ST. JOSEPH THE WORKER

SINGLE AUDIT REPORTING PACKAGE

FOR THE YEAR ENDED JUNE 30, 2025

ST. JOSEPH THE WORKER
TABLE OF CONTENTS
JUNE 30, 2025

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Lorenzo, PLC
Certified Public Accountant

Anthony Lorenzo, CPA

Member of American Institute of Certified Public Accountants
Member of Arizona State Society of Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
St. Joseph the Worker

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of St. Joseph the Worker (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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Joseph the Worker 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 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 St. Joseph the Worker 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, 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 St. Joseph the Worker's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of St. Joseph the Worker'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 St. Joseph the Worker'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, on page 21, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2026, on our consideration of St. Joseph the Worker'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 St. Joseph the Worker'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 St. Joseph the Worker's internal control over financial reporting and compliance.

Lorenzo, PLC

Lorenzo, PLC
Gilbert, Arizona
March 12, 2026

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ST. JOSEPH THE WORKER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 1,429,663
Grants and contributions receivable, net	870,456
Prepaid expenses	17,518
Supplies and donated inventory	58,500
Total Current Assets	2,376,137
Non-current assets:	
Refundable deposits	22,952
Beneficial interest in assets held by Catholic Community Foundation	49,342
Operating lease - right-of-use asset	238,931
Property and equipment, net of accumulated depreciation	349,360
Total Assets	$ 3,036,722
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	$ 14,716
Accrued payroll and related expenses	150,164
Operating lease payable-current portion	81,930
Total Current Liabilities	246,810
Non-current liabilities:	
Operating lease payable-less current portion	162,120
Total Liabilities	408,930
Net Assets:	
Without donor restrictions	2,185,645
With donor restrictions	442,147
Total Net Assets	2,627,792
Total Liabilities and Net Assets	$ 3,036,722

See accompanying notes to financial statements

ST. JOSEPH THE WORKER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	Without Donor Restriction	With Donor Restriction	Total
Revenues and support:			
Government grants and fee for service contracts	$ 1,167,093	$ -	$ 1,167,093
Contributions	804,356	635,000	1,439,356
Service revenue	4,000		4,000
In-kind donations	130,862		130,862
Interest	8,621		8,621
Unrealized gain/(loss) on endowment	1,966		1,966
Miscellaneous	11,209		11,209
Net assets released from restriction	1,161,650	(1,161,650)	-
Total Revenues and support before special events	3,289,757	(526,650)	2,763,107
Special event revenue	464,603	-	464,603
Less: Cost of direct benefits to donors	(20,844)	-	(20,844)
Net revenues from special events	443,759	-	443,759
Expenses:			
Program services	$ 2,903,542	$ -	$ 2,903,542
Support services:			
Management and General	262,692		262,692
Fundraising	251,300		251,300
Total Expenses	3,417,534	-	3,417,534
Increase/(Decrease) in net assets	315,982	(526,650)	(210,668)
Net assets, beginning of year, as restated	1,869,663	968,797	2,838,460
Net assets, end of year	$ 2,185,645	$ 442,147	$ 2,627,792

ST. JOSEPH THE WORKER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025

		Supporting Services			
	Program	Management and General	Fundraising	Direct Benefits to Donors	Total
Expenses:					
Payroll & related costs	$ 1,669,631	$ 232,414	$ 165,147	$ -	$ 2,067,192
Direct Client support	426,832	-	-	-	426,832
Professional services	5,740	15,318	44,852	-	65,910
Occupancy	648,111	1,402	1,402	-	650,915
Telephone and computer	31,567	4,400	10,688	-	46,655
Office supplies	13,435	3,994	2,035	-	19,464
Dues, subscriptions and meetings	7,204	1,935	6,774	-	15,913
Equipment rental	25,462	-	429	-	25,891
Printing and postage	483	29	10,446	-	10,958
Insurance	19,112	2,830	608	-	22,550
Depreciation	32,754	-	-	-	32,754
Other expenses	23,211	370	8,919	-	32,500
Other event costs	-	-	-	20,844	20,844
	2,903,542	262,692	251,300	20,844	3,438,378
Less amount reported in revenue and support on the statement of activities; direct benefits to donors	-	-	-	(20,844)	(20,844)
Total Expenses	2,903,542	262,692	251,300	-	3,417,534

See accompanying notes to financial statements

ST. JOSEPH THE WORKER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

Cash flows from operating activities:	
Increase in net assets	$ 289,332
Adjustments to reconcile changes in net assets to net Cash provided/(used) by operating activities:	
Depreciation and amortization	32,754
(Gains) on beneficial interest in assets held by Catholic Community Foundation	(1,966)
Decrease in supplies and donated inventory	37,137
(Increase) in grants and contributions receivable	(114,294)
Decrease in refundable down payments	4,854
Decrease in prepaid expenses	10,220
Increase in accounts payable	5,548
Increase in accrued payroll and related expenses	25,109
Net cash provided by operating activities	288,694
Cash flows from investing activities:	
Contributions to beneficial interest in assets held by Catholic Community Foundation	(47,376)
Purchase of property and equipment	(300,704)
Net cash (used) by investing activities	(348,080)
Net (decrease) in cash, cash equivalents and restricted cash	(59,386)
Cash, cash equivalents and restricted cash, beginning of year	1,489,049
Cash, cash equivalents and restricted cash, end of year	$ 1,429,663

See accompanying notes to financial statements

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

St. Joseph the Worker (the Organization) is an Arizona nonprofit corporation formed in 1989. The Organization's primary purpose is to assist the homeless, low-income, and other disadvantaged individuals in their efforts to become self-sufficient through quality employment. The Organization's support and revenue come primarily from government grants and fee for service contracts and contributions.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation – The Organization presents these financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements.* This codification establishes standards for general purpose external financial statements provided by a not-for-profit organization. Those financial statements include a statement of financial position, a statement of activities, and a statement of cash flows.

These financial statements have been prepared on the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the obligation is incurred. 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 are classified and reported as without donor restrictions or with donor restrictions. Net assets without donor restrictions are net assets that are not subject to or are no longer subject to donor-imposed restrictions. Net assets with donor restrictions are those net assets expected to be maintained in perpetuity and those expected to be spent over time or for a particular purpose.

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

Fair Value – Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Concentrations of Credit Risk – Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and equivalents. The Organization maintains its cash and equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Cash and Cash Equivalents – Cash includes cash held in checking and savings accounts at June 30, 2025. For purposes of the statement of cash flows, the Organization considers all highly-liquid investments with initial maturities of three months or less to be cash equivalents. Cash may include amounts which are subject to donor-imposed restrictions. There were no other restrictions on cash at June 30, 2025.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Grants and Contributions Receivable – Contributions, which include unconditional promises to give, are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Unconditional pledges from program campaigns are recorded as support when received due to donor time restrictions. Grants and contributions receivable include receivables from grantors, those relating to the Organization's fee-for- service contracts, and amounts remaining from multi-year promises to give.

Beneficial Interest in Assets Held by Community Foundation – The Organization entered into an agreement with Catholic Community Foundation (CCF) whereby the Organization granted CCF variance power over endowment funds that were either transferred by the Organization to CCF or contributions received and held by CCF for the benefit of the Organization. The Organization remains the beneficiary of the funds held by CCF. The agreement further states that the assets transferred to CCF are irrevocable, are the property of CCF held in its corporate capacity, and CCF has the ultimate authority and control over the property in the fund and the income derived. Annual distributions to the Foundation are based on CCF policy. The current policy states that distributions will be calculated at 4.00% by averaging the previous 12 quarters of a fund's ending account balance, beginning with the March balance. The beneficial interest in CCF is stated at fair value. As of June 30, 2025, the beneficial interest in the fund was $49,342.

Property and Equipment – Property and equipment are stated at cost, or if donated, at the fair market value at the date of the gift, and net of accumulated depreciation. The Organization's policy is to capitalize non-liquid assets with a useful life of more than one year, with costs exceeding $2,500 and expense normal repairs and maintenance as incurred. The Organization depreciates its property and equipment over the estimated useful lives of the assets using the straight-line method, which are ten to 40 years for buildings and improvements, five to ten years for furniture and equipment. There are no restrictions on how these non-liquid assets can be used by the Organization.

Leases – The Organization has elected to not recognize lease assets and liabilities for short-term leases with a term of 12 months or less, for all underlying asset classes. The lease expense for such leases are recognized on a straight-line bases over the lease term.

Revenue Recognition for Service Revenue – Revenue for outsourced placement of employees is recognized at a point in time as employment services are provided by St. Joseph the Worker employees and their payroll cost is recognized/accrued by St. Joseph the Worker. Payments for the services are received monthly based on the filing of monthly reports.

Contributions – All contributions, including grants, are considered to be available for use without donor restriction unless specifically restricted by the donor/grantee. Amounts received that are designated for future periods or restricted by the donor for a particular purpose are reported as support that increases net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the Statement of Activities as net assets released from restrictions. However, if a donor restriction is fulfilled in the same time period in which the contribution is received, the Organization reports that support as without donor restriction. None of the grants received were conditional on future performance obligations of the Organization.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Supplies and Donated Inventory – Office supplies are reported at cost. Gift card and bus pass inventory are reported at the face value of the cards/pass. Donated clothing and hygiene supplies are held in inventory until they are distributed to clients. Donated inventory is recorded at its estimated fair value at the date of donation.

Donated Services – The Organization received donated services throughout the year from unpaid volunteers and from professional service organizations. In accordance with FASB ASC 958-605-25-16, if donated services received (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization, the donated services are recognized as contributions. Certain amounts have been reflected in the financial statements for donated services since they meet the criteria for recognition. Such services are identified in Note 8.

Income Taxes – The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, there is no provision for income taxes. Management of the Organization believes that they have appropriate support for tax positions taken and, as such, do not have any uncertain tax positions that result in a material impact on the Organization's financial position or statement of activities.

The entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The entity would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Uncertain Tax Positions – The Organization accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards the Organization recognizes tax positions only to the extent that Management believes it is "more likely than not" that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax positions for the year ended June 30, 2025.

Functional Expense Allocation – The financial statements report certain expenses that are attributable to one or more programs or supporting functions of the Organization. These expenses are allocated based on square footage or estimates of personnel time and effort, as applicable.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events – The Organization has evaluated subsequent events through March 12, 2026, the date which the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash in Bank – The Organization maintains all of its cash with three financial institutions. At June 30, 2025, the carrying amount of deposits was $1,429,663 and the bank balance was $1,436,522. As of June 30, 2025, $250,000 of the $1,436,522 bank balance was covered by federal depository insurance, $607,792 was covered by the Catholic Community Foundation, and the remaining $578,730 was uninsured and uncollateralized.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments – The Organization invested funds with the Catholic Community Foundation (CCF), which established endowment funds (the Endowments) for the Organization. The CCF is responsible for investing the funds in various investment pools for an advisor fee. Investments are measured on a recurring basis and reported at fair value, and are classified and disclosed in one of the following categories::

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In certain cases, inputs used to measure fair value may fall into different levels of the fair hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk in liquidity.

The fair value of Level 3 assets have been estimated using the net asset value per share as reported by the investment managers. The fair values for assets in Level 3 are calculated using one or more of the following methods; quoted market values, appraisals, and assumptions about discounted cash flow and other present value techniques depending on the type of investment. There were no changes in valuation techniques during the current year.

Fair values of assets measured on a recurring basis at June 30, 2025, are as follows:

	Fair Value	Level 1	Level 2	Level 3
Beneficial Interest in Assets Held by CCF	$ 49,342	$ -	$ -	$ 49,342
Total	$ 49,342	$ -	$ -	$ 49,342

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended June 30, 2025:

	Beneficial Interest in Assets Held by CCF	Total
Balance-Beginning of Year	$ -	$ -
Contributions	47,376	47,376
Dividends and Interest Earned	490	490
Realized and Unrealized Gains	2,046	2,046
Investment Administration Fees	(570)	(570)
Cash Distributions	-	-
Balance-End of Year	$ 49,342	$ 49,342

NOTE 4 – CONTRIBUTIONS AND GRANTS RECEIVABLE

The following summarizes unconditional grants and contributions receivable at June 30, 2025:

	June 30, 2025
Total amount due:	
Within one year	$ 888,309
One to five years	-
Total contributions and grants receivable	888,309
Less discount to present value	(17,853)
Net contributions and grants receivable	$ 870,456

The discount is attributable to a $200,000 receivable balance, which is the last installment from a larger grant originally awarded in 2024. The effective interest rate is 4.68%.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and Equipment at June 30, 2025, consisted of the following:

		June 30, 2025
Property and equipment, cost or donated value:		
Buildings	$	275,000
Furniture, fixtures and equipment		88,564
Software and website		211,235
Leasehold improvements		15,394
Total cost or donated value		590,193
Accumulated depreciation		(240,833)
Property and equipment, net	$	349,360

Amortization and depreciation expense was $32,754 for the year ended June 30, 2025.

NOTE 6 – LEASES

Operating Leases – The Organization leases copiers under the provisions of lease agreements classified as operating leases.

Lease cost and other information regarding the leases as of June 30, 2025, are as follows:

Lease cost:		
Operating lease cost	$	94,344
Total lease cost		94,344
Other information:		
Weighted-average remaining lease term - operating leases		67 months
Weighted-average discount rate - operating leases		2.82%

The lease discount rate is 2.82% and is based on the risk-free rate of return. The future minimum lease payments under the noncancelable operating leases are:

Fiscal year ending June 30:		
2026	$	94,344
2027		94,344
2028		77,188
Total minimum lease payments		265,876
Less amount based on discount rate		(21,826)
Present value of net minimum lease payments		244,050
Less current portion		(81,930)
Operating lease payable, long-term	$	162,120

NOTE 7 – RETIREMENT PLAN

The Organization established a 401(k) plan (Plan) for qualifying employees that meet certain age and minimum service requirements. The Plan allows for eligible employees to defer a portion of their compensation. Such deferrals accumulate on a tax-deferred basis until the employee withdraws the funds. The Organization is required to make a matching contribution up to 3% of the employee's compensation to the Plan. During the year ended June 30, 2025, the Organization made matching contributions of $39,706 to the Plan, which was equal to the required payments.

NOTE 8 – DONATED MATERIALS, SERVICES AND OTHER

Donated materials and services (in-kind) consisted of the following during the year ended June 30, 2025:

Donation Type	Revenue Recognized	Utilization in Programs	Donor Restriction	Fair Value Valuation
Non-Financial Asset:				
Short-term donated facilities	$48,000	Transitional housing	None	Cost to purchase (rent)
Bus passes and gift cards	$62,425	Client assistance	None	Cost to purchase
Professional services-marketing	$20,437	Client assistance	None	Cost to purchase
Total In-Kind Donations	$130,862			

NOTE 9 – NET ASSETS

Net assets with donor restrictions were comprised of the following at June 30, 2025:

	2025
Workforce Villages program (of which $250,000 is for 2025-26 fiscal year)	$ 260,000
Workforce Villages and Workforce Housing/Training program	182,147
Total net assets with donor restriction	$ 442,147

NOTE 10 – SUBSEQUENT EVENTS

On November 3, 2025, St. Joseph the Worker purchased a building in Mesa, Arizona, for $269,750. Additionally, renovations to the building have been substantially completed as of the date of this report, and total approximately $150,575. The building will be used to accommodate clients in the Workforce Villages Program.

NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of June 30, 2025, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or are assets held for other uses.

Financial assets:	
Cash and cash equivalents	$ 1,429,663
Grants and contributions receivable, net	870,456
Financial assets at year end:	2,300,119
Less those unavailable for general expenditures within one year due to:	
None	$ -
Financial assets available to meet cash needs for general expenditures within one year:	$ 2,300,119

The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization has a goal to maintain financial assets on hand to meet 30 days of total expenses.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2025, it was discovered that a grant pledged and awarded to the Organization in June of 2024 was not recorded. Consequently, the beginning net assets need to be restated to properly reflect the contribution that should have been recorded as a receivable.

The result of the adjustment to beginning net assets is as follows:

Ending net assets, June 30, 2024	$ 2,338,460
To properly record a grant pledged/awarded to the Organization in June of 2024.	500,000
Beginning net assets, July 1, 2024, as restated	$ 2,838,460

Additionally, $968,797 of the total restated net asset balance is with donor restriction due to the $500,000 being for the workforce village program, of which half is for the 2024-25 program year and half is for the 2025-26 program year.

INTERNAL CONTROL AND COMPLIANCE, AND SINGLE AUDIT SECTION

Lorenzo, PLC
Certified Public Accountant

Anthony Lorenzo, CPA

Member of American Institute of Certified Public Accountants
Member of Arizona State Society of Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
St. Joseph the Worker

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 St. Joseph the Worker (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 12, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Joseph the Worker'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 St. Joseph the Worker's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule as item 2025-01 that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Joseph the Worker'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.*

St. Joseph the Worker's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on St. Joseph the Worker's response to the findings identified in our audit and described in the accompanying schedule. St. Joseph the Worker's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lorenzo, PLC

Lorenzo, PLC
Gilbert, Arizona
March 12, 2026

1450 W. Guadalupe Rd., Suite 111 • Gilbert, AZ 85233 • Ph: 480.644.1097 • Fax 480.644.9405

Lorenzo, PLC
Certified Public Accountant

Anthony Lorenzo, CPA

Member of American Institute of Certified Public Accountants
Member of Arizona State Society of Certified Public Accountants

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
St. Joseph the Worker

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited St. Joseph the Worker's (Organization) 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 St. Joseph the Worker's major federal programs for the year ended June 30, 2025. St. Joseph the Worker's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, St. Joseph the Worker complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; 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 St. Joseph the Worker and to meet our 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 St. Joseph the Worker'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 St. Joseph the Worker's federal programs.

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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 St. Joseph the Worker'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 St. Joseph the Worker's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding St. Joseph the Worker'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 St. Joseph the Worker'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 St. Joseph the Worker'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.

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.

Lorenzo, PLC

Lorenzo, PLC
Gilbert, Arizona
March 12, 2026

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ST. JOSEPH THE WORKER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing #	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Passed through the Arizona Department of Economic Security:			
Supplemental Nutrition Assistance Program	10.551*	CTR061896 & CTR061896x	$ 634,124
Total U.S. Department of Agriculture			$ 634,124
U.S. Department of Treasury			
Passed through the Arizona Housing Coalition, Inc.			
Coronavirus State and local Fiscal Recovery Funds	21.027		$ 118,648
Passed through the City of Phoenix			
Coronavirus State and local Fiscal Recovery Funds	21.027	157566	414,321
Total U.S. Department of Treasury			$ 532,969
Total Expenditures of Federal Awards			$ 1,167,093

* Denotes a major program

See accompanying notes to schedule

ST. JOSEPH THE WORKER
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
JUNE 30, 2025

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of St. Joseph the Worker 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of St. Joseph the Worker, it is not intended to and does not present the financial position, changes in net assets, or cash flows of St. Joseph the Worker.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies for the schedule of expenditures of federal awards are as follows:

1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2) St. Joseph the Worker has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – ASSISTANCE LISTING NUMBER

The program titles and assistance listing numbers were obtained from the federal or pass-through grantor, or the sam.gov website.

ST. JOSEPH THE WORKER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2025

<u>FINANCIAL STATEMENTS</u>

Type of auditor's report issued:	Unmodified
Were significant deficiencies disclosed by the audit of the financial statements?	YES
Is any significant deficiency in internal control a material weakness?	NO
Any noncompliance which is material to the financial statements?	NO

<u>FEDERAL AWARDS</u>

Were significant deficiencies in internal control over major programs disclosed by the audit of the financial statements?	NO
Is any significant deficiency reported for any major program a material weaknesses?	NO
Type of auditor's report issued:	Unmodified
Any audit findings disclosed which are required to be reported under the Uniform Guidance?	NO

Major program:

Program	CFDA#
Supplemental Nutrition Assistance Program	10.551

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Low risk auditee?	YES

ST. JOSEPH THE WORKER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FINANCIAL STATEMENT FINDINGS
INTERNAL CONTROL DEFICIENCY
JUNE 30, 2025

CONTRIBUTION REVENUE
REFERENCE NUMBER: 2025-01

CONDITION
The Organization did not have adequate procedures in place to record certain revenue and related receivables in the proper period.

CRITERIA
In accordance with management's assertion that the financial statements are complete, accurate and at the proper value, and that the entity prepares financial statements in accordance with generally accepted accounting principles (GAAP), internal control procedures should be in place to allow management or employees, in the normal course of performing assigned functions, to prevent, or detect and correct, misstatements in the financial statements on a timely basis.

EFFECT
The contribution revenue and the grants & contributions receivable amounts in the prior year were understated by $500,000. Consequently, the beginning net assets balance was understated by $500,000.

CAUSE
A grant that was awarded to the Organization in June 2024, near year-end, was structured to be paid over two installments, with the first installment to be made after June 30, 2024.

RECOMMENDATION AND BENEFIT
Procedures should be established to help ensure that revenue and related receivables are accurately recorded in the proper period, and at the correct amount. These procedures may include reviewing grant award documents/agreements at the time they are received and recording the revenue in the period the award was made or the agreement signed. Additionally, contributions and grants received the first few months could be matched to the grant award letter/agreement to ensure the revenue was recorded in the correct period. This should help ensure that grant revenue and related receivables are accurately recorded in accordance with GAAP.

CORRECTIVE ACTION PLAN
JUNE 30, 2025

CONTRIBUTION REVENUE
REFERENCE NUMBER: 2025-01

CLIENT RESPONSE

We concur with the condition.

Individual responsible for implementation of corrective action plan:

Petrona Zickgraf, Controller

Corrective action plan:

In response to the audit recommendation that The Worker establish robust procedures for recording grant revenue and related receivables in the proper period and at the correct amount, the following corrective actions will be implemented immediately:

1. **Standard Operating Procedure (SOP) Development** – An SOP will be created to detail step-by-step actions for finance staff, program managers, and grant administrators:
   - **Document Intake** – Upon receipt of a grant award letter or agreement, the responsible Grant manager will forward a scanned copy to the Accounting Department within 48 hours.
   - **Initial Review & Classification** – The accounting team will verify the award amount, performance obligations, and any conditions. Grants will be classified as "recognizable now" or "deferred" based on the award date and the organization's performance schedule.
   - **Period-Matching Reconciliation** – For contributions received in the first three months of each fiscal year, the accounting staff will cross-reference each cash receipt with its corresponding award letter in the GMS. Any mismatches will be flagged and resolved before month-end close.
   - **Journal Entry Preparation** – Using the verified data, the accountant will prepare accrual or revenue entries in the General Ledger, citing the specific award number and the period of recognition.
2. A quarterly "Grant Revenue Accuracy" report will be reviewed by the Controller. The report will compare recorded revenue against award dates, highlight any variances, and include a reconciliation of outstanding receivables. Findings will be reviewed at the Finance Committee meeting, and corrective actions will be documented for any identified deficiencies.
3. **Documentation Retention** – All award letters, correspondence, and reconciliation worksheets will be retained for a minimum of seven years, in accordance with GAAP and regulatory requirements, ensuring an auditable trail for each revenue entry.

Estimated completion date:

June 30, 2026

The Worker
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ST. JOSEPH THE WORKER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2025

We have reviewed the prior report dated March 25, 2025, and the Organization had no findings of noncompliance or internal control deficiencies to take corrective action on.