



MARINE SAN FRANCISCO

PENINSULA

GOLDEN

SOUTH BAY

CABLE GATE AREA

AREA

AREA

Alcatraz I

CABLE

MAPPING THE

PRESIDIO

of SAN FRANCISCO, CALIFORNIA

The Presidio Trust Year-End Report

2010

PLAN
DU PORT DE
ST. FRANÇOIS,

Situé sur la côte de la CALIFORNIE Septentrionale.
La Pointe des Rois par $57^{\circ} 59'$ de Latitude Nord et $124^{\circ} 54'$
de Longitude Occidentale.

Les lettres sont imprimées en l'honneur d'Espagne, de deux vers en ces ports de Castille.

A. Pointe des Alouettes.
B. Laguna de la Merced.
C. Laguna del Presidio.
D. P^{te} del Angel de la Guarda.
E. P^{te} del Castillo Blanco.
F. Presidio de San Francisco.
G. Pequena Laguna.
H. Mission de San Francisco.
I. Laguna de los Dolores.
J. Ile de Aleutians.
V. Arena y Frayso.

K. Ile de los Angeles.
L. P^{te} de San Antonio.
M. Ile del Carmel.
N. Anse des Carmelites.
O. Anse de Consuelon.
P. P^{te} de S^t Carlos.
Q. P^{te} de S^t Jago.
R. P^{te} de Reyes.
S. Farallones.
T. Arena y Isde.

MAP Plan du Port de St. François

DATE 1797

MAPMAKER Jean François Galaup, Comte de la Pérouse

CHARACTERISTICS La Pérouse produced this hydrographic chart of the bay during his 1786 exploration, building on the work of José de Cañizares, who had mapped and named the bay in 1776 in support of the Juan Bautista de Anza and José Joaquín Moraga expedition. La Pérouse was the first European to explore the Pacific Coast by boat since Sir Francis Drake arrived in 1579. La Pérouse never made it back to France; he was last heard from on February 7, 1788 and his shipwreck was found near New Hebrides.

MAPPING
THE
PRESIDIO
of **SAN FRANCISCO, CALIFORNIA**
The Presidio Trust Year-End Report
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Mapping the Presidio Maps may be the most compelling and fascinating way to illustrate the relation of people to place. Whether mapping the heavens or the earth, people have been trying to draft our universe in order to understand it, to navigate around it, and even to change it. The earliest maps hold our attention both for what was known and for how early explorers attempted to depict places they did not yet fully understand.

With a series of beautiful historic maps as our guide, the Presidio Trust's 2010 Year-

End Report reveals the Presidio's natural contours and the ways the Army reshaped the land to meet its needs. It is how and why the land changed that makes up the Presidio's history. Hills were leveled, ravines and tidal marshes were filled, creeks were buried, and ridges were forested. The Presidio is still changing, but more subtly and with the goal of restoring some of the land's original shape so that we can tell a richer story of how people have used this place over time.

Contents

- 01 Introduction
- 04 Letter from the Chair and Executive Director
- 07 What Maps Tell Us About the Presidio

- 10 Presidio West: Fort Scott & South Hills
- 14 Presidio Center: Main Post
- 18 Presidio East: Tennessee Hollow

- 23 Organizations at the Presidio
- 24 Board of Directors
- 26 About the Presidio and Presidio Trust

- 29 Performance and Accountability Report

adapto



A large sculpture of the word "change" is the central focus of the image. The letters are three-dimensional and constructed from a thick layer of straw or hay, giving them a textured, organic appearance. Each letter is mounted on a thin, dark metal post that is driven into the ground. The sculpture is set in a sun-dappled forest with tall, slender trees in the background. The lighting creates strong shadows and highlights, emphasizing the texture of the straw and the natural environment.

change

PRESIDIO

of SAN FRANCISCO, CALIFORNIA
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People have made an imprint on the Presidio for many centuries. Their history is our history, and their stories are told in the structures they built, in the landscapes they created, and in the documents they left behind. Beginning in the late 18th century, Europeans mapped the San Francisco Bay for the first time, and every map drawn since then tells a story about how people related to the land that we are now pledged to preserve and protect.

For this report, we were inspired by these historic maps and decided to organize the telling of current activity in the Presidio by using these fascinating and beautiful records of the past. In the Presidio today there is activity at each point of the compass – conserving our

environment, preserving our history, building on the centuries-long legacy of service, or deepening a sense of community that exists within the park and adjacent to it.

Every endeavor at the Presidio is sustained by a love for the place and an appreciation of the ways – new and traditional – that people interact with and draw inspiration from its beauty, its history, and its potential. Whether through a first camping experience at Rob Hill, an art walk along Presidio trails, a reflective moment at the National Cemetery Overlook, a program or museum visit in the Main Post, or a stroll on the spectacular windswept Crissy Field, there are as many experiences in the Presidio as there are points on a map. Each can be profoundly personal; many can be

shared. Through these experiences, we recognize the service of those who shaped the Presidio in earlier eras, and we realize the importance of the work that we do to protect and advance the Presidio in a new century.

We are fortunate to have many partners in our work. Primary among them are the volunteers who give service to the Presidio so that it might better serve the community; donors whose generosity makes so much possible; our organizational partners, the National Park Service and the Golden Gate National Parks Conservancy; and finally the people who live and work in the park, keeping its historic character alive. Thank you.


Craig Middleton
Executive Director


Nancy Hellman Bechtel
Chair, Board of Directors





PRESIDIO OF SAN FRANCISCO, CALIFORNIA.

Prepared from Official data in the office of
LEUT. COL. JAMES M. MARSHALL,
DEPUTY QUARTERMASTER GENERAL, U.S.A.,
CHIEF QUARTERMASTER DEP'T OF CALIFORNIA;
Priv. J. H. Wilson, C.E.;
C. Winstanley, Draftsman.
August, 1900.

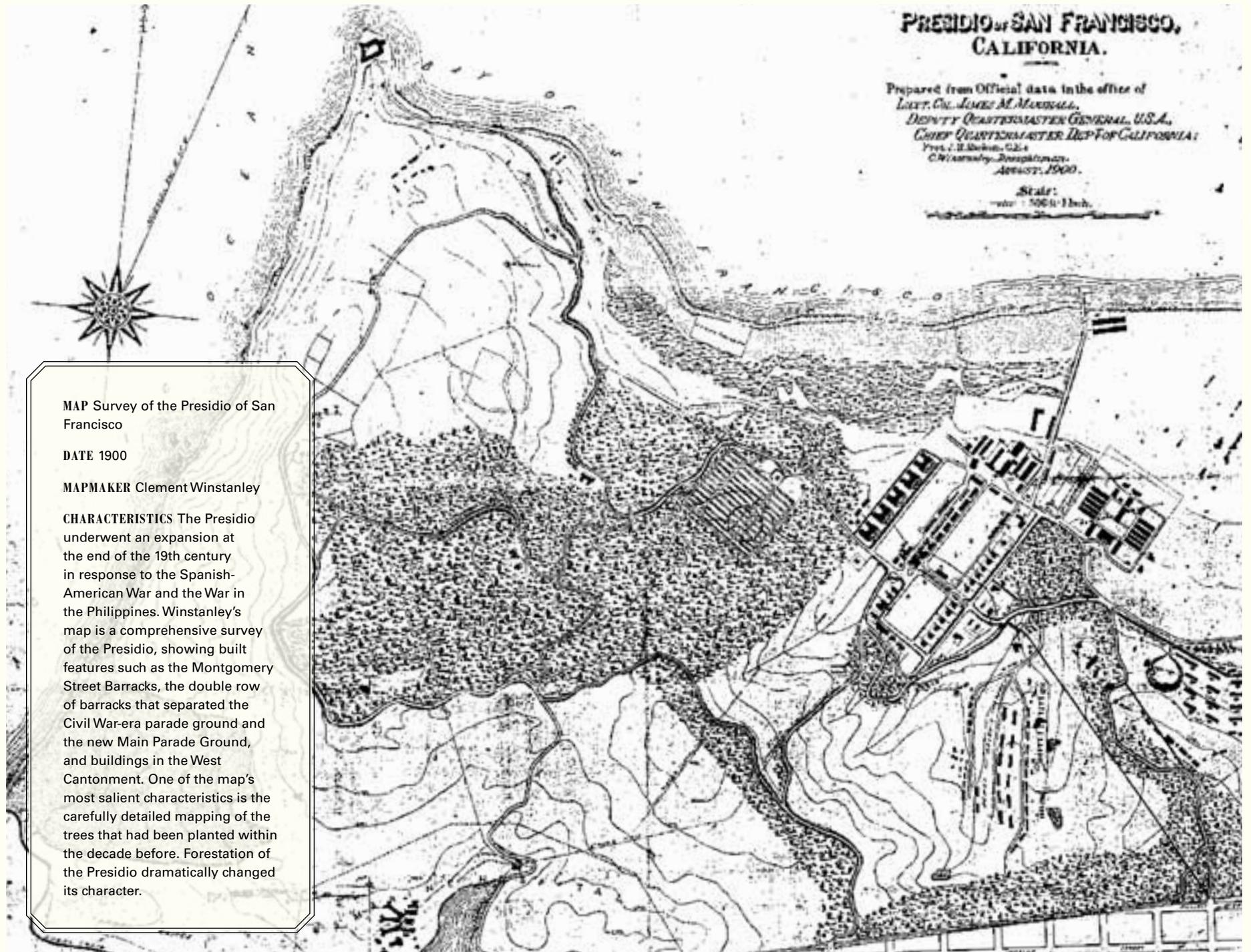
Scale:
1" = 500 ft. 1 inch.

MAP Survey of the Presidio of San Francisco

DATE 1900

MAPMAKER Clement Winstanley

CHARACTERISTICS The Presidio underwent an expansion at the end of the 19th century in response to the Spanish-American War and the War in the Philippines. Winstanley's map is a comprehensive survey of the Presidio, showing built features such as the Montgomery Street Barracks, the double row of barracks that separated the Civil War-era parade ground and the new Main Parade Ground, and buildings in the West Cantonment. One of the map's most salient characteristics is the carefully detailed mapping of the trees that had been planted within the decade before. Forestation of the Presidio dramatically changed its character.



MAPPING
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Mapping is a fantastic cultural project creating and building the world as much as measuring and describing it...mapping precipitates its most productive effects through a finding that is also a founding; its agency lies in neither reproduction or imposition but rather in uncovering realities previously unseen or unimagined, even across seemingly exhausted grounds. Thus mapping unfolds potential; it remakes territory over and over again, each time with new and diverse consequences.

– James Corner, Mappings, 1999

What Maps Tell Us About the Presidio

The earliest European explorers were surveying this region for two centuries before they came upon its greatest treasure – San Francisco Bay. The fog that shrouded the coast kept seafarers far from shore, and the Presidio and Marin Headlands appeared as a continuous land mass. The earliest maps focused on conveying the treacherous coast and on providing depths and navigational “rhumb lines” to guide sailors. These maps show little about the land. The Presidio and its sister settlement, Mission Dolores, appear as small rectangles, heralds of settlement in an unarticulated territory.



Hans Barnaal, the Presidio Trust's geographic information specialist (GIS), is the keeper of the Presidio's historic maps. His research and interpretations help shape the development of current projects. Many thanks to Hans for his assistance with this report.

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After the Gold Rush, the rapid growth of San Francisco, the commercial significance of its bay, and the strategic importance of the Presidio brought about ongoing mapping of the area, leaving a nuanced record of the region. The Presidio becomes more and more distinct as the urban grid fills in around it, and its details become all the more vivid for its relative lack of development.

Historic maps support our stewardship of the land. An overlay of contemporary GIS-generated maps on historic maps provides an invaluable tool to guide our every day management of the park. The success of some of our most fundamental and important activities – archaeological investigations, environmental remediation, habitat restoration, infrastructure improvements – is directly tied to understanding how the land changed and was manipulated in the historic period. Historic maps have proven remarkably accurate

in telling us where we might find underground creek systems and the remains of early settlements. Maps delineate the boundaries of the historic forest and suggest the size of landfills – and they help us develop plans for restoration. Early maps also depict how the post operated, and how its districts related to each other. Understanding how the Presidio’s landscape evolved has helped us respond better to the land and to appreciate the people who came before us.

The maps we have chosen for the three main sections of this report – West, Center, East – contribute details to the compelling story of the Presidio’s development through their illustrative quality, the time they represent, or the specific area they render. We have identified today’s projects on the historic maps in order to place them within an historic context. Come visit the park and bring these historic maps to compare the past and present of this remarkable place.

LEGEND

WEST: FORT SCOTT & SOUTH HILLS

- 1 Coastal Bluffs
- 2 Rob Hill Campground
- 3 Lobos Creek Valley
- 4 *Presidio Habitats* Exhibition
- 5 Public Health Service District
- 6 Park Trail

CENTER: MAIN POST

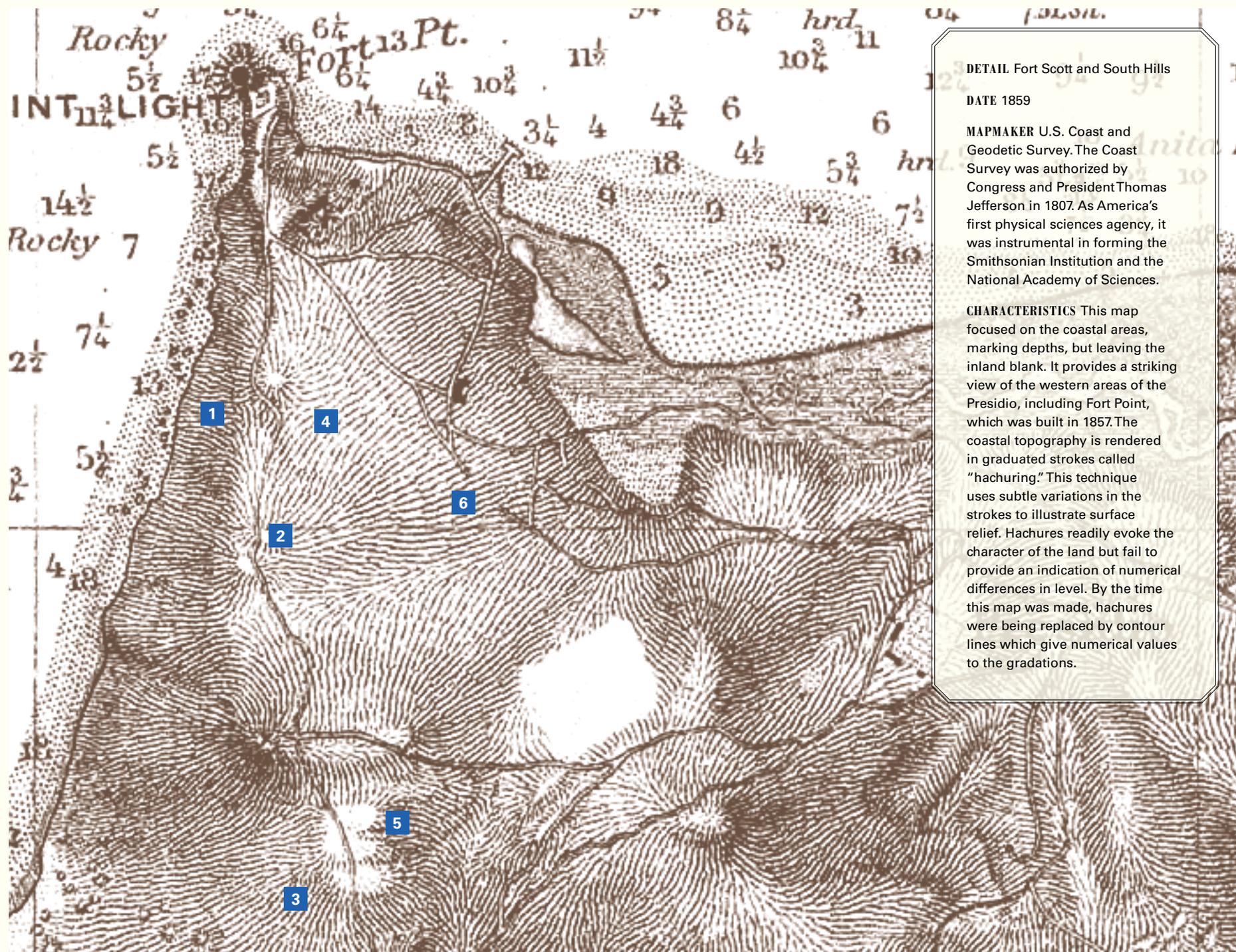
- 7 National Cemetery Overlook
- 8 Montgomery Street Barracks
- 9 Officers’ Club and Archaeology Lab
- 10 Main Parade Ground
- 11 Pershing Hall Guest House
- 12 Presidio Parkway

EAST: TENNESSEE HOLLOW

- 13 El Polfn Springs
- 14 Landfill Removal Project
- 15 Domestic Life
- 16 Thompson Reach
- 17 Quartermaster Reach
- 18 Andy Goldsworthy’s *Wood Line*

This digital rendering, crafted by GIS specialist Hans Barnaal, utilizes aerial photography, modern ground survey data, and photographic spectral analysis to create an accurate depiction of the Presidio in 2010. Natural features such as plant communities and forests, as well as man-made features such as buildings, batteries, and roadways, are represented.





DETAIL Fort Scott and South Hills

DATE 1859

MAPMAKER U.S. Coast and Geodetic Survey. The Coast Survey was authorized by Congress and President Thomas Jefferson in 1807. As America's first physical sciences agency, it was instrumental in forming the Smithsonian Institution and the National Academy of Sciences.

CHARACTERISTICS This map focused on the coastal areas, marking depths, but leaving the inland blank. It provides a striking view of the western areas of the Presidio, including Fort Point, which was built in 1857. The coastal topography is rendered in graduated strokes called "hachuring." This technique uses subtle variations in the strokes to illustrate surface relief. Hachures readily evoke the character of the land but fail to provide an indication of numerical differences in level. By the time this map was made, hachures were being replaced by contour lines which give numerical values to the gradations.



PRESIDIO
WEST
Fort Scott & South Hills

5 Public Health Service District (PHSD)

Once a medical campus serving mariners from around the world, PHSD is welcoming a new community. After years of work by Forest City Development and the Presidio Trust to rehabilitate its historic buildings and landscapes, the district is being designated a “green neighborhood” by the U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED) program.



1 Coastal Bluffs

The wild western shoreline managed by the National Park Service features a rugged and scenic trail that connects the beach, the batteries, and the Golden Gate Bridge.



3 Lobos Creek

A new vista point overlooks Lobos Creek Valley, where fresh waters once sustained Native Ohlone people. The creek remains the Presidio’s primary water source and is the site of a major dune habitat restoration made possible with seedlings from the Presidio Nursery.

San Francisco Bay is the most important point in the United States on the Pacific...it must always maintain a controlling influence over other parts of the coast and the interior.

- Joint Army-Navy Commission on Pacific Coast Defense, 1850



6 Park Trail

A beautiful new segment of the Park Trail, fully accessible to visitors of all abilities, was opened to the public in the spring. When complete, the Park Trail will connect Crissy Field to Mountain Lake. Presidio trails are expanded in collaboration with the National Park Service and the Golden Gate National Parks Conservancy.

PRESIDIO WEST

Fort Scott & South Hills

“Boundary”

That which indicates or fixes a limit or extent, or marks a bound, as of a territory; a bounding or separating line; a real or imaginary limit.

The Pacific Ocean marks the continental boundary.

2 Rob Hill Campground

An expanded and enhanced Rob Hill Campground reopened in the spring, thanks to the generous support of the Evelyn and Walter Haas, Jr. Fund. In 2010, *Camping at the Presidio* introduced 3,200 Bay Area adults and children to a camping experience.

CAP is a partnership of the Presidio Trust, the Golden Gate National Parks Conservancy and Bay Area Wilderness Training.



The Presidio begins where the Pacific Ocean meets the rough shore. The park’s coastal areas have a wilder character than found elsewhere in the park. Two contrasting aspects of the Presidio’s human experience are found along its western boundary: defense and domestic life.

With the Gold Rush, the bay had become the most important site on the West Coast. In 1859 Fort Point, “one of the most perfect models of masonry in America,” replaced the Royal Spanish fort. In 1891, concrete guns known as “Endicott batteries” were constructed along the bluffs. Two decades later Fort Winfield Scott was built to manage these seacoast fortifications. The batteries gave way in the 1950s to Nike missiles. A decommissioned Nike site is hidden south of the Presidio’s highest point.

Over many decades, the Army built neighborhoods for its growing ranks. Today, two-thirds of the Presidio’s residents make their home in the west. Many of the park’s most beloved recreational resources can be found here as well – Baker Beach, Rob Hill Campground, the golf course – all linked by an expanding network of trails and scenic overlooks.



4 Presidio Habitats

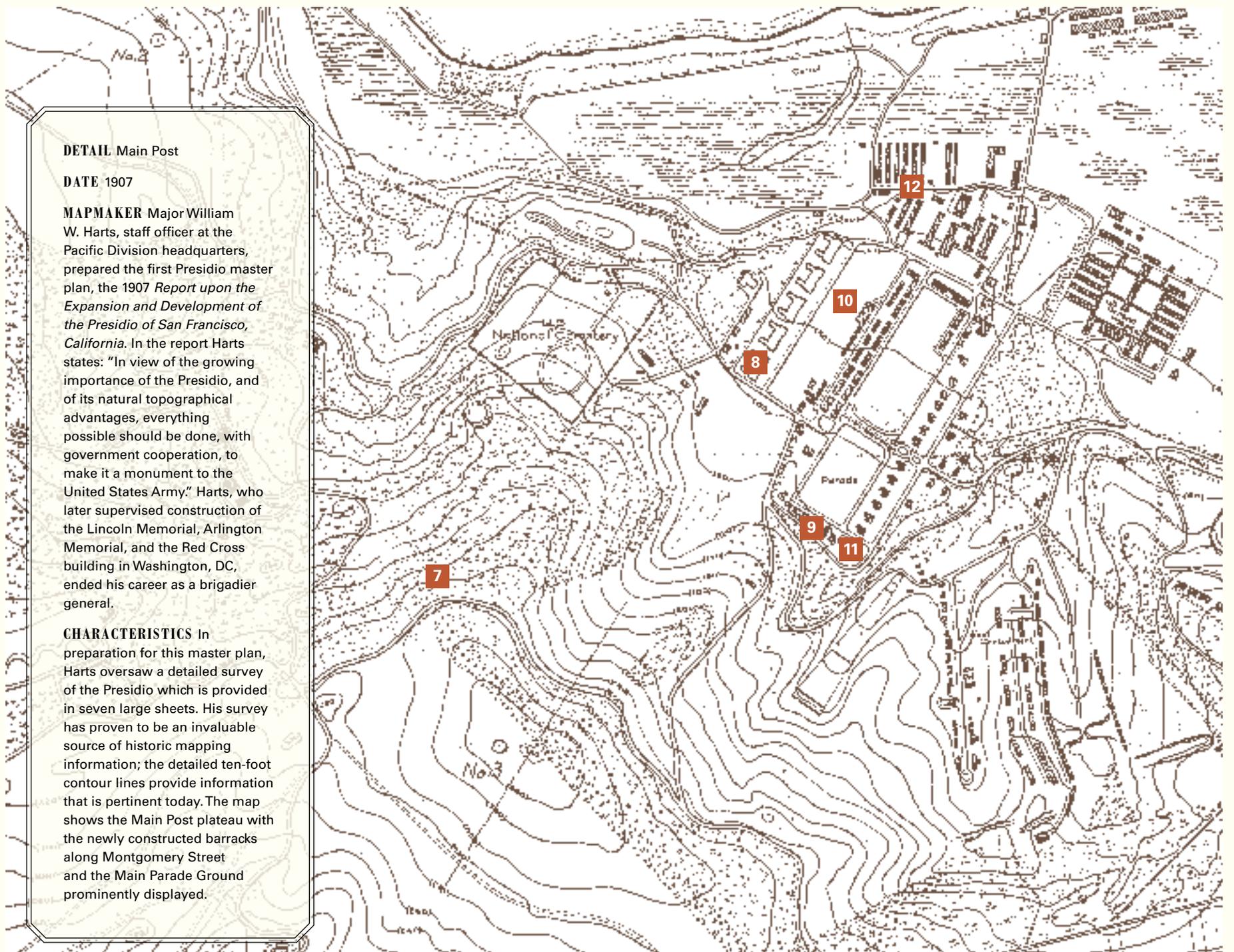
Visitors enjoyed a new perspective on park wildlife through an inventive site-based art exhibition, *Presidio Habitats*, organized by the FOR-SITE Foundation in partnership with the Presidio Trust. Installations nestled into the landscape at Fort Scott helped tell the story of the park’s Gray Fox, Red-tailed Hawks, and Digger bees.

DETAIL Main Post

DATE 1907

MAPMAKER Major William W. Harts, staff officer at the Pacific Division headquarters, prepared the first Presidio master plan, the 1907 *Report upon the Expansion and Development of the Presidio of San Francisco, California*. In the report Harts states: "In view of the growing importance of the Presidio, and of its natural topographical advantages, everything possible should be done, with government cooperation, to make it a monument to the United States Army." Harts, who later supervised construction of the Lincoln Memorial, Arlington Memorial, and the Red Cross building in Washington, DC, ended his career as a brigadier general.

CHARACTERISTICS In preparation for this master plan, Harts oversaw a detailed survey of the Presidio which is provided in seven large sheets. His survey has proven to be an invaluable source of historic mapping information; the detailed ten-foot contour lines provide information that is pertinent today. The map shows the Main Post plateau with the newly constructed barracks along Montgomery Street and the Main Parade Ground prominently displayed.





PRESIDIO
CENTER
Main Post

8 Montgomery Street Barracks

Three of the iconic Montgomery Street Barracks are being rehabilitated. One will house the International Center to End Violence, which will open in summer 2011.



The Presidio is a site of great beauty and is probably excelled by no other military post in the world in the magnificence of its location.

– Major William Harts, 1907



12 Presidio Parkway

The 1937 access road to the Golden Gate Bridge is being replaced with a parkway. A cut-and-cover tunnel will recreate the bluff that once connected the Main Post and Crissy Field. Work will be completed in 2014.



9 Officers' Club and Archaeology Lab

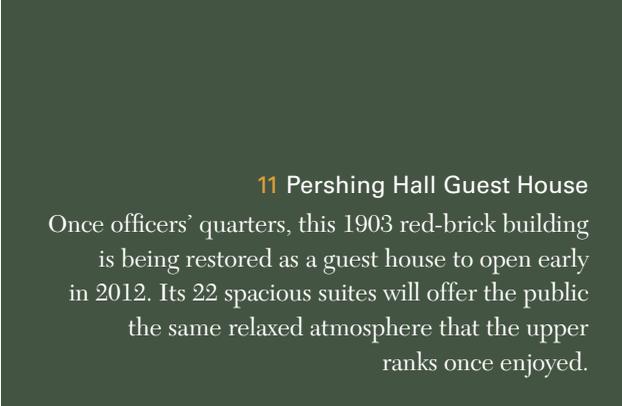
The Officers' Club and adjacent buildings are undergoing rehabilitation to accommodate a state-of-the-art Archaeology Lab and curation facility, related heritage programming, and special events. The facilities will be open in 2012.



7 National Cemetery Overlook

The Presidio Trust dedicated its fourth scenic overlook in honor of our nation's soldiers. The overlook is located above the National Cemetery, one of the Presidio's highest points. Eight overlooks are planned for the park.

PRESIDIO CENTER *Main Post*



11 Pershing Hall Guest House

Once officers' quarters, this 1903 red-brick building is being restored as a guest house to open early in 2012. Its 22 spacious suites will offer the public the same relaxed atmosphere that the upper ranks once enjoyed.



Spain established El Presidio de San Francisco in 1776 on the plateau that became the Main Post, the heart of the post and today the heart of the park. Looking out over the bay's entrance, the location was strategic and spectacular. In order to create the Main Parade Ground, the Army filled in a stream bed and steep ravine, extending the Main Post west. The Montgomery Street Barracks, a row of red-brick buildings constructed at the end of the 19th century, along with the three parade grounds constitute a unique ensemble of built and open space and are Presidio landmarks.

The Main Post is envisioned as a gateway to varied experiences throughout the park. Work is underway to complete the rehabilitation of the Main Post's historic buildings and landscapes. The amenities needed to welcome the public are also being developed, including lodging, restaurants, signage and site-specific interpretation, improved circulation for pedestrians and vehicles, and more efficient parking. The Trust has also begun work with the National Park Service, the Golden Gate National Parks Conservancy, and the public to establish a Presidio Visitor Center, which will provide the focal point for park orientation.



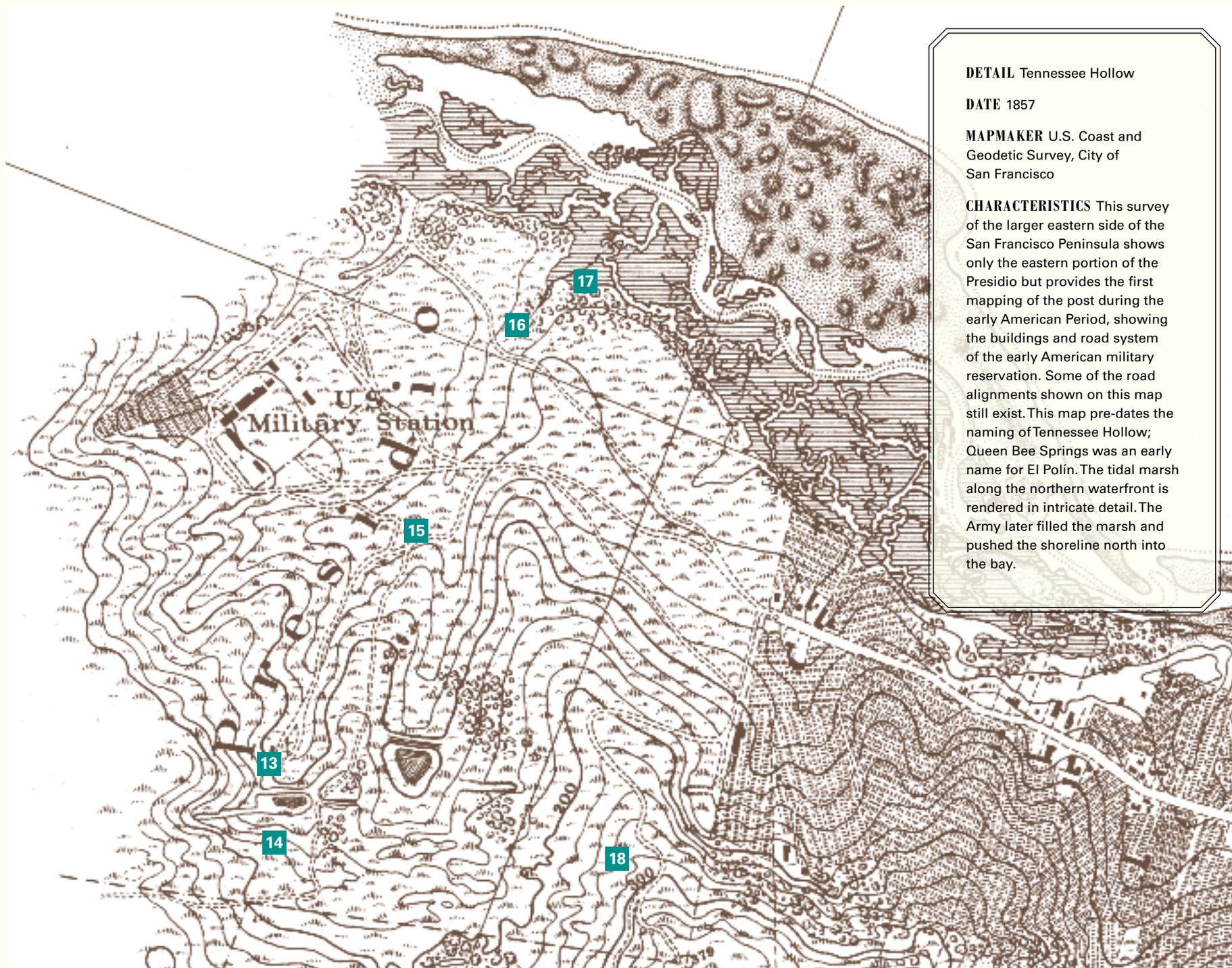
10 Main Parade Ground

The topography and character of this central feature changed over time – the ravine was filled to create the parade ground, which was later paved for parking. By fall 2011, it will be a great lawn for public enjoyment.

"Datum"

The horizontal or base line, from which the heights of points are reckoned or measured.

The Main Post is our cultural datum.



DETAIL Tennessee Hollow

DATE 1857

MAPMAKER U.S. Coast and Geodetic Survey, City of San Francisco

CHARACTERISTICS This survey of the larger eastern side of the San Francisco Peninsula shows only the eastern portion of the Presidio but provides the first mapping of the post during the early American Period, showing the buildings and road system of the early American military reservation. Some of the road alignments shown on this map still exist. This map pre-dates the naming of Tennessee Hollow; Queen Bee Springs was an early name for El Polín. The tidal marsh along the northern waterfront is rendered in intricate detail. The Army later filled the marsh and pushed the shoreline north into the bay.



PRESIDIO
EAST

Tennessee Hollow



16 Thompson Reach

Five years after a large Army-era landfill was excavated and the underlying creek exposed, Thompson Reach teems with native plants and nesting birds – signs that a vibrant ecosystem is thriving in the lower Tennessee Hollow Watershed.

It wasn't just the topography that attracted me, but also the evidence of human involvement in creating the landscape.

- Andy Goldsworthy

13 El Polín Springs

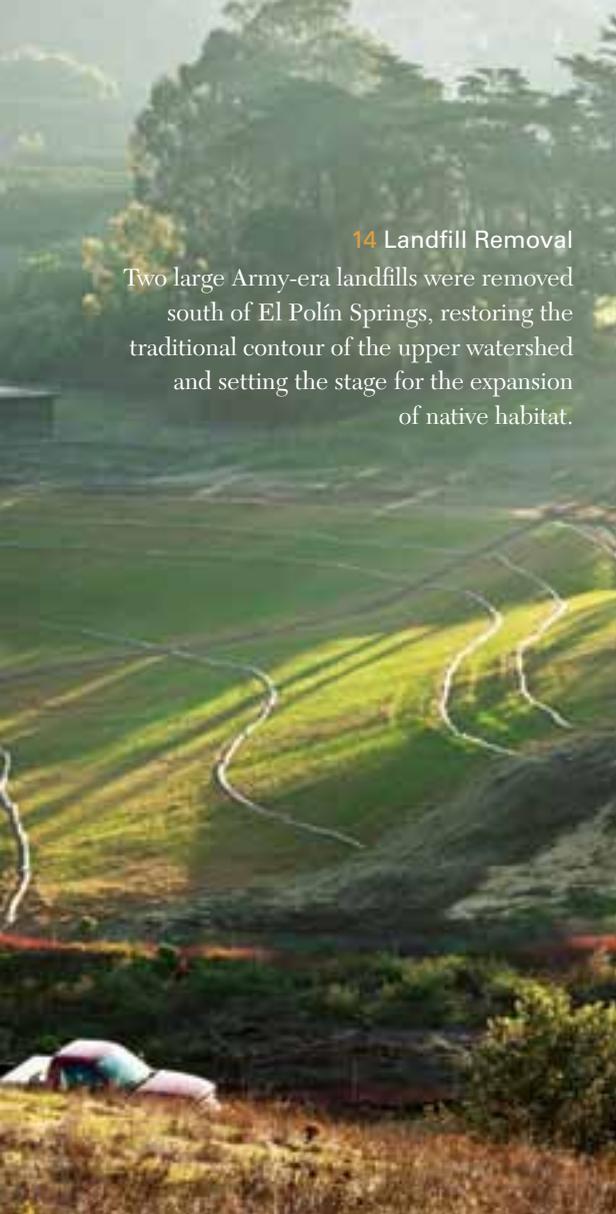
By the end of next year school children will come to El Polín – the heart of the watershed – to explore what daily life was like for the Presidio's early Spanish-colonial settlers. Visitors of all ages will participate in archaeological digs, plant native seedlings, or launch from El Polín to other points in the watershed on newly restored trails.



15 Domestic Life

As Tennessee Hollow's public spaces welcome more visitors, the gardens and landscapes around the homes are also being improved, supporting the domestic experience that has been part of the Presidio story since the 18th century.





14 Landfill Removal

Two large Army-era landfills were removed south of El Polín Springs, restoring the traditional contour of the upper watershed and setting the stage for the expansion of native habitat.



18 Wood Line by Andy Goldsworthy

Eucalyptus limbs wind in a serpentine pattern that echoes the downhill flows of the Tennessee Hollow Watershed in a new work by artist Andy Goldsworthy. Like his previous work *Spire*, located near the Arguello Gate, *Wood Line* celebrates the Presidio forest.

17 Quartermaster Reach

Connections continue to be made in the watershed. Over the next few years, 9.5 acres of marshland will be restored linking Thompson Reach to the marsh at Crissy Field. As the stream is daylighted, new native habitat and safe passages for wildlife will be created.



"Contour"

The outline of the surface of ground with respect to its undulation; a line drawn on a map connecting points of equal heights.

The water-shaped contours of Tennessee Hollow stand in contrast to the grid of the City.

PRESIDIO EAST *Tennessee Hollow*

The Tennessee Hollow Watershed undulates through the eastern fifth of the Presidio, descending from its high point atop Lovers' Lane to the bay. Its fresh water springs drew indigenous peoples to the area, followed by Spanish-colonial settlers in the late 18th century. The 1st Tennessee Regiment, giving the area its name, bunked in the low ground near Funston Avenue before shipping to the Philippines during the Spanish-American War.

The watershed, defined by three tributaries that come together east of the Main Post, was extensively altered over time. Its springs were dammed, the forest was planted among the riparian vegetation, segments of creek were filled to make way for housing, and Army landfills flattened some of its contours.

The Trust is working with the Golden Gate National Parks Conservancy to restore the watershed's natural topography and rhythms, enliven the area's history, and create new ways for people to experience and enjoy the diverse landscape. The watershed's historic flows are being brought back together, project by project.



Near Presidio Gate

ORGANIZATIONS
 AT
 THE PRESIDIO *of* SAN FRANCISCO

3 Degrees Group
 4Delite, Inc.
 Acre Café
 Aldridge Management
 Company
 African American
 Association
 Alexa Internet
 Alliance for California
 Traditional Arts
 Althea Foundation
 ARCS Foundation
 Arion Press
 Arnold Palmer
 Golf Management
 ArtSeed
 ArtsFest
 ASC
 Aviation Personnel
 International
 Babcock & Brown
 Bauman Landscape Inc.
 Bay Area Ridge
 Trail Council
 Bay Kids
 Bay School of
 San Francisco
 Bellingham Investment
 Management
 Benningfield Financial
 Advisors
 BLUM, Inc.
 Body of Work
 BoxIT
 Building 38
 Cabezon Capital
 Management, LLC
 California Clean Money
 Campaign
 California Environmental
 Associates
 Campbell Grading, Inc.
 CB Richard Ellis
 C.C. Meyers
 CDA Services LLC
 Center for Policy Analysis
 on Trade and Health
 Centric Construction
 Children's Channel
 Clarium Capital
 Management
 ClientReef LLC
 Columbia Foundation
 Community Clinics
 Initiative
 Compass Community
 Services
 Constellation Fund
 Consultative Group on
 Biological Diversity
 Consumer Advocacy
 Core Studio
 Cow Hollow Preschool
 Coyote Films
 Crissy Field Center
 Crissy Field Media
 Cultural Conservancy

DADA
 David Martinez Studio,
 Inc.
 Dish Café
 Door Dog Music
 Productions
 Douglas Wright
 Consulting
 ECB Management
 Services, Inc.
 EcoTalk
 Environmental History
 Project
 Equal Access
 Equity Community
 Builders, LLC
 e-Ride
 Eucalyptus
 Associates, Inc.
 Eureka House, Inc.
 Exploratorium
 Family Violence
 Prevention Fund
 First Graduate
 First Republic Bank
 Fleishhacker Foundation
 Foghorn Creative
 Forest City
 Foundation for
 Environmental Education
 Francisco Partners
 Management
 Friends of the Urban
 Forest
 FW-JP Management, LLC
 Gay-Lynn Blanding
 Geographic
 Expeditions, Inc.
 GMAC Mortgage
 Goldman Environmental
 Prize
 Grabhorn Institute
 Grantmakers Without
 Borders
 Greywolf Capital
 Management LP
 Groundspring.org
 Grove Consultants
 International
 Haight Ashbury Free
 Clinics, Inc.
 Hamilton Zanze &
 Company
 Heather Corcoran
 Heroic Imagination
 Project
 House of Air
 Hub Strategy
 Institute for the Study
 and Development of
 Legal Systems
 Interfaith Center
 International Forum on
 Globalization
 InterScholastic
 Company, LLC
 Interview Clips

Interwoven
 It'sYoga Kids
 Janet Bumpas
 Jenifer Altman
 Foundation
 Jeppesen
 VisionQuest, Inc.
 Joe Goode
 Performance Group
 John Stewart Company/
 Presidio Residences
 Judson Barr
 Julius Kahn Playground
 Just Answer!
 Just Think Foundation
 JVQ California
 KACO Solar
 Kao & Company
 Kelly Caceres
 Ken Linsteadt
 Kieve Law Offices
 King Oscar, Inc.
 Kitchell Films
 La Petite Baleen
 La Terrasse
 Lawyers for Clean Water
 Lens Ventures
 Letterman Digital Arts
 Ltd./Lucasfilm
 Living Goods
 LoBue & Majdalany
 Management Group
 London Bay Capital, LLC
 Lone Mountain
 Children's Center
 L.S.B. Leakey Foundation
 M&HType
 MakingOf, Inc.
 March Foundation
 Marie Crouch
 Masonic Homes
 Miller Video and Film, Inc.
 Mobility Plus
 Transportation, LLC
 Monte Vista
 Management Company
 Nature Nurture
 Adventure!
 Net Power and Light
 New Field Foundation
 New Ways to Work, Inc.
 Next Advisor, Inc.
 Nora Eccles Treadwell
 Foundation
 Northern California
 Independent Booksellers
 Association
 Object Health
 O'Brien Capital
 Management
 Offices of Susie
 Tompkins Buell
 Omnia Foundation
 One World
 Children's Fund
 Outward Bound
 Pachamama Alliance

Pacific Forest Trust
 Pacific Union Co.
 Pacific Union Real Estate
 Brokerage Company
 Palmer Weiss
 Interior Design
 Partnership Reporting
 Services
 Paul Levinson Design
 Penobscot
 Planet Granite
 Plant Construction
 Company
 Ploughshares Fund
 pMDsoft, Inc.
 Pohaku Fund
 Positive Coaching Alliance
 Pottruck Family
 Foundation
 Presidio Bowling Center
 Presidio Café
 Presidio Child
 Development Center
 Presidio Community
 YMCA
 Presidio Dance Theatre
 Academy
 Presidio Fitness, LLC
 Presidio Golf Course
 Presidio Graduate School
 Presidio Historical
 Association
 Presidio IT
 Presidio Landmark
 Presidio Performing Arts
 Foundation
 Presidio Point Insurance
 Services, Inc.
 Presidio Social Club
 Presidio Sport and
 Medicine
 Presidio Wine Bunker
 GrantPoint Capital, LLC
 Projects!
 Product Madness, Inc.
 PWR, LLC
 R & A Investment Forestry
 R & L Brosamer, Inc.
 Raven Group
 Regeneration Project
 Rent Mine Online
 Rex Foundation
 Richard & Rhoda
 Goldman Fund
 Richard Beggs
 Rick Murray
 Rights Workshop
 Roaring Mouse Cycles
 RockRose Institute
 Rough House Editorial
 Rudolf Steiner Foundation
 San Francisco
 Conservation Corps
 San Francisco Film Centre
 San Francisco
 Film Society
 San Francisco Gymnastics

San Francisco
 Medical Science
 San Francisco
 Medical Society
 San Francisco National
 Cemetery
 San Francisco Ocean Film
 Festival, Inc.
 San Francisco
 Psychotherapy
 Research Group
 San Francisco University
 High School
 Sarah Singleton
 SenSpa
 Serra Preschool
 SF Green Clean
 Shelter Security Services
 Skoll GlobalThreats Fund
 Social Venture Network
 Solutions
 Solutions Alert
 Soma Development
 Sports Basement
 State Farm Insurance and
 Financial Services
 St. Francis Electric
 Strategyn Ventures
 Swords to Plowshares
 Veterans Academy
 Thomas Bell
 Thoreau Center for
 Sustainability
 Threshold Foundation
 Tides, Inc.
 Tides Center
 Tides Foundation
 Town School for Boys
 United Religions Initiative
 United States Coast Guard
 United States Postal
 Service
 University of
 San Francisco
 Van Acker Construction
 Assoc.
 Veriditas, Inc.
 Vintrust, LLC
 W&JP Fund
 W. Clement and Jessie V.
 Stone Foundation
 Walt Disney Family
 Museum
 Watermen Ventures
 Westbase Productions
 WestEnd Capital
 Management
 Winton duPont Films
 World Business Academy
 World Wildlife Fund
 WorldLink Foundation
 WorldLink Media
 Yellow Brick Road
 Financial Advisors

BOARD of DIRECTORS

1. Nancy Hellman Bechtle, chair of the Presidio Trust board, serves on the board of directors for the Charles Schwab Corporation and is the chairman of the board for the Sugar Bowl Corporation. Previously, she was chief financial officer and director for J.R. Bechtle & Company from 1979 to 1998. From 1987 to 2001, she was president and chief executive officer of the San Francisco Symphony and has served as a member of the San Francisco Symphony board of governors since 1984. She served on the board of the National Park Foundation from 2001 to 2007 and held the board's citizen chair from 2005 to 2007. Ms. Bechtle has received several honors, including the Lifetime Achievement in the Arts from the California Arts Council and the Investment in Leadership award from the Coro Foundation. She holds a bachelor of arts from Stanford University. Ms. Bechtle was appointed to the Presidio Trust board of directors by President George W. Bush in 2008.

2. 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, Douglas Emmett, Inc., 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.

3. David H. Grubb chaired the Presidio Trust board of directors from December of 2003 until July of 2009, and was reappointed to the Trust board by President Barack Obama in 2010. He also served on the Golden Gate National Parks Conservancy board of trustees

from 1990-2000, where he oversaw the effort to restore Crissy Field as chair of the projects committee. Mr. Grubb joined Swinerton, Inc., a San Francisco based general construction firm in 1964 as a project engineer. He became the company's president in 1988 and its chairman in 1996. He currently serves on the board of directors for Immaculate Conception Academy. He has also served on several cultural and business community committees and has offered his support to a number of charitable organizations, serving on the boards of Saint Patrick's Seminary, the Meadow Club, San Domenico School, and San Francisco Zoological Society. He holds a bachelor of science from Princeton University and a master of science from Stanford University.

4. William R. Hambrecht is the founder of the San Francisco-based financial services firm WR Hambrecht + Company. Mr. Hambrecht is widely credited with creating the OpenIPO which made the initial public offering process more equitable. Prior to WR Hambrecht + Co, he co-founded Hambrecht & Quist, which specialized in investing in Silicon Valley companies. Mr. Hambrecht currently serves on the board of directors of Motorola Inc., AOL Inc., and Decision Economics, Inc., and on the board of trustees of the American University of Beirut and the advisory council to the J. David Gladstone Institutes. He is the founder of the United Football League, a new professional outdoor football league, which premiered in October 2009. In October 2006, Mr. Hambrecht was inducted into the American Academy of Arts and Sciences. Mr. Hambrecht graduated from Princeton University in 1957. He was appointed to the Trust board by President Barack Obama in 2010.

5. Charlene Harvey worked for 16 years with the Management Center of San Francisco as a staff consultant to non-profit organizations. A longtime parks champion, she has served on the board of the Golden Gate National Parks Conservancy since 1996, and was its chair from 2000 to 2007. Mrs. Harvey was a driving force behind the creation of Inspiration Point Overlook at the Presidio, helping fund the project in memory of her late husband, Jim Harvey, CEO of

TransAmerica, and chair of the Presidio Council. Mrs. Harvey also serves on the boards of the San Francisco Foundation and Schwab Charitable, and is involved with Conservation International, Women for Women International, and WELL Network. She is a past chair of KQED and of the advisory committee to Grants for the Arts, and past president of the Junior League of San Francisco. She also served on the boards of the Rosenberg Foundation, the Mental Health Association of San Francisco, and the California Pacific Medical Center. She was awarded the SPUR Award in 1997 and the Outstanding Volunteer Fund Raiser Award in 1996 by the National Society of Fund Raising Executives. Mrs. Harvey was appointed to the Trust board by President Barack Obama in 2010.

6. John Reynolds served for 39 years in the National Park Service including as deputy director, regional director, director of the Denver Service Center, superintendent of North Cascades National Park, and assistant superintendent of Santa Monica Mountains National Recreation Area and subsequently as executive vice president of the National Park Foundation from 2005 to 2007. He currently serves as a board member of the Student Conservation Association, Chesapeake Conservancy, Global Parks, and Shenandoah National Park Trust; as a member of North Cascades Institute Advisory Council; as chair of the Flight 93 National Memorial Federal Advisory Commission, and the Captain John Smith National Historic Trail Advisory Council; and as the Commonwealth of Virginia Citizen Representative on the Chesapeake Bay Commission. Mr. Reynolds served in the New Jersey National Guard and U.S. Army Reserve from 1966 to 1972. He holds a bachelor of sciences from Iowa State University and a master of landscape architecture from the State University of New York at Syracuse. He was appointed as the Secretary of the Interior's designee to the Trust board in July 2009.

7. J. Michael Shepherd is chairman and chief executive officer of Bank of the West and of BancWest Corporation. He is also a member of the executive committee of BNP Paribas Retail Banking. Previously,

he served as general counsel of The Bank of New York Company, Inc. and of Shawmut National Corporation. He was a partner in the San Francisco law firm of Brobeck, Phleger & Harrison LLP and special counsel to Sullivan & Cromwell. Mr. Shepherd also served as senior deputy Comptroller of the Currency, associate counsel to the President of the United States, and deputy assistant Attorney General. Mr. Shepherd is a director of First Hawaiian Bank, Pacific Mutual Holding Company, Pacific Life Insurance Company, and Promontory Interfinancial Network, and is a member of the advisory board of FTV Capital. He is a member of the FDIC Advisory Committee on Economic Inclusion, director of Operation HOPE, member of the Bay Area Council's executive committee, and chapter member of the Washington National Cathedral, among other affiliations. Mr. Shepherd is a graduate of Stanford University and the University of Michigan Law School. He was appointed to the Presidio Trust board of directors by President George W. Bush in 2008.

8. Executive Director: Craig Middleton leads the effort to preserve the Presidio as an enduring resource for the American people. Middleton oversees the Presidio's transformation into a great national park by creating a new community in the former military post's buildings, restoring the forest and natural areas, establishing partnerships to financially support the park, and creating new recreational pursuits for visitors. The Trust was awarded the Urban Land Institute's Global Award for Excellence in 2006. Middleton 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.



ABOUT THE PRESIDIO *and* PRESIDIO TRUST

Established by Spain in 1776, the Presidio is the birthplace of San Francisco. After having declared its independence from Spain in 1821, Mexico flew its flag over the post until 1846 when John C. Fremont took possession of the Presidio and claimed California for the United States. By order of President Millard Fillmore, in 1850 the U.S. Army established a command center in the Presidio, which eventually became the headquarters for the Division of the Pacific. Inspired by the City Beautiful movement and the parks of Olmsted, the Army adhered to a picturesque aesthetic in developing the Presidio with winding, tree-lined boulevards, forested ridges, and formally landscaped entrances. By World War II, the Presidio was one of the nation's pre-eminent military installations.

The Presidio was designated a National Historic Landmark in 1962, and in 1972 Congress identified it as a future national park site should it no longer be needed

by the Army. The Base Realignment and Closure Commission identified the historic post for closure in 1989, and the Army left in 1994.

The historic buildings and landscapes that distinguish the Presidio also present financial and management challenges that are unique among national parks. In response to these challenges, Congress established a new model for managing this particular site as a financially self-sustaining national park. The Presidio Trust Act was passed in 1996, transferring jurisdiction of the Presidio's interior lands and more than 700 of its buildings to the Presidio Trust. The Trust's mission is to preserve the Presidio as an enduring resource for the American people.

Our Partners

The Presidio Trust works in close partnership with the National Park Service and the non-profit Golden Gate National Parks Conservancy both to protect resources and to provide a range of programs and services for the public. The organizations collaborate on expanding trails and overlooks through the Trails Forever initiative, offer camping experiences for youth through the Camping at the Presidio (CAP) program, operate the Presidio Nursery where more than 65,000 seedlings are grown each year, and provide activities and events for the visiting public, including school groups. The Presidio Trust, National Park Service, and Golden Gate National Parks Conservancy are currently working together to develop a new Presidio Visitor Center, to be located on the Main Post.





Park Trail near San Francisco National Cemetery



PERFORMANCE *and* ACCOUNTABILITY REPORT



Years Ended September 30, 2010 and 2009,
with Report of Independent Certified Public Accountants





PERFORMANCE *and* ACCOUNTABILITY REPORT

Years ended September 30, 2010 and 2009

Table of Contents

Management's Discussion and Analysis (Unaudited)	31
Fiscal Year 2010 Performance Report.....	40
Chief Financial Officer Letter	45
Independent Auditor's Report.....	46
Balance Sheets.....	48
Statements of Net Cost & Statements of Changes in Net Position	49
Statements of Budgetary Resources.....	50
Notes to the Financial Statements	51
Required Supplementary Information (Unaudited).....	74
Other Accompanying Information	76
Independent Auditor's Report on Internal Control Over Financial Reporting	78
Independent Auditor's Report on Compliance and Other Matters	82

MANAGEMENT'S DISCUSSION AND ANALYSIS

Message from the Executive Director

The Presidio Trust's (the "Trust") mission is to preserve the Presidio of San Francisco as an enduring resource for the American people. The Fiscal Year (FY) 2010 Annual Report illustrates our progress in transforming the historic military post into a great urban national park site and demonstrates our ability and commitment to operating and maintaining it in perpetuity for public benefit without ongoing cost to the public.

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.



Craig Middleton
November 15, 2010

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 District and a unique national park in an urban area.¹

The Trust finances park operations through a variety of means: a direct appropriation, leasing revenue from both residential and commercial property, reimbursable agreements with other governmental agencies, and fees for services provided by the Trust. The Presidio Trust Act²

mandates that the Trust become independent of annual federal appropriations by the end of FY 2012. Federal appropriations are invested in projects that generate revenue which are replacing federal appropriations.

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, and making the former military post inviting to the public. The Trust has been able to make these improvements while establishing a strong economic foundation for the park's future. Since its inception, the Trust has been acknowledged for its planning efforts and for its preservation of historic resources.

Since 2004, the Trust's earned revenue has fully offset operating costs (excluding US Army funded remediation activities). By investing federal appropriations effectively, the Trust has established strong sources of revenue to enhance and maintain the park. Federal appropriations continue to be essential for the investments yet needed to protect the Presidio's historic resources, and to ensure its long term financial sustainability.

The Presidio 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 the Presidio as an enduring resource for the American people. To achieve this mission the Trust is building a community to support the park; is enhancing the Presidio's scenic, natural, and cultural resources; and is forging public-private partnerships to sustain the park. The Trust integrates careful financial stewardship with preservation goals to manage the Presidio in a way that meets its specific challenges.

In 2002 the Trust adopted *The Presidio Trust Management Plan: Land Use Policies for Area B of the Presidio of San Francisco* (PTMP), which provides the framework for how the Trust balances its multivalent mandate: to preserve and enhance the Presidio's resources; encourage public use; and generate revenue to support the Presidio in perpetuity. 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 – preserves its historic character and creates the economy that supports the park.

Within the framework of the PTMP, the Trust maintains a rolling Five-Year Capital Plan that sets out the preservation and budgetary goals of investments in park improvements. Capital projects include:

- Rehabilitation of historic and non-historic buildings intended for leasing and public use.
- Building stabilization, streetscape and circulation improvements, parking, and other site improvements
- Preservation of natural and cultural resources of the park, landscape improvements, and new visitor amenities
- Long term maintenance of infrastructure, including streets, outdoor lighting, utility systems, phone, and data services
- Remediation of environmental hazards which date back to the era of the U.S. Army's use of the Presidio

Organizational Structure

The Presidio Trust was established by Congress as a wholly-owned corporation of the Federal Government. The Presidio 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 Presidio.

Authority is vested in a seven-member board of directors, six of whom are appointed by the President of the United States, and the seventh 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 planning, park projects and programs, chief financial officer, general counsel, director of public affairs, director of human resources, and other positions essential to operating this unique Park. The current management team has been in place for more than five years, with three members having served the Trust more than eleven years.

Fiscal Year 2010 Performance

The attached *Fiscal Year 2010 Performance Report* presents a discussion of the goals identified in the FY 2010 Trust's Budget Justification. In the section that follows, management discusses the most significant results of the year and provides information about key performance and financial challenges facing the Trust.

Five-Year Capital Plan

During FY 2010 the Trust updated and extended its Five-Year Capital Plan to cover the period FY 2011 – FY 2015. Under this plan, the Trust essentially completes the rehabilitation of four principle districts of the Presidio: Main Post, Public Health Service, Crissy Field, and Letterman, and makes modest investments in the preservation and eventual rehabilitation of Fort Scott.

Presidio Parkway Project

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

The Presidio Parkway will meet contemporary seismic, structural, and traffic safety standards. The success of this project is a high priority for the State, and the Trust is an enthusiastic partner, fully committed to supporting the project. Construction has begun and is expected to continue into 2014.

The Right of Entry agreement also identifies mitigation measures and compensation for impacts and takings of the project. In FY 2010, the Trust received compensation of \$24.8 million; the Trust recognized revenue in the amount of \$7.3 million, and the balance of \$17.5 million is deferred revenue.

Developments Affecting Operations

During FY 2010, the demand for both residential and commercial leased property increased only slightly in the San Francisco Bay Area following the recession in the general economy which began late in FY 2008. The slowdown in the regional economy resulted in a modest decrease in residential and non residential rents received by the Trust.

The Presidio Parkway project has also affected revenue. The project cuts a one and a half mile path through the Presidio, much of which is immediately adjacent to residential and commercial tenants. Inevitably, the impacts have resulted in greater tenant turnover, lower rental rates on lease renewals or new leases, and some targeted rent concessions.

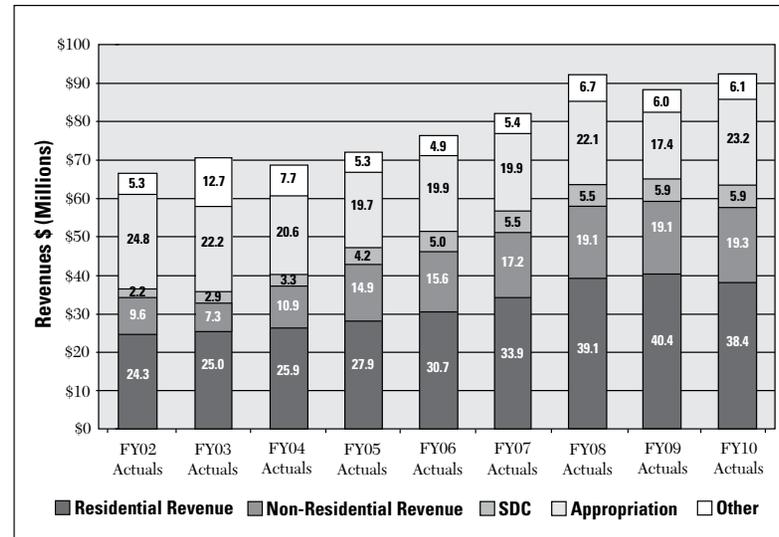
The recession has most directly affected the Trust’s ability to lease commercial space. Over the past year, the Trust has worked to lease

space on two newly rehabilitated historic buildings, and is in the early stages of identifying potential tenants for two additional buildings.

Although the recession has made leasing more difficult, it has brought construction costs down, and the competitive bidding of Trust projects in the past eighteen months has resulted in lower pricing than was available in 2007 or early 2008.

As the chart below demonstrates, the combined impact of the recession and the Presidio Parkway project on the Trust’s revenues has been manageable thus far. While earned revenue from leasing activities declined in FY 2010 from the prior year, an increase in the appropriation allowed the Trust to maintain its momentum in park building. The Trust will continue to make adjustments to spending and to capital planning in response to the demands of this challenging environment.

Growth in Revenues, FY 2002– FY 2010



Notes: 1) FY08 to FY10 Residential Revenue includes a gross up of various discount housing programs. 2) SDC (Service District Charge)

Philanthropic Gifts

Philanthropy allows the Trust to undertake improvements and create programs that directly serve the public. During FY 2010, the Trust and its philanthropic partner, the Golden Gate National Parks Conservancy (Parks Conservancy), raised \$7 million to trigger a \$10 million matching grant from the Evelyn and Walter Haas, Jr. Fund. These funds are being used to create a 24-mile system of trails and bikeways. An additional gift of \$4 million from the Haas, Jr. Fund was used to improve and expand the Rob Hill Campground, which reopened in spring 2010. Fund raising was also completed for a replacement of the Presidio Nursery's Seed and Plant Lab. Finally, the Trust received reimbursement in the amount of \$759,633 from a Federal Transportation Administration (FTA) grant awarded in FY 2009 to expand the Trust's fleet of clean-fuel shuttles used in its transportation program.

The Main Post

Redeveloping the Main Post as the "Heart of the Presidio" is a long-standing goal of the Trust and central to the vision of the Presidio as a national park. In FY 2010 the Trust began construction on a number of the building projects that are most important to revitalizing the Main Post, including rehabilitation of three of the iconic 19th century Montgomery Street Barracks. In FY 2010, the Trust also obligated funds to rehabilitate the Officers' Club (Building 50), and Pershing Hall (Building 42), which will serve as a Guest House; construction will be underway in FY 2011.

Rehabilitation of the Main Parade ground, the largest open space in the Main Post, has been viewed as a key park-making project since the Presidio became part of the national park system. Plans allow for the historic parade to re-emerge as a civic open space animated by programs and amenities for the public. With funds obligated in FY 2010, construction on the Main Parade ground will begin in early 2011.

In FY 2007, the Trust initiated an update to the PTMP for the Main Post. The "Main Post Update" provides a vision for the Main Post as a center for history and culture, and a central focus of visitor activity. The Trust has been undertaking both environmental and historic compliance for the projects and improvements which are under consideration. The compliance process has provided extensive opportunities for public involvement in the conversation about the future of the district. The Trust expects to adopt the plan in early 2011.

One of the Montgomery Street Barracks (building 102) remains under the jurisdiction of the National Park Service (NPS); the Trust is working with the NPS to determine the future of this building while the two agencies work together to identify a location and funding strategy for a jointly-supported visitor center.

The Public Health Service District

After standing vacant for thirty years, the Public Health Service District has come back to life as a beautiful mixed-use area and new park gateway. In FY 2008, the Trust signed a lease with Forest City Enterprises to redevelop the historic Public Health Service Hospital for residential use. The project was completed in FY 2010 and achieved a LEED gold rating.

The Trust rehabilitated the remaining historic buildings in the district, the former Nurses' Quarters (Building 1808) and a row of homes, Wyman Terrace. The Trust also upgraded the district's infrastructure, rehabilitated the landscaping, and added new recreational amenities. The Trust's projects also received LEED gold ratings as well as a new LEED Neighborhood rating. These are among the first historic rehabilitation projects to achieve LEED ratings.

Crissy Field and the Cavalry Stables

Three additional historic building rehabilitation projects were undertaken along Crissy Field, nearly completing the work in the “West Crissy” district. Of the seven leasable buildings, only three remain to be rehabilitated. New tenants have added to the recreational opportunities in the district.

Nearby in the Cavalry Stables area, the Trust completed rehabilitation of three historic buildings, a former barracks and related buildings (Buildings 681, 682, and 683), to serve as office or educational space. These buildings received a LEED gold rating.

Other Historic Preservation, Restoration and Stabilization Projects in FY 2010

Preservation maintenance of the major buildings at Fort Scott was completed in FY 2010, and two historic buildings in the Main Post were stabilized (Buildings 42 and 45).

The beautiful and ornate Arguello and Lombard Gates were restored and work to preserve the historic Presidio walls is continuing thanks to generous support from the S.H. Cowell Foundation. Restoration of the Arguello Gate received an award from the California Preservation Foundation.

Over 36 acres of native habitats have been restored, more than doubling the amount of native habitat, since the Trust took over in 1998. In 2010, 6,717 volunteers gave 51,958 hours to support a range of projects and programs throughout the park.

Enhanced Public Access and Use of the Park

The Trust, the Golden Gate National Parks Conservancy, and the National Park Service celebrated the reopening of Rob Hill Campground, which was renovated and expanded with the generous support of the Evelyn and Walter Haas, Jr. Fund. The new facility recalls traditional national park camping experiences. Rob Hill, the

only campsite in the City of San Francisco, can now accommodate 120 campers.

The Trust and its partners have continued a number of public programs that give children a rich experience in the park, including Camping at the Presidio, which in FY 2010 brought more than 3,200 adults and children to the park for an urban national park camping experience.

The Trust and its partners undertook a number of other initiatives during the year to enhance public access and enjoyment of the Presidio. The Trust completed construction on two scenic overlooks, one above the National Cemetery and the other above the Lobos Creek Valley. Design is underway for two additional overlooks. The Trust plans to build eight overlooks in all, all funded through philanthropic support. The signature trail project of FY 2010 was a length of the Park Trail, marking the midway point to completing a state-of-the-art 24-mile trail system.

The Trust has continued to use art in the park as a way to create deeper connections between the public and the Presidio’s resources. *Presidio Habitats* is a site-based art exhibition featuring international artists, architects, and designers who explore and celebrate the wild Presidio. It opened in May 2010 and will continue until May 2011. After six months, more than 5,000 people visited the exhibition, which is installed along trails, paths, and roadways around the Fort Scott District.

The Presidio’s free shuttle, *PresidiGo*, saw ridership increase 7.3% to 356,343 riders in FY 2010. *PresidiGo* is a central component of the Trust’s transportation demand management program and has been key to reducing automobile traffic through the park.

Environmental Remediation

In 2010, the Trust’s remediation program completed remedial construction of three large Comprehensive Environmental Response Compensation & Liability Act (CERCLA) fill sites; Landfill 10,

Landfill 8, and Graded Area 9. The Trust also obtained regulatory approval for remedial construction at Fill Site 1 and Landfill 2, and has substantially completed the removal of waste from these two sites which sit in the Tennessee Hollow watershed. Planning for remediation of Landfill E, Baker Beach 1A, Baker Beach 2 and the Merchant Road site were initiated and will conclude early in FY 2011.

Under the petroleum program, the Trust obtained regulatory closure at numerous former storage tank sites and completed remedial construction at the 207 site. Regulatory closure of more than 50 buildings for lead-based paint in soil was also obtained. The program remains on schedule to be substantially completed in 2014.

The accompanying Performance Report provides additional detail about the Trust's activities during the year and plans for the coming year. The Trust remains on a solid trajectory to meet and exceed the expectations established by Congress in the Presidio Trust Act.

Analysis of Financial Statements

As in previous years, the Trust received a qualified opinion on the FY 2010 financial statements. This opinion derives from the fact that, after the Trust assumed jurisdiction over 1,100 acres of federal land and approximately 800 buildings, the costs of the property, plant and equipment transferred to the Trust for improvements to buildings that are more than forty years old could not be determined. In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 6 *Accounting for Property Plant and Equipment*, if costs cannot be ascertained, then the assets should be recorded at fair value. The Trust recorded these particular improvements with a zero book value. The

Trust periodically considers approaches to resolve this qualification of the opinion, but has not yet identified a cost effective approach.

The financial statements were audited by the independent accounting firm KPMG, LLP. One of the Trust's goals is to continuously improve financial management and to ensure that accurate and reliable information is provided. Trust Management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

The accompanying financial statements summarize the Trust's financial position, show the net cost of operations and changes in net position, provide information on budgetary resources and financing, and present the sources of revenues and expenditures during FY 2010 and 2009. 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, 2010 and in comparison to its position a year earlier.

Assets

The Trust's total assets were \$377.0 million at the end of FY 2010, and \$331.4 million at the end of FY 2009. This growth of \$45.6 million in assets is primarily the result of the Trust's investment in property, plant, and equipment, which grew by \$31.5 million, net of depreciation, during the year, and an increase in cash and investments of \$14.5 million.

The increase in cash and investments is largely due to compensation received from the Presidio Parkway Project. Due to the inflow of that compensation the Trust had more funds on hand to invest in FY 2010 than in FY 2009. Note 21 of the accompanying financial statements provides further explanation about the Presidio Parkway Project compensation.

During the FY the Trust invested an additional \$42.8 million in building improvements, land improvements, and other property, plant, and equipment. In addition, the Trust retired plant and equipment and land improvements with a net book value of \$1 million and recorded depreciation in the amount of \$10.3 million.

Liabilities

There were \$163.0 million in liabilities at the end of FY 2010, and \$141.1 million at the end of FY 2009, an increase in liabilities of \$21.9 million. The increase is made up of fluctuations in several liabilities. Intra-governmental unearned revenues increased by \$1.6 million largely due to deferred revenue related to funds received in the amount of \$1 million from a Department of Transportation appropriation through the National Park Service for construction of parking in the Main Post. Additionally, other unearned revenue increased by \$14.8 million largely attributable to the compensation received from the Presidio Parkway Project. See Note 21 of the accompanying financial statements for further explanation about the Presidio Parkway Project revenue recognition.

Intra-governmental and other accounts payable increased by \$1.7 million and \$10.8 million, respectively. This is due to a substantial increase in capital projects which started in FY 2009 and has continued through FY 2010. The Trust projects that this trend will continue in FY 2011.

The Federal Employee Compensation Act (FECA) actuarial liability increased by \$4.5 million dollars in FY 2010. This increase is primarily due to an error in the prior years' calculation of the liability, and, while not material to the balance sheet, has been identified as a significant deficiency in this financial report which Trust Management has corrected. See Exhibit I following the independent auditors reports for further explanation of the deficiency.

The Environmental Remediation liability decreased by \$11.3 million. The Trust has depleted the funded portion of the liability and, while the overall estimated cost to complete the program has increased, the Trust has paid for a portion of the unfunded liability which causes an overall reduction. The FY 2010 environmental remediation cleanup cost liability is \$35.4 million. The Trust holds \$10.4 million in budget authority created by interest earned in earlier years and holds insurance policies against excess costs and unknown contaminants which are expected to provide support for the remaining cost of the cleanup. See Note 11 for further discussion of the environmental remediation liability.

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. Interest payments on this debt are partially offset by investments specifically designated for this purpose and held by the U.S. Treasury in the amount of \$33.3 million. See Note 4 for more information on investments and Note 10 for more information on debt.

Net Position

The Trust's net position was \$214.0 million at the end of FY 2010, and \$190.3 million at the end of FY 2009 an increase in net position during the year of \$23.7 million. This growing "equity" position of the Trust provides further evidence that the Presidio is becoming a self sustaining National Park.

Net Cost of Operations

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

The statement demonstrates that the Trust had a net cost of operations of \$1.5 million during FY 2010 and \$1 million in FY 2009. As the Trust

moves closer to financial self sufficiency, net cost should decrease, but may not be fully reflective of amounts earned to operate the park as some entries are made for financial reporting purposes under Generally Accepted Accounting Principles (GAAP) while budgetary resources are available in a subsequent period. The net cost statement reflects all of the expenses incurred from Trust activities during FY 2010, including the remediation program and the depreciation of fixed assets.

Budgetary Resources

As an entity of the Federal Government, the Trust reports on the status of its budgetary resources, the extent to which obligations exist as claims on those resources, and the relationship of those obligations to outlays. The Trust receives most of its funding from revenues earned from residential and non-residential leasing, as well as other revenue-generating activities. In addition, the Trust receives general government funding in the form of an appropriation as authorized by Congress. Resources consist of the balance at the beginning of the year, appropriations received during the year, and spending authority from offsetting collections.

Budgetary resources amounted to \$182.8 million for FY 2010, compared to \$160.1 million in FY 2009. Of this amount, the Trust obligated \$158.2 million in FY 2010 and \$110.4 million in FY 2009. Unobligated balances at the end of FY 2010 and FY 2009 were \$24.6 million and \$49.7 million, respectively. This unobligated balance is due primarily to the funds held for purposes other than operations, such as environmental remediation, tenant security deposits, and philanthropic donations.

Risks and Uncertainties

The Trust is responsible for environmental cleanup on the Presidio and monitors the progress of environmental cleanup and estimates the cost of the cleanup using standard industry practices. Estimates are

based on internal analysis as well as studies performed by consultants. Management updates estimates from prior environmental studies as additional information becomes available. External risk factors such as regulatory requirements and increases in construction costs will affect the final costs. See Note 11 to the accompanying financial statements for an in-depth discussion of the risks and uncertainties related to the environmental cleanup as of September 30, 2010. The Trust will periodically re-evaluate its estimates; however, actual costs will likely vary from these estimates.

The Trust is also responsible for rehabilitation and maintenance of the Presidio's fixed assets, including infrastructure. Many of the assets have exceeded their depreciable lives. There is uncertainty as to the life spans of the assets and the cost to replace them. Annual budgetary constraints are considered in evaluating the replacement of assets.

Regular and on-going maintenance of assets prolongs their useful life and reduces the likelihood of unexpected failures. Maintenance of one hundred percent of the assets is unfeasible, so the Trust evaluates deferred maintenance on an annual cycle and prioritizes the most important preventive maintenance for completion. Deferred maintenance data can be found in the required supplementary information accompanying the financial statements.

Stewardship Investments

Stewardship assets are detailed in a Note to the financial statements as required by SFFAS 29, *Heritage Assets and Stewardship Land*. The Trust's reported values for property plant and equipment exclude stewardship assets because they are considered priceless and do not have an identifiable value. Therefore monetary amounts cannot be assigned. For an in depth discussion regarding these assets please refer to Note 7.

Limitations of the Financial Statements

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

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

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

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 programmatic

operations, 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, 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, Federal Accounting Standards Advisory Board (FASAB) standards, and the U.S. Standard General Ledger at the transaction level.

Statement of Assurance on Internal Controls over Operations

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



Craig Middleton
November 15, 2010

FISCAL YEAR 2010 PERFORMANCE REPORT

The Budget Justification for FY 2010 was submitted to OMB in September, 2008 based on the Five Year Construction Plan for FY 2009 – 2013 as approved at that time. The actual capital projects executed in FY 2010 differed in important respects as plans and circumstances changed between the submission of the Budget Justification in 2008 and September 30, 2010.

Late in FY 2009 the Trust completed an agreement with the Presidio Parkway project sponsors. Under this agreement, the Trust will be paid \$63.3 million as compensation for the project's takings of Trust buildings and other improvements and use of Trust facilities. During FY 2010, \$24.8 million of the total was received by the Trust.

In addition, revenue from operations increased approximately \$5 million and an additional \$6 million was received in appropriations. These inflows combined with \$10 million in carryforward and \$11 million in funding received for the Main Post and Heritage Center allowed for the obligation of \$80.9 million in capital projects during the year as compared to \$27.2 million originally envisioned. This, in turn allowed the Trust to accelerate projects into FY 2010 which had been planned for FY 2011 or later.

The obligation of more than \$80 million in improvements to the Presidio is unprecedented in the history of the park and represents significant momentum. While the added projects are particularly focused on the revitalization of the Main Post district, improvements are underway in virtually every district of the park, and during the year the Trust substantially completed the Public Health district, the first full district of the park to be brought fully back to life.

The results on the Trust's performance during FY 2010 and the variances related to the September 2008 Budget Justification, are discussed in greater detail in the narrative and tables below.

- The Officer's Club, Building 50, (line 5) dating from 1776, is the oldest building in San Francisco. Throughout the Presidio's military history, this location has been the ceremonial heart of the post. The building will be fully rehabilitated as a Heritage Center for park visitors and will include space for special events. Though major construction will start early in 2011, \$14 million was obligated in FY 2010.
- During the year, the Montgomery Street Barracks – Building 101 (line 9) \$10.8 million and Building 103 (Line 11) \$9.6 million were obligated. The Trust anticipates a mix of retail, food service, and office space uses in the barracks.
- Pershing Hall, Building 42 (line 13), has been designated as a Lodge with moderately priced rooms for visitors to the park; the base building has been obligated for \$8.6 million.
- The Trust also obligated \$3.4 million for the Main Parade Ground Greening project (line 52). This project will convert to lawn an existing parking lot at the site of the former Main Parade grounds within the Main Post to enhance the interpretation of the post and service as a large gathering space for outdoor events.
- Main Post Projects (lines 55 to 62) were added due to the emphasis on completing the Main Post. A large utility project of \$1.6 million (line 56) was necessary to upgrade the reliability of the delivery of electricity to all of the main post tenants.

- The renovation of the remaining buildings along West Crissy is almost complete. Although originally envisioned in later years, the obligation of Buildings 920 (line 22) for \$2.2 million, Building 934 (line 22) and Building 933 (lines 20 and 21) leave only a few buildings remaining to be rehabilitated in this part of the Crissy Field district. The West Crissy Streetscape/Parking (line 29) has been delayed until FY 2013 due to the disruption caused by the Doyle Drive Project.
- Delay in the completion of the Main Post SEIS resulted in the Interfaith Chapel rehabilitation (line 34) being postponed, so the funds reserved by the Trust (\$.9 million) were spent on other projects.
- Forest City completed their rehabilitation of the PHS Hospital, Building 1801, as residential units; \$1 million (line 16) was spent by the Trust to support this project. Site work at PHS (line 28) was also completed.
- Landscaping for the Portola (line 40) and Infantry Terrace (line 41) residential areas was accelerated into this FY. A total of \$2.45 million was spent on both landscape and hardscape.

- The Doyle Drive (Presidio Parkway) Requirements (Lines 63 to 72) are FY 2010 Presidio Trust obligations associated with the project.
- The infrastructure pool (Line 74) at \$2.3 million supports utility and infrastructure work. Although this is \$851 thousand less than originally envisioned, the infrastructure crews worked on other large projects during the year.
- Baker Beach is the largest residential neighborhood in the Trust. During FY 2010, \$793 thousand was spent on safety and maintenance such as rodent proofing, repair of deteriorated structures, and stairs and railing repairs.

It is the Trust's goal to complete the priority building rehabilitations, park projects and infrastructure improvements as rapidly as possible. The Trust had a very successful year, obligating \$80.9 million on capital projects which further the Trust's mission to preserve and protect this National Park site and National Historic District.

<i>Capital Projects (\$ in thousands)</i>	<i>Budget per FY 2010 Budget Justification</i>	<i>Actuals as of September 30, 2010</i>	<i>Actual Variance FY 2010 Budget Justification</i>	
			<i>\$</i>	<i>%</i>
1 Buildings To Lease				
2 Buildings 340-342 - Infantry Terrace		551	551	-58.6%
3 Building 682 - Calvary Barracks	897	371	(525)	-100.0%
4 Building 45	217		(217)	
5 Building 50 (O Club)		14,047	14,047	-90.5%
6 Buildings 640-641 (Japanese Heritage Center)	180	17	(163)	
7 Building 99 - Presidio Theater		3	3	-44.4%
8 Montgomery Street Barracks (Building 100)	204	113	(91)	
9 Montgomery Street Barracks (Building 101)		10,782	10,782	
10 Montgomery Street Barracks (Building 102)		14	14	
11 Montgomery Street Barracks (Building 103)	5,309	9,610	4,302	81.0%
12 Montgomery Street Barracks (Building 105)	500		(500)	-100.0%
13 Building 42 Presidio Guest House		8,583	8,583	
14 Disney (Buildings 104, 108, 122)		6	6	
15 PHSB 1808 (Nurses Quarters)	188	285	97	51.5%
16 PHSB 1801	232	993	761	317.9%
17 PHSB Wyman Housing 1809-1815	678	605	(73)	-10.8%
18 Thornburgh		15	15	
19 West Crissy 926		298	298	
20 West Crissy 933A, 924		2	2	
21 West Crissy 933B		898	898	
22 West Crissy 920		2,193	2,193	
23 West Crissy 934		804	804	
24 Building 1242		46	46	
25 Reclaimed Water Plant		206	206	
26 Subtotal – Buildings to Lease	8,404	50,441	42,037	600.2%

<i>Capital Projects (\$ in thousands)</i>	<i>Budget per FY 2010 Budget Justification</i>	<i>Actuals as of September 30, 2010</i>	<i>Actual Variance FY 2010 Budget Justification</i>	
			<i>\$</i>	<i>%</i>
27 Other Projects				
28 Parking/Landscape - PHS 1805 and 1808	620	2,075	1,455	234.7%
29 West Crissy Streetscape/Parking	1,689	200	(1,489)	-88.2%
30 Mid Crissy Streetscape		0	0	
31 Montgomery Street Landscape		116	116	
32 Non-Res Parking Program	848	135	(713)	-84.1%
33 Stilwell Hall Paint Stabilization (Building 650)		78	78	
34 Interfaith Chapel	910		(910)	-100.0%
35 Building 1806/1807 Stabilization		353	353	
36 Fort Scott Building Preservation	500	1,024	524	104.8%
37 Fort Scott Building 1201 Design		275	275	
38 Fort Scott Planning	159	466	307	193.0%
39 Golf Course	38		(38)	-100.0%
40 Portola Residential Landscaping		1,074	1,074	
41 Infantry Terrace Landscaping		1,375	1,375	
42 Building 314 - Communication Tower		46	46	
43 Joint Visitor Center Study with NPS		15	15	
44 Subtotal – Other Projects	4,764	7,233	2,469	51.8%
45 Park Projects (Excludes Gift Funded Share)				
46 Trails/Overlooks/Crissy Overlook	200	254	54	27.0%
47 Dragonfly Creek Restoration		3	3	
48 Tennessee Hollow	100	633	533	532.7%
49 Playground Upgrades (safety)	219	36	(183)	-83.4%
50 Landscape Restoration of Remediation Sites	73	615	542	741.9%
51 Presidio Wall Preservation		19	19	
52 MPG Greening Project		3,425	3,425	
53 Rob Hill Campground		178	178	
54 Subtotal – Park Projects	592	5,162	4,570	772.0%

<i>Capital Projects (\$ in thousands)</i>	<i>Budget per FY 2010 Budget Justification</i>	<i>Actuals as of September 30, 2010</i>	<i>Actual Variance FY 2010 Budget Justification</i>	
			<i>\$</i>	<i>%</i>
55 Main Post Revitalization (continued)				
56 Main Post Backbone & Electrical Reliability		1,605	1,605	
57 Buildings 385 - Demo (Herbst Hall)		16	16	
58 Parking Lot - Moraga - 230 Spaces		32	32	
59 Main Post Coordination		85	85	
60 Main Post SEIS		361	361	
61 Parking - Taylor Street - 141 Spaces		91	91	
62 Subtotal – Main Post Revitalization		2,190	2,190	
63 Doyle Drive Requirements				
64 Main Bluff Parking - 228 Spaces		0	0	
65 Arch/Ed Center (Building 44, 47, 48, 49)		1,611	1,611	
66 Tenant Relocation		881	881	
67 Armistead Road		1	1	
68 Doyle Drive Project Support		304	304	
69 Doyle Drive Unreimbursed Project Expenses		132	132	
70 CNG Station/Bus Yard		23	23	
71 Doyle Drive Restoration		25	25	
72 Subtotal – Doyle Drive Requirements		2,978	2,978	
73 Infrastructure				
74 Infrastructure Pool (general)	3,182	2,330	(851)	-26.8%
75 PHSB Utility Backbone	101	(2)	(103)	-101.8%
76 Thornburgh Utility Backbone	150	3	(147)	-98.2%
77 Data Center Virtualization	100	50	(50)	-50.2%
78 Systems Integration	100	203	103	103.5%
79 Relocate Server Room from 34 to 67	500	52	(448)	-89.5%
80 Technology Equipment Lifecycle Repl	200	141	(59)	-29.4%
81 Microsoft Three Year License Renewals		290	290	
82 Subtotal – Infrastructure	4,333	3,068	(1,264)	-29.2%
83 Baker Beach Housing Repairs		793	793	
84 Capital Programs - Ongoing	9,147	9,069	(78)	-0.8%
88 Subtotal – Cap Programs & Baker Beach Housing	9,147	9,862	715	7.8%
89 TOTAL	27,239	80,935	53,696	197.1%

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 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 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 over 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 costly process. The Trust periodically considers approaches to resolve this qualification of the opinion, but has not yet identified a cost effective approach.

The Trust periodically reevaluates the costs and benefits of removing this qualifying statement from the otherwise clean opinion received from the independent auditors.



Michael Rothman
November 15, 2010

INDEPENDENT AUDITOR'S REPORT



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

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, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") 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 audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 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 purpose 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, 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.

The Trust assumed jurisdiction over approximately 1,100 acres of federal land and over 800 buildings on July 1, 1998 from the National Park Service (NPS). Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant and Equipment (PP&E)*, requires the Trust to recognize transferred PP&E at the cost previously recorded by the transferring entity, net of accumulated depreciation. If such amounts cannot be reasonably determined, the Trust should record the PP&E at its fair market value at the time of transfer. Many of the structures, which were administered by the United States Army before NPS, were over 40 years old and considered fully depreciated at the



date of transfer. However, as discussed in Note 1.H. to the financial statements, because of the lack of available information from NPS and the United States Army, the Trust valued improvements made to buildings over 40 years old and land improvements at zero net book 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 and cost prohibitive. 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 the adjustments to the financial statements, if any, that might have been necessary had we been able to examine evidence supporting the recorded balances of 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, 2010 and 2009, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis and Required Supplementary Information is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Other Accompanying Information section is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 12, 2010, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 12, 2010

FINANCIAL STATEMENTS

Balance Sheets

	AS OF SEPTEMBER 30,	
	2010	2009
ASSETS		
Intragovernmental		
Fund Balance with Treasury [NOTE 2]	\$ 6,062,306	\$ 5,025,031
Investments [NOTE 4]	99,899,325	86,377,103
Accounts Receivable, Net [NOTE 5]	358,854	2,863,350
Total Intragovernmental	106,320,485	94,265,484
Cash and Other Monetary Assets [NOTE 3]	770,953	802,230
Accounts Receivable, Net [NOTE 5]	1,924,296	1,751,729
General Property, Plant, and Equipment (PP&E), Net [NOTE 6]	249,099,963	217,595,860
Stewardship PP&E [NOTE 7]		
Other Assets		
Government Improvement Accounts [NOTE 8]	38,066	55,145
Prepayments [NOTE 8]	702,178	681,792
Deferred Rent Receivable [NOTE 8]	17,160,075	16,276,211
Other Deferred Real Estate Costs [NOTE 8]	976,400	0
	270,671,931	237,162,967
TOTAL ASSETS	376,992,416	331,428,451
LIABILITIES		
Intragovernmental		
Accounts Payable	\$4,482,966	\$2,812,422
Debt [NOTE 10]	49,978,000	49,978,000
Other Liabilities		
Employer Contributions Payable [NOTE 12]	296,380	194,072
Other Post Employment Benefits Payable [NOTE 12]	1,042,160	1,078,614
Unearned Revenue [NOTE 12]	9,800,728	8,152,303
Total Intragovernmental	65,600,234	62,215,411
Accounts Payable	23,972,321	13,204,064
Other Liabilities		
Environmental Remediation Liability [NOTE 11]	35,442,083	46,753,956
Contingent Liabilities [NOTE 14]	136,569	73,108
Security Deposits [NOTE 12]	4,291,676	4,115,063
Unearned Revenue [NOTE 12]	19,357,757	4,596,745
Payroll Payable [NOTE 12]	1,678,965	1,536,514
Annual Leave Liability [NOTE 9, 12]	2,291,458	2,189,607
Rent Credit Liability [NOTE 9, 12]	2,915,190	3,650,812
Prepaid Rents & Services [NOTE 12]	1,635,627	1,634,381
FECA Actuarial Liability [NOTES 9, 12]	359,653	290,297
Accrued Interest Payable [NOTES 9, 12]	4,547,854	25,039
Other Liabilities [NOTE 12]	796,889	815,480
	97,426,042	78,885,066
TOTAL LIABILITIES	163,026,276	141,100,477
NET POSITION		
Unexpended Appropriation – Other Funds	0	0
Cumulative Results of Operations – Other Funds	213,966,140	190,327,974
TOTAL NET POSITION	213,966,140	190,327,974
TOTAL LIABILITIES & NET POSITION	\$ 376,992,416	\$ 331,428,451

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

**Statements Of
Net Cost**

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2010	2009
PROGRAM COSTS		
Intragovernmental Gross Costs [NOTE 15]	\$ 19,677,710	\$ 19,073,587
Less: Intragovernmental Earned Revenues [NOTE 15]	15,092,774	10,917,562
Intragovernmental Net Costs	4,584,936	8,156,025
Gross Cost with the Public	82,439,184	71,644,063
Less: Earned Revenues	85,534,423	78,811,011
Net Costs with the Public	(3,095,239)	(7,166,948)
Total Net Cost	1,489,697	989,077
NET COST OF OPERATIONS	\$ 1,489,697	\$ 989,077

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

**Statements Of Changes
In Net Position**

	FOR THE YEARS ENDED SEPTEMBER 30,			
	2010		2009	
	<i>Cumulative Results of Operations</i>	<i>Unexpended Appropriations</i>	<i>Cumulative Results of Operations</i>	<i>Unexpended Appropriations</i>
Beginning Balance	\$ 190,327,974	\$ 0	\$ 171,400,631	\$ 0
Budgetary Financing Sources				
Appropriations Received	0	23,200,000	0	17,450,000
Appropriations Used	23,200,000	(23,200,000)	17,450,000	(17,450,000)
Other Financing Sources				
Donations and Forfeitures of Property	306,000		1,344,460	
Imputed Financing from Costs Absorbed by OPM	1,621,863		1,121,960	
Total Financing Sources	25,127,863	0	19,916,420	0
Net Cost of Operations	1,489,697		989,077	
ENDING BALANCES	\$ 213,966,140	\$ 0	\$ 190,327,974	\$ 0

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

**Statements of
Budgetary Resources**

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2010	2009
BUDGETARY RESOURCES		
Unobligated Balance – Brought Forward, October 1	\$ 49,737,753	\$ 61,467,458
Budget Authority		
Appropriation	23,200,000	17,450,000
Spending Authority from Offsetting Collections:		
Collected	98,613,734	84,701,227
Change in Receivables from Federal Sources	(2,393,839)	2,731,676
Change in Unfilled Customer Orders:		
Advance Received	8,636,342	(6,238,287)
Without Advance from Federal Sources	5,000,000	0
Total Spending Authority from Offsetting Collections	109,856,237	81,194,616
TOTAL BUDGETARY RESOURCES	\$ 182,793,990	\$ 160,112,074
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred [NOTE 16]		
Reimbursable	\$ 158,226,971	\$ 110,374,321
Subtotal	158,226,971	110,374,321
Unobligated Balances – Available:		
Apportioned	24,567,019	49,737,753
Subtotal	24,567,019	49,737,753
Total Status of Budgetary Resources	\$ 182,793,990	\$ 160,112,074
CHANGE IN OBLIGATED BALANCE		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 47,510,922	\$ 43,325,711
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(5,846,645)	(3,114,968)
Total Unpaid Obligated Balance, Brought Forward, October 1	41,664,277	40,210,743
Obligations Incurred Net [NOTE 16]	158,226,971	110,374,321
Less: Gross Outlays	(115,890,800)	(106,189,109)
Change in Uncollected Customer Payments from Federal Sources	(2,606,161)	(2,731,676)
Obligated Balance, Net, End of Period		
Unpaid Obligations [NOTE 18]	89,847,093	47,510,922
Less: Uncollected Customer Payments from Federal Sources	(8,452,806)	(5,846,645)
TOTAL UNPAID OBLIGATED BALANCE, END OF PERIOD	\$ 121,124,297	\$ 43,117,813
NET OUTLAYS		
Gross Outlays	115,890,800	106,189,109
Less: Offsetting Collections	(107,250,076)	(78,462,939)
NET OUTLAYS	\$ 8,640,724	\$ 27,726,170

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

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2010 and 2009

1. The Presidio Trust and Summary of Significant Accounting Policies

A. Reporting Entity

The Presidio Trust (the “Trust”), an executive agency, is a wholly-owned government corporation established by Congress in 1996 through enactment of the Presidio Trust Act (P.L. 104-333). The Trust’s mission is to preserve and enhance the Presidio as an enduring resource for the American public. In this context the Trust is required to achieve financial self-sufficiency by FY 2013.

From 1846 to 1994, the Presidio was used as a U.S. military installation. In 1994, the NPS assumed full control of the Presidio until 1998 when the Trust assumed responsibility for approximately 1,100 acres of non-coastal areas.

The Trust is guided by the Presidio Trust Act to operate in accordance with general objectives of the 1994 General Management Plan Amendment for the Presidio and the Government Corporation Control Act. The Trust currently finances operations through appropriations, which will decrease over the next three 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 FY 2013, the net assets will be transferred to the General Services Administration for disposition.

B. Organization and Structure

The Trust is governed by a seven-member board of directors. Six members are appointed by the President of the United States. The seventh is the U.S. Secretary of the Interior or his designee. The head of agency for the Trust is an executive director who reports to the board

and oversees a staff with expertise including environmental science, historic preservation, operations and maintenance, landscape design, planning, resource management, real estate development, public affairs and programs, law, and finance. An overview of the Trust’s operating performance may be found in the Management Discussion & Analysis (MD&A) section of this report.

C. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of the Trust as required by the Trust Act. These financial statements were prepared from the Trust’s accounting records in accordance with accounting principles generally accepted in the United States of America (GAAP), and the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements* revised September 29, 2010. GAAP for Federal entities are the standards designated by the Federal Accounting Advisory Standards Board (FASAB) the official standards setting body for the Federal Government.

These financial statements present budgetary and proprietary information. The Trust presents comparative FY 2010 statements for the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary Resources.

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

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

D. Fund Balance with Treasury and Cash

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

E. Investment, Net

Trust investments in non-marketable, market based U.S. Treasury securities are traded through and held in book entry form at the Department of the Treasury - Bureau of the Public Debt (BPD). The Trust is required by Public Law 104-333 to invest excess cash only in

non-marketable, market based Treasury securities issued by the BPD. Non-marketable, market based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms.

F. Accounts Receivable, Net

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

An allowance for doubtful accounts is established based upon a review process. The Trust reviews accounts over 90 days past due and identifies collectable accounts. If an account is identified as collectable the Trust does not record any bad debt expense for that account; conversely if an account is deemed to be uncollectible prior to 90 days of age a bad debt expense is recorded. For the remaining receivables over 90 days old, the Trust reserves 75% of the balance as an allowance for uncollectible accounts.

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

G. Direct Loans and Loan Guarantees

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

H. General Property, Plant, and Equipment, Net

General Property, Plant, & Equipment

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

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

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

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

Furnishings and equipment in excess of \$25,000 in aggregate 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, Preparation Submission and Execution of the Budget, of the Budget and the Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property Plant and Equipment*, and are comprised of those indirect costs incurred to bring the PP&E to a form and location suitable for its intended use. The Trust identified these costs based upon a review of its operating activities. Indirect costs are allocated to capital assets using systematic methods approved by management.

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

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

Construction in Progress

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

Stewardship Assets

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

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

I. Advances and Prepayments

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

J. Deferred Rent Receivable and Real Estate Assets

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

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

K. Liabilities

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

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

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

Environmental Disposal Liabilities

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

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

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

Under a Memorandum of Agreement (the Presidio MOA) among the Trust, DOI, and the Army, the Trust assumed the Army's responsibilities as lead agent for the environmental cleanup in both Area A and Area B. The Army provided \$99 million to the Trust in exchange for the Trust's assumption of such responsibilities. The funds that have not been spent to-date are included in the Environmental Remediation Liability on the Trust's financial statements.

In 2006, the Trust worked with a third party consultant to update the estimated cost to complete the environmental remediation. This estimate led to an unfunded component of the Environmental Remediation Liability. Changes in cleanup cost estimates are developed in accordance with agency procedure which addresses a systematic process for cost estimating and places emphasis on development and retention of supporting documentation. Changes in cleanup cost estimates are based upon progress made in and revision to cleanup plans, assuming current technology, laws, and regulations. Changes result in an increase or decrease to the Environmental remediation liability and are calculated in current year dollars as prescribed by accounting standards.

Contingent Liabilities

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

Other Liabilities

Other liabilities on the Trust's balance sheet arise largely from Trust payroll, normal leasing transactions, and monies received for projects throughout the park. Liabilities such as security deposits and rent credits are directly related to leasing activity with both commercial tenants and residential tenants. Such monies would generally be refundable to the tenants and are therefore shown as a liability. The accrued interest payable is related specifically to agreements with tenants that have rent credits that will not be given or used for several years. The accrued interest is unfunded as it will not be paid but will be depleted by applying it as a rent credit against future earnings of the Trust. Unearned revenues are those monies advanced to the Trust for venue rentals and special events as well as monies received for projects which are at various stages but not yet complete. The Trust recognizes revenue related to these liabilities as the revenue is earned.

L. Revenues and Financing Sources

The United States Constitution prescribes that no money may be expended by a federal agency unless and until funds have been appropriated by Congress. Appropriations are considered to be a financing source. The Trust is receiving a declining appropriation and will no longer receive an appropriation in FY 2013.

The Trust Act allows the Trust to retain funds earned for its own use and those funds are considered spending authority. Spending authority is subject to apportionment by the OMB. The Trust provides services to the public and other government entities which are priced at market value.

Appropriations

Congress provides the Trust's appropriation from the general receipts of the Treasury. The Trust's appropriation is in a revolving fund and is available until expended. Appropriations are reflected as a financing source entitled "Appropriation Used" on the Statement of Changes in Net position. The Statement of Budgetary Resources presents

information about the resources appropriated to the Trust as well as spending authority from offsetting collections that the Trust has earned.

Exchange and Non-Exchange Revenue

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

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

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

Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies. Prices set for the various

revenue activities are designed to recover full costs of those activities and maintain operations of the park as a self sufficient entity to include insuring funds are available for capital asset replacement and capital renovations.

Imputed Financing Sources

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

M. Personnel Compensation and Benefits

Annual and Sick Leave Program

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

Federal Employees Workers' Compensation Program (FECA).

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

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the Trust. There is generally a two to three year lag between payment by

DOL and reimbursement by the Trust. The Trust recognizes a liability for the actual claims paid by DOL that are to be reimbursed by the Trust. The second component is the estimated liability for future benefit payments as a result of past events.

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

Federal Employees Group Life Insurance Program (FEGLI)

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

Retirement Plans

There are two primary retirement systems for Federal employees. Employees hired prior to January 1, 1984, may participate in the Civil Service Retirement System (CSRS), and employees hired after that date are eligible to participate in the Federal Employee Retirement System (FERS). The Trust Act affords the Trust the ability to manage the payroll process outside of the laws governing civil service retirement; however, the Trust has elected to use the retirement systems in

place for federal employees. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. Although the Trust hired its first employees in 1999, the Trust does have some employees in CSRS as these employees have transferred to the Trust from other federal agencies and have prior federal service. The majority of employees participate in FERS.

A primary feature of FERS is that it offers a savings plan to which the Trust contributes one percent of pay and matches any employee contribution up to four percent of pay. For FERS employees the Trust also contributes the employer’s matching share of Social Security. The

Trust does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the OPM and the FERS. The Trust does report as an imputed financing source and a program expense, the difference between its contributions to Federal employee pension and other retirement benefits and the estimated actuarial costs as computed by the OPM. The amounts reported as of September 30, 2010 and September 30, 2009 are \$1,621,863 and \$1,121,960 respectively.

N. Federal Government Transactions

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

O. Income Taxes

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

P. Estimates

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

2. Fund Balance with Treasury

Fund Balance with Treasury by fund type as of September 30, 2010 and September 30, 2009 are as follows:

	2010	2009
Revolving Funds	\$ 6,062,306	\$ 5,025,031

Status of Fund Balance with Treasury on September 30, 2010 and September 30, 2009 are as follows:

	2010	2009
Available Fund Balance with Treasury and Overnight Investments	\$ 72,717,306	\$ 58,158,031
Less Invested Unpaid Obligated Balance	(66,655,000)	(47,510,922)
Less Invested – Unobligated – Available	0	(5,622,078)
Fund Balance	\$ 6,062,306	\$ 5,025,031

At the end of FY 2009 the fund balance of \$5,025,031 was unobligated and available, but at the end of FY 2010 the fund balance of \$6,062,306 is obligated and unavailable.

3. Cash and Other Monetary Assets

	2010	2009
Trust Petty Cash	\$ 1,000	\$ 1,000
Residential Property Management Petty Cash	600	600
Residential Property Management Security Deposits	11,815	24,500
Deposits in Transit	757,538	776,130
Total Cash	\$ 770,953	\$ 802,230

4. Investments

INVESTMENTS AS OF SEPTEMBER 30, 2010 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	10/01/10	0.12%	\$ 66,655,000	\$ 0	\$ 66,655,000
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
			99,899,000	0	99,899,000
Interest Receivable			325	0	325
TOTAL INVESTMENTS			\$ 99,899,325	\$ 0	\$ 99,899,325

For all investments fair market value approximates the net value at both September 30, 2010 and 2009. Both of the investments with a September 30, 2029 maturity date are investments of the proceeds from Trust borrowings from the Treasury (see **Note 10**). The BPD invests these proceeds with the agreement that the borrowing and investment net to zero unless the Trust needs access to the cash. As of September 30, 2010, the Trust was owed \$222 of interest on the investments with a maturity date of October 1, 2010. The amount of \$222 was paid in full to the Trust by the BPD on October 1, 2010.

INVESTMENTS AS OF SEPTEMBER 30, 2009 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	10/01/09	0.70%	\$ 53,133,000	\$ 0	\$ 53,133,000
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
			86,377,000	0	86,377,000
Interest Receivable			103	0	103
TOTAL INVESTMENTS			\$ 86,377,103	\$ 0	\$ 86,377,103

As of September 30, 2009, the Trust was owed \$103 of interest on the investments with a maturity date of October 1, 2009. The amount of \$103 was paid in full to the Trust by the BPD on October 1, 2009.

5. Accounts Receivable, Net

Accounts receivable as of September 30, 2010, is comprised of the following:

	<i>Intra-Government</i>	<i>Non-Government</i>	<i>Total</i>
Gross Accounts Receivable	\$ 358,854	\$ 3,093,627	\$ 3,452,481
Less Allowance for Uncollectible Accounts	0	(1,169,331)	(1,169,331)
NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2010	\$ 358,854	\$ 1,924,296	\$ 2,283,150

Accounts receivable as of September 30, 2009, is comprised of the following:

	<i>Intra-Government</i>	<i>Non-Government</i>	<i>Total</i>
Gross Accounts Receivable	\$ 2,863,350	\$ 2,983,191	\$ 5,846,541
Less Allowance for Uncollectible Accounts	0	(1,231,462)	(1,231,462)
NET ACCOUNTS RECEIVABLE AT SEPTEMBER 30, 2009	\$ 2,863,350	\$ 1,751,729	\$ 4,615,079

6. General Property, Plant and Equipment

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

<i>Classification</i>	<i>Estimated Useful Life</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Balance at 9/30/10</i>	<i>Net Balance at 9/30/09</i>
Land and Land Rights	N/A	\$ 0	\$ 0	\$ 0	\$ 0
Improvements to Land	10 years	24,746,316	7,250,718	17,495,598	10,516,527
Construction-in-Progress	N/A	32,757,249	N/A	32,757,249	30,092,139
Buildings, Improvements, Renovations & Rehabilitations	40 years ¹	217,486,072	44,158,826	173,327,246	152,840,027
Other Property, Plant and Equipment (including furnishings, equipment, and software)	²	40,334,029	14,814,159	25,519,870	24,147,167
		\$ 315,323,666	\$ 66,223,703	\$ 249,099,963	\$ 217,595,860

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. Tenant Improvements are amortized over the life of the tenant's lease.

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

7. Stewardship Property Plant & Equipment

The mission of the Trust is to preserve and enhance the Presidio as an enduring resource for the American public. The Trust will achieve its mission by transforming the Presidio into a park of lasting distinction by: 1) building a community to support the park and to preserve its character as a place where people have lived and worked for more than two centuries, 2) enhancing the Presidio's scenic, natural, cultural, and recreational resources for public enjoyment and edification, 3) forging public/private partnerships to finance the park and provide public programs and 4) becoming a model

of sustainable park management. The heritage and stewardship assets are natural resources and historic buildings that are directly related to preserving the historical integrity of the Presidio and meeting the Trust's mission.

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

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

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

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

The following table depicts the number of physical units at the end of FY 2009, additions and withdrawals during FY 2010 and the ending number of units at the end of FY 2010.

<i>Classification</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Withdrawals</i>	<i>Ending Balance</i>
	<i>Number of Buildings</i>			<i>Number of Buildings</i>
Heritage	12	0	1	11
Multi-Use Heritage	415	1	3	413
	<i>Number of Acres</i>	<i>Acres Added</i>	<i>Acres Withdrawn</i>	<i>Number of Acres</i>
Land Stewardship (1 park)	863	3.2	2	864.2

The following table depicts the number of physical units at the end of FY 2008, additions and withdrawals during FY 2009 and the ending number of units at the end of FY 2009

<i>Classification</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Withdrawals</i>	<i>Ending Balance</i>
	<i>Number of Buildings</i>			<i>Number of Buildings</i>
Heritage	16	0	4	12
Multi-Use Heritage	412	4	1	415
	<i>Number of Acres</i>	<i>Acres Added</i>	<i>Acres Withdrawn</i>	<i>Number of Acres</i>
Land Stewardship (1 park)	863	2.5	2.5	863

8. Other Assets

Other assets as of September 30, 2010 and 2009 are comprised of the following:

	2010	2009
Government Improvement Account	\$ 38,066	\$ 55,145
Prepayments	702,178	681,792
Other Deferred Real Estate Assets	976,400	0
Deferred Rent Receivable	17,160,075	16,276,211
Total Other Assets	\$ 18,876,719	\$ 17,013,148

9. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are those liabilities that may be funded from future resources. Liabilities not covered by budgetary resources as of September 30, 2010 and 2009 are comprised of the following:

	2010	2009
FECA Actuarial	\$ 4,547,854	\$ 25,039
Contingent Liabilities [NOTE 14]	136,569	73,108
Environmental Remediation Liability [NOTE 11]	35,442,083	35,980,214
Annual Leave Liability	2,291,458	2,189,607
Rent Credit Liability	2,915,190	3,650,812
Accrued Interest Payable	359,653	290,297
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	45,692,807	42,209,077
Liabilities Covered by Budgetary Resources	117,333,469	98,891,400
TOTAL LIABILITIES	\$ 163,026,276	\$ 141,100,477

10. Debt

The Trust has the following debt to Treasury as of September 30, 2010 and 2009:

	<i>Maturity Date</i>	<i>2010</i>	<i>2009</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 Presidio Trust Act granted the Trust the authority to borrow from the U.S. Treasury. The aggregate amount of outstanding obligations at any one time is limited to \$150 million. These borrowings financed building and infrastructure rehabilitation by the Trust. Borrowing was contingent on the Secretary of the Treasury determining that the projects to be funded from the proceeds were creditworthy. In 1999, the Trust and the Secretary of the Treasury established a written borrowing agreement to advance funds for capital improvement projects. The Trust executed a promissory note for the requested amount to evidence the obligation of the Trust to repay the Treasury the sum borrowed, together with any late charges that might be incurred.

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

The Trust has issued the following promissory notes to the 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 particular Trust assets, specifically the Baker Beach Apartments, Building 220 and Building 36. The note includes a pledge by the Trust to the Treasury of all rents, revenues, income, and proceeds arising out of the Trust's administration, operation, and leasing of the Baker Beach Apartments, Building 220, and Building 36 that have been improved. The note carries an interest rate of 6.122% 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 2010 and 2009, respectively, all of which was included in program costs.

In FY 2010, no additional debt obligations were issued and there was no borrowing authority available at September 30, 2010 or September 30, 2009.

11. Other Liabilities – Environmental Remediation

Agent Responsibilities for Environmental Cleanup

Under a Memorandum of Agreement (the Presidio MOA) among the Trust, DOI, and the Army, the Trust assumed the Army's responsibilities as lead agent for the environmental cleanup in both Area A and Area B. The Army provided \$99 million to the Trust in exchange for the Trust's assumption of such responsibilities. 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 released 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, 2010.

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 9/30/2010</i>		<i>Unknown Contaminants As of 9/30/2010</i>		<i>Total Spent As of 9/30/2010</i>	<i>Total Estimated Cost At Completion</i>
	<i>Spent</i>	<i>At Completion</i>	<i>Spent</i>	<i>At Completion</i>		
Allowable Costs*	\$ 87.0	\$ 120.2	\$ 7.1	\$ 18.8	\$ 94.1	\$ 139.0
Other Costs*	19.0	21.8	0.0	0.0	19.0	21.8
TOTAL COSTS*	\$ 106.0	142.0	\$ 7.1	18.8	113.1	160.8
Add						
Environmental Remediation Liability per Balance Sheet*					35.4	
Less Resources						
Army/Other (Reimbursement)*		101.1		6.3	(6.3)	107.4
Insurance/Other (Estimate)*		1.7		0.3	(0.3)	2.0
TOTAL AFTER RESOURCES*		\$ 39.2		\$ 12.2		\$ 51.4
TOTAL OF KNOWN CONTAMINANTS AT COMPLETION*					\$141.9	
Interest Income*		\$ 19.3		\$ 0.0		\$ 19.3

*Dollars Noted in Millions

The Trust's financial statements reflect a liability for environmental remediation clean up costs of \$35.4 million which is unfunded as of September 30, 2010. 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 Trust has earned \$19.2 million of interest income and anticipates earning an additional \$38 thousand which is recognized as revenue by the Trust in the year in which it is earned. The change in liability as of September 30th from FY 2010 to 2009 is reflected in the chart below:

<i>Liability per Balance Sheet (in millions)</i>	2010	2009
Beginning Balance	\$ 46.8	\$ 56.9
Expenses Incurred	(17.5)	(7.2)
Change in Estimated Cost to Complete	4.8	(3.8)
Reimbursements	1.3	.9
TOTAL LIABILITY	\$ 35.4	\$ 46.8

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.

12. Other Liabilities

Other liabilities as of September 30, 2010 and 2009 are comprised of the following:

	2010		2009	
	<i>Non-Current</i>	<i>Current</i>	<i>Non-Current</i>	<i>Current</i>
INTRAGOVERNMENTAL				
Employer Contributions Payable	\$ 0	\$ 296,380	\$ 0	\$ 194,072
Other Post Employment Benefits	619,785	422,375	534,031	544,583
Unearned Revenue	0	9,800,728	0	8,152,303
TOTAL INTRAGOVERNMENTAL	619,785	10,519,483	534,031	8,890,958
Environmental Remediation Cleanup Cost Liability [NOTE 11]	22,466,083	12,976,000	31,902,664	14,851,292
FECA Actuarial [NOTE 9]	4,547,854	0	25,039	0
Contingent Liabilities [NOTE 14]	0	136,569	0	73,108
Security Deposits	4,291,676	0	4,115,063	0
Unearned Revenue	8,314,386	11,043,371	0	4,596,745
Payroll Payable	0	1,678,965	0	1,536,514
Annual Leave Liability [NOTE 9]	0	2,291,458	0	2,189,607
Rent Credit Liability [NOTE 9]	2,824,238	90,952	3,559,860	90,952
Prepaid Rents & Services	0	1,635,627	0	1,634,381
Accrued Interest Payable [NOTE 9]	359,653	0	290,297	0
Other Liabilities	0	796,889	0	815,480
TOTAL OTHER LIABILITIES	\$ 43,423,675	\$ 41,169,314	\$ 40,426,954	\$ 34,679,037

13. Leases

Trust as Lessee

Capital Leases

The Trust currently does not maintain any 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 Trust also leases government vehicles from General Services Administration (GSA), but such leases do not have a definitive lease period that exceed one year.

Trust as Lessor

Operating Leases

Description of Lease Arrangements:

The Trust's properties are leased under terms from one month up to 70 years. The Trust expects that these leases will be renewed or replaced by other leases in the normal course of business. In addition, thirteen 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>
2011	\$ 14,124,538
2012	12,072,301
2013	10,815,476
2014	9,551,275
2015	9,435,495
Thereafter	\$ 369,360,761
TOTAL	\$ 425,359,846

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 five tort claims and three claims of workplace discrimination.

The Trust is actively processing each of these claims and has assigned a contingent liability of \$136,569 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 US Treasury is from earnings on investments. Revenue earned from the Department of the Army is largely related to the environmental remediation liability. Revenue is recognized when expenditures are made (see **Note 11**). Revenue earned from the Department of Defense is primarily related to a grant for work on the Main Post.

<i>Agency</i>	<i>Amount of Revenue Earned</i>	
	2010	2009
U.S. Treasury	\$ 2,098,696	\$ 2,104,577
Department of the Army	12,140,228	7,386,700
Department of the Interior	307,453	462,570
Department of Defense	407,246	824,713
Other	139,151	139,002
TOTAL	\$ 15,092,774	\$ 10,917,562

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

<i>Agency</i>	<i>Amount of Cost Incurred</i>	
	2010	2009
Office of Personnel Management	\$ 7,093,116	\$ 6,075,658
Department of the Interior	8,391,629	8,686,575
U.S. Treasury	2,999,087	3,023,168
Department of Labor	485,985	583,422
General Services Administration	628,259	629,342
Other	79,634	75,422
TOTAL	\$ 19,677,710	\$ 19,073,587

16. Apportionment Categories of Obligations Incurred: Direct Vs. Reimbursable Obligations

All obligations are under reimbursable authority. The amount of obligations incurred as of September 30, 2010 and September 30, 2009 was \$158,226,971 and \$110,374,321 respectively.

17. Permanent Indefinite Appropriations

The Trust has a permanent indefinite appropriation which is used to finance operations, maintenance, and capital improvements in Area B of the Presidio.

18. 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, 2010 and 2009 were \$58,375,614 and \$28,689,285, respectively.

19. Contributed Capital

The Trust is granted the authority to accept donations in the Trust Act. In FY 2010 the Trust received \$1,370 in direct donations. The Trust also receives grants for various projects within the park. The Trust received \$5.7 million in grants related to land improvements, main post projects, historical renovations, and the transportation program.

20. Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing)

The following schedule has been prepared in accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, and represents 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 9** – Liabilities not covered by Budgetary Resources. Differences primarily result from Treasury requirements related to where the changes in these liabilities are reported in the Reconciliation of Net Costs of Operations. These requirements are dependent upon whether the change resulted in an increase or a decrease to the liability account.

RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2010	2009
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	\$ 158,226,971	\$ 110,374,321
Less: Spending Authority from Offsetting Collections and Recoveries	109,856,237	81,194,616
Net Obligations	48,370,734	29,179,705
Other Resources		
Donations Non-Financial Resources	306,000	1,344,461
Imputed Financing from Costs Absorbed by Others	1,621,863	1,121,960
Net Other Resources Used to Finance Activities	1,927,863	2,466,421
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	50,298,597	31,646,126
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	(21,049,987)	(5,871,331)
Resources that Fund Expenses Not Recognized in Prior Periods	(6,141,592)	0
Resources that Finance the Acquisition of Assets	(42,795,478)	(36,065,538)
TOTAL RESOURCES USED TO FUND ITEMS NOT PART OF THE NET COST OF OPERATIONS	(69,987,057)	(41,936,869)
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	(19,688,460)	(10,290,743)
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	101,852	203,821
Increase/Decrease in Environmental Remediation Cleanup Cost Liability	4,864,957	(3,840,046)
Increase in Exchange Revenue Receivable from the Public	0	219,125
Other	4,465,069	(636,250)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	9,431,878	(4,053,350)
Components Not Requiring or Generating Resources		
Loss on Disposition of Assets	963,358	2,297,781
Depreciation and Amortization	10,386,968	9,324,965
Other	395,953	3,710,424
TOTAL COMPONENTS NOT REQUIRING OR GENERATING RESOURCES	11,746,279	15,333,170
NET COST OF OPERATIONS	\$ 1,489,697	\$ 989,077

21. Doyle Drive (Presidio Parkway Project)

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

Doyle Drive is located within the Presidio of San Francisco and provides access to historic and cultural landmarks including the Golden Gate National Recreation Area, the Presidio, the Golden Gate Bridge and the Palace of Fine Arts. The Presidio Parkway was identified as the Preferred Alternative for the Doyle Drive replacement. It will replace the existing roadway that, when constructed, will improve the seismic, structural and traffic safety of Doyle Drive.

As a major highway construction project within the boundaries of a National Park significant consideration has been given to the historical and environmental fabric of the Presidio. The Right of Entry specifically allows ingress and egress by the State for the duration of the project. It also recognizes the impact to the historic assets of the Presidio and allows for mitigation and compensation for impacts of the project.

Work on the Doyle Drive project commenced late in FY 2009 and has continued into FY 2010. The State has performed significant tree removals and utility infrastructure relocations and reestablishments to make way for construction of the parkway. Construction commenced and has progressed to include work to form the bridge support for the high viaduct as well as tunnel excavation.

The Trust will receive cash compensation under the Right of Entry agreement, and will receive assets since the project must relocate, rebuild, and restore Trust assets in order to build the parkway. Further, the project is resulting in the demolition in multiple buildings and other Trust improvements. The Trust is actively engaged in supporting the implementation of the project in our jurisdiction working closely with Caltrans staff. The Trust is being reimbursed for the cost of the support under a reimbursable agreement with the State, and a previous agreement with the SFCTA.

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

In FY 2010, the Trust received cash compensation of \$24.8 million; the Trust recognized earned revenue in the amount of \$7.3 million, leaving a balance of \$17.5 million in unearned revenue. The Trust has also recognized earned revenue of \$1.8 million reimbursement for project support. There have been no assets received by the Trust from the project in FY 2010.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

September 30, 2010 and 2009

1. Deferred Maintenance

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

Trust deferred maintenance is determined using a total life-cycle cost method for all deferred maintenance categories of major assets. In previous fiscal years, the deferred maintenance estimate had been based upon a condition assessment study performed by the NPS and the Army. In FY 2010, the Trust determined, through use of staff expertise, the amount of deferred maintenance by using a lifecycle cost method. This effort was worked on throughout the year and completed in September 2010.

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

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

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

	<i>2009 Ending Balance</i>	<i>2010 Scheduled Maintenance</i>	<i>2010 Actual Maintenance</i>	<i>Adjustment</i>	<i>2010 Ending Balance</i>
CATEGORY					
Infrastructure	\$ 838,000	\$ 5,657,636	\$ 1,556,434	\$ 2,224,581	\$ 1,876,621
Stewardship and Landscape	—	714,345	438,986	1,828	273,531
Golf Course	8,000	145,840	108,090	37,250	500
Buildings:					
Heritage	134,000	154,165	13,766	—	140,399
Multi-Use Heritage	4,951,000	6,664,952	1,670,193	3,869	4,990,890
Non-Historic	4,931,000	7,505,458	2,355,898	—	5,149,560
Total Buildings	10,016,000	14,324,575	4,039,857	3,869	10,280,849
GRAND TOTAL	\$ 10,862,000	\$ 20,842,396	\$ 6,143,367	\$ 2,267,528	\$ 12,431,501

OTHER ACCOMPANYING INFORMATION

SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion	Qualified				
Restatement	No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
None	NA	NA	NA	NA	NA

SUMMARY OF MANAGEMENT ASSURANCES

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING						
Statement of Assurance		Unqualified				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	NA	NA	NA	NA	NA	NA
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS						
Statement of Assurance		See Below*				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	NA	NA	NA	NA	NA	NA
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS						
Statement of Assurance		See Below*				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	NA	NA	NA	NA	NA	NA
CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT						
Statement of Assurance		Agency	Auditor			
Overall Substantial Compliance		Yes or No	N/A			
System Requirements		Yes	NA			
Accounting Standards		Yes	NA			
USSGL at Transaction Level		Yes	NA			

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

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditor's Report on Internal Control Over Financial Reporting

The Board of Directors of
The Presidio Trust

We have audited the balance sheets of the Presidio Trust (the Trust) as of September 30, 2010 and 2009 and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 12, 2010, 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 and fourth paragraphs of our report on the financial statements, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Trust is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2010 audit, we considered the Trust's internal control over financial reporting by obtaining an understanding of the Trust's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls 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. Furthermore, we did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.



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

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2010 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting described in Exhibit I that we consider to be significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Trust's response to the finding identified in our audit is presented in Exhibit I. We did not audit the Trust's response and, accordingly, we express no opinion on it.

We noted certain additional matters that we have reported to management of the Trust in a separate letter.

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

KPMG LLP

November 12, 2010

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING: EXHIBIT I - FECA ACTUARIAL LIABILITY

Statement of Federal Financial Accounting Standard No. 5, *Accounting for Liabilities of the Federal Government*, requires the Trust to recognize a liability under the Federal Employees Compensation Act (FECA) when the relevant event occurs and program participant is determined eligible for compensation. FECA costs are administered by the Department of Labor (DOL). For small federal entities, the DOL provides a model to calculate the actuarial estimate of the liability. The model requires the input of the annual charges for the three previous years. The Trust input the average annual cost per employee rather than the total average cost for the entire entity. As a result, the Trust did not record \$4.5 million of estimated FECA liability.

Recommendation

We recommend that the Trust's management implement policies and procedures to ensure the proper calculation and review of the FECA actuarial liability.

Management Response

Management agrees with the comment and has corrected the error in the FECA actuarial calculation. Management recognizes the need for improved control in the review process with regard to entries of this nature. Management has reinvigorated efforts with regard to financial statement review, and will develop procedures to ensure that journal entries are originated at a lower level within the organization so as to allow for additional review.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Compliance and Other Matters

The Board of Directors of
The Presidio Trust:

We have audited the balance sheets of the Presidio Trust (the Trust) as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 12, 2010, 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 and fourth paragraphs of our report on the financial statements, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Trust is responsible for complying with laws, regulations, contracts, and grant agreements 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 the Trust's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Trust. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.



The results of certain of our tests of compliance described in the preceding paragraph, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

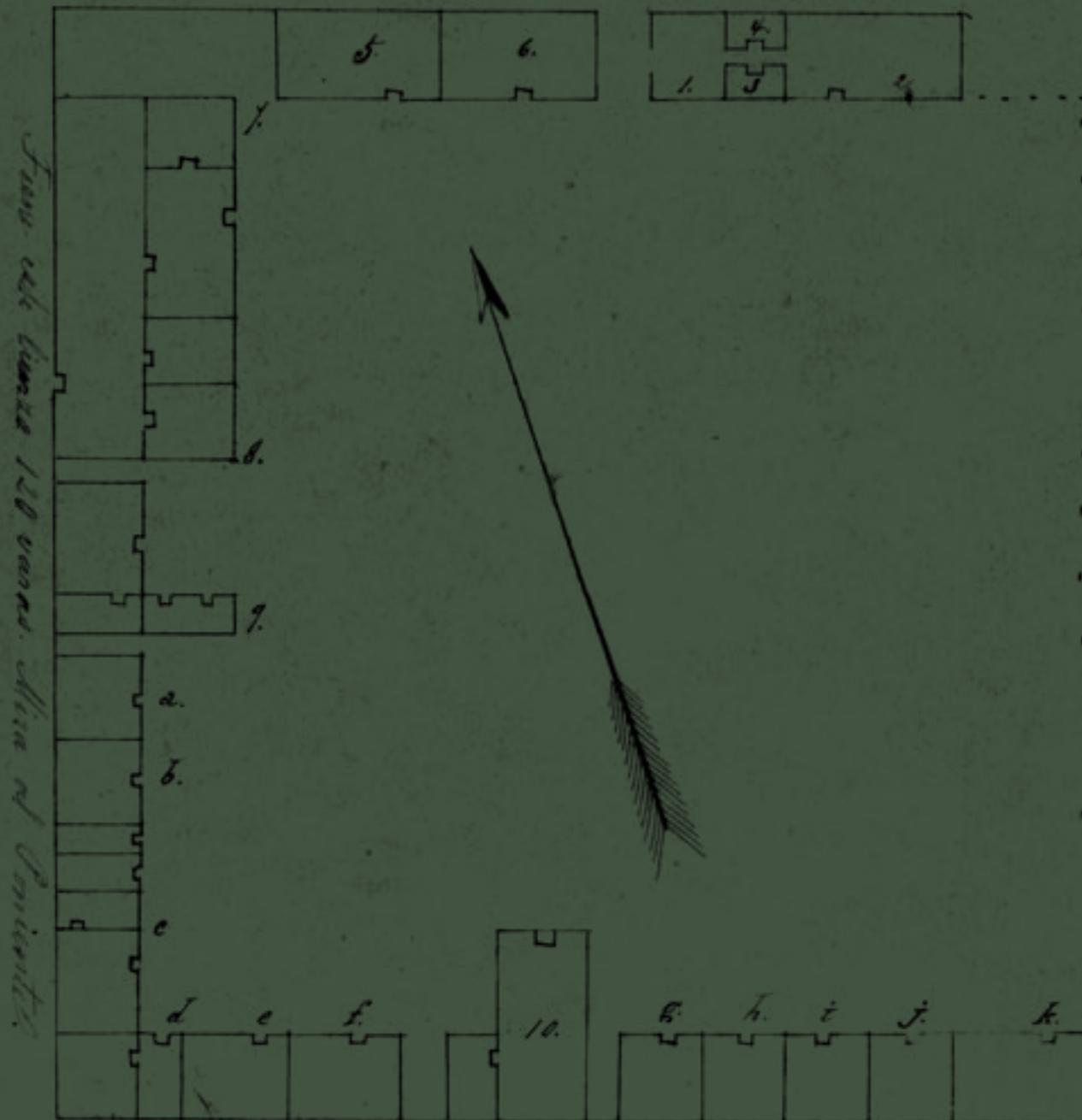
This report is intended solely for the information and use of the Trust's management, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 12, 2010

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Desde este lienzo 116 varas. Mira al Norte.



MAP Sketch of El Presidio de San Francisco, the "Sal Map"

DATE 1792

MAPMAKER Hermenegildo Sal, Acting Commandant from 1791 to 1794

CHARACTERISTICS On March 4, 1792 Sal penned a letter to Governor Jose Antonio Romeu describing in detail the state of the fortification. Included in this letter was a measured drawing he had made of existing conditions, the 1792 Sal map. It was not drawn according to prescribed plans, but was expressly drawn to show the deplorable state of affairs in order to persuade the Governor to provide the resources necessary to complete the Presidio. Sal signed the letter with this telling coda: "All that I manifest and expose is notorious and therefore, I sign it."

FRONT COVER MAP

MAP San Francisco 15-Minute
Quadrangle Map

DATE 1942

MAPMAKER Corps of Engineers,
U.S. Army

CHARACTERISTICS First quadrangle
series map to show the Golden
Gate Bridge, constructed in 1937.



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This Annual Report is printed on Utopia Dull 100lb Cover and 80lb Book which are elemental chlorine free (ECF) with 10% post-consumer waste. The financials section is printed on Mohawk Skytone Natural 60lb Text which is FSC certified and acid free. The printer is Watermark Press in San Francisco which prints using only vegetable-based inks.

Creative Contributors Design – L Studio, Sausalito; Layout of Financial Statements – Brian Vahey; Principal Photography – Jay Graham; Map inside back cover courtesy of the Bancroft Library, University of California at Berkeley. Other photos courtesy of the GGNRA Park Archive, FOR-SITE Foundation, Brian Vahey, and the Golden Gate National Parks Conservancy.

