



RICHARD MILBURN ACADEMY, INC.
ANNUAL AND FINANCIAL COMPLIANCE
REPORT
AUGUST 31, 2009
(WITH SUMMARIZED COMPARATIVE
INFORMATION FOR 2008)



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

CERTIFICATE OF BOARD

We, the undersigned, certify that the attached Annual and Financial Compliance Report of Richard Milburn Academy, Inc. was reviewed and (check one) approved _____ disapproved for the year ended August 31, 2009, at a meeting of the governing body of the charter holder on the 27 day of January, 2010.

Carole Renales

Signature of Board Secretary
Carole Renales

Peter G. Briggs

Signature of Board President
Peter G. Briggs



Independent Auditor's Report

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

Members of the Board of Directors:

We have audited the accompanying statements of financial position of Richard Milburn Academy, Inc. (a nonprofit organization) (the "charter holder") as of August 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the charter holder's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the charter holder's 2008 financial statements which were audited by us and upon which our report dated January 7, 2009 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the charter holder as of August 31, 2009, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2010, on our consideration of the charter holder's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting



and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedules on pages 43-48 are not a required part of the general-purpose financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the charter holder 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 general-purpose financial statements. The specific-purpose financial statements and schedules on pages 15-42 are likewise presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, are fairly stated, in all material respects in relation to the general-purpose financial statements taken as a whole.

BKHM, P.A.

Winter Park, Florida
January 21, 2010

RICHARD MILBURN ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2009 AND 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 714,507	\$ 876,635
Due from governmental agencies	390,267	344,460
Prepaid assets	33,444	55,866
Due from affiliates	42,951	8,719
Total current assets	1,181,169	1,285,680
Furniture, fixtures and equipment, net	68,761	171,621
Other assets	18,035	107,155
Total assets	\$ 1,267,965	\$ 1,564,456
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 574,985	\$ 835,197
Accrued payroll	207,945	279,335
Due to governmental agencies	37,939	235,633
Total liabilities	820,869	1,350,165
Net assets:		
Unrestricted	447,096	214,291
Temporarily restricted	-	-
Total net assets	447,096	214,291
Total liabilities and net assets	\$ 1,267,965	\$ 1,564,456

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

RICHARD MILBURN ACADEMY, INC.

STATEMENTS OF ACTIVITIES

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2009
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2008)**

REVENUES	Unrestricted	Temporarily Restricted	Totals	
	2009	2008	2009	2008
Local support:				
Interest and other revenue	\$ 5,438	\$ -	\$ 5,438	\$ 7,969
Total local support	5,438	-	5,438	7,969
State program revenues:				
Foundation School Program	6,597,399	-	6,597,399	7,070,143
Other state aid	81,721	-	81,721	26,170
Total state program revenues	6,679,120	-	6,679,120	7,096,313
Federal program revenues:				
ESEA Title I, Part A	881,761	-	881,761	661,446
ESEA Title II, Part A	30,924	-	30,924	26,888
ESEA Title II, Part D	2,213	-	2,213	1,200
ESEA Title IV, Part A	845	-	845	-
ESEA School Improvement Plan	80,483	-	80,483	-
IDEA, Part B	115,759	-	115,759	51,458
E-Rate	22,398	-	22,398	95,835
Total federal program revenues	1,134,383	-	1,134,383	836,827
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	\$ 7,818,941	\$ -	\$ 7,818,941	\$ 7,941,109

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

RICHARD MILBURN ACADEMY, INC.

STATEMENTS OF ACTIVITIES

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2009
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2008)
(continued)**

	Unrestricted	Temporarily Restricted	Totals	
			2009	2008
EXPENSES				
Program services:				
Instruction and instruction-related	\$ 3,740,125	\$ -	\$ 3,740,125	\$ 3,932,585
Instructional and school leadership	910,154	-	910,154	1,020,507
Support services:				
Administrative support services	1,692,780	-	1,692,780	1,762,994
Support services - student	505,169	-	505,169	655,783
Support services - non-student based	1,050,234	-	1,050,234	1,092,877
Total expenses	7,898,462	-	7,898,462	8,464,746
Change in net assets	(79,521)	-	(79,521)	(523,637)
Net assets, beginning of year	214,291	-	214,291	737,928
Net deficit transferred out to RMA/TX, Inc. (See Note 2)	312,326	-	312,326	-
Net assets, end of year	\$ 447,096	\$ -	\$ 447,096	\$ 214,291

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

RICHARD MILBURN ACADEMY, INC.

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ 6,338,247	\$ 7,154,456
Grant payments	1,134,383	936,758
Miscellaneous sources	5,438	7,969
Payments to vendors for goods and services rendered	(3,289,205)	(3,376,820)
Payments to personnel for services rendered	(4,193,236)	(4,714,393)
Net cash (used for) provided by operating activities	(4,373)	7,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures and equipment	(8,303)	(48,245)
Net cash used for investing activities	(8,303)	(48,245)
Net decrease in cash	(12,676)	(40,275)
Cash and cash equivalents, beginning of year	876,635	916,910
Cash transferred out to RMA/TX, Inc. (See Note 2)	(149,452)	-
Cash and cash equivalents, end of year	\$ 714,507	\$ 876,635
Reconciliation of change in net assets to net cash (used for) provided by operating activities:		
Change in net assets	\$ (79,521)	\$ (523,637)
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities net of assets and liabilities transferred out to RMA/TX, Inc. (See Note 2):		
Depreciation	69,565	120,470
Loss on disposal of furniture, fixtures and equipment	955	-
(Increase) decrease in assets:		
Due from governmental agencies	(143,179)	(35,018)
Prepaid assets	12,679	71,557
Other assets	52,255	(86,983)
Due from affiliates	3,882	6
Increase (decrease) in liabilities:		
Accounts payable	299,317	329,956
Accrued payroll	(22,632)	(61,473)
Due to governmental agencies	(197,694)	193,092
Net cash (used for) provided by operating activities	\$ (4,373)	\$ 7,970

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

RICHARD MILBURN ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

The Organization provided general education services for students in grades nine through twelve in six individual charter schools in Texas. Effective January 1, 2009, the Organization operated four individual charter schools (see Note 2). Each individual school operates under an open enrollment charter granted by the State of Texas Board of Education. Each charter was renewed for a period of ten years, which end between July 31, 2013 and July 31, 2015, and are subject to review and renewal prior to the expiration dates of the charters. The Organization is part of the public school system of the State of Texas and, therefore, is entitled to distribution from the Foundation School Program, as well as other state grants and federal grants received through the State of Texas. The Organization does not have the authority to impose ad valorem taxes or to change the price of tuition.

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

Basis of presentation

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

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

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

RICHARD MILBURN ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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

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

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

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the fiscal year ended August 31, 2008, from which the summarized information was derived.

Functional expenses

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

Reclassifications

Certain reclassifications were made in the 2008 amounts to conform to their classifications in fiscal year 2009.

Cash and cash equivalents

The Organization’s cash consists primarily of demand deposits with financial institutions. All funds on deposit are continuously secured in accordance with the Texas Public Funds Collateral Act, Chapter 2257 of the Texas Government Code.

Due to governmental agencies

Due to governmental agencies consisted of overpayments from the Foundation School Program. Amounts were amortized and repaid by reductions of fiscal year 2010 Foundation School Program payments.

RICHARD MILBURN ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Capitalized assets and depreciation

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

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

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

Income taxes

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

The Organization has deferred the application of Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, as permitted by a FASB staff release. The Organization presently records and evaluates its uncertain tax positions using a more-likely-than-not sustainability threshold.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial position and affect revenues and expenses for the periods presented. Actual results could differ significantly from those estimates. Foundation School Program revenue in the accompanying financial statements is based upon the allocation of these funds by the TEA at the time of issuance of these financial statements. The allocation by the 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 (see Note 8).

2 ORGANIZATION RESTRUCTURING

In November 2008, an agreement was reached between the Organization, Richard Milburn Academy/TX, Inc., an entity related by common board membership, and the TEA. Pursuant to this agreement, the Organization agreed to surrender the open-enrollment charter of its Midland and Lubbock campuses to the TEA. The purpose of the surrender was to consolidate the campuses under a single charter with the Odessa campus of Richard Milburn Academy/TX, Inc. In applying for and receiving the Midland and Lubbock campuses as expansion campuses, Richard Milburn Academy/TX, Inc. assumed all liabilities and responsibility for all debts,

RICHARD MILBURN ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

obligations, liabilities and other lawful duties and obligations of the two open-enrollment charters surrendered.

Effective January 1, 2009, the Organization completed the transfer of all assets, liabilities, and net deficits of Midland and Lubbock to Richard Milburn Academy/TX, Inc. and recorded the transfer at historical net carrying value as of that date. The operations of the Midland and Lubbock campuses from September 1, 2008 through December 31, 2008 are included in the statements of activities for the fiscal year ended August 31, 2009 and are included within the operations of Odessa as these locations are now operating under its charter.

3 DUE FROM/TO GOVERNMENTAL AGENCIES

Due from governmental agencies in the accompanying statements of financial position include approximately \$110,000 and \$155,000 in funds due from federal agencies and approximately \$280,000 and \$189,000 due from the TEA as of August 31, 2009 and 2008, respectively. Based on the collectibility of funds from these sources, in the opinion of management, an allowance for doubtful accounts is not considered necessary.

Due to governmental agencies in the accompanying statements of financial position include approximately \$38,000 and \$236,000 due to federal agencies as of August 31, 2009 and 2008, respectively.

4 FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment, net, as of August 31, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Furniture, fixtures and equipment	\$ 613,068	\$ 826,640
Less: accumulated depreciation	<u>(544,307)</u>	<u>(655,019)</u>
Furniture, fixtures and equipment, net	<u>\$ 68,761</u>	<u>\$ 171,621</u>

Capitalized assets acquired with public funds received by the Organization for the operation of the individual schools of Richard Milburn Academy, Inc. constitute public property pursuant to Chapter 12 of the Texas Education Code. These capitalized asset amounts are identified on the Schedule of Capital Assets for each individual charter school by respective charter on pages 39-42.

Depreciation expense for the fiscal years ended August 31, 2009 and 2008 was approximately \$70,000 and \$120,000, respectively.

RICHARD MILBURN ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

5 PENSION PLAN OBLIGATIONS

Defined Benefit Plan

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

Under provisions in State law, plan members are required to contribute 7.4% of their annual covered salary, and the State of Texas contributes an amount equal to 6.0% of the Organization's covered payroll. Additionally, the Organization contributes 6.58% of the employees' annual covered salary during the first three months of employment, and 0.55% thereafter. The Organization's and employees' contributions to the System for the fiscal years ending August 31, 2009 and 2008 were approximately \$214,000 and \$221,000, respectively, and were equal to the required contributions for each year.

401(k) Plan

The Organization also participates in a profit-sharing plan of a related party. The plan operates under Section 401(k) of the Internal Revenue Code, whereby all eligible employees are entitled to defer up to \$16,500 and \$15,500 during the 2009 and 2008 calendar years, respectively. Substantially all employees are eligible to participate in the plan depending on the length of service and attainment of minimum age requirements. Under the terms of the plan, the Organization contributes an amount to the plan at the discretion of the Board of Directors. Employer contributions to the plan in fiscal 2009 and 2008 were approximately \$2,000 and \$600, respectively.

6 RELATED PARTY TRANSACTIONS

During the routine course of business, invoices and payroll, which apply to both the Organization and an affiliate, Richard Milburn Academy/TX, Inc., may be paid by a single entity creating an affiliate receivable or payable. The Organization tracks the amounts due to or from each affiliated entity or school separately, and these amounts are presented separately in the accompanying financial statements. Amounts due from affiliates as of August 31, 2009 and 2008 are approximately \$43,000 and \$9,000, respectively.

RICHARD MILBURN ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

7 RISK MANAGEMENT PROGRAM

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

8 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The Organization participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of August 31, 2009 may be impaired.

The Organization is required to expend a minimum amount of its allocation of special program grants from the TEA on a timely basis. Management has determined the period for timely expenditure of the funds allocated to the Organization in any year to be the three-year period beginning with that respective year. Management calculates its estimate of the amounts of special program funds to be returned to the TEA on a first-in, first-out basis by applying expenditures to the earliest year first to satisfy the spending requirements for that respective year. As of August 31, 2009, management does not believe there are any amounts due to the TEA for unexpended special program funds.

In the opinion of management, there are no significant unrecorded contingent liabilities relating to compliance with the rules and regulations governing these grants.

Lease commitments

The Organization leases its facilities under non-cancelable operating leases, which contain varying renewal options. Approximate aggregate remaining minimum rental commitments as of August 31, 2009 under these leases are summarized as follows:

<u>Fiscal Year Ending August 31,</u>	
2010	\$ 445,000
2011	396,000
2012	396,000
2013	284,000
2014	93,000
Thereafter	<u>85,250</u>
Total	<u>\$ 1,699,250</u>

RICHARD MILBURN ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Rent expense for all operating leases for the fiscal years ending August 31, 2009 and 2008 was approximately \$530,000 and \$577,000, respectively.

Management fees

The Organization contracts with a management company for management and administrative services. The management agreements provide, among other things, for the payment of a management fee calculated based upon the gross revenues of each individual school within the Organization. The management agreements were executed following a full and open competition and were approved by the Board of Directors. For the fiscal years ending August 31, 2009 and 2008, the Organization has incurred approximately \$1,146,000 and \$1,183,000 of management fees, respectively. Amounts due to the management company as of August 31, 2009 and 2008 are approximately \$298,000 and \$701,000, respectively, and are included in accounts payable in the accompanying financial statements.

State funding

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

RICHARD MILBURN ACADEMY, INC. - AMARILLO

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2009 AND 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 75,408	\$ 168,470
Due from governmental agencies	105,371	78,846
Prepaid assets	8,336	10,534
Total current assets	189,115	257,850
Furniture, fixtures and equipment, net	15,263	5,597
Total assets	\$ 204,378	\$ 263,447
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 55,479	\$ 34,271
Accrued payroll	36,135	57,066
Due to governmental agencies	-	90,668
Due to affiliates	4,951	2,937
Total liabilities	96,565	184,942
Net assets:		
Unrestricted	107,813	78,505
Temporarily restricted	-	-
Total net assets	107,813	78,505
Total liabilities and net assets	\$ 204,378	\$ 263,447

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - BEAUMONT

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2009 AND 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 91,319	\$ 284,449
Due from governmental agencies	57,122	62,892
Prepaid assets	7,427	11,078
Due from affiliates	29,408	10,004
Total current assets	185,276	368,423
Furniture, fixtures and equipment, net	25,188	59,260
Other assets	77	-
Total assets	\$ 210,541	\$ 427,683
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 143,541	\$ 38,120
Accrued payroll	76,276	63,523
Due to governmental agencies	37,939	28,191
Total liabilities	257,756	129,834
Net assets:		
Unrestricted	(47,215)	297,849
Temporarily restricted	-	-
Total net assets	(47,215)	297,849
Total liabilities and net assets	\$ 210,541	\$ 427,683

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - CORPUS CHRISTI

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 183,805	\$ 113,179
Due from governmental agencies	104,556	55,912
Prepaid assets	<u>9,664</u>	<u>10,570</u>
Total current assets	298,025	179,661
Furniture, fixtures and equipment, net	12,156	25,112
Other assets	<u>14,610</u>	<u>27,646</u>
Total assets	<u>\$ 324,791</u>	<u>\$ 232,419</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 163,235	\$ 155,027
Accrued payroll	55,112	37,480
Due to governmental agencies	-	27,547
Due to affiliates	<u>7,336</u>	<u>2,313</u>
Total liabilities	<u>225,683</u>	<u>222,367</u>
Net assets:		
Unrestricted	99,108	10,052
Temporarily restricted	<u>-</u>	<u>-</u>
Total net assets	<u>99,108</u>	<u>10,052</u>
Total liabilities and net assets	<u>\$ 324,791</u>	<u>\$ 232,419</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - KILLEEN

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2009 AND 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 352,550	\$ 145,695
Due from governmental agencies	123,218	37,449
Prepaid assets	8,017	8,374
Total current assets	483,785	191,518
Furniture, fixtures and equipment, net	16,032	28,220
Other assets	3,281	39,812
Total assets	\$ 503,098	\$ 259,550
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 165,358	\$ 55,987
Accrued payroll	37,951	58,375
Due to governmental agencies	-	6,889
Due to affiliates	12,399	5,824
Total liabilities	215,708	127,075
Net assets:		
Unrestricted	287,390	132,475
Temporarily restricted	-	-
Total net assets	287,390	132,475
Total liabilities and net assets	\$ 503,098	\$ 259,550

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - LUBBOCK

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2009 AND 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 147,254
Due from governmental agencies	-	50,492
Prepaid assets	-	8,748
Total current assets	-	206,494
Furniture, fixtures and equipment, net	-	12,395
Other assets	-	19,899
Total assets	\$ -	\$ 238,788
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ -	\$ 366,622
Accrued payroll	-	34,764
Due to governmental agencies	-	15,295
Due to affiliates	-	6,555
Total liabilities	-	423,236
Net assets:		
Unrestricted	-	(184,448)
Temporarily restricted	-	-
Total net assets	-	(184,448)
Total liabilities and net assets	\$ -	\$ 238,788

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - MIDLAND

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2009 AND 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 11,586
Due from governmental agencies	-	58,373
Prepaid assets	-	6,562
Total current assets	-	76,521
Furniture, fixtures and equipment, net	-	39,645
Other assets	-	19,798
Total assets	\$ -	\$ 135,964
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ -	\$ 161,942
Accrued payroll	-	25,247
Due to governmental agencies	-	67,043
Due to affiliates	-	1,874
Total liabilities	-	256,106
Net assets:		
Unrestricted	-	(120,142)
Temporarily restricted	-	-
Total net assets	-	(120,142)
Total liabilities and net assets	\$ -	\$ 135,964

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - AMARILLO

STATEMENTS OF ACTIVITIES

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2009
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2008)**

	Unrestricted	Temporarily Restricted	Totals	
			2009	2008
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ 4,244	\$ -	\$ 4,244	\$ 2,431
State program revenues:				
5810 Foundation School Program Act	1,419,491	-	1,419,491	1,291,021
5820 State program revenues distributed by Texas Education Agency	4,805	-	4,805	4,977
Total state program revenues	1,424,296	-	1,424,296	1,295,998
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	258,916	-	258,916	194,009
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	1,687,456	-	1,687,456	1,492,438
EXPENSES				
11 Instruction	764,803	-	764,803	657,992
12 Instructional resources and media	6,079	-	6,079	9,176
13 Curriculum development and instructional staff development	90,130	-	90,130	52,225
23 School leadership	190,998	-	190,998	184,044
31 Guidance, counseling and evaluation	76,382	-	76,382	110,913
32 Social work services	-	-	-	12,714
33 Health services	3,339	-	3,339	2,079
36 Cocurricular/extracurricular activities	7,604	-	7,604	5,785
41 General administration	353,340	-	353,340	316,222
51 Plant maintenance and operation	135,322	-	135,322	127,062
52 Security and monitoring services	2,795	-	2,795	7,641
53 Data processing services	24,447	-	24,447	15,068
61 Community services	2,909	-	2,909	-
Total expenses	1,658,148	-	1,658,148	1,500,921
Change in net assets	29,308	-	29,308	(8,483)
Net assets, beginning of year	78,505	-	78,505	86,988
Net assets, end of year	\$ 107,813	\$ -	\$ 107,813	\$ 78,505

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - BEAUMONT

STATEMENTS OF ACTIVITIES

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2009
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2008)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2009</u>	<u>2008</u>
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ 28	\$ -	\$ 28	\$ 177
State program revenues:				
5810 Foundation School Program Act	1,347,187	-	1,347,187	1,462,092
5820 State program revenues distributed by Texas Education Agency	3,986	-	3,986	4,967
Total state program revenues	<u>1,351,173</u>	<u>-</u>	<u>1,351,173</u>	<u>1,467,059</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	89,056	-	89,056	98,432
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	<u>1,440,257</u>	<u>-</u>	<u>1,440,257</u>	<u>1,565,668</u>
EXPENSES				
11 Instruction	621,276	-	621,276	698,596
12 Instructional resources and media	12,562	-	12,562	9,750
13 Curriculum development and instructional staff development	67,001	-	67,001	51,098
23 School leadership	271,379	-	271,379	172,898
31 Guidance, counseling and evaluation	82,276	-	82,276	79,187
33 Health services	12,142	-	12,142	11,246
36 Cocurricular/extracurricular activities	48,394	-	48,394	37,656
41 General administration	381,997	-	381,997	336,362
51 Plant maintenance and operation	233,568	-	233,568	182,307
52 Security and monitoring services	18,005	-	18,005	928
53 Data processing services	21,501	-	21,501	79,895
61 Community services	15,220	-	15,220	8,776
Total expenses	<u>1,785,321</u>	<u>-</u>	<u>1,785,321</u>	<u>1,668,699</u>
Change in net assets	(345,064)	-	(345,064)	(103,031)
Net assets, beginning of year	<u>297,849</u>	<u>-</u>	<u>297,849</u>	<u>400,880</u>
Net assets, end of year	<u>\$ (47,215)</u>	<u>\$ -</u>	<u>\$ (47,215)</u>	<u>\$ 297,849</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - CORPUS CHRISTI

STATEMENTS OF ACTIVITIES

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2009
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2008)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2009</u>	<u>2008</u>
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ 96	\$ -	\$ 96	\$ 274
State program revenues:				
5810 Foundation School Program Act	1,772,905	-	1,772,905	1,341,724
5820 State program revenues distributed by Texas Education Agency	46,284	-	46,284	5,179
Total state program revenues	<u>1,819,189</u>	<u>-</u>	<u>1,819,189</u>	<u>1,346,903</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	297,655	-	297,655	246,215
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	<u>2,116,940</u>	<u>-</u>	<u>2,116,940</u>	<u>1,593,392</u>
EXPENSES				
11 Instruction	827,293	-	827,293	795,489
12 Instructional resources and media	7,733	-	7,733	11,640
13 Curriculum development and instructional staff development	132,652	-	132,652	73,621
23 School leadership	178,259	-	178,259	185,314
31 Guidance, counseling and evaluation	112,809	-	112,809	69,065
33 Health services	1,875	-	1,875	5,502
36 Cocurricular/extracurricular activities	17,550	-	17,550	5,396
41 General administration	417,542	-	417,542	334,065
51 Plant maintenance and operation	279,671	-	279,671	185,999
52 Security and monitoring services	36,444	-	36,444	10,064
53 Data processing services	16,056	-	16,056	7,311
61 Community services	-	-	-	10,890
Total expenses	<u>2,027,884</u>	<u>-</u>	<u>2,027,884</u>	<u>1,694,356</u>
Change in net assets	89,056	-	89,056	(100,964)
Net assets, beginning of year	<u>10,052</u>	<u>-</u>	<u>10,052</u>	<u>111,016</u>
Net assets, end of year	<u>\$ 99,108</u>	<u>\$ -</u>	<u>\$ 99,108</u>	<u>\$ 10,052</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - KILLEEN

STATEMENTS OF ACTIVITIES

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2009
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2008)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2009</u>	<u>2008</u>
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ 22	\$ -	\$ 22	\$ 1,991
State program revenues:				
5810 Foundation School Program Act	1,370,503	-	1,370,503	1,087,423
5820 State program revenues distributed by Texas Education Agency	19,080	-	19,080	4,194
Total state program revenues	<u>1,389,583</u>	<u>-</u>	<u>1,389,583</u>	<u>1,091,617</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	386,546	-	386,546	104,074
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	<u>1,776,151</u>	<u>-</u>	<u>1,776,151</u>	<u>1,197,682</u>
EXPENSES				
11 Instruction	826,312	-	826,312	532,419
12 Instructional resources and media	6,225	-	6,225	6,858
13 Curriculum development and instructional staff development	26,579	-	26,579	9,277
23 School leadership	166,562	-	166,562	148,002
31 Guidance, counseling and evaluation	64,289	-	64,289	72,545
32 Social work services	3,690	-	3,690	21,093
33 Health services	-	-	-	1,532
36 Cocurricular/extracurricular activities	10,145	-	10,145	16,443
41 General administration	366,483	-	366,483	273,824
51 Plant maintenance and operation	118,011	-	118,011	103,086
52 Security and monitoring services	31,303	-	31,303	14,325
53 Data processing services	1,637	-	1,637	5,108
Total expenses	<u>1,621,236</u>	<u>-</u>	<u>1,621,236</u>	<u>1,204,512</u>
Change in net assets	154,915	-	154,915	(6,830)
Net assets, beginning of year	<u>132,475</u>	<u>-</u>	<u>132,475</u>	<u>139,305</u>
Net assets, end of year	<u>\$ 287,390</u>	<u>\$ -</u>	<u>\$ 287,390</u>	<u>\$ 132,475</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - LUBBOCK

STATEMENTS OF ACTIVITIES

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2009
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2008)**

	Unrestricted	Temporarily Restricted	Totals	
			2009	2008
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ 1,046	\$ -	\$ 1,046	\$ 1,939
State program revenues:				
5810 Foundation School Program Act	417,551	-	417,551	1,130,245
5820 State program revenues distributed by Texas Education Agency	4,346	-	4,346	3,906
Total state program revenues	421,897	-	421,897	1,134,151
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	73,975	-	73,975	130,914
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	496,918	-	496,918	1,267,004
EXPENSES				
11 Instruction	178,878	-	178,878	598,095
12 Instructional resources and media	5,491	-	5,491	3,682
13 Curriculum development and instructional staff development	6,264	-	6,264	33,285
23 School leadership	50,298	-	50,298	158,730
31 Guidance, counseling and evaluation	18,967	-	18,967	96,943
32 Social work services	13,322	-	13,322	3,725
36 Cocurricular/extracurricular activities	241	-	241	2,923
41 General administration	101,139	-	101,139	284,095
51 Plant maintenance and operation	41,815	-	41,815	128,894
52 Security and monitoring services	4,223	-	4,223	23,979
53 Data processing services	11,591	-	11,591	16,225
61 Community services	563	-	563	3,151
Total expenses	432,792	-	432,792	1,353,727
Change in net assets	64,126	-	64,126	(86,723)
Net assets, beginning of year	(184,448)	-	(184,448)	(97,725)
Net deficit transferred out to RMA/TX, Inc. (See Note 2)	120,322	-	120,322	-
Net assets, end of year	\$ -	\$ -	\$ -	\$ (184,448)

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - MIDLAND

STATEMENTS OF ACTIVITIES

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2009
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2008)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2009</u>	<u>2008</u>
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ 2	\$ -	\$ 2	\$ 1,157
State program revenues:				
5810 Foundation School Program Act	269,762	-	269,762	757,638
5820 State program revenues distributed by Texas Education Agency	3,220	-	3,220	2,947
Total state program revenues	<u>272,982</u>	<u>-</u>	<u>272,982</u>	<u>760,585</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	28,235	-	28,235	63,183
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	<u>301,219</u>	<u>-</u>	<u>301,219</u>	<u>824,925</u>
EXPENSES				
11 Instruction	143,286	-	143,286	379,216
12 Instructional resources and media	2,112	-	2,112	1,601
13 Curriculum development and instructional staff development	15,449	-	15,449	6,628
23 School leadership	52,658	-	52,658	154,318
31 Guidance, counseling and evaluation	21,296	-	21,296	70,067
32 Social work services	8,533	-	8,533	32,614
33 Health services	-	-	-	1,514
36 Cocurricular/extracurricular activities	2,315	-	2,315	2,647
41 General administration	72,279	-	72,279	218,516
51 Plant maintenance and operation	41,458	-	41,458	141,469
52 Security and monitoring services	13,695	-	13,695	33,941
Total expenses	<u>373,081</u>	<u>-</u>	<u>373,081</u>	<u>1,042,531</u>
Change in net assets	(71,862)	-	(71,862)	(217,606)
Net assets, beginning of year	(120,142)	-	(120,142)	97,464
Net deficit transferred out to RMA/TX, Inc. (See Note 2)	192,004	-	192,004	-
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (120,142)</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - AMARILLO

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ 1,284,745	\$ 1,303,265
Grant payments	269,118	252,124
Miscellaneous sources	4,244	2,431
Payments to vendors for goods and services rendered	(679,953)	(675,615)
Payments to personnel for services rendered	<u>(971,216)</u>	<u>(846,184)</u>
Net (decrease) increase in cash	(93,062)	36,021
Cash and cash equivalents, beginning of year	<u>168,470</u>	<u>132,449</u>
Cash and cash equivalents, end of year	<u><u>\$ 75,408</u></u>	<u><u>\$ 168,470</u></u>
Reconciliation of change in net assets to net cash (used for) provided by operating activities:		
Change in net assets	\$ 29,308	\$ (8,483)
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation	(9,666)	3,970
(Increase) decrease in assets:		
Due from governmental agencies	(38,681)	(25,286)
Prepaid assets	2,198	9,751
Increase (decrease) in liabilities:		
Accounts payable	21,208	(37,838)
Accrued payroll	(20,931)	700
Due to governmental agencies	(90,668)	90,668
Due to affiliates	<u>2,014</u>	<u>2,539</u>
Net cash (used for) provided by operating activities	<u><u>\$ (93,062)</u></u>	<u><u>\$ 36,021</u></u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - BEAUMONT

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ 1,350,004	\$ 1,519,746
Grant payments	89,056	111,065
Miscellaneous sources	28	177
Payments to vendors for goods and services rendered	(750,773)	(743,687)
Payments to personnel for services rendered	(876,880)	(918,811)
	(188,565)	(31,510)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures and equipment	(4,565)	(8,213)
	(193,130)	(39,723)
Cash and cash equivalents, beginning of year	284,449	324,172
Cash and cash equivalents, end of year	\$ 91,319	\$ 284,449
Reconciliation of change in net assets to net cash used for operating activities:		
Change in net assets	\$ (345,064)	\$ (103,031)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	37,682	39,345
Loss on disposal of furniture, fixtures and equipment	955	-
(Increase) decrease in assets:		
Due from governmental agencies	(10,917)	37,148
Prepaid assets	3,651	14,786
Due from affiliates	(19,404)	(1,579)
Increase (decrease) in liabilities:		
Accounts payable	105,421	(8,836)
Accrued payroll	12,753	(37,515)
Due to governmental agencies	9,748	28,172
	(188,565)	(31,510)
Net cash used for operating activities	\$ (188,565)	\$ (31,510)

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - CORPUS CHRISTI

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ 1,759,209	\$ 1,345,084
Grant payments	294,650	242,147
Miscellaneous sources	96	274
Payments to vendors for goods and services rendered	(971,727)	(729,844)
Payments to personnel for services rendered	(1,011,602)	(865,406)
Net cash provided by (used for) operating activities	70,626	(7,745)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures and equipment	-	(20,008)
Net increase (decrease) in cash	70,626	(27,753)
Cash and cash equivalents, beginning of year	113,179	140,932
Cash and cash equivalents, end of year	\$ 183,805	\$ 113,179
Reconciliation of change in net assets to net cash provided by (used for) operating activities:		
Change in net assets	\$ 89,056	\$ (100,964)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	12,956	10,919
(Increase) decrease in assets:		
Due from governmental agencies	(35,438)	(17,043)
Prepaid assets	906	8,163
Other assets	(170)	(21,755)
Increase (decrease) in liabilities:		
Accounts payable	8,208	112,345
Accrued payroll	17,632	(12,324)
Due to governmental agencies	(27,547)	11,156
Due to affiliates	5,023	1,758
Net cash provided by (used for) operating activities	\$ 70,626	\$ (7,745)

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - KILLEEN

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ 1,344,735	\$ 1,092,893
Grant payments	368,189	115,260
Miscellaneous sources	22	1,991
Payments to vendors for goods and services rendered	(647,038)	(459,658)
Payments to personnel for services rendered	(855,315)	(710,063)
	<u>210,593</u>	<u>40,423</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures and equipment	(3,738)	(17,601)
	<u>206,855</u>	<u>22,822</u>
Cash and cash equivalents, beginning of year	145,695	122,873
Cash and cash equivalents, end of year	<u>\$ 352,550</u>	<u>\$ 145,695</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 154,915	\$ (6,830)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,926	23,228
(Increase) decrease in assets:		
Due from governmental agencies	(56,316)	5,592
Prepaid assets	357	11,462
Other assets	7,078	(36,531)
Increase (decrease) in liabilities:		
Accounts payable	109,371	22,688
Accrued payroll	(20,424)	10,116
Due to governmental agencies	(6,889)	6,870
Due to affiliates	6,575	3,828
	<u>\$ 210,593</u>	<u>\$ 40,423</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - LUBBOCK

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ 347,202	\$ 1,124,832
Grant payments	104,204	131,616
Miscellaneous sources	1,046	1,939
Payments to vendors for goods and services rendered	(197,371)	(440,175)
Payments to personnel for services rendered	(257,293)	(775,560)
Net (decrease) increase in cash	(2,212)	42,652
Cash and cash equivalents, beginning of year	147,254	104,602
Cash transferred out to RMA/TX, Inc. (See Note 2)	(145,042)	-
Cash and cash equivalents, end of year	\$ -	\$ 147,254
Reconciliation of change in net assets to net cash provided by (used for) operating activities:		
Change in net assets	\$ 64,126	\$ (86,723)
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities net of assets and liabilities transferred out to RMA/TX, Inc. (See Note 2):		
Depreciation	2,281	7,552
(Increase) decrease in assets:		
Due from governmental agencies	(29,171)	(23,912)
Prepaid assets	3,181	15,735
Other assets	(13,347)	(14,899)
Increase (decrease) in liabilities:		
Accounts payable	(11,043)	134,489
Accrued payroll	(11,470)	(9,655)
Due to governmental agencies	(15,295)	15,295
Due to affiliates	8,526	4,770
Net cash (used for) provided by operating activities	\$ (2,212)	\$ 42,652

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - MIDLAND

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ 236,222	\$ 769,132
Grant payments	67,313	84,546
Miscellaneous sources	2	1,157
Payments to vendors for goods and services rendered	(90,192)	(326,630)
Payments to personnel for services rendered	(220,521)	(595,819)
	<u>(7,176)</u>	<u>(67,614)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures and equipment	-	(2,423)
	<u>(7,176)</u>	<u>(70,037)</u>
Cash and cash equivalents, beginning of year	11,586	81,623
Cash transferred out to RMA/TX, Inc. (See Note 2)	(4,410)	-
	<u>\$ -</u>	<u>\$ 11,586</u>
Reconciliation of change in net assets to net cash used for operating activities:		
Change in net assets	\$ (71,862)	\$ (217,606)
Adjustments to reconcile change in net assets to net cash used for operating activities net of assets and liabilities transferred out to RMA/TX, Inc. (See Note 2):		
Depreciation	9,116	34,175
(Increase) decrease in assets:		
Due from governmental agencies	69,361	(11,021)
Prepaid assets	2,386	11,660
Other assets	(12,518)	(13,798)
Increase (decrease) in liabilities:		
Accounts payable	42,008	97,583
Accrued payroll	217	(10,245)
Due to governmental agencies	(67,043)	40,931
Due to affiliates	21,159	707
	<u>\$ (7,176)</u>	<u>\$ (67,614)</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - AMARILLO

SCHEDULES OF EXPENSES

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

		<u>2009</u>	<u>2008</u>
EXPENSES			
6100	Payroll costs	\$ 950,285	\$ 849,423
6200	Professional and contracted services	520,783	404,503
6300	Supplies and materials	115,336	165,137
6400	Other operating costs	<u>71,744</u>	<u>81,858</u>
	Total expenses	<u>\$ 1,658,148</u>	<u>\$ 1,500,921</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - BEAUMONT

SCHEDULES OF EXPENSES

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

EXPENSES		<u>2009</u>	<u>2008</u>
6100	Payroll costs	\$ 889,633	\$ 880,996
6200	Professional and contracted services	612,021	466,639
6300	Supplies and materials	71,079	171,393
6400	Other operating costs	<u>212,588</u>	<u>149,671</u>
	Total expenses	<u><u>\$ 1,785,321</u></u>	<u><u>\$ 1,668,699</u></u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - CORPUS CHRISTI

SCHEDULES OF EXPENSES

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

		<u>2009</u>	<u>2008</u>
EXPENSES			
6100	Payroll costs	\$ 1,029,234	\$ 854,840
6200	Professional and contracted services	779,409	575,613
6300	Supplies and materials	104,914	188,364
6400	Other operating costs	<u>114,327</u>	<u>75,539</u>
	Total expenses	<u>\$ 2,027,884</u>	<u>\$ 1,694,356</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - KILLEEN

SCHEDULES OF EXPENSES

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

		<u>2009</u>	<u>2008</u>
EXPENSES			
6100	Payroll costs	\$ 834,891	\$ 724,007
6200	Professional and contracted services	466,511	338,086
6300	Supplies and materials	246,782	49,140
6400	Other operating costs	<u>73,052</u>	<u>93,279</u>
	Total expenses	<u>\$ 1,621,236</u>	<u>\$ 1,204,512</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - LUBBOCK

SCHEDULES OF EXPENSES

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

		<u>2009</u>	<u>2008</u>
EXPENSES			
6100	Payroll costs	\$ 245,823	\$ 770,767
6200	Professional and contracted services	146,220	420,683
6300	Supplies and materials	24,681	82,690
6400	Other operating costs	<u>16,068</u>	<u>79,587</u>
	Total expenses	<u>\$ 432,792</u>	<u>\$ 1,353,727</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - MIDLAND

SCHEDULES OF EXPENSES

FOR THE FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008

		<u>2009</u>	<u>2008</u>
EXPENSES			
6100	Payroll costs	\$ 220,738	\$ 615,451
6200	Professional and contracted services	114,839	294,585
6300	Supplies and materials	10,834	47,628
6400	Other operating costs	<u>26,670</u>	<u>84,867</u>
	Total expenses	<u>\$ 373,081</u>	<u>\$ 1,042,531</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - AMARILLO

SCHEDULE OF CAPITAL ASSETS

AUGUST 31, 2009

		Ownership Interest		
		Local	State	Federal
1110	Cash	\$ -	\$ 75,408	\$ -
1539	Furniture and equipment	-	127,635	3,131
	Total	<u>\$ -</u>	<u>\$ 203,043</u>	<u>\$ 3,131</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - BEAUMONT

SCHEDULE OF CAPITAL ASSETS

AUGUST 31, 2009

		Ownership Interest		
		Local	State	Federal
1110	Cash	\$ -	\$ 91,319	\$ -
1539	Furniture and equipment	-	115,384	152,931
	Total	\$ -	\$ 206,703	\$ 152,931

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - CORPUS CHRISTI

SCHEDULE OF CAPITAL ASSETS

AUGUST 31, 2009

		Ownership Interest		
		Local	State	Federal
1110	Cash	\$ -	\$ 183,805	\$ -
1539	Furniture and equipment	-	56,451	11,148
	Total	<u>\$ -</u>	<u>\$ 240,256</u>	<u>\$ 11,148</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - KILLEEN

SCHEDULE OF CAPITAL ASSETS

AUGUST 31, 2009

		Ownership Interest		
		Local	State	Federal
1110	Cash	\$ -	\$ 352,550	\$ -
1539	Furniture and equipment	-	121,547	19,231
	Total	<u>\$ -</u>	<u>\$ 474,097</u>	<u>\$ 19,231</u>

See accompanying notes to financial statements and independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - AMARILLO

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 4,244	\$ 4,244
State program revenues:				
5810 Foundation School Program Act	1,421,971	1,367,000	1,419,491	52,491
5820 State program revenues distributed by Texas Education Agency	-	-	4,805	4,805
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	-	258,916	258,916
Total revenues	<u>1,421,971</u>	<u>1,367,000</u>	<u>1,687,456</u>	<u>320,456</u>
EXPENSES				
11 Instruction	571,311	541,233	764,803	(223,570)
12 Instructional resources and media	20,780	16,780	6,079	10,701
13 Curriculum development and instructional staff development	31,529	43,600	90,130	(46,530)
21 Instructional leadership	-	-	-	-
23 School leadership	202,946	204,146	190,998	13,148
31 Guidance, counseling and evaluation	96,836	91,836	76,382	15,454
32 Social work services	1,500	1,500	-	1,500
33 Health services	3,850	4,350	3,339	1,011
36 Cocurricular/extracurricular activities	15,700	15,700	7,604	8,096
41 General administration	262,916	255,916	353,340	(97,424)
51 Plant maintenance and operation	114,100	113,100	135,322	(22,222)
52 Security and monitoring services	5,000	5,600	2,795	2,805
53 Data processing services	28,960	28,960	24,447	4,513
61 Community services	850	850	2,909	(2,059)
Total expenses	<u>1,356,278</u>	<u>1,323,571</u>	<u>1,658,148</u>	<u>(334,577)</u>
Change in net assets	65,693	43,429	29,308	(14,121)
Net assets, beginning of year	<u>78,505</u>	<u>78,505</u>	<u>78,505</u>	<u>-</u>
Net assets, end of year	<u>\$ 144,198</u>	<u>\$ 121,934</u>	<u>\$ 107,813</u>	<u>\$ (14,121)</u>

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - BEAUMONT

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 28	\$ 28
State program revenues:				
5810 Foundation School Program Act	1,564,325	1,427,172	1,347,187	(79,985)
5820 State program revenues distributed by Texas Education Agency	-	-	3,986	3,986
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	-	89,056	89,056
Total revenues	<u>1,564,325</u>	<u>1,427,172</u>	<u>1,440,257</u>	<u>13,085</u>
EXPENSES				
11 Instruction	593,004	489,574	621,276	(131,702)
12 Instructional resources and media	17,500	17,500	12,562	4,938
13 Curriculum development and instructional staff development	61,900	56,900	67,001	(10,101)
21 Instructional leadership	10,000	9,000	-	9,000
23 School leadership	155,635	164,598	271,379	(106,781)
31 Guidance, counseling and evaluation	69,538	69,538	82,276	(12,738)
32 Social work services	12,500	12,500	-	12,500
33 Health services	20,500	20,500	12,142	8,358
34 Student transportation	8,000	-	-	-
35 Food services	500	500	-	500
36 Cocurricular/extracurricular activities	38,500	46,500	48,394	(1,894)
41 General administration	278,016	303,116	381,997	(78,881)
51 Plant maintenance and operation	189,900	197,092	233,568	(36,476)
52 Security and monitoring services	48,860	21,500	18,005	3,495
53 Data processing services	14,500	14,500	21,501	(7,001)
61 Community services	2,000	2,000	15,220	(13,220)
Total expenses	<u>1,520,853</u>	<u>1,425,318</u>	<u>1,785,321</u>	<u>(360,003)</u>
Change in net assets	43,472	1,854	(345,064)	(346,918)
Net assets, beginning of year	<u>297,849</u>	<u>297,849</u>	<u>297,849</u>	<u>-</u>
Net assets, end of year	<u>\$ 341,321</u>	<u>\$ 299,703</u>	<u>\$ (47,215)</u>	<u>\$ (346,918)</u>

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - CORPUS CHRISTI

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 96	\$ 96
State program revenues:				
5810 Foundation School Program Act	1,637,185	1,637,185	1,772,905	135,720
5820 State program revenues distributed by Texas Education Agency	-	-	46,284	46,284
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	-	297,655	297,655
Total revenues	<u>1,637,185</u>	<u>1,637,185</u>	<u>2,116,940</u>	<u>479,755</u>
EXPENSES				
11 Instruction	525,181	530,681	827,293	(296,612)
12 Instructional resources and media	3,600	9,600	7,733	1,867
13 Curriculum development and instructional staff development	2,700	3,700	132,652	(128,952)
21 Instructional leadership	1,400	2,400	-	2,400
23 School leadership	141,614	152,914	178,259	(25,345)
31 Guidance, counseling and evaluation	54,629	55,829	112,809	(56,980)
33 Health services	2,400	5,100	1,875	3,225
36 Cocurricular/extracurricular activities	-	1,300	17,550	(16,250)
41 General administration	263,088	302,124	417,542	(115,418)
51 Plant maintenance and operation	185,800	216,300	279,671	(63,371)
52 Security and monitoring services	46,800	50,800	36,444	14,356
53 Data processing services	12,000	16,000	16,056	(56)
61 Community services	1,000	1,000	-	1,000
Total expenses	<u>1,240,212</u>	<u>1,347,748</u>	<u>2,027,884</u>	<u>(680,136)</u>
Change in net assets	396,973	289,437	89,056	(200,381)
Net assets, beginning of year	<u>10,052</u>	<u>10,052</u>	<u>10,052</u>	<u>-</u>
Net assets, end of year	<u>\$ 407,025</u>	<u>\$ 299,489</u>	<u>\$ 99,108</u>	<u>\$ (200,381)</u>

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - KILLEEN

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 22	\$ 22
State program revenues:				
5810 Foundation School Program Act	1,097,616	1,320,317	1,370,503	50,186
5820 State program revenues distributed by Texas Education Agency	-	-	19,080	19,080
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	-	386,546	386,546
Total revenues	<u>1,097,616</u>	<u>1,320,317</u>	<u>1,776,151</u>	<u>455,834</u>
EXPENSES				
11 Instruction	432,823	435,823	826,312	(390,489)
12 Instructional resources and media	18,500	18,500	6,225	12,275
13 Curriculum development and instructional staff development	6,900	8,900	26,579	(17,679)
21 Instructional leadership	27,714	30,714	-	30,714
23 School leadership	152,677	191,519	166,562	24,957
31 Guidance, counseling and evaluation	67,844	69,844	64,289	5,555
32 Social work services	25,882	27,882	3,690	24,192
33 Health services	3,300	5,300	-	5,300
34 Student transportation	1,000	1,000	-	1,000
36 Cocurricular/extracurricular activities	7,500	12,500	10,145	2,355
41 General administration	214,457	239,241	366,483	(127,242)
51 Plant maintenance and operation	91,000	194,000	118,011	75,989
52 Security and monitoring services	16,350	21,350	31,303	(9,953)
53 Data processing services	3,000	5,000	1,637	3,363
61 Community services	2,400	3,400	-	3,400
81 Fund raising	100	100	-	100
Total expenses	<u>1,071,447</u>	<u>1,265,073</u>	<u>1,621,236</u>	<u>(356,163)</u>
Change in net assets	26,169	55,244	154,915	99,671
Net assets, beginning of year	<u>132,475</u>	<u>132,475</u>	<u>132,475</u>	<u>-</u>
Net assets, end of year	<u>\$ 158,644</u>	<u>\$ 187,719</u>	<u>\$ 287,390</u>	<u>\$ 99,671</u>

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - LUBBOCK

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original*</u>	<u>Final*</u>		
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 1,046	\$ 1,046
State program revenues:				
5810 Foundation School Program Act	390,856	458,377	417,551	(40,826)
5820 State program revenues distributed by Texas Education Agency	-	-	4,346	4,346
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	-	73,975	73,975
Total revenues	<u>390,856</u>	<u>458,377</u>	<u>496,918</u>	<u>38,541</u>
EXPENSES				
11 Instruction	148,268	164,138	178,878	(14,740)
12 Instructional resources and media	3,333	6,000	5,491	509
13 Curriculum development and instructional staff development	667	1,473	6,264	(4,791)
23 School leadership	42,491	42,672	50,298	(7,626)
31 Guidance, counseling and evaluation	17,772	14,847	18,967	(4,120)
32 Social work services	5,827	5,827	13,322	(7,495)
33 Health services	100	100	-	100
36 Cocurricular/extracurricular activities	1,000	1,000	241	759
41 General administration	77,114	94,971	101,139	(6,168)
51 Plant maintenance and operation	44,572	44,572	41,815	2,757
52 Security and monitoring services	12,167	3,166	4,223	(1,057)
53 Data processing services	11,594	11,564	11,591	(27)
61 Community services	1,230	1,897	563	1,334
Total expenses	<u>366,135</u>	<u>392,227</u>	<u>432,792</u>	<u>(40,565)</u>
Change in net assets	24,721	66,150	64,126	(2,024)
Net assets, beginning of year	(184,448)	(184,448)	(184,448)	-
Net deficit transferred out to RMA/TX, Inc. (See Note 2)	<u>120,322</u>	<u>120,322</u>	<u>120,322</u>	<u>-</u>
Net assets, end of year	<u>\$ (39,405)</u>	<u>\$ 2,024</u>	<u>\$ -</u>	<u>\$ (2,024)</u>

* Original and final budgets have been presented on a pro-rata basis to remain consistent with the portion of operations included in the financial statements (See Note 2).

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - MIDLAND

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original*</u>	<u>Final*</u>		
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 2	\$ 2
State program revenues:				
5810 Foundation School Program Act	293,779	306,612	269,762	(36,850)
5820 State program revenues distributed by Texas Education Agency	-	-	3,220	3,220
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	-	28,235	28,235
Total revenues	<u>293,779</u>	<u>306,612</u>	<u>301,219</u>	<u>(5,393)</u>
EXPENSES				
11 Instruction	77,912	97,346	143,286	(45,940)
12 Instructional resources and media	3,333	3,333	2,112	1,221
13 Curriculum development and instructional staff development	2,000	2,000	15,449	(13,449)
21 Instructional leadership	500	500	-	500
23 School leadership	47,667	47,692	52,658	(4,966)
31 Guidance, counseling and evaluation	23,153	20,557	21,296	(739)
32 Social work services	8,933	8,933	8,533	400
33 Health services	1,500	1,500	-	1,500
34 Student transportation	333	333	-	333
36 Cocurricular/extracurricular activities	2,018	3,285	2,315	970
41 General administration	71,996	66,699	72,279	(5,580)
51 Plant maintenance and operation	39,067	39,067	41,458	(2,391)
52 Security and monitoring services	10,333	10,333	13,695	(3,362)
53 Data processing services	4,667	4,667	-	4,667
61 Community services	333	333	-	333
81 Fund raising	34	34	-	34
Total expenses	<u>293,779</u>	<u>306,612</u>	<u>373,081</u>	<u>(66,469)</u>
Change in net assets	-	-	(71,862)	(71,862)
Net assets, beginning of year	(120,142)	(120,142)	(120,142)	-
Net deficit transferred out to RMA/TX, Inc. (See Note 2)	193,627	193,627	193,627	-
Net assets, end of year	<u>\$ 73,485</u>	<u>\$ 73,485</u>	<u>\$ 1,623</u>	<u>\$ (71,862)</u>

* Original and final budgets have been presented on a pro-rata basis to remain consistent with the portion of operations included in the financial statements (See Note 2).

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC.

EXPLANATION OF BUDGET VARIANCES

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

The following are management's explanations of the variances between the original budgeted and final budgeted amounts for total revenues and total expenses in the current fiscal year over 10% of the original budget as presented on pages 43-48 of this report:

All locations:

- The variance in original to final budgeted revenues and expenses is due to budget amendments made throughout the year relating to student enrollment fluctuations and actual events becoming known.

The following are management's explanations of the variances between the final budgeted and actual amounts for total revenues and total expenses over 10% of the final budget as presented on pages 43-48 of this report:

All locations:

- The variance in final budgeted revenues and expenses to the actual amounts is due to additional student enrollment during the fiscal year that was not included in the final budget.
- The variance in final budgeted revenues and expenses to the actual amounts is due to federal grant expenses and resulting revenues incurred and recognized during the fiscal year ended August 31, 2009 that will be included in the budget for the fiscal year ended August 31, 2010. Since the federal grant fiscal year differs from the period covered during the Organization's fiscal year, certain expenses and resulting revenues incurred and recognized during the fiscal year ended August 31, 2009 are budgeted in the subsequent period.
- The variance in final budgeted revenue and expenses to the actual amounts is due to administrative expenses incurred during the fiscal year that were not included in the final budget.
- The variance in final budgeted revenues and expenses to the actual amounts is due to salaries and wages expenses incurred during the fiscal year that were not included in the final budget.
- The variance in final budgeted revenues and expenses to the actual amounts is due to travel expenses incurred during the fiscal year that were not included in the final budget.
- The variance in final budgeted revenues and expenses to the actual amounts is due to building lease expenses incurred during the fiscal year that were not included in the final budget.

RICHARD MILBURN ACADEMY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	NOGA ID Numbers	Federal CFDA Number	Grant Period	Expenditures
United States Department of Education / Texas Board of Education / Title I Grants to Local Educational Agencies	09610101188801, 0961010418801001 09610101123804, 09610101178804 0910104178804001, 09610101014801 0910104014801001, 09610101068801 09610104068801003, 09610101165801 09610104068801002	84.010	9/30/08 - 6/30/09	\$ 892,580
United States Department of Education / Texas Board of Education / Special Education-Grants to States (IDEA, Part B)	09660011888016600, 096600011238046600 096600011788046600, 096600010688016600	84.027	9/2/08 - 6/30/09	115,759
United States Department of Education / Texas Board of Education / School Improvement Grants	9610701188801000	84.377	11/25/08 - 6/30/09	80,483
United States Department of Education / Texas Board of Education / Title II Improving Teacher Quality State Grants	09694501188801, 09694501123804 09694501178804, 09694501068801 09694501165801	84.367	9/30/08 - 6/30/09	30,924
United States Department of Education / Texas Board of Education / Education Technology - State Grants	09630001188801 09630001123804	84.318	9/3/08 - 6/30/09	2,213
United States Department of Education / Texas Board of Education / Safe and Drug-Free Schools and Communities - State Grants	09691001188801	84.186	9/3/08 - 6/30/09	845
Federal Communications Commission / Federal Technological Assistance (E-Rate)	n/a	n/a	9/1/08 - 8/31/09	22,398
Total Expenditures of Federal Awards				<u>\$ 1,145,202</u>

See accompanying note to schedule of expenditures of federal awards and independent auditor's report.

RICHARD MILBURN ACADEMY, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

1 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*.



**Report of Independent Auditors on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
(*Statement on Auditing Standards 112 Letter*)**

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

Members of the Board of Directors:

We have audited the general-purpose financial statements of Richard Milburn Academy, Inc., (a nonprofit organization) (the "Organization"), as of and for the year ended August 31, 2009, and have issued our report thereon dated January 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and another that we consider to be a material weakness.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data



reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding No.'s 2009-1 and 2009-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding No. 2009-3 to be a material weakness in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding No.'s 2009-4, 2009-5, and 2009-6.

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and in the corrective action plan on pages 62-66. We did not audit the Organization's response and, accordingly, we express no opinion on it.

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

BKHM, P.A.

Winter Park, Florida
January 21, 2010



**Report of Independent Auditors on Compliance With Requirements Applicable to
Each Major Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

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

Members of the Board of Directors:

Compliance

We have audited the compliance of Richard Milburn Academy, Inc. (a nonprofit organization) (the "Organization"), with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended August 31, 2009. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion the Organization complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended August 31, 2009.



Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and the corrective action plan on pages 62-66. We did not audit the Organization's response and, accordingly, we express no opinion on it.

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

BKHM, P.A.

Winter Park, Florida
January 21, 2010

RICHARD MILBURN ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes

Identification of major federal programs:

<u>CFDA Number</u>	<u>Grant Period</u>	<u>Name of Federal Program</u>
84.010	8/31/08 - 6/30/09	Title I Grants to Local Educational Agencies

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

Auditee qualified as a low-risk auditee? No

RICHARD MILBURN ACADEMY, INC.

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

Section II - Financial Statement Findings

Finding No. 2009-1

Statement of condition:

The Organization's locations did not consistently communicate all adjustments and disposals of fixed assets to the corporate office. In addition, the fixed asset schedules were not reconciled between the location's listing and the corporate office's listing on a timely basis.

Context:

During our audit procedures, we noted in all locations that adjustments and disposals were not consistently communicated to the corporate office. Additionally, the fixed asset schedules have not been reconciled to the individual location's fixed asset listings resulting in different fixed asset schedules for the same respective location.

Effect of condition:

The Organization did not have formal policies and procedures in place to mitigate reporting risks in relation to the Organization's fixed assets.

Recommendation:

We recommend that the Organization implement formal policies and procedures to ensure that all adjustments and disposals are communicated in a timely manner to corporate and that an annual reconciliation be performed for all locations.

Management's response:

Management agreed with this finding and will implement formal policies and procedures to improve upon their internal control over financial reporting. See corrective action plan on pages 62-66.

Finding No. 2009-2

Statement of condition:

The Organization did not have any formal monitoring controls in place to ensure that it spent the minimum amount required for professional development expenditures as required under federal grants received.

Context:

During our audit procedures, it was noted that the Organization did not have any monitoring controls over the tracking of professional development spending in relation to the respective grant year of funding origination in order to ensure that all minimum required expenditures were made within the respective grant's life cycle for all locations.

Effect of condition:

The Organization did not have formal policies and procedures in place to ensure compliance with the respective grant requirements.

RICHARD MILBURN ACADEMY, INC.

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

Recommendation:

We recommend that the Organization implement monitoring controls over professional development spending to ensure that all required expenditures are timely made for all locations.

Management's response:

Management agreed with this finding and will implement formal policies and procedures to improve upon their internal control over compliance. See corrective action plan on pages 62-66

Finding No. 2009-3

Statement of condition:

The Organization's Beaumont and Killeen locations had material discrepancies in the recording of student attendance as compared to the source documentation, or the source documentation could not be located. In addition, the Organization's internal audit procedures identified areas of noncompliance and incorrect reporting. However, there were several instances where the discrepancies were not timely corrected.

Context:

During our testing of the accuracy of the data reported through the PEIMS system during fiscal 2009, we consistently noted material discrepancies at the Beaumont and Killeen locations in the recording of student attendance as compared to the source documentation, or the source documentation could not be located. We also noted discrepancies in source documents for credits awarded for classes completed that did not agree to teachers' records. The Organization's internal audit procedures identified areas of noncompliance and incorrect reporting. However, during our audit procedures, we noted several instances where the discrepancies were not timely corrected.

Effect of condition:

The Organization did not have formal policies and procedures in place to mitigate reporting risks in relation to the Organization's PEIMS student records and data reporting requirements.

Recommendation:

We recommend that the Organization implement formal policies and procedures to ensure that student records and data reported through the PEIMS system are accurate and any errors subsequently found are corrected timely.

Management's response:

Management agreed with this finding and will implement formal policies and procedures to improve upon their internal control over financial reporting and compliance. See corrective action plan on pages 62-66.

RICHARD MILBURN ACADEMY, INC.

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

Section III – Federal Award Findings and Questioned Costs

None

Section IV – State Award Findings and Questioned Costs

Finding No. 2009-4

Statement of condition:

The Organization paid stipends to employees for additional services at the Beaumont location for which the services were not fully performed or may not have fully qualified.

Context:

During our audit procedures, we noted a lack of consistent formal policies and procedures in place to ensure the additional services were performed or qualified for a stipend prior to being paid.

Effect of condition:

The Organization did not have formal policies and procedures in place to ensure the additional services were performed or qualified for a stipend prior to being paid.

Recommendation:

We recommend that the Organization implement formal policies and procedures to ensure that stipends are only paid for appropriate additional services at all locations.

Management's response:

Management agreed with this finding and will implement formal policies and procedures to improve upon their internal control over financial reporting. See corrective action plan on pages 62-66.

Finding No. 2009-5

Statement of condition:

The Organization had an expenditure shortage relating to its technology allotment in relation to its Beaumont and Corpus Christi locations.

Context:

During our testing of the technology allotment for each location, we noted that the Organization did not spend the full allotment granted to it.

Effect of condition:

The Organization had an expenditure shortage as of August 31, 2009:

Beaumont:	Technology Allotment, \$987
Corpus Christi:	Technology Allotment, \$423

RICHARD MILBURN ACADEMY, INC.

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

Recommendation:

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

Management's response:

Management agreed with this finding and will implement formal policies and procedures to improve upon their internal control over financial reporting and compliance. See corrective action plan on pages 62-66.

Finding No. 2009-6

Statement of condition:

The Organization could not fully locate all proper documentation in relation to the payroll allocations within the individual State program intent codes for maintenance of effort and within Federal programs for those allocations for all locations.

Context:

During our testing of the payroll allocations within the individual State program intent codes for maintenance of effort and within Federal programs, we noted that proper documentation for those allocations for all locations was not available.

Effect of condition:

The Organization had to provide alternative supporting documentation to support its compliance with applicable grant requirements.

Recommendation:

We recommend that the Organization implement formal policies and procedures to ensure that adequate supporting documentation be created and kept in relation to all State and Federal programs to ensure compliance with their respective requirements at all locations.

Management's response:

Management agreed with this finding and will implement formal policies and procedures to improve upon their internal control over compliance. See corrective action plan on pages 62-66.

RICHARD MILBURN ACADEMY, INC.

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

Section V – Status of Prior Year Audit Findings

Finding No. 2008-1: Reporting of PEIMS Data

During our testing of the accuracy of the data reported through the PEIMS system during fiscal 2008, we noted discrepancies in the recording of student attendance as compared to the source documentation or the source documentation could not be located. The Organization's internal controls were able to detect and correct these discrepancies which were adjusted in the PEIMS submission. However, the errors produced a material adjustment to revenue and a liability due to the State of Texas in the current fiscal year. This item is considered to be a material weakness in internal control over financial reporting.

This item is updated and repeated as Finding No. 2009-3.

Finding No. 2008-5: Appropriated Funds

During our testing of the maintenance of effort for each school, we noted the following expenditure shortage as of August 31, 2008:

Amarillo: Technology Allotment, \$1,894

This item is updated and repeated as Finding No. 2009-5.

RICHARD MILBURN ACADEMY, INC.

CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

Findings	Corrective Action Activities	Responsible Personnel	Timeline for Implementation
<p><u>2009-1: Reconciliation of Fixed Assets</u> The individual locations have completed a required biannual physical count of fixed assets during fiscal 2009, but it was noted that adjustments and disposals were not consistently communicated to the corporate office. Additionally, the fixed asset schedules have not been reconciled to the individual location's fixed asset listings.</p>	<p>RMA Inc. will review and strengthen formal policies and procedures for the reconciliation of fixed assets.</p> <p>School directors and appropriate support staff will be trained in maintaining accurate fixed assets records to ensure that all adjustments and disposals are communicated in a timely manner to corporate.</p> <p>An annual reconciliation will be performed by the end of the fiscal year.</p> <p>Verification of annual reconciled fixed asset listings.</p>	<p>Dr. Norman Hall, Superintendent</p>	<p>January, 2010 through March 15, 2010</p> <p>March 16, 2010 through August 31, 2010</p> <p>By August 31, 2010</p> <p>By August 31, 2010</p>

RICHARD MILBURN ACADEMY, INC.

CORRECTIVE ACTION PLAN
(continued)

Findings	Corrective Action Activities	Responsible Personnel	Timeline for Implementation
<p><u>2009-2: Prof. Development Expenditures</u> It was noted that there were no monitoring controls in place over the tracking of professional development spending in relation to the respective grant year of funding origination in order to ensure that all minimum required expenditures were made within the respective grant's life cycle.</p>	<p>RMA, Inc. will adhere to the Federal Guidelines for budgeting and spending for professional development.</p> <p>A review of internal processes has been conducted and a determination has been made that our organization will move to an electronic purchasing system. We are currently reviewing options that include contracting purchasing services with an ESC or purchasing software to handle this process internally.</p>	<p>Dr. Norman Hall, Superintendent</p>	<p>August, 2009 and ongoing</p> <p>December, 2009 through August 2010</p>

RICHARD MILBURN ACADEMY, INC.

CORRECTIVE ACTION PLAN
(continued)

Findings	Corrective Action Activities	Responsible Personnel	Timeline for Implementation
<p>2009-3: Student Reporting During the audit procedures several instances were noted where discrepancies in the recording of student attendance and credits awarded for classes were not timely corrected.</p>	<p>RMA, Inc. reviews its policies and procedures to ensure that student records and data reported through the PEIMS system are accurate and any errors subsequently found are corrected timely.</p> <p>Staff is involved with the additional training and monitoring of School Directors and their support staff, as well as providing assistance in the timely correcting of any errors.</p> <p>We are requiring Support Staff to attend training that is offered by the ESC's and this will be monitored by School Directors and Management.</p> <p>ESC's are utilized to assist the schools with accurate PEIMS data submission and the timely correction of any errors.</p>	<p>Dr. Norman Hall, Superintendent</p>	<p>August, 2009 and ongoing</p> <p>August, 2009 and ongoing</p> <p>August, 2009 and ongoing</p> <p>August, 2009 and ongoing</p>

RICHARD MILBURN ACADEMY, INC.

**CORRECTIVE ACTION PLAN
(continued)**

Findings	Corrective Action Activities	Responsible Personnel	Timeline for Implementation
<p>2009-4: Employee Stipends During audit procedures, a lack of consistent formal policies and procedures to ensure additional services were performed or qualified for a stipend prior to being paid was noted.</p>	<p>RMA, Inc. has reviewed the policies and procedures on employee stipends and has put in place some formal procedures for documentation of stipends.</p> <p>Additional formal policies and procedures will be developed and implemented to ensure stipends for additional services are performed or qualify for a stipend prior to being paid to the employee.</p> <p>Verification that employee stipends policies and procedures are being followed at the school level will be provided by internal auditing.</p> <p>Formal policies and procedures regarding employee stipends will be included in School Director training.</p>	<p>Dr. Norman Hall, Superintendent</p>	<p>August, 2009 – October, 2009</p> <p>August, 2009 – August, 2010</p> <p>August, 2009 and ongoing</p> <p>August, 2009 and ongoing</p>

RICHARD MILBURN ACADEMY, INC.

**CORRECTIVE ACTION PLAN
(continued)**

Findings	Corrective Action Activities	Responsible Personnel	Timeline for Implementation
<p><u>2009-5: Technology Allotment</u> During the audit testing for each location, it was noted the following expenditure shortage as of August 31, 2009 occurred: Beaumont: Technology Allotment - \$987 Corpus Christi: Technology Allotment - \$423</p>	<p>Expenditures will be monitored monthly to ensure that expenditures are spent appropriately.</p>	<p>Dr. Norman Hall, Superintendent</p>	<p>August, 2009 and ongoing</p>
<p><u>2009-6: Time and Effort:</u> During the audit testing of the payroll allocations within the individual State program intent codes for maintenance of effort and Federal programs, it was noted that proper documentation for those allocations for all locations were not available.</p>	<p>Policies and procedures will be developed in accordance with OMB Circular A-122 for Open Enrollment Charter Schools, Appendix 3, to ensure that Time and Effort documentation is maintained according to State and Federal Regulations.</p>	<p>Dr. Norman Hall, Superintendent</p>	<p>August, 2009 and ongoing</p>