

***Audit Report***

***RICHARD MILBURN ACADEMY, INC.  
RICHARD MILBURN  
ALTERNATIVE HIGH SCHOOL***

***McQueeney, Texas***

***For The Year Ended  
August 31, 2003***

***John R. Pechacek, CPA  
Bellville, Texas***

**RICHARD MILBURN ACADEMY, INC.  
RICHARD MILBURN ALTERNATIVE HIGH SCHOOL  
McQueeney, Texas**

**AUDIT FOR THE YEAR ENDED AUGUST 31, 2003**

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CERTIFICATE OF BOARD

Richard Milburn Academy, Inc.  
Richard Milburn Alternative High School  
Name of Charter School

(1)  
County

(2)  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named charter school were reviewed and (check one)  approved  disapproved for the year ended August 31, 2003, at a meeting of the board of directors of such school on the 10<sup>th</sup> day of December, 2003.

Carole Renales  
Signature of Board Secretary

[Signature]  
Signature of Board President

If the board of directors disapproved of the auditor's report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

Notes to the Certificate of Board -

(1) - The County names for the six academies, Amarillo, Beaumont, Corpus Christi, Killeen, Lubbock, and Midland are Potter, Jefferson, Nueces, Bell, Lubbock, and Midland, respectively.

(2) - The County-District numbers for the six academies, Amarillo, Beaumont, Corpus Christi, Killeen, Lubbock, and Midland, are 188-801, 123-804, 178-804, 014-801, 152-801, and 165-801, respectively.

***John R. Pechacek***  
***Certified Public Accountant***

P.O. Box 549 • Bellville, Texas 77418-0549 • 979.865.3169 • Fax 979.865.9829

**Independent Auditor's Report**

**Unqualified Opinion on Financial Statements**

Board of Directors  
Richard Milburn Academy, Inc.  
Richard Milburn Alternative High School  
McQueeney, Texas

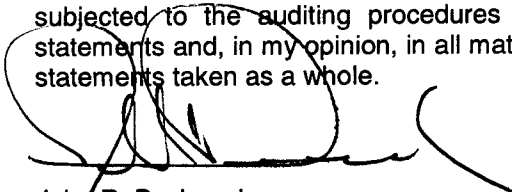
I have audited the accompanying general-purpose financial statements of Richard Milburn Alternative High School as of and for the year ended August 31, 2003. These general-purpose financial statements are the responsibility of the Academy's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Richard Milburn Alternative High School as of August 31, 2003, and the respective changes in net assets and cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 8, 2003, on my consideration of Richard Milburn Alternative High School's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, issued by the United States Office of Management and Budget and is not a required part of the general-purpose financial statements. The other supplementary information is likewise presented for the purposes of additional analysis and not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in my opinion, in all material respects, in relation to the general-purpose financial statements taken as a whole.

  
John R. Pechacek  
December 8, 2003

**GENERAL-PURPOSE  
FINANCIAL STATEMENTS**

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
*Fiscal Year Ended August 31, 2003*

<b>ASSETS</b>	<u>2003</u>	<u>2002</u>
Current Assets -		
Cash on Hand and In Banks	\$ 452,767	\$ 470,661
Due from Texas Education Agency	306,717	412,792
Other Receivables	30,043	-
Deposits and Prepaid Expense	-	35,271
Employee Advance	-	2,345
Due from Affiliated Charter Schools	388,719	-
Due from NESI Affiliate	-	323,308
Other Assets	35,051	-
Total Current Assets	<u>1,213,297</u>	<u>1,244,377</u>
Fixed Assets Net of Accumulated Depreciation	157,786	216,860
Accreditation Net of Amortization	440	549
Total Assets	<u><u>1,371,523</u></u>	<u><u>1,461,787</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities -		
Accounts Payable	130,859	58,347
Payroll Deductions Payable	52,339	40,646
Accrued Salaries Payable	65,286	122,262
Due to State	6,903	6,903
Due to RMHS Affiliate	278,597	458,745
Due to NESI Affiliate	91,493	-
Deferred Revenue	44,641	27,006
Total Current Liabilities -	<u>670,118</u>	<u>713,908</u>
Long-Term Liabilities -		
Notes Payable - Future Maturities	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>670,118</u>	<u>713,908</u>
 Net Assets -		
Unrestricted (Deficiency)	604,380	722,866
Temporarily Restricted (Deficiency)	97,025	25,013
Total Net Assets	<u>701,405</u>	<u>747,879</u>
 Total Liabilities and Net Assets	<u><u>\$ 1,371,523</u></u>	<u><u>\$ 1,461,787</u></u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL**  
**STATEMENT OF ACTIVITIES**  
*Fiscal Year Ended August 31, 2003*

	2003			2002
	Unrestricted	Temporarily Restricted	Totals	
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support-				
E-Rate Revenue	\$ 4,878	\$ -	\$ 4,878	\$ -
Graduation Revenue	4,878	-	4,878	-
Total Local Support	9,756	-	9,756	399,623
State Program Revenues-				
Foundation School Program	-	3,478,567	3,478,567	-
Technology Allotment	19,066	-	19,066	-
TIF Grant	194,814	-	194,814	-
Total State Program Revenues	213,880	3,478,567	3,692,447	2,622,987
Federal Program Revenues-				
Impact Aid	-	91	91	-
ESEA Title IV	-	1,592	1,592	-
ESEA Title I, Part A	-	145,250	145,250	-
ESEA Title I - School Improvement	-	23,678	23,678	-
IDEA-B Formula	-	30,478	30,478	-
Carl Perkins Grant	-	6,807	6,807	-
Class Size Reduction Grant	-	27,847	27,847	-
Public Charter School Grant	-	404,258	404,258	-
Title II, Part D	-	3,314	3,314	-
Title V, Part A	-	2,914	2,914	-
REAP Grant	-	12,971	12,971	-
Total Federal Program Revenues	-	659,200	659,200	647,219
Interest and Other Revenues	-	-	-	-
Net Assets Released from Restrictions	4,065,755	(4,065,755)	-	-
Total Revenue and Other Support	4,289,389	72,012	4,361,401	3,669,828
<b>EXPENSES AND OTHER LOSSES</b>				
Payroll Costs	2,271,648	-	2,271,648	-
Professional and Contracted Services	1,475,429	-	1,475,429	-
Supplies and Materials	503,323	-	503,323	-
Other Operating Costs	157,475	-	157,475	-
Interest Expenses	-	-	-	-
Total Expenses	4,407,875	-	4,407,875	3,221,645
Change in Net Assets	(118,486)	72,012	(46,474)	448,184
Net Assets (Deficiency), Beginning of Year	722,866	25,013	747,879	299,695
Net Assets (Deficiency), End of Year	\$ 604,380	\$ 97,025	\$ 701,405	\$ 747,879

(The accompanying notes are an integral part of this financial statement.)



**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL**  
**STATEMENT OF CASH FLOWS**  
*Fiscal Year Ended August 31, 2003*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2003</u>	<u>2002</u>
Cash Received from E-Rate	\$ 4,878	\$ -
Cash Received from Graduation	4,878	-
Cash Received from State Program Funds	3,735,663	3,207,249
Cash Received from Government Grants	538,359	647,218
Cash Received from Miscellaneous Sources	411,803	41,706
Cash Paid to Suppliers for Goods and Services	(2,403,047)	(1,362,965)
Cash Paid to Employees for Services	<u>(2,310,429)</u>	<u>(1,572,737)</u>
Net Cash Provided by Operating Activities	(17,895)	960,471
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<u>-</u>	<u>(194,989)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Advances (To) From Affiliated Party	<u>-</u>	<u>(407,854)</u>
Net Increase in Cash and Cash Equivalents	(17,895)	357,628
Cash and Cash Equivalents at Beginning of Year	<u>470,661</u>	<u>113,033</u>
Cash and Cash Equivalents at End of Year	<u>\$ 452,767</u>	<u>\$ 470,661</u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Change in Net Assets	\$ (46,474)	\$ 448,183
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	59,183	56,139
(Increase) Decrease in Net Assets-		
Due from Texas Education Agency	106,074	89,281
Accounts Receivable	(91,958)	247,801
Other Assets	(17,818)	(15,105)
Increase (Decrease) in Operating Liabilities-		
Accounts Payable	72,513	(231,266)
Payroll Taxes Payable	11,694	(16,465)
Due to Affiliates	(71,772)	-
Due to RMHS I/C	-	307,122
Due to State	-	6,903
Accrued Salaries Payable	(56,972)	67,878
Deferred Revenue	17,635	-
Net Cash Provided by Operating Activities	<u>\$ (17,895)</u>	<u>\$ 960,471</u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
*Fiscal Year Ended August 31, 2003*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Nature of Activities -

Richard Milburn Alternative High School provides general education services for students in grades 9 through 12 in six individual charter schools in Texas. Each individual school operates under an open enrollment charter granted by the State of Texas Board of Education. Each charter was issued for a period of five years and is subject to review and renewal prior to the expiration date of the original charter. The Academy is part of the public school system of the State of Texas and is therefore entitled to distribution from the State's available school fund. The Academy does not have the authority to impose ad valorem taxes or to charge tuition.

The Academy was incorporated on June 15, 1998 in the State of Virginia and has registered to do business in the State of Texas. The Academy has been recognized as an organization exempt from federal income taxes under Section 501 (C)(3) of the Internal Revenue Code.

B. Accounting Policies -

The financial statements have been prepared on the accrual basis of accounting. The accounting system is organized under the *Special Supplement to Financial Accounting and reporting - Nonprofit Charter School Chart of Accounts*, a module of the Texas Education Agency Financial Accountability Resource Guide. The significant accounting policies are as follows:

To insure observance of limitations and restrictions placed on the use of resources available to the Academy, the accounts are maintained in accordance with the principles of fund accounting during the year. Resources for various purposes are classified into funds according to their nature and purposes. Separate accounts are maintained for each fund; however, the accompanying statements of financial position and of activities focus on the organization as a whole and reports the amounts of its total assets, liabilities, net assets and changes in net assets in accordance with Financial Accounting Standards Board Statement No. 117.

The statement of financial position reports the amounts of each of two classes of net assets: temporarily restricted, and unrestricted net assets.

- \* Temporarily restricted net assets result from contributions and other inflows of assets that are limited by donor imposed stipulations that can be fulfilled and removed by actions of the Academy pursuant to those stipulations.

When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

- \* Unrestricted net assets are the remaining part of the Academy's net assets that is neither permanently restricted nor temporarily restricted by donor imposed stipulations. Property and equipment are included in unrestricted net assets.

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
*Fiscal Year Ended August 31, 2003*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents -

For purposes of the statement of cash flows, cash and cash equivalents are comprised of cash on hand and in banks.

D. Fixed Assets and Depreciation -

All assets acquired with a value of \$1,000 or greater are recorded as fixed assets and are valued at cost or estimated cost. Donated assets are reported at the fair market value at the time of acquisition. Depreciation of building improvements and equipment is provided over the estimated useful lives of the assets on a straight line basis.

E. Revenues -

Revenues from the State of Texas available school fund are earned based on reported attendance.

Contributions received are recognized as revenue in the period received and are reported as either restricted or unrestricted support.

\* Contributions with donor imposed restrictions are reported as restricted support. Restricted support increases temporarily restricted net assets.

\* Contributions without donor imposed restrictions are reported as unrestricted support. Unrestricted support increases unrestricted net assets.

Government grant contracts that are entered into by the Academy are recognized as revenue when services are rendered or when expenses in connection with those services are incurred.

F. Donated Goods and Services -

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statements as in kind contributions and expenses of a like amount.

G. Personal Leave -

All employees earn six days of paid personal leave per year. Unused balances accumulate, with a cap of 10 days, but employees do not receive compensation for unused days; therefore, there is no liability accrued on the financial statements.

H. Estimates -

In preparation of the financial statements and in conformity with generally accepted accounting principles, management's estimates were considered for propriety and appropriateness.

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
*Fiscal Year Ended August 31, 2003*

**2. FIXED ASSETS**

An analysis of fixed assets at August 31, 2003, is presented as follows:

Asset	Cost	Accumulated Depreciation/ Amortization	Net	Straight Line Depr. Rate
Buildings and Improvements	\$ 23,522	\$ 19,305	\$ 4,217	5 Years
Furniture and Equipment	271,858	118,290	153,568	5 Years
Accreditation	1,099	660	439	5 Years
Total	<u>\$ 296,479</u>	<u>\$ 138,255</u>	<u>\$ 158,224</u>	

Depreciation/amortization expense for the year ended August 31, 2003 was \$59,183.

**3. EMPLOYEE RETIREMENT AND PENSION PLAN**

***Plan Description***

The Academy and employees contribute to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer, defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67 and the Texas Government Code, Title 8, Subtitle C. TRS also administers Proportional Retirement benefits and service credit transfer under the Texas Government Code, Title 8, Chapters 803 and 805 respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS internet website - [www.trs.state.tx.us](http://www.trs.state.tx.us) - under the TRS Publications heading.

***Funding Policy***

For fiscal year 2003, State law provides for a State contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting entity (school district, charter school, college, university, or state agency) is required to make all or a portion of the State's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following funding policy: (1) The State constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a State contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 30 years by one or more years. State contributions to TRS made on behalf of the Academy's employees for the year ended August 31, 2003 were \$105,288. Richard Milburn Alternative High School did not pay any portion of the State's required contribution since salaries did not exceed the statutory minimum.

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
*Fiscal Year Ended August 31, 2003*

4. HEALTH CARE COVERAGE

During the year ended August 31, 2003, employees of the Academy were covered by a group health insurance plan with Anthem Blue Cross Blue Shield of Virginia. The Academy pays \$176.55 per month toward each participating employee's monthly premium and the balance of their premium, as well as premiums for dependent coverage, if applicable, are withheld from employees' paychecks through payroll deductions.

5. LONG-TERM DEBT

At August 31, 2003, the Academy had no outstanding debt.

6. DUE FROM STATE

At August 31, 2003, the Academy had earned the following revenues which were not received until after September 1, 2003:

Richard Milburn Academy - Amarillo	\$ 28,992
Richard Milburn Academy - Beaumont	115,421
Richard Milburn Academy - Corpus Christi	52,955
Richard Milburn Academy - Killeen	51,430
Richard Milburn Academy - Lubbock	33,820
Richard Milburn Academy - Midland	<u>24,099</u>
Total Due From State	<u>\$ 306,717</u>

7. TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2003, the following Academies had a balance in Temporarily Restricted Net Assets:

Richard Milburn Academy - Beaumont	<u>\$ 97,025</u>
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8. OPERATING LEASES

The Academy has entered into the following lease agreements for building space:

With T&R Enterprises in the T&R Enterprises Building, 4100 SW 51st Avenue, Amarillo, Texas. This agreement was effective on February 1, 2001, and terminates on June 30, 2005. The lease agreement requires monthly payments of \$4,500 and covers approximately 5,200 square feet of rentable area.

With John F. McCray for building space at 1310 Pennsylvania Avenue, Beaumont, Texas. This agreement was effective on January 1, 2003, and terminates on June 30, 2005. The lease agreement requires monthly payments of \$6,187.28 and covers approximately 7,031 square feet of rentable area.

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
*Fiscal Year Ended August 31, 2003*

8. OPERATING LEASES (continued)

For building space in the Parkdale Baptist Church, 3875 South Staples, Corpus Christi, Texas. This agreement was effective on July 1, 2003 and terminates on June 30, 2004. The lease agreement requires monthly payments of \$5,890.50 and covers approximately 6,930 square feet of rentable area.

For building space at 1001 E. Veterans Memorial Boulevard, Killeen, Texas. This agreement was effective on January 1, 1999 and terminates on December 31, 2003. The lease agreement requires monthly payments of \$5,570 and covers approximately 4,860 square feet of rentable area.

For building space at 1120 14th Street, Lubbock, Texas. This agreement was effective on October 1, 1999 and terminates on September 30, 2003. The lease agreement requires monthly payments of \$3,850 and covers approximately 4,925 square feet of rentable area.

For building space at 3306 Andrews Highway, Midland, Texas. This agreement was effective on September 1, 1999 and terminates on August 31, 2004. The lease agreement requires monthly payments of \$3,400 and covers approximately 6,000 square feet of rentable area.

9. COMMITMENTS AND CONTINGENCIES

The Academy receives funds through state and federal programs which are governed by various rules and regulations of the grantor agency. State Foundation program entitlements are based on student enrollment and attendance as reported to the Texas Education Agency by the Academy. These student enrollment and attendance reports are subject to audit by the Texas Education Agency and amounts paid to the Academy may be adjusted according to the results of any such TEA audit. Expenses charged to the grant programs are subject to audit and adjustment by the grantor agency. In the opinion of management, there are no contingent liabilities relating to enrollment and attendance reports as filed or relative to compliance with the rules and regulations governing grant expenditures; therefore, no provision has been made in the accompanying financial statements for such contingencies.

10. STATE FOUNDATION PROGRAM REVENUE

Charter schools in the State of Texas participate in the State Foundation Program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period and, at the close of the year, actual attendance is calculated by the Texas Education Agency and the amount of State Foundation Program earnings is calculated. The enrollment and attendance reports are subject to audit by the Texas Education Agency and final State Foundation Program earnings may be adjusted as a result of any such audit. During the year ended August 31, 2003, the Academy was paid a total of \$3,676,028 of State Foundation Program funds of which all was earned (before any possible TEA enrollment and attendance audit).

Teachers of the Academy worked a total of 8-15 days, depending on the site, in August, 2003. Based upon the estimated State Foundation Program revenue for 2003-2004 as provided by the Texas Education Agency, the Academy earned \$181,299 State Foundation Program revenue for these days of instruction. This revenue has been accrued at August 31, 2003, and will be received after September 1, 2003.

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
*Fiscal Year Ended August 31, 2003*

**11. RELATED PARTY TRANSACTIONS**

The Academy is owned and operated by Richard Milburn Academy, Inc. which owns and operates six charter schools in Texas. During the routine course of business, invoices which apply to more than one of the individual schools may be paid by a single school, thus creating a related party receivable and/or payable. The net amount of such activity resulted in a net related party receivable of \$18,629, which will be received during the normal course of business in 2003-04.

Certain expenses relating to all of the Richard Milburn Texas charter schools are allocated back to the individual charter school on the basis of direct labor and/or other direct expenses. These expenses include instructional and general administrative expenses and are charged in the accompanying statements as professional and contracted services and as other operating costs.

**SPECIFIC-PURPOSE  
FINANCIAL STATEMENTS**



**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - AMARILLO**  
**STATEMENT OF FINANCIAL POSITION**  
*Fiscal Year Ended August 31, 2003*

<b>ASSETS</b>	2003	2002
Current Assets -		
Cash on Hand and In Banks	\$ 366,933	\$ 71,978
Due from Texas Education Agency	28,992	91,351
Other Receivables	4,259	-
Deposits and Prepaid Expense	-	3,708
Employee Advance	-	440
Other Assets	6,158	-
Due from NESI Affiliate	-	64,662
Due from Affiliates	96,865	-
Total Current Assets	503,208	232,138
Fixed Assets Net of Accumulated Depreciation	58,861	79,082
Accreditation Net of Amortization	88	110
Total Assets	562,156	311,330
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities -		
Accounts Payable	92,006	11,669
Payroll Deductions Payable	11,871	7,999
Accrued Salaries Payable	6,856	23,962
Due to State	-	-
Due to Affiliated Charter Schools	289,350	86,962
Due to NESI Affiliate	16,600	-
Deferred Revenue	-	3,909
Total Current Liabilities -	416,682	134,502
Long-Term Liabilities -		
Notes Payable - Future Maturities	-	-
Total Long-Term Liabilities	-	-
Total Liabilities	416,682	134,502
Net Assets -		
Unrestricted (Deficiency)	145,475	163,861
Temporarily Restricted (Deficiency)	-	12,968
Total Net Assets	145,475	176,828
Total Liabilities and Net Assets	\$ 562,156	\$ 311,330

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - BEAUMONT**  
**STATEMENT OF FINANCIAL POSITION**  
*Fiscal Year Ended August 31, 2003*

<b>ASSETS</b>	<u>2003</u>	<u>2002</u>
Current Assets -		
Cash on Hand and In Banks	\$ 19,713	\$ 63,995
Due from Texas Education Agency	115,421	79,630
Other Receivables	1,034	-
Deposits and Prepaid Expense	-	3,523
Employee Advance	-	733
Due from NESI Affiliate	-	61,429
Due from Affiliated Charter Schools	142,184	-
Other Assets	6,139	-
Total Current Assets	<u>284,491</u>	<u>209,310</u>
Fixed Assets Net of Accumulated Depreciation	82,644	111,005
Accediation Net of Amortization	84	104
Total Assets	<u><u>367,218</u></u>	<u><u>320,419</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities -		
Accounts Payable	7,348	11,086
Payroll Deductions Payable	7,916	7,599
Accrued Salaries Payable	12,503	23,132
Due to State	5,752	5,752
Due to RMHS Affilitate	33,098	78,586
Due to NESI Affiliate	17,878	-
Deferred Revenue	5,000	15,686
Total Current Liabilities -	<u>89,494</u>	<u>141,840</u>
Long-Term Liabilities -		
Notes Payable - Future Maturities	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>89,494</u>	<u>141,840</u>
Net Assets -		
Unrestricted (Deficiency)	180,700	168,468
Temporarily Restricted (Deficiency)	97,025	10,111
Total Net Assets	<u>277,725</u>	<u>178,579</u>
 Total Liabilities and Net Assets	 <u><u>\$ 367,218</u></u>	 <u><u>\$ 320,419</u></u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - CORPUS CHRISTI**  
**STATEMENT OF FINANCIAL POSITION**  
*Fiscal Year Ended August 31, 2003*

<b>ASSETS</b>	2003	2002
Current Assets -		
Cash on Hand and In Banks	\$ 13,580	\$ 98,751
Due from Texas Education Agency	52,955	55,531
Other Receivables	11,009	-
Deposits and Prepaid Expense	-	10,432
Employee Advance	-	36
Due from Affiliated Charter Schools	149,129	-
Due from NESI Affiliate	-	58,195
Other Assets	6,290	-
Total Current Assets	232,962	222,945
Fixed Assets Net of Accumulated Depreciation	4,850	6,466
Accreditation Net of Amortization	79	99
Total Assets	237,891	229,511
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities -		
Accounts Payable	4,127	10,502
Payroll Deductions Payable	7,473	7,199
Accrued Salaries Payable	12,679	21,983
Due to State	-	-
Due to RMHS Affiliate	104,623	85,519
Due to Affiliate NESI	15,891	-
Deferred Revenue	656	7,411
Total Current Liabilities -	145,449	132,615
Long-Term Liabilities -		
Notes Payable - Future Maturities	-	-
Total Long-Term Liabilities	-	-
Total Liabilities	145,449	132,615
Net Assets -		
Unrestricted (Deficiency)	92,441	96,261
Temporarily Restricted (Deficiency)	-	635
Total Net Assets	92,441	96,896
Total Liabilities and Net Assets	\$ 237,891	\$ 229,511

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - KILLEEN**  
**STATEMENT OF FINANCIAL POSITION**  
*Fiscal Year Ended August 31, 2003*

<b>ASSETS</b>	<u>2003</u>	<u>2002</u>
Current Assets -		
Cash on Hand and In Banks	\$ 27,992	\$ 82,437
Due from Texas Education Agency	51,430	61,920
Other Receivables	4,769	-
Deposits and Prepaid Expense	-	5,671
Employee Advance	-	30
Due from Affiliated Charter Schools	156,337	-
Due from NESI Affiliate	-	48,496
Other Assets	5,634	-
Total Current Assets	<u>246,161</u>	<u>198,554</u>
Fixed Assets Net of Accumulated Depreciation	1,779	3,387
Accreditation Net of Amortization	66	82
Total Assets	<u><u>248,005</u></u>	<u><u>202,023</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities -		
Accounts Payable	24,815	8,752
Payroll Deductions Payable	9,461	6,649
Accrued Salaries Payable	12,392	18,583
Due to State	-	-
Due to RMHS Affiliate	96,927	72,213
Due to NESI Affiliate	15,191	-
Deferred Revenue	17,858	-
Total Current Liabilities -	<u>176,644</u>	<u>106,197</u>
Long-Term Liabilities -		
Notes Payable - Future Maturities	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>176,644</u>	<u>106,197</u>
 Net Assets -		
Unrestricted (Deficiency)	71,362	94,527
Temporarily Restricted (Deficiency)	<u>-</u>	<u>1,299</u>
Total Net Assets	<u>71,362</u>	<u>95,826</u>
 Total Liabilities and Net Assets	<u><u>\$ 248,005</u></u>	<u><u>\$ 202,023</u></u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - LUBBOCK**  
**STATEMENT OF FINANCIAL POSITION**  
*Fiscal Year Ended August 31, 2003*

<b>ASSETS</b>	<u>2003</u>	<u>2002</u>
Current Assets -		
Cash on Hand and In Banks	\$ 5,532	\$ 92,464
Due from Texas Education Agency	33,820	80,376
Other Receivables	5,572	-
Deposits and Prepaid Expense	-	6,312
Employee Advance	-	1,082
Due from Affiliated Charter Schools	133,555	-
Due from NESI Affiliate	-	51,729
Other Assets	6,195	-
Total Current Assets	<u>184,674</u>	<u>231,963</u>
Fixed Assets Net of Accumulated Depreciation	2,062	3,454
Accreditation Net of Amortization	70	88
Total Assets	<u><u>186,807</u></u>	<u><u>235,506</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities -		
Accounts Payable	154	9,335
Payroll Deductions Payable	8,525	6,399
Accrued Salaries Payable	12,154	19,974
Due to State	-	-
Due to RMHS Affiliate	40,497	80,851
Due to NESI Affiliate	14,911	-
Deferred Revenue	79	-
Total Current Liabilities -	<u>76,321</u>	<u>116,560</u>
Long-Term Liabilities -		
Notes Payable - Future Maturities	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>76,321</u>	<u>116,560</u>
Net Assets -		
Unrestricted (Deficiency)	110,485	118,946
Temporarily Restricted (Deficiency)	<u>-</u>	<u>-</u>
Total Net Assets	<u>110,485</u>	<u>118,946</u>
Total Liabilities and Net Assets	<u><u>\$ 186,807</u></u>	<u><u>\$ 235,506</u></u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - MIDLAND**  
**STATEMENT OF FINANCIAL POSITION**  
*Fiscal Year Ended August 31, 2003*

<b>ASSETS</b>	<u>2003</u>	<u>2002</u>
Current Assets -		
Cash on Hand and In Banks	\$ 19,017	\$ 61,037
Due from Texas Education Agency	24,099	43,983
Other Receivables	3,400	-
Deposits and Prepaid Expense	-	5,625
Employee Advance	-	24
Due from Affiliated Charter Schools	-	-
Due from NESI Affiliate	-	38,797
Other Assets	4,635	-
Total Current Assets	<u>51,151</u>	<u>149,466</u>
Fixed Assets Net of Accumulated Depreciation	7,590	13,466
Accreditation Net of Amortization	53	66
Total Assets	<u><u>58,793</u></u>	<u><u>162,998</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities -		
Accounts Payable	2,409	7,002
Payroll Deductions Payable	7,093	4,800
Accrued Salaries Payable	8,702	14,628
Due to State	1,151	1,151
Due to Affiliated Charter Schools	3,452	54,615
Due to NESI Affiliate	11,022	-
Deferred Revenue	21,048	-
Total Current Liabilities -	<u>54,877</u>	<u>82,195</u>
Long-Term Liabilities -		
Notes Payable - Future Maturities	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>54,877</u>	<u>82,195</u>
 Net Assets -		
Unrestricted (Deficiency)	3,916	80,803
Temporarily Restricted (Deficiency)	<u>-</u>	<u>-</u>
Total Net Assets	<u>3,916</u>	<u>80,803</u>
 Total Liabilities and Net Assets	<u><u>\$ 58,793</u></u>	<u><u>\$ 162,998</u></u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - AMARILLO**  
**STATEMENT OF ACTIVITIES**  
*Fiscal Year Ended August 31, 2003*

	2003			2002
	Unrestricted	Temporarily Restricted	Totals	
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support-				
E-Rate Revenue	\$ 634	\$ -	\$ 634	\$ -
Graduation Revenue	-	-	-	-
Total Local Support	<u>634</u>	<u>-</u>	<u>634</u>	<u>143,717</u>
State Program Revenues-				
Foundation School Program	-	551,074	551,074	-
Technology Allotment	2,960	-	2,960	-
TIF Grant Revenue	50,000	-	50,000	-
Total State Program Revenues	<u>52,960</u>	<u>551,074</u>	<u>604,034</u>	<u>408,698</u>
Federal Program Revenues-				
ESEA Title IV	-	541	541	-
ESEA Title I, Part A	-	19,343	19,343	-
ESEA Title I - School Improvement	-	-	-	-
IDEA-B Formula	-	-	-	-
Carl Perkins Grant	-	2,256	2,256	-
Class Size Reduction Grant	-	4,393	4,393	-
Public Charter School Grant	-	172,026	172,026	-
Title II, Part D	-	600	600	-
Title V, Part A	-	404	404	-
REAP Grant	-	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>199,563</u>	<u>199,563</u>	<u>241,279</u>
Interest and Other Revenues	-	-	-	-
Net Assets Released from Restrictions	763,605	(763,605)	-	-
Total Revenue and Other Support	<u>817,199</u>	<u>(12,968)</u>	<u>804,231</u>	<u>793,694</u>
<b>EXPENSES AND OTHER LOSSES</b>				
Payroll Costs	356,770	-	356,770	-
Professional and Contracted Services	262,793	-	262,793	-
Supplies and Materials	168,190	-	168,190	-
Other Operating Costs	47,832	-	47,832	-
Interest Expenses	-	-	-	-
Total Expenses	<u>835,585</u>	<u>-</u>	<u>835,585</u>	<u>645,020</u>
Change in Net Assets	(18,386)	(12,968)	(31,354)	148,674
Net Assets (Deficiency), Beginning of Year	<u>163,861</u>	<u>12,968</u>	<u>176,829</u>	<u>28,155</u>
Net Assets (Deficiency), End of Year	<u>\$ 145,475</u>	<u>\$ -</u>	<u>\$ 145,475</u>	<u>\$ 176,829</u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - BEAUMONT**  
**STATEMENT OF ACTIVITIES**  
*Fiscal Year Ended August 31, 2003*

	2003			2002
	Unrestricted	Temporarily Restricted	Totals	
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support-				
E-Rate Revenue	\$ 61	\$ -	\$ 61	\$ -
Graduation Revenue	538	-	538	-
Total Local Support	599	-	599	60,566
State Program Revenues-				
Foundation School Program	-	564,204	564,204	-
Technology Allotment	3,066	-	3,066	-
TIF Grant	45,000	-	45,000	-
Total State Program Revenues	48,066	564,204	612,270	479,981
Federal Program Revenues-				
ESEA Title IV	-	-	-	-
ESEA Title I, Part A	-	37,053	37,053	-
ESEA Title I - School Improvement	-	-	-	-
IDEA-B Formula	-	-	-	-
Carl Perkins Grant	-	2,339	2,339	-
Class Size Reduction Grant	-	4,718	4,718	-
Public Charter School Grant	-	232,232	232,232	-
Title II, Part D	-	698	698	-
Title V, Part A	-	482	482	-
REAP Grant	-	-	-	-
Total Federal Program Revenues	-	277,521	277,521	229,523
Interest and Other Revenues	-	-	-	-
Net Assets Released from Restrictions	754,811	(754,811)	-	-
Total Revenue and Other Support	803,476	86,914	890,390	770,070
<b>EXPENSES AND OTHER LOSSES</b>				
Payroll Costs	359,718	-	359,718	-
Professional and Contracted Services	222,015	-	222,015	-
Supplies and Materials	167,772	-	167,772	-
Other Operating Costs	41,739	-	41,739	-
Interest Expenses	-	-	-	-
Total Expenses	791,244	-	791,244	572,854
Change in Net Assets	12,232	86,914	99,146	197,216
Net Assets (Deficiency), Beginning of Year	168,468	10,111	178,579	(18,637)
Net Assets (Deficiency), End of Year	\$ 180,700	\$ 97,025	\$ 277,725	\$ 178,579

(The accompanying notes are an integral part of this financial statement.)



**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - CORPUS CHRISTI**  
**STATEMENT OF ACTIVITIES**  
*Fiscal Year Ended August 31, 2003*

	2003			2002
	Unrestricted	Temporarily Restricted	Totals	
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support-				
E-Rate Revenue	\$ -	\$ -	\$ -	\$ -
Graduation Revenue	-	-	-	-
Total Local Support	-	-	-	13,946
State Program Revenues-				
Foundation School Program	-	657,551	657,551	-
Technology Allotment	3,687	-	3,687	-
TIF Grant	24,814	-	24,814	-
Total State Program Revenues	28,501	657,551	686,052	541,108
Federal Program Revenues-				
ESEA Title IV	-	-	-	-
ESEA Title I, Part A	-	29,380	29,380	-
ESEA Title I - School Improvement	-	4,101	4,101	-
IDEA-B Formula	-	11,948	11,948	-
Carl Perkins Grant	-	1,295	1,295	-
Class Size Reduction Grant	-	4,034	4,034	-
Public Charter School Grant	-	-	-	-
Title II, Part D	-	911	911	-
Title V, Part A	-	482	482	-
REAP Grant	-	-	-	-
Total Federal Program Revenues	-	52,151	52,151	80,655
Interest and Other Revenues	-	-	-	-
Net Assets Released from Restrictions	710,337	(710,337)	-	-
Total Revenue and Other Support	738,837	(635)	738,203	635,709
<b>EXPENSES AND OTHER LOSSES</b>				
Payroll Costs	416,721	-	416,721	-
Professional and Contracted Services	299,760	-	299,760	-
Supplies and Materials	19,132	-	19,132	-
Other Operating Costs	7,044	-	7,044	-
Interest Expenses	-	-	-	-
Total Expenses	742,657	-	742,657	575,260
Change in Net Assets	(3,820)	(635)	(4,454)	60,449
Net Assets (Deficiency), Beginning of Year	96,261	635	96,896	36,447
Net Assets (Deficiency), End of Year	\$ 92,441	\$ -	\$ 92,441	\$ 96,896

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - KILLEEN**  
**STATEMENT OF ACTIVITIES**  
*Fiscal Year Ended August 31, 2003*

	2003			2002
	Unrestricted	Temporarily Restricted	Totals	
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support-				
E-Rate Revenue	\$ 1,375	\$ -	\$ 1,375	\$ -
Graduation Revenue	1,370	-	1,370	-
Total Local Support	<u>2,745</u>	-	<u>2,745</u>	<u>25,716</u>
State Program Revenues-				
Foundation School Program	-	622,779	622,779	-
Technology Allotment	3,536	-	3,536	-
TIF Grant	25,000	-	25,000	-
Total State Program Revenues	<u>28,536</u>	<u>622,779</u>	<u>651,315</u>	<u>486,895</u>
Federal Program Revenues-				
Impact Aid	-	91	91	-
ESEA Title I, Part A	-	17,143	17,143	-
ESEA Title I - School Improvement	-	19,577	19,577	-
IDEA-B Formula	-	-	-	-
Carl Perkins Grant	-	917	917	-
Class Size Reduction Grant	-	4,854	4,854	-
Public Charter School Grant	-	-	-	-
Title II, Part D	-	532	532	-
Title V, Part A	-	619	619	-
REAP Grant	-	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>43,733</u>	<u>43,733</u>	<u>26,315</u>
Interest and Other Revenues	-	-	-	-
Net Assets Released from Restrictions	667,811	(667,811)	-	-
Total Revenue and Other Support	<u>699,093</u>	<u>(1,299)</u>	<u>697,793</u>	<u>538,926</u>
<b>EXPENSES AND OTHER LOSSES</b>				
Payroll Costs	410,759	-	410,759	-
Professional and Contracted Services	250,674	-	250,674	-
Supplies and Materials	48,448	-	48,448	-
Other Operating Costs	12,377	-	12,377	-
Interest Expenses	-	-	-	-
Total Expenses	<u>722,258</u>	<u>-</u>	<u>722,258</u>	<u>484,815</u>
Change in Net Assets	(23,165)	(1,299)	(24,465)	54,111
Net Assets (Deficiency), Beginning of Year	<u>94,527</u>	<u>1,299</u>	<u>95,826</u>	<u>41,715</u>
Net Assets (Deficiency), End of Year	<u>\$ 71,362</u>	<u>\$ -</u>	<u>\$ 71,362</u>	<u>\$ 95,826</u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - LUBBOCK**  
**STATEMENT OF ACTIVITIES**  
*Fiscal Year Ended August 31, 2003*

	2003			2002
	Unrestricted	Temporarily Restricted	Totals	
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support-				
E-Rate Revenue	\$ 1,220	\$ -	\$ 1,220	\$ -
Graduation Revenue	1,794	-	1,794	-
Total Local Support	<u>3,014</u>	<u>-</u>	<u>3,014</u>	<u>27,426</u>
State Program Revenues-				
Foundation School Program	-	618,494	618,494	-
Technology Allotment	2,857	-	2,857	-
TIF Grant	25,000	-	25,000	-
Total State Program Revenues	<u>27,857</u>	<u>618,494</u>	<u>646,351</u>	<u>298,326</u>
Federal Program Revenues-				
ESEA Title IV	-	612	612	-
ESEA Title I, Part A	-	25,332	25,332	-
ESEA Title I - School Improvement	-	-	-	-
IDEA-B Formula	-	11,184	11,184	-
Carl Perkins Grant	-	-	-	-
Class Size Reduction Grant	-	5,918	5,918	-
Public Charter School Grant	-	-	-	-
Title II, Part D	-	245	245	-
Title V, Part A	-	500	500	-
REAP Grant	-	12,971	12,971	-
Total Federal Program Revenues	<u>-</u>	<u>56,761</u>	<u>56,761</u>	<u>41,179</u>
Interest and Other Revenues	-	-	-	-
Net Assets Released from Restrictions	675,255	(675,255)	-	-
Total Revenue and Other Support	<u>706,126</u>	<u>-</u>	<u>706,126</u>	<u>366,932</u>
<b>EXPENSES AND OTHER LOSSES</b>				
Payroll Costs	406,039	-	406,039	-
Professional and Contracted Services	237,676	-	237,676	-
Supplies and Materials	47,123	-	47,123	-
Other Operating Costs	23,749	-	23,749	-
Interest Expenses	-	-	-	-
Total Expenses	<u>714,587</u>	<u>-</u>	<u>714,587</u>	<u>539,461</u>
Change in Net Assets	(8,461)	-	(8,461)	(172,529)
Net Assets (Deficiency), Beginning of Year	<u>118,946</u>	<u>-</u>	<u>118,946</u>	<u>291,475</u>
Net Assets (Deficiency), End of Year	<u>\$ 110,485</u>	<u>\$ -</u>	<u>\$ 110,485</u>	<u>\$ 118,946</u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - MIDLAND**  
**STATEMENT OF ACTIVITIES**  
*Fiscal Year Ended August 31, 2003*

	2003			2002
	Unrestricted	Temporarily Restricted	Totals	
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support-				
E-Rate Revenue	\$ 1,588	\$ -	\$ 1,588	\$ -
Graduation Revenue	1,176	-	1,176	-
Total Local Support	<u>2,764</u>	<u>-</u>	<u>2,764</u>	<u>128,252</u>
State Program Revenues-				
Foundation School Program	-	464,465	464,465	-
Technology Allotment	2,960	-	2,960	-
TIF Grant	25,000	-	25,000	-
Total State Program Revenues	<u>27,960</u>	<u>464,465</u>	<u>492,425</u>	<u>407,979</u>
Federal Program Revenues-				
ESEA Title IV	-	439	439	-
ESEA Title I, Part A	-	16,999	16,999	-
ESEA Title I - School Improvement	-	-	-	-
IDEA-B Formula	-	7,346	7,346	-
Carl Perkins Grant	-	-	-	-
Class Size Reduction Grant	-	3,930	3,930	-
Public Charter School Grant	-	-	-	-
Title II, Part D	-	328	328	-
Title V, Part A	-	427	427	-
REAP Grant	-	-	-	-
Total Federal Program Revenues	<u>-</u>	<u>29,468</u>	<u>29,468</u>	<u>28,267</u>
Interest and Other Revenues	-	-	-	-
Net Assets Released from Restrictions	493,933	(493,933)	-	-
Total Revenue and Other Support	<u>524,657</u>	<u>-</u>	<u>524,657</u>	<u>564,498</u>
<b>EXPENSES AND OTHER LOSSES</b>				
Payroll Costs	321,641	-	321,641	-
Professional and Contracted Services	202,511	-	202,511	-
Supplies and Materials	52,658	-	52,658	-
Other Operating Costs	24,734	-	24,734	-
Interest Expenses	-	-	-	-
Total Expenses	<u>601,544</u>	<u>-</u>	<u>601,544</u>	<u>404,234</u>
Change in Net Assets	(76,887)	-	(76,887)	160,264
Net Assets (Deficiency), Beginning of Year	<u>80,803</u>	<u>-</u>	<u>80,803</u>	<u>(79,460)</u>
Net Assets (Deficiency), End of Year	<u>\$ 3,916</u>	<u>\$ -</u>	<u>\$ 3,916</u>	<u>\$ 80,803</u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - AMARILLO**  
**STATEMENT OF CASH FLOWS**  
*Fiscal Year Ended August 31, 2003*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2003</u>
Cash Received from E-Rate	\$ 634
Cash Received from Graduation	-
Cash Received from State Program Funds	590,923
Cash Received from Government Grants	199,563
Cash Received from Miscellaneous Sources	272,317
Cash Paid to Suppliers for Goods and Services	(398,478)
Cash Paid to Employees for Services	<u>(370,004)</u>
Net Cash Provided by Operating Activities	294,955
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Fixed Assets	<u>-</u>
Net Increase in Cash and Cash Equivalents	294,955
Cash and Cash Equivalents at Beginning of Year	<u>71,978</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 366,933</u></u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Change in Net Assets	\$ (31,354)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	20,243
(Increase) Decrease in Net Assets-	
Due from Texas Education Agency	62,359
Accounts Receivable	(32,206)
Other Assets	(6,269)
Increase (Decrease) in Operating Liabilities-	
Accounts Payable	80,337
Payroll Taxes Payable	3,872
Due to Affiliates	218,988
Accrued Salaries Payable	(17,106)
Deferred Revenue	<u>(3,909)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 294,955</u></u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - BEAUMONT**  
**STATEMENT OF CASH FLOWS**  
*Fiscal Year Ended August 31, 2003*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2003</u>
Cash Received from E-Rate	\$ 61
Cash Received from Graduation	538
Cash Received from State Program Funds	582,724
Cash Received from Government Grants	232,153
Cash Received from Miscellaneous Sources	17,878
Cash Paid to Suppliers for Goods and Services	(513,850)
Cash Paid to Employees for Services	<u>(363,786)</u>
Net Cash Provided by Operating Activities	(44,282)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Fixed Assets	<u>-</u>
Net Increase in Cash and Cash Equivalents	(44,282)
Cash and Cash Equivalents at Beginning of Year	<u>63,995</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 19,713</u></u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Change in Net Assets	\$ 99,146
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	28,381
(Increase) Decrease in Net Assets-	
Due from Texas Education Agency	(35,791)
Accounts Receivable	(48,691)
Other Assets	(1,883)
Increase (Decrease) in Operating Liabilities-	
Accounts Payable	(3,738)
Payroll Taxes Payable	317
Due to Affiliates	(60,708)
Accrued Salaries Payable	(10,629)
Deferred Revenue	<u>(10,686)</u>
Net Cash Provided by Operating Activities	<u><u>\$ (44,282)</u></u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - CORPUS CHRISTI**  
**STATEMENT OF CASH FLOWS**  
*Fiscal Year Ended August 31, 2003*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2003</u>
Cash Received from E-Rate	\$ -
Cash Received from Graduation	-
Cash Received from State Program Funds	695,525
Cash Received from Government Grants	52,151
Cash Received from Miscellaneous Sources	15,891
Cash Paid to Suppliers for Goods and Services	(422,987)
Cash Paid to Employees for Services	<u>(425,751)</u>
Net Cash Provided by Operating Activities	(85,171)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Fixed Assets	<u>-</u>
Net Increase in Cash and Cash Equivalents	(85,171)
Cash and Cash Equivalents at Beginning of Year	<u>98,751</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 13,580</u></u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Change in Net Assets	\$ (4,454)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	1,636
(Increase) Decrease in Net Assets-	
Due from Texas Education Agency	2,576
Accounts Receivable	2,680
Other Assets	4,178
Increase (Decrease) in Operating Liabilities-	
Accounts Payable	(6,375)
Payroll Taxes Payable	274
Due to Affiliates	(69,628)
Accrued Salaries Payable	(9,303)
Deferred Revenue	<u>(6,755)</u>
Net Cash Provided by Operating Activities	<u><u>\$ (85,171)</u></u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - KILLEEN**  
**STATEMENT OF CASH FLOWS**  
*Fiscal Year Ended August 31, 2003*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2003</u>
Cash Received from E-Rate	\$ 1,375
Cash Received from Graduation	1,370
Cash Received from State Program Funds	698,704
Cash Received from Government Grants	25,911
Cash Received from Miscellaneous Sources	15,191
Cash Paid to Suppliers for Goods and Services	(382,858)
Cash Paid to Employees for Services	<u>(414,138)</u>
Net Cash Provided by Operating Activities	(54,445)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Fixed Assets	<u>-</u>
Net Increase in Cash and Cash Equivalents	(54,445)
Cash and Cash Equivalents at Beginning of Year	<u>82,437</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 27,992</u></u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Change in Net Assets	\$ (24,465)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	1,624
(Increase) Decrease in Net Assets-	
Due from Texas Education Agency	10,490
Accounts Receivable	(4,769)
Other Assets	(10,846)
Increase (Decrease) in Operating Liabilities-	
Accounts Payable	16,063
Payroll Taxes Payable	2,812
Due to Affiliates	(57,022)
Accrued Salaries Payable	(6,190)
Deferred Revenue	17,858
Net Cash Provided by Operating Activities	<u><u>\$ (54,445)</u></u>

(The accompanying notes are an integral part of this financial statement.)



**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - LUBBOCK**  
**STATEMENT OF CASH FLOWS**  
*Fiscal Year Ended August 31, 2003*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2003</u>
Cash Received from E-Rate	\$ 1,220
Cash Received from Graduation	1,794
Cash Received from State Program Funds	657,924
Cash Received from Government Grants	(887)
Cash Received from Miscellaneous Sources	51,729
Cash Paid to Suppliers for Goods and Services	(386,979)
Cash Paid to Employees for Services	<u>(411,733)</u>
Net Cash Provided by Operating Activities	(86,932)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Fixed Assets	<u>-</u>
Net Increase in Cash and Cash Equivalents	(86,932)
Cash and Cash Equivalents at Beginning of Year	<u>92,464</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,532</u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Change in Net Assets	\$ (8,461)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	1,410
(Increase) Decrease in Net Assets-	
Due from Texas Education Agency	46,556
Accounts Receivable	(5,572)
Other Assets	(40,130)
Increase (Decrease) in Operating Liabilities-	
Accounts Payable	(9,181)
Payroll Taxes Payable	2,126
Due to Affiliates	(65,940)
Accrued Salaries Payable	(7,819)
Deferred Revenue	79
Net Cash Provided by Operating Activities	<u>\$ (86,932)</u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - MIDLAND**  
**STATEMENT OF CASH FLOWS**  
*Fiscal Year Ended August 31, 2003*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2003</u>
Cash Received from E-Rate	\$ 1,588
Cash Received from Graduation	1,176
Cash Received from State Program Funds	509,863
Cash Received from Government Grants	29,468
Cash Received from Miscellaneous Sources	38,797
Cash Paid to Suppliers for Goods and Services	(297,895)
Cash Paid to Employees for Services	<u>(325,017)</u>
Net Cash Provided by Operating Activities	(42,020)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Fixed Assets	<u>-</u>
Net Increase in Cash and Cash Equivalents	(42,020)
Cash and Cash Equivalents at Beginning of Year	<u>61,037</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,017</u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Change in Net Assets	\$ (76,887)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	5,889
(Increase) Decrease in Net Assets-	
Due from Texas Education Agency	19,884
Accounts Receivable	(3,400)
Other Assets	37,132
Increase (Decrease) in Operating Liabilities-	
Accounts Payable	(4,593)
Payroll Taxes Payable	2,293
Due to Affiliates	(37,462)
Accrued Salaries Payable	(5,924)
Deferred Revenue	21,048
Net Cash Provided by Operating Activities	<u>\$ (42,020)</u>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - AMARILLO**  
**SCHEDULE OF EXPENSES**  
*Fiscal Year Ended August 31, 2003*

		<u>2003</u>
<b>EXPENSES</b>		
6100	Payroll Costs	\$ 356,770
6200	Professional and Contracted Services	262,793
6300	Supplies and Materials	168,190
6400	Other Operating Costs	47,832
6500	Debt	<u>-</u>
	Total Expenses	<u>\$ 835,585</u>

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - BEAUMONT**  
**SCHEDULE OF EXPENSES**  
*Fiscal Year Ended August 31, 2003*

		<u>2003</u>
<b>EXPENSES</b>		
6100	Payroll Costs	\$ 359,718
6200	Professional and Contracted Services	222,015
6300	Supplies and Materials	167,772
6400	Other Operating Costs	41,739
6500	Debt	<u>-</u>
	Total Expenses	<u>\$ 791,245</u>

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - CORPUS CHRISTI**  
**SCHEDULE OF EXPENSES**  
*Fiscal Year Ended August 31, 2003*

		<u>2003</u>
<b>EXPENSES</b>		
6100	Payroll Costs	\$ 416,721
6200	Professional and Contracted Services	299,760
6300	Supplies and Materials	19,132
6400	Other Operating Costs	7,044
6500	Debt	<u>-</u>
	Total Expenses	<u>\$ 742,657</u>

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - KILLEEN**  
**SCHEDULE OF EXPENSES**  
*Fiscal Year Ended August 31, 2003*

		<u>2003</u>
<b>EXPENSES</b>		
6100	Payroll Costs	\$ 410,759
6200	Professional and Contracted Services	250,674
6300	Supplies and Materials	48,448
6400	Other Operating Costs	12,377
6500	Debt	-
	Total Expenses	<u>\$ 722,258</u>

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - LUBBOCK**  
**SCHEDULE OF EXPENSES**  
*Fiscal Year Ended August 31, 2003*

		<u>2003</u>
<b>EXPENSES</b>		
6100	Payroll Costs	\$ 406,039
6200	Professional and Contracted Services	237,676
6300	Supplies and Materials	47,123
6400	Other Operating Costs	23,749
6500	Debt	<u>-</u>
	Total Expenses	<u>\$ 714,586</u>

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - MIDLAND**  
**SCHEDULE OF EXPENSES**  
*Fiscal Year Ended August 31, 2003*

		<u>2003</u>
<b>EXPENSES</b>		
6100	Payroll Costs	\$ 321,641
6200	Professional and Contracted Services	202,511
6300	Supplies and Materials	52,657
6400	Other Operating Costs	24,735
6500	Debt	-
	Total Expenses	<u>\$ 601,544</u>



**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - AMARILLO**  
**SCHEDULE OF CAPITAL ASSETS**  
*Fiscal Year Ended August 31, 2003*

	Ownership Interest		
	Local	State	Federal
<b>EXPENSES</b>			
1510 Land and Improvements	\$ -	\$ -	\$ -
1520 Buildings and Improvements	-	-	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	47,402	-	53,705
1549 Accreditation	220	-	-
Total Property and Equipment	<u>\$ 47,622</u>	<u>\$ -</u>	<u>\$ 53,705</u>

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - BEAUMONT**  
**SCHEDULE OF CAPITAL ASSETS**  
*Fiscal Year Ended August 31, 2003*

	Ownership Interest		
	Local	State	Federal
<b>EXPENSES</b>			
1510 Land and Improvements	\$ -	\$ -	\$ -
1520 Buildings and Improvements	-	-	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	20,079	6,826	114,902
1549 Accreditation	209	-	-
Total Property and Equipment	<u>\$ 20,288</u>	<u>\$ 6,826</u>	<u>\$ 114,902</u>

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - CORPUS CHRISTI**  
**SCHEDULE OF CAPITAL ASSETS**  
*Fiscal Year Ended August 31, 2003*

	Ownership Interest		
	Local	State	Federal
<b>EXPENSES</b>			
1510 Land and Improvements	\$ -	\$ -	\$ -
1520 Buildings and Improvements	-	-	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	-	-	8,083
1549 Accreditation	198	-	-
Total Property and Equipment	<u>\$ 198</u>	<u>\$ -</u>	<u>\$ 8,083</u>

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - KILLEEN**  
**SCHEDULE OF CAPITAL ASSETS**  
*Fiscal Year Ended August 31, 2003*

	Ownership Interest		
	Local	State	Federal
<b>EXPENSES</b>			
1510 Land and Improvements	\$ -	\$ -	\$ -
1520 Buildings and Improvements	1,825	-	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	4,400	1,816	-
1549 Accreditation	165	-	-
Total Property and Equipment	<u>\$ 6,390</u>	<u>\$ 1,816</u>	<u>\$ -</u>

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - LUBBOCK**  
**SCHEDULE OF CAPITAL ASSETS**  
*Fiscal Year Ended August 31, 2003*

	Ownership Interest		
	Local	State	Federal
<b>EXPENSES</b>			
1510 Land and Improvements	\$ -	\$ -	\$ -
1520 Buildings and Improvements	999	-	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	2,910	3,051	-
1549 Accreditation	176	-	-
Total Property and Equipment	<u>\$ 4,085</u>	<u>\$ 3,051</u>	<u>\$ -</u>

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - MIDLAND**  
**SCHEDULE OF CAPITAL ASSETS**  
*Fiscal Year Ended August 31, 2003*

	Ownership Interest		
	Local	State	Federal
<b>EXPENSES</b>			
1510 Land and Improvements	\$ -	\$ -	\$ -
1520 Buildings and Improvements	20,698	-	-
1531 Vehicles	-	-	-
1539 Furniture and Equipment	2,078	5,071	1,534
1549 Accreditation	132	-	-
Total Property and Equipment	<u>\$ 22,908</u>	<u>\$ 5,071</u>	<u>\$ 1,534</u>

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - AMARILLO**  
**BUDGETARY COMPARISON SCHEDULE**  
*Fiscal Year Ended August 31, 2003*

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Support-				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ 634	634
5750 Revenues from Cocurricular, Enter- prising Services or Activities	-	-	-	-
Total Local Support	-	-	634	634
State Program Revenues-				
5810 Foundation School Program Act	-	496,228	551,074	54,846
5820 State Program Revenues Distributed by Texas Education Agency	-	-	2,960	2,960
5830 State Revenues Distributed by State of Texas Government Agencies	-	-	50,000	50,000
Total State Program Revenues	-	496,228	604,034	107,806
Federal Program Revenues-				
5920 Federal Revenues Distributed by the Texas Education Agency	-	78,000	199,563	121,563
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	-	-
Total Federal Program Revenues	-	78,000	199,563	121,563
Total Revenues	-	574,228	804,231	230,003
<b>EXPENSES</b>				
11 Instruction	-	227,445	371,688	(144,243)
12 Instructional Resources and Media Services	-	4,600	1,065	3,535
13 Curriculum Development and Instructional Staff Development	-	4,880	11,782	(6,902)
21 Instructional Leadership	-	2,000	3,534	(1,534)
23 School Leadership	-	64,752	109,135	(44,383)
31 Guidance, Counseling and Evaluation Services	-	28,491	21,057	7,434
33 Health Services	-	300	-	300
34 Student (Pupil) Transportation	-	-	-	-
35 Food Services	-	-	-	-
36 Cocurricular/Extracurricular Activities	-	1,250	-	1,250
41 General Administration	-	147,608	206,902	(59,294)
51 Plant Maintenance and Operations	-	55,750	103,756	(48,006)
52 Security and Monitoring Services	-	7,000	2,849	4,151
53 Data Processing Services	-	8,000	3,819	4,181
Total Expenses	-	552,076	835,585	(283,509)
Change in Net Assets	-	22,152	(31,354)	53,506
Net Assets (Deficiency), Beginning of Year	-	176,829	176,829	-
Net Assets (Deficiency), End of Year	\$ -	\$ 198,981	\$ 145,475	53,506

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - BEAUMONT**  
**BUDGETARY COMPARISON SCHEDULE**  
*Fiscal Year Ended August 31, 2003*

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Support-				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ 61	61
5750 Revenues from Cocurricular, Enter- prising Services or Activities	-	-	538	538
Total Local Support	-	-	599	599
State Program Revenues-				
5810 Foundation School Program Act	-	500,068	564,204	64,136
5820 State Program Revenues Distributed by Texas Education Agency	-	-	3,066	3,066
5830 State Revenues Distributed by State of Texas Government Agencies	-	-	45,000	45,000
Total State Program Revenues	-	500,068	612,270	112,202
Federal Program Revenues-				
5920 Federal Revenues Distributed by the Texas Education Agency	-	54,000	277,521	223,521
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	-	-
Total Federal Program Revenues	-	54,000	277,521	223,521
Total Revenues	-	554,068	890,391	336,323
<b>EXPENSES</b>				
11 Instruction	-	180,673	359,625	(178,952)
12 Instructional Resources and Media Services	-	3,827	2,096	1,731
13 Curriculum Development and Instructional Staff Development	-	3,200	26,808	(23,608)
21 Instructional Leadership	-	824	3,687	(2,863)
23 School Leadership	-	65,055	111,868	(46,813)
31 Guidance, Counseling and Evaluation Services	-	25,137	46,859	(21,722)
32 Social Work Services	-	1,500	-	1,500
33 Health Services	-	300	-	300
35 Food Services	-	5,400	74	5,326
36 Cocurricular/Extracurricular Activities	-	700	-	700
41 General Administration	-	148,116	93,898	54,218
51 Plant Maintenance and Operations	-	68,800	117,686	(48,886)
52 Security and Monitoring Services	-	2,200	16,306	(14,106)
53 Data Processing Services	-	9,000	12,339	(3,339)
61 Community Services	-	200	-	200
Total Expenses	-	514,932	791,245	(276,313)
Change in Net Assets	-	39,136	99,146	(60,010)
Net Assets (Deficiency), Beginning of Year	-	178,579	178,579	-
Net Assets (Deficiency), End of Year	\$ -	\$ 217,715	\$ 277,725	(60,010)



**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - CORPUS CHRISTI**  
**BUDGETARY COMPARISON SCHEDULE**  
*Fiscal Year Ended August 31, 2003*

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Support-				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ -	-
5750 Revenues from Cocurricular, Enter- prising Services or Activities	-	-	-	-
Total Local Support	-	-	-	-
State Program Revenues-				
5810 Foundation School Program Act	-	685,124	657,551	(27,573)
5820 State Program Revenues Distributed by Texas Education Agency	-	-	3,687	3,687
5830 State Revenues Distributed by State of Texas Government Agencies	-	-	24,814	24,814
Total State Program Revenues	-	685,124	686,052	928
Federal Program Revenues-				
5920 Federal Revenues Distributed by the Texas Education Agency	-	-	52,151	52,151
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	-	-
Total Federal Program Revenues	-	-	52,151	52,151
Total Revenues	-	685,124	738,202	53,078
<b>EXPENSES</b>				
11 Instruction	-	259,033	294,218	(35,185)
12 Instructional Resources and Media Services	-	4,450	4,565	(115)
13 Curriculum Development and Instructional Staff Development	-	5,675	4,114	1,561
21 Instructional Leadership	-	975	3,991	(3,016)
23 School Leadership	-	76,307	111,392	(35,085)
31 Guidance, Counseling and Evaluation Services	-	27,618	26,683	935
33 Health Services	-	1,150	-	1,150
34 Student (Pupil) Transportation	-	290	-	290
36 Cocurricular/Extracurricular Activities	-	1,400	-	1,400
41 General Administration	-	203,771	158,978	44,793
51 Plant Maintenance and Operations	-	79,750	74,697	5,053
52 Security and Monitoring Services	-	7,347	16,283	(8,936)
53 Data Processing Services	-	11,000	47,736	(36,736)
61 Community Services	-	3,000	-	3,000
Total Expenses	-	681,766	742,657	(60,891)
Change in Net Assets	-	3,358	(4,455)	7,813
Net Assets (Deficiency), Beginning of Year	-	96,896	96,896	-
Net Assets (Deficiency), End of Year	\$ -	\$ 100,254	\$ 92,441	7,813

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - KILLEEN**  
**BUDGETARY COMPARISON SCHEDULE**  
*Fiscal Year Ended August 31, 2003*

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Support-				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ 1,375	1,375
5750 Revenues from Cocurricular, Enter- prising Services or Activities	-	-	1,370	1,370
Total Local Support	-	-	2,745	2,745
State Program Revenues-				
5810 Foundation School Program Act	-	682,293	622,779	(59,514)
5820 State Program Revenues Distributed by Texas Education Agency	-	-	3,536	3,536
5830 State Revenues Distributed by State of Texas Government Agencies	-	-	25,000	25,000
Total State Program Revenues	-	682,293	651,315	(30,978)
Federal Program Revenues-				
5920 Federal Revenues Distributed by the Texas Education Agency	-	-	43,642	43,642
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	91	91
Total Federal Program Revenues	-	-	43,733	43,733
Total Revenues	-	682,293	697,793	15,500
<b>EXPENSES</b>				
11 Instruction	-	278,668	333,408	(54,740)
12 Instructional Resources and Media Services	-	8,800	3,021	5,779
13 Curriculum Development and Instructional Staff Development	-	6,000	11,109	(5,109)
21 Instructional Leadership	-	2,500	3,640	(1,140)
23 School Leadership	-	78,357	96,119	(17,762)
31 Guidance, Counseling and Evaluation Services	-	25,440	21,717	3,723
33 Health Services	-	2,300	-	2,300
34 Student (Pupil) Transportation	-	600	100	500
36 Cocurricular/Extracurricular Activities	-	2,500	1,120	1,380
41 General Administration	-	205,830	156,982	48,848
51 Plant Maintenance and Operations	-	53,990	84,545	(30,555)
52 Security and Monitoring Services	-	9,100	1,233	7,867
53 Data Processing Services	-	5,000	9,263	(4,263)
61 Community Services	-	200	-	200
Total Expenses	-	679,285	722,258	(42,973)
Change in Net Assets	-	3,008	(24,465)	27,473
Net Assets (Deficiency), Beginning of Year	-	95,826	95,826	-
Net Assets (Deficiency), End of Year	\$ -	\$ 98,834	\$ 71,362	27,473

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - LUBBOCK**  
**BUDGETARY COMPARISON SCHEDULE**  
*Fiscal Year Ended August 31, 2003*

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Support-				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ 1,220	1,220
5750 Revenues from Cocurricular, Enter- prising Services or Activities	-	-	1,794	1,794
Total Local Support	-	-	3,014	3,014
State Program Revenues-				
5810 Foundation School Program Act	-	715,108	618,494	(96,614)
5820 State Program Revenues Distributed by Texas Education Agency	-	-	2,857	2,857
5830 State Revenues Distributed by State of Texas Government Agencies	-	-	25,000	25,000
Total State Program Revenues	-	715,108	646,351	(68,757)
Federal Program Revenues-				
5920 Federal Revenues Distributed by the Texas Education Agency	-	-	56,761	56,761
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	-	-
Total Federal Program Revenues	-	-	56,761	56,761
Total Revenues	-	715,108	706,126	(8,982)
<b>EXPENSES</b>				
11 Instruction	-	264,706	302,485	(37,779)
12 Instructional Resources and Media Services	-	3,900	1,822	2,078
13 Curriculum Development and Instructional Staff Development	-	5,440	10,039	(4,599)
21 Instructional Leadership	-	2,000	3,798	(1,798)
23 School Leadership	-	76,857	105,084	(28,227)
31 Guidance, Counseling and Evaluation Services	-	30,000	28,875	1,125
33 Health Services	-	800	109	691
34 Student (Pupil) Transportation	-	300	-	300
36 Cocurricular/Extracurricular Activities	-	3,300	341	2,959
41 General Administration	-	209,876	171,527	38,349
51 Plant Maintenance and Operations	-	90,000	80,013	9,987
52 Security and Monitoring Services	-	10,500	-	10,500
53 Data Processing Services	-	8,904	10,493	(1,589)
61 Community Services	-	1,300	-	1,300
Total Expenses	-	707,883	714,586	(6,703)
Change in Net Assets	-	7,225	(8,460)	15,685
Net Assets (Deficiency), Beginning of Year	-	118,946	118,946	-
Net Assets (Deficiency), End of Year	\$ -	\$ 126,171	\$ 110,485	15,685

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL - MIDLAND**  
**BUDGETARY COMPARISON SCHEDULE**  
*Fiscal Year Ended August 31, 2003*

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Support-				
5740 Other Revenues from Local Sources	\$ -	\$ -	\$ 1,588	1,588
5750 Revenues from Cocurricular, Enter- prising Services or Activities	-	-	1,176	1,176
Total Local Support	-	-	2,764	2,764
State Program Revenues-				
5810 Foundation School Program Act	-	513,291	464,465	(48,826)
5820 State Program Revenues Distributed by Texas Education Agency	-	-	2,960	2,960
5830 State Revenues Distributed by State of Texas Government Agencies	-	-	25,000	25,000
Total State Program Revenues	-	513,291	492,425	(20,866)
Federal Program Revenues-				
5920 Federal Revenues Distributed by the Texas Education Agency	-	-	29,468	29,468
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	-	-
Total Federal Program Revenues	-	-	29,468	29,468
Total Revenues	-	513,291	524,657	11,366
<b>EXPENSES</b>				
11 Instruction	-	174,344	231,249	(56,905)
12 Instructional Resources and Media Services	-	2,256	2,823	(567)
13 Curriculum Development and Instructional Staff Development	-	3,300	1,585	1,715
21 Instructional Leadership	-	1,000	3,879	(2,879)
23 School Leadership	-	65,055	102,173	(37,118)
31 Guidance, Counseling and Evaluation Services	-	25,378	22,546	2,832
33 Health Services	-	200	-	200
34 Student (Pupil) Transportation	-	-	-	-
36 Cocurricular/Extracurricular Activities	-	500	300	200
41 General Administration	-	159,466	134,640	24,826
51 Plant Maintenance and Operations	-	56,182	95,193	(39,011)
52 Security and Monitoring Services	-	-	40	(40)
53 Data Processing Services	-	8,400	7,115	1,285
61 Community Services	-	1,000	-	1,000
Total Expenses	-	497,081	601,544	(104,463)
Change in Net Assets	-	16,210	(76,887)	93,097
Net Assets (Deficiency), Beginning of Year	-	80,803	80,803	-
Net Assets (Deficiency), End of Year	\$ -	\$ 97,013	\$ 3,916	93,097

**OVERALL COMPLIANCE, INTERNAL CONTROLS AND FEDERAL AWARDS**

# ***John R. Pechacek***

***Certified Public Accountant***

P.O. Box 549 • Bellville, Texas 77418-0549 • 979.865.3169 • Fax 979.865.9829

## **Independent Auditor's Report**

### **Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Richard Milburn Academy, Inc.  
Richard Milburn Alternative High School  
McQueeney, Texas

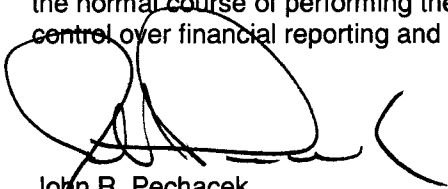
I have audited the financial statements of Richard Milburn Alternative High School as of and for the year ended August 31, 2003, and have issued my report thereon dated December 8, 2003. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether Richard Milburn Alternative High School's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 03-1.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Richard Milburn Alternative High School's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I considered to be material weaknesses.



John R. Pechacek  
December 8, 2003

# ***John R. Pechacek***

## ***Certified Public Accountant***

P.O. Box 549 • Bellville, Texas 77418-0549 • 979.865.3169 • Fax 979.865.9829

### **Independent Auditor's Report**

#### **Report on Compliance with Requirements Applicable To Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Directors  
Richard Milburn Academy, Inc.  
Richard Milburn Alternative High School  
McQueeney, Texas

#### ***Compliance***

I have audited the compliance of Richard Milburn Alternative High School with the types of compliance requirements described in the *Circular A-133 Compliance Supplement* issued by the United States Office of Management and Budget (OMB) that are applicable to each of its major federal programs for the year ended August 31, 2003. Richard Milburn Alternative High School's major federal programs are identified in the Summary of Auditor's 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 Richard Milburn Alternative High School's management. My responsibility is to express an opinion on Richard Milburn Alternative High School's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; 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 I 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 Richard Milburn Alternative High School's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Richard Milburn Alternative High School's compliance with those requirements.

In my opinion, Richard Milburn Alternative High School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2003.

#### ***Internal Control over Compliance***

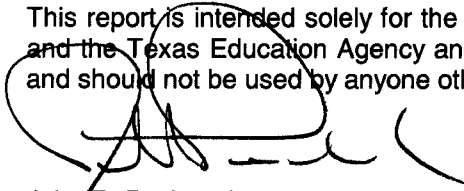
The management of Richard Milburn Alternative High School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Richard Milburn Alternative High School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*.

Report on Compliance with Requirements Applicable  
To Each Major Program and Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
Page 2 of 2

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

I have audited the general-purpose financial statements of Richard Milburn Alternative High School as of and for the year ended August 31, 2003, and have issued my report thereon dated December 8, 2003. My audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Richard Milburn Alternative High School taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. This schedule is the responsibility of the management of Richard Milburn Alternative High School. Such information has been subjected to the auditing procedures applied in my audit of the general-purpose financial statements and, in my opinion, is fairly stated, in all material respects, when considered in relation to the general-purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management and the Texas Education Agency and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



John R. Pechacek  
December 8, 2003



**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Fiscal Year Ended August 31, 2003

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Reportable condition(s) identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Reportable condition(s) identified that are not considered to be material weaknesses?        Yes   X   None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010 A	ESEA Title 1, Part A

Dollar threshold used to distinguish between type A and type B programs: \$   300,000  

Auditee qualified as low-risk auditee?   X   Yes        No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. Statement of Corrective Action Taken - Prior Year Disclosures

The Academy expended the required 85% of all State block grants during the 2002-03 fiscal year.

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL**  
**SCHEDULE OF EXPENSES OF FEDERAL AWARDS**  
*Fiscal Year Ended August 31, 2003*

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenses
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed Through State Department of Education:			
ESEA Title IV - Safe and Drug Free Schools	84.186	3691001188801	\$ 541
ESEA Title IV - Safe and Drug Free Schools	84.186	3691001152801	612
ESEA Title IV - Safe and Drug Free Schools	84.186	3691001165801	439
Total CFDA # 84.186			1,592
ESEA Title I, Part A - Improving Basic Programs	84.010 A	3610101188801	19,343
ESEA Title I, Part A - Improving Basic Programs	84.010 A	3610101123804	37,053
ESEA Title I, Part A - Improving Basic Programs	84.010 A	3610101178804	29,380
ESEA Title I, Part A - Improving Basic Programs	84.010 A	3610101014801	17,143
ESEA Title I, Part A - Improving Basic Programs	84.010 A	3610101152801	25,332
ESEA Title I, Part A - Improving Basic Programs	84.010 A	3610101165801	16,999
Total CFDA # 84.010 A			145,250
Title I - School Improvement Program	84.348	3610104178804001	4,101
Title I - School Improvement Program	84.348	3610104014801001	19,577
Total CFDA # 84.348			23,678
IDEA-B Formula	84.027	366000417880433	11,948
IDEA-B Formula	84.027	366000415280133	11,184
IDEA-B Formula	84.027	366000416580133	7,346
Total CFDA # 84.027			30,478
Title V, Part A - Innovative Studies	84.298	3685001188801	404
Title V, Part A - Innovative Studies	84.298	3685001123804	482
Title V, Part A - Innovative Studies	84.298	3685001178804	482
Title V, Part A - Innovative Studies	84.298	3685001014801	619
Title V, Part A - Innovative Studies	84.298	3685001152801	500
Title V, Part A - Innovative Studies	84.298	3685001165801	427
Total CFDA # 84.298			2,914
Title II, Part D - Enhancing Education	84.318	3630001188801	600
Title II, Part D - Enhancing Education	84.318	3630001123804	698
Title II, Part D - Enhancing Education	84.318	3630001178804	911
Title II, Part D - Enhancing Education	84.318	3630001014801	532
Title II, Part D - Enhancing Education	84.318	3630001152801	245
Title II, Part D - Enhancing Education	84.318	3630001165801	328
Total CFDA # 84.318			3,314
ESEA Title VI - Class Size Reduction	84.340	3694501188801	4,393
ESEA Title VI - Class Size Reduction	84.340	3694501123804	4,718
ESEA Title VI - Class Size Reduction	84.340	3694501178804	4,034
ESEA Title VI - Class Size Reduction	84.340	3694501014801	4,854
ESEA Title VI - Class Size Reduction	84.340	3694501152801	5,918
ESEA Title VI - Class Size Reduction	84.340	3694501165801	3,930
Total CFDA # 84.340			27,847

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenses
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed Through State Department of Education:			
Carl D. Perkins Basic Grant Formula for CATE	84.048	342000618880116	2,256
Carl D. Perkins Basic Grant Formula for CATE	84.048	342000612380405	2,339
Carl D. Perkins Basic Grant Formula for CATE	84.048	342000617880402	1,295
Carl D. Perkins Basic Grant Formula for CATE	84.048	342000601480112	917
Total CFDA # 84.048			<u>6,807</u>
Public Charter School Grant	84.282	259000135102322	172,026
Public Charter School Grant	84.282	259000135102422	232,232
Total CFDA # 84.282			<u>404,258</u>
Total Passed Through State Department of Education			<u>646,137</u>
Direct Award:			
Rural Education Achievement Program (REAP)	84.358	S358A020794	12,971
Impact Aid	84.041	014-801	91
Total Direct Award			<u>13,062</u>
Total U.S. Department of Education			<u>659,200</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 659,200</u></b>

(The accompanying notes are an integral part of this financial statement.)

**RICHARD MILBURN ACADEMY, INC.**  
**RICHARD MILBURN ALTERNATIVE HIGH SCHOOL**  
**NOTES TO THE SCHEDULE OF EXPENSES OF FEDERAL AWARDS**  
Fiscal Year Ended August 31, 2003

Standard Financial Accounting System

For all federal programs, Richard Milburn Alternative High School used the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.