



SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS



Financial Statements,
Independent Auditor's Report,
and
Single Audit Information

December 31, 2024 and 2023

First Choice Community Healthcare, Inc.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5-6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9
Notes to the Financial Statements	10-26
Single Audit Information	
Schedule of Expenditures of Federal Awards	27
Notes to the Schedule of Expenditures of Federal Awards	28-29
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 <i>Government Auditing Standards</i>	30-31
Independent Auditor's Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance	32-34
Schedule of Findings and Questioned Costs	35-42
Summary Schedule of Prior Audit Findings	43
Corrective Action Plan	44-46



Independent Auditor's Report

Board of Directors
First Choice Community Healthcare, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of First Choice Community Healthcare, Inc. (FCCH, a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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 FCCH as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance 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 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 FCCH 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 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 FCCH'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 FCCH'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 FCCH'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 schedule of expenditures of federal awards 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 May 18, 2026, on our consideration of FCCH'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 FCCH'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 FCCH's internal control over financial reporting and compliance.

SJT Group LLC

Albuquerque, New Mexico
May 18, 2026

Financial Statements

First Choice Community Healthcare, Inc.
Statements of Financial Position
December 31,

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ -	\$ 904,892
Investments	-	120,871
Patient accounts receivable, net	1,125,926	1,455,229
Contracts and grants receivable	1,393,886	1,154,710
Prepaid expenses	26,090	297,965
Inventory	505,538	458,176
Total current assets	3,051,440	4,391,843
Investments restricted for debt reserve	309,891	122,024
Property and equipment, net	10,143,332	10,903,082
Total assets	<u>\$ 13,504,663</u>	<u>\$ 15,416,949</u>
Liabilities and Net Assets		
Current liabilities		
Cash overdraft	\$ 104,614	\$ -
Accounts payable	1,457,867	1,621,020
Accrued payroll, benefits, and taxes	1,437,583	1,581,976
Deferred revenue	321,871	-
Self-insured claims liability	195,989	219,186
Notes payable, current portion	891,974	286,759
Total current liabilities	4,409,898	3,708,941
Notes payable, net of current portion	300,834	492,968
Total liabilities	<u>4,710,732</u>	<u>4,201,909</u>
Net assets		
Without donor restrictions	8,757,020	11,178,128
With donor restrictions	36,912	36,912
Total net assets	<u>8,793,932</u>	<u>11,215,040</u>
Total liabilities and net assets	<u>\$ 13,504,664</u>	<u>\$ 15,416,949</u>

The accompanying notes are an integral part of these financial statements.

First Choice Community Healthcare, Inc.
Statement of Activities
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Net patient service revenue	\$ 19,427,777	\$ -	\$ 19,427,777
Contracts and grants revenue	11,426,456	-	11,426,456
Contributions	5,589	-	5,589
In-kind contributions	2,538,295	-	2,538,295
Investment income	45,855	-	45,855
Gain on disposal and impairment of property and equipment	635,403	-	635,403
Other income	1,756	-	1,756
Net assets released from restrictions	-	-	-
Total support and revenue	34,081,131	-	34,081,131
Expenses			
Program services	28,463,826	-	28,463,826
Supporting services			
Management and general	7,925,287	-	7,925,287
Fundraising	113,126	-	113,126
Total supporting services	8,038,413	-	8,038,413
Total expenses	36,502,239	-	36,502,239
Change in net assets/revenues under expenses	(2,421,108)	-	(2,421,108)
Net assets, beginning of year	11,178,128	36,912	11,215,040
Net assets, end of year	\$ 8,757,020	\$ 36,912	\$ 8,793,932

The accompanying notes are an integral part of these financial statements.

First Choice Community Healthcare, Inc.
Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Net patient service revenue	\$ 23,721,795	\$ -	\$ 23,721,795
Contracts and grants revenue	15,215,940	-	15,215,940
Contributions	7,419	24,317	31,736
In-kind contributions	2,642,532	-	2,642,532
Investment income	71,546	-	71,546
Loss on disposal and impairment of property and equipment	(343,991)	-	(343,991)
Other income	1,995	-	1,995
Net assets released from restrictions	-	-	-
Total support and revenue	41,317,236	24,317	41,341,553
Expenses			
Program services	35,611,377	-	35,611,377
Supporting services			
Management and general	8,738,378	-	8,738,378
Fundraising	141,979	-	141,979
Total supporting services	8,880,357	-	8,880,357
Total expenses	44,491,734	-	44,491,734
Change in net assets/revenues under expenses	(3,174,498)	24,317	(3,150,181)
Net assets, beginning of year	14,352,626	12,595	14,365,221
Net assets, end of year	\$ 11,178,128	\$ 36,912	\$ 11,215,040

The accompanying notes are an integral part of these financial statements.

First Choice Community Healthcare, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 16,260,034	\$ 4,045,251	\$ 26,827	\$ 20,332,112
Contract services - patient care	2,746,134	-	-	2,746,134
Employee benefits	2,177,174	542,907	3,750	2,723,831
Contract services	1,021,156	1,033,584	1,560	2,056,300
Supplies	1,893,664	57,227	-	1,950,891
Rent	1,250,725	435,631	-	1,686,356
Payroll taxes	1,326,924	327,398	2,261	1,656,583
Dues and subscriptions	312,627	512,364	-	824,991
Depreciation and amortization	484,064	126,490	55,710	666,264
Utilities and telephone	459,574	76,212	22,867	558,653
Insurance	129,408	140,296	-	269,704
Repairs and maintenance	178,962	60,343	-	239,305
Professional fees	-	226,893	-	226,893
Non-capital equipment	30,109	127,163	-	157,272
Other	63,294	80,221	-	143,515
Training and development	25,785	52,206	-	77,991
Postage and printing	45,190	28,611	-	73,801
License and taxes	36,443	27,413	-	63,856
Travel and conferences	20,185	12,750	151	33,086
Interest	-	8,983	-	8,983
Equipment rentals	2,374	3,344	-	5,718
Total expenses	<u>\$ 28,463,826</u>	<u>\$ 7,925,287</u>	<u>\$ 113,126</u>	<u>\$ 36,502,239</u>

The accompanying notes are an integral part of these financial statements.

First Choice Community Healthcare, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 20,562,624	\$ 4,076,189	\$ 1,472	\$ 24,640,285
Contract services - patient care	3,393,966	-	-	3,393,966
Employee benefits	3,272,019	648,636	305	3,920,960
Contract services	1,341,093	1,310,790	9,825	2,661,708
Supplies	2,652,078	52,631	-	2,704,709
Rent	1,224,031	457,446	2,000	1,683,477
Payroll taxes	1,475,415	292,455	-	1,767,870
Dues and subscriptions	108,133	707,916	-	816,049
Depreciation and amortization	592,148	210,810	61,420	864,378
Utilities and telephone	338,626	136,663	64,081	539,370
Insurance	131,210	87,736	-	218,946
Repairs and maintenance	170,551	70,013	2,876	243,440
Professional fees	-	413,809	-	413,809
Non-capital equipment	100,844	68,009	-	168,853
Other	97,303	74,119	-	171,422
Training and development	18,332	62,926	-	81,258
Postage and printing	74,240	18,348	-	92,588
License and taxes	35,867	20,885	-	56,752
Travel and conferences	18,857	10,750	-	29,607
Interest	-	9,806	-	9,806
Equipment rentals	4,040	8,441	-	12,481
Total expenses	<u>\$ 35,611,377</u>	<u>\$ 8,738,378</u>	<u>\$ 141,979</u>	<u>\$ 44,491,734</u>

The accompanying notes are an integral part of these financial statements.

First Choice Community Healthcare, Inc.
Statements of Cash Flows
For the Years Ended December 31,

	2024	2023
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	\$ 19,757,080	\$ 23,974,265
Cash received from contracts, grants and contributions	11,514,740	15,588,156
Interest and dividends received	16,557	46,442
Other cash received	1,756	1,995
Cash paid to and on behalf of employees	(24,880,116)	(31,433,453)
Cash paid to suppliers	(8,514,811)	(9,466,884)
Cash paid for interest	(8,983)	(9,806)
Net cash used by operating activities	(2,113,777)	(1,299,285)
Cash Flows from Investing Activities		
Purchases of investments	(187,867)	-
Proceeds from the sale of investments	150,169	1,406,380
Proceeds from the sale of property	851,874	-
Purchases of property and equipment	(122,985)	(769,260)
Net cash provided by investing activities	691,191	637,120
Cash Flows from Financing Activities		
Proceeds from the issuance of long-term debt	700,000	-
Principal payments on long-term debt	(286,919)	(300,877)
Net cash provided (used) by financing activities	413,081	(300,877)
Net change in cash and cash equivalents	(1,009,505)	(963,042)
Cash and cash equivalents, beginning of year	904,892	1,867,934
Cash and cash equivalents (cash overdraft), end of year	\$ (104,613)	\$ 904,892
Noncash Investing Activities		
Unrealized gain on investments	\$ 29,298	\$ -

The accompanying notes are an integral part of these financial statements.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

1) Organization and Nature of Activities

First Choice Community Healthcare, Inc. is a New Mexico non-profit organization based in Albuquerque, New Mexico. FCCH is a Federally Qualified Health Center (FQHC) that receives federal grant funding pursuant to Section 330 of the Public Health Service Act, Title 42 of the United States Code (USC). As an FQHC, FCCH operates eight health centers and one school-based clinic serving a designated underserved population of residents in Bernalillo, Valencia, and Santa Fe counties. FCCH provides primary medical, dental, and behavioral health services.

FCCH receives U.S. Department of Health and Human Services (DHHS), Health Resources and Services Administration (HRSA) grant funding to provide health care services for the underserved population in the communities it serves. FCCH screens patient income as part of the intake process utilizing its Sliding Fee Discount Program (SFDP), which is required under the terms of its HRSA grant funding and has been approved by the Board of Directors. In 2024, 46.3% of patients FCCH served had incomes falling below 150% of the Federal Poverty Guidelines (FPG). In 2023, 49.6% of patients FCCH served had incomes falling below 150% of the FPG.

2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The accompanying financial statements are presented in accordance with the accounting and reporting standards required by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. FASB ASC 958 requires FCCH to report information regarding its financial position and activities according to two classes of net assets:

- ◆ *Net assets without donor restrictions* represent the portion of FCCH's net assets that are not restricted by donor-imposed stipulations and are available for operations at management's discretion. All contributions made to FCCH are considered to be received without donor restrictions unless specifically restricted by the donor.
- ◆ *Net assets with donor restrictions* represent resources restricted by donors as to purpose or by the passage of time and resources whose use by FCCH is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of FCCH.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

2) Summary of Significant Accounting Policies—continued

Use of Estimates

Financial statement preparation 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 and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in FCCH's financial statements include contractual allowances, allowance for doubtful accounts, self-insured claims liability, functional expense allocations, and depreciation and amortization expense.

Cash and Cash Equivalents

For purposes of reporting cash flows, FCCH considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents, which at times may exceed federally insured limits. FCCH's deposits include checking and saving accounts held at financial institutions. FCCH does not have a policy requiring collateral on all deposits exceeding Federal Deposit Insurance Corporation (FDIC) limits. FCCH has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its deposit balances.

Investments

Investments at December 31, 2024 and 2023 consist of money market mutual funds. FCCH's money market mutual funds at times may exceed the Securities Investor Protection Corporation (SIPC) limits if a bank brokerage subsidiary fails. FCCH has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its investment balances.

Restricted investments represent money market mutual funds that are restricted under a Securities Account Control Consent Agreement with the Central New Mexico Electric Cooperative, Inc. (CNMEC) as part of the U.S. Department of Agriculture (USDA) Rural Economic Development Loan, as more fully described in Note 6.

Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without restrictions unless the income or loss is restricted by donor or law.

Fair Value Measurements

The fair value of investment securities is the market value based on quoted market prices, or market prices provided by recognized broker-dealers. In determining the appropriate valuation levels, FCCH performed a detailed analysis of the assets and liabilities that are subject to FASB ASC Section 820, *Fair Value Measurements and Disclosures*. This section requires that assets and liabilities carried at fair value be classified in one of the following three categories:

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

2) Summary of Significant Accounting Policies—continued

- ◆ *Level 1:* Quoted market prices in active markets for identical assets and liabilities.
- ◆ *Level 2:* Observable market-based inputs or unobservable inputs that are corroborated by market data.
- ◆ *Level 3:* Unobservable inputs that are not corroborated by market data.

FCCH's investments are the only assets or liabilities that are measured at fair value on a recurring basis and are, therefore, subject to FASB ASC Section 820. At December 31, 2024 and 2023, FCCH's investments are valued using level 1 inputs as described above.

Patient Accounts Receivable

Accounts receivable represent the amounts billed but uncollected for services provided to patients. FCCH has agreements with third-party payers that provide for payments at amounts different from established rates. Estimated retroactive adjustments under reimbursement agreements with third-party payers and other changes in estimates are included in patient service revenue, net of discounts, and contractual allowances.

Contractual allowances represent the amounts which reduce patient accounts receivable to amounts that are considered to be collectible from third-party payers based on existing contracts FCCH has with these payers. The allowance for doubtful accounts is that amount which, in management's judgment, is considered adequate to reduce patient accounts receivable to an amount that is considered to be ultimately collectible. FCCH records combined allowances to cover both contractual and doubtful accounts, based on the history of past collections. Because of the uncertainty regarding the ultimate collectability of patient accounts receivable, there is at least a reasonable possibility that recorded estimates of the allowance for doubtful accounts and contractual allowances will change by a material amount in the near term.

FCCH provides credit, in the normal course of business, to patients located in its service area and their respective insurance companies. FCCH does not require collateral with the extension of credit. Charges for services to patients who meet FCCH's guidelines for financial assistance are not reported as net patient service revenue in the accompanying financial statements. Therefore, FCCH has determined it has provided an implicit price concession to uninsured and underinsured patients and patients with other uninsured balances (for example, co-payments) who meet the qualifying income thresholds as required by the SFDP. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts FCCH expects to collect based on collection history with those patients. Bad debt write-offs are based on an aging of the patient's account, completion of collection cycle processes, efforts to maximize revenue, and approval by the Board of Directors.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

2) Summary of Significant Accounting Policies—continued

Contracts and Grants Receivable and Deferred Revenue

Various reimbursement procedures are used for grant awards received by FCCH. Consequently, timing differences between expenses and program reimbursements can exist at any time during the fiscal year. Amounts recorded as contracts and grants receivable represent an excess of expenses over cash received to date. Conversely, deferred revenue balances represent an excess of cash received over expenses. Generally, balances caused by differences in the timing of cash reimbursements and expenditures will be reversed in the remaining grant period.

Prepaid Expenses

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid expenses in the statements of financial position and are expensed as the items are used. Prepaid expenses consist primarily of amounts for licenses, rents, insurance, and service contracts.

Inventory

Inventory is reported at the lower of cost or market, with cost determined on the average cost method. Inventory consists primarily of medical, dental, and pharmaceutical supplies.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Property and equipment acquisitions in excess of \$5,000 and all expenditures for renewals and betterments that materially extend the useful lives of assets are capitalized. Depreciation and amortization is computed using the straight-line method over the assets' estimated useful lives ranging from 2 to 40 years. Leasehold improvements are amortized over their useful lives not to exceed the terms of the related lease.

Impairment of Long-Lived Assets

FCCH reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management has evaluated its long-lived assets and believes that no impairments have occurred in 2024 or 2023.

Accrued Paid Time Off

Qualified employees are entitled to accumulate paid time off (PTO) according to a graduated leave schedule depending on length of service and the employee's hire date. Employees may carry over a maximum of 240 hours of PTO from one year to the next upon the employee's anniversary date. Upon separation of employment, unused accrued PTO not to exceed 240 hours will be paid at the employee's straight time rate of pay.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

2) Summary of Significant Accounting Policies—continued

Employee Sponsored Insurance

FCCH sponsors a plan (Employee Sponsored Insurance, or ESI) for the provision of health and disability benefits for its employees and their families. FCCH retains a third-party administrator (TPA) to manage the receipt of employer and employee contributions as well as the payment of claims. A stop-loss insurance policy covers plan payments above \$65,000 per person per year, with an additional specific aggregate deductible of \$30,000. ESI expenses for 2024 and 2023 totaled approximately \$2.5 million and \$3 million, respectively, including claims payments and stop-loss insurance costs, which is reported as a portion of employee benefits in the statements of functional expenses.

FCCH reports a self-insured claims liability, for estimated claims incurred but not yet paid by FCCH, of \$195,989 and \$219,186 in the statements of financial position as of December 31, 2024 and 2023, respectively. Because of the uncertainty regarding the timeliness of claims reported to FCCH, claims payments, and stop-loss insurance payments, there is a chance that amounts ultimately paid will materially differ from the self-insured claims liability recorded in the statement of financial position.

Net Patient Service Revenue

Under the provisions of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), FCCH reports net patient service revenue at the amount that reflects the consideration it is expected to be entitled to in exchange for providing services. These amounts are due from patients, third-party payers (including commercial payers and government programs) and others and include variable consideration for retroactive revenue adjustments due to the settlement of audits, reviews, and investigations. FCCH utilizes the completion of the clinic visit or prescription pickup as its performance obligation and trigger for revenue recognition.

FCCH has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to FCCH's expectation that the period between the time the visit is completed and the time the patient or a third-party payer pays for that service will be one year or less. However, FCCH does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

FCCH determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured and underinsured patients in accordance with FCCH's policy, and implicit price concessions provided to uninsured and underinsured patients. FCCH determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

2) Summary of Significant Accounting Policies—continued

The estimate of implicit price concessions is based on historical collection experience with the various payer classes using a portfolio approach as a practical expedient to account for patient contracts with similar characteristics, as collective groups rather than individually. The financial statement effect of using this practical expedient is not materially different from an individual contract approach.

Generally, patients who are covered by third-party payers are responsible for related deductibles and copayments, which vary in amount. FCCH also provides services to uninsured and underinsured patients, and offers those uninsured and underinsured patients a discount, either by policy or law, from standard charges.

FCCH estimates the transaction price for patients who are uninsured and underinsured based on historical experience and current market conditions, using the portfolio approach. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

The mix of patient service revenue from patients and third-party payers was as follows for the years ended December 31,:

	2024		2023	
	Amount	Percentage	Amount	Percentage
Medicaid	\$ 9,485,401	49%	\$ 11,183,825	47%
Medicare	3,157,209	16%	4,290,723	18%
Commercial and other	4,725,199	24%	6,872,762	29%
Self-pay	2,059,968	11%	1,374,485	6%
Net patient service revenue	\$ 19,427,777	100%	\$ 23,721,795	100%

Charity Care

FCCH provides care to patients who meet certain criteria under its SFDP without charge or at amounts less than its established rates. Payment responsibility for patients who meet the SFDP established by FCCH is based on the patient's relative income. FCCH does not pursue collection of amounts determined to qualify as charity care; therefore, they are not included in gross patient service revenue in the accompanying statement of activities.

FCCH's sliding fee discounts were approximately \$4.8 million and \$4.9 million for the years ended December 31, 2024 and 2023, respectively. Gross charges associated with providing care to charity patients include only the related charges for those patients who are financially unable to pay and qualify under FCCH's sliding fee discount policy and that do not otherwise qualify for reimbursement from a governmental program.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

2) Summary of Significant Accounting Policies—continued

Contracts and Grants Revenue

A significant portion of the programs and services provided by FCCH are funded by grants and/or contracts with federal, state, and local agencies. Revenue from the federal, state, and local contracts and grants is recognized when related expenses are incurred. Federal contract and grant funds received, but not currently recognized as revenue, are recorded as deferred revenue.

Contributions

Contributions received are recognized as revenues or gains when the unconditional pledge is made and as assets or decreases of liabilities, depending on the form of the benefits received. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities. Contributions of significant long-lived assets and significant gifts to acquire long-lived assets with donor-imposed restrictions are reported as support with donor restrictions until the asset is placed in service and donor-imposed restrictions are satisfied.

In-kind Contributions

Contributed Services—Contributed services are recognized as contributions in accordance with U.S. GAAP if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and (c) would otherwise be purchased by FCCH. There are no contributed services recognized for the years ended December 31, 2024 and 2023.

Contributed Rent—Contributed rent of approximately \$1.5 million in 2024 and 2023 has been recognized as in-kind contributions in the statements of activities and as rent expense in the statements of functional expenses.

Contributed Program Supplies and Licenses—Contributed vaccines and program supplies of approximately \$1 million in 2024 and \$1.1 million in 2023 have been recognized as in-kind contributions revenue in the statements of activities and as supplies expense in the statements of functional expenses.

340B Drug Pricing Program

FCCH participates in the 340B drug pricing program that requires drug manufacturers to provide outpatient drugs to eligible health care organizations at significantly reduced prices. FCCH is a qualifying covered member as it has been designated as a FQHC. Revenue recognition is measured as sales of 340B drugs are made and the transaction price represents the actual amounts collected by FCCH.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

2) Summary of Significant Accounting Policies—continued

340B revenue under this program approximated \$2.1 million and \$4 million for the years ended December 31, 2024 and 2023, respectively.

Functional Allocation of Expenses

The financial statements report certain expense categories that are attributable to more than one program or support service. Therefore, those expenses require an allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee benefits, which are allocated on the basis of estimates of time and effort. For all other expenses, FCCH determines the allocation of expenses as expenses are incurred through the use of program codes in the accounting system.

Income Taxes

FCCH is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). FCCH is classified as other than a private foundation. Accounting principles generally accepted in the U.S. require FCCH to evaluate and disclose uncertain tax positions. FCCH does not believe any such positions exist at December 31, 2024 and 2023 that would require accrual or disclosure in the financial statements. FCCH's policy, when applicable, is to classify interest and penalties, if any, as miscellaneous expense. FCCH believes it is no longer subject to tax examinations for years prior to 2021.

Fair Value of Financial Instruments

For financial statement purposes, receivables, investments, accounts payable, and notes payable are considered financial instruments. FCCH estimates that the fair value of all financial instruments at December 31, 2024 and 2023, did not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position because of their short-term nature and because interest rates on notes payable approximate current market rates.

Reclassifications

Certain reclassifications have been made to the 2023 financial information to conform to the 2024 financial statement presentation. Such reclassifications had no effect on 2023 total net assets or changes in net assets.

New Accounting Pronouncements

FASB has issued several new accounting standards that are not yet effective or implemented by FCCH. FCCH is in the process of determining the effect these pronouncements will have on its financial statements.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

3) Liquidity and Availability

The following table reflects FCCH's financial assets as of December 31:

	<u>2024</u>	<u>2023</u>
Financial assets, at year-end		
Cash and cash equivalents	\$ -	\$ 904,892
Investments (not including restricted for debt reserve)	-	120,871
Patient accounts receivable, net	1,125,926	1,455,229
Contracts and grants receivable	<u>1,393,886</u>	<u>1,154,710</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,519,812</u>	<u>\$ 3,635,702</u>

FCCH's treasury and cash management is managed in such a way to ensure the preservation of capital as well as provide sufficient liquidity for FCCH to meet its obligations. FCCH will establish and manage cash reserves in order to assist FCCH in meeting the purposes set below:

- ◆ For the planned replacement of property and equipment.
- ◆ To establish a 90-day cash operating reserve.
- ◆ For expenditures on planned, Board-approved major projects.
- ◆ For the management of restricted donations.

4) Patient Service Receivables, Net

FCCH grants credit without collateral to its patients, most of whom are local residents and insured under third-party payer agreements. Management believes that estimates made for the allowance for credit losses are adequate. Because of the uncertainty regarding the ultimate collectability of patient accounts receivable, there is at least a reasonable possibility that recorded estimates of the allowance for credit losses will change by a material amount in the near term. Patient accounts receivable consists of the following at December 31:

	<u>2024</u>	<u>2023</u>
Medicaid	\$ 559,489	\$ 962,522
Medicare	191,448	2,511,655
Commercial	362,806	5,280,634
Self-pay	<u>1,116,044</u>	<u>1,098,702</u>
Total patient accounts receivable	2,229,787	9,853,513
Less: Allowance for credit losses	<u>(1,103,861)</u>	<u>(8,398,284)</u>
Patient accounts receivable, net	<u>\$ 1,125,926</u>	<u>\$ 1,455,229</u>

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

5) Property and Equipment, Net

Property and equipment, net, consist of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Depreciable		
Buildings and improvements	\$ 7,680,979	\$ 8,298,319
Leasehold improvements	5,933,807	5,839,855
Equipment	4,420,837	6,315,273
Vehicles	78,293	81,793
Furniture and fixtures	1,125,929	1,141,119
Less: Accumulated depreciation and amortization	<u>(10,082,320)</u>	<u>(11,870,199)</u>
Total depreciable property and equipment, net	9,157,525	9,806,160
Land	925,140	1,036,255
Water rights	<u>60,667</u>	<u>60,667</u>
Property and equipment, net	<u>\$ 10,143,332</u>	<u>\$ 10,903,082</u>

6) Notes Payable

Notes payable consist of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Note payable to Anchorum Health Foundation, maturing in August 2026, due in quarterly installments of \$103,022, fixed rate of 3%, which increases to 5% upon an event of default, secured by property.	\$ 700,000	\$ -
Note payable to Central New Mexico Electric Cooperative (CNMEC), maturing in February 2029, due in monthly installments of \$7,917, accruing no interest, secured by investment account.	395,834	490,834
Note payable to New Mexico Finance Authority (NMFA), maturing in July 2025, due in variable monthly installments, fixed rate of 1.00%, secured by patient accounts receivable balances.	<u>96,974</u>	<u>288,893</u>
Total long-term debt	1,192,808	779,727
Current portion	<u>(891,974)</u>	<u>(286,759)</u>
Total long-term debt, net of current portion	<u>\$ 300,834</u>	<u>\$ 492,968</u>

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

6) Notes Payable – continued

FCCH is required to comply with various covenants contained in its loan with Anchorum Health Foundation (Anchorum), including timely submittal of the audited financial statements and performance and financial reports. FCCH did not comply with the timely submittal of the audited financial statements and the performance and financial reports. Additionally, FCCH has not made payments on the loan in accordance with the repayment schedule. Anchorum has issued a Notice of Default and Demand for Cure letter to FCCH, and FCCH requested that the loan be restructured. This restructuring request has not been considered by Anchorum as of the date these financial statements were available to be issued. As a result of these events of default, the entire balance of the loan with Anchorum has been classified as a current liability at December 31, 2024. Additionally, the interest on the loan has been increased to 5% due to the events of default, plus late charges for each delinquent payment made.

Required principal and interest payments on notes payable are as follows, assuming that Anchorum does not demand the outstanding balance of the loan as immediately due and payable:

<i>Years ending December 31,</i>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 587,485	\$ 26,374	\$ 613,859
2026	399,488	7,150	406,638
2027	95,000	1,621	96,621
2028	92,000	673	92,673
2029	18,835	20	18,855
Total	<u>\$ 1,192,808</u>	<u>\$ 35,838</u>	<u>\$ 1,228,646</u>

7) **Accrued Payroll, Benefits, and Taxes**

Accrued payroll, benefits, and taxes consist of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Salaries and wages	\$ 475,599	\$ 415,545
Payroll taxes and other employee benefits	77,807	170,814
Paid time off (PTO)	<u>884,177</u>	<u>995,617</u>
Total accrued payroll, benefits, and taxes	<u>\$ 1,437,583</u>	<u>\$ 1,581,976</u>

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

8) Net Patient Service Revenue

Net patient service revenue consists of the following for the year ended December 31:

	<u>2024</u>	<u>2023</u>
Patient service charges at established rates	\$ 40,589,051	\$ 49,663,715
Deductions from charges		
Contractual adjustments	(14,525,910)	(19,245,444)
Sliding fee discounts	(4,831,538)	(4,933,491)
Bad debt adjustments	(1,803,826)	(1,762,985)
Net patient service revenue	<u>\$ 19,427,777</u>	<u>\$ 23,721,795</u>

9) Estimated Third-Party Payer Settlements

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs.

There can be no assurance that regulatory authorities will not challenge FCCH's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon FCCH. In addition, the contracts FCCH has with commercial payers also provide for retroactive audit and review of claims. Settlements with third-party payers for retroactive adjustments due to audits, review or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and FCCH's historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2024 or 2023.

At December 31, 2024 and 2023, FCCH has recorded an asset for estimated cash settlements resulting from cost report submissions of \$78,862 and \$0, respectively, which is reported as a portion of contracts and grants receivable in the statements of financial position.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

10) Net Assets with Donor Restrictions

At December 31, 2024 and 2023, FCCH reports net assets with donor restrictions totaling \$36,912, which are restricted for the South Valley Expansion, the Reach Out and Read program, and for scholarships.

11) Commitments and Contingencies

Risk Management

FCCH is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. At December 31, 2023, FCCH had one unpaid claim which exceeded the policy limit under its liability coverage. FCCH entered into a settlement agreement in February 2024 for \$100,000 in settlement of this claim, of which FCCH's insurance covered \$50,000 and FCCH paid \$50,000. FCCH's portion of this settlement is included in accounts payable in the statement of financial position as of December 31, 2023.

Healthcare Regulatory Environment

The healthcare industry is subject to laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, the imposition of significant fines and penalties and significant repayments for patient services previously billed. Management believes that FCCH is in compliance with applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Health Insurance Portability and Accountability Act (HIPAA) was enacted to assure health insurance portability, guarantee security and privacy of health information, enforce standards for health information and establish administrative simplification provisions.

Under the Health Information Technology for Economic and Clinical Health (HITECH) Act, several of the HIPAA security and privacy requirements have been expanded, including business associates being subject to civil and criminal penalties and enforcement proceedings for violations of HIPAA. Management believes that FCCH is in compliance with all applicable provisions of HIPAA and HITECH.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

11) Commitments and Contingencies – continued

Litigation

In the normal course of business, FCCH is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by FCCH's commercial insurance, for example, allegations regarding employment practices or performance of contracts. FCCH evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. After consultation with legal counsel, management estimates that these matters will be resolved without a material adverse effect on FCCH's future financial position or results of operations. Accordingly, no accrual for such claims is included in the accompanying statement of financial position.

Medical Malpractice Claims

FCCH is provided malpractice insurance through the Federal Tort Claims Act (FTCA). The Federally Supported Health Centers Assistance Act of 1992 and 1995 granted medical malpractice liability protection through FTCA to Health Resources and Service Administration (HRSA) supported health centers. Under the Act, health centers are considered federal employees and are immune from lawsuits, with the federal government acting as their primary insurer.

Grants and Indirect Cost Rates

The grants and contracts operated by FCCH are subject to a closing audit process by federal granting agencies subsequent to the end of a grant period. At this time, no reasonable estimate can be made as to adjustments, if any, in amounts due to or from grantors that may result from the closing process. Actual general and administrative costs reported in the accompanying statement of activities, and for prior years since inception of ongoing grants, exceeded billed costs, and management believes no material reimbursements to granting agencies are due.

12) **Retirement Plan**

FCCH has a defined contribution retirement plan under IRS Section 403(b) in which all permanent employees may elect to participate. Employer contributions are made to the plan in amounts that range from 3% to 8% of each eligible participant's annual salary depending on years of service. Each eligible participant becomes vested in the employer share of the contribution after three years of service with at least 1,000 hours of service per year. FCCH contributed \$896,015 and \$1,357,312 to the plan for the years ended December 31, 2024 and 2023, respectively.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

13) In-Kind Contributions

FCCH received the following in-kind contributions for the years ended December 31, 2024 and 2023, which were utilized by FCCH’s programs and supporting services as follows:

<i>For the year ended December 31, 2024</i>	Program	Management and General	Fundraising	Total
Building usage	\$ 1,253,025	\$ 292,678	\$ -	\$ 1,545,703
Vaccines and pharmacy supplies	992,592	-	-	992,592
Total in-kind contributions	<u>\$ 2,245,617</u>	<u>\$ 292,678</u>	<u>\$ -</u>	<u>\$ 2,538,295</u>

<i>For the year ended December 31, 2023</i>	Program	Management and General	Fundraising	Total
Building usage	\$ 1,224,031	\$ 286,449	\$ 2,000	\$ 1,512,480
Vaccines and pharmacy supplies	1,130,052	-	-	1,130,052
Total in-kind contributions	<u>\$ 2,354,083</u>	<u>\$ 286,449</u>	<u>\$ 2,000</u>	<u>\$ 2,642,532</u>

FCCH has entered into lease agreements for buildings for which the rental payments stated in the agreement are satisfied through the provision of services. The lease agreements estimate the fair market value of rent during each year, which is used by FCCH to estimate the fair market value of the use of these buildings.

Donated vaccines and pharmacy supplies are valued on the basis of estimates of wholesale values that would be received for selling similar products.

14) Subsequent Events

Generally accepted accounting principles state that the financial statements should include the effects of all subsequent events that provide additional information about conditions in existence as of the balance sheet date. FCCH has evaluated subsequent events for possible adjustment or disclosure through May 18, 2026, the date the financial statements were available to be issued. The following subsequent events were identified as a result of this evaluation.

Union Contract

FCCH’s workforce unionized at the end of 2024, resulting in a Collective Bargaining Agreement between FCCH and the union effective for the period July 1, 2025 through June 30, 2028. New employees, after completing their first 30 days of employment, shall become and remain members of the union in good standing or pay an agency fee to the union.

Clinic Closure

The North Valley Clinic was closed in April 2025 and consolidated into the Alameda Clinic. FCCH did not have enough medical providers to serve both locations.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

15) Future Operations

FCCH experienced instability and turnover at the Chief Executive Officer (CEO) position during 2022 and 2023. This instability resulted in the resignation of 13 medical providers whose departures occurred between January and July of 2024. FCCH has also experienced multiple years of operating losses including in 2024. In February 2024, the Board named FCCH's Dental Director of 14 years as Interim CEO. In July and August of 2024, the Board composition changed significantly, and the Interim CEO was named CEO. There have been no further changes in the CEO position, and minimal further change in Board composition. This leadership stability has allowed FCCH to focus on growing patient services revenue, reducing costs, and diversifying its revenue streams. Management is confident that FCCH will continue as a going concern through the next twelve months and beyond because of the following:

- ◆ As more fully described in Note 6, FCCH is currently in default on its loan with Anchorum. This loan is secured by property that is minimally serving FCCH's ongoing operations. Management will seek to renegotiate the payment schedule of the loan, but if unsuccessful, can transfer ownership of the land to Anchorum to settle the loan.
- ◆ FCCH has overdue and unpaid balances from 2025 and 2026 to Oracle America, Inc. (Oracle) under its Cerner Business Agreement and was sent a Cure Agreement. Management is in active negotiations with Oracle to restructure the payment schedule of the Cure Agreement.
- ◆ The negotiations with Oracle are also focusing on reducing costs by eliminating services that do not benefit FCCH and properly sizing the contract to the number of providers using the platform. Management is also evaluating FCCH's licensing structure for Microsoft products to better match utilization. In addition, many cost-reducing initiatives were implemented during 2024 and 2025 that led to the vast improvement in financial performance in 2025 and 2026.
- ◆ Management has pursued and vigorously continues to pursue a diversified funding strategy that includes federal, state, county, municipal, and private foundation sources. As of April 2026, these efforts include awarded funding totaling \$284,500, funding that is in progress of approximately \$785,000, and pending grants and legislative funding requests of \$11.5 million. Management is also monitoring and developing potential applications with other funders.
- ◆ In late 2024 through April 2026, FCCH has hired 26 medical providers, nine behavioral health providers, and three dentists. Many of the providers who were hired in 2024 and 2025 were relatively new in their careers, and they continue to be able to increase their output of patient visits as their experience grows. FCCH can still increase the level of patient-care activity in existing facilities by recruiting additional medical and behavioral health providers. Such growth increases operational revenue more than it increases wage and supply costs since it does not require significant increase in facility or administrative costs.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2024 and 2023

15) Future Operations – continued

Changes made to date have resulted in positive cash flow of \$296,000 in 2025. Additionally, 2026 cash flow through March has been over \$1 million positive. FCCH continues to develop and implement plans to improve the organization's ability to meet its obligations.

Single Audit Information

First Choice Community Healthcare, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Grantor / Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-through Grantor or Other Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
<i>Direct Awards</i>			
Health Center Cluster			
Community Health Centers	93.224	H80CS00202	\$ 7,707,035
COVID-19 - Community Health Centers	93.224	H8FCS40603	602,464
COVID-19 Grants for New and Expanded Services under the Health Center Program	93.527	H8LCS50556	120,485
COVID-19 Grants for New and Expanded Services under the Health Center Program	93.527	H8GCS48088	<u>34,337</u>
Total Health Center Cluster			8,464,321
Grants for Capital Development in Health Centers	93.526	C8ECS43815C	<u>603,824</u>
Total direct awards			<u>9,068,145</u>
<i>Passed through the New Mexico Primary Care Association</i>			
Medical Assistance Program	93.778	25-2019	<u>94,557</u>
Total pass-through awards			<u>94,557</u>
Total U.S. Department of Health and Human Services			<u>9,162,702</u>
Total expenditures of federal awards			<u>\$ 9,162,702</u>

The accompanying notes are an integral part of this Schedule.

First Choice Community Healthcare, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of First Choice Community Healthcare, Inc. (FCCH) under programs of the federal government for the year ended December 31, 2024. The information in the Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of FCCH, it is not intended to and does not present the financial position, changes in net assets, or cash flows of FCCH.

2) Summary of Significant Accounting Policies

General

Expenditures reported on the Schedule are reported on the modified 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. Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

FCCH has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Other Direct Reimbursements

FCCH receives certain direct reimbursement revenue from federal agencies under the Medicare and Medicaid programs, which are not subject to the requirements of the Uniform Guidance and are not presented in the Schedule.

3) Federal Loan Outstanding

FCCH has one loan outstanding with the U.S. Department of Agriculture at December 31, 2024 totaling \$395,834. This loan was issued under Assistance Listing Number (ALN) 10.854. This ALN is not listed in the 2024 OMB *Compliance Supplement*. However, according to the 2023 OMB *Compliance Supplement*, prior loan balances issued under ALN 10.854 are not considered to have continuing compliance requirements under 2 CFR 200, Section 200.502(d). Prior loans that do not have continuing compliance requirements other than to repay the loans are not considered federal awards expended and, therefore, are not required to be audited under 2 CFR Part 200, Subpart F.

First Choice Community Healthcare, Inc.
Notes to the Schedule of Expenditures of Federal Awards—continued
For the Year Ended December 31, 2024

4) Reconciliation of the Schedule to the Financial Statements

The following is a reconciliation of the expenditures reported on the Schedule to the contract and grants revenue reported in the financial statements:

Contracts and grants revenue reported in the statement of activities	\$ 11,426,456
Less: Nonfederal contract and grant revenue	<u>(2,263,754)</u>
Total expenditures of federal awards	<u>\$ 9,162,702</u>



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
First Choice Community Healthcare, Inc.

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 First Choice Community Healthcare, Inc. (FCCH, a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FCCH'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 FCCH's internal control. Accordingly, we do not express an opinion on the effectiveness of FCCH's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned as items 2024-001 and 2024-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether FCCH'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*.

FCCH's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on FCCH's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. FCCH's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 FCCH's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FCCH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SJT Group LLC

Albuquerque, New Mexico
May 18, 2026



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

Board of Directors
First Choice Community Healthcare, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited First Choice Community Healthcare, Inc. (FCCH) 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 FCCH's major federal program for the year ended December 31, 2024. FCCH's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, FCCH 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 December 31, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-004 and 2024-005. Our opinion on the major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on FCCH's responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. FCCH's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-005 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on FCCH's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. FCCH's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

SJT Group LLC

Albuquerque, New Mexico
May 18, 2026

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies reported?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor’s report issued on compliance for the major program:	Unmodified
Internal control over major program compliance:	
Material weaknesses identified?	No
Significant deficiencies reported?	Yes
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	Yes
Identification of the major program:	
<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.224/93.527	Health Center Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2024

Section II—Financial Statement Findings

2024-001—Financial Close and Reporting

Criteria: Internal controls over financial reporting include the ability to timely reconcile general ledger accounts and produce accurate and timely financial statements in accordance with generally accepted accounting principles (GAAP) to ensure that useful information is available to management and those charged with governance.

Condition: The internally generated trial balance and related financial statements and schedule of expenditures of federal awards (SEFA) as of and for the year ended December 31, 2024, had not been reconciled until 12 months after year-end. Significant audit adjustments were required to correct the balances in cash, patient accounts receivable, contracts and grants receivable, inventory, property and equipment, accounts payable, accrued payroll, benefits and taxes, and revenues and expenses.

Cause: FCCH experienced turnover in the accounting department in key positions in recent years. As a result, accounting transactions were not fully analyzed and accurately recorded or reviewed, and monthly reconciliations were not performed for significant general ledger accounts.

Effect: Without fully analyzing and accurately recording transactions and without monthly account reconciliations, information provided to management and the Board may not be accurate. Also, the probability that errors will occur and go undetected is greatly increased. Finally, when accounts have not been reviewed and reconciled during the year, the accounting department becomes overburdened with year-end account analyses, potentially resulting in a time-consuming and costly process.

Auditor's Recommendation: Each transaction should be fully analyzed to ensure that the transaction is recorded in the general ledger correctly and is properly recognized in accordance with GAAP. FCCH should also implement effective internal control that ensures all significant general ledger account balances are reconciled to supporting accounting records.

Management's Response: FCCH Management acknowledges the serious concern over the delinquencies in the financial close and reporting processes. Hiring and retaining qualified staff has proven to be extremely challenging; however, the team currently in place has made significant progress in getting our records and process caught up, and we are now presenting financial statements routinely to the Board of Directors. Reconciliations are also caught up, and staff understand the expectation to maintain timely reconciliations.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2024

Section II—Financial Statement Findings—continued

2024-002—Bank Reconciliations

Criteria: According to FCCH’s Treasury and Cash Management Policies and Procedures, all cash and investment accounts shall be reconciled monthly. Additionally, all bank reconciliations should be reviewed and approved by the Controller or his/her designee.

Condition: During 2024, cash and investments accounts were not reconciled on a monthly basis. Cash and investment account reconciliations did not occur for 2024 until several months after year-end. Additionally, an audit adjustment was required to correct the balance of cash.

Cause: FCCH experienced turnover in the accounting department in key positions in recent years and, as a result, approved policies and procedures were not followed.

Effect: FCCH runs the risk of not timely detecting errors or unauthorized disbursements if cash and investment reconciliations are not performed promptly after each month-end. Additionally, when accounts have not been reconciled during the year, the accounting department becomes overburdened with year-end account analyses, potentially resulting in a time-consuming and costly process.

Auditor’s Recommendation: FCCH should adhere to its established policies and procedures which require cash and investment reconciliations to be performed monthly and be reviewed by the Controller.

Management’s Response: FCCH Management understands the importance of timely cash and investment reconciliations and commits fully to ensure policies and procedures are followed going forward. The FCCH accounting team has been current with bank reconciliations for the last six months. This strengthens controls and permits informed decisions by leadership.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2024

Section II—Financial Statement Findings—continued

2024-003—Patient Billings

Criteria: According to 42 CFR Part 51c.303(f) and FCCH’s Sliding Fee Discount and Related Billing and Collections Program Policies and Procedures, a community health center must have prepared a schedule of fees or payments for the provision of its services designed to cover its reasonable costs of operation and a corresponding schedule of discounts adjusted on the basis of the patient’s ability to pay, provided that such schedule of discounts shall provide for a full discount to individuals and families with annual incomes at or below those set forth in the poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Human Services under the authority of 42 U.S.C. 9902(2); and for no discount to individuals and families with annual incomes greater than twice those set forth in such guidelines.

Condition: For one of 30 medical claims tested, the amount billed did not agree to FCCH’s fee schedule for the procedures performed after applying FCCH’s sliding fee discount from the Sliding Fee Discount Program (SFDP).

Cause: At the patient’s initial visit, they did not bring in income documentation to qualify for a sliding fee discount. However, the patient did bring in the income documentation within 30 days of the date of service, but the billing department was not notified of this information so that the sliding fee discount could be applied.

Effect: Patient accounts receivable and the associated patient services revenue could be misstated. Additionally, FCCH is not in compliance with 42 CFR Part 51c.303(f) and its Sliding Fee Discount and Related Billing and Collections Program Policies and Procedures.

Auditor’s Recommendation: FCCH should implement its established policies and procedures which require adherence to the approved schedule of fees for services and discounts. FCCH should also consider performing its own review of medical claims billed to determine the prevalence of these errors.

Management’s Response: Management acknowledges the finding. FCCH agrees that the claim in question did not reflect the appropriate sliding fee discount because the billing department was not notified that the patient submitted income documentation within the 30-day eligibility window. FCCH recognizes the importance of ensuring that all departments consistently follow established Sliding Fee Discount Program (SFDP) procedures. To address this issue, FCCH has implemented the following corrective actions:

- ◆ Reinforce communication protocols between front desk/eligibility staff and the billing department to ensure that any income documentation received after the date of service is promptly communicated and documented.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2024

Section II—Financial Statement Findings—continued

2024-003—Patient Billings—continued

Management's Response (continued):

- ◆ Provide refresher training to front desk, eligibility, and billing staff on SFDP requirements, including the 30-day documentation rule and the process for updating patient classifications.
- ◆ Initiated an internal review of a sample of medical claims to assess whether similar errors occurred and to confirm that corrective measures are effective.

FCCH remains committed to full compliance with 42 CFR Part 51c.303(f) and its internal Sliding Fee Discount and Related Billing and Collections Program Policies and Procedures. Management will continue monitoring to ensure ongoing adherence and prevent recurrence.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2024

Section III—Federal Award Findings and Questioned Costs

2024-004—Late Audit Report

Federal program information:

Funding agency:	U.S. Department of Health and Human Services
Title:	All
Assistance Listing Number (ALN):	All
Award number and year:	All

Criteria: According to 2 CFR Part 200.512, the annual single audit must be completed and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period (September 30, 2024).

Condition: FCCH's 2024 single audit reporting package was not submitted by the due date of September 30, 2025.

Questioned Costs: None

Context: N/A

Cause: FCCH experienced turnover in the accounting department in key positions in recent years, which caused significant delays in completion of the year-end reconciliations of the financial statements and the schedule of expenditures of federal awards.

Effect: FCCH was unable to completely reconcile certain general ledger accounts timely, which resulted in the audit not being completed within the reporting deadline.

Auditor's Recommendations: FCCH should implement its approved policies and procedures and complete the year-end account reconciliations in a timely manner to ensure the timely completion of the audit and submission of the single audit reporting package.

Management's Response: FCCH leadership inherited a situation in which the organization was woefully behind in its accounting records. The existing team has relentlessly pursued getting caught up. Turnover has hampered our efforts, yet we remain committed to the task. We are committed to continuing the effort to become fully compliant and to submit our 2025 audit on time. The FCCH Board of Directors shall ensure accountability for completing all audits in the future on time.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2024

Section III—Federal Award Findings and Questioned Costs—continued

2024-005—Special Tests and Provisions—Sliding Fee Discount Program

Federal program information:

Funding agency:	U.S. Department of Health and Human Services
Title:	Health Center Cluster
Assistance Listing Number (ALN):	93.224
Award number and year:	H80CS00202 (1/1/2024 – 12/31/2024)

Criteria: According to 42 CFR Part 51c.303(f) and FCCH’s Sliding Fee Discount and Related Billing and Collections Program Policies and Procedures, a community health center must have prepared a schedule of fees or payments for the provision of its services designed to cover its reasonable costs of operation and a corresponding schedule of discounts adjusted on the basis of the patient’s ability to pay, provided that such schedule of discounts shall provide for a full discount to individuals and families with annual incomes at or below those set forth in the poverty guidelines updated periodically in the Federal Register by the U.S. Department of Health and Human Services under the authority of 42 U.S.C. 9902(2); and for no discount to individuals and families with annual incomes greater than twice those set forth in such guidelines.

Condition: For one of 30 medical claims tested, the amount billed did not agree to FCCH’s fee schedule for the procedures performed after applying FCCH’s sliding fee discount from the Sliding Fee Discount Program (SFDP).

Questioned Costs: None

Context: One of 30 medical claims tested.

Cause: At the patient’s initial visit, they did not bring in income documentation to qualify for a sliding fee discount. However, the patient did bring in the income documentation within 30 days of the date of service, but the billing department was not notified of this information so that the sliding fee discount could be applied.

Effect: FCCH is not in compliance with 42 CFR Part 51c.303(f). Additionally, FCCH is not in compliance with its Sliding Fee Discount and Related Billing and Collections Program Policies and Procedures.

Auditor’s Recommendations: FCCH should implement its established policies and procedures which require adherence to the approved schedule of fees for services and discounts. FCCH should also consider performing its own review of medical claims billed to determine the prevalence of these errors.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2024

Section III—Federal Award Findings and Questioned Costs—continued

2024-005—Special Tests and Provisions—Sliding Fee Discount Program—continued

Management's Response: Management acknowledges the finding. FCCH agrees that the claim in question did not reflect the appropriate sliding fee discount because the billing department was not notified that the patient submitted income documentation within the 30-day eligibility window. FCCH recognizes the importance of ensuring that all departments consistently follow established Sliding Fee Discount Program (SFDP) procedures. To address this issue, FCCH has implemented the following corrective actions:

- ◆ Reinforce communication protocols between front desk/eligibility staff and the billing department to ensure that any income documentation received after the date of service is promptly communicated and documented.
- ◆ Provide refresher training to front desk, eligibility, and billing staff on SFDP requirements, including the 30-day documentation rule and the process for updating patient classifications.
- ◆ Initiated an internal review of a sample of medical claims to assess whether similar errors occurred and to confirm that corrective measures are effective.

FCCH remains committed to full compliance with 42 CFR Part 51c.303(f) and its internal Sliding Fee Discount and Related Billing and Collections Program Policies and Procedures. Management will continue monitoring to ensure ongoing adherence and prevent recurrence.

First Choice Community Healthcare, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2024

2023-001—Financial Close and Reporting

Condition: The internally generated trial balance and related financial statements and schedule of expenditures of federal awards (SEFA) as of and for the year ended December 31, 2023, had not been reconciled until 18 months after year-end. Significant audit adjustments were required to correct the balances in grants receivable, inventory, property and equipment, accounts payable, accrued payroll, benefits and taxes, and revenues and expenses.

Current Status: Unresolved, see repeat finding 2024-001.

2023-002—Bank Reconciliations

Condition: During 2023, cash and investments accounts were not reconciled on a monthly basis. Cash and investment account reconciliations did not occur for 2023 until almost nine months after year-end.

Current Status: Unresolved, see repeat finding 2024-002.

2023-003—Physical Inventory of Property and Equipment

Condition: FCCH did not perform a physical inventory of its property and equipment during 2023, and there is no evidence supporting when the last physical inventory of property and equipment occurred as of December 31, 2023.

Current Status: Resolved.

2023-004—Late Audit Report

Condition: FCCH's 2023 single audit reporting package was not submitted by the due date of September 30, 2024.

Current Status: Unresolved, see repeat finding 2024-004.



The Joint Commission

First Choice Community Healthcare, Inc.
Corrective Action Plan
For the Year Ended December 31, 2024

2024-001—Financial Close and Reporting

Corrective Action: FCCH Management acknowledges the serious concern over the delinquencies in the financial close and reporting processes. Hiring and retaining qualified staff has proven to be extremely challenging; however, the team currently in place has made significant progress in getting our records and process caught up, and we are now presenting financial statements routinely to the Board of Directors. Reconciliations are also caught up, and staff understand the expectation to maintain timely reconciliations.

Person Responsible: Shawna Gonzales, Chief Financial Officer

Completion Date: June 30, 2026

2024-002—Bank Reconciliations

Corrective Action: FCCH Management understands the importance of timely cash and investment reconciliations and commits fully to ensure policies and procedures are followed going forward. The FCCH accounting team has been current with bank reconciliations for the last six months. This strengthens controls and permits informed decisions by leadership.

Person Responsible: Sean Moya, Interim Controller

Completion Date: April 30, 2026

2024-003—Patient Billings

Corrective Action: Management acknowledges the finding. FCCH agrees that the claim in question did not reflect the appropriate sliding fee discount because the billing department was not notified that the patient submitted income documentation within the 30-day eligibility window. FCCH recognizes the importance of ensuring that all departments consistently follow established Sliding Fee Discount Program (SFDP) procedures. To address this issue, FCCH has implemented the following corrective actions:

- ◆ Reinforce communication protocols between front desk/eligibility staff and the billing department to ensure that any income documentation received after the date of service is promptly communicated and documented.



The Joint Commission

First Choice Community Healthcare, Inc.
Corrective Action Plan—continued
For the Year Ended December 31, 2024

2024-003—Patient Billings—continued

- ◆ Provide refresher training to front desk, eligibility, and billing staff on SFDP requirements, including the 30-day documentation rule and the process for updating patient classifications.
- ◆ Initiated an internal review of a sample of medical claims to assess whether similar errors occurred and to confirm that corrective measures are effective.

FCCH remains committed to full compliance with 42 CFR Part 51c.303(f) and its internal Sliding Fee Discount and Related Billing and Collections Program Policies and Procedures. Management will continue monitoring to ensure ongoing adherence and prevent recurrence.

Person Responsible: Tammy Collins, Revenue Cycle Director

Completion Date: September 30, 2026

2024-004—Late Audit Report

Corrective Action: FCCH leadership inherited a situation in which the organization was woefully behind in its accounting records. The existing team has relentlessly pursued getting caught up. Turnover has hampered our efforts, yet we remain committed to the task. We are committed to continuing the effort to become fully compliant and to submit our 2025 audit on time. The FCCH Board of Directors shall ensure accountability for completing all audits in the future on time.

Person Responsible: Shawna Gonzales, Chief Financial Officer

Completion Date: May 31, 2026

2024-005—Special Tests and Provisions—Sliding Fee Discount Program

Corrective Action: Management acknowledges the finding. FCCH agrees that the claim in question did not reflect the appropriate sliding fee discount because the billing department was not notified that the patient submitted income documentation within the 30-day eligibility window. FCCH recognizes the importance of ensuring that all departments consistently follow established Sliding Fee Discount Program (SFDP) procedures.



The Joint Commission

First Choice Community Healthcare, Inc.
Corrective Action Plan—continued
For the Year Ended December 31, 2024

2024-005—Special Tests and Provisions—Sliding Fee Discount Program—continued

To address this issue, FCCH has implemented the following corrective actions:

- ◆ Reinforce communication protocols between front desk/eligibility staff and the billing department to ensure that any income documentation received after the date of service is promptly communicated and documented.
- ◆ Provide refresher training to front desk, eligibility, and billing staff on SFDP requirements, including the 30-day documentation rule and the process for updating patient classifications.
- ◆ Initiated an internal review of a sample of medical claims to assess whether similar errors occurred and to confirm that corrective measures are effective.

FCCH remains committed to full compliance with 42 CFR Part 51c.303(f) and its internal Sliding Fee Discount and Related Billing and Collections Program Policies and Procedures. Management will continue monitoring to ensure ongoing adherence and prevent recurrence.

Person Responsible: Tammy Collins, Revenue Cycle Director

Completion Date: September 30, 2026



The Joint Commission