



RICHARD MILBURN ACADEMY, INC.
ANNUAL AND FINANCIAL COMPLIANCE
REPORT
AUGUST 31, 2010
(WITH SUMMARIZED COMPARATIVE
INFORMATION FOR 2009)



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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, 2010, at a meeting of the governing body of the charter holder on the 26 day of January, 2011.

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, 2010, 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 2009 financial statements which were audited by us and upon which our report dated January 21, 2010 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, 2010, 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 20, 2011, 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 43-46 are not a required part of the general-purpose financial statements but are supplementary information required by the Texas Education Code. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of the charter holder 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 17-54 are likewise presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKHM, P.A.

Winter Park, Florida
January 20, 2011

RICHARD MILBURN ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2010 AND 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 758,642	\$ 623,188
Due from governmental agencies	276,265	333,145
Prepaid assets	1,345	26,017
Due from affiliates	19,575	13,543
Assets of discontinued school	115,625	210,541
Total current assets	1,171,452	1,206,434
Furniture, fixtures and equipment, net	68,694	43,573
Other assets	20,939	17,958
Total assets	\$ 1,261,085	\$ 1,267,965
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 278,268	\$ 361,757
Accrued payroll	162,900	201,356
Liabilities of discontinued school	379,172	257,756
Total liabilities	820,340	820,869
Net assets:		
Unrestricted - continuing operations	61,331	43,451
Unrestricted - discontinued school	(263,547)	(47,215)
Total unrestricted	(202,216)	(3,764)
Temporarily restricted	642,961	450,860
Total net assets	440,745	447,096
Total liabilities and net assets	\$ 1,261,085	\$ 1,267,965

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, 2010
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2010</u>	<u>2009</u>
REVENUES				
Local support:				
Interest and other revenue	\$ 7,669	\$ -	\$ 7,669	\$ 5,410
Total local support	<u>7,669</u>	<u>-</u>	<u>7,669</u>	<u>5,410</u>
State program revenues:				
Foundation School Program	4,926,675	192,101	5,118,776	5,250,212
Other state aid	16,251	-	16,251	77,735
Total state program revenues	<u>4,942,926</u>	<u>192,101</u>	<u>5,135,027</u>	<u>5,327,947</u>
Federal program revenues:				
ESEA Title I, Part A	192,281	-	192,281	188,102
ESEA Title II, Part A	28,558	-	28,558	24,638
ESEA Title II, Part D	801	-	801	693
ESEA Title IV, Part A	-	-	-	845
ESEA School Improvement Plan	760,148	-	760,148	721,913
IDEA, Part B	86,104	-	86,104	101,062
E-Rate	14,191	-	14,191	8,074
State Fiscal Stabilization Funds	47,103	-	47,103	-
Total federal program revenues	<u>1,129,186</u>	<u>-</u>	<u>1,129,186</u>	<u>1,045,327</u>
Total revenues and net assets released from restrictions	<u>\$ 6,079,781</u>	<u>\$ 192,101</u>	<u>\$ 6,271,882</u>	<u>\$ 6,378,684</u>

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, 2010
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2009)
(continued)**

	Unrestricted	Temporarily Restricted	Totals	
			2010	2009
EXPENSES				
Program services:				
Instruction and instruction-related	\$ 3,202,291	\$ -	\$ 3,202,291	\$ 3,039,286
Instructional and school leadership	515,300	-	515,300	638,775
Support services:				
Administrative support services	39,700	-	39,700	1,292,544
Support services - student	1,537,860	-	1,537,860	362,357
Support services - non-student based	766,750	-	766,750	780,179
Total expenses	6,061,901	-	6,061,901	6,113,141
Change in net assets from continuing schools	17,880	192,101	209,981	265,543
Discontinued school (see Note 9) Loss from operation of discontinued school	(216,332)	-	(216,332)	(345,064)
Change in net assets	(198,452)	192,101	(6,351)	(79,521)
Net assets, beginning of year as previously reported	447,096	-	447,096	214,291
Prior period restatement (see Note 10)	(450,860)	450,860	-	-
Net assets, beginning of year as restated	(3,764)	450,860	447,096	214,291
Net deficit transferred out to RMA/TX, Inc. (see Note 2)	-	-	-	312,326
Net assets, end of year	\$ (202,216)	\$ 642,961	\$ 440,745	\$ 447,096

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

RICHARD MILBURN ACADEMY, INC.

**STATEMENTS OF CASH FLOWS
(continued)**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ 5,204,731	\$ 4,988,243
Grant payments	1,116,362	1,045,327
Miscellaneous sources	7,669	5,410
Payments to vendors for goods and services rendered	(2,851,657)	(2,485,593)
Payments to personnel for services rendered	(3,284,332)	(3,369,195)
Net cash provided by operating activities, continuing operations	192,773	184,192
Net cash provided by (used for) operating activities, discontinued school	14,805	(188,565)
Net cash provided by (used for) operating activities	<u>207,578</u>	<u>(4,373)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures and equipment	(57,319)	(3,738)
Net cash used for investing activities, continuing operations	(57,319)	(3,738)
Net cash used for investing activities, discontinued school	(10,257)	(4,565)
Net cash used for investing activities	<u>(67,576)</u>	<u>(8,303)</u>
Net increase (decrease) in cash	140,002	(12,676)
Cash and cash equivalents, beginning of year	714,507	876,635
Cash transferred out to RMA/TX, Inc. (see Note 2)	-	(149,452)
Cash and cash equivalents, end of year	854,509	714,507
Less cash and cash equivalents of discontinued school, end of year	(95,867)	(91,319)
Cash and cash equivalents of continuing operations, end of year	<u>\$ 758,642</u>	<u>\$ 623,188</u>

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

RICHARD MILBURN ACADEMY, INC.

**STATEMENTS OF CASH FLOWS
(continued)**

	2010	2009
Reconciliation of change in net assets to net cash provided by (used for) operating activities:		
Change in net assets from continuing schools	\$ 209,981	\$ 265,543
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities net of assets and liabilities transferred out to RMA/TX, Inc. (see Note 2):		
Depreciation	32,198	31,883
(Increase) decrease in assets:		
Due from governmental agencies	56,880	(132,262)
Prepaid assets	24,672	9,028
Other assets	(2,981)	35,645
Due from affiliates	(15,491)	23,286
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(166,530)	216,709
Accrued payroll	54,044	(58,198)
Due to governmental agencies	-	(207,442)
Net cash provided by operating activities, continuing operations	192,773	184,192
Net cash provided by (used for) operating activities, discontinued school	14,805	(188,565)
Net cash provided by (used for) operating activities	\$ 207,578	\$ (4,373)

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, 2010 AND 2009

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’s 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 four 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 distributions 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.

Recently adopted accounting pronouncements

During fiscal year 2010, the Organization adopted changes issued by the Financial Accounting Standards Board (“FASB”) related to disclosure of subsequent events. These changes require the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The Organization has evaluated subsequent events through January 20, 2011, which is the date the financial statements were available to be issued.

The Organization has adopted changes issued by the FASB related to authoritative hierarchy of generally accepted accounting principles (“GAAP”) during its year ended August 31, 2010. These changes establish the FASB Accounting Standards Codification (“ASC”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP.

The Organization adopted the ASC guidance relating to accounting for uncertainty in income taxes during the year ended August 31, 2010. This guidance prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. The Organization recognizes tax benefits only to the extent that the Organization believes it is “more likely than not” that its tax

RICHARD MILBURN ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

(continued)

positions will be sustained upon an examination by the Internal Revenue Service (“IRS”) or the applicable state taxing authority. This pronouncement is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The Organization assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the Organization believes it is “more likely than not” that its tax positions will be sustained upon an examination by the IRS. Accordingly, there is no provision for Federal income taxes in the financial statements, as the Organization believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than a 50% chance of realization after an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold.

At adoption of the guidance, the Organization did not record any cumulative effect adjustment, and it did not accrue interest expense or penalties related to any uncertain Federal or State income tax positions. Interest and penalties, if incurred, would be recognized as a component of income tax expense. There are no open Federal or State tax years under audit.

Basis of presentation

The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with the FASB ASC. 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 FASB ASC guidance related to contributions received and contributions made and financial statements of not-for-profit organizations.

This guidance 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. This guidance also 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. Revenues received that are temporarily restricted 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, 2009, 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 2009 amounts to conform to their classifications in fiscal year 2010.

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.

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

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, 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. From then on they are included within the operations of Odessa as these locations are now operating under its charter.

RICHARD MILBURN ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 DUE FROM/TO GOVERNMENTAL AGENCIES

Due from governmental agencies in the accompanying statements of financial position include approximately \$118,000 and \$110,000 in funds due from federal agencies and approximately \$159,000 and \$280,000 due from the TEA as of August 31, 2010 and 2009, 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 \$70,000 and \$38,000 due to state agencies as of August 31, 2010 and 2009, respectively, and are included within liabilities of the discontinued school.

4 FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment, net, as of August 31, 2010 and 2009 from continuing operations consisted of the following:

	<u>2010</u>	<u>2009</u>
Furniture, fixtures and equipment	\$ 402,072	\$ 344,753
Less: accumulated depreciation	<u>(333,378)</u>	<u>(301,180)</u>
Furniture, fixtures and equipment, net	<u>\$ 68,694</u>	<u>\$ 43,573</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 from continuing operations for the fiscal years ended August 31, 2010 and 2009 was approximately \$32,000 in each year.

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.

RICHARD MILBURN ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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 contributions to the System for the fiscal years ended August 31, 2010 and 2009 were approximately \$81,000 and \$56,000, 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 during the 2010 and 2009 calendar years. 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. The Organization's contributions to the plan in fiscal 2010 and 2009 were approximately \$2,000 in each year.

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, 2010 and 2009 are approximately \$20,000 and \$14,000, respectively.

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, 2010 may be impaired.

RICHARD MILBURN ACADEMY, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The Organization is required to spend a minimum amount of its allocation of special program allotments from the TEA during the year they are awarded. As of August 31, 2010, management does not believe there are any amounts due to the TEA for unexpended special program allotments.

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's continuing operations lease facilities under non-cancelable operating leases, which contain varying renewal options. Approximate aggregate remaining minimum rental commitments as of August 31, 2010 under these leases are summarized as follows:

<u>Fiscal Year Ending August 31,</u>	
2011	\$ 391,600
2012	328,294
2013	260,577
2014	96,912
2015	<u>85,250</u>
Total	<u>\$ 1,162,633</u>

Rent expense for all operating leases for the fiscal years ended August 31, 2010 and 2009 was approximately \$518,000 and \$530,000, 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 bidding process and were approved by the Board of Directors. For the fiscal years ended August 31, 2010 and 2009, the Organization has incurred approximately \$1,118,000 and \$1,146,000 of management fees, respectively. Amounts due to the management company as of August 31, 2010 and 2009 are approximately \$428,000 and \$298,000, respectively, and are included in accounts payable and accrued expenses 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.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

9 SCHOOL CLOSING

On July 28, 2010, the Organization decided to close the Beaumont school due to financial reasons. All furniture and fixtures were subsequently redistributed to the Organization's remaining campuses as directed by the TEA.

The results of operations for this school have been classified as discontinued operations in the accompanying financial statements for the periods presented. Revenues from the discontinued school were \$1,210,921 and \$1,440,257 for the years ended August 31, 2010 and 2009, respectively. The change in net assets from discontinued operations was a decrease of \$216,332 and \$345,064 for the years ended August 31, 2010 and 2009, respectively.

10 PRIOR PERIOD RESTATEMENT

All Foundation School Program funding received from the TEA is restricted by state law to be used for the benefit of the students of the respective charter school. Net assets previously reported as unrestricted have been restated in the current year as temporarily restricted to reflect funds received but not yet disbursed.

RICHARD MILBURN ACADEMY, INC. - AMARILLO

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2010 AND 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 141,038	\$ 75,408
Due from governmental agencies	79,482	105,371
Prepaid assets	-	8,336
Total current assets	220,520	189,115
Furniture, fixtures and equipment, net	45,630	15,263
Other assets	266	-
Total assets	\$ 266,416	\$ 204,378
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 68,351	\$ 55,479
Accrued payroll	49,058	36,135
Due to affiliates	4,548	4,951
Total liabilities	121,957	96,565
Net assets:		
Unrestricted	45,630	15,263
Temporarily restricted	98,829	92,550
Total net assets	144,459	107,813
Total liabilities and net assets	\$ 266,416	\$ 204,378

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

RICHARD MILBURN ACADEMY, INC. - BEAUMONT

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2010 AND 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 95,867	\$ 91,319
Due from governmental agencies	565	57,122
Prepaid assets	-	7,427
Due from affiliates	-	29,408
Total current assets	96,432	185,276
Furniture, fixtures and equipment, net	12,086	25,188
Other assets	7,107	77
Total assets	\$ 115,625	\$ 210,541
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 299,841	\$ 173,567
Accrued payroll	-	46,250
Due to governmental agencies	69,872	37,939
Due to affiliates	9,459	-
Total liabilities	379,172	257,756
Net assets:		
Unrestricted	(263,547)	(47,215)
Total net assets	(263,547)	(47,215)
Total liabilities and net assets	\$ 115,625	\$ 210,541

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

RICHARD MILBURN ACADEMY, INC. - CORPUS CHRISTI

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 207,989	\$ 183,805
Due from governmental agencies	98,065	104,556
Prepaid assets	<u>-</u>	<u>9,664</u>
Total current assets	306,054	298,025
Furniture, fixtures and equipment, net	4,870	12,156
Other assets	<u>14,706</u>	<u>14,610</u>
Total assets	<u>\$ 325,630</u>	<u>\$ 324,791</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 92,198	\$ 181,235
Accrued payroll	49,805	37,112
Due to affiliates	<u>5,759</u>	<u>7,336</u>
Total liabilities	<u>147,762</u>	<u>225,683</u>
Net assets:		
Unrestricted	4,870	12,156
Temporarily restricted	<u>172,998</u>	<u>86,952</u>
Total net assets	<u>177,868</u>	<u>99,108</u>
Total liabilities and net assets	<u>\$ 325,630</u>	<u>\$ 324,791</u>

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

RICHARD MILBURN ACADEMY, INC. - KILLEEN

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2010 AND 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 403,148	\$ 352,550
Due from governmental agencies	98,718	123,218
Prepaid assets	-	8,017
Due from affiliates	15,965	-
Total current assets	517,831	483,785
Furniture, fixtures and equipment, net	10,831	16,032
Other assets	2,696	3,281
Total assets	\$ 531,358	\$ 503,098
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 86,888	\$ 168,373
Accrued payroll	62,505	34,936
Due to affiliates	-	12,399
Total liabilities	149,393	215,708
Net assets:		
Unrestricted	10,831	16,032
Temporarily restricted	371,134	271,358
Total net assets	381,965	287,390
Total liabilities and net assets	\$ 531,358	\$ 503,098

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, 2010
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2010</u>	<u>2009</u>
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ 10	\$ -	\$ 10	\$ 4,244
State program revenues:				
5810 Foundation School Program Act	1,707,904	6,279	1,714,183	1,419,491
5820 State program revenues distributed by Texas Education Agency	<u>5,177</u>	<u>-</u>	<u>5,177</u>	<u>4,805</u>
Total state program revenues	<u>1,713,081</u>	<u>6,279</u>	<u>1,719,360</u>	<u>1,424,296</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	<u>108,202</u>	<u>-</u>	<u>108,202</u>	<u>258,916</u>
Net assets released from restrictions:				
Restrictions satisfied by payment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>1,821,293</u>	<u>6,279</u>	<u>1,827,572</u>	<u>1,687,456</u>
EXPENSES				
11 Instruction	817,705	-	817,705	764,803
12 Instructional resources and media	14,676	-	14,676	6,079
13 Curriculum development and instructional staff development	67,408	-	67,408	90,130
23 School leadership	182,049	-	182,049	190,998
31 Guidance, counseling and evaluation	76,215	-	76,215	76,382
33 Health services	8,120	-	8,120	3,339
36 Cocurricular/extracurricular activities	1,862	-	1,862	7,604
41 General administration	398,272	-	398,272	353,340
51 Plant maintenance and operation	162,352	-	162,352	135,322
52 Security and monitoring services	4,741	-	4,741	2,795
53 Data processing services	22,779	-	22,779	24,447
61 Community services	<u>34,747</u>	<u>-</u>	<u>34,747</u>	<u>2,909</u>
Total expenses	<u>1,790,926</u>	<u>-</u>	<u>1,790,926</u>	<u>1,658,148</u>
Change in net assets	30,367	6,279	36,646	29,308
Net assets, beginning of year as previously reported	107,813	-	107,813	78,505
Prior period restatement (see Note 10)	<u>(92,550)</u>	<u>92,550</u>	<u>-</u>	<u>-</u>
Net assets, beginning of year as restated	<u>15,263</u>	<u>92,550</u>	<u>107,813</u>	<u>78,505</u>
Net assets, end of year	<u>\$ 45,630</u>	<u>\$ 98,829</u>	<u>\$ 144,459</u>	<u>\$ 107,813</u>

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, 2010
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2010</u>	<u>2009</u>
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ 11	\$ -	\$ 11	\$ 28
State program revenues:				
5810 Foundation School Program Act	1,008,566	-	1,008,566	1,347,187
5820 State program revenues distributed by Texas Education Agency	<u>3,021</u>	<u>-</u>	<u>3,021</u>	<u>3,986</u>
Total state program revenues	<u>1,011,587</u>	<u>-</u>	<u>1,011,587</u>	<u>1,351,173</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	<u>199,323</u>	<u>-</u>	<u>199,323</u>	<u>89,056</u>
Net assets released from restrictions:				
Restrictions satisfied by payment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>1,210,921</u>	<u>-</u>	<u>1,210,921</u>	<u>1,440,257</u>
EXPENSES				
11 Instruction	496,716	-	496,716	621,276
12 Instructional resources and media	9,371	-	9,371	12,562
13 Curriculum development and instructional staff development	41,919	-	41,919	67,001
21 Instructional leadership	1,730	-	1,730	-
23 School leadership	175,111	-	175,111	271,379
31 Guidance, counseling and evaluation	58,019	-	58,019	82,276
32 Social work services	147	-	147	-
33 Health services	-	-	-	12,142
34 Student transportation	2,200	-	2,200	-
36 Cocurricular/extracurricular activities	25,149	-	25,149	48,394
41 General administration	324,620	-	324,620	381,997
51 Plant maintenance and operation	245,388	-	245,388	233,568
52 Security and monitoring services	26,712	-	26,712	18,005
53 Data processing services	10,431	-	10,431	21,501
61 Community services	<u>9,740</u>	<u>-</u>	<u>9,740</u>	<u>15,220</u>
Total expenses	<u>1,427,253</u>	<u>-</u>	<u>1,427,253</u>	<u>1,785,321</u>
Change in net assets	<u>(216,332)</u>	<u>-</u>	<u>(216,332)</u>	<u>(345,064)</u>
Net assets, beginning of year	<u>(47,215)</u>	<u>-</u>	<u>(47,215)</u>	<u>297,849</u>
Net assets, end of year	<u>\$ (263,547)</u>	<u>\$ -</u>	<u>\$ (263,547)</u>	<u>\$ (47,215)</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, 2010
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2009)**

	Unrestricted	Temporarily Restricted	Totals	
			2010	2009
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ 2,926	\$ -	\$ 2,926	\$ 96
State program revenues:				
5810 Foundation School Program Act	1,911,183	86,046	1,997,229	1,772,905
5820 State program revenues distributed by Texas Education Agency	6,733	-	6,733	46,284
Total state program revenues	1,917,916	86,046	2,003,962	1,819,189
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	557,483	-	557,483	297,655
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	2,478,325	86,046	2,564,371	2,116,940
EXPENSES				
11 Instruction	1,229,978	-	1,229,978	827,293
12 Instructional resources and media	9,950	-	9,950	7,733
13 Curriculum development and instructional staff development	119,838	-	119,838	132,652
21 Instructional leadership	1,249	-	1,249	-
23 School leadership	162,769	-	162,769	178,259
31 Guidance, counseling and evaluation	93,522	-	93,522	112,809
33 Health services	321	-	321	1,875
36 Cocurricular/extracurricular activities	9,812	-	9,812	17,550
41 General administration	499,744	-	499,744	417,542
51 Plant maintenance and operation	281,117	-	281,117	279,671
52 Security and monitoring services	46,403	-	46,403	36,444
53 Data processing services	25,908	-	25,908	16,056
61 Community services	5,000	-	5,000	-
Total expenses	2,485,611	-	2,485,611	2,027,884
Change in net assets	(7,286)	86,046	78,760	89,056
Net assets, beginning of year as previously reported	99,108	-	99,108	10,052
Prior period restatement (see Note 10)	(86,952)	86,952	-	-
Net assets, beginning of year as restated	12,156	86,952	99,108	10,052
Net assets, end of year	\$ 4,870	\$ 172,998	\$ 177,868	\$ 99,108

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, 2010
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2010</u>	<u>2009</u>
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ 4,733	\$ -	\$ 4,733	\$ 22
State program revenues:				
5810 Foundation School Program Act	1,307,588	99,776	1,407,364	1,370,503
5820 State program revenues distributed by Texas Education Agency	4,341	-	4,341	19,080
Total state program revenues	1,311,929	99,776	1,411,705	1,389,583
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	463,501	-	463,501	386,546
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	1,780,163	99,776	1,879,939	1,776,151
EXPENSES				
11 Instruction	858,590	-	858,590	826,312
12 Instructional resources and media	7,725	-	7,725	6,225
13 Curriculum development and instructional staff development	76,421	-	76,421	26,579
23 School leadership	169,233	-	169,233	166,562
31 Guidance, counseling and evaluation	71,810	-	71,810	64,289
32 Social work services	240	-	240	3,690
33 Health services	2,145	-	2,145	-
36 Cocurricular/extracurricular activities	14,758	-	14,758	10,145
41 General administration	400,739	-	400,739	366,483
51 Plant maintenance and operation	131,983	-	131,983	118,011
52 Security and monitoring services	41,212	-	41,212	31,303
53 Data processing services	7,539	-	7,539	1,637
61 Community services	2,969	-	2,969	-
Total expenses	1,785,364	-	1,785,364	1,621,236
Change in net assets	(5,201)	99,776	94,575	154,915
Net assets, beginning of year as previously reported	287,390	-	287,390	132,475
Prior period restatement (see Note 10)	(271,358)	271,358	-	-
Net assets, beginning of year as restated	16,032	271,358	287,390	132,475
Net assets, end of year	\$ 10,831	\$ 371,134	\$ 381,965	\$ 287,390

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, 2010
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2009)**

	Unrestricted	Temporarily Restricted	Totals	
			2010	2009
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ -	\$ 1,046
State program revenues:				
5810 Foundation School Program Act	-	-	-	417,551
5820 State program revenues distributed by Texas Education Agency	-	-	-	4,346
Total state program revenues	-	-	-	421,897
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	-	-	73,975
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	-	-	-	496,918
EXPENSES				
11 Instruction	-	-	-	178,878
12 Instructional resources and media	-	-	-	5,491
13 Curriculum development and instructional staff development	-	-	-	6,264
23 School leadership	-	-	-	50,298
31 Guidance, counseling and evaluation	-	-	-	18,967
32 Social work services	-	-	-	13,322
36 Cocurricular/extracurricular activities	-	-	-	241
41 General administration	-	-	-	101,139
51 Plant maintenance and operation	-	-	-	41,815
52 Security and monitoring services	-	-	-	4,223
53 Data processing services	-	-	-	11,591
61 Community services	-	-	-	563
Total expenses	-	-	-	432,792
Change in net assets	-	-	-	64,126
Net assets, beginning of year	-	-	-	(184,448)
Net deficit transferred out to RMA/TX, Inc. (see Note 2)	-	-	-	120,322
Net assets, end of year	\$ -	\$ -	\$ -	\$ -

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, 2010
(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED AUGUST 31, 2009)**

	Unrestricted	Temporarily Restricted	Totals	
			2010	2009
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ -	\$ 2
State program revenues:				
5810 Foundation School Program Act	-	-	-	269,762
5820 State program revenues distributed by Texas Education Agency	-	-	-	3,220
Total state program revenues	-	-	-	272,982
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	-	-	28,235
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	-	-	-	301,219
EXPENSES				
11 Instruction	-	-	-	143,286
12 Instructional resources and media	-	-	-	2,112
13 Curriculum development and instructional staff development	-	-	-	15,449
23 School leadership	-	-	-	52,658
31 Guidance, counseling and evaluation	-	-	-	21,296
32 Social work services	-	-	-	8,533
36 Cocurricular/extracurricular activities	-	-	-	2,315
41 General administration	-	-	-	72,279
51 Plant maintenance and operation	-	-	-	41,458
52 Security and monitoring services	-	-	-	13,695
Total expenses	-	-	-	373,081
Change in net assets	-	-	-	(71,862)
Net assets, beginning of year	-	-	-	(120,142)
Net deficit transferred out to RMA/TX, Inc. (see Note 2)	-	-	-	192,004
Net assets, end of year	\$ -	\$ -	\$ -	\$ -

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, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ 1,740,561	\$ 1,284,745
Grant payments	112,890	269,118
Miscellaneous sources	10	4,244
Payments to vendors for goods and services rendered	(678,310)	(665,382)
Payments to personnel for services rendered	(1,065,827)	(971,216)
Net cash provided by (used for) operating activities	109,324	(78,491)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures and equipment	(43,694)	(14,571)
Net increase (decrease) in cash	65,630	(93,062)
 Cash and cash equivalents, beginning of year	75,408	168,470
Cash and cash equivalents, end of year	\$ 141,038	\$ 75,408
 Reconciliation of change in net assets to net cash provided by (used for) operating activities:		
Change in net assets	\$ 36,646	\$ 29,308
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	13,327	4,905
(Increase) decrease in assets:		
Due from governmental agencies	25,889	(38,681)
Prepaid assets	8,336	2,198
Other assets	(266)	12,156
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	12,872	21,208
Accrued payroll	12,923	(20,931)
Due to governmental agencies	-	(90,668)
Due to affiliates	(403)	2,014
Net cash provided by (used for) operating activities	\$ 109,324	\$ (78,491)

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, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ 1,094,630	\$ 1,350,004
Grant payments	204,770	89,056
Miscellaneous sources	11	28
Payments to vendors for goods and services rendered	(493,153)	(750,773)
Payments to personnel for services rendered	(791,453)	(876,880)
	<u>14,805</u>	<u>(188,565)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures and equipment	(10,257)	(4,565)
	<u>4,548</u>	<u>(193,130)</u>
Cash and cash equivalents, beginning of year	<u>91,319</u>	<u>284,449</u>
Cash and cash equivalents, end of year	<u>\$ 95,867</u>	<u>\$ 91,319</u>
Reconciliation of change in net assets to net cash provided by (used for) operating activities:		
Change in net assets	\$ (216,332)	\$ (345,064)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	23,359	37,682
Loss on disposal of furniture, fixtures and equipment	-	955
(Increase) decrease in assets:		
Due from governmental agencies	56,557	(10,917)
Prepaid assets	7,427	3,651
Other assets	(7,030)	16,610
Due from affiliates	29,408	(19,404)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	126,274	135,447
Accrued payroll	(46,250)	(17,273)
Due to governmental agencies	31,933	9,748
Due to affiliates	9,459	-
	<u>\$ 14,805</u>	<u>\$ (188,565)</u>

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, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ 2,019,952	\$ 1,759,209
Grant payments	547,984	294,650
Miscellaneous sources	2,926	96
Payments to vendors for goods and services rendered	(1,352,671)	(971,727)
Payments to personnel for services rendered	(1,194,007)	(1,011,602)
Net cash provided by operating activities	24,184	70,626
Cash and cash equivalents, beginning of year	183,805	113,179
Cash and cash equivalents, end of year	\$ 207,989	\$ 183,805
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 78,760	\$ 89,056
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,286	12,956
(Increase) decrease in assets:		
Due from governmental agencies	6,491	(35,438)
Prepaid assets	9,664	906
Other assets	(96)	(170)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(89,037)	26,208
Accrued payroll	12,693	(368)
Due to governmental agencies	-	(27,547)
Due to affiliates	(1,577)	5,023
Net cash provided by operating activities	\$ 24,184	\$ 70,626

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, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ 1,444,218	\$ 1,344,735
Grant payments	455,488	368,189
Miscellaneous sources	4,733	22
Payments to vendors for goods and services rendered	(822,585)	(647,038)
Payments to personnel for services rendered	(1,025,357)	(855,315)
Net cash provided by operating activities	56,497	210,593
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures and equipment	(5,899)	(3,738)
Net increase in cash	50,598	206,855
 Cash and cash equivalents, beginning of year	352,550	145,695
Cash and cash equivalents, end of year	\$ 403,148	\$ 352,550
 Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 94,575	\$ 154,915
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,100	15,926
(Increase) decrease in assets:		
Due from governmental agencies	24,500	(56,316)
Prepaid assets	8,017	357
Other assets	585	7,078
Due from affiliates	(15,965)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(81,485)	112,386
Accrued payroll	27,569	(23,439)
Due to governmental agencies	-	(6,889)
Due to affiliates	(12,399)	6,575
Net cash provided by operating activities	\$ 56,497	\$ 210,593

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, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ -	\$ 347,202
Grant payments	-	104,204
Miscellaneous sources	-	1,046
Payments to vendors for goods and services rendered	-	(197,371)
Payments to personnel for services rendered	-	(257,293)
	-	(2,212)
Net cash used for operating activities	-	(2,212)
Cash and cash equivalents, beginning of year	-	147,254
Cash transferred out to RMA/TX, Inc. (see Note 2)	-	(145,042)
	-	(145,042)
Cash and cash equivalents, end of year	\$ -	\$ -
Reconciliation of change in net assets to net cash used for operating activities:		
Change in net assets	\$ -	\$ 64,126
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	-	2,281
(Increase) decrease in assets:		
Due from governmental agencies	-	(29,171)
Prepaid assets	-	3,181
Other assets	-	(13,347)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	-	(11,043)
Accrued payroll	-	(11,470)
Due to governmental agencies	-	(15,295)
Due to affiliates	-	8,526
	-	8,526
Net cash used for operating activities	\$ -	\$ (2,212)

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, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Foundation School Program payments	\$ -	\$ 236,222
Grant payments	-	67,313
Miscellaneous sources	-	2
Payments to vendors for goods and services rendered	-	(90,192)
Payments to personnel for services rendered	-	(220,521)
	-	(7,176)
Net cash used for operating activities	-	(7,176)
Cash and cash equivalents, beginning of year	-	11,586
Cash transferred out to RMA/TX, Inc. (see Note 2)	-	(4,410)
	-	-
Cash and cash equivalents, end of year	\$ -	\$ -
Reconciliation of change in net assets to net cash used for operating activities:		
Change in net assets	\$ -	\$ (71,862)
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
(Increase) decrease in assets:		
Due from governmental agencies	-	69,361
Prepaid assets	-	2,386
Other assets	-	(12,518)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	-	42,008
Accrued payroll	-	217
Due to governmental agencies	-	(67,043)
Due to affiliates	-	21,159
	-	21,159
Net cash used for operating activities	\$ -	\$ (7,176)

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, 2010 AND 2009

		<u>2010</u>	<u>2009</u>
EXPENSES			
6100	Payroll costs	\$ 1,078,750	\$ 950,285
6200	Professional and contracted services	531,208	520,783
6300	Supplies and materials	83,254	115,336
6400	Other operating costs	<u>97,714</u>	<u>71,744</u>
	Total expenses	<u>\$ 1,790,926</u>	<u>\$ 1,658,148</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, 2010 AND 2009

		<u>2010</u>	<u>2009</u>
EXPENSES			
6100	Payroll costs	\$ 745,203	\$ 889,633
6200	Professional and contracted services	503,597	612,021
6300	Supplies and materials	55,513	71,079
6400	Other operating costs	<u>122,940</u>	<u>212,588</u>
	Total expenses	<u>\$ 1,427,253</u>	<u>\$ 1,785,321</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, 2010 AND 2009

		<u>2010</u>	<u>2009</u>
EXPENSES			
6100	Payroll costs	\$ 1,206,700	\$ 1,029,234
6200	Professional and contracted services	871,243	781,409
6300	Supplies and materials	281,796	104,914
6400	Other operating costs	<u>125,872</u>	<u>112,327</u>
	Total expenses	<u>\$ 2,485,611</u>	<u>\$ 2,027,884</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, 2010 AND 2009

		<u>2010</u>	<u>2009</u>
EXPENSES			
6100	Payroll costs	\$ 1,052,926	\$ 834,891
6200	Professional and contracted services	531,777	466,511
6300	Supplies and materials	108,294	246,782
6400	Other operating costs	<u>92,367</u>	<u>73,052</u>
	Total expenses	<u>\$ 1,785,364</u>	<u>\$ 1,621,236</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, 2010 AND 2009

		<u>2010</u>	<u>2009</u>
EXPENSES			
6100	Payroll costs	\$ -	\$ 245,915
6200	Professional and contracted services	-	146,128
6300	Supplies and materials	-	24,681
6400	Other operating costs	-	<u>16,068</u>
	Total expenses	<u>\$ -</u>	<u>\$ 432,792</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, 2010 AND 2009

		<u>2010</u>	<u>2009</u>
EXPENSES			
6100	Payroll costs	\$ -	\$ 249,908
6200	Professional and contracted services	-	85,669
6300	Supplies and materials	-	10,834
6400	Other operating costs	-	<u>26,670</u>
	Total expenses	<u>\$ -</u>	<u>\$ 373,081</u>

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

RICHARD MILBURN ACADEMY, INC. - AMARILLO

SCHEDULE OF CAPITAL ASSETS

AUGUST 31, 2010

		Ownership Interest		
		Local	State	Federal
1110	Cash	\$ -	\$ 141,038	\$ -
1539	Furniture and equipment	-	171,329	3,131
	Total	<u>\$ -</u>	<u>\$ 312,367</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, 2010

		Ownership Interest		
		Local	State	Federal
1110	Cash	\$ -	\$ 95,867	\$ -
1539	Furniture and equipment	-	125,641	152,931
	Total	<u>\$ -</u>	<u>\$ 221,508</u>	<u>\$ 152,931</u>

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

RICHARD MILBURN ACADEMY, INC. - CORPUS CHRISTI

SCHEDULE OF CAPITAL ASSETS

AUGUST 31, 2010

		Ownership Interest		
		Local	State	Federal
1110	Cash	\$ -	\$ 207,989	\$ -
1539	Furniture and equipment	-	48,368	19,231
	Total	\$ -	\$ 256,357	\$ 19,231

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

RICHARD MILBURN ACADEMY, INC. - KILLEEN

SCHEDULE OF CAPITAL ASSETS

AUGUST 31, 2010

		Ownership Interest		
		Local	State	Federal
1110	Cash	\$ -	\$ 403,148	\$ -
1539	Furniture and equipment	-	41,251	105,426
	Total	\$ -	\$ 444,399	\$ 105,426

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, 2010

	<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	\$ -	\$ -	\$ 10	\$ 10
State program revenues:				
5810 Foundation School Program Act	1,367,160	1,367,160	1,714,183	347,023
5820 State program revenues distributed by Texas Education Agency	-	-	5,177	5,177
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	261,949	270,112	108,202	(161,910)
Total revenues	<u>1,629,109</u>	<u>1,637,272</u>	<u>1,827,572</u>	<u>190,300</u>
EXPENSES				
11 Instruction	590,750	599,366	817,705	(218,339)
12 Instructional resources and media	13,350	13,350	14,676	(1,326)
13 Curriculum development and instructional staff development	63,625	62,947	67,408	(4,461)
21 Instructional leadership	-	225	-	225
23 School leadership	248,555	248,555	182,049	66,506
31 Guidance, counseling and evaluation	61,993	61,993	76,215	(14,222)
32 Social work services	-	-	-	-
33 Health services	7,482	7,482	8,120	(638)
34 Student transportation	-	-	-	-
35 Food services	-	-	-	-
36 Cocurricular/extracurricular activities	13,200	13,200	1,862	11,338
41 General administration	297,926	297,926	398,272	(100,346)
51 Plant maintenance and operation	133,600	133,600	162,352	(28,752)
52 Security and monitoring services	8,200	8,200	4,741	3,459
53 Data processing services	31,875	31,875	22,779	9,096
61 Community services	850	850	34,747	(33,897)
Total expenses	<u>1,471,406</u>	<u>1,479,569</u>	<u>1,790,926</u>	<u>(311,357)</u>
Change in net assets	157,703	157,703	36,646	(121,057)
Net assets, beginning of year	<u>107,813</u>	<u>107,813</u>	<u>107,813</u>	<u>-</u>
Net assets, end of year	<u>\$ 265,516</u>	<u>\$ 265,516</u>	<u>\$ 144,459</u>	<u>\$ (121,057)</u>

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - BEAUMONT

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget-Positive (Negative)</u>
REVENUES				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ 11	\$ 11
State program revenues:				
5810 Foundation School Program Act	1,413,126	1,413,126	1,008,566	(404,560)
5820 State program revenues distributed by Texas Education Agency	-	-	3,021	3,021
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	323,694	332,254	199,323	(132,931)
Total revenues	<u>1,736,820</u>	<u>1,745,380</u>	<u>1,210,921</u>	<u>(534,459)</u>
EXPENSES				
11 Instruction	607,221	610,076	496,716	113,360
12 Instructional resources and media	27,500	27,500	9,371	18,129
13 Curriculum development and instructional staff development	89,823	94,823	41,919	52,904
21 Instructional leadership	4,000	4,000	1,730	2,270
23 School leadership	204,963	204,963	175,111	29,852
31 Guidance, counseling and evaluation	57,538	57,538	58,019	(481)
32 Social work services	1,000	1,000	147	853
33 Health services	20,500	20,500	-	20,500
34 Student transportation	13,039	13,039	2,200	10,839
35 Food services	-	-	-	-
36 Cocurricular/extracurricular activities	17,500	17,500	25,149	(7,649)
41 General administration	317,328	317,328	324,620	(7,292)
51 Plant maintenance and operation	189,900	189,900	245,388	(55,488)
52 Security and monitoring services	48,860	48,860	26,712	22,148
53 Data processing services	35,124	35,829	10,431	25,398
61 Community services	2,000	2,000	9,740	(7,740)
Total expenses	<u>1,636,296</u>	<u>1,644,856</u>	<u>1,427,253</u>	<u>217,603</u>
Change in net assets	100,524	100,524	(216,332)	(316,856)
Net assets, beginning of year	<u>(47,215)</u>	<u>(47,215)</u>	<u>(47,215)</u>	<u>-</u>
Net assets, end of year	<u>\$ 53,309</u>	<u>\$ 53,309</u>	<u>\$ (263,547)</u>	<u>\$ (316,856)</u>

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - CORPUS CHRISTI

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

	<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	\$ -	\$ -	\$ 2,926	\$ 2,926
State program revenues:				
5810 Foundation School Program Act	1,637,185	1,637,185	1,997,229	360,044
5820 State program revenues distributed by Texas Education Agency	-	-	6,733	6,733
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	881,808	891,851	557,483	(334,368)
Total revenues	<u>2,518,993</u>	<u>2,529,036</u>	<u>2,564,371</u>	<u>35,335</u>
EXPENSES				
11 Instruction	1,166,471	1,193,293	1,229,978	(36,685)
12 Instructional resources and media	10,500	10,500	9,950	550
13 Curriculum development and instructional staff development	128,246	111,448	119,838	(8,390)
21 Instructional leadership	3,500	3,500	1,249	2,251
23 School leadership	150,382	150,382	162,769	(12,387)
31 Guidance, counseling and evaluation	58,309	58,309	93,522	(35,213)
32 Social work services	-	-	-	-
33 Health services	6,400	6,400	321	6,079
34 Student transportation	-	-	-	-
35 Food services	-	-	-	-
36 Cocurricular/extracurricular activities	5,500	5,500	9,812	(4,312)
41 General administration	333,229	333,229	499,744	(166,515)
51 Plant maintenance and operation	244,096	244,096	281,117	(37,021)
52 Security and monitoring services	51,511	51,511	46,403	5,108
53 Data processing services	17,011	17,030	25,908	(8,878)
61 Community services	1,200	1,200	5,000	(3,800)
Total expenses	<u>2,176,355</u>	<u>2,186,398</u>	<u>2,485,611</u>	<u>(299,213)</u>
Change in net assets	342,638	342,638	78,760	(263,878)
Net assets, beginning of year	<u>99,108</u>	<u>99,108</u>	<u>99,108</u>	<u>-</u>
Net assets, end of year	<u>\$ 441,746</u>	<u>\$ 441,746</u>	<u>\$ 177,868</u>	<u>\$ (263,878)</u>

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - KILLEEN

BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

	<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	\$ -	\$ -	\$ 4,733	\$ 4,733
State program revenues:				
5810 Foundation School Program Act	1,777,262	1,777,262	1,407,364	(369,898)
5820 State program revenues distributed by Texas Education Agency	-	-	4,341	4,341
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	796,596	826,234	463,501	(362,733)
Total revenues	<u>2,573,858</u>	<u>2,603,496</u>	<u>1,879,939</u>	<u>(723,557)</u>
EXPENSES				
11 Instruction	1,110,562	1,219,645	858,590	361,055
12 Instructional resources and media	22,000	22,000	7,725	14,275
13 Curriculum development and instructional staff development	256,332	182,987	76,421	106,566
21 Instructional leadership	9,000	9,000	-	9,000
23 School leadership	176,230	176,230	169,233	6,997
31 Guidance, counseling and evaluation	73,054	70,854	71,810	(956)
32 Social work services	24,731	24,731	240	24,491
33 Health services	3,800	3,800	2,145	1,655
34 Student transportation	3,000	3,000	-	3,000
35 Food services	-	-	-	-
36 Cocurricular/extracurricular activities	18,500	14,500	14,758	(258)
41 General administration	271,017	271,017	400,739	(129,722)
51 Plant maintenance and operation	97,500	97,500	131,983	(34,483)
52 Security and monitoring services	23,500	23,500	41,212	(17,712)
53 Data processing services	22,922	22,922	7,539	15,383
61 Community services	5,500	5,500	2,969	2,531
81 Fund raising	3,200	3,200	-	3,200
Total expenses	<u>2,120,848</u>	<u>2,150,386</u>	<u>1,785,364</u>	<u>365,022</u>
Change in net assets	453,010	453,110	94,575	(358,535)
Net assets, beginning of year	<u>287,390</u>	<u>287,390</u>	<u>287,390</u>	<u>-</u>
Net assets, end of year	<u>\$ 740,400</u>	<u>\$ 740,500</u>	<u>\$ 381,965</u>	<u>\$ (358,535)</u>

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - AMARILLO

**EXPLANATIONS OF BUDGET VARIANCES
(continued)**

	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Explanation of Variance</u>
EXPENSES					
11 Instruction	599,366	817,705	(218,339)	-27%	Payroll cost variance of \$282,597; budget was not amended.
12 Instructional resources and media	13,350	14,676	(1,326)	-9%	
13 Curriculum development and instructional staff development	62,947	67,408	(4,461)	-7%	
21 Instructional leadership	225	-	225	100%	Budget was higher than actual expenditures incurred.
23 School leadership	248,555	182,049	66,506	37%	Budget was higher than actual expenditures incurred.
31 Guidance, counseling and evaluation	61,993	76,215	(14,222)	-19%	Payroll cost variance of \$34,402; budget was not amended.
32 Social work services	-	-	-	0%	
33 Health services	7,482	8,120	(638)	-8%	
34 Student transportation	-	-	-	0%	
35 Food services	-	-	-	0%	
36 Cocurricular/extracurricular activities	13,200	1,862	11,338	609%	Budget was higher than actual expenditures incurred.
41 General administration	297,926	398,272	(100,346)	-25%	Payroll cost variance of \$57,701 was not amended; budget amendments were not done to accommodate increases in student enrollment which caused an increase in regional office allocation costs and management fees.
51 Plant maintenance and operation	133,600	162,352	(28,752)	-18%	Budget amendments were not done to accommodate increases in janitorial services and remodeling costs.

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - AMARILLO

**EXPLANATIONS OF BUDGET VARIANCES
(continued)**

	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Explanation of Variance</u>
EXPENSES					
52 Security and monitoring services	8,200	4,741	3,459	73%	Budget was higher than actual expenditures incurred.
53 Data processing services	31,875	22,779	9,096	40%	Budget was higher than actual expenditures incurred.
61 Community services	850	34,747	(33,897)	-98%	Payroll costs were not budgeted.

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - BEAUMONT

**EXPLANATIONS OF BUDGET VARIANCES
(continued)**

	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Explanation of Variance</u>
EXPENSES					
11 Instruction	610,076	496,716	113,360	23%	Budget was higher than actual expenditures incurred.
12 Instructional resources and media	27,500	9,371	18,129	193%	Budget was higher than actual expenditures incurred.
13 Curriculum development and instructional staff development	94,823	41,919	52,904	126%	Budget was higher than actual expenditures incurred.
21 Instructional leadership	4,000	1,730	2,270	131%	Budget was higher than actual expenditures incurred.
23 School leadership	204,963	175,111	29,852	17%	Budget was higher than actual expenditures incurred.
31 Guidance, counseling and evaluation	57,538	58,019	(481)	-1%	
32 Social work services	1,000	147	853	580%	Budget was higher than actual expenditures incurred.
33 Health services	20,500	-	20,500	100%	Budget was higher than actual expenditures incurred.
34 Student transportation	13,039	2,200	10,839	493%	Budget was higher than actual expenditures incurred.
35 Food services	-	-	-	0%	
36 Cocurricular/extracurricular activities	-	25,149	(25,149)	-100%	Payroll cost variance of \$5,834 was not included in budget.
41 General administration	317,328	324,620	(7,292)	-2%	

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - BEAUMONT

EXPLANATIONS OF BUDGET VARIANCES

	Final	(continued) Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)	Variance with Final Budget- Positive (Negative)	Explanation of Variance
EXPENSES					
51 Plant maintenance and operation	189,900	245,388	(55,488)	-23%	Payroll cost variance of \$1,998 was not included in budget; repairs and contracted services of approximately \$34,842 were more than anticipated and not included when amending the budget.
52 Security and monitoring services	48,860	26,712	22,148	83%	Budget was higher than actual expenditures incurred.
53 Data processing services	35,829	10,431	25,398	243%	Budget was higher than actual expenditures incurred.
61 Community services	2,000	9,740	(7,740)	-79%	Payroll cost variance of \$9,740 was not included in budget.

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - CORPUS CHRISTI

**EXPLANATIONS OF BUDGET VARIANCES
(continued)**

	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Explanation of Variance</u>
EXPENSES					
11 Instruction	1,193,293	1,229,978	(36,685)	-3%	
12 Instructional resources and media	10,500	9,950	550	6%	
13 Curriculum development and instructional staff development	111,448	119,838	(8,390)	-7%	
21 Instructional leadership	3,500	1,249	2,251	180%	Budget was higher than actual expenditures incurred.
23 School leadership	150,382	162,769	(12,387)	-8%	
31 Guidance, counseling and evaluation	58,309	93,522	(35,213)	-38%	Payroll cost variance of \$33,919; budget was not amended.
32 Social work services	-	-	-	0%	
33 Health services	6,400	321	6,079	1894%	Budget was higher than actual expenditures incurred.
34 Student transportation	-	-	-	0%	
35 Food services	-	-	-	0%	
36 Cocurricular/extracurricular activities	5,500	9,812	(4,312)	-44%	Miscellaneous operating costs for Student Transportation and Holiday Inn-Emerald Beach expenses were not included in the budget amendments (Prom Expenses, Senior Dinner)- exceeded preliminary budget.
41 General administration	333,229	499,744	(166,515)	-33%	Payroll cost variance of \$12,078 was not amended; budget amendments were not done to accommodate increase in management fees calculated on a per student cost ratio.

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - CORPUS CHRISTI

EXPLANATIONS OF BUDGET VARIANCES
(continued)

	Final	Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)	Variance with Final Budget- Positive (Negative)	Explanation of Variance
EXPENSES					
51 Plant maintenance and operation	244,096	281,117	(37,021)	-13%	Additional costs of \$49,046 were not included in the budget amendments for Owens Brothers Management, (RENT) Reliant Energy Costs, and A & M Cleaning Services.
52 Security and monitoring services	51,511	46,403	5,108	11%	Budget was higher than actual expenditures incurred.
53 Data processing services	17,030	25,908	(8,878)	-34%	Payroll cost of \$3,620 was not included in budget; contracted services exceeded budget by \$9,750 due to costs of annual contract, insurance, and e-rate expenditures.
61 Community services	1,200	5,000	(3,800)	-76%	Costs for Channel 3 exceeded original budgeted estimates.

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - KILLEEN

**EXPLANATIONS OF BUDGET VARIANCES
(continued)**

	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Explanation of Variance</u>
EXPENSES					
11 Instruction	1,219,645	858,590	361,055	42%	Budget was higher than actual expenditures incurred.
12 Instructional resources and media	22,000	7,725	14,275	185%	Budget was higher than actual expenditures incurred.
13 Curriculum development and instructional staff development	182,987	76,421	106,566	139%	Budget was higher than actual expenditures incurred.
21 Instructional leadership	9,000	-	9,000	100%	Budget was higher than actual expenditures incurred.
23 School leadership	176,230	169,233	6,997	4%	
31 Guidance, counseling and evaluation	70,854	71,810	(956)	-1%	
32 Social work services	24,731	240	24,491	10205%	Budget was higher than actual expenditures incurred.
33 Health services	3,800	2,145	1,655	77%	Budget was higher than actual expenditures incurred.
34 Student transportation	3,000	-	3,000	100%	Budget was higher than actual expenditures incurred.
35 Food services	-	-	-	0%	
36 Cocurricular/extracurricular activities	14,500	14,758	(258)	-2%	
41 General administration	271,017	400,739	(129,722)	-32%	Budget amendments were not done to accommodate the cost variance of \$104,181 in management fees.
51 Plant maintenance and operation	97,500	131,983	(34,483)	-26%	Budget amendments were not done to accommodate increases in repair costs and utilities reflected in the cost variance of \$11,880.

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC. - KILLEEN

**EXPLANATIONS OF BUDGET VARIANCES
(continued)**

	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Explanation of Variance</u>
EXPENSES					
52 Security and monitoring services	23,500	41,212	(17,712)	-43%	Payroll costs of \$28,089 were not budgeted.
53 Data processing services	22,922	7,539	15,383	204%	Budget was higher than actual expenditures incurred.
61 Community services	22,922	7,539	15,383	204%	Budget was higher than actual expenditures incurred.
81 Fundraising	3,200	-	3,200	100%	Budget was higher than actual expenditures incurred.

See independent auditor's report.

RICHARD MILBURN ACADEMY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)

Federal Grantor/ Pass-Through Grantor/ Program Title	NOGA ID Numbers	Federal CFDA Number	Grant Period	Expenditures- Continuing Operations	Expenditures- Discontinued School	Expenditures- Total
United States Department of Education / Texas Board of Education / Title I Grants to Local Educational Agencies	10610101188801 10610101123804 10610101178804 10551001014801	84.010	8/28/09 - 9/30/10	\$ 146,751	\$ 101,240	\$ 247,991
United States Department of Education / Texas Board of Education / ARRA - Title I Grants to Local Educational Agencies	10551001188801 10551001123804 10551001178804 10551001014801	84.389	8/25/09 - 9/30/11	45,530	24,181	69,711
Total Title I Cluster				192,281	125,421	317,702
United States Department of Education / Texas Board of Education / Special Education-Grants to States (IDEA, Part B)	10660001188801 1066000112380466 1066000117880466	84.027	7/1/09 - 9/30/10	72,064	51,572	123,636
United States Department of Education / Texas Board of Education / ARRA - Special Education-Grants to States (IDEA, Part B)	10554001188801 10554001123804 10554001178804	84.391	7/1/09 - 9/30/11	14,040	5,129	19,169
Total IDEA, Part B Cluster				86,104	56,701	142,805

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

RICHARD MILBURN ACADEMY, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)**

Federal Grantor/ Pass-Through Grantor/ Program Title	NOGA ID Numbers	Federal CFDA Number	Grant Period	Expenditures- Continuing Operations	Expenditures- Discontinued School	Expenditures- Total
United States Department of Education / Texas Board of Education / Safe and Drug-Free Schools and Communities - State Grants	10691001123804	84.186	8/28/09 - 9/30/10	-	336	336
United States Department of Education / Texas Board of Education / Education Technology - State Grants	10630001188801	84.318	8/28/09 - 9/30/10	801	-	801
United States Department of Education / Texas Board of Education / Title II Improving Teacher Quality State Grants	10694501188801 10694501178804	84.367	8/28/09 - 9/30/10	28,558	-	28,558
United States Department of Education / Texas Board of Education / School Improvement Grants	10610104178804001 10610104014801001	84.377	10/21/09 - 9/30/10	620,731	-	620,731
United States Department of Education / Texas Board of Education / ARRA - School Improvement Grants	10551004178804001 10551004014801001	84.377A	10/21/09 - 9/30/10	139,417	-	139,417
Total School Improvement Grant Cluster				<u>760,148</u>	<u>-</u>	<u>760,148</u>

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

RICHARD MILBURN ACADEMY, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)**

Federal Grantor/ Pass-Through Grantor/ Program Title	NOGA ID Numbers	Federal CFDA Number	Grant Period	Expenditures- Continuing Operations	Expenditures- Discontinued School	Expenditures- Total
United States Department of Education / Texas Board of Education/ ARRA - State Fiscal Stabilization Fund - Education State Grants	10557001188801 10557001123804 10557001178804 10557001014801	84.394	9/29/09 - 9/30/10	47,103	9,315	56,418
Federal Communications Commission / Federal Technological Assistance (E-Rate)	n/a	n/a	9/1/09 - 8/31/10	14,191	7,550	21,741
Total Expenditures of Federal Awards				<u>\$ 1,129,186</u>	<u>\$ 199,323</u>	<u>\$ 1,328,509</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, 2010

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**

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

Members of the Board of Directors:

We have audited the financial statements of Richard Milburn Academy, Inc., (a nonprofit organization) (the "Organization"), as of and for the year ended August 31, 2010, and have issued our report thereon dated January 20, 2011. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described as finding 2010-1 in the accompanying schedule of findings and



questioned costs that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 items 2010-2, 2010-3 and 2010-4.

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 67-70. 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 20, 2011



**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 each of its major federal programs for the year ended August 31, 2010. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 each of its major federal programs for the year ended August 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in



accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-2.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 in the corrective action plan on pages 67-70. 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 20, 2011

RICHARD MILBURN ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? No
- 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>
84.010/84.389	8/31/09 - 9/30/11	Title I Grants to Local Educational Agencies School Improvement Grants
84.377/84.377A	10/21/09 – 9/30/10	

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. 2010-1 – Significant Deficiency

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 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 67-70.

Section III – Federal Award Findings and Questioned Costs

Finding No. 2010-2

Statement of condition:

The Organization could not provide documentation on the employee time and effort allocation rates for payroll expenses charged to Federal programs.

Context:

Certain Federal programs require recipients to maintain documentation on employee time and effort for payroll expenses charged to Federal programs. We noted that the required documentation for those allocations was not available.

Effect of condition:

The Organization was not able to provide the necessary documentation to support its compliance with applicable grant requirements.

RICHARD MILBURN ACADEMY, INC.

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

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 Federal programs to ensure compliance with their respective requirements.

Management's response:

Management agreed with this finding and will implement formal policies and procedures to improve upon their compliance with federal award requirements. See corrective action plan on pages 67-70.

Section IV – State Award Findings and Questioned Costs

Finding No. 2010-3

Statement of condition:

The Organization did not spend the required amount of allotments of Foundation School Program ("FSP") funding.

Context:

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

Effect of condition:

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

Recommendation:

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

Management's response:

Management agreed with this finding and will implement formal policies and procedures to improve upon their compliance with state award requirements. See corrective action plan on pages 67-70.

Finding No. 2010-4

Statement of condition:

The Organization has school employees on the Beaumont school's governing board, which constitutes a quorum.

Context:

If a charter school is rated acceptable or higher, then a charter school employee may serve as a member of the governing body of the charter holder or the charter school if the

RICHARD MILBURN ACADEMY, INC.

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

employees do not constitute a quorum of the governing body or any committee of the governing body.

Effect of condition:

The Organization is not in compliance with state requirements concerning the governing body of the Beaumont charter school.

Recommendation:

We recommend that the Organization implement controls over the number of school employees on the respective governing boards to ensure that the number of school employees on the governing boards does not constitute a quorum.

Management's response:

Management agreed with this finding and will implement formal policies and procedures to improve upon their compliance with state award requirements. See corrective action plan on pages 67-70.

Section V – Status of Prior Year Audit Findings

Finding No. 2009-1: Fixed asset schedule reconciliation

During our consideration of the Organization's controls over reporting fixed assets, we noted that 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.

This item is repeated as Finding No. 2010-1.

Finding No. 2009-2: Professional development expenditure minimums

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 by certain Federal grants the Organization received.

This item was resolved during the current year.

Finding No. 2009-3: Student attendance discrepancies

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.

This item was resolved during the current year.

RICHARD MILBURN ACADEMY, INC.

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

Finding No. 2009-4: Employee stipends

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.

This item was resolved during the current year.

Finding No. 2009-5: Required expenditure of allotments

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

This item is updated and repeated as Finding No. 2010-3.

Finding No. 2009-6: Time and effort documentation

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.

This item is updated and repeated as Finding No. 2010-2.

RICHARD MILBURN ACADEMY, INC.

CORRECTIVE ACTION PLAN

FOR FISCAL YEAR ENDED AUGUST 31, 2010

Findings	Corrective Action Activities	Responsible Personnel	Timeline for Implementation
<p><u>2010-1: Reconciliation of Fixed Assets</u> 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.</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 at each location by the end of the fiscal year.</p> <p>Verification of annual reconciled fixed asset listings.</p>	<p>Sally Irvine, RMA TX State Dir.</p>	<p>January, 2011 through March 15, 2011</p> <p>March 16, 2011 through August 31, 2011</p> <p>By August 31, 2011</p> <p>By August 31, 2011</p>

RICHARD MILBURN ACADEMY, INC.

**CORRECTIVE ACTION PLAN
(continued)**

Findings	Corrective Action Activities	Responsible Personnel	Timeline for Implementation
<p><u>2010-2: Federal Awards and Time and Effort</u> Certain Federal programs require recipients to maintain documentation on employee time and effort allocation rates for payroll expenses charged to Federal programs. The Organization could not provide documentation on the employee time and effort allocation rates for payroll expenses charged to Federal programs.</p>	<p>RMA, Inc. will adhere to the Federal Guidelines for maintaining documentation on employee time and effort allocation rates for payroll expenses charged to Federal programs.</p> <p>A review of internal processes was conducted and a determination was made that our organization would move to an electronic purchasing system. We have contracted for services with an ESC to provide services for all Federal grant expenditures, including tracking of salary paid from Federal funds.</p> <p>Documentation will be sent to the State Director's Office for verification of accuracy as compared to time recorded on company timecards. Reclassification of Federal payroll dollars will be done if inaccuracies are not corrected within a 30 day time period so that Federal guidelines are adhered to properly. The Organization's Human Resources Department will be notified should this occur so a new Personnel Action Form (PAF) can be initiated to reflect the change of fund source.</p>	<p>Sally Irvine, RMA TX State Dir.</p>	<p>August, 2010 and ongoing</p> <p>Completed</p> <p>November 1, 2010 – August 31, 2011</p>

RICHARD MILBURN ACADEMY, INC.

CORRECTIVE ACTION PLAN
(continued)

Findings	Corrective Action Activities	Responsible Personnel	Timeline for Implementation
<p><u>2010-3: Foundation School Program (FSP) Allocations</u> The Organization receives FSP allotments from the state and is required to spend a certain percentage of the funding in the year the allotment is awarded. The Organization did not spend the required amount of the allotments.</p>	<p>Each location will work with the State Director and the Organization's finance department to ensure spending levels are routinely reviewed.</p> <p>Monthly monitoring of specific state allocations will be done by the State Director with the School Director at each location to appropriately review revenues and expenditures which should avoid the finding occurring during the 2010-11 school year.</p>	<p>Sally Irvine, RMA TX State Dir</p>	<p>August, 2010 and ongoing</p> <p>January, 2011 – August, 2011</p>

RICHARD MILBURN ACADEMY, INC.

CORRECTIVE ACTION PLAN
(continued)

Findings	Corrective Action Activities	Responsible Personnel	Timeline for Implementation
<p><u>2010-4: Employees on Governing Boards</u> If a charter school is rated acceptable or higher, then a charter school employee may serve as a member of the governing body of the charter holder or the charter school if the employees do not constitute a quorum of the governing board or any committee of the governing body. The Organization has school employees on the Beaumont school's governing board, which constitutes a quorum.</p>	<p>RMA, Inc. will follow all regulations regarding school employees serving on governing boards.</p> <p>The Beaumont location has closed and the governing board no longer exists.</p>	<p>Dr. Norman Hall, Superintendent</p>	<p>August, 2010 and ongoing</p> <p>August, 2010</p>