



BEEMER, PRICHER, KUEHNHACKL & HEIDBRINK, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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**RICHARD MILBURN ACADEMY, INC.**  
**ANNUAL AND FINANCIAL COMPLIANCE**  
**REPORT**  
**AUGUST 31, 2006**  
**(WITH SUMMARIZED COMPARATIVE**  
**INFORMATION FOR 2005)**

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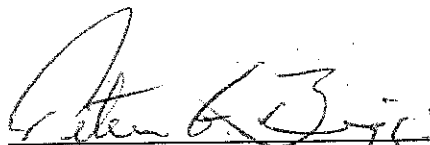
**RICHARD MILBURN ACADEMY, INC.**  
(Federal Employer Identification Number: 54-1864466)

**CERTIFICATE OF BOARD**

We, the undersigned, certify that the attached Financial and Compliance Report of Richard Milburn Academy, Inc. was reviewed and (check one)  approved  disapproved for the year ended August 31, 2006, at a meeting of the governing body of the charter holder on the 24 day of January, 2007.



Signature of Board Secretary  
Carole Renales



Signature of Board President  
Peter G. Briggs



### **Independent Auditors' Report**

Board of Directors  
Richard Milburn Academy, Inc.  
McQueeney, Texas

Members of the Board of Directors:

We have audited the accompanying general-purpose financial statements of Richard Milburn Academy, Inc. (the "charter holder") as of and for the year ended August 31, 2006. These general-purpose financial statements are the responsibility of the charter holder's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2005 financial statements which were audited by us and upon which our report dated October 14, 2005 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the charter holder, as of August 31, 2006, and the respective changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2006 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The specific-purpose financial statements are presented for purposes of additional analysis and are 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 our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

*Beemer, Richter, Kuehnhackel & Heidbrink P.A.*

Winter Park, Florida  
October 26, 2006

**RICHARD MILBURN ACADEMY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 745,811	\$ 717,435
Due from governmental agencies	481,118	373,853
Prepaid assets	28,756	40,165
Due from affiliates	13,680	6,421
Total current assets	<u>1,269,365</u>	<u>1,137,874</u>
Furniture, fixtures and equipment, net	328,054	373,230
Other assets	20,261	23,427
Total assets	<u>\$ 1,617,680</u>	<u>\$ 1,534,531</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 432,175	\$ 306,029
Accrued liabilities	288,547	325,979
Deferred revenue	-	533
Due to affiliates	-	168
Total liabilities	<u>720,722</u>	<u>632,709</u>
Net assets:		
Unrestricted	896,958	901,822
Temporarily restricted	-	-
Total net assets	<u>896,958</u>	<u>901,822</u>
Total liabilities and net assets	<u>\$ 1,617,680</u>	<u>\$ 1,534,531</u>

The accompanying notes to financial statements are an integral part of this statement.

**RICHARD MILBURN ACADEMY, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2006  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2005)**

	Unrestricted	Temporarily Restricted	Totals	
			2006	2005
<b>REVENUES</b>				
Local support:				
Interest and other revenue	\$ 17,663	\$ -	\$ 17,663	\$ 64,387
Total local support	17,663	-	17,663	64,387
State program revenues:				
Foundation School Program	5,682,167	-	5,682,167	4,858,111
Other state aid	17,975	-	17,975	49,217
Total state program revenues	5,700,142	-	5,700,142	4,907,328
Federal program revenues:				
ESEA Title I, Part A	336,158	-	336,158	303,237
ESEA Title II, Part A	29,017	-	29,017	31,568
ESEA Title II, Part D	-	-	-	3,644
ESEA Title IV, Part A	-	-	-	101,014
ESEA Title V, Part A	-	-	-	1,891
Temporary Impact Aid	10,797	-	10,797	-
SHARS	1,712	-	1,712	-
IDEA, Part B	20,072	-	20,072	-
Vocational Education - Basic Grant	-	-	-	6,413
Completion and success	5,322	-	5,322	-
Total federal program revenues	403,078	-	403,078	447,767
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	\$ 6,120,883	\$ -	\$ 6,120,883	\$ 5,419,482

The accompanying notes to financial statements are an integral part of this statement.



**RICHARD MILBURN ACADEMY, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2006  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2005)  
(continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2006</u>	<u>2005</u>
<b>EXPENSES</b>				
Program services:				
Instruction and instruction-related	\$ 2,640,408	\$ -	\$ 2,640,408	\$ 2,250,640
Instructional and school leadership	817,710	-	817,710	705,318
Support services:				
Administrative support services	1,469,544	-	1,469,544	1,383,346
Support services - student	377,722	-	377,722	369,987
Support services - non-student based	820,363	-	820,363	748,357
Total expenses	<u>6,125,747</u>	<u>-</u>	<u>6,125,747</u>	<u>5,457,648</u>
Change in net assets	(4,864)	-	(4,864)	(38,166)
Net assets, beginning of year	<u>901,822</u>	<u>-</u>	<u>901,822</u>	<u>939,988</u>
Net assets, end of year	<u>\$ 896,958</u>	<u>\$ -</u>	<u>\$ 896,958</u>	<u>\$ 901,822</u>

The accompanying notes to financial statements are an integral part of this statement.

**RICHARD MILBURN ACADEMY, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 5,602,059	\$ 5,144,940
Grant payments	370,827	491,998
Miscellaneous sources	17,740	6,563
Payments to vendors for goods and services rendered	(3,349,726)	(2,373,568)
Payments to personnel for services rendered	(2,528,680)	(2,997,135)
	112,220	272,798
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(83,844)	(193,370)
Collection of temporary financing	-	67,083
	(83,844)	(126,287)
Net cash used for investing activities		
Net increase in cash	28,376	146,511
Cash and cash equivalents, beginning of year	717,435	570,924
Cash and cash equivalents, end of year	\$ 745,811	\$ 717,435
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (4,864)	\$ (38,166)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	128,488	106,740
Loss on disposal of furniture, fixtures and equipment	532	-
(Increase) decrease in assets:		
Due from governmental agencies	(107,265)	284,210
Prepaid assets	11,409	(23,887)
Other assets	3,166	13,803
Due from affiliates	(7,259)	-
Increase (decrease) in liabilities:		
Accounts payable	126,146	(107,473)
Accrued liabilities	(37,432)	97,762
Deferred revenue	(533)	(60,191)
Due to affiliates	(168)	-
Net cash provided by operating activities	\$ 112,220	\$ 272,798

The accompanying notes to financial statements are an integral part of this statement.

**RICHARD MILBURN ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Richard Milburn Academy, Inc. (the “charter holder” or the “Organization”) is a not-for-profit organization incorporated in the State of Virginia in 1998. The governing body of the Organization is the not-for-profit organization Board of Directors, which is composed of four members. The Board of Directors is selected pursuant to the bylaws of the Organization and has the authority to make decisions, appoint the chief executive officer of the Organization, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Organization.

The Organization provides general education services for students in grades nine through twelve 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 Organization is part of the public school system of the State of Texas and, therefore, is entitled to distribution from the Foundation School Program, as well as other state grants and federal grants received through the State of Texas. The Organization does not have the authority to impose ad valorem taxes or to change the price of tuition.

Since the Organization received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

**Basis of presentation**

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with the *Audit and Accounting Guide - Not-for-Profit Organizations* issued by the American Institute of Certified Public Accountants. The accounting system is organized pursuant to the *Special Supplement to Financial Accounting and Reporting – Non-profit Charter School Chart of Accounts*, a module of the Texas Education Agency Financial Accountability Resource Guide.

The Organization has adopted the provisions of Statements of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* (“SFAS 116”), and No. 117, *Financial Statements of Not-For-Profit Organizations* (“SFAS 117”).

SFAS 116 requires the organization to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. SFAS 117 establishes standards for general-purpose external financial statements of not-for-profit

**RICHARD MILBURN ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

organizations and requires a statement of financial position, a statement of activities, a statement of cash flows and a statement of functional expenses.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- **Unrestricted** – net assets that are not subject to donor-imposed restrictions.
- **Temporarily restricted** – net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.
- **Permanently restricted** – net assets required to be maintained in perpetuity with only the income to be used for the Organization’s activities due to donor-imposed restrictions.

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended August 31, 2005, from which the summarized information was derived.

**Functional expenses**

Since all expenses are incurred in connection with school operations, a statement of functional expenses is not presented.

**Cash and cash equivalents**

The Organization’s cash consists primarily of demand deposits with financial institutions, which are insured by federal depository insurance. Amounts on deposit at August 31, 2006 over the maximum amount covered by federal depository insurance totaled approximately \$677,000. The School historically has not incurred losses on such accounts, and management believes that the School does not have significant credit risk with respect to these accounts at August 31, 2006.

**RICHARD MILBURN ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Capital assets and depreciation**

Capital assets acquired, which include furniture, fixtures and equipment, are reported at cost, net of accumulated depreciation, in the general-purpose and specific-purpose financial statements. The Organization's policy is to capitalize assets costing over \$1,000 that have an estimated useful life of more than one year. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donated assets are recorded at fair value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

	<u>Years</u>
Furniture, fixtures and equipment	3 – 5

**Income taxes**

The Organization has obtained a determination of tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

**Use of estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenses for the period presented. Actual results could differ significantly from those estimates. Foundation School Program revenue in the accompanying financial statements is based upon the allocation of these funds by the Texas Education Agency ("TEA") at the time of issuance of these financial statements. The allocation by TEA is subject to audit and adjustment in future years and, as such, all revisions to the allocation after issuance of the financial statements are adjusted prospectively. In addition, the Organization applies expenses for purposes of the maintenance of effort for special programs (special education, career and technology, regular compensatory education, and pregnancy-related services programs and the technology allotment) on a first-in, first-out basis over a three year period. Management's basis for estimating the amounts to be returned to TEA for unspent special program funds is to compare the required expenditures for the year to the subsequent three years actual expenditures.

**RICHARD MILBURN ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**2 FURNITURE, FIXTURES AND EQUIPMENT**

Furniture, fixtures and equipment, net at August 31, 2006 and 2005 consisted of the following:

	<u>2006</u>	<u>2005</u>
Furniture, fixtures and equipment	\$ 751,370	\$ 669,783
Less: accumulated depreciation	<u>(423,316)</u>	<u>(296,553)</u>
Furniture, fixtures and equipment, net	<u>\$ 328,054</u>	<u>\$ 373,230</u>

Capital assets acquired with public funds received by the Organization for the operation of the individual schools of Richard Milburn Academy, Inc. constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets for each individual charter school.

**3 PENSION PLAN OBLIGATIONS**

**Defined Benefit Plan**

The Organization contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. The System is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not borne by the Organization, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature.

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the Organization's covered payroll. The Organization's employees' contributions to the System for the fiscal years ending August 31, 2006 and 2005 were approximately \$160,000 and \$140,000, respectively, and were equal to the required contributions for each year.

**RICHARD MILBURN ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**401(k) Plan**

The Organization has also established a profit-sharing plan under Section 401(k) of the Internal Revenue Code, whereby all eligible employees are entitled to defer up to the lesser of \$15,000 in 2006 and \$14,000 in 2005 on a calendar-year basis. Substantially all employees are eligible to participate in the plan depending on the length of service and attainment of minimum age requirements. Under the terms of the plan, the Organization contributes an amount to the plan at the discretion of the Board of Directors. Employer contributions to the plan in fiscal 2006 and 2005 were \$648 and \$1,998, respectively.

**4 RELATED PARTY TRANSACTIONS**

During the routine course of business, invoices and payroll, which apply to both the Organization and an affiliate, Richard Milburn Academy/TX, Inc., may be paid by a single entity creating an affiliate receivable or payable. The Organization tracks the amounts due to or from each affiliated school separately, and these amounts are presented separately in the accompanying financial statements. Amounts due from affiliates as of August 31, 2006 and 2005 were \$13,680 and \$6,421, respectively. Amounts due to affiliates as of August 31, 2006 and 2005 were zero and \$168, respectively.

**5 RISK MANAGEMENT PROGRAM**

Workers' compensation coverage, employee health, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

For most of fiscal 2005, the Organization was partially self-insured for employee health and hospitalization coverage with stop-loss coverage for aggregate claims exceeding a maximum of \$50,000 per covered individual/family. The self-insurance premiums for coverage and the maximum self-insured amount applied to a group of related entities including the Organization and were allocated to each school based upon the coverage elected by each individual covered under the plan. This plan terminated effective August 27, 2005. Claims for insured events occurring prior to this date were required to be submitted within ninety days of the termination date.

**RICHARD MILBURN ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**6 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The Organization participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2006 may be impaired.

The Organization is required to expend a minimum amount of its allocation of special program grants from TEA on a timely basis. Management has determined the period for timely expenditure of the funds allocated to the Organization in any year to be the three-year period beginning with that year. Management calculates its estimate of the amounts of special program funds to be returned to TEA on a first-in, first-out basis by applying expenditures to the earliest year first to satisfy the spending requirements for that year. As of August 31, 2006, management does not believe there are any amounts due to TEA for unexpended special program funds.

In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing these grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Lease commitments**

The Organization leases its facilities under non-cancelable operating leases, which contain varying renewal options. Approximate aggregate remaining minimum rental commitments at August 31, 2006 under these leases are summarized as follows:

<u>Fiscal Year</u>	
2007	\$ 417,000
2008	293,000
2009	149,000
2010	<u>62,000</u>
Total	<u>\$ 921,000</u>

Rent expense for all operating leases for the fiscal years ending August 31, 2006 and 2005 was approximately \$461,000 and \$459,000, respectively.



**RICHARD MILBURN ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**Management fees**

The Organization contracts with a management company for management and administrative services. The management agreements provide, among other things, for the payment of a management fee calculated based upon the gross revenues of each individual school within the Organization. The management agreements were executed following a full and open competition and were approved by the Board of Directors. For the fiscal years ending August 31, 2006 and 2005, the Organization has incurred approximately \$916,000 and \$801,000 of management fees, respectively. Amounts due to the management company at August 31, 2006 and 2005 are approximately \$323,000 and \$148,000, respectively, and are included in accounts payable in the accompanying financial statements.

**RICHARD MILBURN ACADEMY, INC. – AMARILLO**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 94,208	\$ 140,703
Due from governmental agencies	64,229	48,133
Prepaid assets	4,036	9,592
Due from affiliates	<u>59,376</u>	<u>40,804</u>
Total current assets	221,849	239,232
Furniture, fixtures and equipment, net	<u>13,985</u>	<u>23,578</u>
Total assets	<u>\$ 235,834</u>	<u>\$ 262,810</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 35,551	\$ 22,062
Accrued liabilities	<u>52,472</u>	<u>43,436</u>
Total liabilities	<u>88,023</u>	<u>65,498</u>
Net assets:		
Unrestricted	147,811	197,312
Temporarily restricted	<u>-</u>	<u>-</u>
Total net assets	<u>147,811</u>	<u>197,312</u>
Total liabilities and net assets	<u>\$ 235,834</u>	<u>\$ 262,810</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – BEAUMONT**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 282,881	\$ 204,550
Due from governmental agencies	103,234	70,031
Prepaid assets	5,158	5,962
Due from affiliates	34,550	66,425
Total current assets	425,823	346,968
Furniture, fixtures and equipment, net	84,094	91,953
Total assets	<u>\$ 509,917</u>	<u>\$ 438,921</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 29,276	\$ 56,565
Accrued liabilities	57,697	51,336
Total liabilities	86,973	107,901
Net assets:		
Unrestricted	422,944	331,020
Temporarily restricted	-	-
Total net assets	422,944	331,020
Total liabilities and net assets	<u>\$ 509,917</u>	<u>\$ 438,921</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – CORPUS CHRISTI**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 95,044	\$ 112,310
Due from governmental agencies	81,373	72,692
Prepaid assets	5,412	5,703
Due from affiliates	1,700	-
	<u>183,529</u>	<u>190,705</u>
Total current assets		
Furniture, fixtures and equipment, net	25,577	26,086
Other assets	5,891	4,613
	<u>214,997</u>	<u>221,404</u>
Total assets		
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 53,459	\$ 28,913
Accrued liabilities	51,714	60,201
Due to affiliates	55,282	68,995
	<u>160,455</u>	<u>158,109</u>
Total liabilities		
Net assets:		
Unrestricted	54,542	63,295
Temporarily restricted	-	-
	<u>54,542</u>	<u>63,295</u>
Total net assets		
Total liabilities and net assets	<u>\$ 214,997</u>	<u>\$ 221,404</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – KILLEEN**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 121,477	\$ 98,128
Due from governmental agencies	84,338	58,764
Prepaid assets	4,376	5,938
Due from affiliates	4,586	-
Total current assets	<u>214,777</u>	<u>162,830</u>
Furniture, fixtures and equipment, net	75,420	98,756
Other assets	3,370	4,982
Total assets	<u>\$ 293,567</u>	<u>\$ 266,568</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 26,438	\$ 27,313
Accrued liabilities	46,402	57,600
Deferred revenue	-	533
Due to affiliates	300	4,251
Total liabilities	<u>73,140</u>	<u>89,697</u>
Net assets:		
Unrestricted	220,427	176,871
Temporarily restricted	-	-
Total net assets	<u>220,427</u>	<u>176,871</u>
Total liabilities and net assets	<u>\$ 293,567</u>	<u>\$ 266,568</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – LUBBOCK**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 70,987	\$ 40,604
Due from governmental agencies	74,541	59,687
Prepaid assets	<u>4,113</u>	<u>5,062</u>
Total current assets	149,641	105,353
Furniture, fixtures and equipment, net	23,603	15,082
Other assets	<u>5,000</u>	<u>5,000</u>
Total assets	<u>\$ 178,244</u>	<u>\$ 125,435</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 154,697	\$ 77,001
Accrued liabilities	40,355	44,841
Due to affiliates	<u>37,375</u>	<u>24,634</u>
Total liabilities	<u>232,427</u>	<u>146,476</u>
Net assets:		
Unrestricted	(54,183)	(21,041)
Temporarily restricted	<u>-</u>	<u>-</u>
Total net assets	<u>(54,183)</u>	<u>(21,041)</u>
Total liabilities and net assets	<u>\$ 178,244</u>	<u>\$ 125,435</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – MIDLAND**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 80,176	\$ 115,120
Due from governmental agencies	72,205	64,545
Prepaid assets	<u>5,661</u>	<u>6,588</u>
Total current assets	158,042	186,253
Furniture, fixtures and equipment, net	101,420	112,618
Other assets	<u>6,000</u>	<u>6,300</u>
Total assets	<u>\$ 265,462</u>	<u>\$ 305,171</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 114,770	\$ 63,811
Accrued liabilities	40,718	63,705
Due to affiliates	<u>4,557</u>	<u>23,290</u>
Total liabilities	<u>160,045</u>	<u>150,806</u>
Net assets:		
Unrestricted	105,417	154,365
Temporarily restricted	<u>-</u>	<u>-</u>
Total net assets	<u>105,417</u>	<u>154,365</u>
Total liabilities and net assets	<u>\$ 265,462</u>	<u>\$ 305,171</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – AMARILLO**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2006  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2005)**

	Unrestricted	Temporarily Restricted	Totals	
			2006	2005
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ 4,441	\$ -	\$ 4,441	\$ 49,343
State program revenues:				
5810 Foundation School Program Act	784,503	-	784,503	700,904
5820 State program revenues distributed by Texas Education Agency	2,113	-	2,113	4,467
Total state program revenues	786,616	-	786,616	705,371
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	47,936	-	47,936	54,241
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	838,993	-	838,993	808,955
<b>EXPENSES</b>				
11 Instruction	374,450	-	374,450	282,234
12 Instructional resources and media	4,168	-	4,168	990
13 Curriculum development and instructional staff development	5,753	-	5,753	4,783
23 School leadership	156,045	-	156,045	109,782
31 Guidance, counseling and evaluation	28,037	-	28,037	28,829
32 Social work services	1,317	-	1,317	-
33 Health services	-	-	-	79
36 Cocurricular/extracurricular activities	107	-	107	2,852
41 General administration	212,220	-	212,220	202,489
51 Plant maintenance and operation	95,615	-	95,615	87,105
52 Security and monitoring services	432	-	432	310
53 Data processing services	10,350	-	10,350	3,379
61 Community services	-	-	-	22
Total expenses	888,494	-	888,494	722,854
Change in net assets	(49,501)	-	(49,501)	86,101
Net assets, beginning of year	197,312	-	197,312	111,211
Net assets, end of year	\$ 147,811	\$ -	\$ 147,811	\$ 197,312

See accompanying notes to financial statements and independent auditors' report.



**RICHARD MILBURN ACADEMY, INC. – BEAUMONT**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2006  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2005)**

	Unrestricted	Temporarily Restricted	Totals	
			2006	2005
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ -	\$ 9,809
State program revenues:				
5810 Foundation School Program Act	1,143,741	-	1,143,741	899,905
5820 State program revenues distributed by Texas Education Agency	2,368	-	2,368	6,377
Total state program revenues	1,146,109	-	1,146,109	906,282
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	75,770	-	75,770	65,461
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	1,221,879	-	1,221,879	981,552
<b>EXPENSES</b>				
11 Instruction	413,479	-	413,479	356,643
12 Instructional resources and media	2,810	-	2,810	4,410
13 Curriculum development and instructional staff development	32,226	-	32,226	58,700
23 School leadership	142,856	-	142,856	106,957
31 Guidance, counseling and evaluation	70,113	-	70,113	7,876
32 Social work services	-	-	-	10,856
33 Health services	60	-	60	-
36 Cocurricular/extracurricular activities	15,082	-	15,082	10,045
41 General administration	285,958	-	285,958	243,684
51 Plant maintenance and operation	135,198	-	135,198	123,977
52 Security and monitoring services	5,150	-	5,150	2,532
53 Data processing services	11,783	-	11,783	14,414
61 Community services	15,240	-	15,240	-
Total expenses	1,129,955	-	1,129,955	940,094
Change in net assets	91,924	-	91,924	41,458
Net assets, beginning of year	331,020	-	331,020	289,562
Net assets, end of year	\$ 422,944	\$ -	\$ 422,944	\$ 331,020

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – CORPUS CHRISTI**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2006  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2005)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			2006	2005
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ -	\$ 91
State program revenues:				
5810 Foundation School Program Act	1,076,525	-	1,076,525	841,399
5820 State program revenues distributed by Texas Education Agency	<u>2,699</u>	<u>-</u>	<u>2,699</u>	<u>5,396</u>
Total state program revenues	<u>1,079,224</u>	<u>-</u>	<u>1,079,224</u>	<u>846,795</u>
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	<u>82,213</u>	<u>-</u>	<u>82,213</u>	<u>90,937</u>
Net assets released from restrictions:				
Restrictions satisfied by payment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>1,161,437</u>	<u>-</u>	<u>1,161,437</u>	<u>937,823</u>
<b>EXPENSES</b>				
11 Instruction	482,136	-	482,136	404,900
12 Instructional resources and media	2,134	-	2,134	229
13 Curriculum development and instructional staff development	34,237	-	34,237	14,127
23 School leadership	140,289	-	140,289	121,502
31 Guidance, counseling and evaluation	79,955	-	79,955	74,146
32 Social work services	-	-	-	11,343
33 Health services	6,123	-	6,123	4,107
36 Cocurricular/extracurricular activities	790	-	790	2,319
41 General administration	271,550	-	271,550	233,001
51 Plant maintenance and operation	109,675	-	109,675	112,897
52 Security and monitoring services	19,937	-	19,937	335
53 Data processing services	17,627	-	17,627	4,410
61 Community services	<u>5,737</u>	<u>-</u>	<u>5,737</u>	<u>-</u>
Total expenses	<u>1,170,190</u>	<u>-</u>	<u>1,170,190</u>	<u>983,316</u>
Change in net assets	(8,753)	-	(8,753)	(45,493)
Net assets, beginning of year	<u>63,295</u>	<u>-</u>	<u>63,295</u>	<u>108,788</u>
Net assets, end of year	<u>\$ 54,542</u>	<u>\$ -</u>	<u>\$ 54,542</u>	<u>\$ 63,295</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – KILLEEN**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2006  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2005)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2006</u>	<u>2005</u>
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ 4,000	\$ -	\$ 4,000	\$ 2,467
State program revenues:				
5810 Foundation School Program Act	931,128	-	931,128	728,502
5820 State program revenues distributed by Texas Education Agency	4,717	-	4,717	23,468
Total state program revenues	<u>935,845</u>	<u>-</u>	<u>935,845</u>	<u>751,970</u>
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	70,624	-	70,624	113,736
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	<u>1,010,469</u>	<u>-</u>	<u>1,010,469</u>	<u>868,173</u>
<b>EXPENSES</b>				
11 Instruction	408,395	-	408,395	404,183
12 Instructional resources and media	244	-	244	131
13 Curriculum development and instructional staff development	10,736	-	10,736	13,937
23 School leadership	148,252	-	148,252	134,409
31 Guidance, counseling and evaluation	20,991	-	20,991	53,964
32 Social work services	5,006	-	5,006	3,549
33 Health services	38	-	38	387
34 Student transportation	3,850	-	3,850	1,000
36 Cocurricular/extracurricular activities	1,125	-	1,125	2,667
41 General administration	242,844	-	242,844	227,679
51 Plant maintenance and operation	91,063	-	91,063	94,023
52 Security and monitoring services	23,420	-	23,420	8,864
53 Data processing services	10,949	-	10,949	3,634
Total expenses	<u>966,913</u>	<u>-</u>	<u>966,913</u>	<u>948,427</u>
Change in net assets	43,556	-	43,556	(80,254)
Net assets, beginning of year	<u>176,871</u>	<u>-</u>	<u>176,871</u>	<u>257,125</u>
Net assets, end of year	<u>\$ 220,427</u>	<u>\$ -</u>	<u>\$ 220,427</u>	<u>\$ 176,871</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – LUBBOCK**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2006  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2005)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			2006	2005
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ 3,809	\$ -	\$ 3,809	\$ 1,480
State program revenues:				
5810 Foundation School Program Act	810,166	-	810,166	663,721
5820 State program revenues distributed by Texas Education Agency	<u>2,059</u>	<u>-</u>	<u>2,059</u>	<u>4,367</u>
Total state program revenues	<u>812,225</u>	<u>-</u>	<u>812,225</u>	<u>668,088</u>
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	<u>45,557</u>	<u>-</u>	<u>45,557</u>	<u>63,510</u>
Net assets released from restrictions:				
Restrictions satisfied by payment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>861,591</u>	<u>-</u>	<u>861,591</u>	<u>733,078</u>
<b>EXPENSES</b>				
11 Instruction	368,524	-	368,524	313,446
12 Instructional resources and media	1,867	-	1,867	90
13 Curriculum development and instructional staff development	11,609	-	11,609	6,989
23 School leadership	101,012	-	101,012	105,267
31 Guidance, counseling and evaluation	62,243	-	62,243	36,101
33 Health services	39	-	39	23
36 Cocurricular/extracurricular activities	632	-	632	3,050
41 General administration	216,761	-	216,761	204,984
51 Plant maintenance and operation	102,922	-	102,922	90,995
52 Security and monitoring services	861	-	861	1,203
53 Data processing services	27,981	-	27,981	8,465
61 Community services	<u>282</u>	<u>-</u>	<u>282</u>	<u>-</u>
Total expenses	<u>894,733</u>	<u>-</u>	<u>894,733</u>	<u>770,613</u>
Change in net assets	(33,142)	-	(33,142)	(37,535)
Net assets, beginning of year	<u>(21,041)</u>	<u>-</u>	<u>(21,041)</u>	<u>16,494</u>
Net assets, end of year	<u>\$ (54,183)</u>	<u>\$ -</u>	<u>\$ (54,183)</u>	<u>\$ (21,041)</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – MIDLAND**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2006  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2005)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2006</u>	<u>2005</u>
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ 5,413	\$ -	\$ 5,413	\$ 1,197
State program revenues:				
5810 Foundation School Program Act	936,104	-	936,104	1,023,680
5820 State program revenues distributed by Texas Education Agency	<u>4,019</u>	<u>-</u>	<u>4,019</u>	<u>5,142</u>
Total state program revenues	<u>940,123</u>	<u>-</u>	<u>940,123</u>	<u>1,028,822</u>
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	<u>80,978</u>	<u>-</u>	<u>80,978</u>	<u>59,883</u>
Net assets released from restrictions:				
Restrictions satisfied by payment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>1,026,514</u>	<u>-</u>	<u>1,026,514</u>	<u>1,089,902</u>
<b>EXPENSES</b>				
11 Instruction	469,759	-	469,759	360,699
12 Instructional resources and media	2,532	-	2,532	3,182
13 Curriculum development and instructional staff development	15,349	-	15,349	20,967
23 School leadership	135,849	-	135,849	127,403
31 Guidance, counseling and evaluation	42,606	-	42,606	82,506
32 Social work services	31,862	-	31,862	30,555
33 Health services	1,153	-	1,153	19
36 Cocurricular/extracurricular activities	-	-	-	3,715
41 General administration	240,211	-	240,211	271,508
51 Plant maintenance and operation	127,016	-	127,016	158,785
52 Security and monitoring services	715	-	715	6,843
53 Data processing services	<u>8,410</u>	<u>-</u>	<u>8,410</u>	<u>26,161</u>
Total expenses	<u>1,075,462</u>	<u>-</u>	<u>1,075,462</u>	<u>1,092,343</u>
Change in net assets	(48,948)	-	(48,948)	(2,441)
Net assets, beginning of year	<u>154,365</u>	<u>-</u>	<u>154,365</u>	<u>156,806</u>
Net assets, end of year	<u>\$ 105,417</u>	<u>\$ -</u>	<u>\$ 105,417</u>	<u>\$ 154,365</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – AMARILLO**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 771,137	\$ 708,915
Grant payments	47,319	54,222
Miscellaneous sources	4,441	1,328
Payments to vendors for goods and services rendered	(526,065)	(284,216)
Payments to personnel for services rendered	<u>(337,053)</u>	<u>(421,567)</u>
Net cash provided by (used for) operating activities	<u>(40,221)</u>	<u>58,682</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(6,274)	(5,402)
Issuance of affiliate financing	<u>-</u>	<u>(941)</u>
Net cash used for investing activities	<u>(6,274)</u>	<u>(6,343)</u>
Net increase (decrease) in cash	(46,495)	52,339
Cash and cash equivalents, beginning of year	<u>140,703</u>	<u>88,364</u>
Cash and cash equivalents, end of year	<u>\$ 94,208</u>	<u>\$ 140,703</u>
Reconciliation of change in net assets to net cash provided by (used for) operating activities:		
Change in net assets	\$ (49,501)	\$ 86,101
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	15,867	20,940
(Increase) decrease in assets:		
Due from governmental agencies	(16,096)	3,525
Prepaid expenses	5,556	(7,368)
Due from affiliates	(18,572)	
Increase (decrease) in liabilities:		
Accounts payable	13,489	(4,288)
Accrued liabilities	9,036	7,787
Deferred revenue	<u>-</u>	<u>(48,015)</u>
Net cash provided by (used for) operating activities	<u>\$ (40,221)</u>	<u>\$ 58,682</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – BEAUMONT**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 1,123,767	\$ 990,510
Grant payments	64,832	65,182
Miscellaneous sources	77	-
Payments to vendors for goods and services rendered	(596,943)	(381,979)
Payments to personnel for services rendered	<u>(484,742)</u>	<u>(472,329)</u>
Net cash provided by operating activities	<u>106,991</u>	<u>201,384</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(28,660)	(63,689)
Collection of affiliate financing	<u>-</u>	<u>22</u>
Net cash used for investing activities	<u>(28,660)</u>	<u>(63,667)</u>
Net increase in cash	78,331	137,717
Cash and cash equivalents, beginning of year	<u>204,550</u>	<u>66,833</u>
Cash and cash equivalents, end of year	<u>\$ 282,881</u>	<u>\$ 204,550</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 91,924	\$ 41,458
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	35,987	32,451
Loss on disposal of furniture, fixtures and equipment	532	
(Increase) decrease in assets:		
Due from governmental agencies	(33,203)	83,949
Prepaid assets	804	(3,526)
Due from affiliates	31,875	-
Increase (decrease) in liabilities:		
Accounts payable	(27,289)	23,771
Accrued liabilities	6,361	33,090
Deferred revenue	<u>-</u>	<u>(9,809)</u>
Net cash provided by operating activities	<u>\$ 106,991</u>	<u>\$ 201,384</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – CORPUS CHRISTI**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 1,067,507	\$ 789,259
Grant payments	71,536	81,473
Miscellaneous sources	-	91
Payments to vendors for goods and services rendered	(691,228)	(409,031)
Payments to personnel for services rendered	<u>(456,259)</u>	<u>(581,826)</u>
Net cash used for operating activities	<u>(8,444)</u>	<u>(120,034)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(8,822)	(4,110)
Collection of affiliate financing	<u>-</u>	<u>170,517</u>
Net cash provided by (used for) investing activities	<u>(8,822)</u>	<u>166,407</u>
Net increase (decrease) in cash	(17,266)	46,373
Cash and cash equivalents, beginning of year	<u>112,310</u>	<u>65,937</u>
Cash and cash equivalents, end of year	<u>\$ 95,044</u>	<u>\$ 112,310</u>
Reconciliation of change in net assets to net cash used for operating activities:		
Change in net assets	\$ (8,753)	\$ (45,493)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	9,331	7,069
(Increase) decrease in assets:		
Due from governmental agencies	(8,681)	(67,000)
Prepaid assets	291	(3,063)
Other assets	(1,278)	1,337
Due from affiliates	(1,700)	-
Increase (decrease) in liabilities:		
Accounts payable	24,546	(16,906)
Accrued liabilities	(8,487)	4,022
Due to affiliates	<u>(13,713)</u>	<u>-</u>
Net cash used for operating activities	<u>\$ (8,444)</u>	<u>\$ (120,034)</u>

See accompanying notes to financial statements and independent auditors' report.



**RICHARD MILBURN ACADEMY, INC. – KILLEEN**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 908,396	\$ 937,094
Grant payments	68,015	169,105
Miscellaneous sources	4,000	2,467
Payments to vendors for goods and services rendered	(525,528)	(514,913)
Payments to personnel for services rendered	<u>(426,356)</u>	<u>(507,252)</u>
Net cash provided by operating activities	<u>28,527</u>	<u>86,501</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(5,178)	(31,050)
Issuance of affiliate financing	<u>-</u>	<u>(46,764)</u>
Net cash used for investing activities	<u>(5,178)</u>	<u>(77,814)</u>
Net increase in cash	23,349	8,687
Cash and cash equivalents, beginning of year	<u>98,128</u>	<u>89,441</u>
Cash and cash equivalents, end of year	<u>\$ 121,477</u>	<u>\$ 98,128</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 43,556	\$ (80,254)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	28,514	24,702
(Increase) decrease in assets:		
Due from governmental agencies	(25,574)	242,762
Prepaid assets	1,562	(2,058)
Other assets	1,612	(103)
Due from affiliates	(4,586)	-
Increase (decrease) in liabilities:		
Accounts payable	(875)	(122,010)
Accrued liabilities	(11,198)	25,731
Deferred revenue	(533)	(2,269)
Due to affiliates	<u>(3,951)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 28,527</u>	<u>\$ 86,501</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – LUBBOCK**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 798,618	\$ 692,086
Grant payments	57,051	62,133
Miscellaneous sources	3,809	1,480
Payments to vendors for goods and services rendered	(455,815)	(274,247)
Payments to personnel for services rendered	<u>(359,375)</u>	<u>(429,251)</u>
Net cash provided by operating activities	<u>44,288</u>	<u>52,201</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(13,905)	(9,624)
Issuance of affiliate financing	<u>-</u>	<u>(74,412)</u>
Net cash used for investing activities	<u>(13,905)</u>	<u>(84,036)</u>
Net increase (decrease) in cash	30,383	(31,835)
Cash and cash equivalents, beginning of year	<u>40,604</u>	<u>72,439</u>
Cash and cash equivalents, end of year	<u>\$ 70,987</u>	<u>\$ 40,604</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (33,142)	\$ (37,535)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,384	3,031
(Increase) decrease in assets:		
Due from governmental agencies	(14,854)	22,719
Prepaid assets	949	(2,509)
Increase (decrease) in liabilities:		
Accounts payable	77,696	42,606
Accrued liabilities	(4,486)	23,987
Deferred revenue	-	(98)
Due from affiliates	<u>12,741</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 44,288</u>	<u>\$ 52,201</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – MIDLAND**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 932,634	\$ 1,027,076
Grant payments	62,074	59,883
Miscellaneous sources	5,413	1,197
Payments to vendors for goods and services rendered	(554,836)	(492,018)
Payments to personnel for services rendered	<u>(459,224)</u>	<u>(550,775)</u>
Net cash provided by (used for) operating activities	<u>(13,939)</u>	<u>45,363</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(21,005)	(73,885)
Collection of affiliate financing	<u>-</u>	<u>59,810</u>
Net cash used for investing activities	<u>(21,005)</u>	<u>(14,075)</u>
Net increase (decrease) in cash	(34,944)	31,288
Cash and cash equivalents, beginning of year	<u>115,120</u>	<u>83,832</u>
Cash and cash equivalents, end of year	<u>\$ 80,176</u>	<u>\$ 115,120</u>
Reconciliation of change in net assets to net cash provided by (used for) operating activities:		
Change in net assets	\$ (48,948)	\$ (2,441)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	32,203	18,094
(Increase) decrease in assets:		
Due from governmental agencies	(7,660)	(1,746)
Prepaid assets	927	(4,044)
Other assets	300	15,100
Increase (decrease) in liabilities:		
Accounts payable	50,959	(16,880)
Accrued liabilities	(22,987)	37,280
Due to affiliates	<u>(18,733)</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>\$ (13,939)</u>	<u>\$ 45,363</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – AMARILLO**

**SCHEDULES OF EXPENSES**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

		<u>2006</u>	<u>2005</u>
<b>EXPENSES</b>			
6100	Payroll costs	\$ 542,405	\$ 429,354
6200	Professional and contracted services	251,958	213,532
6300	Supplies and materials	31,812	20,380
6400	Other operating costs	<u>62,319</u>	<u>59,588</u>
	Total expenses	<u>\$ 888,494</u>	<u>\$ 722,854</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – BEAUMONT**

**SCHEDULES OF EXPENSES**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

		<u>2006</u>	<u>2005</u>
<b>EXPENSES</b>			
6100	Payroll costs	\$ 638,852	\$ 505,419
6200	Professional and contracted services	341,848	305,608
6300	Supplies and materials	47,965	42,147
6400	Other operating costs	<u>101,290</u>	<u>86,920</u>
	Total expenses	<u>\$ 1,129,955</u>	<u>\$ 940,094</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – CORPUS CHRISTI**

**SCHEDULES OF EXPENSES**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

<b>EXPENSES</b>		<u>2006</u>	<u>2005</u>
6100	Payroll costs	\$ 722,418	\$ 585,848
6200	Professional and contracted services	361,097	313,797
6300	Supplies and materials	32,543	29,053
6400	Other operating costs	<u>54,132</u>	<u>54,618</u>
	Total expenses	<u>\$ 1,170,190</u>	<u>\$ 983,316</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – KILLEEN**

**SCHEDULES OF EXPENSES**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

		<u>2006</u>	<u>2005</u>
<b>EXPENSES</b>			
6100	Payroll costs	\$ 551,755	\$ 532,983
6200	Professional and contracted services	287,311	284,502
6300	Supplies and materials	42,137	47,908
6400	Other operating costs	<u>85,710</u>	<u>83,034</u>
	Total expenses	<u>\$ 966,913</u>	<u>\$ 948,427</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – LUBBOCK**

**SCHEDULES OF EXPENSES**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

		<u>2006</u>	<u>2005</u>
<b>EXPENSES</b>			
6100	Payroll costs	\$ 539,844	\$ 453,238
6200	Professional and contracted services	271,708	243,870
6300	Supplies and materials	34,121	25,408
6400	Other operating costs	<u>49,060</u>	<u>48,097</u>
	Total expenses	<u>\$ 894,733</u>	<u>\$ 770,613</u>

See accompanying notes to financial statements and independent auditors' report.



**RICHARD MILBURN ACADEMY, INC. – MIDLAND**

**SCHEDULES OF EXPENSES**

**FOR THE YEARS ENDED AUGUST 31, 2006 AND 2005**

		<u>2006</u>	<u>2005</u>
<b>EXPENSES</b>			
6100	Payroll costs	\$ 639,225	\$ 588,055
6200	Professional and contracted services	321,412	366,995
6300	Supplies and materials	32,554	68,173
6400	Other operating costs	82,271	69,120
	Total expenses	<u>\$ 1,075,462</u>	<u>\$ 1,092,343</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – AMARILLO**

**SCHEDULE OF CAPITAL ASSETS**

**AUGUST 31, 2006**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1110	Cash	\$ -	\$ 94,208	\$ -
1539	Furniture and equipment	-	106,660	6,631
	<b>Total</b>	<b>\$ -</b>	<b>\$ 200,868</b>	<b>\$ 6,631</b>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – BEAUMONT**

**SCHEDULE OF CAPITAL ASSETS**

**AUGUST 31, 2006**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1110	Cash	\$ -	\$ 282,881	\$ -
1539	Furniture and equipment	-	103,263	135,273
	<b>Total</b>	<b>\$ -</b>	<b>\$ 386,144</b>	<b>\$ 135,273</b>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – CORPUS CHRISTI**

**SCHEDULE OF CAPITAL ASSETS**

**AUGUST 31, 2006**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1110	Cash	\$ -	\$ 95,044	\$ -
1539	Furniture and equipment	-	28,360	19,231
	<b>Total</b>	<b>\$ -</b>	<b>\$ 123,404</b>	<b>\$ 19,231</b>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – KILLEEN**

**SCHEDULE OF CAPITAL ASSETS**

**AUGUST 31, 2006**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1110	Cash	\$ -	\$ 121,477	\$ -
1539	Furniture and equipment	-	8,553	141,329
	<b>Total</b>	<b>\$ -</b>	<b>\$ 130,030</b>	<b>\$ 141,329</b>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – LUBBOCK**

**SCHEDULE OF CAPITAL ASSETS**

**AUGUST 31, 2006**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1110	Cash	\$ -	\$ 70,987	\$ -
1539	Furniture and equipment	-	25,355	13,704
	<b>Total</b>	<b>\$ -</b>	<b>\$ 96,342</b>	<b>\$ 13,704</b>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – MIDLAND**

**SCHEDULE OF CAPITAL ASSETS**

**AUGUST 31, 2006**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1110	Cash	\$ -	\$ 80,176	\$ -
1539	Furniture and equipment	-	123,153	34,246
	<b>Total</b>	<b>\$ -</b>	<b>\$ 203,329</b>	<b>\$ 34,246</b>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – AMARILLO**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2006**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 4,441	\$ 4,441
State program revenues:				
5810 Foundation School Program Act	701,562	772,033	784,503	12,470
5820 State program revenues distributed by Texas Education Agency	-	-	2,113	2,113
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	86,285	86,285	47,936	(38,349)
Total revenues	<u>787,847</u>	<u>858,318</u>	<u>838,993</u>	<u>(19,325)</u>
<b>EXPENSES</b>				
11 Instruction	306,344	313,448	374,450	(61,002)
12 Instructional resources and media	5,150	4,164	4,168	(4)
13 Curriculum development and instructional staff development	16,105	5,553	5,753	(200)
21 Instructional leadership	2,500	-	-	-
23 School leadership	143,723	128,438	156,045	(27,607)
31 Guidance, counseling and evaluation	38,520	29,330	28,037	1,293
32 Social work services	-	-	1,317	(1,317)
33 Health services	900	-	-	-
34 Student transportation	350	-	-	-
36 Cocurricular/extracurricular activities	3,569	107	107	-
41 General administration	154,496	198,677	212,220	(13,543)
51 Plant maintenance and operation	80,296	80,296	95,615	(15,319)
52 Security and monitoring services	12,450	320	432	(112)
53 Data processing services	21,310	10,439	10,350	89
61 Community services	1,000	-	-	-
Total expenses	<u>786,713</u>	<u>770,772</u>	<u>888,494</u>	<u>(117,722)</u>
Change in net assets	1,134	87,546	(49,501)	(137,047)
Net assets, beginning of year	<u>197,312</u>	<u>197,312</u>	<u>197,312</u>	<u>-</u>
Net assets, end of year	<u>\$ 198,446</u>	<u>\$ 284,858</u>	<u>\$ 147,811</u>	<u>\$ (137,047)</u>

See independent auditors' report.



**RICHARD MILBURN ACADEMY, INC. – BEAUMONT**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2006**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ -	\$ -
State program revenues:				
5810 Foundation School Program Act	925,312	1,113,246	1,143,741	30,495
5820 State program revenues distributed by Texas Education Agency	-	-	2,368	2,368
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	130,919	130,919	75,770	(55,149)
Total revenues	<u>1,056,231</u>	<u>1,244,165</u>	<u>1,221,879</u>	<u>(22,286)</u>
<b>EXPENSES</b>				
11 Instruction	413,356	443,708	413,479	30,229
12 Instructional resources and media	8,107	2,810	2,810	-
13 Curriculum development and instructional staff development	34,530	27,158	32,226	(5,068)
21 Instructional leadership	3,100	-	-	-
23 School leadership	123,959	125,369	142,856	(17,487)
31 Guidance, counseling and evaluation	32,085	65,605	70,113	(4,508)
32 Social work services	1,700	-	-	-
33 Health services	750	60	60	-
34 Student transportation	3,000	-	-	-
35 Food services	300	-	-	-
36 Cocurricular/extracurricular activities	8,900	13,153	15,082	(1,929)
41 General administration	191,765	286,770	285,958	812
51 Plant maintenance and operation	139,086	136,029	135,198	831
52 Security and monitoring services	26,200	4,960	5,150	(190)
53 Data processing services	18,000	13,865	11,783	2,082
61 Community services	1,000	13,596	15,240	(1,644)
Total expenses	<u>1,005,838</u>	<u>1,133,083</u>	<u>1,129,955</u>	<u>3,128</u>
Change in net assets	50,393	111,082	91,924	(19,158)
Net assets, beginning of year	<u>331,020</u>	<u>331,020</u>	<u>331,020</u>	<u>-</u>
Net assets, end of year	<u>\$ 381,413</u>	<u>\$ 442,102</u>	<u>\$ 422,944</u>	<u>\$ (19,158)</u>

See independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – CORPUS CHRISTI**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2006**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ -	\$ -
State program revenues:				
5810 Foundation School Program Act	818,788	1,052,219	1,076,525	24,306
5820 State program revenues distributed by Texas Education Agency	-	-	2,699	2,699
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	135,348	135,348	82,213	(53,135)
Total revenues	<u>954,136</u>	<u>1,187,567</u>	<u>1,161,437</u>	<u>(26,130)</u>
<b>EXPENSES</b>				
11 Instruction	390,047	480,134	482,136	(2,002)
12 Instructional resources and media	4,100	2,134	2,134	-
13 Curriculum development and instructional staff development	27,733	40,892	34,237	6,655
21 Instructional leadership	3,000	-	-	-
23 School leadership	70,000	141,871	140,289	1,582
31 Guidance, counseling and evaluation	46,115	81,508	79,955	1,553
32 Social work services	7,102	-	-	-
33 Health services	4,400	6,123	6,123	-
36 Cocurricular/extracurricular activities	2,760	790	790	-
41 General administration	212,285	268,968	271,550	(2,582)
51 Plant maintenance and operation	102,580	109,704	109,675	29
52 Security and monitoring services	22,000	19,295	19,937	(642)
53 Data processing services	26,200	17,627	17,627	-
61 Community services	2,000	4,955	5,737	(782)
Total expenses	<u>920,322</u>	<u>1,174,001</u>	<u>1,170,190</u>	<u>3,811</u>
Change in net assets	33,814	13,566	(8,753)	(22,319)
Net assets, beginning of year	<u>63,295</u>	<u>63,295</u>	<u>63,295</u>	<u>-</u>
Net assets, end of year	<u>\$ 97,109</u>	<u>\$ 76,861</u>	<u>\$ 54,542</u>	<u>\$ (22,319)</u>

See independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – KILLEEN**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2006**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 4,000	\$ 4,000
State program revenues:				
5810 Foundation School Program Act	849,449	896,073	931,128	35,055
5820 State program revenues distributed by Texas Education Agency	-	-	4,717	4,717
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	102,151	102,151	70,624	(31,527)
Total revenues	<u>951,600</u>	<u>998,224</u>	<u>1,010,469</u>	<u>12,245</u>
<b>EXPENSES</b>				
11 Instruction	313,617	419,064	408,395	10,669
12 Instructional resources and media	5,000	244	244	-
13 Curriculum development and instructional staff development	19,240	8,092	10,736	(2,644)
21 Instructional leadership	4,500	-	-	-
23 School leadership	115,937	138,502	148,252	(9,750)
31 Guidance, counseling and evaluation	61,794	27,212	20,991	6,221
32 Social work services	3,700	-	5,006	(5,006)
33 Health services	900	38	38	-
34 Student transportation	1,000	3,850	3,850	-
35 Food services	1,500	-	-	-
36 Cocurricular/extracurricular activities	3,500	1,248	1,125	123
41 General administration	229,990	238,657	242,844	(4,187)
51 Plant maintenance and operation	84,501	93,435	91,063	2,372
52 Security and monitoring services	34,000	26,909	23,420	3,489
53 Data processing services	5,000	9,825	10,949	(1,124)
61 Community services	1,500	-	-	-
81 Fund raising	500	-	-	-
Total expenses	<u>886,179</u>	<u>967,076</u>	<u>966,913</u>	<u>163</u>
Change in net assets	65,421	31,148	43,556	12,408
Net assets, beginning of year	<u>176,871</u>	<u>176,871</u>	<u>176,871</u>	<u>-</u>
Net assets, end of year	<u>\$ 242,292</u>	<u>\$ 208,019</u>	<u>\$ 220,427</u>	<u>\$ 12,408</u>

See independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – LUBBOCK**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2006**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 3,809	\$ 3,809
State program revenues:				
5810 Foundation School Program Act	778,704	778,704	810,166	31,462
5820 State program revenues distributed by Texas Education Agency	-	-	2,059	2,059
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	68,771	67,650	45,557	(22,093)
Total revenues	<u>847,475</u>	<u>846,354</u>	<u>861,591</u>	<u>15,237</u>
<b>EXPENSES</b>				
11 Instruction	354,463	324,692	368,524	(43,832)
12 Instructional resources and media	9,700	4,586	1,867	2,719
13 Curriculum development and instructional staff development	14,806	11,148	11,609	(461)
21 Instructional leadership	5,900	-	-	-
23 School leadership	98,993	97,454	101,012	(3,558)
31 Guidance, counseling and evaluation	28,204	38,035	62,243	(24,208)
33 Health services	400	39	39	-
36 Cocurricular/extracurricular activities	4,500	857	632	225
41 General administration	161,974	216,914	216,761	153
51 Plant maintenance and operation	86,461	88,015	102,922	(14,907)
52 Security and monitoring services	1,300	861	861	-
53 Data processing services	43,638	23,221	27,981	(4,760)
61 Community services	-	-	282	(282)
Total expenses	<u>810,339</u>	<u>805,822</u>	<u>894,733</u>	<u>(88,911)</u>
Change in net assets	37,136	40,532	(33,142)	(73,674)
Net assets, beginning of year	<u>(21,041)</u>	<u>(21,041)</u>	<u>(21,041)</u>	<u>-</u>
Net assets, end of year	<u>\$ 16,095</u>	<u>\$ 19,491</u>	<u>\$ (54,183)</u>	<u>\$ (73,674)</u>

See independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – MIDLAND**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2006**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 5,413	\$ 5,413
State program revenues:				
5810 Foundation School Program Act	1,018,339	912,453	936,104	23,651
5820 State program revenues distributed by Texas Education Agency	-	-	4,019	4,019
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	120,371	120,371	80,978	(39,393)
Total revenues	<u>1,138,710</u>	<u>1,032,824</u>	<u>1,026,514</u>	<u>(6,310)</u>
<b>EXPENSES</b>				
11 Instruction	453,341	488,083	469,759	18,324
12 Instructional resources and media	16,700	4,048	2,532	1,516
13 Curriculum development and instructional staff development	30,833	16,064	15,349	715
23 School leadership	115,750	130,237	135,849	(5,612)
31 Guidance, counseling and evaluation	30,481	40,068	42,606	(2,538)
32 Social work services	-	10,775	31,862	(21,087)
33 Health services	3,800	1,153	1,153	-
34 Total student transportation	2,500	-	-	-
36 Cocurricular/extracurricular activities	3,700	3,160	-	3,160
41 General administration	209,727	237,506	240,211	(2,705)
51 Plant maintenance and operation	110,000	125,650	127,016	(1,366)
52 Security and monitoring services	19,464	665	715	(50)
53 Data processing services	70,023	9,910	8,410	1,500
61 Community services	500	-	-	-
81 Fund raising	500	-	-	-
Total expenses	<u>1,067,319</u>	<u>1,067,319</u>	<u>1,075,462</u>	<u>(8,143)</u>
Change in net assets	71,391	(34,495)	(48,948)	(14,453)
Net assets, beginning of year	<u>154,365</u>	<u>154,365</u>	<u>154,365</u>	<u>-</u>
Net assets, end of year	<u>\$ 225,756</u>	<u>\$ 119,870</u>	<u>\$ 105,417</u>	<u>\$ (14,453)</u>

See independent auditors' report.

**RICHARD MILBURN ACADEMY, INC.**  
**EXPLANATION OF BUDGET VARIANCES**  
**FOR THE YEAR ENDED AUGUST 31, 2006**

The following are management's explanations of the variances between the original budgeted and final budgeted amounts for total revenue and total expenses over 10% of the original budget as presented on pages 45-50 of this report:

**Beaumont:**

- ◆ The variance in revenues and expenses is due to additional full-time equivalent students and related instructional and administrative costs not contemplated in the original budget.

**Corpus Christi:**

- ◆ The variance in revenues and expenses is due to additional full-time equivalent students and related instructional and administrative costs not contemplated in the original budget.

The following are management's explanations of the variances between the final budgeted and actual amounts for total revenue and total expenses over 10% of the final budget as presented on pages 45-50 of this report:

**Amarillo:**

- ◆ The variance in expenses is due to instructional employee salaries and other personnel costs not contemplated in the final budget as well as additional technology costs. The board will work to properly amend the budget for these items in the future.

**Lubbock:**

- ◆ The variance in expenses is due to instructional employee salaries and other personnel costs not contemplated in the final budget as well as additional technology costs. The board will work to properly amend the budget for these items in the future.



**Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Richard Milburn Academy, Inc.  
McQueeney, Texas

Members of the Board of Directors:

We have audited the general-purpose financial statements of Richard Milburn Academy, Inc. (the "Organization") as of and for the year ended August 31, 2006, and have issued our report thereon dated October 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance that are required to be reported under *Government Auditing Standards*. These are described in the attached Schedule of Findings and Questioned Costs as findings 2006-1, 2006-2, 2006-3 and 2006-4.

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

*Beemer, Pritchard, Kuehnhaackel & Heidbreink P.A.*

Winter Park, Florida  
October 26, 2006



**RICHARD MILBURN ACADEMY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2006**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

*Federal Awards*

A Single Audit under OMB Circular A-133 was not required. This section is not applicable.

**Section II - Financial Statement Findings**

2006-1: Pledged Securities

The Organization's depository bank did not pledge securities to cover bank balances exceeding FDIC insurance coverage.

2006-2: Board Member Financial Interest

The Organization rents a building that is co-owned by one local Board member. Decisions to rent real property are reviewed by the management company and approved by the governing body of the Organization as well as the local Board.

**RICHARD MILBURN ACADEMY, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)**

**Section III – State and Federal Award Findings and Questioned Costs**

2006-3: Reporting of PEIMS Data

During our testing of the accuracy of the data reported through the PEIMS system during fiscal 2006, we noted a discrepancy in one of the submissions as compared to the corresponding source data, files and documents. The information as reported for student demographics, grading, course completion and compensatory education information did not agree in certain instances to the source documentation or the source documentation could not be located.

2006-4: Appropriated Funds

During our testing of the maintenance of effort for each school, we noted the following cumulative expenditure shortages as of August 31, 2006:

Amarillo:	Special Education, \$1,220; Career and Technology, \$43,952; Compensatory Education, \$27,848; Pregnancy-Related, \$11,120; Technology Allotment, \$3,167
Beaumont:	Special Education, \$5,588; Career and Technology, \$34,435; Compensatory Education, \$17,829; Pregnancy-Related, \$8,717; Technology Allotment, \$8,280
Corpus Christi:	Special Education, \$1,042; Career and Technology, \$30,183; Compensatory Education, \$27,186; Pregnancy-Related, \$5,726; Technology Allotment, \$1,775
Killeen:	Special Education, \$52,725; Career and Technology, \$26,518; Compensatory Education, \$15,052; Pregnancy-Related, \$6,900; Technology Allotment, \$766
Lubbock:	Pregnancy-Related, \$16,999
Midland:	Career and Technology, \$2,643; Pregnancy-Related, \$8,551; Technology Allotment, \$2,902

**Section IV - Status of Prior Year Audit Findings**

2005-1: Pledged Securities

The Organization's depository bank did not pledge securities to cover bank balances exceeding FDIC insurance coverage.

This item is repeated as finding 2006-1 above.

**RICHARD MILBURN ACADEMY, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)**

2005-2: Reporting of PEIMS Data

During our testing of the accuracy of the data reported through the PEIMS system during fiscal 2005, we noted certain discrepancies in the various submissions as compared to the corresponding source data, files and documents. We have summarized these discrepancies as follows:

- The submission of the prior year financial data did not agree in certain instances to the final balances from the prior year's audit.
- The information as reported for student grading, course completion and attendance information did not agree in certain instances to the source documentation or the source documentation could not be located.

This item is repeated and updated as finding 2006-3 above.

2005-3: Appropriated Funds

During our testing of the maintenance of effort for each school, we noted the following cumulative expenditure shortages as of August 31, 2005:

Amarillo:	Career and Technology, \$67,266; Compensatory Education, \$25,656; Pregnancy-Related, \$7,127; Technology Allotment, \$2,658
Beaumont:	Special Education, \$638; Career and Technology, \$6,176; Compensatory Education, \$17,845; Pregnancy-Related, \$18,008; Technology Allotment, \$6,036
Corpus Christi:	Special Education, \$3,877; Career and Technology, \$23,522; Compensatory Education, \$27,215; Pregnancy-Related, \$8,278; Technology Allotment, \$1,862
Killeen:	Special Education, \$28,176; Career and Technology, \$51,090; Compensatory Education, \$45,307; Pregnancy-Related, \$11,811; Technology Allotment, \$768
Lubbock:	Special Education, \$17,983; Pregnancy-Related, \$20,609; Technology Allotment, \$18
Midland:	Special Education, \$15,089; Compensatory Education, \$16,512; Pregnancy-Related, \$12,013; Technology Allotment, \$2,098

This item is repeated and updated as finding 2006-4 above.