



*Secretaría*

**MANUEL A. TORRES NIEVES**

SECRETARIO DEL SENADO

*Manuel A. Torres Nieves*

- Ver al dorso
- Para su información
- Notas
- Para mantenerle al día
- Expediente
- Dar Cuenta
- Registrar y Procesar

*Senado*  
DE PUERTO RICO

EL CAPITOLIO  
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## REFERIDO A:

### COMISIONES PERMANENTES

---

- Hacienda
- Gobierno
- Seguridad Pública y Judicatura
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- Educación y Asuntos de la Familia
- Desarrollo Económico y Planificación
- Urbanismo e Infraestructura
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- Derecho de Autodeterminación del Pueblo de Puerto Rico
- Sobre Reforma Gubernamental

### COMISIONES CONJUNTAS

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- Donativos Legislativos de Puerto Rico
- Internado Córdova-Fernós
- Internado Pilar Barbosa
- Internado Ramos Comas
- Código Penal
- Revisión y Reforma del Código Civil
- Alianzas Público Privadas
- Auditoría Fiscal y Manejo Fondos Públicos
- Revisión Continua Código Penal y Reforma de las Leyes

Re: Manuel Torres



*[Handwritten signature]*  
1/13/2011

*Oficina del Presidente*

Katherine Erazo  
CHIEF OF STAFF

- Ver al dorso
- Para su información
- Evaluar y recomendar
- Para trabajar y contestar directamente
- Dar cuenta al cuerpo
- Para otorgar contrato
- Para nombramiento
- Autorizado

*Senado*  
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## **REFERIDO A:**

---

- Senadores
- Auditoría Interna
- Junta de Subastas
- Asesor Parlamentaria
- Oficina Intragubernamental
- Evaluaciones Técnicas y Nombramientos
- Sargento de Armas
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ESTADO LIBRE ASOCIADO DE PUERTO RICO  
**Fideicomiso Institucional de la  
Guardia Nacional de Puerto Rico**  
Apartado 9023786 San Juan PR 00902-3786

11 de enero de 2011

Hon. Tomás Rivera Schatz  
Presidente  
Senado de Puerto Rico  
P O Box 9022228  
San Juan, PR 00902-2228

Estimado señor Rivera Schatz:

Adjunto Auditoría "Single Audit" para el año fiscal 2010,  
del Fideicomiso Institucional de la Guardia Nacional de  
Puerto Rico (FIGNA), para que conste en sus expedientes.

Para cualquier información adicional, favor comunicarse con  
la aquí suscribiente.

Atentamente,

Edith M. Pérez Estrella  
Directora Ejecutiva

RECIBIDO  
OFIC. PRESIDENTE SENADO  
THOMAS RIVERA SCHATZ

2010 JAN 12 AM 8:35

RECIBIDO SECRETARIA  
SENADO DE P.R.

2011 JAN 14 AM 9:24

PD-13105

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RECIBIDO  
OFIC. PRESIDENTE SENADO PR  
THOMAS RIVERA SCHATZ

2010 JAN 12 AM 8:35

## *Financial Statements*

### **PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND (FIGNA)**

OMB CIRCULAR A-133 AUDIT  
AS FOR THE YEAR ENDED JUNE 30, 2010  
AND INDEPENDENT AUDITOR'S REPORT

PD-13105

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# Aquino, De Córdova, Alfaro & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Richard N. Alfaro, CPA (1951-1998)

*Jorge Aquino Barreto, CPA, CVA*  
*Jerry De Córdova, CPA, JD*  
*Miguel Angel Ortiz, CPA*  
*Eduardo González Green, CPA, CFE*

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Puerto Rico National Guard  
Institutional Trust Fund (FIGNA)  
San Juan, Puerto Rico

We have audited the accompanying basic financial statements of each major fund and the aggregate remaining fund information of the Puerto Rico National Guard Institutional Trust Fund (a Component unit of the Commonwealth of Puerto Rico, hereinafter FIGNA) as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of FIGNA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FIGNA as of June 30, 2010, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting Principles Generally Accepted in the United States of America requires that the management discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. This supplementary information is the responsibility of FIGNA's management. We have applied certain limited procedures in accordance with generally accepted auditing standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion or any other form of assurance because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010, on our consideration of FIGNA'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 that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the FIGNA's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

November 5, 2010

*Aquino, De Cordova, Alfaro & Co. LLP*

Stamp number 2572548  
has been affixed to  
the original report.



**Aquino, De Córdoba, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

# MANAGEMENT'S DISCUSSION AND ANALYSIS



**Aquino, De Córdova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2010**

As representing FIGNA, we offer to the readers of the basic financial statements this summary and analysis of financial activities for the fiscal years ended June 30, 2010 and 2009. We recommend to the readers of our financial statements to consider the information and analysis that is presented below to facilitate the understanding of the financial statements.

**Financial data highlights**

1. FIGNA's assets exceed their liabilities by \$88.3 million and \$88 million for the fiscal years 2009-2010 and 2008-2009, respectively. From this amount, \$58.4 million and \$62.7 million remained unrestricted, for the years 2009-2010 and 2008-2009, respectively. These assets can be used to meet various commitments and future obligations arising from the programs to provide services to members of Puerto Rico National Guard and to meet other creditor obligations.
2. FIGNA has invested \$23.9 million and \$22.5 million in capital assets, net of accumulated depreciation and amortization of \$5.3 million and \$4.2 million for fiscal years 2009-2010 and 2008-2009 respectively. These investments include land, buildings and improvement to property, equipment, vehicles, military antiques, computers and related software.
3. Total amount of net assets increased during the fiscal year ended June 30, 2010 by \$.5 million and decreased by \$5.7 million for fiscal years 2009-2010 and 2008-2009, respectively.

**Summary of financial statements**

This section of the Management's Discussion and Analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of:

- a) Combined Statement of Net Assets – Enterprise Funds,
- b) Combined Statement of Revenues, Expenditures and Changes in Net Assets of Fund-Enterprise Funds,
- c) Combined Statement of Cash Flows,
- d) Notes to Combined Financial Statements.



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
AS OF JUNE 30, 2010**

**Funds financial statements**

A fund is considered a separate accounting entity of related accounts used to maintain control over resources that have been segregated for specific activities. FIGNA uses fund accounting to ensure and demonstrate compliance with financial and related legal requirements. The funds are classified as Proprietary Funds (Enterprise Funds).

Given the nature of operations, governmental funds are not applicable to FIGNA.

Proprietary Funds are used to present the same functions as presented under the entity or business activities. Enterprise funds are proprietary funds that present separate information for each individual fund that FIGNA holds.

Under GASB No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, FIGNA funds are:

1. Capital Improvement Fund, Operation, Maintenance and Other General Purpose Fund (Operational).
2. Annuity Fund, Life and Funeral Insurance.
3. Educational Fund.
4. Library-Museum Fund of Puerto Rican Militia and National Guard.

**Notes to combined financial statements**

The notes to the combined financial statements provide information presented in the combined fund financial statements.



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND  
MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED  
AS OF JUNE 30, 2010**

**FINANCIAL ANALYSIS**

**STATEMENT OF NET ASSETS**

Below is a comparative summary of net assets for fiscal years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>Net Assets</u> %	<u>As Restated</u> 2009	<u>%</u>
<b>Assets</b>				
Current assets	\$ 75,636,511	76%	\$ 74,920,863	76%
Non current assets				
Net capital assets	<u>23,874,470</u>	<u>24%</u>	<u>24,100,426</u>	<u>24%</u>
Total assets	<u>\$ 99,510,981</u>	<u>100%</u>	<u>\$ 99,021,289</u>	<u>100%</u>
<b>Liabilities</b>				
Current liabilities	<u>\$ 11,200,629</u>	<u>100%</u>	<u>\$ 11,241,726</u>	<u>100%</u>
<b>Net assets</b>				
Invested in capital assets	\$ 23,874,471	27%	\$ 24,100,426	27%
Restricted	5,021,952	6%	3,000,000	3%
Unrestricted	<u>59,413,930</u>	<u>67%</u>	<u>60,679,137</u>	<u>69%</u>
Total net assets	<u>\$ 88,310,353</u>	<u>100%</u>	<u>\$ 87,779,563</u>	<u>100%</u>



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND  
MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED  
AS OF JUNE 30, 2010**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS OF FUNDS**

Below is a comparative summary of revenues, expenditures and changes in net assets for fiscal years ended June 30, 2010 and 2009:

	<b>OPERATING INCOME</b>			
	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>
Concessionaire Royalties	\$ 3,935,249	76%	\$ 2,804,751	51%
Rent of Land and Buildings	430,693	8%	426,492	8%
Other	844,255	16%	2,225,517	41%
<b>Total Operating Income</b>	<b><u>\$ 5,210,197</u></b>	<b><u>100%</u></b>	<b><u>\$ 5,456,760</u></b>	<b><u>100%</u></b>

	<b>OPERATING EXPENSES</b>			
	<u>2010</u>	<u>%</u>	<u>2009</u>	<u>%</u>
Administration	2,944,088	40%	2,569,586	21%
Distributed benefits	4,929,235	60%	9,629,401	79%
<b>Total Operating expenses</b>	<b><u>\$ 7,873,323</u></b>	<b><u>100%</u></b>	<b><u>\$ 12,198,987</u></b>	<b><u>100%</u></b>

	<b>NON OPERATING INCOME AND CHANGE IN NET ASSETS</b>	
Non Operating Income	<u>\$ 741,982</u>	<u>\$ 894,869</u>
Change in Net Assets	<u>\$ 530,460</u>	<u>\$ 2,790,029</u>



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND  
MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED  
AS OF JUNE 30, 2010**

**CHANGES IN FIXED ASSETS FUND CAPITAL IMPROVEMENTS, OPERATING AND MAINTENANCE:**

At December 12, 2009 the Puerto Rico National Guard Institutional Trust Fund received contributions from the Puerto Rico National Guard. These contributions were capitalized in the operational fund:

- National Guard Property Located in State Road 592, Km 0.4 Int., Amuelas Ward, Juana Diaz, Puerto Rico. The property is improved with one armory building on a lot of 5.0 “cuerdas” or 19,651.9828 square meters with a cost of \$1,518,000.
- Property known as Emma’s Beauty Academy located off State Road 592, Km 0.4 in the Amuelas Ward of the Municipality of Juana Díaz, Puerto Rico. The property is improved with a two-story building on a lot of 5.0 “cuerdas” or 19,652 square meters with a cost of \$684,000.
- Parcel located at State Road 592 the Amuelas Ward, Juana Díaz, lot of 1.8120 “cuerdas” or 7,121.8388 square meters with a cost of \$249,264.

**INFORMATION REQUEST**

This section of the Management’s Discussion and Analysis is designed for anyone interested in obtaining an overview of the finances of FIGNA. Questions regarding information in this section should be addressed to Puerto Rico National Guard Institutional Trust, Office of the Executive Director, PO Box 9023786, San Juan Puerto Rico, 00902-3786.



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
(A component unit of the Commonwealth of Puerto Rico)  
Combined Statement of Net Assets –Enterprise Funds  
June 30, 2010

	Capital Improvements, Operating and Maintenance Fund	Annuities, Life Insurance, and Funeral Insurance Fund	Eduational Fund	Armory Library of the National Guard of Puerto Rico Museum Fund	Total Enterprise Funds
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 5,731,631	\$ 4,306,573	\$ 1,184,328	\$ -	\$ 11,222,532
Investments	8,164,784	35,720,941	7,144,187	-	51,029,912
Accounts receivable	874,708	42,018	2,754	-	919,480
Due from other funds	2,261,045	6,194,235	1,504,296	44,258	10,003,834
Prepaid insurance	-	8,820	-	-	8,820
Land held for sale	2,451,933	-	-	-	2,451,933
Total current assets	<u>19,484,101</u>	<u>46,272,587</u>	<u>9,835,565</u>	<u>44,258</u>	<u>75,636,511</u>
<b>Noncurrent assets</b>					
Capital assets not being depreciated:					
Land	-	17,868,067	-	-	17,868,067
Military Antiques	-	-	-	389,786	389,786
Total	<u>-</u>	<u>17,868,067</u>	<u>-</u>	<u>389,786</u>	<u>18,257,853</u>
Capital assets being depreciated:					
Building and building improvements	576,346	6,937,141	-	35,042	7,548,529
Intangible assets	2,293,165	-	-	-	2,293,165
Machinery and equipment, and furniture and fixtures	467,145	53,249	-	240,717	761,111
Vehicles	19,822	-	-	-	19,822
Computer and software	337,365	-	-	-	337,365
	<u>3,693,843</u>	<u>6,990,390</u>	<u>-</u>	<u>275,759</u>	<u>10,959,992</u>
Less: accumulated depreciation and amortization	<u>(1,873,276)</u>	<u>(3,194,339)</u>	<u>-</u>	<u>(275,759)</u>	<u>(5,343,374)</u>
Total capital assets being depreciated, net	<u>1,820,567</u>	<u>3,796,051</u>	<u>-</u>	<u>-</u>	<u>5,616,618</u>
Total noncurrent assets	<u>1,820,567</u>	<u>21,664,118</u>	<u>-</u>	<u>389,786</u>	<u>23,874,471</u>
Total assets	<u>\$ 21,304,668</u>	<u>\$ 67,936,705</u>	<u>\$ 9,835,565</u>	<u>\$ 434,044</u>	<u>\$ 99,510,982</u>

See notes to financial statements.



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
(A component unit of the Commonwealth of Puerto Rico)  
Combined Statement of Net Assets –Enterprise funds (continued)  
June 30, 2010

	Capital Improvements, Operating and Maintenance Fund	Annuities, Life Insurance and Funeral Insurance Fund	Educational Fund	Armory Library of the National Guard of Puerto Rico Museum Fund	Total Enterprise Funds
<b>Liabilities</b>					
Current liabilities					
Due to other funds	\$ 7,750,823	\$ 2,134,994	\$ 118,017	\$ -	\$ 10,003,834
Accounts payable and accrued liabilities	694,187	7,302	482,844	12,462	1,196,795
Total liabilities	8,445,010	2,142,296	600,861	12,462	11,200,629
<b>Net Assets</b>					
Invested in capital assets	1,820,567	21,664,118	-	389,786	23,874,471
Restricted	1,322,952	3,199,000	500,000	-	5,021,952
Unrestricted	9,716,139	40,931,291	8,734,704	31,796	59,413,930
Total net assets	12,859,658	65,794,409	9,234,704	421,582	88,310,353
Total liabilities and net assets	\$ 21,304,668	\$ 67,936,705	\$ 9,835,565	\$ 434,044	\$ 99,510,982

See notes to financial statements.



**Aquino, De Córdova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**

(A component unit of the Commonwealth of Puerto Rico)

Combined Statement of Revenues, Expenditures and Changes in Net Assets-Enterprise Activities

For the year ended June 30, 2010

	Capital Improvements, Operating and Maintenance Fund	Annuities, Life Insurance and Funeral Insurance Fund	Educational Fund	Armory Library of the National Guard of Puerto Rico Museum Fund	Total Enterprise Funds
<b>Operating Income</b>					
Concessionaire royalties	\$ 1,573,595	\$ 1,980,742	\$ 380,912	\$ -	\$ 3,935,249
Land and building rent	150,693	280,000	-	-	430,693
Military contributions	-	114,610	-	-	114,610
USPFO Reimbursement	89,647	-	-	-	89,647
Miscellaneous	565,073	74,925	-	-	639,998
Total operating income	<u>2,379,008</u>	<u>2,450,277</u>	<u>380,912</u>	<u>-</u>	<u>5,210,197</u>
<b>Operating expenses</b>					
<b>Administrative expenses</b>					
Payroll and related expenses	270,735	-	-	-	270,735
Depreciation	223,185	199,272	-	-	422,457
Professional services and consulting	499,914	5,000	-	-	504,914
Utilities	967,025	109,548	-	-	1,076,573
Repairs and maintenance - building	226,534	52,418	-	-	278,952
Other administrative expenses	125,742	-	-	-	125,742
Doubtfull accounts	71,042	123,161	-	-	194,203
Security	-	70,512	-	-	70,512
Total administrative expenses	<u>2,384,177</u>	<u>559,911</u>	<u>-</u>	<u>-</u>	<u>2,944,088</u>
<b>Distributed Benefits</b>					
Building improvements to the National Guard	1,078,620	-	-	-	1,078,620
Educational expenses	-	-	383,506	-	383,506
Life Insurance	6,455	-	-	-	6,455
General benefits to the National Guard and Members	1,339,025	2,121,629	-	-	3,460,654
Total distributed benefits	<u>2,424,100</u>	<u>2,121,629</u>	<u>383,506</u>	<u>-</u>	<u>4,929,235</u>
Total operating expenses	<u>4,808,277</u>	<u>2,681,540</u>	<u>383,506</u>	<u>-</u>	<u>7,873,323</u>
Operating loss	<u>(2,429,269)</u>	<u>(231,263)</u>	<u>(2,594)</u>	<u>-</u>	<u>(2,663,126)</u>

Continued

See notes to financial statements.



**Aquino, De Córdova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**

(A component unit of the Commonwealth of Puerto Rico)

Combined Statement of Revenues, Expenditures and Changes in Net Assets-Enterprise Funds (continued)

For the year ended June 30, 2010

	Capital Improvements, Operating and Maintenance Fund	Annuities, Life Insurance and Funeral Insurance Fund	Eduational Fund	Armory Library of the National Guard of Puerto Rico Museum Fund	Total
<b>Operating loss</b>	<u>(2,429,269)</u>	<u>(231,263)</u>	<u>(2,594)</u>	<u>-</u>	<u>(2,663,126)</u>
Non-operating income (expenses)					
Federal appropriations	456,080	-	-	-	456,080
Federal grant expenses	(1,003,195)	-	-	-	(1,003,195)
Unrealized Gain on Investments	48,860	213,763	42,753	-	305,376
Bank and investment interest	<u>183,314</u>	<u>669,962</u>	<u>130,445</u>	<u>-</u>	<u>983,721</u>
Total non-operating income	<u>(314,941)</u>	<u>883,725</u>	<u>173,198</u>	<u>-</u>	<u>741,982</u>
Capital Contributions	2,451,934	-	-	-	2,451,934
Transfer-in (out) to other funds	<u>(950,000)</u>	<u>500,000</u>	<u>450,000</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>(1,242,276)</u>	<u>1,152,462</u>	<u>620,604</u>	<u>-</u>	<u>530,790</u>
Net assets at the beginning of the year (previously reported)	14,617,896	64,641,947	8,614,100	421,582	88,295,525
Change in accountig principle	<u>(515,962)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(515,962)</u>
Net Assets at the beginning of the year, as restated	<u>14,101,934</u>	<u>64,641,947</u>	<u>8,614,100</u>	<u>421,582</u>	<u>87,779,563</u>
Net assets at the end of the year	<u>\$ 12,859,658</u>	<u>\$ 65,794,409</u>	<u>\$ 9,234,704</u>	<u>\$ 421,582</u>	<u>88,310,353</u>

See notes to financial statements.



**Aquino, De Córdova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**

(A component unit of the Commonwealth of Puerto Rico)

Combined Statement of Cash Flows- Enterprise Funds

For the year ended June 30, 2010

	Capital Improvements, Operating and Maintenance Fund	Annuities, Life Insurance and Funeral Insurance Fund	Educational Fund	Total Enterprise Funds
<b>Cash flows from operating activities</b>				
Cash received from concessionaire	\$ 1,296,259	\$ 2,185,574	\$ 380,786	\$ 3,862,619
Cash received from rent of land and buildings	150,693	280,000	-	430,693
Cash received from troops contributions	-	114,610	-	114,610
Other operational receipts	654,720	-	-	654,720
Cash paid in General Benefits to the Puerto Rico National Guard troops and members	(3,009,369)	(2,118,828)	-	(5,128,197)
Cash paid in Annuities, Life Insurance and Education	-	-	(902,817)	(902,817)
Cash paid to suppliers for goods and services	-	(442,723)	-	(442,723)
Cash paid in payroll and related costs	(2,160,992)	-	-	(2,160,992)
<b>Cash provided by (used in) operating activities</b>	<u>(3,068,689)</u>	<u>18,633</u>	<u>(522,031)</u>	<u>(3,572,087)</u>
<b>Cash flows from non-capital financing activities</b>				
Cash received from federal appropriations	842,335	-	-	842,335
Cash paid in Federal Grants	(1,003,195)	-	-	(1,003,195)
Net increase in amount due to/due from funds	(192,269)	190,762	1,507	-
Transfers between funds	(950,000)	500,000	450,000	-
<b>Cash provided by (used in) financing activities</b>	<u>(1,303,129)</u>	<u>690,762</u>	<u>451,507</u>	<u>(160,860)</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(122,407)	-	-	(122,407)
<b>Cash flows from investing activities</b>				
Interest from investments and bank accounts	183,314	669,962	130,445	983,721
Purchase of investments	(115,924)	(507,178)	(101,434)	(724,536)
<b>Cash provided by investing activities</b>	<u>67,390</u>	<u>162,784</u>	<u>29,011</u>	<u>259,185</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(4,426,835)	872,179	(41,513)	(3,596,169)
<b>Cash and cash equivalents at beginning of year</b>	10,158,466	3,434,394	1,225,841	14,818,701
<b>Cash and cash equivalent at year end</b>	<u>\$ 5,731,631</u>	<u>\$ 4,306,573</u>	<u>\$ 1,184,328</u>	<u>\$ 11,222,532</u>

See notes to financial statements.



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**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**

(A component unit of the Commonwealth of Puerto Rico)

Combined Statement of Cash Flows-Enterprise Funds (continued)

For the Year ended June 30, 2010

	Capital Improvements Operating and Maintenance Fund	Annuities, Life Insurance and Funeral Insurance Fund	Educational Fund	Total Enterprise Funds
Reconciliation of operational loss with net cash provided by (used in) the operational activities:	\$ (2,429,269)	\$ (231,263)	\$ (2,594)	\$ (2,663,126)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:				
Depreciation	223,185	125,178	-	348,363
Increase (decrease) in accounts receivables	(277,336)	130,738	(126)	(146,724)
Increase (decrease) in prepaid expense	-	(8,820)	-	(8,820)
Increase (decrease) in accounts payable	(585,269)	2,800	(519,311)	(1,101,780)
Cash provided by (used in) operating activities	<u>\$ (3,068,689)</u>	<u>\$ 18,633</u>	<u>\$ (522,031)</u>	<u>\$ (3,572,087)</u>

Non cash activities

The Puerto Rico National Guard Institutional Trust Fund, capitalize in the operational fund contributions of three properties.

	Land donated by GNPR	Unrealized Gain on Investments	Total
Operational Fund	\$ 2,451,934	\$ 48,860	\$ 2,500,794
Annuities Fund	-	213,763	213,763
Educational Fund	-	42,753	42,753
Museum Fund	-	-	-
	<u>\$ 2,451,934</u>	<u>\$ 305,376</u>	<u>\$ 2,757,310</u>

See notes to financial statements



**Aquino, De Córdova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
Statement of Fiduciary Net Assets - Agency Fund  
June 30, 2010

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	<u>Agency Fund</u>
<b>Assets</b>	
Cash	\$ 3,278,576
<b>Due to others:</b>	
Due To Operational Fund	<u>13,299</u>
<b>Due to other governments</b>	<u>\$ 3,291,875</u>

See notes to financial statements.



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**Note 1- Summary of Significant Accounting Policies**

The Puerto Rico's National Guard Institutional Trust Fund (FIGNA) financial statements have been prepared in accordance with the United States Generally Accepted Accounting Principles applicable to governmental entities. The following summarizes the accounting policies applicable to FIGNA.

**Reporting Entity**

FIGNA is a "component unit" of the Commonwealth of Puerto Rico. It is a public corporation ascribed to the Puerto Rico National Guard, and created by Law No. 23 of July 23, 1991 (the law) to be the owner and administrator of the real property and other property of the concessionaire who operates the military shops (Duty Free Shops); as well as to provide assistance and benefits to the Puerto Rico National Guard, its members, spouses and descendants, and to administer the annuities, education and repairs funds, and which shall exercise its powers independently.

FIGNA receives royalties from gross sales from the concessionaire that operates the Duty Free Shops located at Fort Allen in Juana Diaz, San Juan, Ceiba, Gurabo, Mayaguez, Arecibo, and Vega Baja, Air Base Muñiz in Carolina, and the Antique Base Ramey in Aguadilla, and the Air Force Exchange System" (AAFES).

FIGNA has the power to issue bonds, from time to time, for any principal amount that the Board of Directors considers necessary. It can also create the necessary reserves to guarantee the payments of such bonds and for the payment of other expenses that FIGNA considers necessary.

Established as a public corporation, FIGNA is exempt from the payment of income tax, property tax and municipal taxes.



**Measurement focus, basis of accounting and financial statement presentation**

The accompanying basic financial statements of FIGNA are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

FIGNA distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses are those transactions that result from providing services that correspond to the principal ongoing operations. Operating revenues are mostly generated from rents and royalties charged to the commissionaires. Revenues and expenses not meeting this criterion are reported as non-operating.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimated amounts.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Fund and other Governmental Entities that use Proprietary Fund Accounting," FIGNA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that are not in conflict with GASB pronouncements.

**Fund Financial Statements**

The accounts of FIGNA are organized and operated on the fund basis of accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, net assets/fund balance, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. FIGNA maintains four enterprise funds which are proprietary fund types. FIGNA has elected to report all funds as major funds. The following is a description of the nature and purpose of each fund:



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010

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**Capital Improvements, Operations and Maintenance (Operational Fund)** - The Operational Fund is the main operating fund of FIGNA. It is used to account for all financial resources except those required to be accounted for in all funds. The primary source of revenue recorded in this fund is comprised of royalties on gross sales from the duty free shops operated by concessionaries and reimbursements from the United States Property and Fiscal Office. 38% of total concessionaire royalties are recorded in this fund.

**Educational Fund** - The Educational Fund was created to provide financial resources to help cover educational expenses incurred by the active members of The Puerto Rico National Guard and their family members. The primary source of revenue recorded in this fund is comprised of 10% Educational Fund income is the 10% of the revenues received from the concessionaires, revenues from FIGNA's investments assigned to the Educational Fund, and any other donation granted to the mentioned fund. The educational expenses, as defined in the economic assistance program, are composed of enrollments at university levels and post-secondary level. The amounts to be reimbursed are determined by the Board of Directors.

**Annuities, Life and Funeral Insurance Fund** - The Annuities, Life and Funeral Insurance Fund accounts for three benefits programs to the active and retired members of the Puerto Rico National Guard. The Annuities Program provides temporarily assistance to retired members of the Puerto Rico National Guard who are at least 55 years old with 20 years of honorable service in the armed services, and at least 16 years of service the National Guard. Qualified retired members receive a monthly annuity of \$175 for a period up to five years, or age, when they become legible to receive benefits from the Federal Government.

The Life and Funeral Insurance Programs are available to active members of the Puerto Rico National Guard and retired members that qualify for the Annuities Program. The Life Insurance Program provides a fixed benefit of \$5,000 paid to the beneficiaries properly designated by the insured. The Funeral Insurance Program provides a benefit of up to \$3,000 for un-reimbursed funeral expenses. The beneficiary of the insured must provide evidence to support the amount requested.

The primary source of revenues recorded in this fund is comprised of concessionaire royalties. 52% of total concessionaire royalties are recorded in this fund. Also, active members must pay a monthly premium of \$1.50 to be entitled to the benefits under these programs. The benefits of the program can be adjusted at the discretion of the Board of Directors to account for inflation and cost living increases.

The Fund must maintain a minimum reserve of \$100,000 in an interest bearing account with the Puerto Rico Government Development Bank.

The administrator of these programs cannot commit funds in excess of projected revenues in order to maintain actuarial based reserves factoring in an inflation of 3%.



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010

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**Armory Library of the National Guard of Puerto Rico Museum Fund** - This accounts for the maintenance of military antiques on display at the National Guard of Puerto Rico Museum. Transfers are made from time to time from the Operational Fund as determined by management and approved by the Board of Directors. The antiques on display consist of a variety of historical armaments, ammunitions, uniforms and other military equipment used in past wars and military conflicts. Most of the antiques were donated and recorded at their estimated fair value. The military antiques recorded in this fund are classified as capital assets but are not depreciated because the economic or potential service benefit is so slowly consumed that the estimated useful life is considered indefinite.

**Fiduciary Fund (Agency Fund)** - this fund is used to account for cash held by FIGNA as a custodian for the Puerto Rico National Guard. The cash held in the Army Banking Investment Trust Fund account and originated from sales at the AFEES concessionaire at Camp Santiago in Salinas. The disbursements of funds are authorized by the Puerto Rico National Guard.

The agency fund is used to account for assets held in the fund under a fiduciary relationship on behalf of another entity. The agency fund consists of resources retained by the governmental unit as an agent for another governmental unit.

**Investments**

Investments are carried at fair value. Fair value is determined based on quoted market prices.

**Defined-Benefit Pension Plan**

The Employee's Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (also known as The Retirement System), was created pursuant to Act. No. 447 of May 15, 1951, as amended, and is a cost-sharing, multiple-employer, defined benefit pension plan sponsored by and reported as a component unit of the Commonwealth. All regular employees of FIGNA hired before January 1, 2000 and less than 55 years of age at the date of employment became members of the Retirement System as a condition of their employment. No benefits are payable if the participant receives a refund of his/her accumulated contributions.

The Retirement System provides retirement, death and disability benefits pursuant to legislation enacted by the Legislature of the Commonwealth. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after ten years of plan participation. Disability benefits are available to members for occupational and non-occupational disability.

Members who have attained 55 years of age and have completed at least 25 years of creditable service, or members who have attained 58 years of age and have completed 10 years of creditable service, are entitled to an annual benefit, payable monthly for life.



**Defined-Benefit Pension Plan (continued)**

The amount of the annuity shall be 1.5% of the average compensation, as defined, multiplied by the numbers of years of creditable service up to 20 years, plus 2% of the average compensation, as defined, multiplied by the number of years of creditable service in excess of 20 years. In no case will the annuity be less than \$200 per month.

Participants who have completed 30 years of creditable service are entitled to receive the annuity. Participants who have not attained 55 years of age will receive 65% of the average compensation, as defined; otherwise, they will receive 75% of the average compensation, as defined.

Commonwealth legislation requires employees to contribute 5.775% of the first \$550 of their monthly gross salary and 8.275% of the excess over \$550 of the monthly gross salary. The Administration is required by the same legislation to contribute 9.275% of each participant's gross salary.

For the year ended June 30, 2010, 2009 and 2008 FIGNA contributed \$18,169, \$8,878 and \$11,427. Salaries for the year ended June 30, 2010, 2009 and 2008 amounted to \$167,379, \$155,367 and \$123,200 respectively.

Additional information on the Retirement System is provided in its financial statements for the year ended June 30, 2010, a copy of which can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities, PO Box 42003, San Juan, PR 00940-2003.

**Cash and Cash Equivalents**

For financial statements purposes, FIGNA considers all highly liquid instruments purchased with a maturity of 90 days or less to be cash equivalents. Cash equivalents as of June 30, 2010 consist of funds invested in money market accounts and savings accounts.

**Accounts receivable**

As of June 30, 2010, all the accounts receivable presented in the financial statements are considered entirely collectable, for such consideration, no reserve for uncollectible accounts or its related expense are presented in FIGNA's basic financial statements.



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010

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**Capital Assets**

Capital assets are defined by FIGNA as assets with an initial, individual cost of more than \$500 and an estimated useful life of more than one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. Maintenance and repairs that do not extend the life of the asset are charged to expense. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful life of the improvements. Intangible assets are amortized over their estimated useful lives except for intangible assets with an indefinite useful life which are not amortized.

One of FIGNA's objectives is to build, and renovate facilities of the Puerto Rico National Guard. These activities and their related expenses are recorded as an operational expense in the Statement of Revenues, Expenses and Changes in Net Assets although FIGNA does not possess deeds of those capital assets.

<u>Description:</u>	<u>Years</u>
Buildings	20-40 years
Intangible assets	40 years
Leasehold Improvements	5-40 years
Equipment	5 years
Vehicles	5 years
Computer and Computer Programs	5 years

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimated amounts.

**Net Assets Classification (continued)**

FIGNA's net assets are presented in three components:

1. Invested in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation. At June 30, 2010, FIGNA did not maintain any unpaid balances and/or any related debt on those capital assets.



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2010**

**Net Assets Classification (continued)**

2. Invested in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation. At June 30, 2010, FIGNA did not maintain any unpaid balances and/or any related debt on those capital assets.

3. Restricted - this category is designed to reflect net assets whose use is solely to specific purposes. FIGNA maintains the following restricted funds as required by the Law 23 of July 1991, Article 9:

- a) The educational fund includes \$500,000 restricted to education payment to active members of the Puerto Rico National Guard.
- b) The Annuities, Life and Funeral Insurance Fund includes \$2,500,000 restricted for payment of benefits to active members of the Puerto Rico National Guard and their families in (i) death of any of the active members of the National Guard during battle or (ii) retirement of military services after certain years of active service.

4. Unrestricted (Deficit) - Composed of other net assets that the definition of invested in capital assets, and restricted does not apply.

**Note 2- Accounts Receivable**

At June 30, 2010 FIGNA's accounts receivable are composed of:

	<u>Operational</u> <u>Fund</u>	<u>Annuities</u> <u>Fund</u>	<u>Educational</u> <u>Fund</u>	<u>Total</u>
Concessionaries	\$ 592,439	\$ 19,423	\$ 1,932	\$ 613,794
Rent	10,000	22,595	-	32,595
Federal Grants	37,144	-	-	37,144
Interest	3,118	-	822	3,940
Others	232,007	-	-	232,007
	<u>\$ 874,708</u>	<u>\$ 42,018</u>	<u>\$ 2,754</u>	<u>\$ 919,480</u>



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2010**

**Note 3 – Related Party Transactions**

FIGNA receives monthly contributions of \$1.50 from each active member of the Puerto Rico National Guard. The contributions, in most of the cases, are received as an automatic deduction of the member's payroll. In such cases, the United States Property and Fiscal Office (USPFO) remits the payroll deduction amounts corresponding to the troops' contributions, less a service fee.

**Note 4 – Capital Assets**

The capital assets activity for year ended June 30, 2010 is summarized as follows:

	<u>Balances</u> <u>June 30 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>June 30 2010</u>
Non Depreciable Assets				
Land	\$ 17,868,066	-	-	\$ 17,868,067
Buildings	389,786	-	-	389,786
Total	<u>18,257,852</u>	<u>-</u>	<u>-</u>	<u>18,257,853</u>
Depreciable Assets				
Buildings	6,410,166	-	-	6,410,166
Intangible assets	2,293,165			2,293,165
Leasehold Improvements	1,068,563	69,800	-	1,138,363
Equipment	711,050	50,061	-	761,111
Vehicles	19,822	-	-	19,822
Computers and Programs	334,819	2,546	-	337,365
Total	<u>10,837,585</u>	<u>122,407</u>	<u>-</u>	<u>10,959,992</u>
Less: Accumulated Depreciation	<u>5,052,340</u>	<u>291,034</u>	<u>-</u>	<u>5,343,374</u>
Total	<u>5,785,245</u>	<u>168,627</u>	<u>-</u>	<u>5,616,618</u>
Total capital assets	<u>\$ 24,043,097</u>	<u>\$ 168,627</u>	<u>\$ -</u>	<u>\$ 23,874,471</u>

Intangible Assets consist of rights to use certain facilities owned by the Puerto Rico National Guard. The following is a summary of these rights:

<u>Right of Use</u>	<u>Balance</u>
Officers Club at Camp Santiago, Salinas	\$ 214,765
Muñiz Base building	<u>2,078,400</u>
Total intangible assets	<u>\$ 2,293,165</u>



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2010**

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**Note 5 – Commitments and Contingencies**

**Contingencies**

FIGNA is a defendant in various legal proceedings. Management, based on the opinions of its legal counsel, is of the opinion that the ultimate liability, if any, resulting from these pending proceedings and legal actions in the aggregate will not have a material effect on FIGNA financial statements.

**Commitments**

As of June 30, 2010 FIGNA has various commitments which are determined by FIGNA's management. These commitments are composed of various projects of capital improvements to the Puerto Rico National Guard facilities:

<b><u>Development Site</u></b>	<b><u>Amount</u></b>
Rehabilitation and Expansion of Ponce Readiness Center	\$ 1,625
Rehabilitation of National Guard Arcibo	69,352
Cleaning if EOC JFHQ's San Juan	8,035
Rehabilitation of National Guard Cayey	4,821
Cleaning indoor fire range Cayey and Arcibo	7,609
Rehabilitation and Expansion of Cayey Readiness Center	215,220
Installation of Generators to Cayey Readiness Center	9,708
Repairs to Readiness Center, Toa Baja	14,739
Rehabilitation and Expansion of the Arroyo Readiness Center	567
Construction of Building #586 and 587 at Camp Santiago, Salinas	216,968
Installation of Air Conditioning Units	12,500
Rehabilitation of Readiness Center, Vega Baja	600,000
<b>Total</b>	<b><u><u>\$ 1,161,144</u></u></b>



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010

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**Note 6 – Concentrations of Credit Risk in deposits and investments**

The laws of the Commonwealth of Puerto Rico authorize governmental entities to deposit public funds in direct or indirect obligations guaranteed by the Federal Government of the United States of America or by the Commonwealth of Puerto Rico. FIGNA is authorized to deposit public funds in savings accounts, certificates of deposits and other obligations in authorized financial institutions under the Federal and Commonwealth of Puerto Rico applicable laws.

In March of 2003 the Governmental Accounting Standard Board (GASB) addressed that the deposit and investments of state and local governments are exposed to risks that have the potential to result in losses. GASB Statement No. 40, Deposit and Investment Risk Disclosures, addresses common deposit and investment risks related to credit risk, interest credit risk, and foreign currency risk. As an element of interest risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this Statement also should be disclosed.

At June 30, 2010, FIGNA maintains deposit and investment accounts and was exposed to the following credit risk:

**Custodial Credit**

Custodial Risk is the risk by that, in the event of failure of the counterparty, FIGNA will not be able to recover the value of the deposits that are in possession of an outside party.

The laws of the Commonwealth of Puerto Rico require that public funds deposited in commercial banks are fully collateralized by the amount deposited in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC). All instruments segregated as collateral by commercial banks are on behalf of the Puerto Rico Department of Treasury.

In addition, at June 30, 2010, FIGNA has uninsured deposits in governmental banks amounting to \$13.6 million; which represent the bank balance deposited in the Governmental Development Bank and the Army Banking Investment Fund (ABIF). Nevertheless, the governmental banks, at state and federal level, are exempt of collateralizing the deposits of public funds, as opposed to the requirements of commercial banks.



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2010**

**Custodial Credit (continued)**

The deposit accounts are presented at cost plus the accumulated interest. It is FIGNA policy that all procedures for appraisal, maintenance and close of the accounts should be approved by the Board of Directors.

**Note 7- Investments**

During fiscal year ended June 30, 2010, FIGNA maintained investments of \$51,030,100 in bonds of the Commonwealth of Puerto Rico with Santander Securities. These investments reflect a market value of \$51,030,100.

The following is a summary of investments in debt securities, which are classified as held-to-maturity, as of June 30, 2010:

**Obligations of the Commonwealth of Puerto Rico**

	<u>2010</u>
Cost	<u>\$ 50,736,350</u>
Market value	<u>\$ 51,030,100</u>
Gross unrealized holding gain	<u>\$ 362,400</u>
Gross unrealized holding loss	<u>\$ (68,650)</u>

The cost and market value of debt securities at June 30, 2010 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Cost</u>	<u>Market Value</u>
Due before five years	\$ 733,000	\$ 733,000
Due after five years through ten years	40,003,350	40,229,300
Due after ten years	<u>10,000,000</u>	<u>10,067,800</u>
Total	<u>\$ 50,736,350</u>	<u>\$ 51,030,100</u>

FIGNA's investment in marketable equity securities consists primarily on investments in mutual funds of the Commonwealth of Puerto Rico



**Note 8- Change in Accounting Principles**

FIGNA has changed its manner of accounting for certain intangible assets that do not have indefinite useful lives. FIGNA has adopted the requirements of GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, for the right of use of the Officers Club at Camp Santiago, Salinas and Muñiz Base Building. The requirements of this statement are effective for financial statements for periods beginning June 15, 2009. The provisions of this statement generally are required to be applied retroactively. This change is reported as a change in accounting principle in the amount of \$515,962 and is reflected as a restatement of beginning net assets of FIGNA's combined statement of revenues, expenditures and changes in net assets - enterprise funds.

**Note 8 – Management's review**

Subsequent events were evaluated by management through November 5, 2010, which is the same date the financial statements were available to be issued.



REQUIRED SUPPLEMENTARY INFORMATION



**Aquino, De Córdova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2010**

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General Statistical Information

Date of Creation	July 23, 1991 by Law Number 23
Type of Entity	Public Corporation
	Administered by an Executive Director
	Governed by a Board of Directors
	Members of the Board of Directors -7
	4
Number of employees	
Administered Facilities	General Headquarters PRNG Parada 3-1/2, San Juan ("Shoppete") Muniz Air Base, Carolina Fort Allen, Juana Diaz Base Ramey, Aguadilla Ceiba Gurabo Arecibo Vega Baja
Clubs	"Open Mess", General Headquarters PRNG, Parada 3-1/2, San Juan
Camp Santiago, Officials Clubs	Commisioners No Commisioners
Cofee Shops	General Headquarters PRNG Parada 3-1/2, San Juan
Museum	General Headquarters PRNG Parada 3-1/2, San Juan Camp Santiago



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION (continued)**  
**JUNE 30, 2010**

Total of Beneficiaries of the Educational Fund and their percent of addition or reduction per fiscal period:

<b>Fiscal Period</b>	<b>Total Members of PRNG</b>	<b>% *</b>	<b>Total Children</b>	<b>% *</b>	<b>Total Wives</b>	<b>% *</b>	<b>Total Beneficiaries</b>	<b>% *</b>
97-98	232	0	790	0	33	0	1055	0
98-99	257	11	756	-4	37	13	1050	-1
99-00	472	84%	664	-12	143	386	1279	22
00-01	478	2	594	-10	115	-20	1187	7
01-02	360	-25	597	0.5	142	24	1099	-7
02-03	264	-27	544	-9	153	8	961	13
03-04	211	-20	518	-5	179	2	908	6
04-05	1284	509	387	-25	132	-26	1803	99
05-06	1504	17	693	79	280	112	2477	37
06-07	1240	-18	794	15	337	20	2371	4
07-08	1404	13	833	5	332	-1	2569	8
08-09	1613	15	877	5	251	-24	2741	7
09-10	1545	-4	845	-4	272	8	2,662	-3

Source: Puerto Rico National Guard Institutional Trust Fund



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND  
 REQUIRED SUPPLEMENTARY INFORMATION (continued)  
 FOR THE YEAR ENDED JUNE 30, 2010

Total beneficiaries of the Educational Fund distributed by type of academic program are as follow:

Fiscal Year	Total of Beneficiaries	Technical Courses	Percent of total beneficiaries	Associates Degree	Percent of total beneficiaries	Bachelor Degree	Percent of total beneficiaries	Master Degree	Percent of total beneficiaries	Doctorate
97-98	1055	5	0.47%	49	4.64%	772	73.18%	222	21.04%	7
98-99	1050	6	0.57%	62	5.90%	718	68.38%	249	23.71%	15
99-00	1279	5	0.39%	48	3.75%	776	60.67%	431	33.70%	19
00-01	1187	8	0.67%	38	3.20%	714	60.15%	402	33.87%	25
01-02	1099	16	1.46%	40	3.64%	695	63.24%	326	29.66%	22
02-03	961	32	3.33%	52	5.41%	640	66.60%	209	21.75%	28
03-04	908	45	4.96%	42	4.63%	588	64.76%	216	23.79%	17
04-05	1803	84	4.66%	47	2.61%	1262	69.99%	398	22.07%	12
05-06	2477	85	3.43%	73	2.95%	1795	72.47%	498	20.10%	26
06-07	2371	89	3.75%	88	3.71%	1763	74.36%	393	16.58%	38
07-08	2569	127	4.94%	81	3.15%	1916	74.58%	429	16.70%	16
08-09	2741	129	4.71%	62	2.26%	2125	77.53%	379	13.83%	46
09-10	2662	133	5.00%	63	2.37%	2096	78.74%	330	12.40%	40

Source: Puerto Rico National Guard Institutional Trust Fund



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUSTFUND**  
**REQUIRED SUPPLEMENTARY INFORMATION (continued)**  
 JUNE 30, 2010

Total of National Guards beneficiaries of the Life and Funeral Insurance:

Fiscal Year	Number of Beneficiaries	Active Beneficiaries	%	Inactive or Retired Beneficiaries	Percent
92-93	16	8	50%	8	50%
93-94	15	9	60%	6	40%
94-95	18	10	56%	8	44%
95-96	11	4	36%	7	64%
96-97	17	12	71%	5	29%
97-98	23	14	61%	9	39%
98-99	13	7	54%	6	46%
99-00	28	9	32%	19	68%
00-01	18	6	33%	12	67%
01-02	17	5	29%	12	71%
02-03	12	6	50%	6	50%
03-04	14	7	50%	7	50%
04-05	12	3	25%	9	75%
05-06	16	7	44%	9	56%
06-07	11	3	27%	8	73%
07-08	17	9	53%	8	47%
08-09	10	7	70%	3	30%
09-10	7	4	57%	3	43%

Source: Puerto Rico National Guard Institutional Trust Fund.



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

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<b><u>Grantor Agency &amp; Program Title</u></b>	<b><u>CFDA</u></b>	<b><u>Federal Expenditures</u></b>
<b>Department of Defense</b>		
National Guard Civilian Youth Opportunities	12.404	<u>\$ 572,514</u>

See notes to Schedule of Expenditures of Federal Awards.



**Aquino, De Córdova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**NOTE A - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the Puerto Rico National Guard Institutional Trust Fund. FIGNA reporting entity is defined in Note 1 to the FIGNA's Combined Statement of Revenues, Expenditures, and changes in Net Assets.

**NOTE B - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Fund and other Governmental Entities that use Proprietary Fund Accounting," FIGNA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that are not in conflict with GASB pronouncements, as described in Note 1 to the FIGNA's Combined Statement of Revenues, Expenditures, and changes in Net Assets.

**NOTE C - RELATION TO FINANCIAL STATEMENTS**

The Federal Fund expended for the year ended June 30, 2010 is as follows:

Federal Grant Expenditures	\$ 572,514
FIGNA's Matching Requirements	<u>430,681</u>
Total	<u>\$ 1,003,195</u>





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of

The Puerto Rico National Guard Institutional Trust Fund

We have audited the financial statements of the enterprise activities of the Puerto Rico National Guard Institutional Trust Fund as of and for the year ended June 30, 2010, which collectively comprise the Puerto Rico National Guard Institutional Trust Fund basic financial statements and have issued our report thereon dated November 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Puerto Rico National Guard Institutional trust Fund internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Puerto Rico National Guard Institutional Trust Fund internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Puerto Rico National Guard Institutional Trust Fund internal control over financial reporting.

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 material misstatement of the entity's financial statement 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Puerto Rico National Guard Institutional Trust Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of compliance or other matters that are required to be reported under *Government Auditing Standards*

We noted other matters that we reported management of the Puerto Rico National Guard Institutional Trust Fund in a separate letter dated November 5, 2010.

This report is intended solely for the information and use of FIGNA's management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

November 5, 2010

*Aquino, De Cordova, Alfaro & Co. LLP*

Stamp number 2572549  
has been affixed to the  
original report





**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of  
The Puerto Rico National Guard Institutional Trust Fund

**Compliance**

We have audited the compliance of the Puerto Rico National Guard Institutional Trust Fund (FIGNA) with types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. FIGNA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of FIGNA's management. Our responsibility is to express an opinion on FIGNA's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the FIGNA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on FIGNA's compliance with those requirements.

In our opinion, the Puerto Rico National Guard Institutional Trust Fund complied, in all material respects, with the compliance requirements referred to above that could have direct and material effect on its major federal programs for the year ended June 30, 2010.

**Internal Control over Compliance**

The management of the Puerto Rico National Guard Institutional Trust Fund is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered FIGNA's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of FIGNA's internal control over compliance.

A *deficiency in internal control* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program, will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of FIGNA's management, federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

November 23, 2010

Stamp number 2572550  
has been affixed to the  
original report

*Aquino, De Cordova, Alfaro & Co. LLP*



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**I. SUMMARY OF AUDIT RESULTS**

*Financial Statements*

a. Type of Auditors Report's issued	<b>Unqualified</b>	
b. Internal control over financial reporting:	<b>Yes</b>	<b>No</b>
- Material Weakness (es) identified?	_____	_____X_____
- Significant deficiency (ies) identified that is (are) not considered to be material weakness (es)?	_____	_____X_____
c. Noncompliance material to the financial statement noted?	_____	_____X_____

*Federal Awards*

a. Internal Control over major programs:		
- Material Weakness (es) identified?	_____	_____X_____
- Significant deficiency (ies) identified that is (are) not considered to be material weakness (es)?	_____	_____X_____
b. Type of auditors report issued on compliance for mayor programs	<b>Unqualified</b>	
c. Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of OMB Circular A-133?	_____	_____X_____
d. The program selected as mayor program was:		
CFDA 12.404 National Guard Civilian Youth Opportunities		
e. The threshold for distigushing Types A and B program was		\$300,000
f. The National Guard Institutional Trust Fund was determined to be a High-Risk auditee		



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**II. FINDINGS- FINANCIAL STATEMENTS AUDIT**

None

**III. FINDINGS AND QUESTIONED COSTS- MAYOR FEDERAL AWARD  
PROGRAMS AUDIT**

None

