



**RICHARD MILBURN ACADEMY/TX, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2020**

**Paul J. Christensen & Associates, LLC**  
**Certified Public Accountants**  
**Waco, Texas**

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

We, the undersigned, certify that the attached Financial and Compliance Report of Richard Milburn Academy/TX, Inc. was reviewed and (check one)  approved  disapproved for the year ended June 30, 2020 at a meeting of governing body of the charter holder on the 14<sup>th</sup> day of January, 2021.

M. B. Peoples

Signature of Board Secretary

Detsy Hall Bender

Signature of Board President

If the governing body of the charter holder does not approve the Independent Auditor's Report, it must forward a written statement discussing the reason(s) for not approving the report.

# Paul J. Christensen & Associates, LLC

*Certified Public Accountants*

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Paul J. Christensen, C.P.A.  
Gary L. Sauls, C.P.A.

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Richard Milburn Academy/TX, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statement 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; this 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 from 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 audit 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 June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Richard Milburn Academy/TX, Inc.'s June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 19 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2021, on our consideration of Richard Milburn Academy/TX, Inc.'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 solely 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 effectiveness of Richard Milburn Academy/TX, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richard Milburn Academy/TX, Inc.'s internal control over financial reporting and compliance.



Waco, Texas  
January 14, 2021

**FINANCIAL STATEMENTS**

RICHARD MILBURN ACADEMY/TX, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020  
(with summarized comparative totals as of June 30, 2019)

	2020	2019
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 4,588,044	\$ 4,729,175
Due from governments	2,661,678	3,114,908
Other receivables	201,765	77,515
Deferred expenses	26,459	41,183
Total Current Assets	7,477,946	7,962,781
Property and Equipment		
Land	941,985	941,985
Building and improvements	6,749,654	6,729,737
Construction in progress	3,896,203	497,328
Furniture and equipment	2,105,711	2,105,711
	13,693,553	10,274,761
Less: Accumulated depreciation	(2,825,821)	(2,561,699)
Net Property and Equipment	10,867,732	7,713,062
Other Assets		
Security deposits	6,280	-
Total Other Assets	6,280	-
Total Assets	\$ 18,351,958	\$ 15,675,843
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 1,291,683	\$ 606,337
Accrued wages payable	1,589,273	1,133,633
Due to other federal agencies	-	58,949
Current portion of long-term debt	195,931	185,354
Total Current Liabilities	3,076,887	1,984,273
Long-Term Liabilities		
Construction loan	402,803	-
Long-term debt net of current portion	5,634,012	5,828,145
Total Long-Term Liabilities	6,036,815	5,828,145
Total Liabilities	9,113,702	7,812,418
Net Assets		
Without donor restrictions	224,411	116,539
With donor restrictions	9,013,845	7,746,886
Total Net Assets	9,238,256	7,863,425
Total Liabilities and Net Assets	\$ 18,351,958	\$ 15,675,843

The accompanying notes are an integral part of these financial statements.

RICHARD MILBURN ACADEMY/TX, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020  
(with comparative totals for 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues</b>				
Local support:				
Interest and other income	\$ 224,411	\$ -	\$ 224,411	\$ 138,960
Total local support	224,411	-	224,411	138,960
State program revenues:				
Foundation school program act	-	17,291,133	17,291,133	16,812,163
Other state aid	-	196,405	196,405	203,996
Total state program revenues	-	17,487,538	17,487,538	17,016,159
Federal program revenues:				
ESEA Title I, Part A	-	1,231,477	1,231,477	1,015,134
ESEA Title II, Part A	-	51,518	51,518	107,367
IDEA - Part B, Formula	-	248,082	248,082	369,197
Career and Technical	-	18,810	18,810	24,157
National School Lunch and Breakfast Program	-	52,455	52,455	62,051
ESEA, Title III, Part A	-	6,823	6,823	8,671
ESEA, Title IV, Part A	-	-	-	29,620
ESEA Title I, Part C, Migrant	-	2,357	2,357	4,149
ESSER Grant	-	389,631	389,631	-
Evaluation Capacity Grant	-	-	-	17,500
Other Federal Revenue	-	-	-	512
Total federal program revenues	-	2,001,153	2,001,153	1,638,358
Net assets released from restrictions:				
Restrictions satisfied by payments	18,221,732	(18,221,732)	-	-
Total Revenues	18,446,143	1,266,959	19,713,102	18,793,477
<b>Expenses</b>				
Program Services:				
11 Instruction	8,172,978	-	8,172,978	6,557,372
13 Curriculum development and instructional staff development	1,311,270	-	1,311,270	1,500,946
21 Instructional leadership	289,570	-	289,570	228,100
23 School leadership	2,102,313	-	2,102,313	2,437,705
31 Guidance, counseling and evaluation services	1,062,340	-	1,062,340	1,245,070
32 Social work services	-	-	-	-
33 Health services	17,934	-	17,934	407
34 Student (Pupil) Transportation	7,371	-	7,371	4,448
35 Food services	131,155	-	131,155	169,025
36 Cocurricular/extracurricular activities	-	-	-	1,980
Total Program Services	13,094,931	-	13,094,931	12,145,053
Support services:				
41 General administration	946,673	-	946,673	862,744
51 Plant maintenance and operations	2,537,720	-	2,537,720	2,342,921
52 Security and monitoring services	128,993	-	128,993	232,246
53 Data processing services	920,247	-	920,247	1,036,167
61 Community services	439,565	-	439,565	677,787
71 Debt service	270,142	-	270,142	273,095
Total Support Services	5,243,340	-	5,243,340	5,424,960
Total Expenses	18,338,271	-	18,338,271	17,570,013
Change in Net Assets	107,872	1,266,959	1,374,831	1,223,464
Net Assets, Beginning of Year	116,539	7,746,886	7,863,425	6,639,961
Net Assets, End of Year	\$ 224,411	\$ 9,013,845	\$ 9,238,256	\$ 7,863,425

The accompanying notes are an integral part of these financial statements.



RICHARD MILBURN ACADEMY/TX, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020  
(with summarized comparative totals as of June 30, 2019)

	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Foundation school program payments	\$ 17,667,677	\$ 16,894,593
Other state aid	372,940	27,461
Grant payments	1,842,355	1,685,076
Miscellaneous sources	100,161	93,683
Payments to vendors for goods and services rendered	(5,915,093)	(5,120,034)
Payments to charter school personnel for services rendered	(11,148,159)	(11,113,276)
Interest payments	(270,142)	(273,095)
Net Cash Provided by Operating Activities	2,649,739	2,194,408
<b>Cash Flows from Investing Activities:</b>		
Purchase of capital assets	(3,010,117)	(1,233,503)
Proceeds from sale of assets	-	14,000
Net Cash Used by Investing Activities	(3,010,117)	(1,219,503)
<b>Cash Flows from Financing Activities:</b>		
Issuance of long-term debt	402,803	580,000
Repayment of long-term debt	(183,556)	(162,710)
Net Cash Provided by Financing Activities	219,247	417,290
Net Increase (Decrease) in Cash and Cash Equivalents	(141,131)	1,392,195
Cash and Cash Equivalents at Beginning of Year	4,729,175	3,336,980
Cash and Cash Equivalents at End of Year	\$ 4,588,044	\$ 4,729,175
<b>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Change in Net Assets	\$ 1,374,831	\$ 1,223,464
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	264,123	269,553
Loss on sale of assets	-	2,711
(Increase) Decrease in assets:		
Due from governments	453,230	(74,098)
Other receivables	(124,250)	(77,515)
Deferred expenses	14,724	-
Security deposits	(6,280)	269,905
Increase (Decrease) in liabilities:		
Accounts payable	276,670	229,042
Accrued wages payable	455,640	292,397
Due to other federal agencies	(58,949)	58,949
Net Cash Provided by Operating Activities	\$ 2,649,739	\$ 2,194,408

The accompanying notes are an integral part of these financial statements.

RICHARD MILBURN ACADEMY/TX, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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

**Reporting Entity**

The Charter Holder is a not-for-profit organization incorporated in the State of Texas in 2000 and exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Charter Holder is operated as a single charter school and does not conduct any other charter or non-charter activities. The Charter Holder is governed by a Board of Directors comprised of five members. The Board of Directors are selected pursuant to the bylaws of the Charter Holder and has the authority to make decisions, appoint the chief executive officer of the Charter Holder, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Charter Holder.

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

**Corporate Operations**

The State Board of Education of the State of Texas granted the Charter Holder an open-enrollment charter pursuant to Chapter 12 of the Texas Education Code. Pursuant to the program described in the charter application approved by the State Board of Education and the terms of the applicable Contract for Charter, Richard Milburn Academy/TX, Inc. was opened. Richard Milburn Academy/TX, Inc. was organized to provide educational services to at-risk students and their programs, services, activities and functions are governed by the Charter Holder's Board of Directors.

**Basis of Accounting and Presentation**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles generally accepted in the United States of America (GAAP).

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:

**Net Assets Without Donor Restrictions** - net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.

**Net Assets With Donor Restrictions** - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Use of Estimates**

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

RICHARD MILBURN ACADEMY/TX, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Contributions**

The Charter Holder accounts for contributions as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

**Cash and Cash Equivalents**

For financial statement purposes, the Charter Holder 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 land, buildings and improvements, construction in progress, vehicles, and furniture and equipment are reported in the financial statements. Capital assets are defined by the Charter Holder as assets with an individual cost of more than \$5,000 and an estimated useful life 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 thirty 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.

**Due From Governments**

The Charter Holder considers all government grants and contracts as exchange transactions rather than contributions. The Charter Holder recognizes revenue from fee-for-service transactions as services are rendered and, for grants, as eligible expenditures are incurred. Advances from government agencies are recorded as deferred revenues. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as receivables.

Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of any noncompliance with terms of the grant of contract.

**Impairment of Long-Lived Assets**

The Charter Holder reviews the carrying value of capital assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. The Charter Holder did not recognize an impairment loss during the year ended June 30, 2020.

**State Funding**

The amount of state foundation school program act revenue the Charter Holder earns may vary until the time when final values for all factors in the state aid formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation school program act revenue estimate for the year ended June 30, 2020 will change.

RICHARD MILBURN ACADEMY/TX, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Revenue Recognition**

Revenues from the state of Texas are based on reported attendance. Public and private grants received are recognized in the period received and when the terms of the grant are met.

**Donated Services and Assets**

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills and which would typically need to be purchased if not provided by donation are recorded at the estimated fair market value in the period received.

Contributions of donated noncash assets are recorded at the estimated fair market value in the period received.

**Functional Allocation of Expenses**

The Charter Holder provides educational services to at-risk students. The relationship between functional expense classifications as summarized on the statement of activities and their natural expense classifications is presented in the table below:

	2020			2019		
	Program Services	Support Services	Total	Program Services	Support Services	Total
<b><u>Expenses</u></b>						
6100 Payroll Cost	\$10,072,647	\$1,531,152	\$11,603,799	\$ 9,692,098	\$ 1,713,573	\$11,405,671
6200 Professional and contracted services	890,659	3,117,773	4,008,432	805,772	2,962,355	3,768,127
6300 Supplies and materials	1,576,835	102,393	1,679,228	896,284	209,213	1,105,497
6400 Other operating costs	554,790	221,880	776,670	750,899	264,013	1,014,912
6500 Debt Service	-	270,142	270,142	-	273,095	273,095
8900 Losses/Net assets released from temporary restrictions	-	-	-	-	2,711	2,711
	<u>\$13,094,931</u>	<u>\$5,243,340</u>	<u>\$18,338,271</u>	<u>\$12,145,053</u>	<u>\$5,424,960</u>	<u>\$17,570,013</u>

**Contingencies**

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Charter Holder which will only be resolved when one or more future events occur or fail to occur. The Charter Holder's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Charter Holder or unasserted claims that may result in such proceedings, the Charter Holder's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is possible that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Charter Holder's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

RICHARD MILBURN ACADEMY/TX, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Comparative Financial Information**

The accompanying 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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Charter Holder's audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**Note 2 - Cash and Cash Equivalents**

Cash and cash equivalents as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Checking accounts	\$ 3,812,742	\$ 3,958,872
Money market accounts	775,302	770,303
	\$ 4,588,044	\$ 4,729,175

**Note 3 - Due from Governments**

Amounts due from governments as of June 30, 2020 and 2019 consist of the following:

	2020	2019
Texas Department of Education, Texas Education Agency	\$ 2,257,669	\$ 2,810,748
U.S. Department of Education passed through Texas Education Agency	404,009	304,160
Total	\$ 2,661,678	\$ 3,114,908

**Note 4 - Capital Assets**

A summary of changes in capital assets is as follows:

	Balance 2019	Additions	Retirements	Balance 2020	Accumulated Depreciation	Net Capital Assets
Land	\$ 941,985	\$ -	\$ -	\$ 941,985	\$ -	\$ 941,985
Buildings and Improvements	6,729,737	19,917	-	6,749,654	735,274	6,014,380
Construction in Progress	497,328	3,398,875	-	3,896,203	-	3,896,203
Vehicles	-	-	-	-	-	-
Furniture and Equipment	2,105,711	-	-	2,105,711	2,090,547	15,164
	\$10,274,761	\$ 3,418,792	\$ -	\$ 13,693,553	\$ 2,825,821	\$10,867,732

RICHARD MILBURN ACADEMY/TX, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**Note 4 - Capital Assets (continued)**

Capital assets acquired with public funds received by the Charter Holder 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 year ended June 30, 2020 and 2019, was \$264,123 and \$269,553, respectively.

**Note 5 - Pension Plan Obligations**

**Plan Description**

The Charter Holder contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiemployer defined benefit pension plan with one exception; all risks and costs are not shared by the Charter Holder, 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 of the public school systems of Texas.

The plan 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 Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district ("ISD") may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement.

**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% 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.

**Contributions**

State law provides for a member contribution rate of 7.7% for fiscal year 2020 and 2019. The state's contribution rate as a non-employer contributing entity was 7.5% for fiscal year 2020.

The Charter Holder's employees' contributions to the System for the years ending June 30, 2020 and 2019 were \$427,835 and \$159,640, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the Charter Holder for salaries above the statutory minimum for the years ending June 30, 2020 and 2019 were \$9,868 and \$6,891, respectively, equal to the required contributions for each year. The Charter Holder's contributions into this plan do not represent more than 5% of the total contributions to the plan.

RICHARD MILBURN ACADEMY/TX, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**Note 6 - Health Care Coverage**

During the year ended June 30, 2020 and 2019, employees of the Charter Holder were covered by a Health Insurance Plan ("Plan"). The Charter Holder contributed \$465 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

**Note 7 - Risk Management Program**

Worker's compensation coverage, 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 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 June 30, 2020 under these leases are summarized as follows:

<u>Fiscal Year Ending June 30,</u>	
2021	\$ 854,496
2022	494,400
2023	498,624
2024	347,789
2025	21,350
	<u>\$ 2,216,659</u>

Rent expense for all operating leases for the year ended June 30, 2020 and 2019 was \$1,266,624 and \$1,235,863, respectively.

**Note 9 - Long Term Debt**

On July 6, 2016, the Charter Holder signed a promissory note with a bank for \$2,120,000 to finance the purchase of property and improvements located in Pasadena, Texas. The note bears interest at 4.24% and matures July 6, 2021. Monthly interest only payments are required through July 6, 2017 at which time it will convert into monthly installments of \$11,473 and one balloon payment of the entire unpaid balance of principal and interest on July 6, 2021. The note is secured by the property and improvements.

On June 30, 2017, the Charter Holder signed a promissory note with a bank for \$307,700 to finance the purchase of property located in Killeen, Texas. The note bears interest at 4.5% and matures June 30, 2029 and is payable in monthly installments of \$2,779. The note is secured by the property. The Charter Holder consolidated this note with the promissory note signed on January 8, 2019.

On January 8, 2018, the Charter Holder signed a promissory note with a bank for \$3,556,812 to finance the purchase of property and improvements located in Killeen, Lubbock, and Odessa, Texas. The note bears interest at 4.49% and matures October 3, 2022 and is payable in monthly installments of \$22,606 including one balloon payment of the entire unpaid balance of principal and interest on October 3, 2022. The note is secured by the property and improvements.

On July 26, 2019, the Charter Holder signed a promissory note with a bank for \$580,000 to finance the purchase of property and improvements located in Corpus Christi, Texas. The note bears interest at 4.99% and matures July 26, 2023 and is payable in monthly installments of \$3,825 including one balloon payment of the entire unpaid balance of principal and interest on July 26, 2023. The note is secured by property and improvements.

RICHARD MILBURN ACADEMY/TX, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

**Note 9 - Long Term Debt (continued)**

On April 27, 2020, the Charter Holder entered into a construction loan agreement and signed a promissory note with a bank for \$2,150,000 to finance the improvements located in Corpus Christi, Texas. The note bears interest at 5.49% and matures April 27, 2041 and is payable in monthly installments that will be determined by the Lender based on an amortization of the principal balance as of April 27, 2021. The note is secured by property and improvements.

Future requirements to service the notes are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 195,931	\$ 281,315	\$ 477,246
2022	2,083,814	197,014	2,280,828
2023	3,042,822	94,081	3,136,903
2024	507,376	24,224	531,600
2025-therafter	402,803	353,822	756,625
	<u>\$ 6,232,746</u>	<u>\$ 950,456</u>	<u>\$ 7,183,202</u>

**Note 10 - Income Tax**

The Charter Holder is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business taxable income. The Charter Holder has no material unrelated business income for the year ended June 30, 2020.

Generally accepted accounting principles requires that the Charter Holder recognize in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the tax position. The new requirements also provide guidance on measurement, classification, interest and penalties, and disclosure.

Tax positions taken related to the Charter Holder's tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken would more likely than not be sustained by examination. Accordingly, the Charter Holder has not recorded an income tax liability for uncertain tax benefits. For the year ended June 30, 2020 and 2019, there were no interest or penalties related to income taxes recorded or included in the financial statements. As of June 30, 2020, the Charter Holder's tax years 2017 through 2019 remain subject to examination.

**Note 11 - Credit Risk**

Financial instruments that potentially subject the Charter Holder to credit risk consist of cash at financial institutions. At times, the balances in cash accounts may be in excess of FDIC insurance limits. The financial institution pledges investment securities to compensate for deposits in excess of FDIC insurance limits.

**Note 12 - Commitments and Contingencies**

The Charter Holder 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 Holder have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency. The Charter Holder is economically dependent on these funds.

From time to time, the Charter Holder is subject to certain claims and contingent liabilities that arise in the normal course of business. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the Charter Holder's financial position.



RICHARD MILBURN ACADEMY/TX, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**Note 12 - Commitments and Contingencies (continued)**

Certain federal grants which the Charter Holder administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. Current and prior year costs of such grants are subject to adjustment upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although the Charter Holder expects such amounts, if any, would not have a significant impact on the financial position of the Charter Holder.

**Note 13 - Liquidity and Availability of Financial Resources**

The Charter Holder has approximately \$4,587,519 of financial assets available within one year of the statements of financial position date to meet cash needs for general expenditures. This consist of cash and cash equivalents of \$4,587,519 and receivables of \$2,661,678, net of accounts payable of \$1,291,158, accrued wages of \$1,589,273, and current portion of long-term debt of \$195,931 as of year-end. Although some of the financial assets are subject to donor or other contractual restrictions, restrictions are part of the Charter Holder's mission that make them available for general expenditure within one year of the statement of financial position date.

**Note 14 - Evaluation of Subsequent Events**

The Charter Holder has evaluated subsequent events through January 14, 2021, the date which the financial statements were available to be issued.

As a result of the Covid-19 pandemic, economic uncertainties have arisen which may affect the Charter Holder's operations. However, the financial impact and duration cannot be reasonably estimated at this time.

**SUPPLEMENTARY INFORMATION**

RICHARD MILBURN ACADEMY/TX, INC.  
 SCHEDULE OF EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2020  
 (with summarized comparative totals as of June 30, 2019)

Expenses	<u>2020</u>	<u>2019</u>
6100 Payroll cost	\$ 11,603,799	\$ 11,405,671
6200 Professional and contracted services	4,008,431	3,768,127
6300 Supplies and materials	1,679,228	1,105,497
6400 Other operating costs	776,671	1,014,912
6500 Debt service	270,142	273,095
8900 Losses/net assets released from temporary restrictions	-	<u>2,711</u>
	<u>\$ 18,338,271</u>	<u>\$ 17,570,013</u>

RICHARD MILBURN ACADEMY/TX, INC.  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Ownership Interest		
	<u>Local</u>	<u>State</u>	<u>Federal</u>
1510 Land	\$ -	\$ 941,985	\$ -
1520 Building	-	6,749,654	-
1521 Construction in progress	-	3,896,203	
1549 Furniture and equipment	-	2,050,555	55,156
	<u>\$ -</u>	<u>\$ 13,638,397</u>	<u>\$ 55,156</u>

RICHARD MILBURN ACADEMY/TX, INC.  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>			Variance from Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Local support:				
5740 Other revenues from local sources	\$ 190,701	\$ 190,701	\$ 224,411	\$ 33,710
State program revenues:				
5810 Foundation school program act	16,369,142	16,369,142	17,291,133	921,991
5820 Other State Aid	385,261	385,261	196,405	(188,856)
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	<u>2,526,659</u>	<u>2,526,659</u>	<u>2,001,153</u>	<u>(525,506)</u>
Total Revenues	<u>19,471,763</u>	<u>19,471,763</u>	<u>19,713,102</u>	<u>241,339</u>
<b>Expenses</b>				
11 Instruction	8,475,228	8,119,149	8,172,978	(53,829)
13 Curriculum development and instructional staff development	1,876,946	1,253,631	1,311,270	(57,639)
21 Instructional leadership	333,988	289,302	289,570	(268)
23 School leadership	2,166,210	2,100,901	2,102,313	(1,412)
31 Guidance, counseling and evaluation services	1,253,762	1,038,444	1,062,340	(23,896)
33 Health services	13,118	17,934	17,934	-
34 Student (Pupil) Transportation	4,912	7,371	7,371	-
35 Food services	256,700	131,155	131,155	-
36 Cocurricular/extracurricular activities	-	-	-	-
41 General administration	1,009,081	940,034	946,673	(6,639)
51 Plant maintenance and operations	2,472,960	2,537,425	2,537,720	(295)
52 Security and monitoring services	15,927	160,578	128,993	31,585
53 Data processing services	727,753	919,616	920,247	(631)
61 Community services	125,632	408,554	439,565	(31,011)
71 Debt service	<u>391,939</u>	<u>258,766</u>	<u>270,142</u>	<u>(11,376)</u>
Total Expenses	<u>19,124,156</u>	<u>18,182,860</u>	<u>18,338,271</u>	<u>(155,411)</u>
Change in Net Assets	347,607	1,288,903	1,374,831	85,928
Net Assets, Beginning of Year	<u>7,863,425</u>	<u>7,863,425</u>	<u>7,863,425</u>	
Net Assets, End of Year	<u>\$ 8,211,032</u>	<u>\$ 9,152,328</u>	<u>\$ 9,238,256</u>	<u>\$ 85,928</u>

**COMPLIANCE AND INTERNAL CONTROLS SECTION**

# Paul J. Christensen & Associates, LLC

## *Certified Public Accountants*

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Paul J. Christensen, C.P.A.  
Gary L. Sauls, C.P.A.

### 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.  
San Antonio, 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 Richard Milburn Academy/TX, Inc. (the "Charter Holder") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements 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 January 14, 2021.

#### **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 Richard Milburn Academy/TX, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Richard Milburn Academy/TX, Inc.'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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Richard Milburn Academy/TX, Inc.'s financial statements are free from 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*.

**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 Richard Milburn Academy/TX, Inc.'s internal control or on compliance. This report is in integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richard Milburn Academy/TX, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Paul J. Utter + Co., LLC*

Waco, Texas  
January 14, 2021



# Paul J. Christensen & Associates, LLC

*Certified Public Accountants*

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Paul J. Christensen, C.P.A.  
Gary L. Sauls, C.P.A.

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

### Report on Compliance For Each Major Federal Program

We have audited Richard Milburn Academy/TX, Inc.'s (the "Charter Holder") (a nonprofit organization), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Richard Milburn Academy/TX, Inc.'s major federal programs for the year ended June 30, 2020. Richard Milburn Academy/TX, Inc.'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Richard Milburn Academy/TX, Inc.'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 Richard Milburn Academy/TX, Inc.'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 Richard Milburn Academy/TX, Inc.'s compliance.

### Opinion on Each Major Federal Program

In our opinion, Richard Milburn Academy/TX, Inc. 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 June 30, 2020.

## Report on Internal Control Over Compliance

Management of Richard Milburn Academy/TX, Inc. 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 Richard Milburn Academy/TX, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Richard Milburn Academy/TX, Inc.'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Paul J. Utter + Utter, LLC*

Waco, Texas  
January 14, 2021

RICHARD MILBURN ACADEMY/TX, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020

**I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued Unmodified

Internal Control over Financial Reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not  
considered to be material weakness(es)?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal Control over Major Programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not  
considered to be material weakness(es)?  Yes  No

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

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR section 200.516(a)?  Yes  No

Identification of Major Programs:

<u>CFDA Number(s)</u>	Name of Federal Program
84.010A	ESEA, Title I, Part A - Improving Basic Programs

Dollar threshold used to distinguish between Type A  
and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

RICHARD MILBURN ACADEMY/TX, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020

**I. FINANCIAL STATEMENT FINDINGS**

None

**II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

RICHARD MILBURN ACADEMY/TX, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Pass-Through/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Education:</u></b>			
Passed-Through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610141014801	\$ 137,240
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101014801	1,094,237
ESEA, Title I, Part C, Migrant	84.011A	19615001015950	97
ESEA, Title I, Part C, Migrant	84.011A	20615001015950	2,260
Special Education Cluster (IDEA)			
IDEA - Part B, Formula	84.027A	196600010148016000	10,433
IDEA - Part B, Formula	84.027A	206600010148016000	237,649
Total Special Education Cluster (IDEA)			<u>248,082</u>
ESEA, Title III, Part A	84.365A	19671001015950	1,180
ESEA, Title III, Part A	84.365A	20671001015950	5,643
ESEA, Title II, Part A - Teacher and Principal Training	84.367A	20694501014801	51,518
Career and Technical	84.048A	20420006015950	18,810
ESSER Grant	84.425D	20521001014801	<u>389,631</u>
Total U.S. Department of Education			<u>1,948,698</u>
<b><u>U.S. Department of Agriculture:</u></b>			
Passed-Through Texas Education Agency			
Child Nutrition Cluster			
School Breakfast Program	10.553	71402001	52,455
Total Child Nutrition Cluster			<u>52,455</u>
Total U.S. Department of Agriculture			<u>52,455</u>
Total Expenditures of Federal Awards			<u>\$ 2,001,153</u>

RICHARD MILBURN ACADEMY/TX, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) presents the activity of all applicable federal award programs of Richard Milburn Academy/TX, Inc. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Corporation.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in Uniform Guidance, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 2 - Indirect Cost Rate**

Richard Milburn Academy/TX, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.