



RICHARD MILBURN ACADEMY/TX, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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

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Richard Milburn Academy/TX, Inc.
(Federal Employer Identification Number: 06-1585988)
County District Number 014801
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Richard Milburn Academy/TX, Inc. was reviewed and (check one) approved disapproved for the year ended June 30, 2023 at a meeting of governing body of the charter holder on the 9th day of November, 2023.



Signature of Board Treasurer



Signature of Board President

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

Paul J. Christensen & Associates, LLC

Certified Public Accountants

2110 Austin Avenue
Waco, Texas 76701
(254)752-3436
FAX (254)752-3463
<http://www.waco-cpa.com>

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Richard Milburn Academy/TX, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Richard Milburn Academy/TX, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Richard Milburn Academy/TX, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Richard Milburn Academy/TX, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Richard Milburn Academy/TX, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Richard Milburn Academy/TX, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Richard Milburn Academy/TX, Inc.'s June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 19 through 27 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2023, on our consideration of Richard Milburn Academy/TX, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Richard Milburn Academy/TX, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richard Milburn Academy/TX, Inc.'s internal control over financial reporting and compliance.

Paul J. Christensen & Associates, LLC

Waco, Texas
November 9, 2023

FINANCIAL STATEMENTS

RICHARD MILBURN ACADEMY/TX, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(with summarized comparative totals as of June 30, 2022)

	2023	2022
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 7,494,724	\$ 6,869,123
Due from governments	2,206,049	3,621,298
Deferred expenses	67,620	2,616
Other receivables	368,441	353,381
Total Current Assets	10,136,834	10,846,418
Property and Equipment		
Land	941,985	941,985
Building and improvements	11,731,112	11,702,387
Construction in progress	1,819,050	296,840
Furniture and equipment	2,121,506	2,105,711
	16,613,653	15,046,923
Less: Accumulated depreciation	(3,959,782)	(3,555,931)
Net Property and Equipment	12,653,871	11,490,992
Other Assets		
Operating right of use assets	936,681	1,328,286
Security deposits	3,800	6,280
Financing cost, net of amortization	118,303	133,405
Total Other Assets	1,058,784	1,467,971
Total Assets	\$ 23,849,489	\$ 23,805,381
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 242,044	\$ 271,401
Accrued wages payable	494,480	991,440
Deferred Revenue	51,659	34,375
Operating lease liabilities - current portion	660,941	766,069
Current portion of long-term debt	286,606	276,459
Total Current Liabilities	1,735,730	2,339,744
Long-Term Liabilities		
Long-term debt net of current portion	6,861,887	7,148,493
Operating lease liabilities - net of current	254,586	568,927
Total Long-Term Liabilities	7,116,473	7,717,420
Total Liabilities	8,852,203	10,057,164
Net Assets		
Without donor restrictions	1,007,348	889,942
With donor restrictions	13,989,938	12,858,275
Total Net Assets	14,997,286	13,748,217
Total Liabilities and Net Assets	\$ 23,849,489	\$ 23,805,381

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

RICHARD MILBURN ACADEMY/TX, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(with summarized comparative totals for the year ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Local support:				
Interest and other income	\$ 122,915	\$ -	\$ 122,915	\$ 417,397
Total local support	122,915	-	122,915	417,397
State program revenues:				
Foundation school program act	-	14,373,257	14,373,257	15,096,216
Other state aid	-	103,247	103,247	72,284
Total state program revenues	-	14,476,504	14,476,504	15,168,500
Federal program revenues:				
ESEA Title I, Part A	-	789,517	789,517	1,149,748
IDEA - Part B, Formula	-	271,868	271,868	370,114
National School Lunch and Breakfast Program	-	71,348	71,348	96,153
ESEA Title II, Part A	-	76,967	76,967	56,951
ARP Homeless II	-	8,698	8,698	-
CRRSA ESSER II	-	1,217,021	1,217,021	454,424
ARP ESSER III	-	542,334	542,334	460,920
IDEA - Part B, Formula-ARP	-	18,386	18,386	-
ESEA, Title IV, Part A	-	31,250	31,250	56,386
COVID-19 School Health Support	-	22,382	22,382	-
NSLP - Supply Chain Assistance	-	61,369	61,369	-
NSLP - Equipment Assistance	-	10,005	10,005	-
ESEA Title III, Part A	-	15,766	15,766	16,784
Career and Technical	-	19,600	19,600	11,844
ESEA Title I, Part C, Migrant	-	-	-	41
PPP forgiveness	-	-	-	2,000,000
Total federal program revenues	-	3,156,511	3,156,511	4,673,365
Net assets released from restrictions:				
Restrictions satisfied by payments	16,501,352	(16,501,352)	-	-
Total Revenues	16,624,267	1,131,663	17,755,930	20,259,262
Expenses				
Program Services:				
11 Instruction	7,114,497	-	7,114,497	8,697,969
13 Curriculum development and instructional staff development	689,975	-	689,975	700,762
21 Instructional leadership	280,363	-	280,363	78,883
23 School leadership	1,759,800	-	1,759,800	1,828,824
31 Guidance, counseling and evaluation services	1,083,017	-	1,083,017	1,041,069
33 Health services	31,386	-	31,386	28,749
34 Student (Pupil) Transportation	4,920	-	4,920	3,454
35 Food services	166,788	-	166,788	173,538
36 Cocurricular/extracurricular activities	-	-	-	-
Total Program Services	11,130,746	-	11,130,746	12,553,248
Support services:				
41 General administration	1,076,106	-	1,076,106	965,160
51 Plant maintenance and operations	2,152,783	-	2,152,783	2,162,747
52 Security and monitoring services	498,404	-	498,404	398,444
53 Data processing services	861,976	-	861,976	863,269
61 Community services	508,247	-	508,247	471,594
71 Debt service	278,599	-	278,599	300,723
Total Support Services	5,376,115	-	5,376,115	5,161,937
Total Expenses	16,506,861	-	16,506,861	17,715,185
Change in Net Assets	117,406	1,131,663	1,249,069	2,544,077
Net Assets, Beginning of Year	889,942	12,858,275	13,748,217	11,204,140
Net Assets, End of Year	\$ 1,007,348	\$ 13,989,938	\$ 14,997,286	\$ 13,748,217

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

RICHARD MILBURN ACADEMY/TX, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(with summarized comparative totals for the year ended June 30, 2022)

	2023	2022
Cash Flows from Operating Activities:		
Foundation school program payments	\$ 15,301,441	\$ 14,525,014
Other state aid	103,247	72,284
Grant payments	3,660,860	2,553,176
Miscellaneous sources	107,855	246,256
Payments to vendors for goods and services rendered	(5,904,634)	(5,799,714)
Payments to charter school personnel for services rendered	(10,536,483)	(10,886,067)
Interest payments	(263,496)	(285,621)
Net Cash Provided by Operating Activities	2,468,790	425,328
Cash Flows from Investing Activities:		
Purchase of capital assets	(1,566,730)	(463,807)
Net Cash Used by Investing Activities	(1,566,730)	(463,807)
Cash Flows from Financing Activities:		
Issuance of long-term debt	-	148,509
Repayment of long-term debt	(276,459)	(250,248)
Net Cash Provided by Financing Activities	(276,459)	(101,739)
Net Increase (Decrease) in Cash	625,601	(140,218)
Cash at Beginning of Year	6,869,123	7,009,341
Cash at End of Year	\$ 7,494,724	\$ 6,869,123
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Net Assets	\$ 1,249,069	\$ 2,544,077
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	403,851	391,807
Amortization	15,102	-
Forgiveness of paycheck protection program loan	-	(2,000,000)
(Increase) Decrease in assets:		
Due from governments	1,415,249	(725,766)
Deferred expenses	(65,004)	(171,141)
Other receivables	(15,060)	31,783
Operating right of use assets, net	391,605	(1,328,286)
Security deposits	2,480	-
Increase (Decrease) in liabilities:		
Accounts payable	(29,357)	(61,539)
Accrued wages payable	(496,960)	375,022
Deferred revenue	17,284	34,375
Operating lease liabilities	(419,469)	1,334,996
Net Cash Provided by Operating Activities	\$ 2,468,790	\$ 425,328

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

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Corporate Operations

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

Basis of Accounting and Presentation

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

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

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

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

Use of Estimates

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

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Contributions

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

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

Cash and Cash Equivalents

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

Capital Assets

Capital assets, which include land, buildings and improvements, construction in progress, vehicles, and furniture and equipment are reported in the financial statements. Capital assets are defined by the Charter Holder as assets with an individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to thirty years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

Leases

The Charter Holder classifies leases as financing or operating based on the nature of the agreement. This determination is performed at the inception of the lease and not reevaluated unless the contract is modified, or lease termination/extension options are exercised that were not expected. Both types of leases result in lease liabilities and right to use assets on the statement of financial position based on discounted cash flows using either the implicit rate in the lease or The Charter Holder's incremental borrowing rate. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Finance lease right to use assets are amortized as a component of depreciation expense. Leases may include non-lease components; however, these are accounted for as a single lease component.

Due From Governments

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

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

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Charter Holder reviews the carrying value of capital assets for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. The Charter Holder did not recognize an impairment loss during the year ended June 30, 2023.

State Funding

The amount of state foundation school program act revenue the Charter Holder earns may vary until the time when final values for all factors in the state aid formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation school program act revenue estimate for the year ended June 30, 2023, will change.

Revenue Recognition

Revenues from the state of Texas are based on reported attendance. Public and private grants received are recognized in the period received and when the terms of the grant are met. The grants are accounted for as contributions and are not subject to the disclosure requirements of ASC 606 related to revenue recognition.

Donated Services and Assets

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

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

Functional Allocation of Expenses

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

	2023			2022		
	Program Services	Support Services	Total	Program Services	Support Services	Total
Expenses						
6100 Payroll Cost	\$ 8,293,587	\$ 1,745,936	\$ 10,039,523	\$ 9,606,572	\$ 1,654,517	\$ 11,261,089
6200 Professional and contracted services	1,125,331	2,908,822	4,034,153	829,876	2,810,702	3,640,578
6300 Supplies and materials	1,062,168	118,896	1,181,064	1,491,245	126,446	1,617,691
6400 Other operating costs	649,660	338,965	988,625	625,555	284,651	910,206
6500 Debt Service	-	263,496	263,496	-	285,621	285,621
	\$ 11,130,746	\$ 5,376,115	\$ 16,506,861	\$ 12,553,248	\$ 5,161,937	\$ 17,715,185

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Contingencies

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

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

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Charter Holder's audited financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Adoption of Accounting Pronouncement – Lease

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Effective July 1, 2021, The Charter Holder adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The Charter Holder elected the package of practical expedients permitted in ASC Topic 842. As a result of the adoption of the new lease accounting guidance, The Charter Holder recognized on July 1, 2021 (a) lease liabilities of \$1,944,315, which represented the present value of the remaining lease payments of \$2,109,372 discounted using The Charter Holders incremental borrowing rate of 4%, and (b) right-of-use assets of \$1,944,315, which represented the lease liability.

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2023 and 2022 consist of the following:

	2023	2022
Checking accounts	\$ 6,721,412	\$ 6,108,954
Money market accounts	773,312	760,169
	\$ 7,494,724	\$ 6,869,123

Note 3 - Due from Governments

Amounts due from governments as of June 30, 2023 and 2022 consist of the following:

	2023	2022
Texas Department of Education, Texas Education Agency	\$ 2,158,643	\$ 3,060,065
U.S. Department of Education passed through Texas Education Agency	47,406	561,233
Total	\$ 2,206,049	\$ 3,621,298

Note 4 - Capital Assets

A summary of changes in capital assets is as follows:

	Balance 2022	<u>Additions</u>	<u>Retirements</u>	Balance 2023	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Land	\$ 941,985	\$ -	\$ -	\$ 941,985	\$ -	\$ 941,985
Buildings and Improvements	11,702,387	28,725	-	11,731,112	1,852,316	9,878,796
Construction in Progress	296,840	1,522,210	-	1,819,050	-	1,819,050
Furniture and Equipment	2,105,711	15,795	-	2,121,506	2,107,466	14,040
	\$ 15,046,923	\$ 1,566,730	\$ -	\$ 16,613,653	\$ 3,959,782	\$ 12,653,871

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

Depreciation expense for the year ended June 30, 2023, and 2022, was \$403,851 and \$391,807, respectively.

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 5 - Pension Plan Obligations

Plan Description

The Charter Holder contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiemployer defined benefit pension plan with one exception; all risks and costs are not shared by the Charter Holder, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas.

The plan operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trstate.tx.us, under the TRS Publications Heading.

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

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas State legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contributions

State law provides for a member contribution rate of 8.0% and 8.0% for fiscal years 2023 and 2022, respectively. The state's contribution rate as a non-employer contributing entity was 8.0% for fiscal year 2023.

The Charter Holder's employees' contributions to the System for the years ending June 30, 2023, and 2022 were \$673,676 and \$694,605, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the Charter Holder for salaries above the statutory minimum for the years ending June 30, 2023, and 2022 were \$20,330 and \$11,235, respectively, equal to the required contributions for each year. The Charter Holder's contributions into this plan do not represent more than 5% of the total contributions to the plan.

Note 6 - Health Care Coverage

During the year ended June 30, 2023 and 2022, employees of the Charter Holder were covered by a Health Insurance Plan ("Plan"). The Charter Holder contributed \$465 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 7 - Risk Management Program

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

Note 8 - Leases

The Charter Holder has long-term leases for four campuses in Houston, Fort Worth, Amarillo, and Midland. In addition, the Charter Holder has a lease for their central office located in San Antonio and a lease for office equipment. The lease agreements provide a schedule of required monthly payments for various terms ending August 31, 2025. The Charter Holder has pledged all revenues to satisfying these lease payments, including State payments to the extent the lease payments represent authorized purposes under the Texas Education Code.

The Charter Holder has determined these leases to be operating based on their length. The leases require monthly payments.

Maturities of Operating lease liabilities as of June 30, 2023, were as follows:

	2023
Operating lease weighted average remaining lease term	1.6 years
Weighted average discount rate	4%

Supplemental cash flow information related to leases for the year ended June 30, 2023 was as follows:

	2023
Operating cash flows from operating leases	\$ 764,949
Right-of-use assets obtained in exchange for operating lease obligations	936,681

Richard Milburn Academy/TX, Inc. leases its facilities under non-cancellable operating leases, which contain varying renewal options. Approximate aggregate remaining minimum rental commitments as of June 30, 2023, under these leases are summarized as follows:

Fiscal Year Ending June 30,	
2024	\$ 660,941
2025	254,586
	\$ 915,527

Rent expense for all operating leases for the year ended June 30, 2023, and 2022 was \$1,015,290 and \$963,746, respectively.

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 9 - Long Term Debt

On August 11, 2023, the Charter Holder consolidated all loan debt in the amount of \$7,647,863. The annual interest rate is 3.61% and monthly payments are \$44,996. Payments began on September 11, 2023, with a maturity date of August 11, 2031, when the remaining unpaid principal balance will be due.

Future requirements to service the notes are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	286,606	253,349	\$ 539,955
2025	297,126	242,830	539,956
2026	308,031	231,924	539,955
2027	319,337	220,619	539,956
2028-therafter	5,937,393	788,098	6,725,491
	<u>\$ 7,148,493</u>	<u>\$ 1,736,820</u>	<u>\$ 8,885,313</u>

Note 10 - Income Tax

The Charter Holder is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business taxable income. The Charter Holder has no material unrelated business income for the year ended June 30, 2023.

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

Tax positions taken related to the Charter Holder's tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken would more likely than not be sustained by examination. Accordingly, the Charter Holder has not recorded an income tax liability for uncertain tax benefits. For the year ended June 30, 2023 and 2022, there were no interest or penalties related to income taxes recorded or included in the financial statements. As of June 30, 2023, the Charter Holder's tax years 2019 through 2023 remain subject to examination.

Note 11 - Credit Risk

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

Note 12 - Commitments and Contingencies

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

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 12 - Commitments and Contingencies (continued)

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

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

Note 13 - Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	<u>\$7,494,724</u>
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Except for the financial assets listed above, the Charter Holder's cash and cash equivalents and due from governments are restricted by the Texas Education Agency and federal agencies for charter school operations.

Note 14 - Evaluation of Subsequent Events

The Charter Holder has evaluated subsequent events through November 9, 2023, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

RICHARD MILBURN ACADEMY/TX, INC.
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(with summarized comparative totals for the year ended June 30, 2022)

Expenses	<u>2023</u>	<u>2022</u>
6100 Payroll Cost	\$ 10,039,523	\$ 11,261,089
6200 Professional and contracted services	4,034,153	3,640,578
6300 Supplies and materials	1,181,064	1,617,691
6400 Other operating costs	988,625	910,206
6500 Debt Service	263,496	285,621
	<u>\$ 16,506,861</u>	<u>\$ 17,715,185</u>

RICHARD MILBURN ACADEMY/TX, INC.
 SCHEDULE OF ASSETS
 FOR THE YEAR ENDED JUNE 30, 2023

	Ownership Interest		
	<u>Local</u>	<u>State</u>	<u>Federal</u>
1110 Cash	\$ -	\$ 7,444,340	\$ 50,384
1510 Land	-	941,985	-
1520 Building	-	11,731,112	-
1521 Construction in progress	-	1,742,115	76,935
1549 Furniture and equipment	-	2,066,350	55,156
	<u>\$ -</u>	<u>\$ 23,925,902</u>	<u>\$ 182,475</u>

RICHARD MILBURN ACADEMY/TX, INC.
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		Variance from Original to Final Budget	Actual Amounts	Variance from Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>			
Revenues					
Local support:					
5740 Other revenues from local sources	\$ 360,816	\$ 397,576	\$ (36,760)	\$ 121,985	\$ (275,591)
5750 Other revenues cocurricular, enterprising services	\$ -	-	-	931	931
State program revenues:					
5810 Foundation school program act	16,854,057	14,644,526	2,209,531	14,373,257	(271,269)
5820 Other State Aid	679,587	741,587	(62,000)	103,247	(638,340)
Federal program revenues:					
5920 Federal revenues distributed by the Texas Education Agency	5,992,287	6,103,027	(110,740)	3,085,136	(3,017,891)
5930 Federal revenues distributed by other State of Texas Government Agencies	-	6,870	(6,870)	71,375	64,505
Total Revenues	<u>23,886,747</u>	<u>21,893,586</u>	<u>\$ 1,993,161</u>	<u>17,755,930</u>	<u>(4,137,656)</u>
Expenses					
11 Instruction	12,048,730	10,118,596	1,930,134	7,114,497	3,004,099
13 Curriculum development and instructional staff development	958,413	763,915	194,498	689,975	73,940
21 Instructional leadership	230,844	347,003	(116,159) [1]	280,363	66,640
23 School leadership	1,956,506	2,030,332	(73,826)	1,759,800	270,532
31 Guidance, counseling and evaluation services	1,341,521	1,314,951	26,570	1,083,017	231,934
33 Health services	72,970	31,947	41,023	31,386	-
34 Student (Pupil) Transportation	5,400	5,400	-	4,920	-
35 Food services	162,755	201,880	(39,125) [2]	166,788	-
41 General administration	1,096,206	1,227,331	(131,125) [3]	1,076,106	151,225
51 Plant maintenance and operations	2,811,337	2,811,337	-	2,152,783	658,554
52 Security and monitoring services	473,657	511,469	(37,812)	498,404	13,065
53 Data processing services	1,062,024	897,930	164,094	861,976	35,954
61 Community services	554,793	599,370	(44,577) [4]	508,247	91,123
71 Debt service	292,250	275,000	17,250	278,599	(3,599)
Total Expenses	<u>23,067,406</u>	<u>21,136,461</u>	<u>1,930,945</u>	<u>16,506,861</u>	<u>4,593,468</u>
Change in Net Assets	819,341	757,125	62,216	1,249,069	455,812
Net Assets, Beginning of Year	<u>13,748,217</u>	<u>13,748,217</u>		13,748,217	
Prior Period Adjustment					
Net Assets, End of Year	<u>\$ 14,567,558</u>	<u>\$ 14,505,342</u>	<u>\$ 62,216</u>	<u>\$ 14,997,286</u>	<u>\$ 455,812</u>

RICHARD MILBURN ACADEMY
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023

- [1] Variance due to new director of Special Populations hired in 2022-23.
- [2] Variance due to increase in food costs.
- [3] Variance due to Superintendent salary increase and Human Resource Specialist salary increase.
- [4] Variance due to increase in extra duty and overtime for student community liaisons at each campus.

RICHARD MILBURN ACADEMY/TX, INC.
Schedule of Real Property Ownership Interest
Year Ended June 30, 2023

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
Lubbock Campus	2333 50th Street, Lubbock, TX 79412	\$ 1,103,500		\$ 1,103,500	
Killeen Campus	802 North 8th Street, Killeen, TX 76541	466,061		466,061	
Killeen Records Storage	807 North 8th Street, Killeen, TX 76541	101,557		101,557	
Odessa Campus	2419 North County Road West, Suite #100, Odessa, TX 79763	1,502,605		1,502,605	
Pasadena Campus	320 East Southmore Ave., Suite #306, Pasadena, Tx 77502	1,517,789		1,517,789	
Corpus Christi Campus	3512 South Staples, Corpus Christ, TX 78411	3,477,580		3,477,580	

RICHARD MILBURN ACADEMY/TX, INC.

Schedule of Related Party Transactions

Year Ended June 30, 2023

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Condition</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During Fiscal Year</u>	<u>Principal Balance Due</u>
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NONE

RICHARD MILBURN ACADEMY/TX, INC.
Schedule of Related Party Compensation and Benefits
Year Ended June 30, 2023

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Compensation or Benefit</u>	<u>Description of Terms and Condition</u>	<u>Payment Frequency</u>	<u>Description</u>	<u>Source of Funds Used</u>	<u>Total Paid During Fiscal Year</u>
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NONE

RICHARD MILBURN ACADEMY/TX, INC.
 Schedule J-4
 Year Ended June 30, 2023

Data Codes	Section A: Compensatory Education Programs	Column 1 Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the districts fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$1,770,299
AP4	List the actual direct program expenditures for the state compensatory education programs during the LEA's fiscal year. (PIC's 24,26,28,29,30,34)	\$1,203,950
Section B: Bilingual Education Programs		
AP5	Did your LEA expend and state bilingual education program state allotment funds during the districts fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$75,833
AP8	List the actual direct program expenditures for the bilingual education programs during the LEA's fiscal year. (PIC's 25,35)	\$31,247

COMPLIANCE AND INTERNAL CONTROLS SECTION

Paul J. Christensen & Associates, LLC

Certified Public Accountants

2110 Austin Avenue
Waco, Texas 76701
(254)752-3436
FAX (254)752-3463
<http://www.waco-cpa.com>

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Richard Milburn Academy/TX, Inc. (the "Charter Holder") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Richard Milburn Academy/TX, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Paul G. Christensen + Associates, LLC

Waco, Texas
November 9, 2023

Paul J. Christensen & Associates, LLC

Certified Public Accountants

2110 Austin Avenue
Waco, Texas 76701
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FAX (254)752-3463
<http://www.waco-cpa.com>

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

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Richard Milburn Academy/TX, Inc.'s (the "Charter Holder") (a nonprofit organization), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Richard Milburn Academy/TX, Inc.'s major federal programs for the year ended June 30, 2023. Richard Milburn Academy/TX, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Richard Milburn Academy/TX, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Richard Milburn Academy/TX, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Richard Milburn Academy/TX, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Richard Milburn Academy/TX, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Richard Milburn Academy/TX, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Richard Milburn Academy/TX, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Richard Milburn Academy/TX, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Richard Milburn Academy/TX, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Richard Milburn Academy/TX, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitation, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Paul G. Christenson + Associates, LLC

Waco, Texas
November 9, 2023

RICHARD MILBURN ACADEMY/TX, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2023

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control over Financial Reporting:

Material weakness(es) identified? ___ Yes X No

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

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal Control over Major Programs:

Material weakness(es) identified? ___ Yes X No

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

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

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

Identification of Major Programs:

<u>CFDA Number(s)</u>	Name of Federal Program
84.425	ESSER Funds

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

Auditee qualified as low-risk auditee? X Yes ___ No

**RICHARD MILBURN ACADEMY/TX, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

I. FINANCIAL STATEMENT FINDINGS

None

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

RICHARD MILBURN ACADEMY/TX, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Passed-Through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101014801	\$ 600,852
ESEA, Title I, Part A - School Improvement	84.010A	23610141014801	188,665
Special Education Cluster (IDEA)			
IDEA - Part B, Formula	84.027A	236600010148016000	271,868
IDEA - Part B, Formula-ARP	84.027X	225350010148015000	18,386
Total Special Education Cluster (IDEA)			<u>290,254</u>
ESSER Funds			
ARP Homeless II	84.425W	21533002014801	8,698
CRRSA ESSER II	84.425D	21521001014801	1,217,021
ARP ESSER III	84.425U	21528001014801	542,334
Total ESSER Funds			<u>1,768,053</u>
ESEA, Title III, Part A	84.365A	22671001015950	44
ESEA, Title III, Part A	84.365A	23671001015950	15,722
ESEA, Title II, Part A - Teacher and Principal Training	84.367A	22694501014801	441
ESEA, Title II, Part A - Teacher and Principal Training	84.367A	23694501014801	76,526
ESEA, Title IV, Part A, Subpart I	84.424A	22680101014801	3,500
ESEA, Title IV, Part A, Subpart I	84.424A	23680101014801	27,750
COVID-19 School Health Support Grant	93.323	223935027110094	22,382
Career and Technical	84.048A	23420006015950	19,600
Total U.S. Department of Education			<u>1,934,018</u>
<u>U.S. Department of Agriculture:</u>			
Passed-Through Texas Education Agency			
Child Nutrition Cluster			
School Breakfast Program	10.553	71402201	14,233
School Breakfast Program	10.553	71402301	57,115
Supply Chain Assistance	10.555	226TX400N8903	61,369
Equipment Assistance	10.555	X7HTZA8BZBE3	10,005
Total U.S. Department of Agriculture			<u>142,722</u>
Total Expenditures of Federal Awards			<u>\$ 3,156,511</u>

RICHARD MILBURN ACADEMY/TX, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Note 1 - Basis of Presentation

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

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

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

Note 2 - Indirect Cost Rate

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