

Financial Statements

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

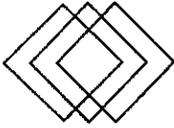
BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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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, 2009, as listed in the table of contents. These financial statements are the responsibility of the 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, 2009, and the changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 8 and the Supplementary Information on pages 29 through 32 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the FIGNA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the FIGNA's basic financial statements. The introductory and statistical section have not been subject to auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, and accordingly express no opinion on them.

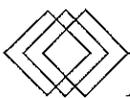
December 16, 2009

Aquino, De Cordova, Alfaro & Co., LLP

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has been affixed to
the original report.



MANAGEMENT'S DISCUSSION AND ANALYSIS



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009**

As representing FIGNA, we offer to readers of the basic financial statements this summary and analysis of financial activities for fiscal years ended June 30, 2009 and 2008. We recommend to the readers of our financial statements consider the information and analysis that is presented below to facilitate the understanding of financial statements.

Financial data highlights

1. FIGNA's assets exceed their liabilities by \$88 million and \$96.4 millions for the fiscal years 2008-2009 and 2007-2008, respectively. From this amount, \$62.7 million and \$83.4 million remain unrestricted, for the years 2008-2009 and 2007-2008, respectively. This amount 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 \$22.5 million and \$9.9 million in capital assets, net of accumulated depreciation and amortization of \$4.2 million and \$3.8 million for fiscal years 2008-2009 and 2007-2008 respectively. This investment includes land, buildings and improvement to property, equipment, vehicles, military antiques, computers and related programs.
3. Total amount of net assets decreased during the fiscal year ended June 30, 2009 by \$5.7 millions and increased to \$9.92 million for fiscal years 2008-2009 and 2007-2008, respectively.

Summary of financial statements

This section of analysis and discussion are 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 DISCUSSION AND ANALYSIS - CONTINUED
AS OF JUNE 30, 2009**

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 use the 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, government 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 used to present separate information for each individual fund that holds FIGNA.

Under GASB 34, 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, 2009**

FINANCIAL ANALYSIS

STATEMENT OF NET ASSETS

Below is a comparative summary of net assets for fiscal years ended June 30, 2009 and 2008:

	<u>2009</u>	<u>Net Assets</u> %		<u>2008</u>	<u>%</u>
Assets					
Current assets	\$ 74,920,863	64%	\$	\$ 87,403,308	83%
Non current assets	18,257,853	15%		5,482,880	5%
Net capital assets	22,557,318	19%		9,919,414	9%
Other	2,059,070	2%		2,059,070	2%
Total assets	<u>\$ 117,795,104</u>	<u>100%</u>		<u>\$ 104,864,672</u>	<u>100%</u>
Liabilities					
Current liabilities	<u>\$ 11,241,726</u>	<u>100%</u>		<u>\$ 2,985,739</u>	<u>100%</u>
Net assets					
Invested in capital assets	\$ 22,557,318	26%	\$	9,914,414	10%
Restricted	3,000,000	3%		3,000,000	3%
Unrestricted	62,738,207	71%		83,476,639	87%
Total net assets	<u>\$ 88,295,525</u>	<u>100%</u>		<u>\$ 96,391,053</u>	<u>100%</u>



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED
AS OF JUNE 30, 2009**

STATEMENT OF REVENUES, EXPEDITURES 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, 2009 and 2008:

OPERATING INCOME

	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Royalties from concessionaire	\$ 2,804,751	51%	\$ 18,824,206	96%
Rent land and buildings	426,492	8%	465,453	2%
Other	2,225,517	41%	299,017	2%
Total operating income	<u>\$ 5,456,760</u>	<u>100%</u>	<u>\$ 19,588,676</u>	<u>100%</u>

OPERATING EXPENSES

	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Administration	\$ 2,512,257	21%	\$ 1,909,489	15%
Distributed contributions	9,629,401	79%	11,149,647	85%
Total operating expenses	<u>\$ 12,141,658</u>	<u>100%</u>	<u>\$ 13,059,134</u>	<u>100%</u>

NON OPERATING INCOME AND CHANGE IN NET ASSETS

	<u>2009</u>	<u>2008</u>
Non operating income	\$ 952,198	\$ 3,434,246
Change in net assets	<u>\$ (5,732,700)</u>	<u>\$ 9,963,786</u>



**PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED
AS OF JUNE 30, 2009**

CHANGES IN FIXED ASSETS FUND ANNUITY, LIFE AND FUNERAL INSURANCE:

FIGNA bought a parcel of land in Salinas, Puerto Rico with a market value of \$12,775,000 which increased total net assets of Fund at \$12,638,000 after the previous year depreciation.

INFORMATION REQUEST

This section of management discussion and analysis is designed for anyone interested in obtaining an overview of the finances of FIGNA. Have questions regarding information in this section, these 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, 2009

	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
Assets					
Current assets:					
Cash and cash equivalents	\$ 10,158,466	\$ 3,434,394	\$ 1,225,841	\$ -	\$ 14,818,701
Investments	8,000,000	35,000,000	7,000,000	-	50,000,000
Accounts receivable	983,627	172,756	2,628	-	1,159,011
Due from other funds	1,189,792	6,203,094	1,506,007	44,258	8,943,151
Total current assets	<u>20,331,885</u>	<u>44,810,244</u>	<u>9,734,476</u>	<u>44,258</u>	<u>74,920,863</u>
Noncurrent assets					
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	506,546	6,937,141	-	35,042	7,478,729
Machinery and equipment, and furniture and fixture	417,085	53,249	-	240,717	711,051
Vehicles	19,822	-	-	-	19,822
Computer and software	334,817	-	-	-	334,817
	<u>1,278,270</u>	<u>6,990,390</u>	<u>-</u>	<u>275,759</u>	<u>8,544,419</u>
Less: accumulated depreciation and amortization	<u>(900,034)</u>	<u>(3,069,161)</u>	<u>-</u>	<u>(275,759)</u>	<u>(4,244,954)</u>
	<u>378,236</u>	<u>3,921,229</u>	<u>-</u>	<u>-</u>	<u>4,299,465</u>
Total capital assets being depreciated, net	<u>378,236</u>	<u>21,789,296</u>	<u>-</u>	<u>389,786</u>	<u>22,557,318</u>
Other Assets					
Intangible	<u>2,059,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,059,070</u>
Total noncurrent assets	<u>2,437,306</u>	<u>21,789,296</u>	<u>-</u>	<u>389,786</u>	<u>24,616,388</u>
Total assets	<u>\$ 22,769,191</u>	<u>\$ 66,599,540</u>	<u>\$ 9,734,476</u>	<u>\$ 434,044</u>	<u>\$ 99,537,251</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, 2009

	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
Liabilities					
Current liabilities					
Due to other funds	\$ 6,871,839	\$ 1,953,091	\$ 118,221	\$ -	\$ 8,943,151
Accounts payable and accrued liabilities	1,279,456	4,502	1,002,155	12,462	2,298,575
Total liabilities	<u>8,151,295</u>	<u>1,957,593</u>	<u>1,120,376</u>	<u>12,462</u>	<u>11,241,726</u>
Net Assets					
Invested on capital assets	378,236	21,789,296	-	389,786	22,557,318
Restricted	-	2,500,000	500,000	-	3,000,000
Unrestricted	14,239,660	40,352,651	8,114,100	31,796	62,738,207
Total net assets	<u>14,617,896</u>	<u>64,641,947</u>	<u>8,614,100</u>	<u>421,582</u>	<u>88,295,525</u>
Total liabilities and net assets	<u>\$ 22,769,191</u>	<u>\$ 66,599,540</u>	<u>\$ 9,734,476</u>	<u>\$ 434,044</u>	<u>\$ 99,537,251</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 Revenues, Expenditures and Changes in Net Assets-Enterprise Activities

For the year ended June 30, 2009

	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
Operating Income					
Concessionaire royalties	\$ 938,116	\$ 1,565,565	\$ 301,070	\$ -	\$ 2,804,751
Land and building rent	160,492	266,000	-	-	426,492
Military contributions	-	822,103	-	-	822,103
USPFO Reimbursement	1,190,589	-	-	-	1,190,589
Miscellaneous	212,268	5	552	-	212,825
Total operating income	<u>2,501,465</u>	<u>2,653,673</u>	<u>301,622</u>	<u>-</u>	<u>5,456,760</u>
Operating expenses					
Administrative expenses					
Payroll and related expenses	204,490	-	-	-	204,490
Depreciation	117,131	288,116	-	-	405,247
Professional services and consulting	668,353	-	-	-	668,353
Utilities	645,997	85,816	-	-	731,813
Repairs and maintenance - building	405,667	14,603	-	-	420,270
Other administrative expenses	49,847	-	-	-	49,847
Security	-	32,237	-	-	32,237
Total administrative expenses	<u>2,091,485</u>	<u>420,772</u>	<u>-</u>	<u>-</u>	<u>2,512,257</u>
Distributed Benefits					
Building improvements to the National Guard	2,203,905	-	-	-	2,203,905
Educational expenses	390	-	1,099,609	-	1,099,999
Life Insurance	14,900	-	-	-	14,900
General benefits to the National Guard and Members	4,242,241	2,068,356	-	-	6,310,597
Total distributed benefits	<u>6,461,436</u>	<u>2,068,356</u>	<u>1,099,609</u>	<u>-</u>	<u>9,629,401</u>
Total operating expenses	<u>8,552,921</u>	<u>2,489,128</u>	<u>1,099,609</u>	<u>-</u>	<u>12,141,658</u>
Operating income (loss)	<u>(6,051,456)</u>	<u>164,545</u>	<u>(797,987)</u>	<u>-</u>	<u>(6,684,898)</u>

Continued

See notes to financial statements.

PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND

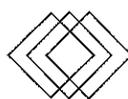
(A component unit of the Commonwealth of Puerto Rico)

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

For the year ended June 30, 2009

	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
Operating income (loss)	<u>(6,051,456)</u>	<u>164,545</u>	<u>(797,987)</u>	<u>-</u>	<u>(6,684,898)</u>
Non-operating income					
Federal appropriations	2,002,951	-	-	-	2,002,951
Federal grant expenses	(2,730,719)				(2,730,719)
Transfer - in (out) to other funds	(221,853)	(78,167)	300,020	-	-
Bank and investment interest	778,416	922,354	172,796	-	1,873,566
Loss on impairment	-	(193,600)	-	-	(193,600)
Total non-operating income (loss)	<u>(171,205)</u>	<u>650,587</u>	<u>472,816</u>	<u>-</u>	<u>952,198</u>
Change in net assets	<u>(6,222,661)</u>	<u>815,132</u>	<u>(325,171)</u>	<u>-</u>	<u>(5,732,700)</u>
Net assets at the beginning of the year (previously informed)	23,219,879	64,722,044	8,080,205	373,925	96,396,053
Prior year adjustment	<u>(2,379,322)</u>	<u>(895,229)</u>	<u>859,066</u>	<u>47,657</u>	<u>(2,367,828)</u>
Net assets at the beginning of the year	<u>20,840,557</u>	<u>63,826,815</u>	<u>8,939,271</u>	<u>421,582</u>	<u>94,028,225</u>
Net assets at the end of the year	<u>\$ 14,617,896</u>	<u>\$ 64,641,947</u>	<u>\$ 8,614,100</u>	<u>\$ 421,582</u>	<u>\$ 88,295,525</u>

See notes to financial statements.



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND

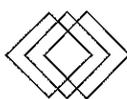
(A component unit of the Commonwealth of Puerto Rico)

Combined Statement of Cash Flows- Enterprise Funds

For the year ended June 30, 2009

	Capital Improvements, Operating and Maintenance Fund	Annuities, Life Insurance and Funeral Insurance Fund	Educational Fund	Total Enterprise Funds
Cash Flows From Operating Activities				
Cash received from concessionaire	\$ 2,521,617	\$ 1,546,711	\$ 298,442	\$ 4,366,770
Cash received from rent of land and buildings	160,492	266,000	-	426,492
Cash received from troops contributions	-	822,103	-	822,103
Other operational receipts	1,402,857	-	552	1,403,409
Cash paid in General Benefits to the Puerto Rico National Guard troops and members	(7,279,175)	(2,063,854)	-	(9,343,029)
Cash paid in Annuities, Life Insurance and Education	(15,290)	-	(958,243)	(973,533)
Cash paid to suppliers for goods and services	-	(132,651)	-	(132,651)
Cash paid in payroll and related costs	(1,974,354)	-	-	(1,974,354)
Cash provided by (used in) operating activities	<u>(5,183,853)</u>	<u>438,309</u>	<u>(659,249)</u>	<u>(5,404,793)</u>
Cash Flows from Non- Capital Financing Activities				
Cash received from federal appropriations	2,002,951	-	-	2,002,951
Cash paid in Federal Grants	(2,730,719)	-	-	(2,730,719)
Net increase in amount due to/due from funds	5,673,953	(5,145,231)	(528,722)	-
Transfers in (out) between funds	(221,853)	(78,167)	300,020	-
Cash provided by (used in) financing activities	<u>4,724,332</u>	<u>(5,223,398)</u>	<u>(228,702)</u>	<u>(727,768)</u>
Cash Flows from Capital and related Financing Activities				
Purchase of capital assets	(292,264)	(12,941,089)	-	(13,233,353)
Cash Flows from investing activities				
Interest from bank accounts	778,414	922,354	172,796	1,873,564
Investments	(8,000,000)	(34,264,686)	(7,000,000)	(49,264,686)
Cash used in investing activities	<u>(7,221,586)</u>	<u>(33,342,332)</u>	<u>(6,827,204)</u>	<u>(47,391,122)</u>
Decrease in cash and cash equivalents	(7,973,371)	(51,068,510)	(7,715,155)	(66,757,036)
Cash and cash equivalents at beginning as restated	18,131,837	54,502,904	8,940,996	81,575,737
Cash and cash equivalent at year end	<u>\$ 10,158,466</u>	<u>\$ 3,434,394</u>	<u>\$ 1,225,841</u>	<u>\$ 14,818,701</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 Cash Flows-Enterprise Funds (continued)

For the Year ended June 30, 2009

	<u>Capital Improvements Operating and Maintenance Fund</u>	<u>Annuities, Life Insurance and Funeral Insurance Fund</u>	<u>Educational Fund</u>	<u>Total Enterprise Funds</u>
Reconciliation of operational income(loss) with net cash provided by (used in) the operational activities	\$ (6,051,456)	\$ 164,545	\$ (797,987)	\$ 6,684,898
Adjustments to reconcile income (loss) of operations to net cash provided by (used in) operating activities:				
Depreciation	117,131	288,116		405,247
Increase (decrease) in accounts receivables	1,583,501	(18,854)	(2,626)	1,562,021
Increase (decrease) in accounts payable	(833,029)	4,502	141,364	(687,163)
Cash provided by (used in) operating activities	<u>\$ (5,183,853)</u>	<u>\$ 438,309</u>	<u>\$ (659,249)</u>	<u>\$ (5,404,793)</u>

Non cash activities

Fully depreciated vehicle was retired with a cost of \$ 15,595.

During the fiscal year ended June 30, 2009, FIGNA adjusted the balance in net assets in the Operating, Annuities, Life and Funeral Insurance Fund and the Armory Library of the National Guard of Puerto Rico by \$2,379,322. The Operational Fund was adjusted due to overstatement of deposits outstanding in prior years in the amount of \$2,371,226.

	<u>Deposits overstated</u>	<u>Due to(Due from)</u>	<u>Depreciation</u>	<u>Total</u>
Operational Fund	\$ 2,371,227	\$ 8,095	\$ -	\$ 2,379,322
Annuities Fund		895,229		895,229
Educational Fund		(859,066)		(859,066)
Museum Fund		(44,258)	(3,399)	(47,657)
	<u>\$ 2,371,227</u>	<u>\$ -</u>	<u>\$ (3,399)</u>	<u>\$ 2,367,828</u>

See notes to financial statements

PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 summarized the accounting policies applicable to the Puerto Rico's National Guard Institutional Trust Fund.

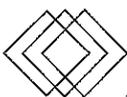
Reporting Entity

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 of 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 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 at Duty Free Shops located at Fort Allen in Juana Diaz, Camp Santiago in Salinas, San Juan, Cayey, Ceiba, Gurabo, Mayaguez, Arecibo, Peñuelas and Vega Baja, Air Base Muñiz in Carolina, and the Antique Base Ramey in Aguadilla (two concessionaires), and the Air Force Exchange System" (AAFES) and the "Coast Guard Exchange System" (CGES).

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.



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Measurement focus, basis of accounting and financial statement presentation

The accompanying basic financial statements of the 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 the liability is incurred, regardless of the timing of the related cash flows.

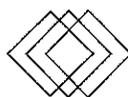
Additionally, FIGNA distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses are those transactions that result from providing services that correspond to the principal ongoing operations. Operating revenues are mostly generated from rents 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 basis of funds. 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 demonstration compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirement. FIGNA maintains four enterprise funds which are proprietary fund types. FIGNA has elected to report all four 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, 2009

Capital Improvements, Operations and Maintenance (Operational Fund) - The Operational Fund is the main operating fund of FIGNA. As required by Law, the concessionaire that operate the Duty Free Shops pay FIGNA a royalty based on their gross income. Approximately 38% of the revenues from royalties are recorded in the Operational Fund. In addition, other revenues that are not required to be recorded in another fund are recorded in this fund.

Educational Fund - The Educational Fund was created to provide resources to help cover up educational expenses incurred by the active members of The Puerto Rico National Guard, their spouses and descendants, if the funds are available. The 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 would be determined by the Board of Directors.

Annuities, Life and Funeral Insurance Fund - The Annuities, Life and Funeral Insurance Fund is composed of three benefits programs to the Active and Retired Members of the Puerto Rico National Guard. The main objective of the Annuities Program is to temporally complete the income received of the retired members of the Puerto Rico National Guard with not less than 55 years old and 20 years of honorable service in the ARMY, in which 16 should have been in the National Guard. The qualified retired member receive a monthly annuity of \$150 for a period of no more than 5 years, up to 60 years of age, when they start to receive the benefits from the Federal Government. The Annuities program became effective on January 1, 1992.



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2009

Annuities, Life and Funeral Insurance Fund (continued)

The Programs of Life and Funeral Insurance are limited to the active members of the National Guard and those retired members that qualify for the benefits of the Annuities Program, until they turn the 60 years of age. The Funeral Insurance provides for the payment of a fixed benefit of \$5,000 paid to the beneficiaries properly designated by the insured or the heirs in accordance with the applicable case. The Funeral Insurance provides for the reimbursement of the funeral expenses of the insured, incurred and not reimbursed, until a maximum of \$3,000. This insurance will be paid to the person who puts under evidence the incurred expenses of the funeral of the assured member. The Annuities, Life and Funeral Insurance Fund have the following sources of resources:

1. The 52% of royalties from the concessionary who operated the Duty Free Shops,
2. The income related to the investment of the funds assigned to the Annuities, Life and Funeral Insurance Fund,
3. A monthly contribution of \$1.50 for each active member of the Puerto Rico National Guard,
4. Any other donation grant to the mentioned fund

The contribution received from the active members of the National Guard can be adjusted by the Board of Directors as they estimate necessary, after the fifth year of FIGNA operations. The director of the Annuities, Life and Funeral Insurance Fund should maintain a reserve of no less than \$100,000 in an account that generates interest with the Banco Gubernamental de Fomento para Puerto Rico. The excess in liquid resources should be invested.



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2009

Armory Library of the National Guard of Puerto Rico Museum Fund - This fund presents the resources used and available for the development of the Puerto Rico National Guard and Puerto Rican Military Museum. This fund receives transfers from the Operational Fund as determined by management and approved by FIGNA Board of Directors. At June 30, 2009, FIGNA maintained capitalized military antiques in exhibition at the museum. These antique consist of warlike armaments of diverse classes, ammunitions, uniforms and other military equipment, all of historical nature, since they were used in past warlike conflicts. The military equipment cost was capitalized at the fair market value. These military antiques were used by the Puerto Rico National Guard, to which FIGNA and his members are assigned.

The military antiques are not depreciated, since its economic or potential service benefit is so slowly consumed that its useful life is considered extremely extensive. The military antiques are presented as part of the capital assts not been depreciated in FIGNA fund financial statements.

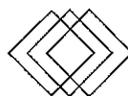
As established by law, from time to time FIGNA's Board of Directors has the authority to increase the original benefits granted between the Educational, Annuities, Life and Funeral Insurance programs to cover up the inflation effects. The administrator of the Educational, Annuity and Life and Funeral Funds can't commit to spend funds in excess of the funds projected annual income, with the purpose of the initial resources contributed to FIGNA maintains an appropriate actuarial base, taking into consideration the inflation factor equivalent to a 3% annually.

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 the Administration 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 participants receives a refund of his/her accumulated contributions.



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2009

Defined-Benefit Pension Plan-(continued)

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. 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 year's 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 statute to contribute 9.275% of each participant's gross salary.

For the year ended June 30, 2009 FIGNA contribute \$8,878. The total of salaries for year ended June 30, 2009 amounted to \$155,637.

Additional information on the System is provided in its financial statements for the year ended June 30, 2009, 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.



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2009

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, 2009 consist of funds invested in money market accounts and savings accounts.

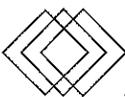
Accounts receivable

As of June 30, 2009 respectively, all the accounts receivable presented in the financial statements are considered entirely collectable, for such consideration, no reserve for uncollectible accounts or his related expense are presented in FIGNA basic financial statements.

Capital Assets

For FIGNA fund financial statements purposes, property, plant, and equipment is identified and accounted as capital assets.

Capital assets are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful life of the related asset. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful life of the improvements, whichever is shorter. Expenditures for maintenance and repairs that do not extend the life of the assets are charged to operations, while those for renewals and betterments are capitalized. Capital assets are defined by FIGNA as assets which have a cost of \$500 or more at the date of acquisition, and have an expected useful life from one or more years.



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2009

FIGNA's objectives are to build, re-build, and restore, and maintain the 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
Leasehold Improvements	5-40 years
Equipment	5 years
Vehicles	5 years
Computer and Computer Programs	5 years

Intangible assets at June 30, 2009, consist of rights of use.

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.



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2009

Net Assets Classification

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, 2009, FIGNA did not maintain any unpaid balances and/or any related debt on those capital assets.
2. Restricted- this category is designed to reflect net assets whose use is solely to FIGNA 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 (a) death of any of the active members of the National Guard during battle or (b) retirement of military services after certain years of active service.
3. Unrestricted (Deficit) - Composed of other net assets that the definition of invested in capital assets, net of related debt and restricted does not apply.

Note 2- Accounts Receivable

At June 30, 2009 FIGNA's accounts receivable are composed of:

	<u>Operational Fund</u>	<u>Annuities Fund</u>	<u>Educational Fund</u>	<u>Total</u>
Concessionaries	\$ 327,672	\$ 19,000	\$ 1,806	\$ 348,478
Rent	19,114	30,595		49,709
Federal Grants	633,723			633,723
Interest	3,118	123,161		126,279
Miscellaneous			822	822
	<u>\$ 983,627</u>	<u>\$ 172,756</u>	<u>\$ 2,628</u>	<u>\$ 1,159,011</u>



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2009

Note 3- Other Assets

Represents the right to use the Officials Club at Camp Santiago and the right to use a building located at Base Muñiz.

The intangible asset balance at June 30, 2009 is summarized followed:

	<u>Balance</u>
Right of Use, Officials Club at Camp Santiago, Salinas	\$ 214,765
Right of Use, Base Muñiz Building	<u>2,078,400</u>
	2,293,165
Less: Accumulated amortization at June 30, 2002	<u>(234,095)</u>
Net intangible balance	<u>\$ 2,059,070</u>

FASB, in the statement number 142 "Goodwill and other Intangible Assets" addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, Intangible Assets. It addresses how intangible assets that are acquired individually or with a group of other assets (but not acquired in a business combination should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements.

Previously, the opinion number 17, establishes a period of amortization of 40 years.

This statement changes the unit of account for goodwill and takes a very different approach to how goodwill and other intangibles assets are accounted for subsequent to their initial recognition. Because goodwill and some intangible assets will no longer be amortized, the reported amounts of goodwill and intangible assets (as well as total assets) will not decrease at the same time and in the same manner as under previous standards because impairments losses are likely to occur irregularly in varying amounts.

FIGNA intangibles have an indefinite useful life and his fair value exceeds the amount recorded in books. Therefore, for year ending in June 30, 2009, the intangible remains with a balance of \$2,059,070 in the Enterprise Fund Statement of Net Assets. For year ending in June 30, 2002, the intangible was amortized to a 40 year period as required in the Opinion Number 17.



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2009

Note 4 – Related Party Transactions

FIGNA receives monthly contributions of \$1.50 for 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 Fiscal Property Office (USPFO) sends the payroll deductions amounts corresponding to the troop's contributions, less a service fee.

Note 5 – Capital Assets

The capital assets activity for year ended June 30, 2009 is summarized as follows:

	Balances June 30 2008	Additions	Retirements	Balances June 30 2009
Non Depreciable Assets				
Land	\$ 5,093,094	\$ 12,774,972		\$ 17,868,066
Buildings	389,786			389,786
Total	5,482,880	12,774,972		18,257,852
Depreciable Assets				
Buildings	6,410,166		193,600	6,216,566
Leasehold Improvements	1,119,988	142,175		1,262,163
Equipment	655,871	55,179		711,050
Vehicles	15,595	19,822	15,595	19,822
Computers and Programs	93,615	241,204		334,819
	8,295,235	458,380	209,195	8,544,420
Less: Accumulated Depreciation	3,858,701	389,652	3,399	4,244,954
Total	4,436,534	68,728	205,796	4,299,466
Total capital assets	\$ 9,919,414	\$ 12,843,700	\$ 205,796	\$ 22,557,318



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2009

Note 6 – Commitments and Contingencies

Contingencies

FIGNA is 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 in FIGNA financial statements.

Note 7 – 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 guarantee 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) addresses 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 risk 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, 2009, FIGNA maintains deposit and investment accounts and was exposed to the following credit risk:



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2009

Custody Risk in Deposit Accounts

The risk of custody is the risk by means of which, if the bank bankrupt, the deposit couldn't be recovered by the entity that has his funds deposited in the mentioned institution.

In applicable laws of the Commonwealth of Puerto Rico is required that public funds deposited in commercial banks be completely collateralized by the amount deposited in excess of the federal insurance of \$250,000 established by the Federal Deposit Insurance Corporation (FDIC). All the separate instruments as collateral by the commercial banks are in name of the Commonwealth of Puerto Rico Department of the Treasury.

In addition, at June 30, of 2009, FIGNA has an amount of deposit not insured in governmental banks of \$14 million; which represents the bank balance deposited in the Governmental Development Bank and the Army Banking Investment Fund (ABIF). Nevertheless, the governmental banks, at state and in federal level, are exempt of collateralizing the deposits of public funds, as in difference by the requirements of commercial banks.

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

Note 8- Investments

During fiscal year ending June 30, 2009, FIGNA maintains investments in bonds with Santander Securities for \$50,000,000. These investment at June 30, 2009 reflect a market value of \$50,000,000 are bonds CEO Collateralized Exempt Obligation First Puerto Rico Tax Exempt Fund Inc. coupon 1.15% with a due date in July 22, 2009 Classification F-1.



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2009

Note 9 – Prior year adjustments

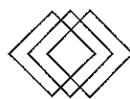
During fiscal year ended June 30, 2009, FIGNA adjusted the balance in net assets in the Operating, Annuities, Life and Funeral Insurance Fund and the Armory Library of the National Guard of Puerto Rico by \$2,379,322. The Operational Fund was adjusted due to overstatement of deposits outstanding in prior years in the amount of \$2,371,226. Moreover, since 2002 the inter fund balances were eliminated. As result of this instruction adjustments were made from 2002 to 2008 in FIGNAs' records affecting the net assets of the funds.

As result of these actions, we requested a legal opinion regarding the legality of reducing debt between funds. As per Section 2917 of the Trust Law, all funds must be distributed as established. Based on this the Trust financial statement was adjusted by \$8,095 to record the amount due to the operational fund. In the Annuities, Life, and Funeral Insurance we established the amount of (\$895,229) in amount due between funds, in the Educational Fund \$859,066 in debt and \$44,258 in debt in the Museum Fund.

Additionally, the Museum Fund was adjusted for \$3,398 for depreciation taken in excess in 2008.



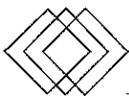
REQUIRED SUPPLEMENTARY INFORMATION



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

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
Number of employees	4
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	Commissioners No Commissioners
Coffee Shops	General Headquarters PRNG Parada 3-1/2, San Juan
Museum	General Headquarters PRNG Parada 3-1/2, San Juan Camp Santiago

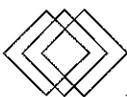


PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
REQUIRED SUPPLEMENTARY INFORMATION (continued)
JUNE 30, 2009

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

Fiscal Period	Total Members of PRNG	%*	Total Children	%*	Total Wives	%*	Total Beneficiaries	%*
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

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, 2009

Total beneficiaries of the Educational Fund distributed by type of academic program

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	Percent of total beneficiaries
97-98	1055	5	0.47%	49	4.64%	772	73.18%	222	21.04%	7	0.66%
98-99	1050	6	0.57%	62	5.90%	718	68.38%	249	23.71%	15	1.43%
99-00	1279	5	0.39%	48	3.75%	776	60.67%	431	33.70%	19	1.49%
00-01	1187	8	0.67%	38	3.20%	714	60.15%	402	33.87%	25	2.11%
01-02	1099	16	1.46%	40	3.64%	695	63.24%	326	29.66%	22	2.00%
02-03	961	32	3.33%	52	5.41%	640	66.60%	209	21.75%	28	2.91%
03-04	908	45	4.96%	42	4.63%	588	64.76%	216	23.79%	17	1.87%
04-05	1803	84	4.66%	47	2.61%	1262	69.99%	398	22.07%	12	0.67%
05-06	2477	85	3.43%	73	2.95%	1795	72.47%	498	20.10%	26	1.05%
06-07	2371	89	3.75%	88	3.71%	1763	74.36%	393	16.58%	38	1.60%
07-08	2569	127	4.94%	81	3.15%	1916	74.58%	429	16.70%	16	0.62%
08-09	2741	129	4.71%	62	2.26%	2125	77.53%	379	13.83%	46	1.67%

Source: Puerto Rico National Guard Institutional Trust Fund



PUERTO RICO NATIONAL GUARD INSTITUTIONAL TRUST FUND
REQUIRED SUPPLEMENTARY INFORMATION (continued)
JUNE 30, 2009

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%

Source: Puerto Rico National Guard Institutional Trust Fund

