

URBAN ALCHEMY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025



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**URBAN ALCHEMY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Urban Alchemy
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Urban Alchemy (a California nonprofit corporation) (the Organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization 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 opinion.

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 Organization'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 Organization'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.

Board of Directors
Urban Alchemy

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2026, on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
March 20, 2026

URBAN ALCHEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025

ASSETS

Cash and Cash Equivalents	\$ 5,127,892
Governmental Contributions Receivable	17,230,637
Grants and Contributions Receivable	75,000
Insurance Receivable	957,970
Prepaid Expenses and Other Assets	730,104
Property and Equipment, Net	156,669
Operating Right-of-Use Asset, Net	<u>4,664,912</u>
Total Assets	<u><u>\$ 28,943,184</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 7,002,420
Deferred Revenue	-
Debt	9,000,000
Operating Lease Liability	<u>4,779,026</u>
Total Liabilities	<u>20,781,446</u>

NET ASSETS

Without Donor Restrictions	8,085,910
With Donor Restrictions	<u>75,828</u>
Total Net Assets	<u>8,161,738</u>
Total Liabilities and Net Assets	<u><u>\$ 28,943,184</u></u>

See accompanying Notes to Financial Statements.

**URBAN ALCHEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Governmental Contributions	\$ 98,691,476	\$ -	\$ 98,691,476
Grants and Contributions	1,377,429	120,000	1,497,429
Other Income	1,206,682	-	1,206,682
Net Assets Released from Restrictions	453,183	(453,183)	-
Total Support and Revenue	101,728,770	(333,183)	101,395,587
EXPENSES			
Program Services	84,667,958	-	84,667,958
Management and General	16,172,615	-	16,172,615
Fundraising	833,347	-	833,347
Total Expenses	101,673,920	-	101,673,920
CHANGE IN NET ASSETS	54,850	(333,183)	(278,333)
Net Assets - Beginning of Year	8,031,060	409,011	8,440,071
NET ASSETS - END OF YEAR	\$ 8,085,910	\$ 75,828	\$ 8,161,738

See accompanying Notes to Financial Statements.

**URBAN ALCHEMY
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (278,333)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	33,468
Bad Debt Expense	13,061
Noncash Lease Expense	(25,256)
Changes in Assets and Liabilities:	
Governmental Contributions Receivable	(1,760,588)
Grants and Contributions Receivable	175,000
Insurance Receivable	(957,970)
Prepaid Expenses and Other Assets	(343,254)
Accounts Payable and Accrued Expenses	986,451
Deferred Revenue	(62,497)
Net Cash Used by Operating Activities	<u>(2,219,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Property and Equipment	<u>(59,853)</u>
Net Cash Used by Investing Activities	(59,853)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Debt	24,850,000
Principal Payment on Debt	<u>(20,850,000)</u>
Net Cash Provided by Financing Activities	<u>4,000,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,720,229
Cash and Cash Equivalents - Beginning of Year	<u>3,407,663</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,127,892</u></u>

See accompanying Notes to Financial Statements.

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 ORGANIZATION

Urban Alchemy (the Organization) hires individuals who were formerly incarcerated and harnesses their skills and energy to transform people and places through respect and compassion. The Organization provides services and engagement that heal communities challenged by the intersection of extreme poverty, mental illness, addiction, and homelessness. When individuals are suffering in our public spaces, the Organization offers solutions. When a neighborhood, street, or intersection earns a reputation as a place to avoid, the Organization turns it around. The Organization's staff, known as Practitioners, create a peaceful and supportive presence, helping our communities rebuild a sense of pride one person at a time.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to nonprofit entities. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein have been classified and are reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions, donor-restricted contributions whose restrictions are met in the same reporting period, and net assets designated by the board of directors for specific purposes.

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Property and Equipment

Property and equipment that is purchased or constructed is stated at cost; assets acquired by gift or bequest are stated at fair value at the date of acquisition. The Organization uses the straight-line method for the computation of depreciation of long-lived assets according to the following schedule of useful lives:

Vehicles	7 Years
Leasehold Improvement	15 Years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements during the years ended June 30, 2025 and 2024.

Leases

The Organization leases its facilities under noncancelable lease arrangements. The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the accompanying statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease.

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position. The Organization has elected not to separate nonlease components from lease components.

Advances

Payments under contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Revenue and Revenue Recognition

Contributions and grants are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right to return are not recognized until the conditions on which they depend have been substantially met.

Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Organization did not receive cost-reimbursable grants that had not been recognized at June 30, 2025, because qualifying expenditures have not yet been incurred.

Contributions to be received after one year are discounted at a discount rate consistent with general principles for present value measurement. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Functional Expense Allocation

The functional allocation of expenses shared between programs, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation and total direct expenses.

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit Concentration

The Organization manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with contributions receivable and promises to give is considered to be limited due to historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of the Organization's mission.

For the year ended June 30, 2025, three governmental agencies accounted for approximately 51% of governmental contributions. At June 30, 2025, those governmental agencies accounted for approximately 42% of governmental contributions receivable.

Income Taxes

The Organization is a nonprofit corporation defined in Section 501(c)(3) of the Internal Revenue Code (IRC) and is, therefore, exempt from federal income taxation under section 501(a) of the IRC. The Organization is also exempt from state income taxation under 23701(d) of the California Revenue and Taxation Code.

GAAP provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes all of the positions taken by the Organization are more likely than not to be sustained upon examination.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through March 20, 2026, the date that these financial statements were available to be issued.

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 LIQUIDITY AND AVAILABILITY

As of June 30, 2025, the Organization's financial assets available for general expenditure, that is, without donor or other restriction limited their use, within one year of the statements of financial position consist of the following at June 30, 2025:

Cash and Cash Equivalents	\$ 5,127,892
Governmental Contributions Receivable	17,230,637
Grants and Contributions Receivable	<u>75,000</u>
Total	22,433,529
Less: Subject to Expenditure for Programs	<u>(75,828)</u>
Total Available for General Expenditures	<u><u>\$ 22,357,701</u></u>

None of the financial assets are subject to donor restriction that make them unavailable for general expenditure within one year of the statement of financial position date.

NOTE 4 CONTRIBUTIONS RECEIVABLE

At June 30, 2025, governmental contributions receivable of \$17,230,637 and grants and contributions receivable of \$75,000 are expected to be collected within one year.

NOTE 5 PROPERTY AND EQUIPMENT

As of June 30, 2025, property and equipment consisted of the following:

Vehicles	\$ 217,134
Leasehold Improvement	23,490
Construction In Progress	<u>18,236</u>
Subtotal	258,860
Less: Accumulated Depreciation	<u>(102,191)</u>
Property and Equipment, Net	<u><u>\$ 156,669</u></u>

NOTE 6 DEBT

Line of Credit

During December 2022, the Organization obtained line of credit through December 2023 for a maximum amount of \$4,000,000. The line of credit is secured by property and assets of the Organization. The line is subject to interest-only payments on outstanding unpaid principal at the bank's prime rate. Principal is paid in full at the conclusion of the loan.

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 DEBT (CONTINUED)

Line of Credit (Continued)

During March 2024, the maturity date on the line of credit was amended to March 14, 2025, for a maximum amount of \$5,000,000. During October 2024, the maximum amount on the line of credit was amended to \$9,000,000, the maturity date was extended to October 10, 2025, and the interest rate amended to prime rate minus one-eighth percent, subject to covenant compliance. At June 30, 2025, the balance on the line was \$9,000,000 and the interest rate was 7.375%. In October 2025, the maturity date of the line of credit was amended to January 8, 2026. In March 2026, the maturity date was further amended to June 30, 2026.

NOTE 7 LEASES

The Organization leases office facilities as well as vehicles for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2029. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on set terms in lease agreement. The agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

The following table provides quantitative information concerning the Organization's leases at June 30 2025:

Operating Lease Cost	\$ 3,395,591
Short-Term Lease Cost	945,713
Total Lease Cost	<u>\$ 4,341,304</u>

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities:

Operating Cash Flows from Operating Leases	\$ 3,388,996
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 551,346

Weighted-Average Remaining Lease Term - Operating Leases	1.6 Years
Weighted-Average Discount Rate - Operating Leases	2.85%

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 LEASES (CONTINUED)

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. Below is a maturity analysis of annual undiscounted cash flows for lease liabilities as June 30:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2026	\$ 2,937,407
2027	1,880,079
2028	78,265
2029	1,685
Total Lease Payments	<u>4,897,436</u>
Less: Interest	<u>(118,410)</u>
Present Value of Lease Liabilities	<u><u>\$ 4,779,026</u></u>
Short-Term Lease Lease Liabilities	\$ 2,844,059
Long-Term Lease Lease Liabilities	1,934,967
Present Value of Lease Liabilities	<u><u>\$ 4,779,026</u></u>

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2025, net assets with donor restrictions are restricted for the following:

Subject to Passage of Time	\$ -
Subject to Expenditure for Programs	75,828
Total	<u><u>\$ 75,828</u></u>

During the year ended June 30, 2025, net assets were released from donor restrictions as follows:

Passage of Specified Time	\$ 250,000
Subject to Expenditure for Programs	203,183
Total Net Assets Released from Donor Restrictions	<u><u>\$ 453,183</u></u>

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 COMMITMENTS AND CONTINGENCIES

The Organization experiences litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements. During the year ended June 30, 2025, settlement fees totaled approximately \$1,225,000.

NOTE 10 FUNCTIONAL ALLOCATION OF EXPENSES

The functional allocation of expenses was as follows for the year ended June 30, 2025:

	Program	Management and General	Fundraising	Total
Salaries and Wages	\$ 53,969,444	\$ 5,542,909	\$ 254,044	\$ 59,766,397
Insurance	6,256,845	1,424,140	23,150	7,704,135
Benefits	5,552,099	1,203,771	20,158	6,776,028
Payroll Taxes	5,721,096	457,404	25,723	6,204,223
Program Expenses	5,592,301	113,717	18,294	5,724,312
Rent and Occupancy	3,566,153	775,151	-	4,341,304
Professional Services	88,577	3,190,001	488,020	3,766,598
Software and Communications	1,482,800	415,494	-	1,898,294
Program Supplies	1,137,144	198,418	-	1,335,562
Settlement	-	1,225,200	-	1,225,200
Vehicle and Travel Expenses	461,551	741,203	3,958	1,206,712
Interest Expense	-	513,670	-	513,670
Vehicle and Equipment Rental	369,008	15,132	-	384,140
Staff Development and Training	178,606	167,988	-	346,594
Office Supplies	182,219	45,266	-	227,485
Cleaning Supplies	66,914	747	-	67,661
Transportation	14,570	39,741	-	54,311
Printing and Shipping	28,631	7,158	-	35,789
Depreciation	-	33,468	-	33,468
Miscellaneous	-	25,962	-	25,962
Taxes	-	18,266	-	18,266
Bank, Service, and Finance Fees	-	17,809	-	17,809
Total Expenses by Function	<u>\$ 84,667,958</u>	<u>\$ 16,172,615</u>	<u>\$ 833,347</u>	<u>\$ 101,673,920</u>

URBAN ALCHEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 RETIREMENT PLAN

The Organization sponsors a 403(b) defined contribution retirement plan administered by the Organization and assets held with OneAmerica Financial Partners. Substantially all of the Organization's employees are covered. Eligible employees may make voluntary tax-deferred contributions up to the statutory limit. The Organization does not make any contributions.



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URBAN ALCHEMY
SINGLE AUDIT REPORTS
YEAR ENDED JUNE 30, 2025



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

Board of Directors
Urban Alchemy
San Francisco, California

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 Urban Alchemy (the Organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2026.

Report on Internal Control over Financial Reporting

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

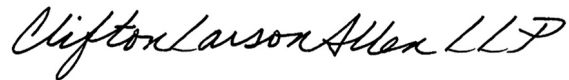
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Urban Alchemy'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Irvine, California
March 20, 2026



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY *THE UNIFORM GUIDANCE***

Board of Directors
Urban Alchemy
Claremont, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Urban Alchemy's 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 each of Urban Alchemy's major federal programs for the year ended June 30, 2025. Urban Alchemy major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Urban Alchemy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Auditors' 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 Urban Alchemy'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 GAAS, *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 Urban Alchemy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Urban Alchemy'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 Urban Alchemy'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 Urban Alchemy'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 a 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.

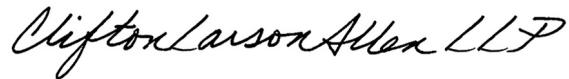
Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant 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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Urban Alchemy as of and for the year ended June 30, 2025, and have issued our report thereon dated March 20, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Irvine, California
March 30, 2026

**URBAN ALCHEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Treasury Programs				
Passed through City of Birmingham				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - HEART BIRMINGHAM Homeless Engagement Assistance Response Team	21.027	SLFRF00180		968,902
Total Department of Treasury Programs				968,902
Total Expenditures of Federal Awards			\$ -	\$ 968,902

URBAN ALCHEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025

NOTE 1 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant award activity of Urban Alchemy (the Organization) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing 21.027, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The Organization has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**URBAN ALCHEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

21.027

Name of Federal Program or Cluster

Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

URBAN ALCHEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2025

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



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