in 1954, an Ajax missile launching pad was located north of the Public Health Service Hospital. It was the only Nike battery to be given a name – Battery Caulfield – after former commander Lt. Col. Thomas D. Caulfield. The site, one of 12 around San Francisco bay, was inactivated in the 1960s. **8**

While the American Revolution loomed on the Atlantic coast, European powers vied for control of the Pacific shoreline. By 1773 Spain, which had been present in the New World for two centuries, had established two small presidios (forts) and missions as far north as Monterey, seeking to counter incursions from Russia and Great Britain.

To supply these settlements and expand northward to a valuable new port at today's San Francisco bay, the Viceroy of New Spain enlisted Lieutenant Colonel Juan Bautista de Anza. On October 23, 1775, Anza set out from Sonora, Mexico with more than 200 soldiers and settlers and their livestock on a 1,200 mile overland trek. More than half of the expedition members were children under the age of 12. Anza, Padre Pedro Font, and Lieutenant Jose Joaquin Moraga arrived at Mountain Lake in March 1776.

The Juan Bautista de Anza National Historic Trail commemorates this route. During the 1976 bicentennial, public interest in the Anza journey was stirred, and a "day to day" reenactment undertaken. The Heritage Trails Fund then sparked the idea of establishing a national historic trail, and Congress added the route to the National Trails System in August 1990. The route originates in Nogales, Arizona, and crests at the Golden Gate in "Alta California," beckoning others to follow in the footsteps of the adventurers.



Welcoming New Americans

Immigrant Point Overlook, built with a gift from the Sarlo Foundation of the Jewish Community Endowment Fund, is the second of eight planned scenic overlooks throughout the park. It is the backdrop for an annual naturalization ceremony with U.S. Citizenship and Immigration Services. **5**



Getting Connected

Last fall, the Presidio blazed a new section of the Bay Area Ridge Trail, which now links to the Anza trail near the Immigrant Point Overlook and picnic area. The new multi-use pathway winds peacefully through the historic forest behind the Washington Boulevard neighborhoods. **7**



Log Cabin

Built in 1937, the rustic Log Cabin was originally a non-commissioned officers' club. It later served as an enlisted men's club, and later still as an officers' mess with bar and lounge. In 2007, the rustic cabin underwent structural repairs. It is one of the park's most popular venues for weddings and events. **1**



Mission Revival Architecture

Built in 1912 as headquarters for the Coastal Artillery Corps, Fort Winfield Scott's architectural style has become emblematic of the Presidio and is the inspiration for the park's logo. **2**



Walk and Learn

Released in fall 2007, the second installment in the *KIDS on Trails* series takes children along the route of the founding Anza expedition, and helps them explore both the history and the nature of Mountain Lake. **9**



Camping at the Presidio – Bringing Children to the Park

The Trust's goal is to provide a meaningful experience for every child in the city. Rob Hill Campground, the only camping facility in San Francisco, is both protected and close to some of the wilder areas of the park. Multiple trails skirt the site, taking hikers from historic neighborhoods to the coastal bluffs, the Golden Gate Bridge, and the bay. It is a perfect place to introduce city kids to the out of doors.

In order to create camping opportunities for underserved youth, the Trust and the Golden Gate National Parks Conservancy established Camping at the Presidio (CAP). The program trains adults from community organizations and schools to provide camping experiences for their youngsters. In its pilot year, CAP trained 26 adult leaders and brought 270 youngsters to Rob Hill. Within the next five years, the program will serve more than 10,000 children.

A gift from the Evelyn and Walter Haas, Jr. Fund has made it possible to upgrade and expand Rob Hill Campground. The campground will be ready in time for the 2009 season.





Mountain
Lake Trail

Mountain Lake Trail traces the Presidio's southern border from the Pacific Ocean to the park's eastern gates. The trail cuts through neighborhoods, natural areas, playgrounds, and forest groves.

Length

2.6 miles (4.1 km)

Don't Miss

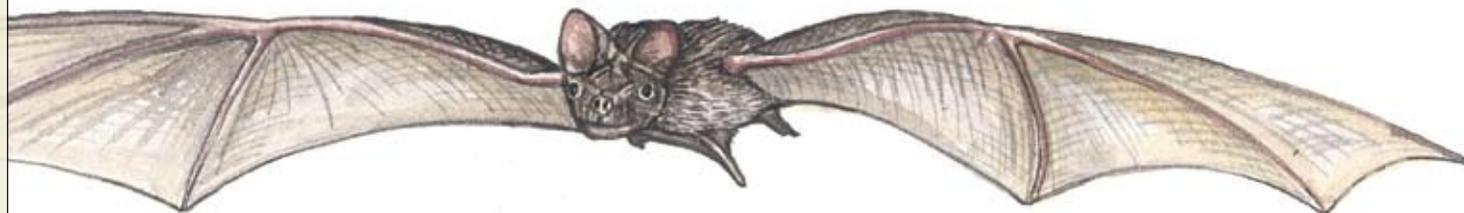
From Inspiration Point, catch views of Alcatraz, the Presidio forest, and the beautiful brick historic homes along Liggett Avenue.

For Kids

The public playgrounds at Mountain Lake Park and Julius Kahn Park are among the most popular in San Francisco.

Coming Soon

A Presidio Boulevard Overlook, to be located where Mountain Lake Trail and Lovers' Lane intersect, will offer a beautiful view into Tennessee Hollow.



Bat Diversity

At least six of the 13 bat species that can be seen in San Francisco live in the Presidio. These insect-eating bats inhabit the Mountain Lake area. The most common is the Mexican free-tailed bat. While other bats remain inactive for the winter months, Mexican free-tailed bats must feed every two weeks. They are also one of the fastest bats in the world, reaching flying speeds of 60 mph. **4**



Historic Golf Course

Founded in 1895, Presidio Golf Course is one of the oldest courses on the West Coast. Traditionally restricted to military officers, today the course and clubhouse are open to the public. **5**



Douglas Iris

Iris, which bloom in a wide range of colors, are named for the Greek goddess of the rainbow. The Douglas Iris, a Pacific coast native found in the Presidio, was named after a plant collector from England who sought plants in California that would thrive in the British climate. **1**

Historic Printing Press

The Presidio is home to Arion Press, the nation's largest fine printing establishment. It publishes limited-edition books, many of them printed by letterpress and illustrated by prominent artists. Arion Press is open to the public for gallery exhibitions, evening talks and readings by noted scholars and artists. **3**



Footsteps-of-Spring

One of the earliest wildflowers, footsteps-of-spring can be seen blooming as early as February in the Inspiration Point area. **6**



Dunes Again

As parts of an Army-era landfill near the former Public Health Service Hospital are addressed, the site will be covered with clean dune sand excavated from Golden Gate Park for the California Academy of Sciences and DeYoung Museum construction projects. This sand will support rare dune annuals including the endangered San Francisco Lessingia. **2**



The original Marine Hospital of San Francisco was established in 1875 to provide healthcare at no cost for maritime laborers from the world's ports. In 1902, the Marine Hospital became the Public Health Service Hospital.

From 1884 to 1912, a cemetery behind the hospital was the final resting place for about 500 sailors who died with no family or money to transport their bodies home. The Trust is researching the history of this cemetery so the stories of those buried can be commemorated. The following is excerpted from an 1896 article in the *San Francisco Call* entitled "Where Jack is at Rest." (author unknown)

"With all its wildness the mounds and white boards within [the cemetery's] rugged borders contain a romantic story. The story, however, in each instance is a buried romance of the sea. Every little hill marks the grave of a sailor....These dead sailors form a strange company as they lie side by side. They sailed to San Francisco in ships from every land under the sun....When the summons come for Jack to go aloft ... they place him...with his dress of the sea, which perhaps still savors the salt air and the unctuous pitch, into a plain stout redwood coffin....He is put under the sand with a board at his head, and, at least—he is with his mates. 3



West Pacific Grove

The effort to replace the faltering West Pacific Grove entered its third phase in 2007. To date, nearly 500 Monterey and Gowan cypress have been planted, some now reaching a height of more than 25 feet. 8



Playing Fields Update

The Presidio Trust held public workshops to explore the long-term vision for park playing fields. The Trust will increase the current number of playing fields (recognizing that some fields may need to be relocated); new fields will be placed in ecologically and historically appropriate areas. 9



Mountain Lake Enhancement

Neighbors, students, and park visitors continue to restore habitat at Mountain Lake during quarterly volunteer days. Recent years have seen a marked improvement in water quality. Planning continues for future restoration work along the eastern reach of the lake. 4



Rare and Resurgent

The Presidio clarkia, named for William Clark of the Lewis & Clark expedition, is an endangered wildflower that occurs in just three populations worldwide, one of which is Inspiration Point. For a decade, habitat enhancement has steadily increased its population. Throughout 2007, park staff tested methods, including fire control, to manage threatening invasive plants. 7



Beautifying the Arguello Gateway

In 2007, the Presidio Trust planted cypress, redbuds, olive and tea trees, and flowering ground cover to greet visitors at the Arguello Gate. Nearby more than one hundred young Monterey cypress were planted where the Bay Area Ridge Trail enters the Presidio forest. 6



Student Scientists and Volunteers

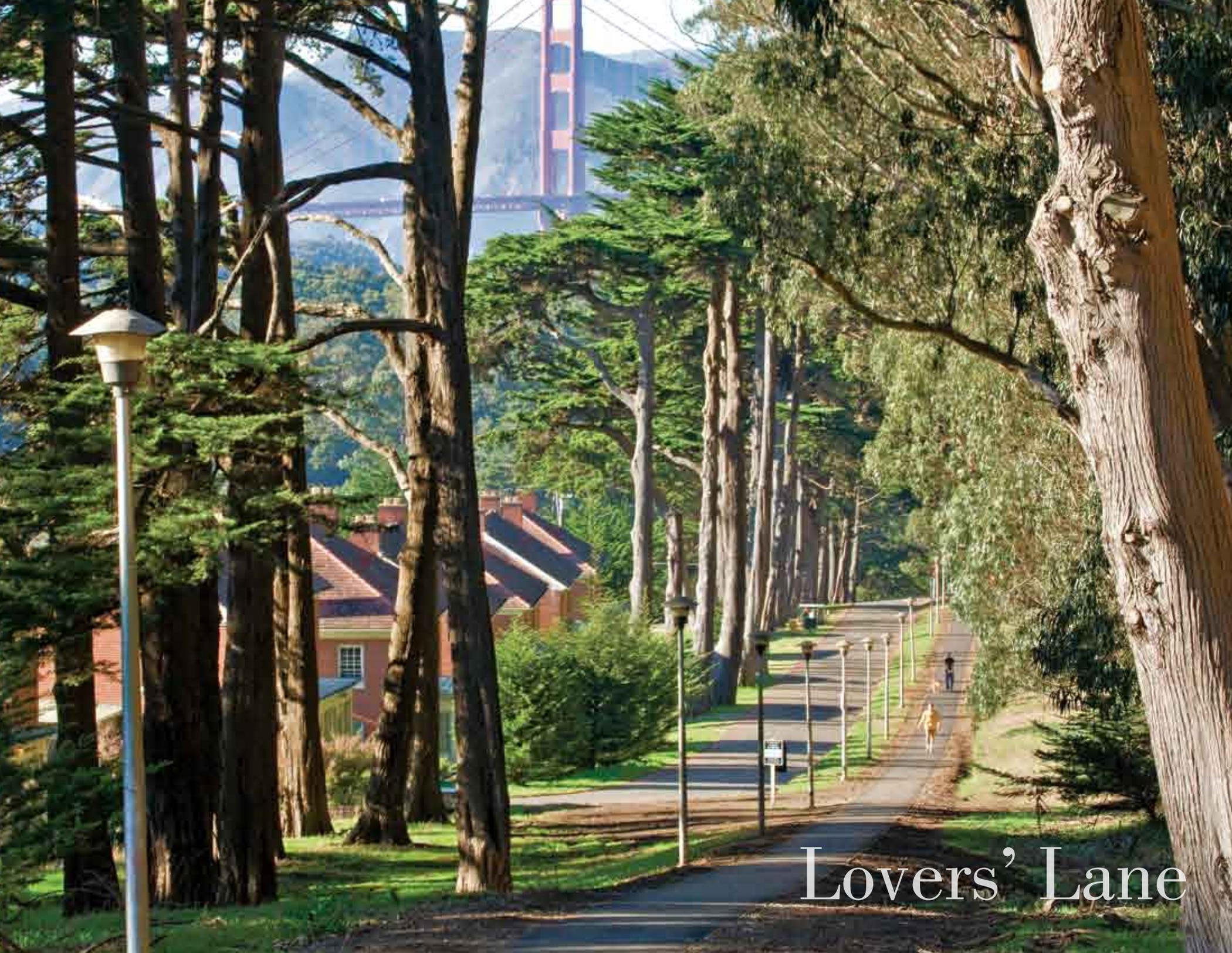
Through the California Academy of Sciences Mountain Lake Monitoring Project, kids from local schools observe reptiles and amphibians that live around Mountain Lake. Down the trail at the West Pacific Grove reforestation site, a 5th grade class weeded, planted, and picked up trash every week for an entire school year. 4



Public Health Service Hospital – Building a New Community

The presence of people in the Presidio is critical to its character. Nowhere is this more evident than at the Public Health Service Hospital district (PHSH), whose vacant buildings have been steadily deteriorating for more than 20 years. In May 2007, the Trust signed a Record of Decision to redevelop PHSH as a mixed-use community, and subsequently signed a development agreement with Forest City Development for the main hospital building, the park's largest historic building. Forest City will restore the buildings historic façade, and convert it into residential apartments. The Trust will rehabilitate the ancillary buildings and residences and undertake landscape and site improvements. A community trailhead in San Francisco's Richmond neighborhood invites people to the park via the PHSH site where many of the park's trails converge. Further trail improvements will establish PHSH as a principal entrance to the park. Construction begins in spring 2008 and the district should be ready for occupancy by 2011. The project will seek LEED (Leadership in Energy and Environmental Design) certification, and rehabilitation of the main hospital building will also qualify for historic tax credits. 3





Lovers' Lane

Lovers' Lane is among the oldest trails in the Presidio. It was originally used by Spanish soldiers seeking romance in the nearby city. The footpath links the Main Post to the Presidio Gate through the Tennessee Hollow watershed. It passes by eucalyptus groves, willow woodland, a quaint 1930s neighborhood, and a brick footbridge over El Polin Springs.

Length

0.9 mile (1.4 km)

Don't Miss

Take a full-moon stroll and listen for the call of a great horned owl.

For Kids

Peek over Lovers' Lane Bridge (c. 1885) and watch the creek as it disappears into a culvert on its way to Crissy Field Marsh.

Coming Soon

In coming years, El Polin Springs and the adjacent picnic area will be a place where visitors can learn about the Presidio's Native American and colonial past. Trails throughout Tennessee Hollow will provide opportunities to introduce visitors to the rich connection between human and natural history. **5**

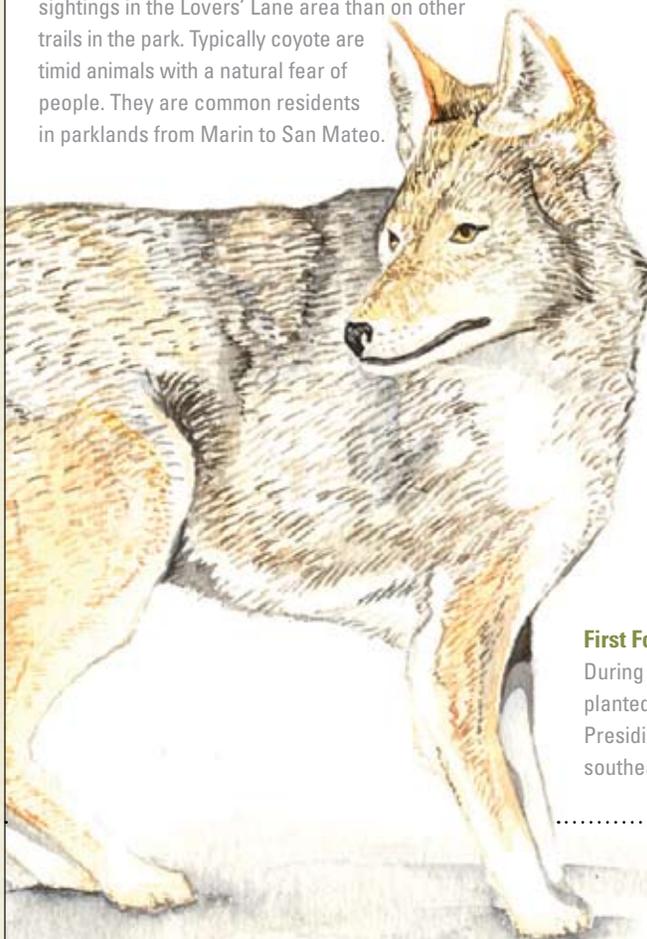


Historic Liggett Avenue

Built in 1939, the nine nearly identical brick duplexes along Liggett Avenue were originally constructed for just \$20,000 each. Their Georgian Revival architectural style was common in the 1930s. The homes are distinguished by their enclosed porches, hipped roofs, and Tuscan pilasters around the front doors. **3**

Coyote

In recent years, there have been more coyote sightings in the Lovers' Lane area than on other trails in the park. Typically coyotes are timid animals with a natural fear of people. They are common residents in parklands from Marin to San Mateo.



Raptors in the Eucalyptus

Raptors like the Red-shouldered hawk nest in the tall Blue-gum Eucalyptus trees located between Lovers' Lane and Presidio Boulevard. The Golden Gate Raptor Observatory has completed a two-year study to determine where nests are located in the park. Approximately 78 raptors, including young fledglings, were found in the Presidio in 2007. **2**

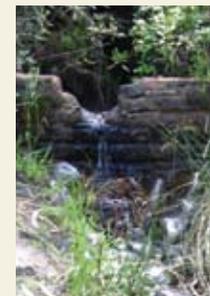


Officers' Row and "The Alameda"

During the summer of 1862, a dozen officers' quarters were built on the east side of the new parade ground (now known as Funston Avenue). Today "officers' row" is considered the oldest streetscape in San Francisco. Mid-way along the row, the Army built a beautifully landscaped oval alameda to welcome visitors entering the Main Post from Presidio Boulevard. **8**

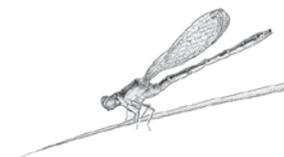
First Forest Grove

During California's first Arbor Day on November 26, 1886, school children planted 3,000 trees in the first mass-planting ever to take place at the Presidio. The trees, donated by mining magnate Adolph Sutro, are located southeast of the Main Post near Lovers' Lane.



Tributaries

Three creek branches flow through the Tennessee Hollow watershed. The eastern tributary has the most water and contains the longest stretch of riparian habitat, teeming with habitat for plants and wildlife. **5**



A Creek "Fly By"

Insects like dragonflies and damselflies depend on the freshwater from the creek fragments that stream through the Tennessee Hollow watershed.



Fresh water is central to the Presidio's history. An important part of the story unfolded at the springs west of Lovers' Lane. Fresh water here was important to native peoples and made it possible for Spanish soldiers to establish El Presidio (the original fort) on the slope above the northern waterfront. Early settlers believed the waters were so magical that any maiden who drank from them obtained great fertility. The Spaniards dubbed this area El Polin, the only named spring at the Presidio.

While the soldiers lived at the garrison, families and domestic support occupied the eastern valley known today as Tennessee Hollow. Prominent residents in the 1880s included Juana, Maria de la Luz, and Guadalupe Briones. These sisters, of African/Latino descent, played an important role in San Francisco's development and are celebrated today as astute businesswomen. Stanford University researchers, who have been working at El Polin since 2002, discovered a stone foundation of a Spanish-colonial/Mexican period adobe house, which likely belonged to the Briones family. Future field studies will enrich our understanding of this settlement and the complex relationship between colonists and the native peoples. This knowledge will help preserve the area's character and create interpretive gardens and other facilities to explain the site's history.

Queen Annes Reborn

In 1886, the Army built four field officers' quarters opposite "The Alameda" gateway on Officers' Row (Funston Avenue). Designed in a modified Queen Anne style, the homes feature rich architectural detail, including historic window styles and decorative moldings around doors. In 2007 the Trust began rehabilitation of the long-empty icon homes, carefully preserving their historic character. **8**



Discovering El Presidio

El Presidio is the name of the original fort established by the Spanish upon their arrival in 1776. In summer 2007, archaeology student from Cabrillo College worked with Trust researchers to excavate the site of a chapel built adjacent to the Officers' Club in 1780. Information from the site will help park stewards create a plan for preserving and interpreting El Presidio. **10**



Education for Bay Area Kids

The Presidio Trust Archaeology Department, in partnership with U.C. Berkeley, created a new classroom inside the historic Officers' Club, thought to be the oldest building in San Francisco. The Trust is working with local grade schools to develop a curriculum serving third and fourth grade students learning about California history. **9**

Paving the Way

In fall 2007 the trail surface along the footpath was replaced and eroded areas were repaired. A complete revitalization including benches and new signage is being planned for the entire span of Lovers' Lane. **4**



Maintaining Neighborhoods

The Presidio Boulevard neighborhood features a dozen historic homes built between 1915 and 1918 to house officers. In 2007, as the culmination of a maintenance upgrade that included many building repairs, the Trust relandscaped the neighborhood to return to its historic character. Nearby, roadway improvements enhanced safety for motorists, pedestrians, and bicyclists traveling on busy Presidio Boulevard. **6**



Presidio Gateway

In 2006, the Trust beautified the Presidio Gate, one of the most well-traveled portals to the park. Nearly four dozen Monterey cypress were planted along both sides of the roadway. When mature, these trees will recreate the dramatic forest canopy that historically greeted visitors, as early landscape planners envisioned. **1**



Galileo in the Watershed

For nearly a decade, Galileo High School environmental science students have used Tennessee Hollow as a classroom. The Urban Watershed Project, a Presidio non-profit founded by Doug Kern, was developed with curriculum support from U.C. Berkeley. The Program engages kids in science with hands-on field work, lab sessions, and new technologies like GIS. **7**



The Tennessee Hollow Upper Watershed – Balancing Resources

Draining from Inspiration Point to the Crissy Field marsh, the Tennessee Hollow watershed encompasses about 270 acres or 20 percent of the park. Much of the creek system is in underground pipes or lined channels, but the areas that remain provide some of the most valuable wildlife habitat in the region. Historic neighborhoods and beloved playing fields are also found in the watershed. Balancing creek restoration with other demands has been a key objective for the Trust in planning for Tennessee Hollow.

Over the past eight years, nearly 20 acres of the watershed have been renewed: rare grasslands have been restored; areas of the historic forest have been replanted; trails have been built; and the northern reach of the creek has been restored.

In August 2007, the Presidio Trust released an Environmental Assessment for the Upper Watershed. The plan calls for an additional 28 acres of habitat restoration, relocation and enhancement of playing fields, and an interpretive landscape at El Polin Springs that tells the story of the original Spanish settlement. One day the trail will allow visitors to experience an entire watershed, from the headwaters to the bay. **5**



Board of Directors

David H. Grubb is chairman of the Presidio Trust board of directors. He is chairman emeritus and former chief executive officer of Swinerton Incorporated, a prominent San Francisco-based general contractor. He has served on several cultural and business community committees and lends his support to a number of charitable organizations including: board of regents and trustees for Saint Patrick's Seminary, Zoological Society, The Meadow Club, and San Domenico School. Mr. Grubb previously served on the board of trustees for the Golden Gate National Parks Conservancy, chairing the projects committee which oversaw the restoration of Crissy Field. He earned a bachelor of sciences from Princeton University in 1958, and a master's degree in construction management from Stanford University in 1962. He was appointed as the Secretary of the Interior's designee to the Trust board in December 2003.

William Wilson, vice-chairman of the Presidio Trust board of directors, has founded and led Bay Area-based real estate investment firms for over 40 years, including William Wilson and Associates, Wilson/Cornerstone Properties, and Wilson/Equity Office. He currently serves as managing partner of Wilson Meany Sullivan, Inc. Previously, he founded the Borel Companies (1963), Webcor Builders Inc. (1971), and Rusty Scupper Restaurants (1980). Mr. Wilson serves on several boards, including the California Academy of Sciences, the Multiple Myeloma Research Foundation and Consortium, the Lawrenceville School in New Jersey (Emeritus), and the Stanford University Department of Athletics' Investment Trust (Emeritus). Mr. Wilson earned a bachelor of sciences in engineering from Stanford University in 1958. He was appointed to the Trust board by President George W. Bush in 2003.

Lydia Beebe is corporate secretary and chief governance officer of Chevron Corporation. She joined Chevron as an attorney in 1977, and was first elected corporate secretary in 1995. Ms. Beebe is a member of the State Bar of California and the American Bar Association. She served on the California Fair Employment and Housing Commission, which is responsible for enforcing state civil rights laws. She is a member of the San Francisco Municipal Fiscal Advisory Committee, serves on the board of Golden Gate University, and is Chairman for the Society of Corporate Secretaries and Governance Professionals. Ms. Beebe earned a bachelor's degree in journalism in 1974 and a doctor of law degree in 1977 from the University of Kansas. She obtained an MBA from Golden Gate University in 1980. She was appointed to the Trust board by President George W. Bush in 2003.

T. Robert Burke is the managing director of Metropolitan Real Estate Equity Management, and is the chairman and co-founder of Institutional Housing Partners. He is the former chairman and co-founder of AMB Property Corporation and was a partner with Morrison and Foerster from 1975 to 1984. Previously, he was a staff attorney with the National Housing Law Project of the O.E.O. Legal Services Program. He formerly served as a trustee for Stanford University, and served on the boards of the Stanford Management Company, Catholic Social Services of San Francisco, and the Fine Arts Museums of San Francisco. He is a member of the investment committee of the Hewlett Foundation and serves on the board of the UCSF Foundation. He holds a law degree (1967) and a bachelor of arts from Stanford University. Mr. Burke was appointed to the Trust board by President George W. Bush in 2005.

Nancy Conner has been a board member of the San Francisco Parks Trust since 1980, serving currently as past board chair. She also serves on the boards of the Golden Gate Park Concourse Authority and the San Francisco Symphony. Previously, she was a board member of the Bothin Foundation, the San Francisco Boys' Chorus, and the U.C. Berkeley Environmental Design Archives Advisory Board, among others. She co-founded the San Francisco Landscape Garden Show as a benefit event for city parks and recreation programs. She received a master's degree from Stanford University in 1967 and a bachelor of arts from Wellesley College in 1964. Ms. Conner was appointed to the Trust board by President George W. Bush in 2005.

Curtis F. Feeny testified before Congress when the Presidio Trust was first being formed. He brings to the Trust twenty-five years of experience in real estate development and capital investment. He is the managing director for Voyager Capital, a Venture Capital firm. He worked from 1992 to 2000 as executive vice president with Stanford Management Company at Stanford University. Previously he worked for twelve years with Trammell Crow Company and served on its board; he currently serves on the board of CBRE, which purchased Trammell Crow Company. He is also a board member for KIPP Bay Area. He previously served on the boards of the Children's Health Council and the Stanford Federal Credit Union. He graduated from the Harvard School of Business in 1981, and holds a bachelor of sciences magna cum laude from Texas A&M University. Mr. Feeny was appointed to the Trust board by President George W. Bush in 2005.

Joseph Yew, Jr., is finance director for the San Francisco Public Utilities Commission. Previously he was vice president of E.J. De La Rosa & Co., an investment banking firm, and served for five years as treasury manager for the City of Oakland. Mr. Yew has also served as assistant state treasurer and executive director of the California Debt Limit Allocation Committee in the State Treasurer's Office. He was an Alternate Board Member for State Treasurer on both the California Public Employees Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS). Mr. Yew serves on the board of the Chinatown YMCA and the Unity Council in Oakland. He earned a bachelor of arts in economics from the University of California at Irvine in 1988 and a master of industrial administration (MBA) from Carnegie Mellon University in 1992. He was appointed to the Trust board by President George W. Bush in 2003.

EXECUTIVE DIRECTOR

Craig Middleton leads the effort to preserve and enhance the Presidio as an enduring resource for the American people. The Trust was awarded the Urban Land Institute's Global Award for Excellence in 2006. Middleton was the Presidio Trust's first employee and has served as executive director since 2002. Previously, he worked closely with the Presidio Council, a blue-ribbon panel established by the Parks Conservancy to plan for the Presidio's transition, and was a senior aide to Congresswoman Nancy Pelosi (D-San Francisco). Middleton holds a master's degree in public administration from the Monterey Institute of International Studies and a bachelor's degree in social science from the University of California at Santa Barbara.



From left: Curtis Feeny, T. Robert Burke, Nancy Conner, Vice-Chair William Wilson, Executive Director Craig Middleton, Lydia Beebe, Joseph Yew, Jr., and Chairman David H. Grubb.

Organizations at the Presidio

3 Degrees	CB Richard Ellis	EcoTalk	Hamilton Zanze & Company	Lens Ventures	Pacific Union Real Estate Brokerage Company	Richard & Rhoda Goldman Fund	Thoreau Center for Sustainability
Acre Café	CDA Services LLC	Energy Foundation	Herbst International Exhibition Hall	Letterman Digital Arts Ltd./Lucasfilm	Planet Granite	Richard Beggs	Threshold Foundation
African American Association	Center for Citizen Initiatives	Environmental History Project	Hint, Inc.	Lexnet	Plant Construction Company	Rick Murray	Tides Center
Alexa Internet	Center for Leadership Renewal	Equal Access	Hub Strategy and Communications, Inc.	LoBue & Majdalany Management Group	Pohaku Fund	Rights Workshop	Tides Foundation
Alliance for California Traditional Arts	Center for Resource Solutions	Equity Community Builders, LLC	ICON Exhibits	London Bay Capital, LLC	Positive Coaching Alliance	RockRose Institute	Tweak Films
Althea Foundation	Children's Channel	e-Ride	Institute for the Study and Development of Legal Systems	Lone Mountain Children's Center	Pottruck Family Foundation	Room to Read	United Religions Initiative
America Invents, LLC	Clarium Capital Management	Eucalyptus Associates, Inc.	Intellectual Capital Partners	L.S.B. Leakey Foundation	Pres a Vi	Rough House Editorial	United States Postal Service
Angel Island Immigration Station Foundation	Columbia Foundation	Exploratorium	Interfaith Center	Marie Crouch	Presidio Bowling Center	Rubin Glickman	Van Acker Construction Assoc.
Ann Getty and Associates	Community Clinics Initiative	First Graduate	International Convention on Human Rights	Marin Horizon School	Presidio Café	Rudolf Steiner Foundation	Veracity, Inc.
ARCS Foundation	Constellation Fund	First Home, Inc.	International Forum on Globalization	Mary DeVries	Presidio Child Development Center	San Francisco Conservation Corps (1243)	Veritas, Inc.
Arion Press	Consultative Group on Biodiversity	First Republic Bank	Internet Archive	Medicine Restaurant Group	Presidio Community YMCA	San Francisco Film Centre	Verity Wealth Advisors, LLC
ArtSeed	Consumer Advocacy	Fleishhacker Foundation	InterScholastic Company, LLC.	MegaPixie	Presidio Dance Theatre Academy	San Francisco Film Society	W&JP Fund
ArtsFest	Core Studio	Foghorn Creative	Interview Clips	Miller Video and Film, Inc.	Presidio Fitness, LLC	San Francisco Gymnastics	W. Clement and Jessie V. Stone Foundation
Aviation Personnel International	Cow Hollow School	Foundation for Environmental Education	IQue Search	Mobility Plus	Presidio Golf Course	San Francisco Medical Society	Walt Disney Family Foundation
Babcock & Brown	Coyote Films	Francisco Partners Management	It's Yoga Kids	Monte Vista Management Company	Presidio Historical Association	San Francisco National Cemetery	Westbase Productions
Base Partners Inc.	Crissy Field Center	Friends of the Urban Forest	Jenifer Altman Foundation	New Field Foundation	Presidio IT	San Francisco Ocean Film Festival, Inc.	WestEnd Capital Management
Bay Area Ridge Trail Council	Crissy Field Media	Garden Conservancy	Joe Goode Performance Group	New Ways to Work, Inc.	Presidio Laser Medicine	San Francisco Psychotherapy Research Group	Wilderness Society, The
Bay Kids	Cultural Conservancy	Geographic Expeditions, Inc.	John Stewart Company/ Presidio Residences	Next Advisor Inc.	Presidio Performing Arts Foundation	San Francisco Ocean Film Festival, Inc.	Winton duPont Films
Bay School of San Francisco	DADA	GMAC Mortgage	Just Answer!	Nora Eccles Treadwell Foundation	Presidio School of Management	San Francisco Psychotherapy Research Group	World Business Academy
Bellingham Investment Management	Deborah Bellingham, L.M.F.T.	Goldman Environmental Prize	Just Think Foundation	Northern California Independent Booksellers Association	Presidio Social Club	SenSpa, LLC	World Wildlife Fund
Benningfield Financial Advisors	Dish Café	Gordon and Betty Moore Foundation	JVQ California	Object Health	Presidio Sport and Medicine	Serra Preschool	WorldLink Foundation
BLUM, Inc.	Divinely D'lish, LLC	Grabhorn Institute	KACO Solar	Offices of Susie Tompkins Buell	Presidio Wine Bunker Projects!	SF Green Clean	WorldLink Media
Body of Work	Door Dog Music Productions	Grantmakers Without Borders	King Oscar, Inc.	Omnia Foundation	Public Storage	Social Venture Network Solutions	Your Health
BoxIT	Douglas Wright Consulting	Greywolf Capital Management LP	La Petite Baleen	One World Children's Fund	R & A Investment Forestry	Solutions Alert	
Bright Minds Institute	Dreamfish	Groundspring.org	La Terrasse	Orphanage	Raven Group	Soma Development	
Buffalo Soldiers Museum and Library	Dropping Knowledge	Grove Consultants International	Layne Friedrich & Daniel Cooper	Pachamama Alliance	REDF	Sports Basement	
Building 38	Duler & Company	Haight Ashbury Free Clinics, Inc.	Ledoux Esquire Inc.	Pacific Forest Trust	Regeneration Project	State Farm	
California Clean Money Campaign	ECB Management Services, Inc.			Pacific Rip	Rex Foundation	Swords to Plowshares Veterans Academy	
California Engineering Contractors, Inc.	ECOR-SF Holdings, Inc.			Pacific Union Co.		Thomas Beischer	



Performance and Accountability Report

Years Ended September 30, 2007 and 2006,
with Report of Independent Certified Public Accountants



Performance and Accountability Report

Years ended September 30, 2007 and 2006

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Management’s Discussion and Analysis

MESSAGE FROM THE EXECUTIVE DIRECTOR

The Presidio Trust’s (the “Trust”) mission is to preserve and enhance the Presidio as an enduring resource for the American people. The fiscal year 2007 Annual Report illustrates our progress and demonstrates our commitment to transforming the Presidio into a great national park.

The Trust’s financial systems conform to government-wide standards, and the financial and performance data provided in this report are reliable and complete. No material internal control weaknesses have been identified.

OVERVIEW

The Presidio Trust is the federal corporation created by Congress to preserve, protect, and enhance the Presidio of San Francisco, a National Historic Landmark and a unique national park.¹

The Trust Act² mandates that the Trust become independent of annual federal appropriations by the end of fiscal year 2012. The Trust finances its operations through a direct appropriation, rental revenue from both residential and non-residential property, reimbursable agreements with other governmental agencies, and fees for services. Federal appropriations are invested in projects that generate revenue with the objective that earned revenue will replace federal appropriations by 2013.

The Trust assumed management of the Presidio in July 1998, and has made significant progress towards rehabilitating its historic landscapes and buildings, preserving and enhancing the Presidio’s natural beauty and native habitats, making the former military post inviting to the public, and finally towards establishing a strong economic foundation for the park’s future. In 2006, the Presidio Trust won the Urban Land Institute’s prestigious “Global Award for Excellence” for progress in implementing the *Presidio Trust Management Plan*.

The Trust’s operating costs have been fully covered by earned revenue since 2004, allowing the Trust to invest federal appropriations in building rehabilitation and preserving important cultural and natural resources. The Trust’s success to date is a good indicator that the agency is making wise use of appropriations, investing federal dollars effectively and establishing a strong source of revenues to support the park in perpetuity.

The Trust Act directs the Trust to adhere to the general objectives of the 1994 *General Management Plan Amendment for the Presidio* (GMPA) developed by the National Park Service (NPS), and to abide by the Government Corporation Control Act. As an independent executive branch agency, the Trust is also accountable to the Office of Management and Budget (OMB) and the Government Accountability Office (GAO). The Trust is required to submit annual reports to Congress, as well as quarterly and annual financial reports to OMB and the Department of the Treasury.

¹ *The Presidio Trust oversees the interior 1,100 acres of the Presidio, and the National Park Service manages the 300 coastal acres.*

² *P.L. 104-333, November 12, 1996, 16 U.S.C. 460bb appendix.*

MISSION, GOALS, AND ORGANIZATIONAL STRUCTURE

Mission and Goals

The Presidio Trust's mission is to preserve and enhance the Presidio as an enduring resource for the American people. To achieve this mission the Trust will transform the Presidio into a park, build a community to support the park, enhance the Presidio's scenic, natural and cultural resources, and forge public-private partnerships to finance the park. In so doing, the Trust seeks to become a model of park management. The Trust integrates financial and preservation goals to manage the Presidio in a way that meets the challenges specific to the Presidio.

In 2002 the Trust adopted *The Presidio Trust Management Plan: Land Use Policies for Area B of the Presidio of San Francisco* (PTMP) which sets the framework for how the Trust will balance resource preservation, public use, and revenue generation. The PTMP presents a vision of the Presidio as a unique park, one that is animated by people whose everyday activity – living in the post's homes and working in its historic buildings – is not only critical for its economic feasibility, but is also essential for preserving the Presidio's character.

In fiscal year 2005, the Trust developed a five-year strategic plan and identified four goals that are essential to achieving its mission:³

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

Organizational Structure

The Presidio Trust was established by Congress as a wholly-owned corporation of the federal government. Congress requires the Trust to be accountable for multiple mandates – cultural and natural resource preservation, park enhancement, and public use – while also ensuring that it develops the financial capacity to sustain the park in perpetuity. The Trust Act (Public Law 104-333) gives the Trust the flexibility to operate in the marketplace, make real-time decisions, and retain revenues to reinvest in the park.

Authority is vested in a seven-member board of directors, six of whom are appointed by the President of the United States, and the seventh is the Secretary of the Interior or the Secretary's designee. An executive director oversees an organization that includes a chief operating officer, chief of park projects and programs, chief financial officer, general counsel, director of public affairs, and other positions essential to operating this unique park.

³ *The Trust updated its strategic plan for fiscal years 2008-2012.*

FISCAL YEAR 2007 PERFORMANCE

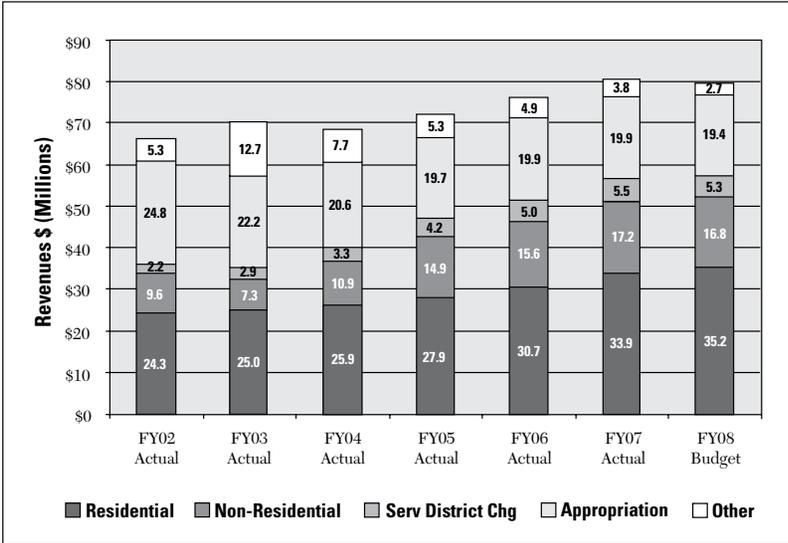
The *Fiscal Year 2007 Performance Report* presents a discussion of all goals identified in the Trust’s Budget Justification for that year. In the section which follows, management will discuss the most significant results of the year and provide information about the most important performance and financial demands, events, and trends facing the Trust.

Development of a Strategic Plan for Fiscal Years 2008 – 2012

During the fiscal year the Trust updated its five-year strategic plan which will serve as the basis for Budget Justifications and Annual Performance Reports from fiscal years 2008 to 2012. This plan includes, for the first time, a five-year construction schedule, which focuses on completing four of the principle districts of the Presidio: Main Post, Public Health Service Hospital, Crissy Field, and Thornburgh. Executing this ambitious plan depends on the Trust’s use of our leasing authority to enter into a ground lease which allows for the acceleration of future revenue.

Demand for both residential and commercial leased property continues to be strong in the San Francisco Bay Area, allowing the Trust to modestly outperform its revenue budget. The following table summarizes the growth in revenues for the period 2002 – 2008.

Because the rapid increase of construction costs threatens to decrease the investment return potential of existing opportunities, the Trust seeks to accelerate projects to the extent possible, consistent with forecast demand for leased space and within the constraints of the *Presidio Trust Management Plan*.



Philanthropic Gifts

In partnership with the nonprofit Golden Gate National Parks Conservancy, and the National Park Service, the Trust announced a \$15 million gift from the Evelyn and Walter Haas, Jr. Fund to continue the transformation of the Presidio into a great national park. This new gift supports the implementation of a comprehensive 24-mile pedestrian, hiking, and bicycle trail network at the Presidio, as well as the expansion of the Presidio’s Rob Hill Campground – the only overnight campground in San Francisco.

Late in the year, the Trust received an unsolicited proposal to establish a museum of contemporary art at the Main Post of the Presidio, funded by Doris and Don Fisher of San Francisco. This proposal remains

under study by the Trust and is being considered in the context of other competitive proposals. Nevertheless, the proposal is further evidence of the Trust's ability to develop substantial support for the further transformation of the Presidio.

Redevelopment of Main Post

Redeveloping the Main Post as the "Heart of the Presidio" is a priority of the Trust.

During fiscal year 2007 the Trust undertook improvements to Building 106 and also saw the start of construction for the rehabilitation of Buildings 104, 108 and 122 to serve as the home of a museum honoring the life of Walt Disney. Larkspur Hotels and Restaurants was selected as its development partner for providing lodging at the Main Post. The project will include new construction as well as rehabilitation of an historic building. The Trust is also completing the public review process to develop a great civic space and public esplanade on the Main Post Parade Ground.

Reuse of the remaining Montgomery Street Barracks is a priority of the 2008 – 2012 Strategic Plan, and the Trust has issued a request for proposals for Buildings 101, 103, and 105. Negotiations for Building 100 are near conclusion, and Building 102 remains to be programmed by the Presidio Trust and the National Park Service. The Trust's funding strategy for rehabilitating the buildings will permit the widest possible group of potential tenants to be considered for access to those historic facilities.

Rehabilitating the Civil War-era Victorians along Funston Avenue continues, and more than half of the buildings are complete with strong leasing interest. Funston is San Francisco's oldest existing streetscape. The project includes restoring the historic landscape and preserving the important el Presidio archaeological deposits that lie underneath.

Redevelopment of the Public Health Service Hospital District

In April 2007 the Trust signed a record of decision and a development agreement with Forest City Enterprises for the former Public Health Service Hospital Complex at the Presidio. The main hospital was closed in 1981 and has been empty awaiting rehabilitation. The selected project comprises 332,000 square feet of building space. The historic buildings on the site will be rehabilitated and the non-historic wings of Building 1801, the main hospital building, will be removed. The project will accommodate up to 186 residential units in 256,000 square feet, and a mix of cultural, office and educational uses in 76,000 square feet.

The Presidio Trust convened a series of five Public Community Working Group meetings in November and December, 2006, to review and discuss options for the size and redevelopment of the project. Members of local neighborhood groups, as well as civic and historic preservation organizations met with the Trust and representatives of Forest City Enterprises to develop a project that would allow the Trust to achieve the project's principle objective, that is to preserve the historic buildings located on the site, while minimizing impacts on the adjacent neighborhoods. Forest City intends to seek a silver level Leadership in Energy and Environmental Design (LEED) Green

Building Rating. The redevelopment of the site will include upgrades to the surrounding landscape and a new trail head.

Enhanced Public Access and Use of the Park

The Trust undertook a number of initiatives during the year to enhance public access and enjoyment of the park. As mentioned earlier, a gift from the Evelyn and Walter Haas, Jr. Fund is supporting expansion of trails and overlooks, as well as improvements to Rob Hill Campground. The Trust is also undertaking designs to increase the number of playing fields in the park and to improve existing ones.

The Trust released an Environmental Assessment (EA) for plans to enhance up to 28-acres within the Presidio’s Tennessee Hollow Watershed. The plans call for creek and habitat restoration, new trails, an interpretive garden, reorganization and rehabilitation of playing fields in the watershed, picnic areas, improved parking and circulation, and other visitor amenities. The Trust reached agreement with the former Presidio Golf Course concessionaire for the termination of that agreement, allowing the Trust to more directly manage the course for the greater benefit of the Presidio. Finally, the Trust has entered into discussions with the YMCA of San Francisco, which seeks to improve its recreational facilities at the Presidio.

Environmental Remediation

During the year the Trust continued the cleanup of environmental remediation sites left behind by the Army. Although obtaining the necessary state regulatory approvals for the Trust’s remedial action plans has taken longer than earlier anticipated, in 2007 the Trust did complete designs for and begin site cleanups at two Baker Beach sites, in addition to completing three other corrective action projects in the park. The Trust is working to control the costs of these projects, nonetheless, projections of estimated cost at completion of all work continues to escalate. As a result, in 2007 the Trust revised its total estimated cost at completion up by \$20.7 million.

FINANCIAL RESOURCES AND RESULTS OF OPERATIONS

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 2007 and 2006. Highlights of the financial information presented in the financial statements are shown below.

Balance Sheet

This statement is designed to show the Trust's position as of September 30, 2007 and in comparison to its position a year earlier.

The Trust's total assets were \$294.7 million at the end of fiscal year 2007, and \$275.7 at the end of fiscal year 2006. This growth of \$19.0 million in assets is primarily the result of the Trust's investment in property, plant and equipment, which grew in net by \$23.9 million during the year. Of the fiscal year 2007 total assets, \$98.9 million consisted of investments in U.S. Treasury securities.

There were \$145.4 million in liabilities at the end of fiscal year 2007, and \$141.3 million at the end of fiscal year 2006. Trust liabilities include \$50.0 million in debt to the U.S. Treasury. Payments on this debt are for interest only until 2015, and the debt is to be repaid in full by 2029. Fiscal year 2007 liabilities also include an environmental remediation cleanup cost of \$67.3 million, of which \$36.3 million is unfunded, with the balance funded by an advance from the Army.

The Trust's net position was \$149.3 million at the end of fiscal year 2007, and \$134.4 million at the end of fiscal year 2006, an increase in net position during the year of \$14.8 million. This increase is the

net effect of the substantial increase in assets offset in part by the recognition of the additional liability for environmental remediation.

Net Cost of Operations

This statement is intended to report net costs of the Trust as a component unit of the federal government and the net cost to the public. It demonstrates that the Trust had a net cost of operations of \$5.5 million during fiscal year 2007, substantially below the net cost a year earlier of \$23.5 million, as the Trust moves closer to financial self sufficiency.

While the net cost of the Trust's General Programs is reported at \$3.4 million in 2006, the net cost of the General Programs in 2007 is (\$3.0) million, indicating positive net income for the year and progress on the Trust's goal of becoming self sufficient. The net costs for the Environmental Remediation program in 2006 are reported at \$20.0 million, and declined to \$8.5 million in 2007.

Budgetary Resources

The Trust follows federal accounting standards. This statement reports on the Trust's budgetary resources, the extent to which obligations exist as claims on those resources, and the relationship of those obligations to outlays.

Budgetary resources amounted to \$157.1 million for 2007, compared to \$168.0 million a year earlier. Of this amount, the Trust obligated \$89.8 million in 2007 and \$106.3 million in 2006. Unobligated balances at the end of fiscal years 2007 and 2006 were \$67.3 million and \$61.7 million. This unobligated balance is due primarily to the advance of funds from the Army for environmental remediation and funds held for purposes other than operations, such as tenant security deposits and donations.

Risks and Uncertainties

The Presidio Trust is responsible for environmental cleanup of the Presidio. An environmental remediation study by third-party consultants was performed during fiscal year 2006, and Trust staff modified those estimates during 2007 as additional information became available. Management based its total estimated cost at completion on this study which makes certain assumptions at a point in time. Furthermore, external risk factors such as regulatory requirements and increases in construction costs will have an affect on the final costs. See **Note 10** to the accompanying financial statements for an in-depth discussion of the risks and uncertainties related to the environmental cleanup as of September 30, 2007. The Trust will periodically re-evaluate its estimates; however, actual costs will likely vary from these estimates.

LIMITATIONS OF THE FINANCIAL STATEMENTS

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 federal corporation, and therefore, liabilities cannot be liquidated without authorizing legislation.

The Financial Statements and footnotes have been prepared by management. The accuracy of the information contained in the principal Financial Statements and the quality of internal controls rests with management. Management is confident that sufficient segregation of duties and other internal controls exist so that the Financial Statements are reliable and complete.

The Financial Statements of the Trust have been audited by Grant Thornton LLP, an independent public accounting firm. Their opinion on our statements is contained in their letter, which is found herein.

MANAGEMENT ASSURANCES

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

Statement of Assurance on Internal Controls over Financial Reporting

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

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

Statement of Assurance on Financial Systems

The financial management systems of the Trust conform to federal financial system requirements, FASAB standards, and the U.S. Standard General Ledger at the transaction level.



Craig Middleton

November 14, 2007

EXHIBIT I**Summary of Scope Limitation and Management Action Plan****Internal Audit Finding**

The Trust received philanthropic grants and contributions from certain organizations. The Trust expects to continuously receive grants and contributions in the future. The Trust has not completed the documentation and testing of the internal controls on this process as of September 30, 2007.

Management Action Plan

The Trust will establish and document the controls and procedures to manage, record and report contributions and grants received by The Trust from various organizations and individuals in the year ahead. The Trust will summarize all internal controls in a control matrix and will evaluate and test the effectiveness of those internal controls in 2008.

Fiscal Year 2007 Performance Report

Strategic Goal 1: Preserve and enhance the Presidio’s rich historical, cultural, and natural resources

Strategic Objective	Fiscal Year 2007 Plan	Fiscal Year 2007 Results	Fiscal Year 2009 – 5 Year goal
<p>1.1 Preserve the Presidio’s historic buildings through re-use; capitalize on regional demand for housing and complete rehabilitation of the Presidio’s historic homes; secure unoccupied historic buildings to prevent damage due to weather, pests, and vandalism.</p>	<p>Begin design for PHSH; complete construction of ancillary buildings.</p> <p>Continue Montgomery Street Barracks leasing and rehabilitation; begin construction on 2 buildings; begin construction on Presidio Theater.</p> <p>Undertake preservation maintenance of historic buildings.</p> <p>Begin construction on Funston Avenue Civil War homes.</p> <p>Continue leasing and rehabilitation in West Crissy and Stables.</p> <p>Continue leasing and rehabilitation in Kobbe and Letterman districts.</p>	<p>The Trust reached an agreement with a master developer to redevelop the former hospital building; design work is under way. The Trust will undertake renovation of the ancillary buildings in coordination with work on the main facility.</p> <p>Bldg 104 is leased and is under construction; negotiations for Bldg 100 are nearing completion. Design contract issued for Bldg 101. Reuse of the theater is being explored. The Trust has issued an RFP seeking tenants for three additional barracks.</p> <p>Completed preservation maintenance on two buildings, Bld 965 and 1369 (9000 SF); developed maintenance scope for Wyman Terrace and Ft. Scott buildings.</p> <p>Rehabilitated the four Queen Ann Victorians; Buildings 11-16 Funston are under construction. The Funston historic neighborhood will be completed in FY2008.</p> <p>Leases signed for three buildings; signed Letter of Intent for two buildings. Exploring NPS use of two stables.</p> <p>Completed construction and leased Kobbe Buildings 1334 and 1337. Building 1330 will be completed in FY2008. Letterman district leasing is ongoing.</p>	<p>Rehabilitate approximately 930,000 square feet of historic buildings for reuse; assess preservation priorities annually and prevent loss of significant historic structures through preventive maintenance.</p>

Strategic Goal 1: Preserve and enhance the Presidio's rich historical, cultural, and natural resources

Strategic Objective	Fiscal Year 2007 Plan	Fiscal Year 2007 Results	Fiscal Year 2009 – 5 Year goal
<p>1.2 Convert the even-aged historic forest to a healthier, more sustainable uneven-aged forest through incremental reforestation and innovative forestry practices.</p>	<p>Begin RFP process for Thornburgh.</p> <p>Renovate 75,035 square feet of historic facilities.</p> <p>Continue reforestation of key historic stands.</p> <p>Total: 3.1 acres</p>	<p>A master developer will be selected by December 1, 2007.</p> <p>Completed renovation of 60,474 square feet and are under construction for the renovation of another 79,357 square feet of historic facilities.</p> <p>2.5 acres were planted in FY07; 10.8 acres were maintained in FY07.</p> <p>3.1 acres of trees were removed in FY07 to allow for reforestation in the winter of 07/08.</p> <p>All trees rated a ten (hazard) have been abated. 30 trees rated a nine were also abated.</p>	<p>Reforest 10-15 acres, approximately 10% of the acreage that is declining, staggering its replanting while retaining its historic character; maintain all forested areas to minimize loss of healthy trees; and mitigate hazardous conditions.</p>
<p>1.3 Restore historic character of designed landscapes, while using contemporary landscape practices.</p>	<p>Complete construction drawings for Main Parade.</p> <p>Complete Lombard Hill.</p> <p>Break ground on 4th overlook.</p> <p>Complete upgrades to Rob Hill Campground.</p> <p>Improve landscape in 2 additional residential neighborhoods.</p> <p>Total: 8 acres</p>	<p>Design/development drawings are completed; construction documents have been put on hold pending compliance. Environmental review completed on November 2, 2007.</p> <p>Completed.</p> <p>Secured donated funds for Crissy Field Overlook; construction to begin fall 2007.</p> <p>Secured funds for campground expansion and improvement; construction estimated to begin early 2008.</p> <p>Completed landscape restorations in the historic Presidio Terrace and Queen Anne neighborhoods.</p>	<p>Rehabilitate 25-30 acres of the Presidio's 690 acres of designed landscapes, focusing on the park's most historically significant landscapes, such as residential neighborhoods and entry corridors; establish a zone management plan for ongoing landscape maintenance.</p>

Strategic Goal 1: Preserve and enhance the Presidio’s rich historical, cultural, and natural resources

Strategic Objective	Fiscal Year 2007 Plan	Fiscal Year 2007 Results	Fiscal Year 2009 – 5 Year goal
<p>1.4 Further the understanding and preservation of the significant archeological resources of the Presidio.</p>	<p>Continue operational activities. Begin excavation of <i>El Presidio</i>.</p> <p>Fundraise for Archaeology Center (Bldg 50).</p> <p>Provide educational programs.</p>	<p>Continued Excavation underway at the 1780 Chapel Site. Collaborative research design initiated. Lab Manual in development.</p> <p>Secured \$104,000 grant to fund education development at Archaeology Center.</p> <p>Education programs continued in partnership with Crissy Field Center. New curriculum development underway in partnership with U.C. Berkeley.</p>	<p>Monitor all excavations in archeologically sensitive areas, approximately 300 per year; inventory all items uncovered through excavation; begin implementation of the archaeological management strategy for the El Presidio quadrangle.</p>
<p>1.5 Remediate former Army landfills and petroleum sites to a standard befitting a national park site.</p>	<p>Finalize and Sign RAP 4 and RAP 5.</p> <p>Finish designs and perform clean up work at ten CERCLA sites.</p>	<p>RAP 4 is delayed at the request of Cal-EPA for more soil and groundwater data before the RAP is submitted for regulatory review. At Cal-EPA request, RAP 5 will be delayed until more progress is made on RAP 4.</p> <p>The draft designs for 12 RAP 3 CERCLA sites will be submitted to Cal-EPA in December 2007; work is scheduled to begin in early 2008.</p> <p>Designs for two CERCLA sites (Baker Beach 1 and 2A) were finished in July 2007; work began that same month. Two other CERCLA sites (Baker Beach 1A and 2) were delayed at the request of the regulatory agencies.</p>	<p>Finalize and Sign RAP 6 (the RAP for Miscellaneous Sites).</p> <p>Perform remedial action cleanup work at Landfill 8 and Landfill 10 sites.</p> <p>Perform remedial action cleanup work at firing range sites.</p>

Strategic Goal 1: Preserve and enhance the Presidio's rich historical, cultural, and natural resources

Strategic Objective	Fiscal Year 2007 Plan	Fiscal Year 2007 Results	Fiscal Year 2009 – 5 Year goal
<p>1.6 Restore the natural processes of the Presidio, giving special attention to areas which support special status species and Presidio wildlife; protect, rehabilitate, and enhance natural water sources.</p>	<p>Complete FS 5 grassland/shrub habitat; continue FS 6.</p> <p>Begin Tennessee Hollow designs and develop funding strategy.</p> <p>Contain exotic species to 30% on 95.9 acres; initiate planting of native plants at Baker Beach residential area.</p> <p>Expand nursery; maintain supply of native plants.</p> <p>Complete three wildlife inventories.</p>	<p>Designs were completed for three corrective action plan sites. Cleanup work was completed at one site (Commissary PX-Phase 1); work began in October 2007 at a second (the Building 1065 Area site); work will begin at a third site (Building 1349 Area) in November 2007. Final designs for a fourth site (Building 207/231 Area) will be finalized in early 2008; cleanup work is scheduled to begin May 2008.</p> <p>Completed 2.7 acres of restoration at FS 5; continued restoration of FS 6.</p> <p>Designs for <i>el Polin</i> and the Eastern Tributary of Tennessee Hollow will be completed in FY2008.</p> <p>Contained exotic species to 30% on 50 acres of native habitat; planting of native plants at Baker Beach residential area ongoing.</p> <p>Expanded nursery by 5000 plants, and maintained supply of native plants.</p> <p>Completed inventories of reptiles, amphibians, dragonflies, damselflies, butterflies, raptor nesting, and the two-year winter bird survey.</p>	<p>Revegetate 10 acres of native habitat; provide 75 percent of the native plants needed for restoration projects from the Presidio Nursery; contain the incursion of exotic species to 30 percent cover in rare and sensitive habitats; complete wildlife inventory; restore 3.2 acres of natural wetland and riparian habitat, and continue wetland protection and enhancement activities.</p>

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

Strategic Objective	Fiscal Year 2007	Response	Fiscal Year 2009 – 5 Year goal
2.1 Rehabilitate and lease the Presidio’s residential properties.	Increase revenues to \$27.71 million.	Revenues increased to \$33M.	Complete residential rehabilitation program, and increase residential revenues to \$29.3 million.
2.2 Rehabilitate and lease the Presidio’s non-residential properties.	Increase revenues to \$21.71 million.	Revenues increased to \$22.8M.	Complete LDA, PSHH, Main Post, and West Crissy, and increase non-residential revenue to \$25.6 million.
2.3 Develop Philanthropy for park enhancements.	Continue in partnership with Golden Gate National Parks Conservancy to develop philanthropy.	In partnership with the Parks Conservancy, the Trust received a gift of \$4 million and a pledge for another \$11 million contingent on receiving a \$7 million match in gifts for Area B projects.	Raise \$25-30 million for park enhancements: Trails and Overlooks, Rob Hill Campground, Main Parade Ground.
2.4 Generate revenue through special uses of park venues.	Generate \$1.75 million.	The Trust generated \$1.65 million in FY07; the Log Cabin was closed for three months for structural rehabilitation.	Increase annual special events revenues by 100% to \$2 million.

Strategic 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

Strategic Objective	Fiscal Year 2007 Plan	Fiscal Year 2007 Results	Fiscal Year 2009 – 5 Year goal
3.1 Maintain a safe workplace and increase productivity.	Reduce current Worker's Compensation by 10% from the prior year level.	The Trust reduced Worker's Compensation by 31% from FY06.	Exceed OSHA injury/illness reduction goal of 3% per year, and reduce lost-work days by 50% each year to achieve a rate that is less than the average for comparable federal agencies.
3.2 Minimize vehicular traffic in the park and encourage alternative means of transportation.	30% of work-based trips are by other than single-occupancy vehicle trips. Complete residential permit parking program. Regulate and charge for all parking in the Main Post. Determine whether Commuter Shuttle needs to be expanded.	Low traffic gate counts and high shuttle ridership indicate we are achieving this goal. Residential permit parking completed in all intended occupied neighborhoods. Main Post on hold for complete parking plan implementation. Daily weekday ridership averages over 1000/day; commuter shuttle expanded twice in 2007 to meet demand; extending service to Caltrain in 2008.	Implement transportation management program to reduce automobile use in the park so that at least 35 percent of work-based trips are by means other than single-occupancy vehicles; all residential and public parking is paid for either through permits or meters.
3.3 Improve operational efficiency.	Reduce occupancy to 650,000 square feet.	NPS currently occupies approximately 277,000 square feet and the Trust occupies 411,000 square feet.	Reduce by 20 percent the amount of building space occupied by the Trust as well as by the NPS operations.
3.4 Upgrade the Presidio's infrastructure to meet increasing needs of building occupancy and public use of the park, as well as to encourage resource conservation and efficient operations.	Continue utility upgrades; complete upgrades at West Crissy. Determine the potential for further offloading of utilities billing. Begin construction of recycled water reclamation plant.	Completed West Crissy spine; completed utility and infrastructure strategy that identified long-term operation and capital renewal costs for managing and upgrading the Trust's systems. 17% of utilities are billed to residential tenants; remaining will be billed in 2008. Construction of final phases of the water treatment plant postponed to FY 2010. Financial analysis of the plant completed in FY 2007.	Develop and implement an infrastructure master plan to coordinate infrastructure planning with real estate leasing projects; charge the cost of utilities directly to consumers, where feasible, offsetting the Trust's operating cost for utilities by 60 percent.

Strategic 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

Strategic Objective	Fiscal Year 2007 Plan	Fiscal Year 2007 Results	Fiscal Year 2009 – 5 Year goal
<p>3.5 Address necessary upgrades and long-term maintenance of roads and grounds – landscapes, paved areas, and sidewalks – to support revitalization of Presidio districts and to ensure visitor orientation and safety.</p>	<p>Upgrade residential sidewalks. Continue ADA compliance program. Convert to automatic systems and conserve water and labor.</p> <p>Incorporate upgraded landscapes into maintenance plan.</p>	<p>In process In process New landscape projects include automatic irrigation. Conversion of existing landscape to automated systems on hold due to budget constraints. In process</p>	<p>Maintain and upgrade paved areas, with special attention to ADA compliance; incorporate 25-30 acres of newly rehabilitated landscapes into zone maintenance plan.</p>
<p>3.6 Conserve water, reduce waste, and prevent pollution in the park.</p>	<p>Construct recycled water plant (see 3.5). Divert 60% of waste. Compost 605 cubic yards of green debris.</p>	<p>Postponed to FY 2010. Financial analysis completed in FY 2007. Goal exceeded. Collected and composted on site over 2,300 cubic yards of green debris; produced approximately 1,000 cubic yards of compost material; created 9,000 gallons of compost tea for use throughout the park.</p>	<p>Apply water conservation practices in grounds maintenance and building upgrades; compost “green debris” to support grounds management; maintain low use of chemicals throughout the Presidio.</p>
<p>3.7 Effectively manage corrective and cyclic maintenance of occupied buildings; maintain residential properties in support of Trust leasing activities to a standard appropriate to a national park; preserve unoccupied historic buildings.</p>	<p>Complete cyclic maintenance on 15% of occupied residents. Reduce turn times to 20-25 days. Undertake preservation on identified historic buildings. Survey residential tenants.</p>	<p>Completed cyclic maintenance on 340,125 SF, or 17% of the residential buildings. Achieved a 22-day average for turning vacated residential units. Completed preservation maintenance on two buildings (9000 SF); developed preservation maintenance scope for the buildings in Wyman Terrace and Ft. Scott area (See 1.1). Achieved a satisfaction rate of 86%.</p>	<p>Achieve a 100 % customer satisfaction in responding to corrective work order requests; implement cyclic maintenance program and re-roof, paint, and address deferred maintenance as practical for 60 percent of the Presidio’s occupied residential units; complete standard “turns” of vacated residential units in an average of 15 days; establish annual preservation maintenance priorities and stabilize all historic buildings that are not identified as part of near-term development projects.</p>

Strategic Goal 4: Encourage public use, understanding, and enjoyment of the Presidio as a park

Strategic Objective	Fiscal Year 2007	Response	Fiscal Year 2009 – 5 Year goal
4.1 Provide opportunities to enjoy and understand the Presidio's history and resources; provide opportunities for park stewardship and program participation.	Produce 40 special events. Show incremental increase in program and volunteer participation.	More than 85,000 participated in races and events, including 18,000 at the annual Aloha Festival. Nearly 42,000 enjoyed cultural and educational programs. Program and volunteer participation has increased. Archaeology volunteer hours converted to 120 person/days; 3940 participated in Natural Resource programs; Natural Resource volunteer hours converted to 7647 person/days. Camping at the Presidio initiated with the Parks Conservancy; 296 participated.	Increase participation in educational and cultural programs, special events, festivals, and tours by 50 percent, from 150,000 per year to 225, 000; increase volunteer participation in park programs by 25 percent.
4.2 Provide current information and opportunities for public discussion and comment.	Publish quarterly newsletter; provide project updates; operate and maintain library; keep website current; conduct a minimum of 4 public meetings and 2 public board meetings a year.	Met or exceeded targets.	Publish quarterly newsletters; operate and maintain library and website, making public information widely available in a timely manner; conduct a minimum of 2 public board meetings and 4 public meetings annually.
4.3 Improve public access and orientation.	Construct public amenities throughout the park; complete Main Post signage project; continue wayside program. Solicit public uses for Montgomery Street Barracks. Address ADA upgrades in public buildings.	Main Post historic street signs completed; wayside designs for Promenade and Main Post historic walk will be completed in FY2008. RFP for public uses in remaining Montgomery Street Barracks released summer 2007; responses due November 2007. Established an ADA program and upgraded public buildings (Log Cabin, 34, 50, 135) to extent feasible without full rehabilitation.	Complete construction of the Main Post Transit Center; complete installation of bus shelters; develop a coherent system of signs and waysides; facilitate completion of a Presidio Visitors' Center; establish lodging at the Presidio.

Strategic Goal 4: Encourage public use, understanding, and enjoyment of the Presidio as a park

Strategic Objective	Fiscal Year 2007	Response	Fiscal Year 2009 – 5 Year goal
4.4 Improve and increase recreational opportunities; survey use and visitor satisfaction.	Construct 6 miles of new trail. Translate <i>Kids on Trail</i> . Construct 4th overlook. Complete Rob Hill Campground improvements. Conduct user surveys.	Secured \$15 million grant; first payment awaiting matching funds. Construction on projects begins in FY08. <i>Kids on Trails</i> translated into Spanish. Construction of third overlook begins in November 2007. Construction begins in early 2008. Completed residential tenant survey and Trust employee survey during FY2007. User surveys will be taken by the Golden Gate National Parks Conservancy in summer 2008.	Complete construction of 24 miles of new or rehabilitated trails and four scenic overlooks; develop a Presidio Trails Guide, and create two additional <i>Kids on Trails</i> guides; complete rehabilitation of Rob Hill Campground; operate and maintain trails, picnic grounds, ball fields, campground, and public restrooms to meet user satisfaction by a minimum of 75%.

Chief Financial Officer Letter

In July, 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 were more 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 (PP&E)* – requires PP&E to be recognized when title passes to the entity. Additionally, SFFAS No. 6 requires that the cost of general PP&E transferred from other federal entities be at the cost recorded by the transferring entity, net of accumulated depreciation; if such amounts cannot be reasonably ascertained, the cost of the PP&E is to be its fair value at the time transferred.

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 more than 40 years old and land improvements have been valued at zero net book value but may still have a net value. Under SFFAS No. 6, the Trust should have recorded these improvements at fair value. Estimating the fair market values of these improvements would be a process that would be lengthy, cost prohibitive, and would result in information that is meaningless to the users of the Trust's financial statements.

Periodically, the Trust will evaluate the cost/benefit of removing this qualifying statement from the otherwise clean opinion received from the independent auditors.



Michael Rothman
November 14, 2007

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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, 2007 and 2006, the related statements of net cost, changes in net position, and budgetary resources 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 and 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. 06-03, *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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Trust’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 (PP&E)* – requires PP&E to be recognized when title passes to the entity. Additionally, SFFAS

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No. 6 requires that the cost of general PP&E 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 PP&E is to be its fair value at the time transferred.

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, 2007 and 2006, and its net costs, its changes in net position, and budgetary resources 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 Management's Discussion and Analysis and the information presented in the Required Supplementary Information 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 14, 2007, 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 14, 2007
San Francisco, California

Financial Statements

BALANCE SHEETS

	SEPTEMBER 30,	
	2007	2006
ASSETS		
Intragovernmental Assets		
Fund Balance with Treasury [NOTE 2]	\$ 5,029,660	\$ 6,174,848
Investments [NOTE 4]	98,937,233	105,067,623
Accounts Receivable, Net [NOTE 5]	2,472,462	2,186,274
	106,439,355	113,428,745
Cash and Other Monetary Assets [NOTE 3]	3,365	500
Accounts Receivable, Net [NOTE 5]	2,221,853	1,277,107
General Property, Plant, and Equipment, Net [NOTE 7]	170,069,589	146,150,998
Other Assets		
Government Improvement Accounts [NOTE 8]	34,410	281,372
Advances [NOTE 8]	0	1,167
Prepayments [NOTE 8]	755,687	825,184
Deferred Rent Receivable [NOTE 8]	15,184,789	13,763,093
	188,269,693	162,299,421
TOTAL ASSETS	294,709,048	275,728,166
LIABILITIES		
Intragovernmental Liabilities		
Accounts Payable	1,248,079	4,756,593
Debt [NOTE 9]	49,978,000	49,978,000
Other Liabilities		
Employer Contributions Payable [NOTE 11]	170,563	164,959
Other Post Employment Benefits Payable [NOTE 11]	1,269,157	1,506,643
Unearned Revenue [NOTE 11]	4,066,132	3,406,275
Prepaid Rents [NOTE 11]	0	1,199
FECA Actuarial Liability [NOTE 11]	32,611	33,414
Total Intergovernmental Liabilities	56,764,542	59,847,083
Accounts Payable	10,884,265	5,670,941
Other Liabilities		
Environmental Remediation Liability [NOTE 10]	67,292,671	66,818,169
Contingent Liabilities [NOTE 14]	115,000	269,000
Security Deposits [NOTE 11]	4,138,510	3,816,252
Unearned Revenue [NOTE 11]	2,021,485	1,003,325
Payroll Payable [NOTE 11]	1,079,753	1,023,632
Annual Leave Liability [NOTE 12]	1,830,484	1,793,301
Unfunded Accounts Payable [NOTE 12]	130,354	109,645
Rent Credit Liability [NOTE 12]	116,337	0
Prepaid Rents & Services [NOTE 11]	971,232	946,543
Other Liabilities [NOTE 11]	89,594	0
	88,669,685	81,450,808
TOTAL LIABILITIES	145,434,227	141,297,891
NET POSITION		
Cumulative Results of Operations – Other Funds	149,274,821	134,430,275
TOTAL NET POSITION	149,274,821	134,430,275
TOTAL LIABILITIES & NET POSITION	\$ 294,709,048	\$ 275,728,166

The accompanying notes are an integral part of these statements.

STATEMENTS OF NET COST

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2007	2006
PROGRAM COSTS		
Presidio Trust – General Program		
Intragovernmental Gross Costs [NOTE 15]	\$ 16,361,673	\$ 21,410,085
Less: Intragovernmental Earned Revenues [NOTE 15]	5,560,873	4,669,955
Intragovernmental Net Costs	10,800,800	16,740,130
Gross Cost with the Public	50,515,090	45,513,144
Less: Earned Revenues	64,320,336	58,820,834
Net Costs with the Public	(13,805,246)	(13,307,690)
Total Net Cost General Program	(3,004,446)	3,432,440
OTHER PROGRAMS		
Environmental Remediation		
Intragovernmental Gross Costs [NOTE 15]	335,274	382,815
Less: Intragovernmental Earned Revenues [NOTE 15]	18,388,527	10,657,540
Intragovernmental Net Costs	(18,053,253)	(10,274,725)
Gross Cost with the Public	27,317,372	30,379,541
Less: Earned Revenues	719,211	79,874
Net Costs with the Public	26,598,161	30,299,667
Total Net Cost Remediation Program	8,544,908	20,024,942
NET COST OF OPERATIONS	\$ 5,540,462	\$ 23,457,383

The accompanying notes are an integral part of these statements.

**STATEMENTS OF CHANGES
IN NET POSITION**

	FOR THE YEARS ENDED SEPTEMBER 30,			
	2007		2006	
	<i>Cumulative Results of Operations</i>	<i>Unexpended Appropriations</i>	<i>Cumulative Results of Operations</i>	<i>Unexpended Appropriations</i>
Beginning Balances	\$ 134,430,275	\$ 0	\$ 136,886,632	\$ 0
Budgetary Financing Sources				
Appropriations Received	0	20,059,388	0	20,000,000
Other Adjustments (rescissions, etc.) (+/-)	0	(199,048)	0	(95,200)
Appropriations Used	19,860,340	(19,860,340)	19,904,800	(19,904,800)
Other Financing Sources				
Imputed Financing from Costs Absorbed by Others	524,668		1,096,226	
Total Financing Sources	20,385,008	0	21,001,026	0
Net Cost of Operations	5,540,462		23,457,383	
ENDING BALANCES	\$ 149,274,821	\$ 0	\$ 134,430,275	\$ 0

The accompanying notes are an integral part of these statements.

**STATEMENTS OF
BUDGETARY RESOURCES**

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2007	2006
BUDGETARY RESOURCES		
Unobligated Balance – Brought Forward, October 1	\$ 61,693,398	\$ 82,020,326
Appropriation	20,059,388	20,000,000
Spending Authority from Offsetting Collections		
Collected	85,742,376	70,673,431
Change in Receivables from Federal Sources	1,243,656	2,137,724
Advance Received	(11,421,479)	(6,705,159)
Total Spending Authority from Offsetting Collections	75,564,553	66,105,996
Permanently Not Available	199,048	95,200
TOTAL BUDGETARY RESOURCES	\$ 157,118,291	\$ 168,031,122
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred		
Reimbursable	\$ 89,824,090	\$ 106,337,724
Unobligated Balances – Available		
Apportioned	67,294,201	61,693,398
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 157,118,291	\$ 168,031,122
CHANGE IN OBLIGATED BALANCE		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 53,252,453	\$ 35,011,131
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(5,740,002)	(3,602,279)
Total Unpaid Obligated Balance, Brought Forward, October 1	47,512,451	31,408,852
Obligations Incurred Net (+/-)	89,824,090	106,337,724
Less: Gross Outlays	(101,451,425)	(88,096,403)
Change in Uncollected Customer Payments from Federal Sources (+/-)	(1,243,656)	2,137,724
Obligated Balance, Net, End of Period		
Unpaid Obligations	41,625,118	53,252,453
Less: Uncollected Customer Payments from Federal Sources	(6,983,658)	(5,740,002)
TOTAL UNPAID OBLIGATED BALANCE, END OF PERIOD	\$ 21,770,469	\$ 67,891,496
NET OUTLAYS		
Gross Outlays	101,451,425	88,096,403
Less: Offsetting Collections	(74,320,897)	(63,968,272)
Less: Offsetting Receipts	(2,374,311)	(4,844,294)
NET OUTLAYS	\$ 29,504,839	\$ 28,972,425

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

September 30, 2007 and 2006

1. THE PRESIDIO TRUST AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Trust Act (P.L. 104-333). The Trust’s mission is to preserve and enhance the Presidio as an enduring resource for the American public. In this context the Trust is required to 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 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 five years, 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:

The Accounting Standards

These 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 of America (GAAP), and the form and content specified by the Office of Management and Budget (OMB) in OMB Circular No. A-136, “Financial Reporting Requirements”.

GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), designated by the American Institute of Certified Public Accountants (AICPA) as the official standards setting body for 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 (USSGL). 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 obligation occurs. 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), probable future sacrifices of economic benefits (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.

Intragovernmental assets are receivables due to the Trust and funds held by other federal entities.

LIABILITIES represent amounts owed by the Trust as the result of transactions that have occurred.

Intragovernmental Liabilities are claims against the Trust by other federal entities.

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

Budgetary Financing Sources are non-exchange revenues that include appropriations, transfers of assets from other government entities, and imputed financing.

Other Financing Sources do not represent budgetary resources and include imputed financing from costs absorbed by others, including financing of certain costs by one federal entity on behalf of another federal entity.

Statement of Budgetary Resources

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

Budgetary Resources represents the total resources 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.

Status of Budgetary Resources represents resources as obligated and unobligated. Obligated amounts are no longer available and unobligated balances remain available to the Trust.

Use of Estimates in Preparing Financial Statements

Preparation of financial statements in accordance with generally accepted accounting principles 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).

IntraGovernmental 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 and travel support services. Additional interagency agreements between the Trust, the National Park Service and U.S. Park Police cover public safety services. The Trust provides space and utility services to DOI.

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 (BPD).

2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury by fund type as of September 30, 2007 and September 30, 2006 are as follows:

	2007	2006
Revolving Funds	\$ 5,029,660	\$ 6,174,848

Status of Fund Balance with Treasury on September 30, 2007 and September 30, 2006 are as follows:

	2007	2006
Unobligated – Available	\$ 5,029,660	\$ 6,174,848

3. CASH AND OTHER MONETARY ASSETS

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 and security deposit refund account. The balance in the petty cash account as of September 30, 2007 and 2006 was \$600 and \$500 respectively. The amount in the security deposit refund account as of September 30, 2007 was \$2,765.

4. INVESTMENTS

The Trust is required by Public Law 104-333 to invest excess cash only in non-marketable Treasury securities issued by the BPD. For non-marketable/market based securities the market value approximates the net value at both September 30, 2007 and 2006.

INVESTMENTS AS OF SEPTEMBER 30, 2007 INTRAGOVERNMENTAL SECURITIES

	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Cost/ Par Value</i>	<i>Unamortized Discount</i>	<i>Net Value</i>
Non-marketable/Market Based	10/1/07	3.99%	\$ 63,662,000	\$ 0	\$ 63,662,000
Non-marketable/Market Based	9/30/29	5.52%	2,978,000	0	2,978,000
Non-marketable/Market Based	9/30/29	6.12%	30,266,000	0	30,266,000
			96,906,000	0	96,906,000
Interest Receivable			2,031,233	0	2,031,233
TOTAL INVESTMENTS			\$ 98,937,233	\$ 0	\$ 98,937,233

Both of the investments with a September 30, 2029 maturity date are investments 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. As of September 30, 2007, the Trust was owed \$14,112 of interest on the investments with a maturity date of October 1, 2007 and \$2,017,121 of interest on the investments that represent the proceeds from Trust borrowings. Those amounts were paid in full to the Trust by the BPD on October 1, 2007.

INVESTMENTS AS OF SEPTEMBER 30, 2006 INTRAGOVERNMENTAL SECURITIES

	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Cost/ Par Value</i>	<i>Unamortized Discount</i>	<i>Net Value</i>
Non-marketable/Market Based	10/2/06	5.03%	\$ 69,787,000	\$ 0	\$ 69,787,000
Non-marketable/Market Based	9/30/29	5.52%	2,978,000	0	2,978,000
Non-marketable/Market Based	9/30/29	6.12%	30,266,000	0	30,266,000
			103,031,000	0	103,031,000
Interest Receivable			2,036,623	0	2,036,623
TOTAL INVESTMENTS			\$ 105,067,623	\$ 0	\$ 105,067,623

As of September 30, 2006, the Trust was owed \$19,502 of interest on the investments with a maturity date of October 2, 2006 and \$2,017,121 of interest on the investments that represent the proceeds from Trust borrowings. Those amounts were paid in full to the Trust by the BPD on October 2, 2006.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable as of September 30, 2007, is comprised of the following:

	<i>Government</i>	<i>Non-Government</i>	<i>Total</i>
Gross Accounts Receivable	\$ 2,472,462	\$ 2,601,823	\$ 5,074,285
Less Allowance for Uncollectible Accounts	0	(379,970)	(379,970)
NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2007	\$ 2,472,462	\$ 2,221,853	\$ 4,694,315

Receivables consist of amounts due from rental properties, service district charges, utilities, venue rentals, and reimbursable contracts. The Trust's methodology for calculating an 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 as of September 30, 2006, is comprised of the following:

	<i>Government</i>	<i>Non-Government</i>	<i>Total</i>
Gross Accounts Receivable	\$ 2,186,274	\$ 1,657,964	\$ 3,844,238
Less Allowance for Uncollectible Accounts	0	(380,857)	(380,857)
NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2006	\$ 2,186,274	\$ 1,277,107	\$ 3,463,381

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

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, 2007, 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, 2007, the Trust had not exercised this authority.

7. GENERAL PROPERTY, PLANT AND EQUIPMENT

General Property, Plant and Equipment (PP&E) includes fixed assets owned by the Trust as the result of purchases by the Trust and/or transfers from other governmental entities, primarily the NPS. In general, the Trust capitalizes fixed assets valued in excess of \$25,000 with a useful life of two or more years.

<i>Classification</i>	<i>Estimated Useful Life</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Balance at 9/30/07</i>	<i>Net Balance at 9/30/06</i>
Land and Land Rights	N/A	\$ 0	\$ 0	\$ 0	\$ 0
Improvements to Land	N/A	2,214,042	91,763	2,122,279	0
Construction-in-Progress	N/A	20,326,403	N/A	20,326,403	19,485,524
Buildings, Improvements, Renovations & Rehabilitations	40 years ¹	151,559,625	30,085,938	121,473,687	108,334,935
Other Property, Plant and Equipment (including furnishings, equipment, and software)	²	39,358,058	13,210,838	26,147,220	18,330,539
		\$ 213,458,128	\$ 43,388,539	\$ 170,069,589	\$ 146,150,998

Specific Trust capitalization and depreciation guidelines are as follows:

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

² Other Property, Plant and Equipment are depreciated using a straight line method over their estimated useful lives ranging from three to twenty years.

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

Furnishings and equipment purchased for an individual unit cost in excess of \$25,000 are also capitalized. Assets may include in addition to direct costs an assigned indirect cost component. Indirect costs are determined in accordance with the guidelines set forth in OMB Circular A-11 and the Statement of Federal Financial Accounting Standards (SFFAS) No. 6, and are comprised of those indirect costs incurred to bring the PP&E to a form and location suitable for its intended use. The Trust identified these costs based upon a review of its overhead and operating activities. Indirect costs are allocated to capital assets using systematic methods approved by management.

Land is considered to be general PP&E and, in accordance with SFFAS No. 6, is to be recorded at cost. The 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 PP&E was transferred from the NPS. SFFAS No. 6 requires that the cost of general PP&E 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 PP&E is to be its fair value at the time transferred. 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 PP&E transferred to the Trust from the NPS was capitalized at historical cost less depreciation that would have been recorded 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. 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 cost prohibitive

Capital assets are depreciated using the straight line method over their useful lives in accordance with the Trust guidelines. 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

	2007	2006
Government Improvement Account	\$ 34,410	\$ 281,372
Advances to Employees	0	1,167
Prepayments	755,687	825,184
Deferred Rent Receivable	15,184,789	13,763,093
TOTAL OTHER ASSETS	\$ 15,974,886	\$ 14,870,816

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.

Prepayments represent premiums paid on insurance policies and the remaining balance of employee commuter checks that have not been disbursed. Insurance premiums are amortized over the life of the policy.

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>	<i>2007</i>	<i>2006</i>
DEBT TO THE TREASURY			
Note C (dated 9/29/00)	9/30/2029	\$ 20,000,000	\$ 20,000,000
Note C (dated 9/28/00)	9/30/2029	20,000,000	20,000,000
Note C (dated 9/29/01)	9/30/2029	9,978,000	9,978,000
TOTAL PRINCIPAL		\$ 49,978,000	\$ 49,978,000

The Trust Act granted the Trust the authority to borrow from the U.S. Treasury. The aggregate amount of outstanding obligations at any one time is limited to \$150 million. These borrowings financed building and infrastructure rehabilitation by the Trust. Borrowing

was contingent on the Secretary of the Treasury determining that the projects to be funded from the proceeds were creditworthy. In 1999, the Trust and the Secretary of the Treasury established a written borrowing agreement to advance funds for capital improvement projects. The Trust executed a promissory note for the requested amount to evidence the obligation of the Trust to repay the Treasury the sum borrowed, together with any late charges that might be incurred.

In Fiscal Year 2007, 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 includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the 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 of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220 and Building 36. The note carries an interest rate of 6.122% and matures on September 30, 2029.

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

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

The Trust incurred \$2,999,087 and \$2,999,087 in interest cost in 2007 and 2006, respectively, all of which was included in program costs.

10. OTHER LIABILITIES – ENVIRONMENTAL REMEDIATION

Agent Responsibilities for Environmental Cleanup

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

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

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

Under a Memorandum of Agreement (the Presidio MOA) among the Trust, DOI, and the Army, the Trust assumed the Army's responsibilities as lead agent for the environmental cleanup in both Area A and Area B. The Army provided \$100 million to the Trust in exchange for the Trust's assumption of such responsibilities. The funds that have not been spent to-date are included in the Environmental Remediation Liability 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 agent 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. In particular, the Trust agreed to set aside a total of \$25 million for the environmental remediation 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 result of an Army act or omission on or after October 1, 1994.

The Trust performs all cleanup work at enumerated sites using the funds advanced from the Army and is the point of contact for all regulatory agencies and the public. The Army retained responsibility to fund and/or 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.

If cleanup costs for the enumerated sites exceed \$100 million plus insurance proceeds (see discussion of the Trust's environmental

insurance policies below) by \$10 million, 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 environmental insurance policies: 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 for known contamination at enumerated sites. The RSL policy pays for remediation costs in excess of \$100 million (self-insured retention) spent by the Trust for "necessary and reasonable" costs. The RSL policy has a liability limit of \$100 million. The RSL policy is set up so that the Trust pays the first \$100 million of remediation costs and the RSL policy would pay for the second \$100 million. The Army and DOI are each named as an additional insured on the RSL policy.

The REEL policy provides coverage for unknown contamination. The REEL policy has a limit of \$10 million (with a \$25,000 deductible per claim) and a \$50 million total for all claims. DOI is a named insured under the REEL policy. At present, the Trust has claims pending against the REEL coverage but the amount of recovery cannot be determined at this time.

Liability for Environmental Cleanup Costs

In 2006 the Trust, in conjunction with third party consultants, updated the total estimated cost at completion of all work related to the environmental cleanup of the Presidio. The independent third party also provided management with an analysis of the progress made related to the environmental remediation of the Presidio. This total estimated cost to complete has been updated to reflect the estimates as of September 30, 2007.

The table below identifies the Trust's costs from inception of the environmental cleanup program to date and sets forth the current total estimated cost at completion. The table separately identifies the costs related to the cleanup of contaminants known and inventoried at the time the Army turned the cleanup over to the Trust and contaminants identified by the Trust subsequent to the Army's turnover.

	<i>Known Contaminants As of 9/30/2007</i>		<i>Unknown Contaminants As of 9/30/2007</i>		<i>Total As of 9/30/2007</i>	<i>Total Estimated Cost At Completion</i>
	<i>Spent</i>	<i>At Completion</i>	<i>Spent</i>	<i>At Completion</i>		
Allowable Costs*	\$ 53.4	\$ 118.9	\$ 2.2	\$ 14.9	\$ 55.6	\$ 133.8
Other Costs*	15.5	16.9	0.2	0.2	15.7	17.1
TOTAL COSTS*	\$ 68.9	135.8	\$ 2.4	15.1	71.3	150.9
Add						
Environmental Remediation Liability per Balance Sheet*					67.3	
Less Resources						
Army/Other (Reimbursement)*		99.5		2.8	(2.8)	102.3
Insurance or Army (Estimate)*		0.0		12.3		12.3
TOTAL AFTER RESOURCES*		\$ 36.3		\$ 0.0		\$ 36.3
TOTAL OF KNOWN CONTAMINANTS AT COMPLETION*					\$135.8	
Anticipated Interest Income*		\$ 23.0		\$ 0.0		\$ 23.0

*Dollars Noted in Millions

The Trust's financial statements reflect a liability for environmental remediation clean up costs of \$67.3 million, of which \$36.3 million is unfunded as of September 30, 2007. This represents the total estimated cost at completion less the expected Army and insurance reimbursements. The actual cost at completion may vary from the current estimated cost at completion. The anticipated interest income of \$23.0 million will be recognized as revenue by the Trust in the year in which it is earned of which \$17.9 million has already been earned.

The total estimated cost at completion could increase further in the future due to inflation and the timing of implementing the various remedies. Annually, management will update the total estimated cost at completion and will periodically enlist third party expertise to assist management in formulating detailed projections based on a thorough review of the remediation program.

11. OTHER LIABILITIES

	2007		2006	
	Non-Current	Current	Non-Current	Current
INTRAGOVERNMENTAL				
Employer Contributions Payable	\$ 0	\$ 170,563	\$ 0	\$ 164,959
Other Post Employment Benefits	672,142	597,015	725,361	781,282
Unearned Revenue	0	4,066,132	0	3,406,275
Prepaid Rents	0	0	0	1,199
FECA Actuarial	0	32,611	0	33,414
TOTAL INTRAGOVERNMENTAL	672,142	4,866,321	725,361	4,387,129
Contingent Liabilities [NOTE 14]	0	115,000	0	269,000
Security Deposits	4,137,010	1,500	3,815,752	500
Unearned Revenue	0	2,021,485	0	1,003,325
Payroll Payable	0	1,079,753	0	1,023,632
Annual Leave Liability [NOTE 12]	0	1,830,484	0	1,793,301
Rent Credit Liability [NOTE 12]	96,104	20,233	0	0
Other Liabilities [NOTE 7]	0	89,594	0	0
Unfunded Accounts Payable [NOTE 12]	0	130,354	0	109,645
Prepaid Rents & Services	0	971,232	0	946,543
Environmental Remediation Cleanup Cost Liability [NOTE 10]	49,376,030	17,916,641	52,198,174	14,619,995
TOTAL OTHER LIABILITIES	\$ 54,281,286	\$ 29,042,597	\$ 56,739,287	\$ 24,153,070

Other Post Employment Benefits

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

FECA Actuarial Liability

OMB requires that federal agencies report an actuarial liability related to Future Workers' Compensation (FWC). The FWC benefits include the expected liability related to death, disability, medical and miscellaneous costs for approved compensation cases as well as a component for calculating incurred but not reported claims. The liability is determined by utilizing the historical benefit payment patterns related to a specific incurred period to estimate the future payments related to that period.

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, CB Richard Ellis, 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 permit 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 a fiscal year subsequent to the current year. Unearned revenue also includes monies received for specific projects (i.e. grants for specified improvements) on which the revenue is deferred because either the work has not been completed or the requirements of the agreement governing the work have not yet been met.

Rent Credit Liability

The rent credit liability is related to a rent credit given to one tenant for a tenant improvement. The credit will be amortized over the life of the lease and will be completely amortized on June 1, 2013.

Other Liabilities

Other liabilities are for items related to the acquisition of the Presidio Golf Course that cannot be categorized in any of the other classifications of liabilities. These items are specifically related to inventory, sales tax, and water reclamation.

12. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	2007	2006
INTRAGOVERNMENTAL		
FECA Actuarial	\$ 32,611	\$ 33,414
OTHER		
Contingent Liabilities [NOTE 14]	115,000	269,000
Environmental Remediation Liability [NOTE 10]	36,300,000	23,000,000
Annual Leave Liability	1,830,484	1,793,301
Rent Credit Liability	116,337	0
Accounts Payable	130,354	109,645
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	38,524,786	25,205,360
Liabilities Covered by Budgetary Resources	106,909,441	116,092,531
TOTAL LIABILITIES	\$ 145,434,227	\$ 141,297,891

Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are those liabilities that may be funded from future resources. FECA Actuarial represents future workers' compensation payments, is an estimate based upon historical data and, as it is only an estimate, is unfunded [see **Note 11**]. 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 a liability that has been incurred

by the residential property management company that had not been submitted to the Trust for reimbursement as of the fiscal year end.

Liabilities Covered by Budgetary Resources

Liabilities covered by budgetary resources are funded by: (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.

13. LEASES

Trust as Lessee

Capital Leases

The Trust currently maintains no capital leases.

Operating Leases

The operating leases are for equipment. The Trust currently leases multiple copiers which are under agreements that do not have a definitive lease period that exceed one year. The Presidio Trust also leases government vehicles from General Services Administration (GSA), but such leases do not have a definitive lease period that exceed one year. The Trust also has a lease for a JLG aerial lift and the lease period is one year.

Trust as Lessor

Operating Leases

Description of Lease Arrangements:

The Trust's properties are leased under terms from one month up to 60 years. The Trust expects that these leases will be renewed or replaced by other leases in the normal course of business. In addition, seven leases are operated under contingent rental agreements wherein the

monthly rental revenue is either a percent of the lessees' monthly revenue or base rent plus additional rent based upon a percent of the lessees' monthly revenue.

The Trust also provides free rent or reduced rental rates to certain employees of the Trust, other Presidio based employees, and other governmental agencies.

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

<i>Fiscal Year</i>	<i>Total</i>
2008	\$ 12,968,815
2009	11,007,814
2010	10,533,787
2011	10,017,524
2012	9,088,860
Thereafter	396,154,091
TOTAL	\$ 449,770,891

14. COMMITMENTS AND CONTINGENCIES

From time to time, the Trust is involved in legal matters, including tort and employment-related claims. Currently the Trust has pending two tort claims and eight claims of workplace discrimination.

The Trust is actively processing each of these claims and has assigned a contingent liability of \$115,000 to all of the claims, in the aggregate.

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

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

The Trust provides services to the public and other government entities. Revenue earned from the U.S. Treasury is from earnings on investments. Revenue earned from the Department of Defense is related to the environmental remediation liability. Revenue is recognized when expenditures are made (see **Note 10**).

<i>Agency</i>	<i>Amount of Revenue Earned</i>	
	2007	2006
U.S. Treasury	\$ 6,403,733	\$ 6,255,242
Department of Defense	15,242,965	8,241,935
Department of the Interior	676,046	385,273
Department of the Army	1,478,683	300,000
Other	147,973	145,044
TOTAL	\$ 23,949,400	\$ 15,327,494

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

<i>Agency</i>	<i>Amount of Cost Incurred</i>	
	2007	2006
Office of Personnel Management	\$ 4,850,501	\$ 5,226,114
Department of the Interior	7,582,319	11,966,833
U.S. Treasury	3,008,573	3,012,397
Department of Labor	600,288	954,203
General Services Administration	580,332	588,981
Other	74,994	44,373
TOTAL	\$ 16,696,947	\$ 21,792,901

16. EXCHANGE REVENUES

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

17. AVAILABLE BORROWING AUTHORITY, END OF PERIOD

There was no borrowing authority available at September 30, 2007 or September 30, 2006.

18. TERMS OF BORROWING AUTHORITY USED

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.

19. UNDELIVERED ORDERS AT END OF PERIOD

Undelivered orders represent amounts for which funds were obligated but the goods and/or services related to those specific orders have not been received. The balance of undelivered orders at September 30, 2007 and 2006 were \$26,973,301 and \$40,130,685, respectively.

20. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF FINANCING)

The following schedule has been prepared in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7, and represents a reconciliation between the proprietary accounts and the budgetary accounts, and is a reconciliation of the proprietary statements to the Statement of Budgetary Resources. This schedule was formerly known as the Statement of Financing. Accrual basis accounting standards used in the Statements of Net Cost, Statements of Changes in Net Position, and Balance Sheets differ from the budgetary

basis used in the Statement of Budgetary Resources, 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 Statement of Budgetary Resources. Liabilities are considered "funded" for purposes of the Balance Sheets, Statements of Net Cost and Statements of Changes in Net Position.

The reconciliation between budgetary and proprietary includes a section depicting the change in certain unfunded liabilities. The amounts in this section may not correlate exactly with the amounts shown in **Note 12 – Liabilities not covered by Budgetary Resources**. Differences primarily result from Treasury requirements related to where the changes in these liabilities are reported in the Statement of Financing. These requirements are dependent upon whether the change resulted in an increase or a decrease to the liability account.

Reconciliation of Net Cost of Operations to Budget

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2007	2006
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	\$ 89,824,090	\$ 106,337,724
Less: Spending Authority from Offsetting Collections and Recoveries	75,564,553	66,105,996
Obligations Net of Offsetting Collections and Recoveries	14,259,537	40,231,729
Less: Offsetting Receipts	(2,374,311)	(4,844,294)
Net Obligations	16,663,848	45,076,023
Other Resources		
Transfers in/out Without Reimbursement	0	0
Imputed Financing from Costs Absorbed by Others	524,668	1,096,226
Net Other Resources Used to Finance Activities	524,668	1,096,226
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	17,158,516	46,172,249
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Not Yet Provided	1,735,905	(20,849,350)
Resources that Fund Expenses Recognized in Prior Periods	0	(25,216)
Other	(6,413,849)	(6,255,342)
Resources that Finance the Acquisition of Assets	(29,261,754)	(25,462,230)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect the Net Cost of Operations	(1,697,084)	(1,256,018)
TOTAL RESOURCES USED TO FUND ITEMS NOT PART OF THE NET COST OF OPERATIONS	(35,636,782)	(53,848,156)
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	(18,478,266)	(7,675,907)
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	37,183	28,872
Increase in Environmental Remediation Cleanup Cost Liability	13,300,000	23,000,000
Other	1,734,147	1,276,054
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	15,071,330	24,304,926
Components Not Requiring or Generating Resources		
Depreciation and Amortization	7,682,952	5,740,934
Other	1,264,446	1,087,430
TOTAL COMPONENTS NOT REQUIRING OR GENERATING RESOURCES	8,947,398	6,828,365
NET COST OF OPERATIONS	\$ 5,540,462	\$ 23,457,383

Required Supplementary Information

September 30, 2007 and 2006

1. DEFERRED MAINTENANCE

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 approximately \$5.2 million of deferred maintenance to buildings and \$867 thousand of deferred maintenance to the utility infrastructure (other structures) at the Presidio. Deferred maintenance does not include an estimate of costs for buildings that are not in service. There is no deferred maintenance for any other major class of assets.

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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, and budgetary resources (hereinafter referred to as “financial statements”) of the Presidio Trust (the “Trust”) as of and for the years ended September 30, 2007 and 2006, and have issued our report thereon dated November 14, 2007, 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 and 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. 06-03, *Audit Requirements for Federal Financial Statements*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Trust’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Trust’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or

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combination of control deficiencies, that adversely affects the Trust's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Trust's financial statements that is more than inconsequential will not be prevented or detected by the Trust's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Trust's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting 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. 06-03 and not to provide assurance on these internal controls. Accordingly, we do not provide an opinion on such controls.

We noted certain matters that we reported to the Board of Directors and management of the Trust in a separate letter dated November 14, 2007.

This report is intended solely for the information and use of the Board of Directors and 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.



November 14, 2007
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, and budgetary resources (hereinafter referred to as “financial statements”) of the Presidio Trust (the “Trust”) as of September 30, 2007 and 2006 and for the years then ended, and have issued our report thereon dated November 14, 2007 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 and 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. 06-03, *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. 06-03, 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.

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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.06-03.

Under FFMIA, 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 FFMIA 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 Board of Directors and 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.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, professional style.

November 14, 2007
San Francisco, California

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