



SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS



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

December 31, 2021

First Choice Community Healthcare, Inc.

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Independent Auditor's Report

Board of Directors
First Choice Community Healthcare, Inc.

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of First Choice Community Healthcare, Inc. (FCCH, a non-profit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying statement of financial position presents fairly, in all material respects, the financial position of FCCH as of December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on the Statements of Activities, Functional Expenses, and Cash Flows

We do not express an opinion on the accompanying statements of activities, functional expenses, and cash flows for the year ended December 31, 2021. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations and cash flows for the year ended December 31, 2021.

Basis for Opinion on the Statement of Financial Position

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FCCH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the statement of financial position at December 31, 2021.

Basis for Disclaimer of Opinion on the Statements of Activities, Functional Expenses, and Cash Flows

The financial statements of FCCH as of and for the year ended December 31, 2020 were audited by a predecessor auditor, whose report dated June 29, 2023 expressed a disclaimer of opinion. The predecessor auditor was unable to obtain appropriate audit evidence about the existence, valuation, accuracy, and completeness of cash and cash equivalents, patient accounts receivable, property and equipment, accounts payable, payroll and other liabilities, long-term debt, and net assets at December 31, 2020. We did not perform audit procedures on the opening balances for the year ended December 31, 2021 and, as a result, we were unable to obtain sufficient appropriate audit evidence about the statements of activities, functional expenses, and cash flows for the year ended December 31, 2021.

Management's Responsibility 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.

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

We were engaged 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. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph above, it is inappropriate to, and we do not, express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024, 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
June 26, 2024

Financial Statements

First Choice Community Healthcare, Inc.
Statement of Financial Position
December 31, 2021

Assets

Current assets	
Cash and cash equivalents	\$ 1,842,268
Investments	4,099,952
Patient accounts receivable, net	1,212,260
Contracts and grants receivable, net	1,491,054
Prepaid expenses	394,754
Inventory	<u>558,365</u>
Total current assets	9,598,653
Investments restricted for debt reserve	888,889
Property and equipment, net	<u>12,293,313</u>
Total assets	<u><u>\$ 22,780,855</u></u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 1,601,351
Accrued payroll, benefits, and taxes	2,537,524
Self-insured claims liability	252,264
Notes payable, current portion	<u>282,963</u>
Total current liabilities	4,674,102
Notes payable, net of current portion	<u>1,080,784</u>
Total liabilities	<u>5,754,886</u>
Net assets	
Without donor restrictions	16,977,254
With donor restrictions	<u>48,715</u>
Total net assets	<u>17,025,969</u>
Total liabilities and net assets	<u><u>\$ 22,780,855</u></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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Net patient service revenue	\$ 29,419,962	\$ -	\$ 29,419,962
Contracts and grants revenue	11,543,601	-	11,543,601
Contributions	112,636	-	112,636
In-kind contributions	2,543,882	-	2,543,882
Investment income	11,553	-	11,553
Paycheck Protection Program (PPP) loan forgiveness	4,984,318	-	4,984,318
Other income	360,043	-	360,043
Total support and revenue	48,975,995	-	48,975,995
Expenses			
Program services	38,455,996	-	38,455,996
Supporting services			
Management and general	7,581,651	-	7,581,651
Fundraising	282,995	-	282,995
Total supporting services	7,864,646	-	7,864,646
Total expenses	46,320,642	-	46,320,642
Change in net assets/revenues over expenses	2,655,353	-	2,655,353
Net assets, beginning of year	14,321,901	48,715	14,370,616
Net assets, end of year	\$ 16,977,254	\$ 48,715	\$ 17,025,969

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, 2021

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 22,668,612	\$ 4,233,469	\$ 29,652	\$ 26,931,733
Employee benefits	3,723,971	664,995	44,333	4,433,299
Contract services - patient care	3,621,917	-	-	3,621,917
Supplies	2,385,290	124,706	4,679	2,514,675
Payroll taxes	1,757,964	649,780	2,285	2,410,029
Contract services	1,223,860	881,582	27,414	2,132,856
Rent	1,350,047	308,121	-	1,658,168
Depreciation and amortization	621,033	26,192	61,701	708,926
Utilities and telephone	344,770	134,129	75,815	554,714
Dues and subscriptions	129,353	148,575	-	277,928
Insurance	155,878	102,263	-	258,141
Other	73,251	65,118	34,771	173,140
Repairs and maintenance	141,408	25,762	818	167,988
Training and development	65,961	32,170	-	98,131
Postage and printing	61,729	25,385	-	87,114
License and taxes	56,145	26,948	26	83,119
Non-capital equipment	24,458	47,887	-	72,345
Professional fees	-	60,396	-	60,396
Equipment rentals	45,670	7,336	1,501	54,507
Interest	-	14,440	-	14,440
Travel and conferences	4,679	2,397	-	7,076
Total expenses	<u>\$ 38,455,996</u>	<u>\$ 7,581,651</u>	<u>\$ 282,995</u>	<u>\$ 46,320,642</u>

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

First Choice Community Healthcare, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities

Cash received from patients and third-party payors	\$ 29,812,972
Cash received from contracts, grants and contributions	12,748,279
Interest and dividends received	11,553
Other cash received	360,043
Cash paid to and on behalf of employees	(33,268,076)
Cash paid to suppliers	(9,925,354)
Cash paid for interest	<u>(14,440)</u>
Net cash used by operating activities	<u>(275,023)</u>

Cash flows from investing activities

Purchases of investments	(4,221,498)
Purchases of property and equipment	<u>(446,209)</u>
Net cash used by investing activities	<u>(4,667,707)</u>

Cash flows from financing activities

Principal payments on long-term debt	<u>(281,205)</u>
Net cash used by financing activities	<u>(281,205)</u>

Net change in cash and cash equivalents	(5,223,935)
Cash and cash equivalents, beginning of year	<u>7,066,203</u>
Cash and cash equivalents, end of year	<u>\$ 1,842,268</u>

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

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

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).

FCCH operates eight health centers and one school-based clinic serving the residents of Bernalillo, Valencia, and Santa Fe counties. FCCH provides primary medical, dental, and behavioral health services. FCCH's clients are culturally and economically diverse.

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.

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.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

2) Summary of Significant Accounting Policies—continued

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, 2021 consist of money market mutual funds. FCCH's money market mutual funds at times may exceed the Securities Investors 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 7.

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:

- ◆ *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, 2021, FCCH's investments are valued using level 1 inputs as described above.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

2) Summary of Significant Accounting Policies—continued

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, contractual allowances, and gross receipts tax.

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 FCCH Sliding Fee Discount Policy. 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. Write off of bad debts is based on aging of the patient's account, completion of collection cycle processes, efforts to maximize revenue, and approval by the Board of Directors.

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.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

2) Summary of Significant Accounting Policies—continued

Prepaid Expenses

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as a prepaid expense in the statement 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

Inventories are 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 2021.

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.

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 2021 totaled approximately \$3 million, including claims payments and stop-loss insurance costs, which is reported as a portion of employee benefits in the statement of functional expenses.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

2) Summary of Significant Accounting Policies—continued

FCCH reports a self-insured claims liability, for estimated claims incurred but not yet paid by FCCH, of \$252,264 in the statement of financial position as of December 31, 2021. 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. 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.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

2) Summary of Significant Accounting Policies—continued

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 year ended December 31, 2021:

	Amount	Percentage
Medicaid	\$ 15,616,317	53%
Medicare	3,502,924	12%
Commercial and other	8,405,590	29%
Self-pay	1,895,131	6%
Net patient service revenue	\$ 29,419,962	100%

Charity Care

FCCH provides care to patients who meet certain criteria under its sliding fee discount policy without charge or at amounts less than its established rates. Payment responsibility for patients who meet the sliding fee discount policy 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 for the year ended December 31, 2021. Gross charges associated with providing care to charity patients includes 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.

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 are 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.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

2) Summary of Significant Accounting Policies—continued

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 have been no contributed services recognized for the year ended December 31, 2021.

Contributed Rent—Contributed rent of approximately \$1.5 million in 2021 has been recognized as in-kind contributions in the statement of activities and as rent expense in the statement of functional expenses.

Contributed Program Supplies and Licenses—Contributed program supplies and licenses of approximately \$1 million in 2021 have been recognized as in-kind contributions revenue in the statement of activities and as supplies or dues and subscriptions expense in the statement of functional expenses.

340B Drug Pricing Program

FCCH participates in the 340B drug discount program that requires drug manufacturers to provide outpatient drugs to eligible health care organizations and other covered entities at significantly reduced prices. FCCH is a qualifying covered member as they have 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. 340B revenue under this program approximated \$5.2 million for the year ended December 31, 2021.

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. In recording the activities of FCCH, program, management and general, and fundraising expenses are specifically tracked in the accounting system and recorded in the appropriate classifications at the time expenses are incurred.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

2) Summary of Significant Accounting Policies—continued

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, 2021 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 2018.

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, 2021, 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.

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, to make leasing activities more transparent and comparable. This new standard will require all leases with terms of more than 12 months to be recognized by lessees as a right-of-use asset and a corresponding lease liability on the statement of financial position. It will apply to both capital (or finance) leases and operating leases. In addition, ASU No. 2016-02 requires retrospective application to leases that exist at the beginning of the earliest comparative period presented. This guidance is effective for FCCH in 2022.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of ASU No. 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the not-for-profit entity. This guidance is effective for FCCH in 2022.

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 June 26, 2024, the date the financial statements were available to be issued. There were no subsequent events identified that would require disclosure.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

3) Liquidity and Availability

The following table reflects FCCH’s financial assets as of December 31, 2021:

Financial assets, at year-end	
Cash and cash equivalents	\$ 1,842,268
Investments (not including restricted for debt reserve)	4,099,952
Patient accounts receivable, net	1,212,260
Contracts and grants receivable, net	<u>1,491,054</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,645,534</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 replacement of property and equipment deemed to be replaced.
- ◆ 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 doubtful accounts 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 doubtful accounts will change by a material amount in the near term. Patient accounts receivable consist of the following at December 31, 2021:

Medicaid	\$ 1,506,723
Medicare	2,005,732
Commercial	4,880,227
Self-pay	<u>398,790</u>
Total patient accounts receivable	8,791,472
Less: Allowance for doubtful accounts	<u>(7,579,212)</u>
Patient accounts receivable, net	<u>\$ 1,212,260</u>

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

5) Property and Equipment, Net

Property and equipment, net, consist of the following as of December 31, 2021:

Depreciable	
Buildings and improvements	\$ 8,864,227
Leasehold improvements	4,764,392
Equipment	5,509,977
Vehicles	81,793
Furniture and fixtures	804,137
Less: Accumulated depreciation and amortization	<u>(10,564,300)</u>
Total depreciable property and equipment, net	9,460,226
Construction in progress	1,660,888
Land	1,111,532
Water rights	<u>60,667</u>
Property and equipment, net	<u><u>\$ 12,293,313</u></u>

6) Accrued Payroll, Benefits, and Taxes

Accrued payroll, benefits, and taxes consist of the following as of December 31, 2021:

Salaries and wages	\$ 539,506
Payroll taxes and other employee benefits	252,252
Paid time off (PTO)	<u>1,745,766</u>
Total accrued payroll, benefits, and taxes	<u><u>\$ 2,537,524</u></u>

7) Notes Payable

Notes payable consist of the following as of December 31, 2021:

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.	\$ 680,834
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>682,913</u>
Total long-term debt	1,363,747
Current portion	<u>(282,963)</u>
Total long-term debt, net of current portion	<u><u>\$ 1,080,784</u></u>

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

7) Notes Payable—continued

Required principal and interest payments on notes payable are as follows:

<i>Years ending December 31,</i>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 282,963	\$ 12,496	\$ 295,459
2023	284,852	9,657	294,509
2024	286,759	6,813	293,572
2025	208,064	4,005	212,069
2026	95,000	2,571	97,571
2027-2029	<u>206,109</u>	<u>2,314</u>	<u>208,423</u>
Total	<u>\$ 1,363,747</u>	<u>\$ 37,856</u>	<u>\$ 1,401,603</u>

8) **Net Patient Service Revenue**

Net patient service revenue consist of the following for the year ended December 31, 2021:

Patient service charges at established rates	\$ 53,223,709
Deductions from charges	
Contractual adjustments	(17,932,180)
Sliding fee discounts	(4,782,523)
Bad debt adjustments	<u>(1,089,044)</u>
Net patient service revenue	<u>\$ 29,419,962</u>

9) **Paycheck Protection Program (PPP) Loan**

During 2020, FCCH was granted a loan under the PPP administered by a Small Business Administration (SBA) approved partner in the amount of \$4,984,318. The loan was uncollateralized and was fully guaranteed by the Federal government. FCCH was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. FCCH met the forgiveness criteria for the PPP loan as specified by the SBA during 2021 and recorded the forgiveness of the loan as support and revenue in the statement of activities in the amount of \$4,984,318.

10) **Net Assets with Donor Restrictions**

At December 31, 2021, FCCH reports net assets with donor restrictions totaling \$48,715, which is restricted for expansion of the South Valley and Edgewood health clinics.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

11) 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 2021.

FCCH has no recorded assets or liabilities for estimated cash settlements resulting from cost report submissions. Cost report estimated assets and liabilities, including subsequent settlements with the intermediaries, have not been material in the last three years.

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 years of service with at least 1,000 hours of service per year. FCCH contributed \$1,528,136 to the plan for the year ended December 31, 2021.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

13) Commitments and Contingencies

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.

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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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.

First Choice Community Healthcare, Inc.
Notes to the Financial Statements
December 31, 2021

13) Commitments and Contingencies—continued

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.

Single Audit Information

First Choice Community Healthcare, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor / Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-through Grantor or Other Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
<i>Direct Award</i>			
Women, Infants, and Children (WIC) Program	10.557	--	\$ 738,609
Total U.S. Department of Agriculture			<u>738,609</u>
U.S. Department of Commerce			
<i>Direct Award</i>			
Investments for Public Works and Economic Development Facilities	11.300	--	112,687
Total U.S. Department of Commerce			<u>112,687</u>
U.S. Department of Health and Human Services			
<i>Direct Awards</i>			
Health Center Cluster			
COVID-19 - Community Health Centers	93.224	--	1,064,062
Grants for New and Expanded Services under the Health Center Program	93.527	--	7,528,195
Total Health Center Cluster			8,592,257
COVID-19 Provider Relief Fund Rural Distribution	93.498	--	586,319
Total direct awards			<u>9,178,576</u>
<i>Passed through the RAND Corporation</i>			
Mental Health Research Grants	93.242	5U19MH113135-04	90,423
<i>Passed through the Presbyterian Healthcare Services</i>			
Racial and Ethnic Approaches to Community Health	93.738	5 NU58DP006604-03-01	42,360
<i>Passed through the New Mexico Primary Care Association</i>			
Medical Assistance Program	93.778	OEW019-2019	101,325
<i>Passed through the University of New Mexico</i>			
Primary Care Training and Enhancements	93.884	4 T0BHP28586-05-03	99,876
Total pass-through awards			<u>333,984</u>
Total U.S. Department of Health and Human Services			<u>9,512,560</u>
Total expenditures of federal awards			<u>\$ 10,363,856</u>

First Choice Community Healthcare, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

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, 2021. 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 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) COVID-19 Provider Relief Funds

The Provider Relief Fund (PRF) is administered by the Health Resources and Services Administration (HRSA) and provides relief funds to hospitals and other healthcare providers, including those on the front lines of the coronavirus response. The funding supports healthcare-related expenses or lost revenue attributable to COVID-19 and ensures that uninsured Americans can get treatment for COVID-19. During fiscal year 2020, FCCH received funding under the PRF of \$586,318.

In accordance with guidance included in the 2021 OMB *Compliance Supplement*, amounts for this program in the Schedule are based upon the PRF reports that are required to be submitted to the HRSA reporting portal. FCCH reported \$444,468 received from the PRF in its period 1 PRF report and an additional \$141,850 received from the PRF in its period 2 PRF report. Therefore, FCCH reported this entire amount in the Schedule for the year ending December 31, 2021.

First Choice Community Healthcare, Inc.
Notes to the Schedule of Expenditures of Federal Awards—continued
For the Year Ended December 31, 2021

4) Federal Loan Outstanding

FCCH has one loan outstanding with the U.S. Department of Agriculture at December 31, 2021 totaling \$680,834. This loan was issued under ALN 10.854. According to the 2021 OMB *Compliance Supplement*, prior loans 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.

5) 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	\$ 11,543,601
Add: COVID-19 Provider Relief Fund revenue reported in fiscal year 2020	586,318
Less: Nonfederal contract and grant revenue	<u>(1,766,063)</u>
Total expenditures of federal awards	<u>\$ 10,363,856</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 were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of First Choice Community Healthcare, Inc. (FCCH), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2024. Our report expresses an unmodified opinion on the statement of financial positions as of December 31, 2021, and disclaims an opinion on the statements of activities, functional expenses and cash flows of FCCH for the year ended December 31, 2021. This is because the predecessor auditor expressed a disclaimer of opinion on the financial statements of FCCH as of and for the year ended December 31, 2020, and we did not perform audit procedures on these opening balances for the year ended December 31, 2021.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of FCCH, we considered FCCH's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 2021-001 and 2021-002 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-003, 2021-004, and 2021-005 to be significant deficiencies.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of FCCH, 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*. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the statements of activities, functional expenses, and cash flows, other instances of noncompliance or other matters may have been identified and reported herein.

FCCH's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on FCCH's response 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
June 26, 2024



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 Health Center, 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, 2021. 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, 2021.

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 2021-006, 2021-007, 2021-008, and 2021-009. 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 response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. FCCH's response 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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-006 and 2021-009 to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-007 and 2021-008 to be significant deficiencies.

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 findings identified in our 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
June 26, 2024

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified, Disclaimer
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?	Yes
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>
93.224/93.257	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, 2021

Section II—Financial Statement Findings

2021-001—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 as of December 31, 2021, and the trial balance provided for the audit, did not include certain adjusting entries, and several accounts had not been reconciled or properly recorded until two years after year-end. Significant audit adjustments were required to correct the balances in patient accounts receivable, contracts and grants receivable, inventory, property and equipment, accounts payable, accrued payroll, benefits and taxes, self-insured claims liability, deferred revenue, net assets, 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. Now that positions have been filled, and a well-qualified Controller is in place, training of staff is underway so that all accounts will be reconciled on a timely basis, and a full set of system-generated financial statements can be provided routinely to management and the Board of Directors.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2021

Section II—Financial Statement Findings—continued

2021-002—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 2021, cash and investments accounts were not reconciled on a monthly basis. Cash and investment account reconciliations did not occur for 2021 until almost two years after year-end.

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. This will strengthen controls and permit informed decisions by leadership.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2021

Section II—Financial Statement Findings—continued

2021-003—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 two of 40 medical claims tested, the amount billed did not agree to FCCH’s fee schedule for the procedures performed during the clinic visit. One claim was billed to a third-party payer, and one claim was billed to the patient under FCCH’s Sliding Fee Discount Program (SFDP).

Cause: FCCH experienced significant turnover in key positions in the billing department, including Revenue Cycle Manager, and approved policies and procedures were not followed.

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: FCCH Management shall ensure adherence to established policies and procedures. Charges shall follow the schedule of fees and services, and discount programs shall be administered accurately so that compliance with policies is maintained.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2021

Section II—Financial Statement Findings—continued

2021-004—FCCH Scholarship Payroll Deductions

Criteria: According to the Payroll Policies and Procedures, the Human Resources Officer or his/her designee shall maintain current and accurate files of all payees to whom payments are made stemming from employee payroll deductions. Remittance of all pre-tax and post-tax deductions made from payroll shall be made to the correct payee by the Chief Financial Officer (CFO) or his/her designee.

Condition: For two pay periods during 2021, it was noted that employees had deductions from their pay checks for donation to the FCCH scholarship fund, but there is no evidence that these deductions were actually remitted into the scholarship bank account.

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 is not in compliance with its approved policies and procedures, and employee-designated donations to the FCCH scholarship fund were not remitted for one pay period in February 2021 and one pay period in September 2021.

Auditor's Recommendation: FCCH should implement its established Payroll Policies and Procedures to ensure all pre-tax and post-tax deductions are remitted to the correct payee. FCCH should also investigate these two pay periods during 2021 and consider making the donation to the scholarship bank account to correct these errors.

Management's Response: FCCH Scholarship Fund shall be trued up with deposits made for any that were missed in prior years. Payroll Policies and Procedures shall be followed to ensure accurate and timely remittance for all payroll withholdings.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2021

Section II—Financial Statement Findings—continued

2021-005—Physical Inventory of Property and Equipment

Criteria: According to the Physical Inventory of Fixed Assets and Supplies Policies and Procedures, the CFO or his/her designee is responsible for the completion of a periodic physical inventory of fixed assets and supplies at FCCH. For property, plant, and equipment, physical inventories should occur bi-annually on even years.

Condition: FCCH did not perform a physical inventory of its property and equipment during 2021, and there is no evidence supporting when the last physical inventory of property and equipment occurred.

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 is not in compliance with its approved policies and procedures. Additionally, without an entity-wide physical inventory, there is an increased risk that individual items of property and equipment no longer exist, are damaged or impaired, or are being used by another program/location.

Auditor's Recommendation: FCCH should implement its established Physical Inventory of Fixed Assets and Supplies Policies and Procedures to ensure property and equipment still exists, is in working condition, and is being used by the appropriate program/location.

Management's Response: FCCH accounting personnel shall adhere to the established policies and procedures to ensure the existence, good working condition, and appropriate use for all FCCH property and equipment. The existing policy requires bi-annual compliance in every even year, so compliance shall be documented beginning in 2024 with time allowed for adjusting entries before end of year close.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2021

Section III—Federal Award Findings and Questioned Costs

2021-006—Allowable Costs

Federal program information:

Funding agency:	U.S. Department of Health and Human Services
Title:	Health Center Cluster
Assistance Listing Number (ALN):	93.224, 93.527
Award number and year:	H80C00202 (1/1/2021–12/31/2021) H8DCS36371 (4/1/2020–3/31/2021) H8ECS37778 (5/1/2020–4/30/2021) H8F40603 (4/1/2021–3/31/2023)

Criteria: According to 2 CFR Part 225, to be allowable under federal awards, costs must be adequately documented, be necessary and reasonable for the performance of the federal award and be allocable thereto under the principles in 2 CFR Part 200, Subpart E. Additionally, non-Federal entities receiving federal awards should establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition: For two of 25 payroll transactions tested, there was no support for the approved pay rate of the employee. For nine of 25 nonpayroll transactions tested, there was no evidence available supporting that the items ordered had been received by the program/location for which they were ordered.

Questioned Costs: Undeterminable for the payroll transactions tested and \$46,643 for the nonpayroll transactions tested.

Context: Two of 25 payroll transactions tested and nine of 25 nonpayroll transactions tested were not adequately documented.

Cause: FCCH is not following its approved policies and procedures over personnel records and accounts payable. Additionally, FCCH has not developed policies and procedures requiring documentation that goods purchased have been received by the program/location prior to payments being approved and remitted to vendors.

Effect: FCCH may not be able to demonstrate that some costs charged to federal programs are allowable.

Auditor's Recommendations: FCCH should implement its approved policies and procedures to ensure that amounts charged to federal programs are allowable and properly documented. Additionally, FCCH should consider updating its policies and procedures to require documentation that goods purchased have been received by the program/location prior to payments being remitted to vendors.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2021

Section III—Federal Award Findings and Questioned Costs—continued

2021-006—Allowable Costs—continued

Management's Response: FCCH management shall promote accountability for following approved policies and procedures over employee records and accounts payable. Receiving policies and processes, including documentation for receiving inventory and equipment, should be developed and then implemented. All involved personnel should be trained in the new policies.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2021

Section III—Federal Award Findings and Questioned Costs—continued

2021-007—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, 93.527
Award number and year:	H80C00202 (1/1/2021–12/31/2021) H8DCS36371 (4/1/2020–3/31/2021) H8ECS37778 (5/1/2020–4/30/2021) H8F40603 (4/1/2021–3/31/2023)

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 two of 40 medical claims tested, the amount billed did not agree to FCCH’s fee schedule for the procedures performed during the clinic visit. One claim was billed to a third-party payer, and one claim was billed to the patient under FCCH’s sliding fee discount program (SFDP).

Questioned Costs: None

Context: Two of 40 medical claims tested.

Cause: FCCH experienced significant turnover in key positions in the billing department, including the Revenue Cycle Manager, and approved policies and procedures were not followed.

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, 2021

Section III—Federal Award Findings and Questioned Costs—continued

2021-007—Special Tests and Provisions—Sliding Fee Discount Program—continued

Management's Response: FCCH Management shall ensure adherence to established policies and procedures. Charges shall follow the schedule of fees and services, and discount programs shall be administered accurately so that compliance with 42 CFR Part 51c.303(f) and Sliding Fee Discount policies are maintained. FCCH shall also perform a review of its medical claims billed, determine the prevalence of errors, and educate staff to improve accuracy.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2021

Section III—Federal Award Findings and Questioned Costs—continued

2021-008—Reporting

Federal program information:

Funding agency:	U.S. Department of Health and Human Services
Title:	Health Center Cluster
Assistance Listing Number (ALN):	93.224, 93.527
Award number and year:	H80C00202 (1/1/2021–12/31/2021) H8ECS37778 (5/1/2020–4/30/2021) H8F40603 (4/1/2021–3/31/2023)

Criteria: Federal Financial Reports (SF-425) are required to be submitted to the granting agency according to the Notice of Awards for these programs.

Condition: Three of six SF-425 reports tested were submitted past the deadline after the end of each period.

Questioned Costs: None

Context: Three of six SF-425 reports tested for these awards.

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. Additionally, program personnel did not review and approve the reports for submission in a timely manner.

Effect: FCCH is not in compliance with reporting requirements for these awards.

Auditor's Recommendations: FCCH should implement its Grants/Contracts Submission and Management Policies and Procedures to ensure all program reports are properly completed and submitted by the required due dates.

Management's Response: FCCH shall implement its Grants/Contracts Submission and Management Policies and Procedures and educate staff to ensure all program reports are properly completed and submitted by the required due dates. Access to reporting portals shall be granted to and maintained by appropriate personnel so that turnover does not impair compliance.

First Choice Community Healthcare, Inc.
Schedule of Findings and Questioned Costs—continued
For the Year Ended December 31, 2021

Section III—Federal Award Findings and Questioned Costs—continued

2021-009—Late Audit Report

Federal program information:

Funding agency:	All
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, 2022).

Condition: FCCH's 2021 single audit reporting package was not submitted by the due date of September 30, 2022.

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 shall ensure accountability for completing audits and submitting reports in a timely manner. Now that vacant positions in the accounting department have been filled, reconciliations are being caught up as efficiently as possible so that delinquent audits can also be conducted and concluded.

First Choice Community Healthcare, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2021

2020-001—Internal Control over Financial Close and Reporting

Condition: For the year ended December 31, 2020, the opinion on the auditor’s report was modified based on the inability to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Current Status: Unresolved, see repeat finding 2021-001.

2020-002—Preparation of the Schedule of Expenditures of Federal Awards

Condition: During single audit testwork, several errors were encountered pertaining to the Schedule of Expenditures of Federal Awards.

Current Status: Resolved.

2020-003—Procurement and Suspension and Debarment

Condition: FCCH was not in compliance with requirements related to procurement and suspension and debarment.

Current Status: Resolved.

2020-004—Reporting

Condition: FCCH was not in compliance with reporting requirements related to the Health Center Program Cluster and the Investments for Public Works and Economic Development Facilities program.

Current Status: Unresolved, see repeat finding 2021-008 for the Health Center Cluster. For the Investments for Public Works and Economic Development Facilities program, one quarterly process report and one SF-425 report was submitted past the required due date during 2021.



The Joint Commission

First Choice Community Healthcare, Inc.
Summary Schedule of Prior Audit Findings—continued
For the Year Ended December 31, 2021

2020-005—Matching

Condition: The actual lien was not provided to the auditors to test EDA's interest in the real property remaining in effect for the useful life of the project (20 years).

Current Status: Resolved.



The Joint Commission

First Choice Community Healthcare, Inc.
Corrective Action Plan
For the Year Ended December 31, 2021

2021-001—Financial Close and Reporting

Corrective Action: Reconciliations of general ledger accounts shall be completed in a timely manner so that accurate and timely financial statements in accordance with generally accepted accounting principles (GAAP) shall be maintained on a consistent basis. Information that is useful to management and to those charged with governance will be presented on a monthly basis. FCCH financial leadership understands the importance of this process and shall endeavor to cross train accounting personnel so that turnover in the future does not result in a breakdown in processes.

Person Responsible: Tanya Brown, Controller

Completion Date: December 31, 2024

2021-002—Bank Reconciliations

Corrective Action: Comply with cash management policies and procedures by reconciling all cash and investment accounts on a monthly basis. The reconciliations shall be reviewed and approved by the Controller or her designee.

Person Responsible: Tanya Brown, Controller

Completion Date: December 31, 2024

2021-003—Patient Billings

Corrective Action: FCCH billing leadership shall review 42 CFR Part 51c.303(f) and FCCH's Sliding Fee Discount policy and procedures. FCCH billing leadership shall ensure billing staff are made aware of the requirements for billing and offering the sliding fee discount in an accurate and proper manner. FCCH management shall maintain accountability for accurate and timely billing, including appropriate posting of discounts.

Person Responsible: Tammy Collins, Revenue Cycle Director

Completion Date: September 30, 2024



The Joint Commission

First Choice Community Healthcare, Inc.
Corrective Action Plan—continued
For the Year Ended December 31, 2021

2021-004—FCCH Scholarship Payroll Deductions

Corrective Action: FCCH accounting personnel shall establish a procedure that includes a review process to ensure all payroll withholdings are accurate and remitted properly within regulatory time limits for each payroll cycle. This process shall include scholarship deductions, 403b Plan contributions and loan payments, garnishments, taxes, and all other deductions.

Person Responsible: Tanya Brown, Controller

Completion Date: September 30, 2024.

2021-005— Physical Inventory of Property and Equipment

Corrective Action: FCCH accounting personnel shall implement the established Physical Inventory of Fixed Assets and Supplies Policy and Procedure to ensure property and equipment still exists, is in working condition and is being used by the appropriate program.

Person Responsible: Raquel Tenille, Accounting Manager

Completion Date: December 31, 2024

2021-006—Allowable Costs

Corrective Action: FCCH Management shall conduct training of human resource and accounting personnel to ensure they understand the requirement for allowable costs under 2 CFR Part 225 and shall follow the principles in 2 CFR Part 200, Subpart E. Current policies and procedures shall be reviewed to ensure adequacy of measures to ensure compliance. FCCH leadership shall also be trained in the elements of allowable cost principles.

Person Responsible: Shawna Gonzales, Chief Financial Officer and Abigail Jackson, Human Resources Director

Completion Date: December 31, 2024



The Joint Commission

First Choice Community Healthcare, Inc.
Corrective Action Plan—continued
For the Year Ended December 31, 2021

2021-007— Special Tests and Provisions—Sliding Fee Discount Program

Corrective Action: FCCH management shall ensure adherence to established policies and procedures requiring accurate patient billing, including application of eligible discounts.

Person Responsible: Tammy Collins, Revenue Cycle Director

Completion Date: September 30, 2024

2021-008—Reporting

Corrective Action: FCCH shall implement its Grants/Contracts Submission and Management Policies and Procedures and educate staff to ensure all program reports are properly completed and submitted by the required due dates.

Person Responsible: Shawna Gonzales, Chief Financial Officer

Completion Date: September 30, 2024

2021-009—Late Audit Report

Corrective Action: FCCH shall implement its approved policies and procedures that govern year-end reconciliations and closing procedures so that records are maintained in an audit-ready manner.

Person Responsible: Shawna Gonzales, Chief Financial Officer

Completion Date: September 30, 2024



The Joint Commission