

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS THEREON**

JUNE 30, 2024



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Nap Ford Community School, Inc. - Legends Academy (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's total net position decreased as compared to the prior year.
- During 2024, the School's expenses exceeded revenues by \$2,318,678, which is a decline from the prior year when expenses exceeded revenues by \$645,958.
- Overall, revenues decreased by approximately \$448,000, which was a 9% decrease from the prior year.
- Overall, expenses (including the impairment loss) increased by approximately \$1,225,000, which was a 22% increase from the prior year.
- Total assets and deferred outflows of resources were \$15,217,502, and total liabilities and deferred inflows of resources were \$18,965,865, resulting in net position of \$(3,748,363) as of June 30, 2024.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the following information required by the Uniform Guidance: schedule of expenditures of federal awards and accompanying note, independent auditor's report on compliance for the major program and on internal control over compliance required by the Uniform Guidance and the schedule of findings and questioned costs. In addition, it includes the 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*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds Statement of revenues, expenditures and changes in fund balances – governmental funds
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position - the difference between the School's assets and deferred outflows of resources and its liabilities and deferred inflows of resources - is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base, the quality of the education and the safety of the School.

The government-wide financial statements of the School are generally divided into three categories:

Governmental Activities – Most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.

Business-Type Activities – In certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.

Component Units – There currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has one type of fund:

Governmental Funds – Most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position as of June 30, 2024 and 2023 is summarized as follows – see table below:

	Governmental Activities		Increase (Decrease)
	2024	2023	
Current and other assets	\$ 8,212,925	\$ 9,312,111	-12%
Capital assets, net	6,545,840	5,654,882	16%
Deferred outflows of resources	458,737	590,252	-22%
Total assets and deferred outflows	<u>15,217,502</u>	<u>15,557,245</u>	<u>-2%</u>
Current and other liabilities	1,952,364	69,631	2704%
Long-term liabilities	16,687,627	16,741,247	0%
Deferred inflows of resources	325,874	176,052	85%
Total liabilities and deferred inflows	<u>18,965,865</u>	<u>16,986,930</u>	<u>12%</u>
Net position:			
Net investment in capital assets	(671,720)	(621,311)	-8%
Unrestricted	<u>(3,076,643)</u>	<u>(808,374)</u>	<u>-281%</u>
Total net position	<u>\$ (3,748,363)</u>	<u>\$ (1,429,685)</u>	<u>-162%</u>

Capital assets, net increased due to capital asset additions in excess of depreciation expense and the impairment loss. Deferred outflows of resources and deferred inflows of resources changed due to the remeasurement of the pension liability. Current liabilities changed due to the timing of payments at year-end. Current and other assets and total net position changed due to the current year operating deficit and the activity noted above.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Change in Net Position

The School's total revenues decreased by 9% to \$4,579,662, and the total cost of all programs and services (including the impairment loss) increased by 22% to \$6,898,340 – see table below.

	Governmental Activities		Increase
	2024	2023	(Decrease)
Revenues:			
Federal sources passed through local school district	\$ 987,509	\$1,133,556	-13%
State and local sources	2,821,874	3,165,792	-11%
Contributions and other revenue	770,279	728,325	6%
Total revenues	4,579,662	5,027,673	-9%
Expenses:			
Instruction	2,904,761	3,158,184	-8%
Instruction-related technology	80,702	79,998	1%
Board	91,319	46,939	95%
General administration	109,067	104,941	4%
School administration	213,470	283,656	-25%
Facilities acquisition and construction	22,746	166,055	-86%
Fiscal services	147,796	146,020	1%
Food services	272,019	298,794	-9%
Operation and maintenance of plant	746,897	560,280	33%
Interest	709,563	828,764	-14%
Total expenses	5,298,340	5,673,631	-7%
Special item - impairment loss (see Note 4)	1,600,000	-	100%
Change in net position	\$(2,318,678)	\$ (645,958)	-259%

Federal sources passed through local school district decreased due to reduced federal funding received in the current year from Title I and the National School Lunch Program offset by additional federal funding received from the Elementary and Secondary Emergency Relief ("ESSER") Fund. State and local sources decreased due to reduced student enrollment in the current year.

Board expenses increased due to additional legal services incurred in the current year. School administration and facilities acquisition and construction changed due to reduced purchased services and construction related expenses in the current year. Operation and maintenance of plant increased due to the facility lease becoming a short-term lease in the current year, resulting in lease costs being charged to expense instead of reducing the lease liability. Interest decreased due to reduced interest payments made in the current year. During the year, the School evaluated certain assets for impairment and determined the carrying values of those assets exceeded their fair value, thereby recording an impairment loss. Such event did not occur in the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of \$6,260,561. Both revenues and expenditures changed for the same reasons described above.

General Fund Budgetary Highlights

For 2024, actual general fund revenues were approximately \$105,000 below the final budget, which represents a budget variance of 3%. Actual general fund expenditures were approximately \$2,877,000 above the final budget, which represents an 83% budget variance. This variance was due to facilities construction and interest costs on the bonds payable that were not budgeted.

Special Revenue Fund Budgetary Highlights

For 2024, actual special revenue fund revenues and expenditures were approximately \$202,000 below the final budget, which represents a budget variance of 17%. This variance was primarily due to reduced spending on Title I and National School Lunch programs caused primarily by a decrease in student body in the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The School's investment in capital assets at the end of fiscal 2024 amounts to \$6,545,840 (net of accumulated depreciation). See table below:

	Governmental Activities		Increase (Decrease)
	2024	2023	
Construction in progress	\$ 4,729,751	\$ 3,671,476	29%
Land	1,750,000	1,750,000	0%
Buildings	-	119,575	-100%
Leased facility	-	631,014	-100%
Leasehold improvements	361,491	394,182	-8%
Furniture, fixtures and equipment	627,782	688,835	-9%
Less: accumulated depreciation	(923,184)	(1,600,200)	42%
Total capital assets, net	\$ 6,545,840	\$ 5,654,882	16%

This year's major capital asset additions include the following:

- Construction in progress - \$2,658,000
- Computers - \$20,000

This year's major capital asset disposals include the following:

- Leased facility - \$631,000
- Buildings - \$120,000
- Leasehold improvements - \$33,000

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

During 2024, the School evaluated certain assets for impairment and determined the carrying values of those assets exceeded their fair value. As a result, the School recorded an impairment loss of \$1,600,000 in the current year. More detailed information about the School's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

As of June 30, 2024, the School had \$16,687,627 in long-term liabilities outstanding consisting of compensated absences, bonds payable and pension liability. This year's long-term liability additions include the remeasurement of the pension liability. In addition, scheduled payments reduced the debt amount outstanding in the current year. More detailed information about the School's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic indicators were taken into account when adopting the general fund budget for 2025:

- Consistent levels of student enrollment
- Projected decrease in donations and fundraising events

Amounts available for appropriation in the general fund are approximately \$2,614,000, a decrease of 23% from the final 2024 amount of \$3,378,179. Budgeted expenditures are expected to be approximately \$2,614,000, a decrease of 59% from the final 2024 amount of \$6,360,098, primarily due to no additional construction costs expected and interest expense not being budgeted. The School has added no major new programs to the 2025 budget.

If these estimates are realized, the School's budgetary general fund balance is expected to remain the same by the close of 2025.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at P.O. Box 2031, Orlando, Florida 32802.

INDEPENDENT AUDITOR’S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

To the Board of Directors of
Nap Ford Community School, Inc. – Legends Academy

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Nap Ford Community School, Inc. – Legends Academy (the “School”), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Nap Ford Community School, Inc. – Legends Academy as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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 the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 the School'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 the School'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7, the budgetary comparison information on pages 34 – 35 and the pension information on pages 36 – 37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 October 17, 2024 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 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 the School'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 the School's internal control over financial reporting and compliance.

BKHM, P.A.

Orlando, Florida
October 17, 2024

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

STATEMENT OF NET POSITION

JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 479,015
Restricted cash	7,517,379
Accounts receivable	132,161
Endowment	11,946
Other assets	72,424
Capital assets, net	<u>6,545,840</u>
Total assets	14,758,765
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	<u>458,737</u>
Total assets and deferred outflows of resources	<u><u>\$ 15,217,502</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 1,952,364
Long-term liabilities:	
Due within one year	14,767,063
Due in more than one year	<u>1,920,564</u>
Total liabilities	<u>18,639,991</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	<u>325,874</u>
NET POSITION	
Net investment in capital assets	(671,720)
Unrestricted	<u>(3,076,643)</u>
Total net position	<u>(3,748,363)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 15,217,502</u></u>

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

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Instruction	\$ 2,904,761	\$ -	\$ 676,697	\$ -	\$ (2,228,064)	\$ (2,228,064)
Instruction-related technology	80,702	-	-	-	(80,702)	(80,702)
Board	91,319	-	-	-	(91,319)	(91,319)
General administration	109,067	-	-	-	(109,067)	(109,067)
School administration	213,470	-	-	-	(213,470)	(213,470)
Facilities acquisition and construction	22,746	-	-	-	(22,746)	(22,746)
Fiscal services	147,796	-	-	-	(147,796)	(147,796)
Food services	272,019	-	242,271	-	(29,748)	(29,748)
Operation and maintenance of plant	746,897	-	60,541	-	(686,356)	(686,356)
Community services	-	33,169	-	-	33,169	33,169
Interest	709,563	-	-	-	(709,563)	(709,563)
Total primary government	<u>\$ 5,298,340</u>	<u>\$ 33,169</u>	<u>\$ 979,509</u>	<u>\$ -</u>	<u>(4,285,662)</u>	<u>(4,285,662)</u>
General revenues:						
Federal sources passed through local school district					8,000	8,000
State and local sources					2,821,874	2,821,874
Contributions and other revenue					737,110	737,110
Total general revenues					<u>3,566,984</u>	<u>3,566,984</u>
Special item - impairment loss (see Note 4)					<u>(1,600,000)</u>	<u>(1,600,000)</u>
Change in net position					(2,318,678)	(2,318,678)
Net position at beginning of year					<u>(1,429,685)</u>	<u>(1,429,685)</u>
Net position at end of year					<u>\$ (3,748,363)</u>	<u>\$ (3,748,363)</u>

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

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2024

	General Fund	Special Revenue Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 479,015	\$ -	\$ -	\$ 479,015
Restricted cash	7,517,379	-	-	7,517,379
Accounts receivable	-	122,159	10,002	132,161
Due from other governmental funds	132,161	-	-	132,161
Endowment	11,946	-	-	11,946
Other assets	72,424	-	-	72,424
Total assets	<u>\$ 8,212,925</u>	<u>\$ 122,159</u>	<u>\$ 10,002</u>	<u>\$ 8,345,086</u>
 LIABILITIES				
Accounts payable and accrued expenditures	\$ 1,952,364	\$ -	\$ -	\$ 1,952,364
Due to general fund	-	122,159	10,002	132,161
Total liabilities	<u>1,952,364</u>	<u>122,159</u>	<u>10,002</u>	<u>2,084,525</u>
 FUND BALANCES				
Nonspendable:				
Other assets	72,424	-	-	72,424
Restricted for:				
Capital projects	7,517,379	-	-	7,517,379
Unassigned	(1,329,242)	-	-	(1,329,242)
Total fund balances	<u>6,260,561</u>	<u>-</u>	<u>-</u>	<u>6,260,561</u>
Total liabilities and fund balances	<u>\$ 8,212,925</u>	<u>\$ 122,159</u>	<u>\$ 10,002</u>	<u>\$ 8,345,086</u>

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

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2024

Total fund balances - total governmental funds \$ 6,260,561

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$7,469,024 and the accumulated depreciation is \$923,184. 6,545,840

Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (32,124)

The following pension related balances do not use current resources or are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Pension related deferred outflows of resources	458,737
Net pension liability	(1,920,564)
Pension related deferred inflows of resources	(325,874)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end include:

Bonds payable	<u>(14,734,939)</u>
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Total net position - governmental activities \$ (3,748,363)

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

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Special Revenue Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Federal sources passed through local school district	\$ -	\$ 987,509	\$ -	\$ 987,509
State and local sources	2,607,900	-	213,974	2,821,874
Contributions and other revenue	770,279	-	-	770,279
Total revenues	3,378,179	987,509	213,974	4,579,662
EXPENDITURES				
Current:				
Instruction	1,747,068	676,697	-	2,423,765
Instruction-related technology	80,702	-	-	80,702
Board	91,319	-	-	91,319
General administration	109,067	-	-	109,067
School administration	200,631	-	-	200,631
Facilities acquisition and construction	2,681,021	-	-	2,681,021
Fiscal services	147,796	-	-	147,796
Food services	29,748	242,271	-	272,019
Operation and maintenance of plant	619,724	60,541	66,632	746,897
Debt service:				
Principal	79,141	-	-	79,141
Interest	562,221	-	147,342	709,563
Other capital outlay	11,660	8,000	-	19,660
Total expenditures	6,360,098	987,509	213,974	7,561,581
Net change in fund balances	(2,981,919)	-	-	(2,981,919)
Fund balances at beginning of year	9,242,480	-	-	9,242,480
Fund balances at end of year	\$ 6,260,561	\$ -	\$ -	\$ 6,260,561

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

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2024

Net changes in fund balances - total governmental funds **\$ (2,981,919)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,677,935) exceed depreciation expense (\$186,977) in the current period. 2,490,958

Pension income or expense resulting from GASB 68 included in the statement of activities does not provide or require the use of current financial resources and, therefore, is not reported as a net change in fund balances in the governmental funds. (306,858)

Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. 79,141

In the statement of activities, the impairment loss on capital assets is reported, whereas in the governmental funds the capital asset was reported as an expenditure when purchased. Thus, the change in net position differs from the change in fund balance by the amount of the impairment loss. (1,600,000)

Change in net position of governmental activities **\$ (2,318,678)**

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

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Nap Ford Community School, Inc. (the “Company”) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. Legends Academy (the “School”) operated as part of the Company. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of six members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Orange County, Florida (the “School Board”). The current charter is effective until June 30, 2031 and may be renewed in increments of five or fifteen years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education (“FDOE”) to be distributed among eligible charter schools. The School meets the definition of a governmental entity under the Governmental Accounting Standards Board’s (“GASB”) accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School’s basic financial statements are identified and described in the GASB’s *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Basis of Presentation

The School’s financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use or directly benefit from goods, services or privileges provided by a given function. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

The government-wide financial statements of the School are generally divided into three categories:

Governmental Activities – Most of the School’s basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (“FEFP”) and state and federal grants finance most of these activities.

Business-Type Activities – In certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.

Component Units – There currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School’s most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purpose for which they are spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

General Fund – To account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – To account for the proceeds of specific revenue sources and grants that are restricted by law or administrative action to expenditure for specific purposes and to provide a single source of accountability for all funds received.

Capital Projects Fund – To account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

For purposes of these statements, the general and special revenue funds are considered major funds. The capital projects fund is considered non-major and is included as the other governmental fund.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

Cash and Cash Equivalents

Investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents. The School maintains its cash accounts in financial institutions subject to insurance coverage issued by the Federal Deposit Insurance Corporation (the "FDIC"). Under FDIC rules, the School is entitled to aggregate coverage of \$250,000 per account type per separate legal entity per financial institution. As of June 30, 2024, the School had deposits in financial institutions with custodial credit risk exposure in excess of FDIC coverage totaling approximately \$208,000. The School has not historically experienced losses on its cash and cash equivalents.

Receivables

Receivables consist of amounts due from contributors or from governmental agencies for various programs. Allowances are reported when management estimates that accounts may be uncollectible.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Capital Assets and Depreciation

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. 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 range as follows:

	<u>Years</u>
Buildings	10
Leased facility	3
Leasehold improvements	3 - 5
Furniture, fixtures and equipment	3 - 5

Information relative to changes in capital assets is described in Note 4.

Compensated Absences

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as expenditures in governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as an expense when earned by the employees. The liability for compensated absences is classified as a long-term liability that is due within one year because the amount of vacation and sick time to be used after the following year cannot be reasonably estimated. Information relative to changes in long-term liabilities is described in Note 6.

Long-term Liabilities

Long-term obligations that will be financed by resources to be received in the future by the governmental funds are reported in the government-wide financial statements, not in the governmental funds. Information relative to changes in long-term liabilities is described in Note 6.

Fund Balance Spending Policy

The School's adopted spending policy is to spend from the restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. The Board of Directors has delegated authority to assign funds to the Executive Director. There are no minimum fund balance requirements for any of the School's funds.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Revenue Sources

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the FDOE by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying financial statements.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net position and restricted fund balance in the accompanying financial statements.

Income Taxes

The Company is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included 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, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the statement of net position and the balance sheet – governmental funds and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

Subsequent Events

The School has evaluated subsequent events through October 17, 2024, the date these financial statements were available to be issued.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

2 INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances as of June 30, 2024:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 132,161	\$ -
Special revenue fund	-	122,159
Other non-major governmental fund	-	10,002
Total interfund	<u>\$ 132,161</u>	<u>\$ 132,161</u>

The amounts payable by the special revenue fund and the other governmental fund to the general fund are to cover temporary cash shortages related to the timing of receipts.

3 OTHER ASSETS

Other assets consist of the following as of June 30, 2024:

Prepaid expenses	\$ 35,370
Deposits	<u>37,054</u>
Total other assets	<u>\$ 72,424</u>

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

4 CHANGES IN CAPITAL ASSETS

Capital asset activity during fiscal year 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 3,671,476	\$ 2,658,275	\$ (1,600,000)	\$ 4,729,751
Land	1,750,000	-	-	1,750,000
Total capital assets not being depreciated	<u>5,421,476</u>	<u>2,658,275</u>	<u>(1,600,000)</u>	<u>6,479,751</u>
Capital assets being depreciated:				
Buildings	119,575	-	(119,575)	-
Leased facility	631,014	-	(631,014)	-
Leasehold improvements	394,182	-	(32,691)	361,491
Furniture, fixtures and equipment	688,835	19,660	(80,713)	627,782
Total capital assets being depreciated	<u>1,833,606</u>	<u>19,660</u>	<u>(863,993)</u>	<u>989,273</u>
Less accumulated depreciation for:				
Buildings	(33,669)	(85,906)	119,575	-
Leased facility	(621,611)	(9,403)	631,014	-
Leasehold improvements	(480,996)	(15,112)	32,691	(463,417)
Furniture, fixtures and equipment	(463,924)	(76,556)	80,713	(459,767)
Total accumulated depreciation	<u>(1,600,200)</u>	<u>(186,977)</u>	<u>863,993</u>	<u>(923,184)</u>
Capital assets being depreciated, net	<u>233,406</u>	<u>(167,317)</u>	<u>-</u>	<u>66,089</u>
Governmental activities capital assets, net	<u>\$ 5,654,882</u>	<u>\$ 2,490,958</u>	<u>\$ (1,600,000)</u>	<u>\$ 6,545,840</u>

During 2024, construction stopped on renovation of the new facility. Because of this stoppage, the School evaluated certain assets for impairment and determined the carrying values of those assets exceeded their fair value. The School recorded an impairment loss of \$1,600,000 to lower the carrying amount of construction in progress, which is included as a special item in the accompanying statement of activities. As of June 30, 2024, the facility including all of the land and construction in progress is idle. See Note 6 for information related to the financing of this project.

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 174,138
School administration	12,839
Total governmental activities depreciation expense	<u>\$ 186,977</u>

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

5 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School 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 School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2024 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal Matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Risk Management Program

Workers' compensation coverage, health and hospitalization, 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 historically exceeded commercial coverage.

6 LONG-TERM LIABILITIES

Long-term liabilities activity during 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 32,124	\$ -	\$ -	\$ 32,124	\$ 32,124
Lease liability (see Note 10)	53,000	-	(53,000)	-	-
Bonds payable	14,751,811	-	(16,872)	14,734,939	14,734,939
Note payable	9,269	-	(9,269)	-	-
Net pension liability	1,895,043	25,521	-	1,920,564	-
Governmental activities, long-term liabilities	<u>\$ 16,741,247</u>	<u>\$ 25,521</u>	<u>\$ (79,141)</u>	<u>\$ 16,687,627</u>	<u>\$ 14,767,063</u>

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Compensated absences and the pension liability are presented net. Lease liabilities, bonds payable and notes payable are typically liquidated first with capital projects fund resources, when available, and then with general fund resources.

Bonds Payable

On December 2, 2021, Capital Trust Agency (the "Issuer") issued Educational Facilities Revenue and Revenue Refunding Bond, Series 2021A, in the principal amount of \$13,850,000 (the "Series 2022A Bond") and its Taxable Educational Facilities Revenue Bond, Series 2021B, in the principal amount of \$325,000 (the "Series 2021B Bond;" together with the Series 2021A Bond, the "Bonds"). The Bonds were used to (i) acquire and renovate certain land and buildings in Orlando, Florida, and (ii) to pay for capitalized interest and other costs of issuing the bonds.

The Bonds were privately placed with US Bank (the "Lender") and do not constitute a debt, liability or obligation of the Issuer, Capital Trust Agency or of the State of Florida or of any other political subdivision.

The Issuer has no obligation for the debt beyond the resources provided by the facilities. The School shall pay directly to the Lender, for the account of the Issuer, on or before the dates required under the Bonds and under the financing agreement. The Series 2021A Bond is subject to an interest rate of 5.00%, and Series 2021B is subject to an interest rate of 5.25%. The Bonds were issued with a premium of approximately \$600,000, which is amortized over the life of the debt.

Future debt service requirements related to the bonds payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2025	\$ 14,734,939	\$ 704,050	\$ 15,438,989
	\$ 14,734,939	\$ 704,050	\$ 15,438,989

The financing agreement for the bonds described above contains certain covenants with which the School must comply including requirements for cash on hand and a debt service coverage ratio. At least 45 days of operating expenses are required to be held in cash. A ratio of 1.0 or 1.1 times is required for the debt service coverage ratio.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The calculation of those covenants is as follows:

<u>Cash on Hand</u>		
Unrestricted cash		\$ 479,015
Total expenses	\$ 6,898,340	
Less impairment loss	1,600,000	
Less depreciation and amortization	<u>186,977</u>	
Operating expenses	<u>5,111,363</u>	
Operating expenses per day		<u>14,004</u>
Number of days operating expense in cash		<u><u>34</u></u>
<u>Debt Service Coverage Ratio</u>		
Change in net position		\$ (2,318,678)
Plus impairment loss		1,600,000
Plus interest expense related to the bonds		709,563
Plus depreciation and amortization		<u>186,977</u>
		177,862
Principal and interest requirements of the bonds		<u>709,563</u>
Ratio		<u><u>0.25</u></u>

The School failed both covenants listed above as of June 30, 2024.

During 2024, the School received a notice of default in connection with the Bonds and a notice of cessation to the school facilities construction project. The School has engaged a legal firm to assist with the potential foreclosure of the outstanding loans and outstanding construction liens related to certain property located in Orlando, Florida. As a result, the bonds payable are considered to be callable as of June 30, 2024. The outstanding principal has been included in long-term liabilities due within one year in the accompanying financial statements.

On October 11, 2024, the School entered into an agreement with the Issuer and other parties associated with the construction project that extinguishes all the School's debts and liabilities associated with the Bonds and the construction project in exchange for sale of the facility under construction to a third party. The intent is for the School to lease that facility from the third party when completed.

Note Payable

The School entered into a note payable with a financial institution. Principal and interest payments of \$2,374 were due monthly at an interest rate of 11.7%. The note was secured by three portable classroom buildings and matured in October 2023.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

7 PENSION PLANS

Pension Plan Descriptions

The Florida Department of Management Services, Division of Retirement (“Division”), is part of the primary government of the State of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems (“System”). The School participates in two defined benefit plans administered by the Division. The Division issued a publicly-available, audited annual comprehensive financial report (“ACFR”) on behalf of the System that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the ACFR, which is available online or by contacting the Division.

The Florida Retirement System (“FRS”) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (“DROP”) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (“HIS”) Program is a non-qualified, cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of the state-administered retirement systems in paying their health insurance costs. Per Chapter 2023-193, Laws of Florida, the level of monthly benefits increased from \$5 times years of service to \$7.50, with an increased minimum of \$45 and maximum of \$225. This change applies to all years of service for both members currently in pay and members not yet in pay. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Employee contributions required pursuant to section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported by the School is reduced by these amounts.

Total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. Employer contributions reflected in the financial statements represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3%	13.57%
Florida Retirement System, Reemployed Retiree	(B)	(B)

- (A) Employer rates include 2% for the Retiree Health Insurance Subsidy and 0.06% for administration of the Florida Retirement System Investment Plan and provision of educational tools for both plans, and any applicable unfunded actuarial liability rates.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

Information about the Employer’s Proportionate Share of the Collective Net Pension Liability

Assumptions and Other Inputs

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The Division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan’s GASB 67 valuation is performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. The plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.65% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both the FRS Pension Plan and the HIS Program were based on the PUB-2010 base table.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The following changes in actuarial assumptions occurred in 2023:

- HIS: The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.
- HIS: Chapter 2023-193, Laws of Florida (Senate Bill 7024), increased the level of monthly benefits from \$5 times years of service to \$7.50, with an increased minimum of \$45 and maximum of \$225. This change applies to all years of service for both members currently receiving benefits and members not yet receiving benefits.

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability if the discount rate was 1% lower or 1% higher than the current discount rate as of June 30, 2023:

School's Proportionate Share of FRS Net Pension Liability			School's Proportionate Share of HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
5.70%	6.70%	7.70%	2.65%	3.65%	4.65%
\$ 1,972,689	\$ 1,154,832	\$ 470,598	\$ 873,581	\$ 765,732	\$ 676,333

The Pension Plans' Fiduciary Net Positions

Detailed information about the pension plans' fiduciary net positions is available in the System's separately issued ACFR. The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2023, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 226,204,201	\$ 16,563,149
Plan fiduciary net position	(186,357,366)	(681,815)
Net pension liability	\$ 39,846,835	\$ 15,881,334
Plan fiduciary net position as a percentage of the total pension liability	82.38%	4.12%

The total pension liability for the FRS Pension Plan was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2023. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The total pension liability for the HIS was determined by the plan’s actuary and reported in the plan’s GASB 67 valuation as of June 30, 2023. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2024, the School reported a liability of \$1,920,564 for its proportionate share of the net pension liabilities. The School’s proportionate share was calculated using accrued retirement contributions related to the reporting periods included in the System’s current and several prior measurement dates. Prior measurement dates align with the oldest deferred (inflow)/outflow base through June 30, 2023, for employers that were members of the FRS and HIS during those fiscal years. The proportion calculated based on contributions for each of the fiscal years was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine the School’s proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

The School’s proportions are as follows:

	FRS	HIS
June 30, 2023	0.0029%	0.0048%
June 30, 2022	0.0036%	0.0053%
Change	-0.0007%	-0.0005%

In accordance with GASB 68, paragraphs 54 and 71, changes in the School’s proportionate share of the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in proportion and differences between contributions and proportionate share of contributions are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Differences between expected and actual earnings on pension plan investments are amortized over five years.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Employer contributions to the pension plans from the School are not included in collective pension expense; however, employee contributions are used to reduce pension expense. The average expected remaining service life of all employees provided with pensions through the pension plans as of June 30, 2023, was 5.3 years for FRS and 6.3 years for HIS.

For the year ended June 30, 2024, the School recognized pension expense of \$306,858. As of June 30, 2024, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 119,639	\$ 1,797
Changes of assumptions	95,413	66,353
Net difference between projected and actual earnings on pension plan investments	48,624	-
Changes in proportion and differences between School contributions and proportionate share of contributions	24,475	257,724
School contributions subsequent to the measurement date	170,586	-
Total	\$ 458,737	\$ 325,874

Deferred outflows of resources related to the School's contributions paid subsequent to the measurement date and prior to the School's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Reporting Period Ended June 30:	Amount
2025	\$ (9,342)
2026	(15,440)
2027	39,254
2028	(32,220)
2029	(18,420)
Thereafter	(1,555)

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

8 RESTRICTED FUND BALANCE

Restricted fund balance represents amounts that have been collected or are receivable by the School for specific purposes, which are restricted as to the use of such funds. Included in the restricted fund balance is \$7,517,379 in the general fund as of June 30, 2024. This balance represents the restricted cash from the bond issuance, which must be used for building construction.

9 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources and amounts:

District School Board of Orange County, Florida:	
Florida Education Finance Program	\$ 1,646,084
Special millage	298,547
Class size reduction	296,169
Capital outlay	213,974
Discretionary millage	208,317
Educational enrichment allocation	70,441
ESE guaranteed allocation	30,885
Safe schools	24,718
Compression adjustment	17,343
Mental health allocation	15,058
Miscellaneous state funds	338
Total	<u><u>\$ 2,821,874</u></u>

The administration fee paid to the School Board during 2024 totaled \$109,067, which is reflected as a general administration expense/expenditure in the accompanying financial statements.

10 RELATED PARTY TRANSACTIONS

Lease Agreements

The Company entered into various lease agreements for facilities and equipment used by the School. The School paid the monthly rent on behalf of the Company, which totaled approximately \$33,000. The lease was recorded with an implied interest rate of 10.0%. The School made the payments on behalf of the Company. During 2024, the lease term expired, and the lease has continued on a month-to-month basis.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State and local sources	\$ 3,217,935	\$ 3,217,935	\$ 2,607,900	\$ (610,035)
Contributions and other revenue	265,000	265,000	770,279	505,279
Total revenues	<u>3,482,935</u>	<u>3,482,935</u>	<u>3,378,179</u>	<u>(104,756)</u>
EXPENDITURES				
Current:				
Instruction	2,141,749	2,141,749	1,747,068	394,681
Instruction-related technology	95,000	95,000	80,702	14,298
Board	79,000	79,000	91,319	(12,319)
General administration	-	-	109,067	(109,067)
School administration	296,537	296,537	200,631	95,906
Facilities acquisition and construction	-	-	2,681,021	(2,681,021)
Fiscal services	143,204	143,204	147,796	(4,592)
Food services	40,923	40,923	29,748	11,175
Operation and maintenance of plant	686,522	686,522	619,724	66,798
Debt service:				
Principal	-	-	79,141	(79,141)
Interest	-	-	562,221	(562,221)
Other capital outlay	-	-	11,660	(11,660)
Total expenditures	<u>3,482,935</u>	<u>3,482,935</u>	<u>6,360,098</u>	<u>(2,877,163)</u>
Net change in fund balance	-	-	(2,981,919)	(2,981,919)
Fund balance at beginning of year	<u>9,242,480</u>	<u>9,242,480</u>	<u>9,242,480</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 9,242,480</u></u>	<u><u>\$ 9,242,480</u></u>	<u><u>\$ 6,260,561</u></u>	<u><u>\$(2,981,919)</u></u>

See independent auditor's report.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources passed through local school district	\$ 1,189,500	\$ 1,189,500	\$ 987,509	\$ (201,991)
Total revenues	<u>1,189,500</u>	<u>1,189,500</u>	<u>987,509</u>	<u>(201,991)</u>
EXPENDITURES				
Current:				
Instruction	899,500	899,500	676,697	222,803
Food services	290,000	290,000	242,271	47,729
Operation and maintenance of plant	-	-	60,541	(60,541)
Other capital outlay	-	-	8,000	(8,000)
Total expenditures	<u>1,189,500</u>	<u>1,189,500</u>	<u>987,509</u>	<u>201,991</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditor's report.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Florida Retirement System (FRS) Pension Plan										
School's proportion of the net pension liability (asset)	0.0029%	0.0036%	0.0036%	0.0035%	0.0036%	0.0037%	0.0040%	0.0034%	0.0018%	0.0018%
School's proportionate share of the net pension liability (asset)	\$ 1,154,832	\$ 1,331,411	\$ 268,482	\$ 1,514,939	\$ 1,246,800	\$ 1,110,539	\$ 1,180,724	\$ 874,534	\$ 226,360	\$ 107,347
School's covered-employee payroll	\$ 1,186,754	\$ 1,939,323	\$ 1,533,089	\$ 1,545,043	\$ 1,930,005	\$ 1,860,954	\$ 2,006,238	\$ 1,746,907	\$ 783,216	\$ 768,029
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	97%	69%	18%	98%	65%	60%	59%	50%	29%	14%
Plan fiduciary net position as a percentage of the total pension liability (asset)	82%	83%	96%	79%	83%	84%	84%	85%	92%	96%
Retiree Health Insurance Subsidy (HIS) Program										
School's proportion of the net pension liability (asset)	0.0048%	0.0053%	0.0052%	0.0054%	0.0057%	0.0056%	0.0063%	0.0056%	0.0026%	0.0026%
School's proportionate share of the net pension liability (asset)	\$ 765,732	\$ 563,632	\$ 642,657	\$ 660,823	\$ 642,122	\$ 596,204	\$ 672,220	\$ 658,120	\$ 263,062	\$ 240,163
School's covered-employee payroll	\$ 1,910,205	\$ 1,939,323	\$ 1,854,777	\$ 1,878,427	\$ 1,930,005	\$ 1,860,954	\$ 2,006,238	\$ 1,746,907	\$ 783,216	\$ 768,029
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40%	29%	35%	35%	33%	32%	34%	38%	34%	31%
Plan fiduciary net position as a percentage of the total pension liability (asset)	4%	5%	4%	3%	3%	2%	2%	1%	1%	1%

Information for 2019 and prior years has been restated for the combination of schools in fiscal 2021.

See independent auditor's report.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS) Pension Plan										
Contractually required contribution	\$ 135,356	\$ 139,421	\$ 161,600	\$ 135,401	\$ 116,136	\$ 112,257	\$ 105,076	\$ 103,914	\$ 84,463	\$ 42,728
Contributions in relation to the contractually required contribution	<u>135,356</u>	<u>139,421</u>	<u>161,600</u>	<u>135,401</u>	<u>116,136</u>	<u>112,257</u>	<u>105,076</u>	<u>103,914</u>	<u>84,463</u>	<u>42,728</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,009,574	\$ 1,186,754	\$ 1,939,323	\$ 1,533,089	\$ 1,545,043	\$ 1,930,005	\$ 1,860,954	\$ 2,006,238	\$ 1,746,907	\$ 783,216
Contributions as a percentage of covered-employee payroll	13%	12%	8%	9%	8%	6%	6%	5%	5%	5%
Retiree Health Insurance Subsidy (HIS) Program										
Contractually required contribution	\$ 35,230	\$ 31,717	\$ 40,400	\$ 30,796	\$ 31,188	\$ 31,867	\$ 30,548	\$ 33,272	\$ 28,944	\$ 9,860
Contributions in relation to the contractually required contribution	<u>35,230</u>	<u>31,717</u>	<u>40,400</u>	<u>30,796</u>	<u>31,188</u>	<u>31,867</u>	<u>30,548</u>	<u>33,272</u>	<u>28,944</u>	<u>9,860</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,761,071	\$ 1,910,205	\$ 1,939,323	\$ 1,854,777	\$ 1,878,427	\$ 1,930,005	\$ 1,860,954	\$ 2,006,238	\$ 1,746,907	\$ 783,216
Contributions as a percentage of covered-employee payroll	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%

Information for 2019 and prior years has been restated for the combination of schools in fiscal 2021.

See independent auditor's report.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor / Pass-Through Grantor / Program Title	Federal Assistance Listing Number	Grant Period	Expenditures
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / School Breakfast Program	10.553	7/1/2023 - 6/30/2024	\$ 29,723
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / National School Lunch Program	10.555	7/1/2023 - 6/30/2024	192,169
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / School Snack Program	10.555	7/1/2023 - 6/30/2024	7,587
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / National School Lunch Program (Supply Chain Assistance Funding)	10.555	7/1/2023 - 6/30/2024	<u>12,792</u>
Total Child Nutrition Cluster			242,271
Federal Communications Commission / Universal Service Fund - Schools and Libraries (E-Rate Program)	32.004	7/1/2023 - 6/30/2024	8,000
United States Department of Education / Florida Department of Education / Title I Grants to Local Educational Agencies (Title I, Part A)	84.010	7/1/2023 - 6/30/2024	271,088
United States Department of Education / Florida Department of Education / Student Support and Academic Enrichment Program (Title IV, Part A)	84.424A	7/1/2023 - 6/30/2024	8,042
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund) (ESSER III)	84.425D	6/1/2021 - 9/30/2024 *	<u>458,108</u>
Total Expenditures of Federal Awards			<u><u>\$ 987,509</u></u>

* Represents COVID-19 funds

See accompanying note to schedule of expenditures of federal awards.

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Company and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

For fiscal year 2024, the School did not elect to use the 10% de minimis indirect cost rate.

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

To the Board of Directors of
Nap Ford Community School, Inc. - Legends Academy

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 the governmental activities, each major fund and the aggregate remaining fund information of Nap Ford Community School, Inc. - Legends Academy (the "School"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 17, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the School'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 or significant deficiencies may exist that were not identified.



REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the School'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 financial statements. 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 the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Orlando, Florida
October 17, 2024

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

To the Board of Directors of
Nap Ford Community School, Inc. - Legends Academy

REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM

Opinion on the Major Federal Program

We have audited Nap Ford Community School, Inc. - Legends Academy’s (the “School”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the School’s major federal program for the year ended June 30, 2024. The School’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2024.

Basis for Opinion on the 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 the School 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 the major federal program. Our audit does not provide a legal determination of School’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 the School’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 the School'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 the School's compliance with the requirements of the 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 the School'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 the School'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 the School'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 limitations, 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 over compliance may exist that were not 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.

PURPOSE OF THIS REPORT

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.

BKHM, P.A.

Orlando, Florida
October 17, 2024

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
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 the major program:	
• 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 the major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
Identification of the major program:	

Assistance Listing Number	Grant Period	Name of Federal Program
84.425D	6/1/2021 – 9/30/2024	Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund) (ESSER III)

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

None

**NAP FORD COMMUNITY SCHOOL, INC.
LEGENDS ACADEMY**

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE AUDITOR GENERAL,
CHAPTER 10.850**

To the Board of Directors of
Nap Ford Community School, Inc. - Legends Academy

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Nap Ford Community School, Inc. - Legends Academy (the "School"), as of and for the year ended June 30, 2024, and have issued our report thereon dated October 17, 2024.

AUDITOR'S RESPONSIBILITY

We conducted our audit 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; 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"); and Chapter 10.850, Rules of the Auditor General.

OTHER REPORTING REQUIREMENTS

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 17, 2024, should be considered in conjunction with this management letter.

PRIOR AUDIT FINDINGS

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations in the preceding annual financial audit report.

OFFICIAL TITLE

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is Nap Ford Community School, Inc. - Legends Academy, and the school code assigned by the Florida Department of Education is 0080.

FINANCIAL CONDITION AND MANAGEMENT

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did meet the following condition described in Section 218.503(1), Florida Statutes, which we believe resulted from a deteriorating financial condition, as further discussed below:

- Failure within the same fiscal year in which due to pay short-term loans or failure to make bond debt service or other long-term debt payments when due, as a result of a lack of funds.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment procedures applied in connection with our audit has led us to believe that the School's overall financial condition as of June 30, 2024, is deteriorating. Refer to finding 2024-001 below.

2024-001: Deteriorating Financial Condition

Criteria:

As defined in Section 218.503, Florida Statutes, indicators of a deteriorating financial condition include a failure to make bond debt service payments when due, as a result of a lack of funds.

Condition:

The School has not paid certain bond debt service payments during the fiscal year due to a violation of loan covenants and limited cash available.

Cause:

Construction on a new school facility has lasted longer than expected, and not having the increased enrollment available in the new facility has led to debt service payments being more difficult on the School's cash flow than initially expected.

Effect or Potential Effect:

The School's bonds payable are callable as of June 30, 2024. Certain property could be foreclosed by the creditor.

Recommendation:

The School should continue to seek a resolution with the creditor. In future financing arrangements, the School should consider adding construction contingencies into cash flow budgets.

Views of Responsible Officials:

See the written statement of explanation or rebuttal on page 51. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any additional recommendations besides the item listed above.

TRANSPARENCY

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

ADDITIONAL MATTERS

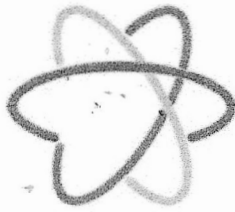
Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

PURPOSE OF THIS LETTER

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Board of Directors, applicable management, and the District School Board of Orange County, Florida and is not intended to be, and should not be, used by anyone other than these specified parties.

BKHM, P.A.

Orlando, Florida
October 17, 2024



Legends
Academy

October 16, 2024

BKHM, P.A.
1900 Summit Tower Blvd., Ste. 170
Orlando, FL 32810

RE: Nap Ford Community School, Inc., d/b/a Legends Academy
Response to Management Letter
Independent Auditor's Report – FY 2024


To Whom It May Concern:

This letter is written in response to the Management Letter issued in connection with BKHM's Independent Auditor's Report of the financial statements of Nap Ford Community School, Inc., d/b/a Legends Academy (the "School") as of and for the fiscal year ended June 30, 2024 (the "Audit").

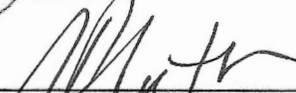
2024-001: Deteriorating Financial Condition

The Governing Board and staff of the School are aware of the circumstances described in the Audit as a deteriorating financial condition relating to a loan (the "Loan") obtained by the School in connection with construction (the "Construction") of a new school facility. The School has already undertaken measures to remedy the situation. It is the School's intent that these measures and those outlined below shall constitute the School's Corrective Action Plan, or in the alternative, that no Corrective Action Plan will be required following the Closing (defined below).

The School has entered into an agreement (the "Agreement"), effective October 11, 2024, with all parties and creditors associated with the Loan and the Construction. The planned closing for the Agreement is on or about November 28, 2024 (the "Closing"). As of the Closing, and pursuant to the Agreement, all the School's debts and liabilities associated with the Loan and the Construction will be extinguished. Accordingly, the circumstances leading to the deteriorating financial condition described in the Audit will be eliminated as of the date of the Closing.



Judith Levin, Ed.D.
Chair



Jennifer Porter Smith, Ph.D.
Executive Director

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Nap Ford Community School is a nonprofit 501(c)(3) organization.
Federal Tax Id: 59-3662275
Nap Ford Community School is an equal opportunity agency.