



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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**RICHARD MILBURN ACADEMY, INC.**  
**ANNUAL AND FINANCIAL COMPLIANCE**  
**REPORT**  
**AUGUST 31, 2007**  
**(WITH SUMMARIZED COMPARATIVE**  
**INFORMATION FOR 2006)**

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

**CERTIFICATE OF BOARD**

We, the undersigned, certify that the attached Financial and Compliance Report of Richard Milburn Academy, Inc. was reviewed and (check one)  approved  disapproved for the year ended August 31, 2007, at a meeting of the governing body of the charter holder on the 17<sup>th</sup> day of JANUARY, 2008.

*Francis a White*

\_\_\_\_\_  
Signature of Board Secretary  
Dr. Francis White

*William P Gayton*

\_\_\_\_\_  
Signature of Board President  
William Gayton



## Independent Auditors' Report

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

Members of the Board of Directors:

We have audited the accompanying general-purpose financial statements of Richard Milburn Academy, Inc. (the "charter holder") as of and for the year ended August 31, 2007. These general-purpose financial statements are the responsibility of the charter holder's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. The prior year summarized comparative information has been derived from the charter holder's 2006 financial statements which were audited by us and upon which our report dated October 26, 2006 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the charter holder, as of August 31, 2007, and the respective changes in 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 7, 2008 on our consideration of the School'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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. The specific-purpose financial statements are likewise presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

*BKHM, P.A.*

Winter Park, Florida  
January 7, 2008

**RICHARD MILBURN ACADEMY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 916,910	\$ 745,811
Due from governmental agencies	309,442	481,118
Prepaid assets	127,423	28,756
Due from affiliates	8,725	13,680
Total current assets	1,362,500	1,269,365
Furniture, fixtures and equipment, net	243,846	328,054
Other assets	20,172	20,261
Total assets	<b>\$ 1,626,518</b>	<b>\$ 1,617,680</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 505,241	\$ 432,175
Accrued liabilities	340,808	288,547
Due to State	42,541	-
Total liabilities	888,590	720,722
Net assets:		
Unrestricted	737,928	896,958
Temporarily restricted	-	-
Total net assets	737,928	896,958
Total liabilities and net assets	<b>\$ 1,626,518</b>	<b>\$ 1,617,680</b>

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

**RICHARD MILBURN ACADEMY, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2007  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2006)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2007</u>	<u>2006</u>
<b>REVENUES</b>				
<b>Local support:</b>				
Interest and other revenue	\$ 12,151	\$ -	\$ 12,151	\$ 17,663
Total local support	<u>12,151</u>	<u>-</u>	<u>12,151</u>	<u>17,663</u>
<b>State program revenues:</b>				
Foundation School Program	6,583,606	-	6,583,606	5,682,167
Other state aid	24,363	-	24,363	17,975
Total state program revenues	<u>6,607,969</u>	<u>-</u>	<u>6,607,969</u>	<u>5,700,142</u>
<b>Federal program revenues:</b>				
ESEA Title I, Part A	407,446	-	407,446	336,158
ESEA Title II, Part A	32,378	-	32,378	29,017
ESEA Title II, Part D	4,378	-	4,378	-
ESEA Title IV, Part A	1,009	-	1,009	-
ESEA Title V, Part A	679	-	679	-
Temporary Impact Aid	-	-	-	10,797
SHARS	-	-	-	1,712
IDEA, Part B	52,618	-	52,618	20,072
E-Rate	74,429	-	74,429	-
Completion and success	-	-	-	5,322
Total federal program revenues	<u>572,937</u>	<u>-</u>	<u>572,937</u>	<u>403,078</u>
<b>Net assets released from restrictions:</b>				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	<u>\$ 7,193,057</u>	<u>\$ -</u>	<u>\$ 7,193,057</u>	<u>\$ 6,120,883</u>

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



**RICHARD MILBURN ACADEMY, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2007  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2006)  
(continued)**

<b>EXPENSES</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2007</u>	<u>2006</u>
Program services:				
Instruction and instruction-related	\$ 3,288,358	\$ -	\$ 3,288,358	\$ 2,640,408
Instructional and school leadership	878,048	-	878,048	817,710
Support services:				
Administrative support services	1,638,563	-	1,638,563	1,469,544
Support services - student	502,369	-	502,369	377,722
Support services - non-student based	1,044,749	-	1,044,749	820,363
Total expenses	<u>7,352,087</u>	<u>-</u>	<u>7,352,087</u>	<u>6,125,747</u>
Change in net assets	(159,030)	-	(159,030)	(4,864)
Net assets, beginning of year	<u>896,958</u>	<u>-</u>	<u>896,958</u>	<u>901,822</u>
Net assets, end of year	<u><u>\$ 737,928</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 737,928</u></u>	<u><u>\$ 896,958</u></u>

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

**RICHARD MILBURN ACADEMY, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 6,791,485	\$ 5,602,059
Grant payments	603,638	370,827
Miscellaneous sources	12,151	17,740
Payments to vendors for goods and services rendered	(3,010,328)	(3,349,726)
Payments to personnel for services rendered	(4,160,117)	(2,528,680)
	<u>236,829</u>	<u>112,220</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(65,730)	(83,844)
	<u>(65,730)</u>	<u>(83,844)</u>
Net increase in cash	171,099	28,376
Cash and cash equivalents, beginning of year	<u>745,811</u>	<u>717,435</u>
Cash and cash equivalents, end of year	<u>\$ 916,910</u>	<u>\$ 745,811</u>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$ (159,030)	\$ (4,864)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	126,517	128,488
Loss on disposal of furniture, fixtures and equipment	23,421	532
(Increase) decrease in assets:		
Due from governmental agencies	171,676	(107,265)
Prepaid assets	(98,667)	11,409
Other assets	89	3,166
Due from affiliates	4,955	(7,259)
Increase (decrease) in liabilities:		
Accounts payable	73,066	126,146
Accrued liabilities	52,261	(37,432)
Due to State	42,541	(533)
Due to affiliates	-	(168)
	<u>\$ 236,829</u>	<u>\$ 112,220</u>

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

**RICHARD MILBURN ACADEMY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Richard Milburn Academy, Inc. (the “charter holder” or the “Organization”) is a not-for-profit organization incorporated in the State of Virginia in 1998. The governing body of the Organization is the not-for-profit organization Board of Directors, which is composed of five 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 provides general education services for students in grades nine through twelve in six individual charter schools in Texas. Each individual school operates under an open enrollment charter granted by the State of Texas Board of Education. Each charter was issued for a period of five years and is subject to review and renewal prior to the expiration date of the original charter. The Organization is part of the public school system of the State of Texas and, therefore, is entitled to distribution from the Foundation School Program, as well as other state grants and federal grants received through the State of Texas. The Organization does not have the authority to impose ad valorem taxes or to change the price of tuition.

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

**Basis of presentation**

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

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

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

## **RICHARD MILBURN ACADEMY, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**(continued)**

organizations and requires a statement of financial position, a statement of activities, a statement of cash flows and a statement of functional expenses.

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

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

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

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended August 31, 2006, 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.

#### **Cash and cash equivalents**

The Organization’s cash consists primarily of demand deposits with financial institutions, which are insured by federal depository insurance and securities of the kind described in section 45.201 of the *Texas School Law Bulletin* in an amount equal to the demand and time deposits held with the financial institutions.

**RICHARD MILBURN ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(continued)**

**Capital 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 costing over \$1,000 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

**Due to State**

Due to State consists of overpayments from the Foundation School Program. Amounts will be amortized and repaid throughout the next fiscal year by reductions of fiscal year 2008 Foundation School Program payments.

**Income taxes**

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

**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 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)**

**2 FURNITURE, FIXTURES AND EQUIPMENT**

Furniture, fixtures and equipment, net at August 31, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
Furniture, fixtures and equipment	\$ 777,696	\$ 751,370
Less: accumulated depreciation	<u>(533,850)</u>	<u>(423,316)</u>
Furniture, fixtures and equipment, net	<u>\$ 243,846</u>	<u>\$ 328,054</u>

Capital 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 assets are specifically identified on the Schedule of Capital Assets for each individual charter school.

**3 PENSION PLAN OBLIGATIONS**

**Defined Benefit Plan**

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

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the Organization's covered payroll. The Organization's employees' contributions to the System for the fiscal years ending August 31, 2007 and 2006 were approximately \$187,000 and \$160,000, respectively, and were equal to the required contributions for each year.

**RICHARD MILBURN ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**401(k) Plan**

The Organization has also established a profit-sharing plan under Section 401(k) of the Internal Revenue Code, whereby all eligible employees are entitled to defer up to the lesser of \$15,500 in 2007 and \$15,000 in 2006 on a calendar-year basis. Substantially all employees are eligible to participate in the plan depending on the length of service and attainment of minimum age requirements. Under the terms of the plan, the Organization contributes an amount to the plan at the discretion of the Board of Directors. Employer contributions to the plan in fiscal 2007 and 2006 were \$1,495 and \$648, respectively.

**4 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 school separately, and these amounts are presented separately in the accompanying financial statements. Amounts due from affiliates as of August 31, 2007 and 2006 were \$8,725 and \$13,680, respectively.

**5 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 not exceeded commercial coverage.

**6 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 at August 31, 2007 may be impaired.

**RICHARD MILBURN ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(continued)**

The Organization is required to expend a minimum amount of its allocation of special program grants from TEA on a timely basis. Management has determined the period for timely expenditure of the funds allocated to the Organization in any year to be the three-year period beginning with that year. Management calculates its estimate of the amounts of special program funds to be returned to TEA on a first-in, first-out basis by applying expenditures to the earliest year first to satisfy the spending requirements for that year. As of August 31, 2007, management does not believe there are any amounts due to TEA for unexpended special program funds.

In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing these grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Lease commitments**

The Organization leases its facilities under non-cancelable operating leases, which contain varying renewal options. Approximate aggregate remaining minimum rental commitments at August 31, 2007 under these leases are summarized as follows:

<u>Fiscal Year</u>	
2008	\$ 320,000
2009	188,000
2010	81,000
2011	10,000
2012	<u>3,000</u>
Total	<u>\$ 602,000</u>

Rent expense for all operating leases for the fiscal years ending August 31, 2007 and 2006 was approximately \$492,000 and \$461,000, respectively.



**RICHARD MILBURN ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**Management fees**

The Organization contracts with a management company for management and administrative services. The management agreements provide, among other things, for the payment of a management fee calculated based upon the gross revenues of each individual school within the Organization. The management agreements were executed following a full and open competition and were approved by the Board of Directors. For the fiscal years ending August 31, 2007 and 2006, the Organization has incurred approximately \$1,088,000 and \$916,000 of management fees, respectively. Amounts due to the management company at August 31, 2007 and 2006 are approximately \$406,000 and \$323,000, respectively, and are included in accounts payable in the accompanying financial statements.

**RICHARD MILBURN ACADEMY, INC. – AMARILLO**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 132,449	\$ 94,208
Due from governmental agencies	53,560	64,229
Prepaid assets	20,285	4,036
Due from affiliates	-	59,376
Total current assets	<u>206,294</u>	<u>221,849</u>
Furniture, fixtures and equipment, net	<u>9,567</u>	<u>13,985</u>
Total assets	<u>\$ 215,861</u>	<u>\$ 235,834</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 72,109	\$ 35,551
Accrued liabilities	56,366	52,472
Due to affiliates	398	-
Total liabilities	<u>128,873</u>	<u>88,023</u>
Net assets:		
Unrestricted	86,988	147,811
Temporarily restricted	-	-
Total net assets	<u>86,988</u>	<u>147,811</u>
Total liabilities and net assets	<u>\$ 215,861</u>	<u>\$ 235,834</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – BEAUMONT**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 324,172	\$ 282,881
Due from governmental agencies	100,040	103,234
Prepaid assets	25,864	5,158
Due from affiliates	8,725	34,550
	<u>458,801</u>	<u>425,823</u>
Total current assets		
Furniture, fixtures and equipment, net	<u>90,392</u>	<u>84,094</u>
Total assets	<u>\$ 549,193</u>	<u>\$ 509,917</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 46,956	\$ 29,276
Accrued liabilities	101,038	57,697
Due to State	19	-
Due to affiliates	300	-
	<u>148,313</u>	<u>86,973</u>
Total liabilities		
Net assets:		
Unrestricted	400,880	422,944
Temporarily restricted	-	-
	<u>400,880</u>	<u>422,944</u>
Total net assets		
Total liabilities and net assets	<u>\$ 549,193</u>	<u>\$ 509,917</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – CORPUS CHRISTI**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 140,932	\$ 95,044
Due from governmental agencies	38,869	81,373
Prepaid assets	18,733	5,412
Due from affiliates	-	1,700
Total current assets	<u>198,534</u>	<u>183,529</u>
Furniture, fixtures and equipment, net	16,023	25,577
Other assets	5,891	5,891
Total assets	<u>\$ 220,448</u>	<u>\$ 214,997</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 42,682	\$ 53,459
Accrued liabilities	49,804	51,714
Due to State	16,391	-
Due to affiliates	555	55,282
Total liabilities	<u>109,432</u>	<u>160,455</u>
Net assets:		
Unrestricted	111,016	54,542
Temporarily restricted	-	-
Total net assets	<u>111,016</u>	<u>54,542</u>
Total liabilities and net assets	<u>\$ 220,448</u>	<u>\$ 214,997</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – KILLEEN**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 122,873	\$ 121,477
Due from governmental agencies	43,041	84,338
Prepaid assets	19,836	4,376
Due from affiliates	-	4,586
Total current assets	<u>185,750</u>	<u>214,777</u>
Furniture, fixtures and equipment, net	33,847	75,420
Other assets	<u>3,281</u>	<u>3,370</u>
Total assets	<u><u>\$ 222,878</u></u>	<u><u>\$ 293,567</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 33,299	\$ 26,438
Accrued liabilities	48,259	46,402
Due to State	19	-
Due to affiliates	<u>1,996</u>	<u>300</u>
Total liabilities	<u>83,573</u>	<u>73,140</u>
Net assets:		
Unrestricted	139,305	220,427
Temporarily restricted	<u>-</u>	<u>-</u>
Total net assets	<u>139,305</u>	<u>220,427</u>
Total liabilities and net assets	<u><u>\$ 222,878</u></u>	<u><u>\$ 293,567</u></u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – LUBBOCK**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 104,602	\$ 70,987
Due from governmental agencies	26,580	74,541
Prepaid assets	<u>24,483</u>	<u>4,113</u>
Total current assets	155,665	149,641
Furniture, fixtures and equipment, net	19,947	23,603
Other assets	<u>5,000</u>	<u>5,000</u>
Total assets	<u>\$ 180,612</u>	<u>\$ 178,244</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 232,133	\$ 154,697
Accrued liabilities	44,419	40,355
Due to affiliates	<u>1,785</u>	<u>37,375</u>
Total liabilities	<u>278,337</u>	<u>232,427</u>
Net assets:		
Unrestricted	(97,725)	(54,183)
Temporarily restricted	<u>-</u>	<u>-</u>
Total net assets	<u>(97,725)</u>	<u>(54,183)</u>
Total liabilities and net assets	<u>\$ 180,612</u>	<u>\$ 178,244</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – MIDLAND**

**STATEMENTS OF FINANCIAL POSITION**

**AUGUST 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 81,623	\$ 80,176
Due from governmental agencies	47,352	72,205
Prepaid assets	18,222	5,661
Total current assets	147,197	158,042
Furniture, fixtures and equipment, net	71,397	101,420
Other assets	6,000	6,000
Total assets	<u>\$ 224,594</u>	<u>\$ 265,462</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 64,359	\$ 114,770
Accrued liabilities	35,492	40,718
Due to State	26,112	-
Due to affiliates	1,167	4,557
Total liabilities	127,130	160,045
Net assets:		
Unrestricted	97,464	105,417
Temporarily restricted	-	-
Total net assets	97,464	105,417
Total liabilities and net assets	<u>\$ 224,594</u>	<u>\$ 265,462</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – AMARILLO**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2007  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2006)**

	Unrestricted	Temporarily Restricted	Totals	
			2007	2006
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ 4,741	\$ -	\$ 4,741	\$ 4,441
State program revenues:				
5810 Foundation School Program Act	1,052,399	-	1,052,399	784,503
5820 State program revenues distributed by Texas Education Agency	4,100	-	4,100	2,113
Total state program revenues	<u>1,056,499</u>	<u>-</u>	<u>1,056,499</u>	<u>786,616</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	73,359	-	73,359	47,936
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	<u>1,134,599</u>	<u>-</u>	<u>1,134,599</u>	<u>838,993</u>
<b>EXPENSES</b>				
11 Instruction	495,759	-	495,759	374,450
12 Instructional resources and media	8,790	-	8,790	4,168
13 Curriculum development and instructional staff development	41,457	-	41,457	5,753
23 School leadership	152,061	-	152,061	156,045
31 Guidance, counseling and evaluation	70,179	-	70,179	28,037
32 Social work services	17,794	-	17,794	1,317
33 Health services	234	-	234	-
36 Cocurricular/extracurricular activities	2,510	-	2,510	107
41 General administration	257,488	-	257,488	212,220
51 Plant maintenance and operation	119,816	-	119,816	95,615
52 Security and monitoring services	3,002	-	3,002	432
53 Data processing services	25,863	-	25,863	10,350
61 Community services	469	-	469	-
Total expenses	<u>1,195,422</u>	<u>-</u>	<u>1,195,422</u>	<u>888,494</u>
Change in net assets	(60,823)	-	(60,823)	(49,501)
Net assets, beginning of year	<u>147,811</u>	<u>-</u>	<u>147,811</u>	<u>197,312</u>
Net assets, end of year	<u>\$ 86,988</u>	<u>\$ -</u>	<u>\$ 86,988</u>	<u>\$ 147,811</u>

See accompanying notes to financial statements and independent auditors' report.



**RICHARD MILBURN ACADEMY, INC. – BEAUMONT**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2007  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2006)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2007</u>	<u>2006</u>
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ -	\$ -
State program revenues:				
5810 Foundation School Program Act	1,299,983	-	1,299,983	1,143,741
5820 State program revenues distributed by Texas Education Agency	<u>4,325</u>	<u>-</u>	<u>4,325</u>	<u>2,368</u>
Total state program revenues	<u>1,304,308</u>	<u>-</u>	<u>1,304,308</u>	<u>1,146,109</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	<u>134,900</u>	<u>-</u>	<u>134,900</u>	<u>75,770</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>1,439,208</u>	<u>-</u>	<u>1,439,208</u>	<u>1,221,879</u>
<b>EXPENSES</b>				
11 Instruction	532,460	-	532,460	413,479
12 Instructional resources and media	9,023	-	9,023	2,810
13 Curriculum development and instructional staff development	47,448	-	47,448	32,226
23 School leadership	149,111	-	149,111	142,856
31 Guidance, counseling and evaluation	76,338	-	76,338	70,113
32 Social work services	255	-	255	-
33 Health services	-	-	-	60
36 Cocurricular/extracurricular activities	25,458	-	25,458	15,082
41 General administration	323,831	-	323,831	285,958
51 Plant maintenance and operation	162,234	-	162,234	135,198
52 Security and monitoring services	3,703	-	3,703	5,150
53 Data processing services	111,948	-	111,948	11,783
61 Community services	<u>19,463</u>	<u>-</u>	<u>19,463</u>	<u>15,240</u>
Total expenses	<u>1,461,272</u>	<u>-</u>	<u>1,461,272</u>	<u>1,129,955</u>
Change in net assets	(22,064)	-	(22,064)	91,924
Net assets, beginning of year	<u>422,944</u>	<u>-</u>	<u>422,944</u>	<u>331,020</u>
Net assets, end of year	<u>\$ 400,880</u>	<u>\$ -</u>	<u>\$ 400,880</u>	<u>\$ 422,944</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – CORPUS CHRISTI**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2007  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2006)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2007</u>	<u>2006</u>
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ -	\$ -
State program revenues:				
5810 Foundation School Program Act	1,211,793	-	1,211,793	1,076,525
5820 State program revenues distributed by Texas Education Agency	4,531	-	4,531	2,699
Total state program revenues	<u>1,216,324</u>	<u>-</u>	<u>1,216,324</u>	<u>1,079,224</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	117,890	-	117,890	82,213
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	<u>1,334,214</u>	<u>-</u>	<u>1,334,214</u>	<u>1,161,437</u>
<b>EXPENSES</b>				
11 Instruction	550,171	-	550,171	482,136
12 Instructional resources and media	2,202	-	2,202	2,134
13 Curriculum development and instructional staff development	53,741	-	53,741	34,237
23 School leadership	151,789	-	151,789	140,289
31 Guidance, counseling and evaluation	68,990	-	68,990	79,955
33 Health services	6,046	-	6,046	6,123
34 Pupil transportation	32	-	32	-
36 Cocurricular/extracurricular activities	1,362	-	1,362	790
41 General administration	298,922	-	298,922	271,550
51 Plant maintenance and operation	121,952	-	121,952	109,675
52 Security and monitoring services	10,222	-	10,222	19,937
53 Data processing services	7,888	-	7,888	17,627
61 Community services	4,423	-	4,423	5,737
Total expenses	<u>1,277,740</u>	<u>-</u>	<u>1,277,740</u>	<u>1,170,190</u>
Change in net assets	56,474	-	56,474	(8,753)
Net assets, beginning of year	<u>54,542</u>	<u>-</u>	<u>54,542</u>	<u>63,295</u>
Net assets, end of year	<u>\$ 111,016</u>	<u>\$ -</u>	<u>\$ 111,016</u>	<u>\$ 54,542</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – KILLEEN**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2007  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2006)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2006</u>	<u>2006</u>
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ 1,805	\$ -	\$ 1,805	\$ 4,000
State program revenues:				
5810 Foundation School Program Act	1,003,827	-	1,003,827	931,128
5820 State program revenues distributed by Texas Education Agency	<u>3,908</u>	<u>-</u>	<u>3,908</u>	<u>4,717</u>
Total state program revenues	<u>1,007,735</u>	<u>-</u>	<u>1,007,735</u>	<u>935,845</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	<u>81,747</u>	<u>-</u>	<u>81,747</u>	<u>70,624</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>1,091,287</u>	<u>-</u>	<u>1,091,287</u>	<u>1,010,469</u>
<b>EXPENSES</b>				
11 Instruction	543,434	-	543,434	408,395
12 Instructional resources and media	3,284	-	3,284	244
13 Curriculum development and instructional staff development	28,166	-	28,166	10,736
23 School leadership	151,037	-	151,037	148,252
31 Guidance, counseling and evaluation	42,360	-	42,360	20,991
32 Social work services	16,539	-	16,539	5,006
33 Health services	-	-	-	38
34 Pupil transportation	-	-	-	3,850
36 Cocurricular/extracurricular activities	6,722	-	6,722	1,125
41 General administration	252,995	-	252,995	242,844
51 Plant maintenance and operation	102,353	-	102,353	91,063
52 Security and monitoring services	15,713	-	15,713	23,420
53 Data processing services	9,483	-	9,483	10,949
61 Community services	<u>323</u>	<u>-</u>	<u>323</u>	<u>-</u>
Total expenses	<u>1,172,409</u>	<u>-</u>	<u>1,172,409</u>	<u>966,913</u>
Change in net assets	(81,122)	-	(81,122)	43,556
Net assets, beginning of year	<u>220,427</u>	<u>-</u>	<u>220,427</u>	<u>176,871</u>
Net assets, end of year	<u>\$ 139,305</u>	<u>\$ -</u>	<u>\$ 139,305</u>	<u>\$ 220,427</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – LUBBOCK**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2007  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2006)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2007</u>	<u>2006</u>
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ 3,415	\$ -	\$ 3,415	\$ 3,809
State program revenues:				
5810 Foundation School Program Act	1,029,096	-	1,029,096	810,166
5820 State program revenues distributed by Texas Education Agency	3,544	-	3,544	2,059
Total state program revenues	<u>1,032,640</u>	<u>-</u>	<u>1,032,640</u>	<u>812,225</u>
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	63,797	-	63,797	45,557
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	<u>1,099,852</u>	<u>-</u>	<u>1,099,852</u>	<u>861,591</u>
<b>EXPENSES</b>				
11 Instruction	429,163	-	429,163	368,524
12 Instructional resources and media	5,587	-	5,587	1,867
13 Curriculum development and instructional staff development	43,454	-	43,454	11,609
23 School leadership	130,325	-	130,325	101,012
31 Guidance, counseling and evaluation	101,107	-	101,107	62,243
33 Health services	344	-	344	39
34 Pupil transportation	140	-	140	-
36 Cocurricular/extracurricular activities	1,070	-	1,070	632
41 General administration	252,177	-	252,177	216,761
51 Plant maintenance and operation	116,533	-	116,533	102,922
52 Security and monitoring services	20,823	-	20,823	861
53 Data processing services	35,131	-	35,131	27,981
61 Community services	7,540	-	7,540	282
Total expenses	<u>1,143,394</u>	<u>-</u>	<u>1,143,394</u>	<u>894,733</u>
Change in net assets	(43,542)	-	(43,542)	(33,142)
Net assets, beginning of year	<u>(54,183)</u>	<u>-</u>	<u>(54,183)</u>	<u>(21,041)</u>
Net assets, end of year	<u>\$ (97,725)</u>	<u>\$ -</u>	<u>\$ (97,725)</u>	<u>\$ (54,183)</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – MIDLAND**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED AUGUST 31, 2007  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2006)**

	Unrestricted	Temporarily Restricted	Totals	
			2007	2006
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ 2,190	\$ -	\$ 2,190	\$ 5,413
State program revenues:				
5810 Foundation School Program Act	986,508	-	986,508	936,104
5820 State program revenues distributed by Texas Education Agency	3,955	-	3,955	4,019
Total state program revenues	990,463	-	990,463	940,123
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	101,244	-	101,244	80,978
Net assets released from restrictions:				
Restrictions satisfied by payment	-	-	-	-
Total revenues and net assets released from restrictions	1,093,897	-	1,093,897	1,026,514
<b>EXPENSES</b>				
11 Instruction	457,700	-	457,700	469,759
12 Instructional resources and media	1,020	-	1,020	2,532
13 Curriculum development and instructional staff development	35,483	-	35,483	15,349
23 School leadership	143,725	-	143,725	135,849
31 Guidance, counseling and evaluation	38,508	-	38,508	42,606
32 Social work services	23,809	-	23,809	31,862
33 Health services	13	-	13	1,153
36 Cocurricular/extracurricular activities	2,559	-	2,559	-
41 General administration	253,150	-	253,150	240,211
51 Plant maintenance and operation	131,776	-	131,776	127,016
52 Security and monitoring services	1,109	-	1,109	715
53 Data processing services	12,916	-	12,916	8,410
61 Community services	82	-	82	-
Total expenses	1,101,850	-	1,101,850	1,075,462
Change in net assets	(7,953)	-	(7,953)	(48,948)
Net assets, beginning of year	105,417	-	105,417	154,365
Net assets, end of year	\$ 97,464	\$ -	\$ 97,464	\$ 105,417

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – AMARILLO**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 1,073,299	\$ 771,137
Grant payments	67,228	47,319
Miscellaneous sources	4,741	4,441
Payments to vendors for goods and services rendered	(394,018)	(526,065)
Payments to personnel for services rendered	(706,323)	(337,053)
	44,927	(40,221)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(6,686)	(6,274)
	38,241	(46,495)
Cash and cash equivalents, beginning of year	94,208	140,703
Cash and cash equivalents, end of year	\$ 132,449	\$ 94,208
<b>Reconciliation of change in net assets to net cash provided by (used for) operating activities:</b>		
Change in net assets	\$ (60,823)	\$ (49,501)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	8,965	15,867
Loss on disposal of fixed assets	2,139	-
(Increase) decrease in assets:		
Due from governmental agencies	10,669	(16,096)
Prepaid assets	(16,249)	5,556
Due from affiliates	59,376	(18,572)
Increase (decrease) in liabilities:		
Accounts payable	36,558	13,489
Accrued liabilities	3,894	9,036
Due to affiliates	398	-
Net cash provided by (used for) operating activities	\$ 44,927	\$ (40,221)

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – BEAUMONT**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 1,306,084	\$ 1,123,767
Grant payments	136,337	64,832
Miscellaneous sources	-	77
Payments to vendors for goods and services rendered	(632,397)	(596,943)
Payments to personnel for services rendered	(721,059)	(484,742)
Net cash provided by operating activities	88,965	106,991
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(47,674)	(28,660)
Net increase in cash	41,291	78,331
 Cash and cash equivalents, beginning of year	282,881	204,550
Cash and cash equivalents, end of year	\$ 324,172	\$ 282,881
 Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (22,064)	\$ 91,924
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,376	35,987
Loss on disposal of furniture, fixtures and equipment	-	532
(Increase) decrease in assets:		
Due from governmental agencies	3,194	(33,203)
Prepaid assets	(20,706)	804
Due from affiliates	25,825	31,875
Increase (decrease) in liabilities:		
Accounts payable	17,680	(27,289)
Accrued liabilities	43,341	6,361
Due to State	19	-
Due to affiliates	300	-
Net cash provided by operating activities	\$ 88,965	\$ 106,991

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – CORPUS CHRISTI**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 1,252,359	\$ 1,067,507
Grant payments	140,750	71,536
Payments to vendors for goods and services rendered	(555,670)	(691,228)
Payments to personnel for services rendered	<u>(791,551)</u>	<u>(456,259)</u>
Net cash provided by (used for) operating activities	<u>45,888</u>	<u>(8,444)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	<u>-</u>	<u>(8,822)</u>
Net increase (decrease) in cash	45,888	(17,266)
Cash and cash equivalents, beginning of year	<u>95,044</u>	<u>112,310</u>
Cash and cash equivalents, end of year	<u>\$ 140,932</u>	<u>\$ 95,044</u>
Reconciliation of change in net assets to net cash provided by (used for) operating activities:		
Change in net assets	\$ 56,474	\$ (8,753)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	9,554	9,331
(Increase) decrease in assets:		
Due from governmental agencies	42,504	(8,681)
Prepaid assets	(13,321)	291
Other assets	-	(1,278)
Due from affiliates	1,700	(1,700)
Increase (decrease) in liabilities:		
Accounts payable	(10,777)	24,546
Accrued liabilities	(1,910)	(8,487)
Due to State	16,391	-
Due to affiliates	<u>(54,727)</u>	<u>(13,713)</u>
Net cash provided by (used for) operating activities	<u>\$ 45,888</u>	<u>\$ (8,444)</u>

See accompanying notes to financial statements and independent auditors' report.



**RICHARD MILBURN ACADEMY, INC. – KILLEEN**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 1,058,876	\$ 908,396
Grant payments	71,922	68,015
Miscellaneous sources	1,805	4,000
Payments to vendors for goods and services rendered	(475,243)	(525,528)
Payments to personnel for services rendered	(651,203)	(426,356)
Net cash provided by operating activities	6,157	28,527
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(4,761)	(5,178)
Net increase in cash	1,396	23,349
 Cash and cash equivalents, beginning of year	121,477	98,128
Cash and cash equivalents, end of year	\$ 122,873	\$ 121,477
 Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (81,122)	\$ 43,556
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,052	28,514
Loss on disposal of fixed assets	21,282	-
(Increase) decrease in assets:		
Due from governmental agencies	41,297	(25,574)
Prepaid assets	(15,460)	1,562
Other assets	89	1,612
Due from affiliates	4,586	(4,586)
Increase (decrease) in liabilities:		
Accounts payable	6,861	(875)
Accrued liabilities	1,857	(11,198)
Due to State	19	(533)
Due to affiliates	1,696	(3,951)
Net cash provided by operating activities	\$ 6,157	\$ 28,527

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – LUBBOCK**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 1,078,812	\$ 798,618
Grant payments	65,586	57,051
Miscellaneous sources	3,415	3,809
Payments to vendors for goods and services rendered	(441,162)	(455,815)
Payments to personnel for services rendered	(669,914)	(359,375)
Net cash provided by operating activities	36,737	44,288
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(3,122)	(13,905)
Net increase in cash	33,615	30,383
 Cash and cash equivalents, beginning of year	70,987	40,604
Cash and cash equivalents, end of year	\$ 104,602	\$ 70,987
 Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (43,542)	\$ (33,142)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,778	5,384
(Increase) decrease in assets:		
Due from governmental agencies	47,961	(14,854)
Prepaid assets	(20,370)	949
Increase (decrease) in liabilities:		
Accounts payable	77,436	77,696
Accrued liabilities	4,064	(4,486)
Due to affiliates	(35,590)	12,741
Net cash provided by operating activities	\$ 36,737	\$ 44,288

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – MIDLAND**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Foundation School Program payments	\$ 1,020,857	\$ 932,634
Grant payments	121,815	62,074
Miscellaneous sources	2,190	5,413
Payments to vendors for goods and services rendered	(513,620)	(554,836)
Payments to personnel for services rendered	(626,308)	(459,224)
Net cash provided by (used for) operating activities	4,934	(13,939)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, fixtures and equipment	(3,487)	(21,005)
Net cash used for investing activities	(3,487)	(21,005)
Net increase (decrease) in cash	1,447	(34,944)
Cash and cash equivalents, beginning of year	80,176	115,120
Cash and cash equivalents, end of year	\$ 81,623	\$ 80,176
 Reconciliation of change in net assets to net cash provided by (used for) operating activities:		
Change in net assets	\$ (7,953)	\$ (48,948)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	33,510	32,203
(Increase) decrease in assets:		
Due from governmental agencies	24,853	(7,660)
Prepaid assets	(12,561)	927
Other assets	-	300
Increase (decrease) in liabilities:		
Accounts payable	(50,411)	50,959
Accrued liabilities	(5,226)	(22,987)
Due to State	26,112	-
Due to affiliates	(3,390)	(18,733)
Net cash provided by (used for) operating activities	\$ 4,934	\$ (13,939)

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – AMARILLO**

**SCHEDULES OF EXPENSES**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

<b>EXPENSES</b>		<u>2007</u>	<u>2006</u>
6100	Payroll costs	\$ 710,615	\$ 542,405
6200	Professional and contracted services	352,635	251,958
6300	Supplies and materials	67,114	31,812
6400	Other operating costs	<u>65,058</u>	<u>62,319</u>
	Total expenses	<u>\$ 1,195,422</u>	<u>\$ 888,494</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – BEAUMONT**

**SCHEDULES OF EXPENSES**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

<b>EXPENSES</b>		<u>2007</u>	<u>2006</u>
6100	Payroll costs	\$ 764,700	\$ 638,852
6200	Professional and contracted services	485,431	341,848
6300	Supplies and materials	92,825	47,965
6400	Other operating costs	118,316	101,290
	Total expenses	<u>\$ 1,461,272</u>	<u>\$ 1,129,955</u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – CORPUS CHRISTI**

**SCHEDULES OF EXPENSES**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

<b>EXPENSES</b>		<u><b>2007</b></u>	<u><b>2006</b></u>
6100	Payroll costs	\$ 734,914	\$ 722,418
6200	Professional and contracted services	410,550	361,097
6300	Supplies and materials	76,466	32,543
6400	Other operating costs	<u>55,810</u>	<u>54,132</u>
	Total expenses	<u><u>\$ 1,277,740</u></u>	<u><u>\$ 1,170,190</u></u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – KILLEEN**

**SCHEDULES OF EXPENSES**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

<b>EXPENSES</b>		<u><b>2007</b></u>	<u><b>2006</b></u>
6100	Payroll costs	\$ 654,756	\$ 551,755
6200	Professional and contracted services	369,042	287,311
6300	Supplies and materials	74,466	42,137
6400	Other operating costs	<u>74,145</u>	<u>85,710</u>
Total expenses		<u><u>\$ 1,172,409</u></u>	<u><u>\$ 966,913</u></u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – LUBBOCK**  
**SCHEDULES OF EXPENSES**  
**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

<b>EXPENSES</b>	<u>2007</u>	<u>2006</u>
6100 Payroll costs	\$ 638,388	\$ 539,844
6200 Professional and contracted services	374,082	271,708
6300 Supplies and materials	57,029	34,121
6400 Other operating costs	<u>73,895</u>	<u>49,060</u>
Total expenses	<u>\$ 1,143,394</u>	<u>\$ 894,733</u>

See accompanying notes to financial statements and independent auditors' report.



**RICHARD MILBURN ACADEMY, INC. – MIDLAND**

**SCHEDULES OF EXPENSES**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

<b>EXPENSES</b>		<u><b>2007</b></u>	<u><b>2006</b></u>
6100	Payroll costs	\$ 617,692	\$ 639,225
6200	Professional and contracted services	367,803	321,412
6300	Supplies and materials	34,251	32,554
6400	Other operating costs	<u>82,104</u>	<u>82,271</u>
	Total expenses	<u><u>\$ 1,101,850</u></u>	<u><u>\$ 1,075,462</u></u>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – AMARILLO**

**SCHEDULE OF CAPITAL ASSETS**

**AUGUST 31, 2007**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1110	Cash	\$ -	\$ 132,449	\$ -
1539	Furniture and equipment	-	113,346	3,131
	<b>Total</b>	<b>\$ -</b>	<b>\$ 245,795</b>	<b>\$ 3,131</b>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – BEAUMONT**

**SCHEDULE OF CAPITAL ASSETS**

**AUGUST 31, 2007**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1110	Cash	\$ -	\$ 324,172	\$ -
1539	Furniture and equipment	-	133,280	152,931
	<b>Total</b>	<b>\$ -</b>	<b>\$ 457,452</b>	<b>\$ 152,931</b>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – CORPUS CHRISTI**

**SCHEDULE OF CAPITAL ASSETS**

**AUGUST 31, 2007**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1110	Cash	\$ -	\$ 140,932	\$ -
1539	Furniture and equipment	-	28,360	19,231
	<b>Total</b>	<b>\$ -</b>	<b>\$ 169,292</b>	<b>\$ 19,231</b>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – KILLEEN**

**SCHEDULE OF CAPITAL ASSETS**

**AUGUST 31, 2007**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1110	Cash	\$ -	\$ 122,873	\$ -
1539	Furniture and equipment	-	13,314	105,426
	<b>Total</b>	<b>\$ -</b>	<b>\$ 136,187</b>	<b>\$ 105,426</b>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – LUBBOCK**

**SCHEDULE OF CAPITAL ASSETS**

**AUGUST 31, 2007**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1110	Cash	\$ -	\$ 104,602	\$ -
1539	Furniture and equipment	-	28,476	13,704
	<b>Total</b>	<b>\$ -</b>	<b>\$ 133,078</b>	<b>\$ 13,704</b>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – MIDLAND**

**SCHEDULE OF CAPITAL ASSETS**

**AUGUST 31, 2007**

		<b>Ownership Interest</b>		
		<b>Local</b>	<b>State</b>	<b>Federal</b>
1110	Cash	\$ -	\$ 81,623	\$ -
1539	Furniture and equipment	-	126,641	34,246
	<b>Total</b>	<b>\$ -</b>	<b>\$ 208,264</b>	<b>\$ 34,246</b>

See accompanying notes to financial statements and independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – AMARILLO**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2007**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ 4,741	\$ 4,741	\$ -
State program revenues:				
5810 Foundation School Program Act	998,000	1,052,399	1,052,399	-
5820 State program revenues distributed by Texas Education Agency	-	4,100	4,100	-
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	<u>37,498</u>	<u>66,592</u>	<u>73,359</u>	<u>6,767</u>
Total revenues	<u>1,035,498</u>	<u>1,127,832</u>	<u>1,134,599</u>	<u>6,767</u>
<b>EXPENSES</b>				
11 Instruction	428,893	495,758	495,759	(1)
12 Instructional resources and media	9,600	8,790	8,790	-
13 Curriculum development and instructional staff development	22,401	41,457	41,457	-
21 Instructional leadership	450	-	-	-
23 School leadership	12,400	152,061	152,061	-
31 Guidance, counseling and evaluation	70,194	70,179	70,179	-
32 Social work services	24,833	17,794	17,794	-
33 Health services	2,450	234	234	-
36 Cocurricular/extracurricular activities	10,650	2,509	2,510	(1)
41 General administration	283,752	258,400	257,488	912
51 Plant maintenance and operation	108,346	117,816	119,816	(2,000)
52 Security and monitoring services	4,300	3,002	3,002	-
53 Data processing services	25,900	25,863	25,863	-
61 Community services	<u>6,000</u>	<u>469</u>	<u>469</u>	<u>-</u>
Total expenses	<u>1,010,169</u>	<u>1,194,332</u>	<u>1,195,422</u>	<u>(1,090)</u>
Change in net assets	25,329	(66,500)	(60,823)	5,677
Net assets, beginning of year	<u>147,811</u>	<u>147,811</u>	<u>147,811</u>	<u>-</u>
Net assets, end of year	<u>\$ 173,140</u>	<u>\$ 81,311</u>	<u>\$ 86,988</u>	<u>\$ 5,677</u>

See independent auditors' report.



**RICHARD MILBURN ACADEMY, INC. – BEAUMONT**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2007**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ 85,458	\$ -	\$ -	\$ -
State program revenues:				
5810 Foundation School Program Act	1,123,428	1,299,983	1,299,983	-
5820 State program revenues distributed by Texas Education Agency	-	4,325	4,325	-
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	127,518	125,178	134,900	9,722
Total revenues	<u>1,336,404</u>	<u>1,429,486</u>	<u>1,439,208</u>	<u>9,722</u>
<b>EXPENSES</b>				
11 Instruction	611,147	532,460	532,460	-
12 Instructional resources and media	11,500	9,023	9,023	-
13 Curriculum development and instructional staff development	35,500	47,448	47,448	-
21 Instructional leadership	9,500	-	-	-
23 School leadership	153,191	149,111	149,111	-
31 Guidance, counseling and evaluation	37,200	76,338	76,338	-
32 Social work services	19,200	255	255	-
33 Health services	5,800	-	-	-
34 Pupil transportation	8,000	-	-	-
35 Food services	1,000	-	-	-
36 Cocurricular/extracurricular activities	17,200	25,458	25,458	-
41 General administration	284,500	319,100	323,831	(4,731)
51 Plant maintenance and operation	165,500	162,234	162,234	-
52 Security and monitoring services	51,280	3,703	3,703	-
53 Data processing services	15,500	111,948	111,948	-
61 Community services	1,000	19,463	19,463	-
Total expenses	<u>1,427,018</u>	<u>1,456,541</u>	<u>1,461,272</u>	<u>(4,731)</u>
Change in net assets	(90,614)	(27,055)	(22,064)	4,991
Net assets, beginning of year	<u>331,020</u>	<u>422,944</u>	<u>422,944</u>	-
Net assets, end of year	<u>\$ 240,406</u>	<u>\$ 395,889</u>	<u>\$ 400,880</u>	<u>\$ 4,991</u>

See independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – CORPUS CHRISTI**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2007**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ -	\$ -	\$ -
State program revenues:				
5810 Foundation School Program Act	1,051,816	1,211,793	1,211,793	-
5820 State program revenues distributed by Texas Education Agency	-	4,531	4,531	-
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	92,071	117,153	117,890	737
Total revenues	<u>1,143,887</u>	<u>1,333,477</u>	<u>1,334,214</u>	<u>737</u>
<b>EXPENSES</b>				
11 Instruction	414,633	550,171	550,171	-
12 Instructional resources and media	3,800	2,202	2,202	-
13 Curriculum development and instructional staff development	5,700	53,741	53,741	-
21 Instructional leadership	4,700	-	-	-
23 School leadership	117,000	151,789	151,789	-
31 Guidance, counseling and evaluation	29,500	68,990	68,990	-
32 Social work services	6,500	-	-	-
33 Health services	4,900	6,046	6,046	-
34 Pupil transportation	-	32	32	-
36 Cocurricular/extracurricular activities	3,600	1,362	1,362	-
41 General administration	263,423	298,317	298,922	(605)
51 Plant maintenance and operation	161,160	121,952	121,952	-
52 Security and monitoring services	21,700	10,222	10,222	-
53 Data processing services	12,200	7,888	7,888	-
61 Community services	3,000	4,423	4,423	-
Total expenses	<u>1,051,816</u>	<u>1,277,135</u>	<u>1,277,740</u>	<u>(605)</u>
Change in net assets	92,071	56,342	56,474	132
Net assets, beginning of year	<u>54,542</u>	<u>54,542</u>	<u>54,542</u>	<u>-</u>
Net assets, end of year	<u>\$ 146,613</u>	<u>\$ 110,884</u>	<u>\$ 111,016</u>	<u>\$ 132</u>

See independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – KILLEEN**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2007**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ 1,805	\$ 1,805	\$ -
State program revenues:				
5810 Foundation School Program Act	907,000	1,003,827	1,003,827	-
5820 State program revenues distributed by Texas Education Agency	-	3,908	3,908	-
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	26,138	74,575	81,747	7,172
Total revenues	933,138	1,084,115	1,091,287	7,172
<b>EXPENSES</b>				
11 Instruction	396,644	543,728	543,434	294
12 Instructional resources and media	4,000	3,284	3,284	-
13 Curriculum development and instructional staff development	7,100	28,166	28,166	-
21 Instructional leadership	28,436	-	-	-
23 School leadership	125,063	151,037	151,037	-
31 Guidance, counseling and evaluation	16,310	42,360	42,360	-
32 Social work services	600	16,539	16,539	-
33 Health services	500	-	-	-
34 Pupil transportation	3,000	-	-	-
36 Cocurricular/extracurricular activities	5,500	6,722	6,722	-
41 General administration	191,339	255,388	252,995	2,393
51 Plant maintenance and operation	102,072	102,353	102,353	-
52 Security and monitoring services	34,880	15,713	15,713	-
53 Data processing services	6,000	9,483	9,483	-
61 Community services	1,100	323	323	-
81 Fund raising	100	-	-	-
Total expenses	922,644	1,175,096	1,172,409	2,687
Change in net assets	10,494	(90,981)	(81,122)	9,859
Net assets, beginning of year	176,871	220,427	220,427	-
Net assets, end of year	\$ 187,365	\$ 129,446	\$ 139,305	\$ 9,859

See independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – LUBBOCK**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2007**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ 3,415	\$ 3,415	\$ -
State program revenues:				
5810 Foundation School Program Act	799,725	1,029,096	1,029,096	-
5820 State program revenues distributed by Texas Education Agency	-	3,544	3,544	-
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	84,122	63,060	63,797	737
Total revenues	883,847	1,099,115	1,099,852	737
<b>EXPENSES</b>				
11 Instruction	348,180	429,159	429,163	(4)
12 Instructional resources and media	3,250	5,587	5,587	-
13 Curriculum development and instructional staff development	2,500	43,454	43,454	-
21 Instructional leadership	4,608	-	-	-
23 School leadership	103,996	130,325	130,325	-
31 Guidance, counseling and evaluation	53,093	101,107	101,107	-
32 Social work services	500	-	-	-
33 Health services	1,500	344	344	-
34 Pupil transportation	-	140	140	-
36 Cocurricular/extracurricular activities	2,000	1,070	1,070	-
41 General administration	185,033	255,620	252,177	3,443
51 Plant maintenance and operation	91,500	116,533	116,533	-
52 Security and monitoring services	15,900	20,823	20,823	-
53 Data processing services	9,300	35,131	35,131	-
61 Community services	21,135	7,540	7,540	-
81 Fund raising	500	-	-	-
Total expenses	842,995	1,146,833	1,143,394	3,439
Change in net assets	40,852	(47,718)	(43,542)	4,176
Net assets, beginning of year	(54,183)	(54,183)	(54,183)	-
Net assets, end of year	\$ (13,331)	\$ (101,901)	\$ (97,725)	\$ 4,176

See independent auditors' report.

**RICHARD MILBURN ACADEMY, INC. – MIDLAND**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2007**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local support:				
5740 Other revenues from local sources	\$ -	\$ 2,190	\$ 2,190	\$ -
State program revenues:				
5810 Foundation School Program Act	900,000	986,508	986,508	-
5820 State program revenues distributed by Texas Education Agency	-	3,955	3,955	-
Federal program revenues:				
5920 Federal revenues distributed by Texas Education Agency	-	95,532	101,244	5,712
Total revenues	<u>900,000</u>	<u>1,088,185</u>	<u>1,093,897</u>	<u>5,712</u>
<b>EXPENSES</b>				
11 Instruction	423,400	457,700	457,700	-
12 Instructional resources and media	23,200	1,020	1,020	-
13 Curriculum development and instructional staff development	30,000	35,483	35,483	-
21 Instructional leadership	1,000	-	-	-
23 School leadership	106,300	143,725	143,725	-
31 Guidance, counseling and evaluation	25,500	38,508	38,508	-
32 Social work services	27,500	23,809	23,809	-
33 Health services	1,800	13	13	-
34 Pupil transportation	500	-	-	-
36 Cocurricular/extracurricular activities	5,200	2,559	2,559	-
41 General administration	226,077	252,204	253,150	(946)
51 Plant maintenance and operation	110,000	131,776	131,776	-
52 Security and monitoring services	10,000	1,109	1,109	-
53 Data processing services	46,938	12,916	12,916	-
61 Community services	1,000	82	82	-
81 Fund raising	500	-	-	-
Total expenses	<u>1,038,915</u>	<u>1,100,904</u>	<u>1,101,850</u>	<u>(946)</u>
Change in net assets	(138,915)	(12,719)	(7,953)	4,766
Net assets, beginning of year	<u>105,417</u>	<u>105,417</u>	<u>105,417</u>	<u>-</u>
Net assets, end of year	<u>\$ (33,498)</u>	<u>\$ 92,698</u>	<u>\$ 97,464</u>	<u>\$ 4,766</u>

See independent auditors' report.

**RICHARD MILBURN ACADEMY, INC.**  
**EXPLANATION OF BUDGET VARIANCES**  
**FOR THE YEAR ENDED AUGUST 31, 2007**

The following are management's explanations of the variances between the original budgeted and final budgeted amounts for total revenue and total expenses over 10% of the original budget as presented on pages 45-50 of this report:

**Amarillo:**

- ◆ The variance in revenues and expenses is due to additional full-time equivalent students and related instructional and administrative costs not contemplated in the original budget.

**Corpus Christi:**

- ◆ The variance in revenues and expenses is due to additional full-time equivalent students and related instructional and administrative costs not contemplated in the original budget.

**Killeen:**

- ◆ The variance in revenues and expenses is due to additional full-time equivalent students and related instructional and administrative costs not contemplated in the original budget.

**Lubbock:**

- ◆ The variance in revenues and expenses is due to additional full-time equivalent students and related instructional and administrative costs not contemplated in the original budget.

**Midland:**

- ◆ The variance in revenues and expenses is due to additional full-time equivalent students and related instructional and administrative costs not contemplated in the original budget.

There were no variances over 10% between the final budgeted and the actual amounts for total revenues and total expenses in the current fiscal year.

**RICHARD MILBURN ACADEMY, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED AUGUST 31, 2007**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>NOGA ID Numbers</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
United States Department of Education / Texas Board of Education / Title I Improving Basic Programs	07610101188801, 07610104188801001 07610101123804, 07610101178804 07610104178804001, 07610101014801 07610104014801001, 07610101152801 07610101165801, 07610104165801000	84.010	8/31/06 - 6/30/07	\$ 407,446
United States Department of Education / Texas Board of Education / Title II Improving Teacher Quality State Grants	07694501188801, 07694501123804 07694501178804, 07694501152801 07694501165801	84.367	8/31/06 - 6/30/07	32,378
United States Department of Education / Texas Board of Education / Enhancing Education Through Technology - State Grants	07630001123804 07630001178804 07630001165801	84.318	8/31/06 - 6/30/07	4,378
United States Department of Education / Texas Board of Education / Safe and Drug-Free Schools and Communities - State Grants	07691001188801	84.186	8/31/06 - 6/30/07	1,009
United States Department of Education / Texas Board of Education / Innovative Programs - Grants to States	07685001165801	84.298	8/31/06 - 6/30/07	679
United States Department of Education / Texas Board of Education / Special Education-Grants to States (IDEA, Part B)	076600011888016600 076600011238046600 076600011788046600 07663011619506600 076600011528016600	84.027	12/26/06 - 6/30/07	52,618
Federal Communications Commission / Federal Technological Assistance (E-Rate)	n/a	n/a	9/1/06 - 8/31/07	85,226
<b>Total Expenditures of Federal Awards</b>				<u><u>\$ 583,734</u></u>

NOTE: The 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*.

See independent auditors' report.



**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 general-purpose financial statements of Richard Milburn Academy, Inc. (the "Organization") as of and for the year ended August 31, 2007, and have issued our report thereon dated January 7, 2008. 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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.

#### 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 2007-1 and 2007-2.

This report is intended solely for the information and use of 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 7, 2008



**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. (the "Organization") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended August 31, 2007. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended August 31, 2007.

## Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of 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 7, 2008

**RICHARD MILBURN ACADEMY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2007**

**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? None reported

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? No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Grant Period</u>	<u>Name of Federal Program</u>
84.010	8/31/06 - 6/30/07	Title I Improving Basic Programs

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**

None

**Section III – State Award Findings and Questioned Costs**

**2007-1: Reporting of PEIMS Data**

During our testing of the accuracy of the data reported through the PEIMS system during fiscal 2007, we noted discrepancies in all three of the submissions as compared to the corresponding source data, files and documents. The information as reported for the prior year financial data did not agree in certain instances to the prior year information. In addition, the student demographics, grading, course completion, compensatory education, and personnel data did not agree in certain instances to the source documentation or the source documentation could not be located.

**2007-2: Appropriated Funds**

During our testing of the maintenance of effort for each school, we noted the following expenditure shortage as of August 31, 2007:

Beaumont:            Technology Allotment, \$661

**Section IV – Federal Award Findings and Questioned Costs**

None

**Section V - Status of Prior Year Audit Findings**

**2006-1: Pledged Securities**

The Organization's depository bank did not pledge securities to cover bank balances exceeding FDIC insurance coverage.

This item was corrected in October 2007.

**RICHARD MILBURN ACADEMY, INC.**

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

**2006-2: Board Member Financial Interest**

The Organization rents a building that is co-owned by one local Board member. Decisions to rent real property are reviewed by the management company and approved by the governing body of the Organization as well as the local Board.

This item was corrected in the fiscal year ended August 31, 2007.

**2006-3: Reporting of PEIMS Data**

During our testing of the accuracy of the data reported through the PEIMS system during fiscal 2006, we noted a discrepancy in one of the submissions as compared to the corresponding source data, files and documents. The information as reported for student demographics, grading, course completion and compensatory education information did not agree in certain instances to the source documentation or the source documentation could not be located.

This item is updated and repeated as finding 2007-1 above.

**2006-4: Appropriated Funds**

During our testing of the maintenance of effort for each school, we noted the following cumulative expenditure shortages as of August 31, 2006:

Amarillo:	Special Education, \$1,220; Career and Technology, \$43,952; Compensatory Education, \$27,848; Pregnancy-Related, \$11,120; Technology Allotment, \$3,167
Beaumont:	Special Education, \$5,588; Career and Technology, \$34,435; Compensatory Education, \$17,829; Pregnancy-Related, \$8,717; Technology Allotment, \$8,280
Corpus Christi:	Special Education, \$1,042; Career and Technology, \$30,183; Compensatory Education, \$27,186; Pregnancy-Related, \$5,726; Technology Allotment, \$1,775
Killeen:	Special Education, \$52,725; Career and Technology, \$26,518; Compensatory Education, \$15,052; Pregnancy-Related, \$6,900; Technology Allotment, \$766
Lubbock:	Pregnancy-Related, \$16,999
Midland:	Career and Technology, \$2,643; Pregnancy-Related, \$8,551; Technology Allotment, \$2,902

This item is updated and repeated as finding 2007-2 above.