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Board Cover Memorandum

To Board of Education

From Kyla Johnson-Trammell, Superintendent
Jenine Lindsey, General Counsel
Kelly Krag-Arnold, Director, Office of Charter Schools

Meeting Date June 26, 2025

Subject Charter Renewal Benchmark Update: Unity High School

Ask of the Board Discuss

Background As October 10, 2024, the OUSD Board of Education voted to approve a five-year renewal charter term for Unity High School. As part of this renewal, the OUSD Board and Unity High school committed to the following benchmark:

A commitment from the Charter School to provide an annual report to the OUSD Board about their progress on clearing the school's repeated audit finding regarding their internal controls over financial statements. This annual report to the OUSD board would continue each year of the charter term unless these findings are cleared in a future audit.

Discussion Unity High School will be presenting their first update about their progress on clearing the audit finding. Charter Matters Committee members will have the opportunity to ask the Charter School questions.

Fiscal Impact None

Attachment(s)

- Unity High Memo

MEMORANDUM**To:** Charter Matters Committee, Oakland Unified School District**From:** Oakland Unity High School**Date:** June 17th, 2025**Subject:** Annual Reporting Commitment and Update on Resolution of Audit Finding

Dear Members of the Charter Matters Committee,

This memorandum is submitted on behalf of Oakland Unity High School in keeping with our commitment to provide to the OUSD Board an annual report on clearing our recurring audit findings related to delayed submissions of materials. We recognize the importance of financial transparency and operational accountability, and we are committed to maintaining the highest standards of fiscal stewardship as a public charter school serving the students and families of Oakland.

We acknowledge that in prior years, our independent audit reports were submitted late and included repeated findings regarding deficiencies in internal financial controls. In response to these concerns, we took corrective action during the 2023–2024 school year by assembling a dedicated internal team—including school leadership and operational staff—to coordinate closely with our independent auditor. This team ensured timely and thorough responses to all audit-related requests. As a result of these efforts, our 2023–2024 audit report was submitted on time and reflects the successful implementation of corrective measures, as noted in the attached audit report.

We value our partnership with the Oakland Unified School District and share your commitment to sound governance, student success, and public trust. Please do not hesitate to contact us with any questions or requests for additional information.

Respectfully,

William Nee and Lance Tsang
Principal and Executive Director
Oakland Unity High School
wnee@unityhigh.org, stsang@unityschools.net

UNITY SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued (p30 of audit report)

FOR THE YEAR ENDED JUNE 30, 2024

PART IV – SUMMARY OF PRIOR AUDIT FINDINGS

FINDING 2023-001: FINANCIAL CLOSING PROCESS (30000) – _Significant Deficiency

Summary: The year-end financial closing process should include timely review of financial information and supporting schedules to properly report all transactions in accordance with generally accepted accounting principles (GAAP). There was a delay in the year-end financial closing process that created the need for several client adjustments recorded after reporting of the unaudited actuals for the 2022-23 fiscal year. Extensions to the initial audit report deadline of December 15th were necessary as audit requests, including basic financial statements, were not provided for audit until well after December 15th. We recommended ensuring a timely financial closing process that allows for adequate review of transactions to prevent the potential for any financial reporting misstatements as well as to adhere to reporting deadlines.

Current Status: Implemented

FINDING 2023-002: IMPLEMENTATION OF FASB ASC 842 LEASES (40000) – Material Weakness

Summary: Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted accounting principles, which 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.

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating or finance lease. A right-of-use asset is an intangible asset that pertains to the lessee's right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

The Organization had not determined the impact and did not reflect the significant change from this new accounting principle (FASB ASC 842) within its financial statements for the 2022-23 fiscal year. Auditor assistance was required to ensure

implementation. A material audit adjustment was necessary as of June 30, 2023, to record the right-of-use assets of \$1,317,104 and the related lease liabilities of \$1,344,104.

We recommended that management review all lease agreements on file and either work with a consultant or software specific to proper implementation of the lease standard.

Current Status: Implemented