

FINANCIAL STATEMENTS
of
RICHARD MILBURN ACADEMY/TX, INC.
For the year ended
AUGUST 31, 2013
(WITH THE INDEPENDENT AUDITORS' REPORT THEREON)

RICHARD MILBURN ACADEMY/TX, INC.
AUGUST 31, 2013
TABLE OF CONTENTS

	<u>PAGE</u>
Certificate of Board	
Independent Auditors' Report	1-2
Basic Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10
Specific-Purpose Financial Statements	
Statements of Financial Position:	
Fort Worth	11
Suburban Houston	12
Ector County	13
Statements of Activities:	
Fort Worth	14
Suburban Houston	15
Ector County	16
Statements of Cash Flows:	
Fort Worth	17
Suburban Houston	18
Ector County	19
Schedule of Expenses:	
Fort Worth	20
Suburban Houston	21
Ector County	22
Schedule of Capital Assets:	
Fort Worth	23
Suburban Houston	24
Ector County	25
Corporate	26
Budgetary Comparison Schedules (Unaudited)	
Fort Worth	27
Suburban Houston	28
Ector County	29
Schedule of Expenditures of Federal Awards	30
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	33-34
Schedule of Findings and Questioned Costs	35

Richard Milburn Academy/TX, Inc.
(Federal Employer Identification Number: 06-1585988)
Certificate of Board

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Richard Milburn Academy/TX, Inc. was reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2013, at a meeting of the governing body of the charter school on the _____ day of _____ February _____, 2014.

Signature of Board Secretary

Signature of Board President



LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

*Member of
American Institute & Texas Society of
Certified Public Accountants*

KILLEEN • COPPERAS COVE • TEMPLE

INDEPENDENT AUDITORS' REPORT

Board of Directors
Richard Milburn Academy/TX, Inc.
McQueeny, Texas

We have audited the accompanying statements of financial position of Richard Milburn Academy/TX, Inc. (non-profit organization) (the "charter holder") as of August 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles 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. Their responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Richard Milburn Academy/TX, Inc., as of August 31, 2013, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Richard Milburn Academy/TX, Inc. as of August 31, 2012, were audited by other auditors whose report dated January 25, 2013, expressed an unmodified opinion on those statements.

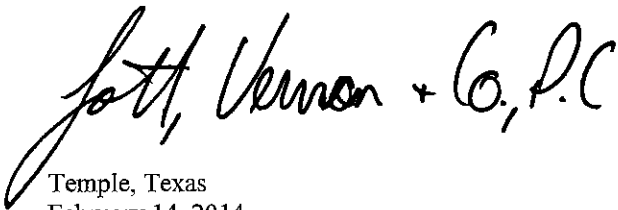
Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The specific-purpose financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are also not a required part of the financial statements.

The accompanying schedule of expenditures of federal awards and specific purpose financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of expenditures of federal awards and the specific-purpose financial statements and schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2014, on our consideration of Richard Milburn Academy/TX, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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.



Temple, Texas
February 14, 2014

**BASIC
FINANCIAL
STATEMENTS**

RICHARD MILBURN ACADEMY/TX, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2013 and 2012

	2013	2012
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 654,324	\$ 1,255,028
Due from other governments	430,968	294,578
Prepaid Assets	131,304	92,760
Total current assets	1,216,596	1,642,366
Fixed Assets		
Building	150,983	150,983
Furniture and equipment	513,091	513,091
	664,074	664,074
Less: Accumulated depreciation	(612,260)	(525,132)
	51,814	138,942
Other Assets	86,863	82,765
Total Assets	\$ 1,355,273	\$ 1,864,073
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 1,100,979	\$ 1,000,884
Accrued payroll	253,364	186,193
Total current liabilities	1,354,343	1,187,077
Total Liabilities	1,354,343	1,187,077
Net Assets		
Unrestricted	930	(28,214)
Temporarily restricted	-	705,210
Total Net Assets	930	676,996
Total Liabilities and Net Assets	\$ 1,355,273	\$ 1,864,073

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

RICHARD MILBURN ACADEMY/TX, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	Unrestricted	Temporarily Restricted	Totals	
			2013	2012
Revenues and Other Support				
Local support:				
Interest and other income	\$ 68,139	\$ -	\$ 68,139	\$ 36,070
Total local support	68,139	-	68,139	36,070
State program revenues:				
Foundation school program	-	7,575,074	7,575,074	7,625,224
Technology Allotment	-	-	-	-
Other state aid	-	1,195	1,195	1,195
Total state program revenues	-	7,576,269	7,576,269	7,626,419
Federal program revenues				
ESEA Title I, Part A	-	351,468	351,468	198,983
ESEA Title II, Part A	-	27,597	27,597	49,117
ESEA School Improvement Plan	-	330,464	330,464	646,159
IDEA, Part B	-	11,227	11,227	89,543
State Fiscal Stabilization Funds	-	-	-	7,210
Education Jobs Funds	-	-	-	1,736
Total federal state program revenues	-	720,756	720,756	992,748
Net assets released from restrictions:				
Restrictions satisfied by payments	9,002,235	(9,002,235)	-	-
Total Revenues and net assets released from restrictions	\$ 9,070,374	\$ (705,210)	\$ 8,365,164	\$ 8,655,237
Expenses				
Program Services:				
Instruction and instructional - related services	4,040,375	-	4,040,375	3,965,804
Instructional and school leadership	1,151,120	-	1,151,120	1,072,957
Support Services:				
Administrative support services	2,008,469	-	2,008,469	1,990,292
Ancillary services	18,032	-	18,032	-
Support services-non-student based	1,238,779	-	1,238,779	1,389,373
Support services-student (pupil)	584,455	-	584,455	610,870
Total Expenses	\$ 9,041,230	\$ -	\$ 9,041,230	\$ 9,029,296
Change in Net Assets	29,144	(705,210)	(676,066)	(374,059)
Net Assets, beginning of year	(28,214)	705,210	676,996	1,051,055
Net Assets, end of year	\$ 930	\$ -	\$ 930	\$ 676,996

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

RICHARD MILBURN ACADEMY/TX, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Foundation school program payments	\$ 7,572,171	\$ 7,695,642
Grant payments	720,786	1,397,564
Miscellaneous sources	68,139	36,070
Payments to vendors for goods and services rendered	(4,224,856)	(4,437,969)
Payments to charter school personnel for services rendered	(4,736,944)	(4,340,665)
Net cash (used)/provided by operating activities	(600,704)	350,642
Cash flows from investing activities:		
Purchase of capital assets	-	(86,106)
Net cash (used)/provided by investing activities	-	(86,106)
Net increase (decrease) in cash	(600,704)	264,536
Cash at beginning of year	1,255,028	990,492
Cash at ending of year	\$ 654,324	\$ 1,255,028
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in Net Assets	\$ (676,066)	\$ (374,059)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	87,128	109,971
(Increase) Decrease in assets:		
Due from governmental agencies	(136,390)	479,724
Prepaid assets	(38,544)	(19,009)
Other assets	(4,098)	6,283
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	100,095	137,805
Accrued payroll	67,171	15,612
Due to governmental agencies	-	(5,685)
Net cash provided by operating activities	\$ (600,704)	\$ 350,642
Noncash Investing Activities		
Purchases of capital assets with accounts payable	\$ -	\$ 17,501

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

Note 1: Summary of Significant Accounting Policies

The general-purpose financial statements of Richard Milburn Academy TX, Inc. (the organization) were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Reporting Entity

Richard Milburn Academy/TX, Inc. (the "charter holder") incorporated in the State of Texas in 2000. It is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is governed by a Board of Directors comprised 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.

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

Corporate Operations

The organization provides general education services for students in grades nine through twelve in three individual charter schools in Texas. Three of the individual charter schools operate under a single charter of the Organization's Ector County. Each individual school operates under an open enrollment charter granted by the Texas State Board of Education. One charter was renewed for a period of ten years, which ends July 31, 2015, and is subject to review and renewal prior to the expiration date of the charter. The remaining charters have submitted an application for renewal and the existing charters will not expire until the Texas Education Agency ("TEA") has made a decision regarding the applications. The organization is part of the public school system of the State of Texas and, therefore, is entitled to distributions from the Foundation School Program, as well as other state grants and federal grants received through the State of Texas. However, the organization does not have the authority to impose taxes.

Basis of Accounting and Presentation

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under those provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. 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 stipulations.

Temporarily restricted – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. 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. There were no temporarily restricted assets as of August 31, 2013.

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Permanently restricted – net assets required to be maintained in perpetuity with only the income to be used for the charter school's activities due to donor-imposed restrictions. There were no permanently restricted assets as of August 31, 2013.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

Contributions

The organization accounts for contributions in accordance with the Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor 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.

Cash and Cash Equivalents

For financial statement purposes, the organization considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and other personal property, are reported in the general-purpose and specific-purpose financial statements. Capital assets are defined by the organization as assets with an estimated useful live of more than one year. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to five years, using the straight-line method of depreciation. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

Note 2: Due From Governmental Agencies

Due from governmental agencies in the accompanying statements of financial position include approximately \$171,000 and \$82,000 in funds due from federal agencies and approximately \$189,000 and \$213,000 due from TEA as of August 31, 2013 and 2012, respectively. Based on the collectability of funds from these sources, in the opinion of management, an allowance for doubtful accounts is not considered necessary.

RICHARD MILBURN ACADEMY/TX, INC.
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 2013

Note 3: Capital Assets

Capital assets at August 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Buildings and improvements	\$ 150,983	\$ 150,983
Furniture, fixtures and equipment	513,091	513,091
Total property and equipment	664,074	644,074
Less accumulated depreciation	(612,260)	(525,132)
Property and equipment, net	<u>\$ 51,814</u>	<u>\$ 138,942</u>

Capital assets acquired with public funds received by the organization for the operation of Richard Milburn Academy/TX, Inc. constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

Depreciation expense for the fiscal years ended August 31, 2013 and 2012 was approximately \$87,000 and \$110,000, respectively.

Note 4: Pension Plan Obligations

Plan Description

The organization contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the organization, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communication Department, 1000 Red River, Austin, Texas 78701 or by calling the TRS Communications Department at (800)223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Covered Employees

All organization employees, who are employed for ½ or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Subtitle C Sec. 822.022, are covered by TRS membership.

Service Requirement

1. Normal – age 65 with 5 years of credited service, or when the sum of member’s age and years of credited service equals or exceeds 80 years.
2. Reduced – age 55 with at least 5 years of credited service, or any age below 50 with 30 or more years of credited service.

A member is fully vested after 5 years of creditable services and entitled to any benefit for which eligibility requirements have been met.

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (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% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2013, 2012 and 2011, and a state contribution rate for fiscal years 2013, 2012 and 2011 for 6.0%, 6.0% and 6.644%, respectively. The charter school's employees' contributions to the System for the years ending August 31, 2013, and 2012 were approximately \$115,000, and \$66,000, respectively, equal to the required contributions for each year.

Note 5: Related Party Transactions

During the routine course of business, invoices and payroll, which apply to both the Organization and other related entities or schools, may be paid by a single entity creating a receivable or payable. The Organization tracks the amounts due to or from each related entity or school separately. Amount due to related parties as of August 31, 2013 is approximately \$255,000, and is included in accounts payable in the accompanying statements of financial position.

Note 6: Risk Management Program

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

Note 7: Commitments and Contingencies

The organization receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, organization funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

Note 8: Leases

Richard Milburn Academy/TX, Inc. leases its facilities under non-cancellable operating leases, which contain varying renewal options. Approximate aggregate remaining minimum rental commitments as of August 31, 2013 under these leases are summarized as follows:

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2013

<u>Fiscal Year Ending August 31,</u>	
2014	\$ 502,745
2015	498,414
2016	358,344
2017	<u>156,000</u>
Total	\$1,515,503

Rent expense for all operating leases for the fiscal years ended August, 31, 2013 and 2012 was approximately \$797,000 and \$763,000, respectively.

Note 9: 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 bidding process and were approved by the Board of Directors. For the fiscal years ended August 31, 2013 and 2012, the Organization has incurred approximately \$1,068,000 and \$1,282,000 of management fees, respectively, which are included in general administration expense in the accompanying statements of activities. Amounts due to the management company as of August 31, 2013 and 2012 are approximately \$229,000 and \$557,000, respectively, and are included in accounts payable and accrued expenses in the accompanying statements of financial position.

Note 10: State Funding

The Organization's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to TEA by the state legislature. 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.

**SPECIFIC-PURPOSE
FINANCIAL
STATEMENTS**

RICHARD MILBURN ACADEMY TX INC. - FORT WORTH
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2013 and 2012

	2013	2012
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 112,619	\$ 189,868
Due from other governments	76,958	45,429
Prepaid Assets	59,800	35,324
Total current assets	249,377	270,621
Fixed Assets		
Furniture and equipment	80,013	80,013
	80,013	80,013
Less: Accumulated depreciation	(80,013)	(80,013)
	-	-
Other Assets	-	5,884
Total Assets	\$ 249,377	\$ 276,505
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 47,805	\$ 238,214
Accrued payroll	75,598	26,065
Due to affiliates	70,029	11,611
Total current liabilities	193,432	275,890
Total Liabilities	193,432	275,890
Net Assets		
Temporarily restricted	55,945	615
Total Net Assets	55,945	615
Total Liabilities and Net Assets	\$ 249,377	\$ 276,505

RICHARD MILBURN ACADEMY TX, INC. -SUBURBAN HOUSTON
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2013 and 2012

	2013	2012
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 124,491	\$ 121,400
Due from other governments	3,578	42,334
Prepaid Assets	-	4,601
Total current assets	128,069	168,335
Fixed Assets		
Building	135,425	135,425
Furniture and equipment	141,759	141,759
	277,184	277,184
Less: Accumulated depreciation	(277,184)	(273,712)
	-	3,472
Other Assets		
	37,514	59,604
Total Assets	\$ 165,583	\$ 231,411
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 428,346	\$ 351,173
Accrued payroll	39,893	35,000
Due to affiliates	112,378	8,922
Total current liabilities	580,617	395,095
Total Liabilities	580,617	395,095
Net Assets		
Unrestricted	(415,034)	(163,684)
Total Net Assets	(415,034)	(163,684)
Total Liabilities and Net Assets	\$ 165,583	\$ 231,411

RICHARD MILBURN ACADEMY TX, INC. - ECTOR COUNTY
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2013 and 2012

	2013	2012
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 353,131	\$ 940,095
Due from other governments	350,432	206,815
Prepaid Assets	58,118	52,835
Total current assets	761,681	1,199,745
Fixed Assets		
Building	150,983	220,208
Furniture and equipment	513,091	443,866
	664,074	664,074
Less: Accumulated depreciation	(612,260)	(531,765)
	51,814	132,309
Other Assets		
	21,933	15,490
Total Assets	\$ 835,428	\$ 1,347,544
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 227,488	\$ 341,040
Accrued payroll	129,264	124,006
Due to affiliates	118,657	42,433
Total current liabilities	475,409	507,479
Total Liabilities	475,409	507,479
Net Assets		
Unrestricted	(347,737)	132,309
Temporarily restricted	707,756	707,756
Total Net Assets	360,019	840,065
Total Liabilities and Net Assets	\$ 835,428	\$ 1,347,544

**RICHARD MILBURN ACADEMY TX, INC. - FORT WORTH
STATEMENT OF ACTIVITIES BY OBJECT AND FUNCTION
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2013</u>	<u>2012</u>
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 12	\$ -	\$ 12	\$ 7
State program revenues:				
5810 Foundation school program act revenues	-	1,378,196	1,378,196	1,258,450
Federal program revenues				
5920 Federal revenues distributed by the Texas Education Agency	-	165,094	165,094	174,399
Net assets released from restrictions:				
Restrictions satisfied by payment	<u>1,543,905</u>	<u>(1,543,905)</u>	<u>-</u>	<u>-</u>
Total Revenues and net assets released from restrictions	<u>1,543,917</u>	<u>(615)</u>	<u>1,543,302</u>	<u>1,432,856</u>
Expenses				
11 Instruction	599,610	-	599,610	580,564
12 Instructional resources and media services	6,516	-	6,516	3,408
13 Curriculum development and instructional staff development	18,977	-	18,977	93,700
21 Instructional leadership	1,206	-	1,206	-
23 School leadership	175,128	-	175,128	218,869
31 Guidance, counseling and evaluation services	106,214	-	106,214	65,369
32 Social work services	14,237	-	14,237	1,062
36 Cocurricular/extracurricular activities	8,297	-	8,297	12,060
41 General administration	354,069	-	354,069	357,263
51 Plant maintenance and operations	174,518	-	174,518	195,883
52 Security and monitoring services	1,425	-	1,425	867
53 Data processing services	10,158	-	10,158	16,035
61 Community services	<u>17,617</u>	<u>-</u>	<u>17,617</u>	<u>4,373</u>
Total Expenses	<u>1,487,972</u>	<u>-</u>	<u>1,487,972</u>	<u>1,549,453</u>
Change in Net Assets	55,945	(615)	55,330	(116,597)
Net Assets, beginning of year	<u>-</u>	<u>615</u>	<u>615</u>	<u>117,212</u>
Net Assets, end of year	<u>\$ 55,945</u>	<u>\$ -</u>	<u>\$ 55,945</u>	<u>\$ 615</u>

RICHARD MILBURN ACADEMY TX, INC. - SUBURBAN HOUSTON
STATEMENT OF ACTIVITIES BY OBJECT AND FUNCTION
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2013</u>	<u>2012</u>
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 50,090	\$ -	\$ 50,090	\$ 35,005
State program revenues:				
5810 Foundation school program act revenues	-	1,428,810	1,428,810	1,248,333
Federal program revenues				
5920 Federal revenues distributed by the Texas Education Agency	-	94,231	94,231	264,098
Net assets released from restrictions:				
Restrictions satisfied by payment	<u>1,523,041</u>	<u>(1,523,041)</u>	<u>-</u>	<u>-</u>
Total Revenues and net assets released from restrictions	<u>\$ 1,573,131</u>	<u>\$ -</u>	<u>\$ 1,573,131</u>	<u>\$ 1,547,436</u>
Expenses				
11 Instruction	751,263	-	751,263	688,411
12 Instructional resources and media services	15,412	-	15,412	14,597
13 Curriculum development and instructional staff development	16,330	-	16,330	51,389
21 Instructional leadership	11,587	-	11,587	10,020
23 School leadership	137,621	-	137,621	200,999
31 Guidance, counseling and evaluation services	82,499	-	82,499	111,092
32 Social work services	37,583	-	37,583	32,205
33 Health services	3,562	-	3,562	3,135
36 Cocurricular/extracurricular activities	6,821	-	6,821	33,844
41 General administration	478,831	-	478,831	375,234
51 Plant maintenance and operations	236,914	-	236,914	293,870
52 Security and monitoring services	34,847	-	34,847	49,246
53 Data processing services	10,796	-	10,796	40,598
61 Community services	415	-	415	-
Total Expenses	<u>\$ 1,824,481</u>	<u>\$ -</u>	<u>\$ 1,824,481</u>	<u>\$ 1,904,640</u>
Change in Net Assets	(251,350)	-	(251,350)	(357,204)
Net Assets, beginning of year	<u>(163,684)</u>	<u>-</u>	<u>(163,684)</u>	<u>193,520</u>
Net Assets, end of year	<u>\$ (415,034)</u>	<u>\$ -</u>	<u>\$ (415,034)</u>	<u>\$ (163,684)</u>

RICHARD MILBURN ACADEMY TX, INC. - ECTOR COUNTY
STATEMENT OF ACTIVITIES BY OBJECT AND FUNCTION
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	Unrestricted	Temporarily Restricted	Totals	
			2013	2012
Revenues				
Local support:				
5740 Other revenues from local sources	\$ 18,037	\$ -	\$ 18,037	\$ 1,058
State program revenues:				
5810 Foundation school program act revenues	-	4,768,068	4,768,068	5,118,441
5820 State program revenues distributed by Texas Education Agency	-	1,195	1,195	1,195
Total state program revenues	-	4,769,263	4,769,263	5,119,636
Federal program revenues				
5920 Federal revenues distributed by the Texas Education Agency	-	461,431	461,431	554,251
Net assets released from restrictions:				
Restrictions satisfied by payment	5,938,450	(5,938,450)	-	-
Total Revenues and net assets released from restrictions	5,956,487	(707,756)	5,248,731	5,674,945
Expenses				
11 Instruction	2,652,105	-	2,652,105	2,249,621
12 Instructional resources and media services	15,469	-	15,469	16,397
13 Curriculum development and instructional staff development	179,983	-	179,983	267,717
21 Instructional leadership	442	-	442	-
23 School leadership	609,846	-	609,846	643,069
31 Guidance, counseling and evaluation services	244,821	-	244,821	284,107
32 Social work services	42,989	-	42,989	34,698
33 Health services	-	-	-	186
35	138	-	138	-
36 Cocurricular/extracurricular activities	37,294	-	37,294	33,112
41 General administration	1,175,569	-	1,175,569	1,257,795
51 Plant maintenance and operations	696,729	-	696,729	704,921
52 Security and monitoring services	21,901	-	21,901	7,531
53 Data processing services	51,491	-	51,491	76,049
61 Community services	-	-	-	-
Total Expenses	5,728,777	-	5,728,777	5,575,203
Change in Net Assets	227,710	(707,756)	(480,046)	99,742
Net Assets, beginning of year	132,309	707,756	840,065	740,323
Net Assets, end of year	\$ 360,019	\$ -	\$ 360,019	\$ 840,065

RICHARD MILBURN ACADEMY TX, INC. - FORT WORTH
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Foundation school program payments	\$ 1,384,080	\$ 1,280,930
Grant payments	165,094	198,224
Miscellaneous sources	12	7
Payments to vendors for goods and services rendered	(860,545)	(598,796)
Payments to charter school personnel for services rendered	(765,890)	(808,425)
Net cash (used)/provided by operating activities	(77,249)	71,940
Cash flows from investing activities:		
Purchase of capital assets	-	-
Net cash (used)/provided by investing activities	-	-
Net increase (decrease) in cash	(77,249)	71,940
Cash at beginning of year	189,868	117,928
Cash at ending of year	\$ 112,619	\$ 189,868
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in Net Assets	\$ 55,330	\$ (116,597)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	710
(Increase) Decrease in assets:		
Due from governmental agencies	(31,529)	46,305
Prepaid assets	(24,476)	(34,298)
Other assets	5,884	-
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(190,409)	203,762
Accrued payroll	49,533	(8,859)
Due to governmental agencies	-	-
Due to affiliates	58,418	(19,083)
Net cash provided by operating activities	\$ (77,249)	\$ 71,940

RICHARD MILBURN ACADEMY TX, INC. - SUBURBAN HOUSTON
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Foundation school program payments	\$ 1,450,900	\$ 1,251,852
Grant payments	94,231	387,617
Miscellaneous sources	50,090	35,005
Payments to vendors for goods and services rendered	(619,220)	(664,217)
Payments to charter school personnel for services rendered	(972,910)	(938,387)
Net cash (used)/provided by operating activities	3,091	71,870
Cash flows from investing activities:		
Purchase of capital assets	-	-
Net cash (used)/provided by investing activities	-	-
Net increase (decrease) in cash	3,091	71,870
Cash at beginning of year	121,400	49,530
Cash at ending of year	\$ 124,491	\$ 121,400
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in Net Assets	\$ (251,350)	\$ (357,204)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,472	16,625
(Increase) Decrease in assets:		
Due from governmental agencies	38,756	132,723
Prepaid assets	4,601	31,288
Other assets	22,090	3,981
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	77,173	271,692
Accrued payroll	4,893	(1,973)
Due to governmental agencies	-	(5,685)
Due to affiliates	103,456	(19,577)
Net cash provided by operating activities	\$ 3,091	\$ 71,870

RICHARD MILBURN ACADEMY TX, INC. - ECTOR COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Foundation school program payments	\$ 4,762,820	\$ 5,162,860
Grant payments	461,461	811,723
Miscellaneous sources	18,037	1,058
Payments to vendors for goods and services rendered	(2,823,651)	(3,179,173)
Payments to charter school personnel for services rendered	(3,005,631)	(2,589,232)
Net cash (used)/provided by operating activities	(586,964)	207,236
Cash flows from investing activities:		
Purchase of capital assets	-	(86,106)
Net cash (used)/provided by investing activities	-	(86,106)
Net increase (decrease) in cash	(586,964)	121,130
Cash at beginning of year	940,095	818,965
Cash at ending of year	\$ 353,131	\$ 940,095
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in Net Assets	\$ (480,046)	\$ 99,742
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	80,495	92,634
(Increase) Decrease in assets:		
Due from governmental agencies	(143,617)	300,693
Prepaid assets	(5,283)	(15,999)
Other assets	(6,443)	-
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(113,552)	(233,281)
Accrued payroll	5,258	31,065
Due to governmental agencies	-	-
Due to affiliates	76,224	(67,621)
Net cash provided by operating activities	\$ (586,964)	\$ 207,233
Noncash Investing Activities		
Purchases of capital assets with accounts payable	\$ -	\$ 17,501

RICHARD MILBURN ACADEMY TX, INC - FORT WORTH
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

Expenses	Totals	
	2013	2012
6100 Payroll costs	\$ 815,423	\$ 799,566
6200 Professional and contracted services	490,422	603,251
6300 Supplies and materials	82,372	50,984
6400 Other operating costs	99,755	95,652
Total Expenses	\$ 1,487,972	\$ 1,549,453

RICHARD MILBURN ACADEMY TX, INC - SUBURBAN HOUSTON
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	Totals	
	2013	2012
Expenses		
6100 Payroll costs	\$ 977,803	\$ 936,414
6200 Professional and contracted services	665,935	718,355
6300 Supplies and materials	83,111	155,814
6400 Other operating costs	97,632	94,057
Total Expenses	\$ 1,824,481	\$ 1,904,640

RICHARD MILBURN ACADEMY TX, INC - ECTOR COUNTY
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

Expenses	Totals	
	2013	2012
6100 Payroll costs	\$ 3,010,889	\$ 2,620,297
6200 Professional and contracted services	1,811,202	2,077,259
6300 Supplies and materials	521,725	547,957
6400 Other operating costs	384,961	329,690
Total Expenses	\$ 5,728,777	\$ 5,575,203

RICHARD MILBURN ACADEMY TX, INC - FORT WORTH
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2013

		Ownership Interest		
		<u>Local</u>	<u>State</u>	<u>Federal</u>
1520	Buildings and improvements	\$ -	\$ -	\$ 1,000
1539	Furniture and equipment	-	9,176	69,837
	Total Property and Equipment	<u>\$ -</u>	<u>\$ 9,176</u>	<u>\$ 70,837</u>

RICHARD MILBURN ACADEMY TX, INC - SUBURBAN HOUSTON
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2013

		Ownership Interest		
		<u>Local</u>	<u>State</u>	<u>Federal</u>
1520	Buildings	\$ -	\$ 135,425	\$ -
1539	Furniture and equipment	-	44,732	97,027
	Total Property and Equipment	<u>\$ -</u>	<u>\$ 180,157</u>	<u>\$ 97,027</u>

RICHARD MILBURN ACADEMY TX, INC - ECTOR COUNTY
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2013

		Ownership Interest		
		Local	State	Federal
1520	Buildings	\$ -	\$ 183,614	\$ 36,594
1539	Furniture and equipment	-	275,443	168,423
	Total Property and Equipment	\$ -	\$ 459,057	\$205,017

**RICHARD MILBURN ACADEMY/TX, INC - CORPORATE
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2013**

		Ownership Interest		
		<u>Local</u>	<u>State</u>	<u>Federal</u>
1539	Furniture and equipment	<u>\$ -</u>	<u>\$ 13,535</u>	<u>\$ -</u>
	Total Property and Equipment	<u><u>\$ -</u></u>	<u><u>\$ 13,535</u></u>	<u><u>\$ -</u></u>

RICHARD MILBURN ACADEMY TX, INC - FORT WORTH
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2013

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 12	\$ 12
State program revenues:				
5810 Foundation school program act revenues	987,040	987,040	1,378,196	391,156 a
Federal program revenues				
5920 Federal revenues distributed by the Texas Education Agency	-	-	165,094	165,094 b
	<u>987,040</u>	<u>987,040</u>	<u>1,543,302</u>	<u>556,262</u>
Expenses				
11 Instruction	465,985	465,985	599,610	(133,625) c
12 Instructional resources and media services	15,507	15,507	6,516	8,991
13 Curriculum development and instructional staff development	-	-	18,977	(18,977) d
21 Instructional leadership	500	500	1,206	(706)
23 School leadership	136,671	136,671	175,128	(38,457) e
31 Guidance, counseling and evaluation services	58,479	58,479	106,214	(47,735) f
32 Social work services	-	-	14,237	(14,237) g
33 Health services	2,500	2,500	-	2,500
36 Cocurricular/extracurricular activities	16,500	16,500	8,297	8,203
41 General administration	64,749	64,749	354,069	(289,320) h
51 Plant maintenance and operations	212,662	212,662	174,518	38,144 i
52 Security and monitoring services	13,696	13,696	1,425	12,271 j
53 Data processing services	22,000	22,000	10,158	11,842 k
61 Community services	2,000	2,000	17,617	(15,617) l
Total Expenses	<u>1,011,249</u>	<u>1,011,249</u>	<u>1,487,972</u>	<u>(476,723)</u>
Change in Net Assets	(24,209)	(24,209)	55,330	79,539
Net Assets, beginning of year	615	615	615	-
Net Assets, end of year	<u>\$ (23,594)</u>	<u>\$ (23,594)</u>	<u>\$ 55,945</u>	<u>\$ 79,539</u>

- a No budget amendment for additional state program revenue
- b No budget amendment for federal program revenue
- c No budget amendment for additional expenses incurred
- d No budget amendment to incorporate expenses
- e No budget amendment for additional expenses incurred
- f No budget amendment for additional expenses incurred
- g No budget amendment to incorporate expenses
- h No budget amendment for additional expenses incurred
- i Budget was higher than expenses incurred
- j Budget was higher than expenses incurred
- k Budget was higher than expenses incurred
- l No budget amendment for additional expenses incurred

RICHARD MILBURN ACADEMY TX, INC - SUBURBAN HOUSTON
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2013

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 50,090	\$ 50,090 a
State program revenues:				
5810 Foundation school program act revenues	1,091,053	1,091,053	1,428,810	337,757 b
5820 State program revenues distributed by Texas Education Agency	1,091,053	1,091,053	1,428,810	337,757
Federal program revenues				
5920 Federal revenues distributed by the Texas Education Agency	-	-	94,231	94,231 c
Total Revenues	\$ 1,091,053	\$ 1,091,053	\$ 1,573,131	\$ 482,078
Expenses				
11 Instruction	703,575	703,575	751,263	(47,688) d
12 Instructional resources and media services	10,400	10,400	15,412	(5,012)
13 Curriculum development and instructional staff development	7,700	7,700	16,330	(8,630)
21 Instructional leadership	2,700	2,700	11,587	(8,887)
23 School leadership	150,160	150,160	137,621	12,539
31 Guidance, counseling and evaluation services	60,000	60,000	82,499	(22,499) e
32 Social work services	-	-	37,583	(37,583) f
33 Health services	5,000	5,000	3,562	1,438
36 Cocurricular/extracurricular activities	10,700	10,700	6,821	3,879
41 General administration	58,338	58,338	478,831	(420,493) g
51 Plant maintenance and operations	283,092	283,092	236,914	46,178 h
52 Security and monitoring services	38,000	38,000	34,847	3,153
53 Data processing services	17,288	17,288	10,796	6,492
61 Community services	1,000	1,000	415	585
Total Expenses	\$ 1,347,953	\$ 1,347,953	\$ 1,824,481	\$ (476,528)
Change in Net Assets	(256,900)	(256,900)	(251,350)	5,550
Net Assets, beginning of year	(163,684)	(163,684)	(163,684)	-
Net Assets, end of year	\$ (420,584)	\$ (420,584)	\$ (415,034)	\$ 5,550

- a No budget amendment incorporated for local revenue
- b No budget amendment incorporated for additional state program revenue
- c No budget amendment incorporated for federal program revenue
- d No budget amendment for additional expenses incurred
- e No budget amendment for additional expenses incurred
- f No budget incorporated for expenses incurred
- g No budget amendment for additional expenses incurred
- h Budget was higher than expenses incurred

**RICHARD MILBURN ACADEMY TX, INC - ECTOR COUNTY
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 18,037	\$ 18,037 a
State program revenues:				
5810 Foundation school program act revenues	4,589,361	4,589,361	4,768,068	178,707 b
5820 State program revenues distributed by Texas Education Agency	-	-	1,195	1,195
Total state program revenues	4,589,361	4,589,361	4,769,263	179,902
Federal program revenues				
5920 Federal revenues distributed by the Texas Education Agency	-	-	461,431	461,431 c
Total Revenues	4,589,361	4,589,361	5,248,731	659,370
Expenses				
11 Instruction	1,864,712	1,864,712	2,652,105	(787,393) d
12 Instructional resources and media services	27,398	27,398	15,469	11,929
13 Curriculum development and instructional staff development	50,000	50,000	179,983	(129,983) e
21 Instructional leadership	-	-	442	(442)
23 School leadership	579,532	579,532	609,846	(30,314) f
31 Guidance, counseling and evaluation services	218,010	218,010	244,821	(26,811) g
32 Social work services	4,000	4,000	42,989	(38,989) h
33 Health services	3,500	3,500	-	3,500
35 Food services	-	-	138	(138)
36 Cocurricular/extracurricular activities	42,551	42,551	37,294	5,257
41 General administration	909,665	909,665	1,175,569	(265,904) i
51 Plant maintenance and operations	598,329	598,329	696,729	(98,400) j
52 Security and monitoring services	29,500	29,500	21,901	7,599
53 Data processing services	162,246	162,246	51,491	110,755 k
61 Community services	4,100	4,100	-	4,100
Total Expenses	4,493,543	4,493,543	5,728,777	(1,235,234)
Change in Net Assets	95,818	95,818	(480,046)	(575,864)
Net Assets, beginning of year	840,065	840,065	840,065	-
Net Assets, end of year	\$ 935,883	\$ 935,883	\$ 360,019	\$ (575,864)

- a No budget amendment incorporated for local revenue
- b No budget amendment to incorporate additional state program revenue
- c No budget amendment to incorporate federal program revenue
- d No budget amendment to incorporate additional expenses
- e No budget amendment to incorporate additional expenses
- f No budget amendment to incorporate additional expenses
- g No budget amendment to incorporate additional expenses
- h No budget amendment to incorporate additional expenses
- i No budget amendment to incorporate additional expenses
- j No budget amendment to incorporate additional expenses
- k Budget was higher than expenses incurred

RICHARD MILBURN ACADEMY/TX, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	NOGA ID Numbers	Federal CFDA Number	Expenditures
United States Department of Education /	13610101220812	84.010	61,617
Texas Board of Education / Title I	13610101101854	84.010	81,315
Grants to Local Educational Agencies	13610101068801	84.010	69,409
	13610101068801	84.010	43,203
	13610101068801	84.010	65,733
			<u>\$ 321,277</u>
United States Department of Education /	136600012208126600	84.027	8,429
Texas Board of Education / Special	136600011018546600	84.027	5,822
Education-Grants to States (IDEA, Part B)	136600010688016600	84.027	32,331
	136600010688016600	84.027	21,929
			<u>\$ 68,511</u>
Total IDEA B Cluster			
United States Department of Education /	13694501220812	84.367	6,447
Texas Board of Education / Title II	13694501101854	84.367	6,142
Improving Teacher Quality State Grants	13694501068801	84.367	14,531
	13694501068801	84.367	14,944
			<u>\$ 42,064</u>
Total Title II Cluster			
United States Department of Education /	13610110220812001	84.377	88,601
Texas Board of Education /	13610104068801003	84.377	1,266
School Improvement Grants	13610110068801002	84.377	94,484
	12610110068801002	84.377	104,553
			<u>\$ 288,904</u>
Total School Improvement Cluster			
Total Expenditures of Federal Awards			<u>\$ 720,756</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**INTERNAL CONTROL
AND
COMPLIANCE**



LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

Member of
American Institute & Texas Society of
Certified Public Accountants

KILLEEN • COPPERAS COVE • TEMPLE

INDEPENDENT AUDITOR'S REPORT 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/TX, Inc.
McQueeney, Texas

We have audited, in accordance with the 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, the financial statements of the Richard Milburn Academy/TX, Inc. (the Organization) which comprise the statement of financial position as of and for the year ended August 31, 2013 and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Richard Milburn Academy/TX, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and question costs that we consider to be significant deficiencies in internal control over financial reporting. See findings identified as 2013-1 through 2013-3 for further information.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richard Milburn Academy/TX, Inc.'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Richard Milburn Academy/TX, Inc. in a separate letter dated February 14, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jett, Vernon + Co., P.C.
Temple, Texas
February 14, 2014



LOTT, VERNON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783
POST OFFICE BOX 160 800/460/4783
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

Member of
American Institute & Texas Society of
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Richard Milburn Academy/TX, Inc.'s (The Organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Temple, Texas
February 14, 2014

**RICHARD MILBURN ACADEMY/TX, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Audit Results

Financial Statements

1. Type of auditor's report issued: unqualified
2. Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no
 Significant deficiencies identified that are not considered to be material weakness(es)? X yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

4. Internal control over major programs:
 Material weakness(es) identified? _____ yes X no
 Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

5. Type of auditor's report issued on compliance for major programs: unqualified
6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

7. Identification of major programs:

<u>Name of Federal Programs</u>	<u>Federal CFDA Number</u>
Grants to Local Educational Agencies	84.010
Education-Grants to States (IDEA, Part B)	84.027
Improving Teacher Quality State Grants	84.367

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee? _____ yes X no

**RICHARD MILBURN ACADEMY/TX, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013 (CONTINUED)**

II. Financial Statement Findings

Significant Deficiencies:

2013-1 Unspent Allotments

Conditions: The Organization did not spend the required amount of allotments of Foundation School Program (“FSP”) funding. The amount of unspent allotments is summarized below:

<u>Career & Technology</u>	<u>Special Education</u>	<u>Compensatory Education</u>	<u>High School Allotment</u>
\$151,913	\$191,407	\$614,031	\$119,462

Criteria: The Organization receives FSP allotments, which support various strategic goals. The Organization is required to spend a certain percentage of the funding in the year the allotment is awarded.

Cause: The Organization failed to track the amount spent on each of the above listed programs on an ongoing basis.

Effect: The Organization is not in compliance with state requirements concerning the amount of FSP allotments which are to be spent in the year the allotment is awarded.

Recommendation: We recommend that the Organization implement monitoring controls over minimum expenditure requirements for allotment spending to ensure that all required expenditures are made timely.

Responsible Official to Implement Corrective Actions: Norman Hall – Superintendent

2013-2 Due to/Due from Reconciliations

Conditions: Due to/due from reconciliations were not tracked on a regular basis to determine that they balance when all balances are combined.

Cause: Due to/due from reconciliations were not completed on a regular basis.

Effect: Due to/due from balances did not balance with each other when all balances were combined for reporting purposes. Several adjusting entries were necessary after year end to reconcile the due to/due froms.

Recommendation: Due to/due from reconciliations should be created on a monthly basis to ensure they balance with each other when all balances are combined at year end.

RICHARD MILBURN ACADEMY/TX, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013 (CONTINUED)

Responsible Official to Implement Corrective Actions: Norman Hall –
Superintendent

2013-3 Budget Efficiency

Conditions: The Organization did not efficiently utilize their budgets to control and account for spending.

Criteria: The budgets are an essential tool in the internal control structure to track and control spending.

Effect: Budgets were not accurately adjusted and spending was routinely over budgeted amounts.

Recommendation: We recommend that the Organization implement budget controls that ensure that budget amounts are accurately estimated and adjusted, if needed. Also, the controls should effectively limit the possibility of spending being over the set budget.

Responsible Official to Implement Corrective Actions: Norman Hall -
Superintendent

III. Federal Awards Findings and Questioned Costs

- None.