

***AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

HONESTLY, INC.

June 30, 2023

Audited Financial Statements
and Supplementary Information

HONESTLY, INC.

June 30, 2023

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Independent Auditors' Report

To the Board of Directors
Honestly, Inc.
Oklahoma City, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Honestly, Inc. (the "Organization"), a not-for-profit organization, which comprise the statement of financial position as of June 30, 2023 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 referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 audits. 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

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

Auditors' Responsibility 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 generally accepted 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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, 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 October 24, 2023 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 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 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.

Rose Rock CPAs PLLC

Edmond, Oklahoma
October 24, 2023

STATEMENT OF FINANCIAL POSITION

HONESTLY, INC.

JUNE 30, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$	540,626
Grants and contracts receivable		127,337
Contributions receivable, net		199,314
Prepaid expenses and other assets		<u>19,321</u>
Total current assets		886,598

Property and equipment:

Equipment and furniture		6,994
Less accumulated depreciation		<u>(6,295)</u>
Property and equipment, net		<u>699</u>

TOTAL ASSETS \$ 887,297

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$	107,864
Accrued expenses		200
Accrued payroll and related liabilities		<u>38,565</u>
Total current liabilities		<u>146,629</u>

TOTAL LIABILITIES 146,629

Net assets:

Without donor restriction		339,867
With donor restriction		<u>400,801</u>

TOTAL NET ASSETS 740,668

TOTAL LIABILITIES AND NET ASSETS \$ 887,297

See notes to financial statements.

STATEMENT OF ACTIVITIES

HONESTLY, INC.

YEAR ENDED JUNE 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND OTHER SUPPORT			
Grants and contracts	\$ 1,287,766	\$ -	\$ 1,287,766
Contributions	212,670	366,582	579,252
Interest	1,668	-	1,668
Other	19,139	-	19,139
Net assets released from restriction	<u>456,695</u>	<u>(456,695)</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	1,977,938	(90,113)	1,887,825
EXPENSES			
Program services	1,461,440	-	1,461,440
Support services	512,323	-	512,323
Fundraising	<u>80,198</u>	<u>-</u>	<u>80,198</u>
TOTAL EXPENSES	<u>2,053,961</u>	<u>-</u>	<u>2,053,961</u>
CHANGE IN NET ASSETS	(76,023)	(90,113)	(166,136)
NET ASSETS AT BEGINNING OF YEAR	<u>415,890</u>	<u>490,914</u>	<u>906,804</u>
NET ASSETS AT END OF YEAR	<u>\$ 339,867</u>	<u>\$ 400,801</u>	<u>\$ 740,668</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

HONESTLY, INC.

YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (166,136)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,399
Changes in operating assets and liabilities:	
Grants and contracts receivable	138,442
Contributions receivable, net	166,848
Prepaid expenses and other assets	9,573
Accounts payable	(129,907)
Accrued expenses	(233)
Accrued payroll and related liabilities	<u>(7,455)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>12,531</u>
NET INCREASE IN CASH	12,531
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>528,095</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 540,626</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

HONESTLY, INC.

YEAR ENDED JUNE 30, 2023

	Program Services	Support Services	Fundraising	Total Expenses
Salary and benefits	\$ 573,299	\$ 383,937	\$ 67,416	\$ 1,024,652
Subawards	616,876	-	-	616,876
Travel and training	10,936	1,577	1,501	14,014
Contracts	150,637	84,739	-	235,376
Insurance	-	8,514	-	8,514
Facility	-	25,513	-	25,513
Equipment	1,487	930	-	2,417
Supplies	19,353	3,026	3,655	26,034
Marketing	7,327	81	1,977	9,385
Education and outreach	80,138	597	5,492	86,227
Depreciation	-	1,399	-	1,399
Other	1,387	2,010	157	3,554
	<u>\$ 1,461,440</u>	<u>\$ 512,323</u>	<u>\$ 80,198</u>	<u>\$ 2,053,961</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

HONESTLY, INC.

June 30, 2023

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Honestly, Inc. (the "Organization") was formed as Central Oklahoma Campaign to Prevent Teen Pregnancy, a publicly supported, non-profit organization on June 2, 2016. The Organization was formed to lead the community's facilitation of collective participation and action that will result in reduced teen and unplanned pregnancies in central Oklahoma.

Honestly, Inc. is the backbone organization of a collective impact effort in central Oklahoma. The Organization leads and facilitates a public-private collaboration, comprised of organizational and individual change agents working to advance a common agenda to reduce the teen birth rate in Oklahoma County by an additional 25% by 2025 through implementation of a comprehensive plan, Momentum Matters.

The Organization's mission is to build a movement to improve sexual health outcomes for youth, with a vision that points toward a culture in which the opportunities for youth to pursue education, careers, and well-being are not limited by teen pregnancy.

The Organization does this by:

- Acting as the facilitator of the Collaboration with a common agenda focused on reducing Oklahoma County's teen birth rate by an additional 25% by 2025.
- Convening, supporting, and connecting our partner network of content and context experts to have the biggest impact.
- Engaging and mobilizing the community around our cause and the work of the Collaboration.
- Evaluating and sharing data for the purpose of strategic learning and more effective collective impact.
- Advocating for youth to have access to resources, services, and medically accurate information about sexual health.

Net Assets: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. The Organization is required to report information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of restrictions on use that are placed by its donors and are as follows:

Net Assets Without Donor Restriction--Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

HONESTLY, INC.

June 30, 2023

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

Net Assets--Continued:

Net Assets With Donor Restriction--Net assets subject to donor (or certain grantor) 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 recognized as revenue 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 the resource that was restricted has been fulfilled, or both.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Contributions Receivable: Contributions receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Promises to give are written off when deemed uncollectible.

Grants and Contracts Receivable: Grants and contracts receivable consists primarily of reimbursements to be received under the Organization's various contracts. The Organization considers receivables to be past due when they are outstanding for more than 30 days. The Organization uses the direct write-off method to recognize bad debts. Management considers all receivables outstanding at June 30, 2023 to be collectible. As such, no allowance for uncollectible receivables has been included in the accompanying financial statements.

Fixed Assets: Equipment and furniture with a cost of \$5,000 or more and a useful life of more than one year are carried at cost at the date of acquisition, or fair value at the date of donation in the case of gifts, net of accumulated depreciation. Depreciation on equipment and furniture is calculated on the straight-line method over the estimated useful lives of the assets which is typically five years. The Organization reports gifts of equipment and furniture as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Normal repairs and maintenance expenditures are expensed when incurred.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

HONESTLY, INC.

June 30, 2023

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

Revenue Recognition:

Contributions and Grants--Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received by the Organization. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises, which are received by the Organization prior to fulfilling these conditions, are recorded as a liability until the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the gift date. Revenue earned but not yet collected is recorded as a receivable and included in grants and contracts receivable or in contributions receivable in the statement of financial position.

Contracts With Government Agencies--The Organization recognizes contract revenue in the period in which it is earned. Revenue earned but not yet collected is recorded as a receivable and included in grants and contracts receivable in the statement of financial position.

Functional Allocation of Expenses: The costs of program services, support services and fundraising activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Certain categories of expenses are attributed to more than one function. These expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are allocated to each function on the basis of time and effort.

Income Tax Status: The Organization qualifies as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue code, and therefore has no provision for federal or state income taxes.

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. The Organization is subject to routine audits by taxing jurisdictions. However, there are currently no audits for any tax periods in progress. The Organization's management believes it is no longer subject to income tax examinations prior to 2020.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fundraising Costs: The Organization expenses the costs of fundraising as incurred.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

HONESTLY, INC.

June 30, 2023

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--CONTINUED

Concentration of Credit: The Organization participates in the Insured Cash Sweep (ICS) service. Under the ICS program, the Organization's bank deposits are automatically placed into deposit accounts with members of the ICS network in increments below the \$250,000 Federal Deposit Insurance Corporation coverage limit. The Organization does not believe it is exposed to significant credit risk in connection to its cash and cash equivalents.

Recently Adopted Accounting Pronouncement: Effective July 1, 2022, the Organization adopted ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 did not have a significant impact on the Organization's financial statements.

Subsequent Events: Subsequent events have been evaluated through October 24, 2023, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events requiring adjustment to the financial statements. Subsequent events requiring disclosure are summarized in Note H.

NOTE B--CONCENTRATIONS

The Organization receives a substantial portion of its total revenue from direct and indirect contracts with the U.S. Department of Health and Human Services (DHHS). During the fiscal year ended June 30, 2023 approximately 68% of revenues was from DHHS and approximately 39% of grant and contracts receivable was due from DHHS.

NOTE C--CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30, 2023:

Receivable in less than one year	\$ 202,500
Total contributions receivable	202,500
Less discount to present value at 5%	<u>3,186</u>
Contributions receivable, net	<u>\$ 199,314</u>

NOTES TO FINANCIAL STATEMENTS--CONTINUED

HONESTLY, INC.

June 30, 2023

NOTE D--NET ASSETS WITH DONOR RESTRICTION

Net assets are restricted with the following purposes at June 30, 2023:

General operations - held for future use	\$ 125,000
General operations - contributions receivable	204,074
Rebranding	67,670
Fellowship	<u>4,057</u>
	<u>\$ 400,801</u>

NOTE E--RETIREMENT PLAN

The Organization sponsors a 401(k) Plan (the "Plan") in which its full-time employees may participate upon reaching certain eligibility requirements. Employees are required to contribute 1% of eligible compensation to the Plan and are allowed to make additional contributions to the Plan up to the maximum amount allowed by federal tax laws. For the year ended June 30, 2023, the Organization matched 100% of participant contributions up to 4% of eligible compensation. The Organization made matching contributions of approximately \$31,000 to the Plan for the year ended June 30, 2023.

NOTE F--LIQUIDITY

The Organization has approximately \$411,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash, grants and contracts receivable, and contributions receivable. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE G--COMMITMENTS AND CONTINGENCIES

In the normal course of its operations, the Organization receives grant funds from various federal and state agencies. The grant programs are subject to audit by the agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The Organization's management does not believe that any liability for reimbursement which may arise as the result of such audits will be material to its operations.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

HONESTLY, INC.

June 30, 2023

NOTE H—SUBSEQUENT EVENTS

The federal grant from the U.S. Department of Health and Human Services ended as of June 30, 2023 and has yet to be renewed for future periods. Management of the Organization is attempting to procure replacement grant funds.

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

To the Board of Directors
Honestly, Inc.
Oklahoma City, Oklahoma

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 Honestly, Inc. (the "Organization"), a not-for-profit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the 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 Organization'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 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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 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.

Rose Rock CPAs PLLC

Edmond, Oklahoma
October 24, 2023



**Independent Auditors' Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Honestly, Inc.
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Honestly, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization'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 the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization'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 the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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.

Rose Rock CPAs PLLC

Edmond, Oklahoma
October 24, 2023

HONESTLY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor and Program Title	Federal Assistance Listing Number	Federal Award Expenditures	Expenditures to Subrecipients
<u><i>U.S. Department of Health and Human Services</i></u>			
Direct programs:			
Central Oklahoma Caregiver Innovation and Impact Network	93.297	\$ 1,287,766	\$ 616,876
Total direct awards		1,287,766	616,876
<i>Total U.S. Department of Health and Human Services</i>		<u>1,287,766</u>	<u>616,876</u>
TOTAL FEDERAL PROGRAMS		<u>\$ 1,287,766</u>	<u>\$ 616,876</u>

See accompanying notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS

June 30, 2023

(1) **BASIS OF PRESENTATION**

The schedule of expenditures of federal awards is a summary of the Organization’s federal award programs presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The information in the schedule of expenditures of federal awards is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Organization, the schedules are not intended to and do not present the financial position, changes in net assets, or cash flows of Honestly.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule of expenditures of federal awards 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.

Honestly has elected to use the 10 percent de minimis indirect cost rate, which is allowed in accordance with the Uniform Guidance.

(3) **SUB-RECIPIENTS**

Of the expenditures presented in the schedule of expenditures of federal awards, the Organization provided awards to the following sub-recipients:

<u>Sub-Recipient</u>	<u>Award</u>
Freedom City	\$ 25,000
Our Neighborhood Empowered, Inc. - ONE Oklahoma City	20,000
BNC Global	52,685
Down Syndrome Association of Central Oklahoma	72,000
Freedom Oklahoma Education Campaign LTD	57,510
Latino Community Development Agency	61,875
Regents of University of Oklahoma Health Sciences Center	61,635
Progressive Oklahoma Baptist State Convention	71,999
Texas A&M University	134,172
Other	60,000
	<u>\$ 616,876</u>

(4) **OUTSTANDING FEDERAL LOANS**

The Organization has no federal loan obligations as of June 30, 2023.

HONESTLY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2023

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

- a. Type of auditors’ report issued on whether the financial statements were prepared in accordance with GAAP? Unmodified
- b. Internal control over financial reporting:
 - Material weakness(es) identified? No
 - Significant deficiency(ies) identified? None reported
- c. Noncompliance material to the financial statements noted? No

Federal Awards

- d. Internal control over major federal programs:
 - Material weakness(es) identified? No
 - Significant deficiency(ies) identified? None reported
- e. Type of auditors’ report issued on compliance for major federal awards programs? Unmodified
- f. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No
- g. The federal award program tested as a major program includes:

**Federal Assistance
Listing Number**

Teenage Pregnancy Prevention Program 93.297

- h. A threshold of \$750,000 was used to distinguish between Type A and Type B programs, as those terms are defined by the Uniform Guidance.
- i. For the year ended June 30, 2023, the Organization did not meet the criteria to be a low-risk auditee, as described by the Uniform Guidance.

HONESTLY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--CONTINUED

June 30, 2023

SECTION II--FINANCIAL STATEMENT FINDINGS

Compliance Findings

There are no findings reported under this section.

Internal Control Findings

There are no findings reported under this section.

SECTION III--FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Compliance Findings

There are no findings reported under this section.

Internal Control Findings

There are no findings reported under this section.

Questioned Costs

There are no questioned costs reported under this section.

HONESTLY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--CONTINUED

June 30, 2023

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Compliance Findings

Finding 2022-001 – Federal Funding Accountability and Transparency Act Reporting

Finding: In performing our audit procedures for the Organization’s major federal programs for the year ended June 30, 2022, we noted that the Organization did not report one subrecipient payment as required by the Federal Funding Accountability and Transparency Act.

Current Status: During our audit procedures for the Organization for the year ended June 30, 2023, we noted no exceptions in subrecipient reporting by the Organization.

Internal Control Findings

Finding 2022-001 – Federal Funding Accountability and Transparency Act Reporting

Questioned Costs

There are no questioned costs reported under this section.