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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the quarterly period ended: **June 30, 2017**

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-53012**

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**90-0687379**

(IRS Employer Identification No.)

**709 S. Harbor City Boulevard, Melbourne, Florida 32901**

(Address of principal executive offices)

**(321) 725-0090**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 11, 2017, there were 26,828,538 shares outstanding of the registrant's Common Stock.

<b>PART I.</b>	<b><u>FINANCIAL INFORMATION</u></b>	3
ITEM 1	<u>Financial Statements</u>	3
	<u>Condensed consolidated balance sheets as of June 30, 2017 (unaudited) and December 31, 2016</u>	3
	<u>Condensed consolidated statements of operations for the three and six months ended June 30, 2017 and 2016 (unaudited)</u>	4
	<u>Condensed consolidated statement of stockholders' equity for the six months ended June 30, 2017 (unaudited)</u>	5
	<u>Condensed consolidated statements of cash flows for the six months ended June 30, 2017 and 2016 (unaudited)</u>	6
	<u>Notes to condensed consolidated financial statements (unaudited)</u>	7
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
ITEM 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	27
ITEM 4.	<u>Controls and Procedures</u>	27
<b>PART II.</b>	<b><u>OTHER INFORMATION</u></b>	28
ITEM 1.	<u>Legal Proceedings</u>	28
ITEM 1A.	<u>Risk Factors</u>	28
ITEM 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
ITEM 3.	<u>Defaults Upon Senior Securities</u>	28
ITEM 4.	<u>Mine Safety Disclosures</u>	28
ITEM 5.	<u>Other Information</u>	28
ITEM 6.	<u>Exhibits</u>	28
	<u>SIGNATURES</u>	29

**PART I**

**ITEM 1. FINANCIAL STATEMENTS**

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>June 30,</u> 2017 <i>(unaudited)</i>	<u>December 31,</u> 2016
<b>ASSETS</b>		
Current assets		
Cash (amounts related to VIE of \$921,972 and \$708,858)	\$ 3,242,006	\$ 4,593,638
Accounts receivable, net (amounts related to VIE of \$6,082,888 and \$6,010,961)	10,855,735	9,536,830
Employee loans (amounts related to VIE of \$491,550 and \$491,850)	1,031,044	820,341
Prepaid and other current assets (amounts related to VIE of \$453,420 and \$329,427)	655,687	422,512
Total current assets	<u>15,784,472</u>	<u>15,373,321</u>
Property, plant and equipment, net of accumulated depreciation of \$1,367,489 and \$1,165,219 (amounts related to VIE of \$653,892 and \$693,629)	<u>2,540,364</u>	<u>2,544,816</u>
Other assets (amounts related to VIE of \$921,470)	<u>4,047,085</u>	<u>4,227,957</u>
<b>Total assets</b>	<b><u>\$ 22,371,921</u></b>	<b><u>\$ 22,146,094</u></b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable and accrued expenses (amounts related to VIE of \$1,622,119 and \$1,366,143)	\$ 2,221,316	\$ 2,083,231
Accounts payable, related party (amount related to VIE of \$251,588)	251,588	251,588
AMT tax payable	181,029	181,029
Line of credit, short term (amount related to VIE of \$439,524)	1,539,524	1,539,524
Notes payable, current portion	277,855	519,452
Unearned revenue	44,037	26,936
Deferred rent, short term portion (amount related to VIE of \$237,923)	237,923	237,923
Total current liabilities	<u>4,753,272</u>	<u>4,839,683</u>
Long term liabilities		
Deposits held	41,930	41,930
Notes payable, long term portion	15,695	14,531
Deferred rent, long term portion (amount related to VIE of \$2,266,195 and \$2,214,909)	2,397,337	2,293,594
Total long term liabilities	<u>2,454,962</u>	<u>2,350,055</u>
<b>Total liabilities</b>	<b><u>7,208,234</u></b>	<b><u>7,189,738</u></b>
Equity		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized, Nil issued and outstanding	—	—
Common stock, \$0.001 par value; 100,000,000 shares authorized, 26,971,038 and 24,631,327 shares issued; 26,938,650 and 24,631,327 shares outstanding as of June 30, 2017 and December 31, 2016, respectively	26,971	24,631
Additional paid in capital	24,343,291	24,020,610
Treasury stock, 32,388 and 0 common shares, at cost, respectively	(49,954)	—
Accumulated deficit	(10,029,590)	(10,100,534)
Total stockholders' equity attributable to First Choice Healthcare Solutions, Inc.	14,290,718	13,944,707
Non-controlling interest (note 10)	872,969	1,011,649
Total equity	<u>15,163,687</u>	<u>14,956,356</u>
<b>Total liabilities and equity</b>	<b><u>\$ 22,371,921</u></b>	<b><u>\$ 22,146,094</u></b>

See the accompanying notes to these unaudited condensed consolidated financial statements

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(unaudited)*

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
<b>Revenues:</b>				
Patient Service Revenue	\$ 7,870,271	\$ 7,290,456	\$ 15,277,257	\$ 14,168,121
Allowance for bad debts	(239,354)	(267,194)	(504,350)	(529,718)
Net patient service revenue less provision for bad debts	7,630,917	7,023,262	14,772,907	13,638,403
Rental Revenue	583,774	629,838	1,162,137	1,256,450
Total Revenue	<u>8,214,691</u>	<u>7,653,100</u>	<u>15,935,044</u>	<u>14,894,853</u>
<b>Operating expenses:</b>				
Salaries and benefits	3,591,451	3,139,042	6,945,827	5,919,611
Other operating expenses	2,631,823	2,428,310	5,161,006	4,473,885
General and administrative	2,018,819	1,680,807	3,554,652	3,228,383
Depreciation and amortization	193,424	136,800	382,912	435,750
Total operating expenses	<u>8,435,517</u>	<u>7,384,959</u>	<u>16,044,397</u>	<u>14,057,629</u>
Net (loss) income from operations	(220,826)	268,141	(109,353)	837,224
<b>Other income (expense):</b>				
Gain on sale of property and improvements	—	23,378	—	9,212,346
Miscellaneous income (expense)	53,696	46,812	103,798	105,669
Amortization of financing costs	—	(329)	—	(15,654)
Interest expense, net	(30,107)	(51,053)	(62,181)	(232,188)
Total other income	<u>23,589</u>	<u>18,808</u>	<u>41,617</u>	<u>9,070,173</u>
Net (loss) income before provision for income taxes	(197,237)	286,949	(67,736)	9,907,397
Income taxes (benefit)	—	—	—	—
Net (loss) income	(197,237)	286,949	(67,736)	9,907,397
Non-controlling interest (note 10)	<u>65,662</u>	<u>(133,812)</u>	<u>138,680</u>	<u>(187,319)</u>
<b>NET (LOSS) INCOME ATTRIBUTABLE TO FIRST CHOICE HEALTHCARE SOLUTIONS, INC.</b>	<u>\$ (131,575)</u>	<u>\$ 153,137</u>	<u>\$ 70,944</u>	<u>\$ 9,720,078</u>
Net (loss) income per common share, basic	<u>\$ (0.00)</u>	<u>\$ 0.01</u>	<u>\$ (0.00)</u>	<u>\$ 0.42</u>
Net (loss) income per common share, diluted	<u>\$ (0.00)</u>	<u>\$ 0.01</u>	<u>\$ (0.00)</u>	<u>\$ 0.36</u>
Weighted average number of common shares outstanding, basic	<u>26,843,848</u>	<u>23,862,943</u>	<u>26,549,810</u>	<u>23,374,625</u>
Weighted average number of common shares outstanding, diluted	<u>26,843,848</u>	<u>27,196,277</u>	<u>27,349,810</u>	<u>26,707,959</u>

See the accompanying notes to these unaudited condensed consolidated financial statements

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2017**

	Common stock		Additional	Treasury	Accumulated	Non-	Total
	Shares	Amount	Paid in Capital	Stock	Deficit	controlling Interest	
Balance, December 31, 2016	24,631,327	24,631	24,020,610	—	(10,100,534)	1,011,649	14,956,356
Common stock issued in settlement of convertible debt, previously accrued	1,866,667	1,867	(1,867)	—	—	—	—
Common stock issued for services rendered	167,044	167	198,206	—	—	—	198,373
Purchase of 32,388 shares of Company's common stock at average cost of \$1.54 per share	—	—	—	(49,954)	—	—	(49,954)
Stock based compensation	306,000	306	126,342	—	—	—	126,648
Net income	—	—	—	—	70,944	(138,680)	(67,736)
Balance, June 30, 2017 <i>(unaudited)</i>	<u>26,971,038</u>	<u>\$26,971</u>	<u>\$24,343,291</u>	<u>\$(49,954)</u>	<u>\$(10,029,590)</u>	<u>\$ 872,969</u>	<u>\$15,163,687</u>

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(unaudited)*

	For the six months ended June 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) income	\$ (67,736)	\$ 9,907,397
Adjustments to reconcile net(loss) income to cash used in operating activities:		
Depreciation and amortization	382,912	435,750
Amortization of financing costs	—	15,654
Bad debt expense	504,350	529,718
Gain on sale of property	—	(9,212,346)
Common stock issued in connection with loan extension	—	92,000
Stock based compensation	325,021	334,433
Changes in operating assets and liabilities:		
Accounts receivable	(1,823,255)	(2,275,252)
Prepaid expenses and other current assets	(233,175)	95,617
Restricted funds	—	359,414
Employee loans	(210,703)	(412,113)
Accounts payable and accrued expenses	138,085	(650,425)
Settlement payable	—	(600,000)
Deposits	—	(22,698)
Deferred rent	103,743	145,038
Unearned income	17,101	(16,350)
Net cash used in operating activities	(863,657)	(1,274,163)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property	—	15,113,497
Purchase of equipment	(197,588)	(149,507)
Net cash (used in) provided by investing activities	(197,588)	14,963,990
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Repayments) of advances	—	(43,082)
Proceeds from notes payable	22,113	—
Proceeds from line of credit	—	372,636
Purchase of treasury stock	(49,954)	—
Payments on notes payable	(262,546)	(7,828,777)
Net cash used in financing activities	(290,387)	(7,499,223)
Net (decrease) increase in cash and cash equivalents	(1,351,632)	6,190,604
Cash and cash equivalents, beginning of period	4,593,638	1,594,998
Cash and cash equivalents, end of period	\$ 3,242,006	\$ 7,785,602
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for interest	\$ 62,181	\$ 237,943
Cash paid during the period for taxes	\$ —	\$ —
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Common stock issued in settlement of accrued expenses	\$ —	\$ 597,067

See the accompanying notes to these unaudited condensed consolidated financial statements

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 1 — BASIS OF PRESENTATION**

A summary of the significant accounting policies applied in the presentation of the accompanying unaudited condensed consolidated financial statements follows:

General

The (a) condensed consolidated balance sheet as of December 31, 2016, which has been derived from the audited financial statements of First Choice Healthcare Solutions, Inc. (“FCHS” and including, where appropriate, its consolidated subsidiaries and entities in which we have a controlling financial interest, the “Company”), and (b) the unaudited condensed consolidated interim financial statements as of June 30, 2017 and 2016 of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. To determine if we hold a controlling financial interest in an entity, we first evaluate if we are required to apply the variable interest entity (“VIE”) model to the entity, otherwise the entity is evaluated under the voting interest model.

Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of results that may be expected for the year ending December 31, 2017 or any other period. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2016 included in the Company’s Annual Report on Form 10-K/A, filed with the Securities and Exchange Commission (the “SEC”) on April 3, 2017.

Basis of Presentation

Effective April 4, 2012, Medical Billing Assistance, Inc., a Colorado corporation (“Medical Billing”), merged with and into the Company. The effect of the merger was that Medical Billing reincorporated from Colorado to Delaware (the “Reincorporation”). The Company is deemed to be the successor issuer of Medical Billing under Rule 12g-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Other than the foregoing, the Reincorporation did not result in any change in the business, management, fiscal year, accounting, and location of the principal executive offices, assets or liabilities of the Company.

On April 2, 2012, the Company completed its acquisition of First Choice Medical Group of Brevard, LLC (“FCMG - Brevard”), pursuant to the Membership Interest Purchase Closing Agreement (the “Purchase Agreement”). The Company has been managing the practice of First Choice – Brevard since November 1, 2011, pursuant to a Management Services Agreement.

*Brevard Orthopedic Spine & Pain Clinic, Inc.*

Effective May 1, 2015, the Company, through its wholly owned subsidiary, TBC Holdings of Melbourne, Inc., entered into an Operating and Control Agreement (the Agreement”) with Brevard Orthopaedic Spine & Pain Clinic, Inc. (“The B.A.C.K. Center”), whereby we have sole and exclusive management and control of The B.A.C.K. Center, including, but not limited to, administrative, financial, facility and business operations including the requirement to absorb losses or right to receive economic benefits. We issued 3,000,000 options to purchase our Company’s Common Stock at \$1.35 per share to The B.A.C.K. Center employees providing specific qualifications are met. The initial term of the Agreement relating to the options expired on December 31, 2016, with the Company having the right to extend the term until December 31, 2023. We exercised our option to extend the term until December 31, 2017.

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

The Agreement allows the Company to hold the current or potential rights that give it the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, combined with a variable interest that gives the Company the right to receive potentially significant benefits or the obligation to absorb potentially significant losses. The Company has a controlling financial interest in the VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally. When changes occur to the structure of the entity, the Company will reconsider whether it is subject to the VIE model. The Company continuously evaluates whether it has a controlling financial interest in the VIE.

*Crane Creek Surgery Center*

Effective October 1, 2015, the Company, through its wholly owned subsidiary, CCSC Holdings, Inc., acquired a 40% interest in Crane Creek Surgery Center ("Crane Creek"). In connection with the investment, the Company is entitled to 51% voting rights for all decisions that most significantly affect the economic performance of Crane Creek. The 40% equity interest acquired entitles the Company to 40% of the profit or loss of Crane Creek.

Non-controlling interests relate to the third-party ownership in a consolidated entity in which the Company has a controlling interest. For financial reporting purposes, the entity's assets, liabilities, and operations are consolidated with those of the Company, and the non-controlling interest in the entity is included in the Company's consolidated financial statements as a component of total equity.

The unaudited condensed consolidated financial statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries: Marina Towers, LLC, FCID Medical Inc., TBC Holdings of Melbourne, Inc., First Choice – Brevard, Surgical Partners of Melbourne, Inc. and CCSC Holdings, Inc., along with two VIEs, The B.A.C.K. Center and Crane Creek. All significant intercompany balances and transactions, including those involving the VIEs, have been eliminated in consolidation.

**NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES**

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the recoverability and useful lives of long-lived assets, provision against bad debt, the fair value of the Company's stock, and stock-based compensation. Actual results may differ from these estimates.

Revenue recognition

The Company recognizes revenue when: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed or determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

ASC 605-10 incorporates Accounting Standards Codification subtopic 605-25, "*Multiple-Element Arrangements*" ("ASC 605-25"). ASC 605-25 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing ASC 605-25 on the Company's financial position and results of operations was not significant.

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

The Company recognizes in accordance with Accounting Standards Codification subtopic 954-310, "Health Care Entities" ("ASC 954-310"), significant patient service revenue at the time the services are rendered, even though it does not assess the patient's ability to pay. Therefore, The Company's interim and annual periods reports disclose both, its policy for assessing and disclosing the timing and amount of uncollectable patient service revenue recognized as doubtful. Qualitative and quantitative information about significant changes in the allowance for doubtful accounts related to patient accounts receivable are disclosed in the Company's reports. These estimates are based upon the history and identified trends for each of our payers.

Patient service revenue

The Company recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services provided. For uninsured or self-pay patients that do not qualify for charity care, the Company recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a portion of the Company's patient service revenue may be potentially uncollectible due to patients who are unable or unwilling to pay for the services provided or the portion of their bill for which they are responsible. Thus, the Company records a provision for bad debts related to potentially uncollectible patient service revenue in the period the services are provided.

Concentrations of credit risk

The Company's financial instruments that are exposed to a concentration of customer risk and accounts receivable risk. Occasionally, the Company's cash and cash equivalents in interest-bearing accounts may exceed FDIC insurance limits. The financial stability of these institutions is periodically reviewed by senior management. Revenues and accounts receivable are concentrated between two major payers with the approximate risk level outlined below.

Concentration of Risk

	Three and six months ended June 30,	
	2017	2016
<b>Revenue Concentration</b>		
Medicare	35.0%	30.0%
Commercial Payor 1	22.0%	21.0%
	June 30,	Dec 31,
	2017	2016
<b>Receivable Concentration</b>		
Medicare	34.6%	27.0%
Commercial Payor 1	15.5%	19.8%
Commercial Payor 2	12.4%	11.9%

Accounts receivables

As of June 30, 2017 and December 31, 2016, the Company's allowance for bad debts was \$3,455,094 and \$3,680,837, respectively.

Net (loss) income per share

Basic net (loss) income per common share is based upon the weighted-average number of common shares outstanding. Diluted net income per common share is based on the weighted-average number of common shares outstanding and potentially dilutive common shares outstanding and computed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Numerator:</b>				
Net (loss) income	\$ (131,575)	\$ 153,137	\$ 70,944	\$ 9,720,078
<b>Denominator:</b>				
Weighted-average common shares, basic	26,843,848	23,862,943	26,549,810	23,374,625
Weighted-average common shares, diluted	26,843,848	27,196,277	27,349,810	26,707,959
Basic:	\$ (0.00)	\$ 0.01	\$ 0.00	\$ 0.42

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

The diluted earnings per common share included the effect of 3,333,333 common shares issuable upon the conversion of debt for the three and six months ended June 30, 2016. The computation excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price of the common stock during the period.

Potentially dilutive common shares from convertible debt and from employee equity plans and issued warrants are determined by applying the treasury stock method to the assumed exercise of warrants and share options are were excluded from the computation of the diluted net income per share because their inclusion would be anti-dilutive. In addition, there were no vested restrict stock for periods presented. Potentially dilutive securities excluded from the basic and diluted net income per share are as follows:

	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
Convertible line of credit	800,000	—
Warrants to purchase common stock	1,875,000	4,324,630
Options to purchase common stock	3,000,000	3,000,000
Restricted stock awards	660,000	150,000
	<b>6,335,000</b>	<b>7,474,630</b>

Treasury Stock

The Company uses the cost method when it purchases its own common stock as treasury shares and displays treasury stock as a reduction of shareholders' equity.

Reclassification

Certain reclassifications have been made to prior period's data to conform to the current year's presentation. These reclassifications had no effect on reported income or losses.

Recent accounting pronouncements

In May 2014, the FASB issued ASU 2014-09—Revenue from Contracts with Customers (Topic 606). The guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The FASB delayed the effective date to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. In addition, in March and April 2016, the FASB issued new guidance intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. Both amendments permit the use of either a retrospective or cumulative effect transition method and are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early application permitted. The Company is assessing the impact of this new standard on its financial statements and has not yet selected a transition method.

In February 2016, the FASB issued ASU 2016-02—Leases (Topic 842), requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the income statement. The effective date of the new standard for public companies is for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance at the beginning of the earliest comparative period presented. The Company is evaluating the effect that the updated standard will have on its financial statements and related disclosures.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15—Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance for eight specific cash flow issues with respect to how cash receipts and cash payments are classified in the statements of cash flows, with the objective of reducing diversity in practice. The effective date for ASU 2016-15 is for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact of this new standard on its financial statements.

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

In January 2017, the FASB issued Accounting Standards Update (“ASU”) 2017-04, Intangibles – Goodwill and Other (Topic 350). The amendments in this update simplify the test for goodwill impairment by eliminating Step 2 from the impairment test, which required the entity to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining fair value of assets acquired and liabilities assumed in a business combination. The amendments in this update are effective for public companies for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805); Clarifying the Definition of a Business. The amendments in this update clarify the definition of a business to help companies evaluate whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this update are effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

Subsequent events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the condensed consolidated financial statements, except as disclosed.

**NOTE 3 – LIQUIDITY**

The Company incurred various non-recurring expenses in 2016 in connection with the planned development of its Healthcare Services Business. Management believes continued growth of earnings before interest, taxes, depreciation and amortization in 2017 will support improved liquidity.

The Company believes that the current cash balance and line of credit (see notes), along with continued execution of its business development plan, will allow the Company to further improve its working capital; and currently anticipates that it will have sufficient capital resources to meet projected cash flow requirements through the date at least one year from the filing of this report.

However, in order to execute the Company’s business development plan, which there can be no assurance we will achieve, the Company may need to raise additional funds through public or private equity offerings, debt financings, corporate collaborations or other means and potentially reduce operating expenditures. If the Company is unable to secure additional capital, it may be required to curtail its business development initiatives and take additional measures to reduce costs in order to conserve its cash.

**NOTE 4 — OTHER ASSETS**

Other assets are comprised of the following:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Goodwill (amount relating to VIE of \$899,465)	\$ 899,465	\$ 899,465
Deferred costs, net of amortization of \$699,062 and \$537,740	2,527,365	2,688,687
Patient list, net of accumulated amortization of \$105,000 and \$95,000	195,000	205,000
Patents, net of accumulated amortization of \$66,850 and \$57,300	219,650	229,200
Investments (amounts related to VIE of \$22,005)	22,005	22,005
Deferred tax asset	181,029	181,029
Deposits	2,571	2,571
Total other assets	<u>\$ 4,047,085</u>	<u>\$ 4,227,957</u>

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 5 — LINES OF CREDIT**

Line of credit, CT Capital

FCMG - Brevard entered into a Loan and Security Agreement (the "Loan Agreement") with CT Capital, Ltd., d/b/a CT Capital, LP, a Florida limited liability partnership (the "Lender"). Under the Loan Agreement, the Lender committed to make an accounts receivable line of credit in the maximum aggregate amount of \$2,500,000 to FCMG - Brevard with an interest rate of 6% per annum (the "Loan"). Interest is due and payable monthly. The Lender may convert up to \$2,000,000 of the outstanding principal amount or interest on the Loan into common stock of the Company at a conversion price of \$0.75 per share.

On March 30, 2017, the Company's Loan and Security Agreement with CT Capital, Ltd. ("Lender") was amended to extend the Maturity Date to June 30, 2018 (the "Loan") and further provide that neither the Company nor Lender shall effectuate any conversion of the Loan to the extent that after giving effect to any such conversion, the Lender would beneficially own in excess of 9.99% of the number of shares of our Company's shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of the Loan by the Lender.

As of June 30, 2017 and December 31, 2016, the outstanding balance was \$1,100,000 and the remaining principal amount the Lender can convert into common stock is \$600,000, subject to the limitations set forth above. The balance available on the line of credit is \$1,400,000 as of June 30, 2017.

Line of credit, Florida Business Bank

The B.A.C.K. Center is a party to a Promissory Note (the "Loan Agreement") with Florida Business Bank, a Florida banking corporation (the "Lender"). Under the Loan Agreement, the Lender committed to make an accounts receivable line of credit in the maximum aggregate amount of \$1,383,000 (as amended), with an interest rate of Prime floating plus 1.0%, as published in *The Wall Street Journal*, with a floor of 2.75% per annum (the "Loan") (as amended).

Interest shall be due and payable monthly and principal is due on demand. The outstanding principal balance plus all accrued but unpaid interest shall be due on demand (the "Maturity Date"). Upon default, the interest may be adjusted to the highest rate permissible by law.

The Loan is secured by all assets of The B.A.C.K. Center now owned or hereafter acquired. The assets constitute the collateral for the repayment of the Loan.

The Loan Agreement also includes covenants, representations, warranties, indemnities and events of default that are customary for facilities of this type. The advance rate is defined as: 60% of eligible accounts receivables. Eligible receivables include all Medicare and Medicaid receivables less than 90 days old multiplied by a factor of 0.25, plus all other receivables less than 90 days old multiplied by a factor of 0.50. As of June 30, 2017, The B.A.C.K. Center had not violated the loan covenants.

The obligations of The B.A.C.K. Center under the Loan Agreement are guaranteed by the shareholders of The B.A.C.K. Center. The Loan Agreement is also guaranteed in the amount of \$950,000 by related parties of The B.A.C.K. Center. As of June 30, 2017 and December 31, 2016, the outstanding balance on the Loan was \$439,524.

**NOTE 6 — COMMITMENTS AND CONTINGENCIES**

Litigations, Claims and Assessments

From time to time, we may become involved in lawsuits and legal proceedings which arise in the ordinary course of business including potential disputes with patients. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Our contracts with hospitals generally require us to indemnify them and their affiliates for losses resulting from the negligence of our physicians. Currently, we have no pending litigation that is deemed to be material.

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 7 — CAPITAL STOCK**

During the six months ended June 30, 2017, the Company issued an aggregate of 306,000 shares of its common stock to officers, employees and service providers at an aggregate fair value of \$301,840, which were earned and expensed in 2016.

During the six months ended June 30, 2017, the Company issued an aggregate of 167,044 shares of its common stock to service providers at an aggregate fair value of \$198,373.

During the six months ended June 30, 2017, the Company issued 1,866,667 shares of its common stock in exchange for \$1,400,000 in convertible debt. The value of shares was recorded as a share issuance liability as of December 31, 2016.

Treasury stock

In May 2017, the Board of Directors authorized a share repurchase of up to one million shares of the Corporation's common stock, the "Repurchase Plan". The Repurchase Plan does not have formal end date but will automatically terminate (a) when the aggregate number of shares purchase reach one million shares, (b) two business days after notice of termination, (c) the commencement of any voluntary or involuntary case or other proceeding seeking liquidation, reorganization or relief under any bankruptcy, insolvency or similar law or seeking the appointment of a trustee, receiver or other similar official or the taking of any corporate action by the Company to authorize any of the foregoing and (d) the public announcement of a tender offer or exchange offer for the Company securities of a merger, acquisition, recapitalization or other similar business combination which as a result the Company's equity securities would be exchanged for or converted into cash, securities or other property.

Share repurchases under this authorization may be made in the open market through unsolicited or solicited privately negotiated transactions, or in such other appropriate manner, and may be funded from available cash and the revolving credit facility. The amount and timing of the repurchases, if any, would be determined by the Corporation's management and would depend on a variety of factors including price, corporate and regulatory requirements, capital availability and other market conditions. Common stock acquired through the stock repurchase program would be held as treasury shares and may be used for general corporate purposes, including reissuances in connection with acquisitions, employee stock option exercises or other employee stock plans. As of June 30, 2017 the Company had purchased 32,388 shares at an average purchase price of \$1.54 per share, for aggregate proceeds of \$49,954.

**NOTE 8 — STOCK OPTIONS, WARRANTS AND RESTRICTED STOCK UNITS**

Restricted Stock Units ("RSU")

The following table summarizes the restricted stock activity for the six months ended June 30, 2017:

Restricted shares units issued as of December 31, 2016	660,000
Granted	—
Forfeited	—
Total Restricted Shares Issued at June 30, 2017	<u>660,000</u>
Vested at June 30, 2017	—
Unvested restricted shares as of June 30, 2017	<u>660,000</u>

At June 30, 2017, the Company determined that there is a 100% probability the performance based restricted stock units will be earned. The fair value of all restricted stock units vesting during the three and six months ended June 30, 2017 of \$63,324 and \$126,647, respectively, was charged to current period operations. Stock-based compensation expense related to restricted stock units was \$-0- for the three and six months ended June 30, 2016.

As of June 30, 2017, stock-based compensation related to restricted stock awards of \$425,506 remains unamortized and is expected to be amortized over the weighted average remaining period of 1.88 years.

**NOTE 9 — VARIABLE INTEREST ENTITY**

Brevard Orthopaedic Spine & Pain Clinic, Inc.

Effective May 1, 2015, the Company, through its wholly owned subsidiary, TBC Holdings of Melbourne, Inc., entered into an Operating and Control Agreement (the "Agreement") with Brevard Orthopaedic Spine & Pain Clinic, Inc. ("The B.A.C.K. Center"), whereby we have sole and exclusive management and control of The B.A.C.K. Center, including, but not limited to, administrative, financial, facility and business operations including the requirement to absorb losses or right to receive economic benefits. We issued 3,000,000 options to purchase our Company's Common Stock at \$1.35 per share with vesting contingent on The B.A.C.K. Center employees signing employment contracts with First Choice – Brevard. The initial term of the Agreement relating to the options expired on December 31, 2016, with the Company having the right to extend the term until December 31, 2023. We exercised our option to extend the term until December 31, 2017.

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

The Company has determined that The B.A.C.K. Center is a Variable Interest Entity (“VIE”). In evaluating whether the Company has the power to direct the activities of a VIE that most significantly impact its economic performance, the Company considers the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and the Company’s decision-making role, if any, in those activities that significantly determine the entity’s economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity’s future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

In determining whether the Company has the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, the Company evaluates all of its economic interests in the entity, regardless of form (debt, equity, management and servicing fees, and other contractual arrangements). This evaluation considers all relevant factors of the entity’s structure, including: the entity’s capital structure, contractual rights to earnings (losses), subordination of our interests relative to those of other investors, contingent payments, as well as other contractual arrangements that have potential to be economically significant.

The evaluation of each of these factors in reaching a conclusion about the potential significance of the Company’s economic interests is a matter that requires the exercise of professional judgment. The assets of The B.A.C.K. Center can only be used to settle obligations of the VIE, additionally, creditors of The B.A.C.K. Center do not have recourse against the general credit of the primary beneficiary.

The tables below summarize the assets and liabilities associated with The B.A.C.K. Center as of June 30, 2017 and December 31, 2016:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Current assets:		
Cash	\$ 608,790	\$ 355,491
Accounts receivable	4,860,247	4,830,054
Other current assets	827,864	691,847
Total current assets	6,296,901	5,877,392
Property and equipment, net	75,245	70,444
Other assets	22,005	22,005
Total assets	<u>\$ 6,394,151</u>	<u>\$ 5,969,841</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 987,774	\$ 904,684
Due to First Choice Healthcare Solutions, Inc.	3,159,066	2,867,539
Other current liabilities	677,447	677,446
Total current liabilities	4,824,287	4,449,669
Long term debt	1,708,550	1,658,858
Total liabilities	6,532,837	6,108,527
Non-controlling interest	(138,686)	(138,686)
Total liabilities and deficit	<u>\$ 6,394,151</u>	<u>\$ 5,969,841</u>

Total revenues from The B.A.C.K. Center were \$3,539,460 and \$6,970,115 for the three and six months ended June 30, 2017. Related expenses consisted primarily of salaries and benefits of \$1,814,747 and \$3,533,464, other operating expense of \$820,023 and \$1,676,505, general and administrative expenses of \$821,101 and \$1,541,333, depreciation of \$6,238 and \$12,400, interest and financing costs of \$4,481 and \$8,385; and other income of \$45,667 and \$91,351 for the three and six months ended June 30, 2017, respectively. (See Note 11 – Segment Reporting)

Total revenues from The B.A.C.K. Center were \$3,562,161 and \$6,955,158 for the three and six months ended June 30, 2016. Related expenses consisted primarily of salaries and benefits of \$1,762,710 and \$3,220,621, other operating expenses of \$782,619 and \$1,564,117, general and administrative expenses of \$769,315 and \$1,492,807, depreciation of \$5,701 and \$11,216, interest and financing costs of \$3,947 and \$7,394; and other income of \$44,506 and \$101,231 for the three and six months ended June 30, 2016, respectively. (See Note 11 – Segment Reporting)

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

Crane Creek Surgery Center

Effective October 1, 2015, the Company, through its then newly formed wholly owned subsidiary, CCSC Holdings, Inc., acquired a 40% interest in Crane Creek Surgery Center (“Crane Creek”).

In connection with the investment, the Company is entitled to 51% voting rights for all decisions that most significantly affect the economic performance of Crane Creek. The 40% equity interest acquired entitles the Company to 40% of the profit or loss of Crane Creek.

The Company has determined that Crane Creek is a Variable Interest Entity (“VIE”). In evaluating whether the Company has the power to direct the activities of a VIE that most significantly impact its economic performance, the Company considers the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and the Company’s decision-making role, if any, in those activities that significantly determine the entity’s economic performance as compared to other economic interest holders.

This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity’s future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

In determining whether the Company has the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, the Company evaluates all of its economic interests in the entity, regardless of form (debt, equity, management and servicing fees, and other contractual arrangements). This evaluation considers all relevant factors of the entity’s structure, including: the entity’s capital structure, contractual rights to earnings (losses), subordination of our interests relative to those of other investors, contingent payments, as well as other contractual arrangements that have potential to be economically significant. The evaluation of each of these factors in reaching a conclusion about the potential significance of the Company’s economic interests is a matter that requires the exercise of professional judgment.

The assets of Crane Creek can only be used to settle obligations of the VIE, additionally, creditors of the Crane Creek do not have recourse against the general credit of the primary beneficiary.

The tables below summarize the assets and liabilities associated with the Crane Creek as of June 30, 2017 and December 31, 2016:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Current assets:		
Cash	\$ 313,182	\$ 353,367
Accounts receivable	1,222,641	1,180,907
Other current assets	<u>116,757</u>	<u>129,430</u>
Total current assets	1,652,580	1,663,704
Property and equipment, net	578,647	623,185
Goodwill	899,465	899,465
Total assets	<u>\$ 3,130,692</u>	<u>\$ 3,186,354</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 635,366	\$ 461,489
Other current liabilities	251,588	251,588
Total current liabilities	<u>886,954</u>	<u>713,077</u>
Deferred rent	557,645	556,051
Total liabilities	1,444,599	1,269,128
Equity-First Choice Healthcare Solutions, Inc.	674,438	766,891
Non-controlling interest	1,011,655	1,150,335
Total liabilities and deficit	<u>\$ 3,130,692</u>	<u>\$ 3,186,354</u>

Total revenues from Crane Creek were \$1,248,252 and \$2,438,677 for the three and six months ended June 30, 2017. Related expenses consisted primarily of salaries and benefits of \$293,208 and \$591,507, practice supplies and operating expenses of \$875,132 and \$1,727,254, general and administrative expenses of \$168,009 and \$304,363, depreciation of \$28,145 and \$56,294, interest expense of \$473 and \$1,339 and miscellaneous income of \$7,279 and \$10,947 for the three and six months ended June 30, 2017, respectively. (See Note 11 – Segment Reporting)

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

Total revenues from Crane Creek were \$1,446,053 and \$2,717,361 for the three and six months ended June 30, 2016. Related expenses consisted primarily of salaries and benefits of \$314,056 and \$607,393, practice supplies and operating expenses of \$830,261 and \$1,539,907, general and administrative expenses of \$125,893 and \$235,168, depreciation of \$(22,244) and \$49,012, interest expense of \$1,361 and \$10,087, gain on sale of equipment of \$23,378 and \$23,378 and miscellaneous income of \$1,556 and \$2,938 for the three and six months ended June 30, 2016, respectively. (See Note 11 – Segment Reporting)

**NOTE 10 — NON-CONTROLLING INTEREST**

Effective May 1, 2015, the Company, through its wholly owned subsidiary, TBC Holdings of Melbourne, Inc., entered into an Operating and Control Agreement (the Agreement”) with Brevard Orthopaedic Spine & Pain Clinic, Inc. (“The B.A.C.K. Center”), whereby we have sole and exclusive management and control of The B.A.C.K. Center, including, but not limited to, administrative, financial, facility and business operations including the requirement to absorb losses or right to receive economic benefits. We issued 3,000,000 options to purchase our Company’s Common Stock at \$1.35 per share with vesting contingent on The B.A.C.K. Center employees signing employment contracts with First Choice – Brevard. The initial term of the Agreement relating to the options expired on December 31, 2016, with the Company having the right to extend the term until December 31, 2023. We exercised our option to extend the term until December 31, 2017.

A reconciliation of the non-controlling income attributable to the Company:

Net income attributable to non-controlling interest for the three months ended June 30, 2017:

Net income	\$	118,537
Average Non-controlling interest percentage of profit/losses		-0-%
Net income attributable to the non-controlling interest	\$	<u>-0-</u>

Net income attributable to non-controlling interest for the six months ended June 30, 2017:

Net income	\$	289,379
Average Non-controlling interest percentage of profit/losses		-0-%
Net income attributable to the non-controlling interest	\$	<u>-0-</u>

Net loss attributable to non-controlling interest for the three months ended June 30, 2016:

Net income	\$	133,258
Average Non-controlling interest percentage of profit/losses		-0-%
Net income attributable to the non-controlling interest	\$	<u>-0-</u>

Net loss attributable to non-controlling interest for the six months ended June 30, 2016:

Net income	\$	461,999
Average Non-controlling interest percentage of profit/losses		-0-%
Net income attributable to the non-controlling interest	\$	<u>-0-</u>

The following table summarizes the changes in non-controlling interest from December 31, 2016 through June 30, 2017:

Balance, December 31, 2016	\$	(138,686)
Transfer (to) from the non-controlling interest as a result of change in ownership		—
Net income attributable to the non-controlling interest		—
Balance, June 30, 2017	\$	<u>(138,686)</u>

Effective October 1, 2015, the Company, through its wholly owned subsidiary, CCSC Holdings, Inc., acquired a 40% interest in Crane Creek Surgery Center (“Crane Creek”). In connection with the investment, the Company is entitled to 51% voting rights for all decisions that most significantly affect the economic performance of Crane Creek. The 40% equity interest acquired entitles the Company to 40% of the profit or loss of Crane Creek.

A reconciliation of the non-controlling income attributable to the Company:

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

Net loss attributable to non-controlling interest for the three months ended June 30, 2017:

Net loss	\$	(109,435)
Average Non-controlling interest percentage of profit/losses		60%
Net income/loss attributable to the non-controlling interest	\$	<u>(65,662)</u>

Net loss attributable to non-controlling interest for the six months ended June 30, 2017:

Net loss	\$	(231,133)
Average Non-controlling interest percentage of profit/losses		60%
Net income/loss attributable to the non-controlling interest	\$	<u>(138,680)</u>

Net income attributable to non-controlling interest for the three months ended June 30, 2016:

Net income	\$	223,021
Average Non-controlling interest percentage of profit/losses		60%
Net income/loss attributable to the non-controlling interest	\$	<u>133,812</u>

Net income attributable to non-controlling interest for the six months ended June 30, 2016:

Net income	\$	312,198
Average non-controlling interest percentage of profit/losses		60%
Net income/loss attributable to the non-controlling interest	\$	<u>187,319</u>

The following table summarizes the changes in non-controlling interest from December 31, 2016 through June 30, 2017:

Balance, December 31, 2016	1,150,335
Transfer (to) from the non-controlling interest as a result of change in ownership	—
Net income attributable to the non-controlling interest	<u>(138,680)</u>
Balance, June 30, 2017	<u>\$ 1,011,655</u>

**NOTE 11 — SEGMENT REPORTING**

The Company reports segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company’s reportable segments. The Company has three reportable segments: FCID Medical, Inc., The B.A.C.K. Center and CCSC Holdings, Inc. (“CCSC”).

All reportable segments derive revenue for medical services provided to patients; and The B.A.C.K Center additionally derives revenue for subleasing space within its building and medical services provided to patients. With the aforementioned sale and leaseback of Marina Towers on March 31, 2016, the Company will no longer report segmented rental revenue received from third-party Marina Tower tenants under the segment heading “Marina Towers.” Rather, the Company has consolidated rental revenue received from third-party tenants of Marina Towers under the “Corporate” segment for both the 2017 and 2016 comparable reporting periods; and will continue to do so hereafter.

Information concerning the operations of the Company’s reportable segments is as follows:

Summary Statement of Loss for the three months ended June 30, 2017:

	FCID Medical	Brevard. Orthopaedic	CCSC	Corporate	Intercompany Eliminations	Total
Revenue:						
Net Patient Service Revenue	\$3,186,892	\$3,195,773	\$1,248,252	\$ —	\$ —	\$7,630,917
Rental revenue	—	343,687		443,267	(203,180)	583,774
Total Revenue	<u>3,186,892</u>	<u>3,539,460</u>	<u>1,248,252</u>	<u>443,267</u>	<u>(203,180)</u>	<u>8,214,691</u>
Operating expenses:						
Salaries & benefits	1,242,713	1,814,747	293,208	240,783	—	3,591,451
Other operating expenses	704,940	820,023	875,132	420,076	(188,348)	2,631,823
General and administrative	619,974	740,940	168,009	504,728	(14,832)	2,018,819
Depreciation and amortization	73,480	6,238	28,145	85,561	—	193,424
Total operating expenses	<u>2,641,107</u>	<u>3,381,948</u>	<u>1,364,494</u>	<u>1,251,148</u>	<u>(203,180)</u>	<u>8,435,517</u>
Net income (loss) from operations:	545,785	157,512	(116,242)	(807,881)	—	(220,826)

Interest income (expense)	(24,743)	(4,481)	(473)	(410)	—	(30,107)
Other income (expense)	<u>—</u>	<u>45,667</u>	<u>7,279</u>	<u>750</u>	<u>—</u>	<u>53,696</u>
Net Income (loss) before income taxes:	521,042	198,698	(109,436)	(807,541)	—	(197,237)
Income taxes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net income (loss)	521,042	198,698	(109,436)	(807,541)	—	(197,237)
Non-controlling interest	<u>—</u>	<u>—</u>	<u>65,662</u>	<u>—</u>	<u>—</u>	<u>65,662</u>
Net income (loss) attributable to First Choice Healthcare Solutions	<u>\$ 521,042</u>	<u>\$ 198,698</u>	<u>\$ (43,774)</u>	<u>\$ (807,541)</u>	<u>\$ —</u>	<u>\$ (131,575)</u>

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

Summary Statement of Loss for the six months ended June 30, 2017:

	FCID Metdical	Brevard Orthopaedic	CCSC	Corporate		Total
Revenue:						
Net Patient Service Revenue	\$6,047,878	\$6,286,352	\$2,438,677	\$ —	\$ —	\$14,772,907
Rental revenue	—	683,763	—	875,117	(396,743)	1,162,137
Total Revenue	<u>6,047,878</u>	<u>6,970,115</u>	<u>2,438,677</u>	<u>875,117</u>	<u>(396,743)</u>	<u>15,935,044</u>
Operating expenses:						
Salaries & benefits	2,337,949	3,533,464	591,507	482,907	—	6,945,827
Other operating expenses	1,296,091	1,676,505	1,727,254	828,937	(367,781)	5,161,006
General and administrative	1,145,283	1,379,738	304,363	754,230	(28,962)	3,554,652
Depreciation and amortization	143,221	12,400	56,294	170,997	—	382,912
Total operating expenses	<u>4,922,544</u>	<u>6,602,107</u>	<u>2,679,418</u>	<u>2,237,071</u>	<u>(396,743)</u>	<u>16,044,397</u>
Net income (loss) from operations:	1,125,334	368,008	(240,741)	(1,361,954)	—	(109,353)
Interest income (expense)	(52,301)	(8,385)	(1,339)	(156)	—	(62,181)
Other income (expense)	—	91,351	10,947	1,500	—	103,798
Net Income (Loss) before income taxes:	1,073,033	450,974	(231,133)	(1,360,610)	—	(67,736)
Income taxes	—	—	—	—	—	—
Net income (Loss)	1,073,033	450,974	(231,133)	(1,360,610)	—	(67,736)
Non-controlling interest	—	—	138,680	—	—	138,680
Net income (loss) attributable to First Choice Healthcare Solutions	<u>\$1,073,033</u>	<u>\$ 450,974</u>	<u>\$ (92,453)</u>	<u>\$(1,360,610)</u>	<u>\$ —</u>	<u>\$ 70,944</u>

Summary Statement of Income for the three months ended June 30, 2016:

	FCID Medical	Brevard Orthopaedic	The Crane Center	Corporate	Intercompany Eliminations	Total
Revenue:						
Net Patient Service Revenue	\$2,377,400	\$3,199,809	\$1,446,053	\$ —	\$ —	\$7,023,262
Rental revenue	—	362,352	—	267,486	—	629,838
Total Revenue	<u>2,377,400</u>	<u>3,562,161</u>	<u>1,446,053</u>	<u>267,486</u>	<u>—</u>	<u>7,653,100</u>
Operating expenses:						
Salaries & benefits	871,446	1,762,710	314,056	190,830	—	3,139,042
Other operating expenses	327,576	854,934	830,261	415,539	—	2,428,310
General and administrative	321,823	769,315	125,893	463,776	—	1,680,807
Depreciation and amortization	67,907	5,701	(22,244)	85,436	—	136,800
Total operating expenses	<u>1,588,752</u>	<u>3,392,660</u>	<u>1,247,966</u>	<u>1,155,581</u>	<u>—</u>	<u>7,384,959</u>
Net income (loss) from operations:	788,648	169,501	198,087	(888,095)	—	268,141
Interest income (expense)	(54,805)	(3,618)	(1,361)	8,731	—	(51,053)
Amortization of financing costs	—	(329)	—	—	—	(329)
Gain on sale of property	—	—	23,378	—	—	23,378
Other income (expense)	—	44,506	1,556	750	—	46,812
Net Income (loss) before income taxes:	733,843	210,060	221,660	(878,614)	—	286,949
Income taxes	—	—	—	—	—	—
Net income (loss)	733,843	210,060	221,660	(878,614)	—	286,949
Non-controlling interest	—	—	(133,812)	—	—	(133,812)

Net income (loss) attributable to First Choice Healthcare Solutions	<u>\$ 733,843</u>	<u>\$ 210,060</u>	<u>\$ 87,848</u>	<u>\$ (878,614)</u>	<u>\$ —</u>	<u>\$ 153,137</u>
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**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2017**

Summary Statement of Income for the six months ended June 30, 2016:

	<u>FCID Medical</u>	<u>Brevard Orthopaedic</u>	<u>The Crane Center</u>	<u>Corporate</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
<b>Revenue:</b>						
Net Patient Service Revenue	\$4,686,335	\$6,234,707	\$2,717,361	\$ —	\$ —	\$13,638,403
Rental revenue	—	720,451	—	695,732	(159,733)	1,256,450
Total Revenue	<u>4,686,335</u>	<u>6,955,158</u>	<u>2,717,361</u>	<u>695,732</u>	<u>(159,733)</u>	<u>14,894,853</u>
<b>Operating expenses:</b>						
Salaries & benefits	1,700,666	3,220,621	607,393	390,931	—	5,919,611
Other operating expenses	858,983	1,713,235	1,539,907	521,493	(159,733)	4,473,885
General and administrative	683,626	1,492,807	235,168	816,782	—	3,228,383
Depreciation and amortization	134,699	11,216	49,012	240,823	—	435,750
Total operating expenses	<u>3,377,974</u>	<u>6,437,879</u>	<u>2,431,480</u>	<u>1,970,029</u>	<u>(159,733)</u>	<u>14,057,629</u>
Net income (loss) from operations:	1,308,361	517,279	285,881	(1,274,297)	—	837,224
Interest income (expense)	(111,623)	(6,077)	(10,087)	(104,401)	—	(232,188)
Amortization of financing costs	—	(1,317)	—	(14,337)	—	(15,654)
Gain on sale of property	—	—	23,378	9,188,968	—	9,212,346
Other income (expense)	—	101,231	2,938	1,500	—	105,669
Net Income (loss) before income taxes:	1,196,738	611,116	302,110	7,797,433	—	9,907,397
Income taxes	—	—	—	—	—	—
Net income (loss)	1,196,738	611,116	302,110	7,797,433	—	9,907,397
Non-controlling interest	—	—	(187,319)	—	—	(187,319)
Net income (loss) attributable to First Choice Healthcare Solutions	<u>\$1,196,738</u>	<u>\$ 611,116</u>	<u>\$ 114,791</u>	<u>\$ 7,797,433</u>	<u>\$ —</u>	<u>\$ 9,720,078</u>

**NOTE 12 – SUBSEQUENT EVENTS**

On July 21, 2017, the Company returned 142,500 shares to treasury. The shares were originally issued on July 8 2015 for services to be rendered to the Company. As a result of contract cancellation the shares were returned.

On July 21, 2017, the Company and Mr. Timothy Skelton entered into a Separation and General Release Agreement. The agreement calls for Mr. Skelton to resign from his position as Chief Financial Officer, assist with the preparation of the second quarter 10Q filing and provide consulting services to the incoming Chief Financial Officer. For consideration for the above the Company has agreed to pay Mr. Skelton \$25,000 in cash for meeting certain performance criteria while an employee and to award 11,100 shares of Common Stock.

During July and August the Company continued its “Repurchase Plan” in the open market and purchased an additional 62,438 shares at an average purchase price of \$1.50 per share, for aggregate proceeds of \$93,824. The total aggregate shares purchased under the “Repurchase Plan” total 94,826 shares at an average purchase price of \$1.52, for aggregate proceeds of \$143,722.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

This quarterly report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934 (“Exchange Act”). Forward-looking statements reflect the current view about future events. When used in this quarterly report on Form 10-Q, the words “anticipate,” “believe,” “estimate,” “expect,” “future,” “intend,” “plan,” or the negative of these terms and similar expressions, as they relate to us or our management, identify forward-looking statements. Such statements, include, but are not limited to, statements contained in this quarterly report on Form 10-Q relating to our business strategy, our future operating results, and our liquidity and capital resources outlook. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees of assurance of future performance. We caution you therefore against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, without limitation, the execution of our strategy to grow our business by hiring additional physicians to create Medical Centers of Excellence that fit our defined criteria; evolving healthcare laws and regulations; changes in the rates or methods of third-party reimbursements for medical services; accelerated pace of consolidation in the hospital industry; changes in our medical technology as it relates to our services and procedures; any failures in our information technology systems to protect the privacy and security of protected information and other similar cyber security risks; our ability to raise capital to fund continuing operations; and other factors relating to our industry, our operations and results of operations and any new Medical Centers of Excellence that we may open. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.

Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

## Overview

First Choice Healthcare Solutions, Inc. (“FCHS,” “the Company,” “we,” “our” or “us”) is implementing the second phase of a defined growth strategy aimed at building a network of localized, integrated healthcare delivery platforms in key expansion markets throughout the Southeastern U.S. Our flagship platform in Melbourne, Florida is comprised of non-physician-owned medical centers of excellence, which concentrate on treating patients in the following specialties: Orthopaedics, Spine Surgery, Neurology and Interventional Pain Management; and provide a robust offering of related diagnostic and ancillary services – all centrally located in a geographic region.

Successful implementation of our first phase allowed us to confirm that by integrating the synergistic mix of Orthopaedic, Spine Surgery, Neurology and Interventional Pain specialties with related diagnostic and ancillary services and state-of-the-art equipment and technologies across legacy brick-and-mortar boundaries, we are able to effectively:

- provide patients with direct and convenient access to musculoskeletal and rehabilitative care via our best-in-class team of surgeons, physicians and care specialists, and wide array of ancillary and diagnostic services, which includes, but is not limited to, magnetic resonance imaging (“MRI”), X-ray (“X-ray”), durable medical equipment (“DME”) and rehabilitative care, including physical therapy (“PT”) and occupational therapy (“OT”).
- empower physicians to collaborate as a unified care team, optimizing care coordination and improving patient outcomes;
- advance the quality and cost effectiveness of our patients’ healthcare, thereby achieving faster recoveries at materially reduced cost to payors; and
- achieve strong, sustainable financial performance that serves to create long-term value for our stockholders.

Our goal is to build a network of non-physician-owned and operated Medical Centers of Excellence in diverse locations, primarily throughout the southeastern region of the United States. By centralizing current and future Centers’ business management functions, including call center operations, scheduling, billing, compliance, accounting, marketing, advertising, legal, information technology and record-keeping, at our corporate headquarters, we will maintain efficiencies and achieve scales of economies. We believe our structure will enable our staff physicians to focus on the practice of medicine and the delivery of quality care to the patients we serve, as opposed to having their time and attention focused on business administration responsibilities. As of June 30, 2017, we had 166 employees, including 13 doctors and nine physician assistants.

### *Our Healthcare Services Business*

We have operated as First Choice Healthcare Solutions, Inc., a Delaware corporation, since February 13, 2012. Our corporate address is 709 S. Harbor City Blvd., Suite 530, Melbourne, Florida, 32901 and our phone number is 321-725-0090. Our corporate website address is [www.myfchs.com](http://www.myfchs.com). Information contained in our website is not incorporated by reference herein. In 2016, we operated our business through seven wholly owned subsidiaries; and in 2017, we have operated our business through five wholly owned subsidiaries.

- FCID Medical, Inc. (“FCID Medical”) is the subsidiary under which we wholly own and operate First Choice Medical Group of Brevard, LLC (“FCMG”), our original Medical Center of Excellence located in Melbourne, Florida. First Choice Medical Group specializes in the delivery of Orthopaedics, Sports Medicine, Neurology and Interventional Pain Medicine, as well as diagnostic and ancillary services. The web site is [www.myfcmg.com](http://www.myfcmg.com).
- TBC Holdings of Melbourne, Inc. (“TBC Holdings”) is our wholly owned subsidiary that operates and controls Brevard Orthopaedic Spine & Pain Clinic, Inc., d/b/a The B.A.C.K. Center (“TBC”). Pursuant to an Operation and Control Agreement with The B.A.C.K. Center, TBC Holdings exercises effective control over the business of the practice to treat it as a Variable Interest Entity in accordance with Financial Accounting Standards Board and Accounting Standards Codification, effective May 1, 2015. As a result, we include the financial results of TBC in our consolidated financial statements in accordance with generally accepted accounting principles. TBC specializes in Orthopaedic Spine Surgery and Interventional Pain Management, and its website is [www.thebackcenter.net](http://www.thebackcenter.net).

In addition, TBC subleases 29,629 square feet of commercial office space to affiliated and non-affiliated tenants, including 18,828 square feet to Crane Creek Surgery Center (“CCSC”), located at 2222 South Harbor City Boulevard, Melbourne, Florida 32901, which is also TBC’s main medical practice location.

- CCSC Holdings, Inc. (“CCSC Holdings”) is our wholly owned subsidiary which acquired a 40% interest in Crane Creek Surgery Center (“CCSC”). The other owners are CCSC TBC Group, LLC, owned by Richard Hynes, M.D., FASC and Devin Datta, M.D.; and Blue Chip Crane Creek Investments, LLC, owned by NueHealth, LLC, which develops and manages world class ambulatory surgery centers and specialty hospitals across the United States. Dr. Hynes and Dr. Datta are both affiliated with The B.A.C.K. Center. Pursuant to the CCSC Restated and Amended Operating Agreement, CCSC Holdings now exercises sufficient control over the business of CCSC to treat it as a Variable Interest Entity in accordance with Financial Accounting Standards Board and Accounting Standards Codification, effective October 1, 2015. As a result, we include the financial results of CCSC in our consolidated financial statements in accordance with generally accepted accounting principles. CCSC is an AAAHC accredited facility dedicated to delivering excellent ambulatory care in a convenient, comfortable outpatient environment, and its website is [www.cranecreeksurgerycenter.com](http://www.cranecreeksurgerycenter.com).
- Up until its sale and leaseback on March 31, 2016, Marina Towers, a 78,000 square foot, Class A, six-story building located on the Indian River in Melbourne, Florida, was owned by our wholly owned subsidiaries, FCID Holdings, Inc. (“FCID Holdings”), which held 99% ownership, and MTMC of Melbourne, Inc., which held 1% ownership. On March 31, 2016, we completed the sale of Marina Towers to Global Medical REIT Inc. for a purchase price of \$15.45 million. In addition, our wholly owned subsidiary, Marina Towers, LLC, leased back the entire facility via a 10-year absolute triple-net master lease agreement that will expire in 2026 and has two successive options to renew the lease for five-year periods on the same terms and conditions as the primary lease term with the exception of rent, which will be adjusted to the prevailing market rent at renewal and will escalate in successive years during the extended lease period. In September 2016, both FCID Holdings and MTMC of Melbourne were dissolved and Marina Towers, LLC became wholly owned by First Choice Healthcare Solutions, Inc. Marina Towers subleases 38,334 square feet of commercial office space to non-affiliated tenants.

### **Results of Operations for the Three Months Ended June 30, 2017 and 2016**

#### *Revenues*

Total revenues increased 7% to \$8,214,691 for the three months ended June 30, 2017 as compared to revenues of \$7,653,100 for the same period in the prior year. The increase is primarily attributed by an increase in patient services revenue generated by First Choice Medical Group (“FCMG”), which increased by \$809,492, or 34%, after factoring provision for doubtful accounts. In addition, Brevard Orthopedic Spine & Pain Clinic, Inc. (“The B.A.C.K. Center”) patient services revenue declined by \$4,036 and Crane Creek Surgical Center (“Crane Creek”) declined by 14% for the same period last year. Rental revenue decreased by \$46,064, totaling \$583,774 and \$629,838 for the three months ended June 30, 2017 and 2016, respectively.

The provision for doubtful accounts during the second quarter of 2017 totaled \$239,354, which represents 3.0% of patient service revenue.

#### *Operating Expenses*

Operating expenses include the following:

	<b>Three Months Ended June 30, 2017</b>	<b>Three Months Ended June 30, 2016</b>
Salaries and benefits	\$ 3,591,451	\$ 3,139,042
Other operating expenses	2,631,823	2,428,310
General and administrative	2,018,819	1,680,807
Depreciation and amortization	193,424	136,800
<b>Total operating expenses</b>	<b>\$ 8,435,517</b>	<b>\$ 7,384,959</b>

The major components of operating expenses include practice salaries and benefits, practice supplies and other operating costs, depreciation and general and administrative expenses, which included legal, accounting and professional fees associated with being a public entity.

Salaries and benefits increased 14% to \$3,591,451 for the three months ended June 30, 2017, compared to \$3,139,042 for the three months ended June 30, 2016. The increase was primarily due to the addition of physicians, physician assistants and physical therapy professional personnel in the later part of 2016 and 2017. Other operating expenses increased 8% to \$2,631,823 from \$2,428,310 due to the increase in patient service volume from 2016 to 2017 stemming from the addition of new personnel and one-time expenses related to setting up two new physical therapy locations approved to open in May 2017.

General and administrative expenses increased to 20% to \$2,018,819 for the three months ended June 30, 2017 as compared to \$1,680,807 for the three months ended June 30, 2016. The increase primarily due to increased service provider costs in 2017 as compared to 2016 as a result of adding three orthopaedic doctors and their staff, and the opening of two new physical therapy centers.

Depreciation and amortization increased 41% from \$136,800 reported for the three months ended June 30, 2016 to \$193,424 reported for the three months ended June 30, 2017. The increase is primarily due to replacement of equipment in 2017.

#### ***Net Income (Loss) from Operations***

The net (loss) income from operations was \$(220,826) compared to \$268,141 for the same period in 2016, a decrease of 182%.

#### ***Interest Expense***

Interest expense decreased 41% to \$30,107 for the three months ended June 30, 2017, which compared to \$51,053 for the three months ended June 30, 2016. The decrease primarily is due to reduction in notes and a reduction of 56% of the accounts receivable line of credit with CT Capital at the end of 2016 as compared to the same period last year.

#### ***Net (Loss) Income***

As a result of all the above, we reported net loss of \$(131,575) for the three months ended June 30, 2017 as compared to net income from \$153,137 reported for the same three-month period in the prior year.

#### ***Segment Results***

The Company reports segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company’s reportable segments.

The following are the revenues, operating expenses and net income (loss) by segment for the three months ended June 30, 2017 and 2016, respectively.

With the aforementioned sale and leaseback of Marina Towers on March 31, 2016, the Company will no longer report segmented rental revenue received from third party Marina Tower tenants under the segment heading “Marina Towers.” Rather, the Company has consolidated rental revenue received from third party tenants of Marina Towers under the “Corporate” segment for both the 2017 and 2016 comparable reporting periods; and will continue to do so hereafter. The significant fluctuations in the line items are described above.

#### **For the Three Months Ended June 30, 2017:**

	<u>FCID</u> <u>Medical</u>	<u>Brevard.</u> <u>Orthopaedic</u>	<u>CCSC</u>	<u>Corporate</u>	<u>Intercompany</u> <u>Eliminations</u>	<u>Total</u>
Revenue:						
Net Patient Service Revenue	\$3,186,892	\$3,195,773	\$1,248,252	\$ —	\$ —	\$7,630,917
Rental revenue	—	343,687		443,267	(203,180)	583,774
Total Revenue	<u>3,186,892</u>	<u>3,539,460</u>	<u>1,248,252</u>	<u>443,267</u>	<u>(203,180)</u>	<u>8,214,691</u>
Total operating expenses	2,641,107	3,381,948	1,364,494	1,251,148	(203,180)	8,435,517
Net income (loss) from operations:	545,785	157,512	(116,242)	(807,881)	—	(220,826)

For the Three Months Ended June 30, 2016:

	FCID Medical	Brevard Orthopaedic	The Crane Center	Corporate	Intercompany Eliminations	Total
Revenue:						
Net Patient Service Revenue	\$2,377,400	\$3,199,809	\$1,446,053	\$ —	\$ —	\$7,023,262
Rental revenue	—	362,352		267,486	—	629,838
Total Revenue	2,377,400	3,562,161	1,446,053	267,486	—	7,653,100
Total operating expenses	1,588,752	3,392,660	1,247,966	1,155,581	—	7,384,959
Net income (loss) from operations:	788,648	169,501	198,087	(888,095)	—	268,141

**Results of Operations for the Six Months Ended June 30, 2017 and 2016**

*Revenues*

Total revenues increased 7% to \$15,935,044 for the six months ended June 30, 2017 as compared to revenues of \$14,894,853 for the same period in the prior year. The increase is primarily attributed by an increase in patient services revenue generated by First Choice Medical Group (“FCMG”), which increased by \$1,361,543, or 29%, after factoring provision for doubtful accounts. In addition, Brevard Orthopedic Spine & Pain Clinic, Inc. (“The B.A.C.K. Center”) patient services revenue increased by \$51,645 and Crane Creek Surgical Center (“Crane Creek”) declined by 10% for the same period last year. Rental revenue decreased by \$94,313, totaling \$1,162,137 and \$1,256,450 for the six months ended June 30, 2017 and 2016, respectively.

The provision for doubtful accounts during the first half of 2017 totaled \$504,350, which represents 3.3% of patient service revenue.

*Operating Expenses*

Operating expenses include the following:

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Salaries and benefits	\$ 6,945,827	\$ 5,919,611
Other operating expenses	5,161,006	4,473,885
General and administrative	3,554,652	3,228,383
Depreciation and amortization	382,912	435,750
Total operating expenses	<u>\$ 16,044,397</u>	<u>\$ 14,057,629</u>

The major components of operating expenses include practice salaries and benefits, practice supplies and other operating costs, depreciation and general and administrative expenses, which included legal, accounting and professional fees associated with being a public entity.

Salaries and benefits increased 17% to \$6,945,827 for the six months ended June 30, 2017, compared to \$5,919,611 for the six months ended June 30, 2016. The increase was primarily due to the addition of physicians, physician assistants and physical therapy professional personnel in the later part of 2016 and 2017. Other operating expenses increased 15% to \$5,161,006 from \$4,473,885 due to the increase in patient service volume from 2016 to 2017 stemming from the addition of new personnel and one-time expenses related to setting up two new physical therapy locations approved to open in May 2017.

General and administrative expenses increased to 10% to \$3,554,652 for the six months ended June 30, 2017 as compared to \$3,228,383 for the six months ended June 30, 2016. The increase primarily due to increased service provider costs in 2017 as compared to 2016.

Depreciation and amortization decreased 12% from \$435,750 reported for the six months ended June 30, 2016 to \$382,912 reported for the six months ended June 30, 2017. The decrease is primarily due to the sale/leaseback of our Marina Towers office building in first quarter 2016.

***Net Income (Loss) from Operations***

The net (loss) income from operations was \$(109,353) compared to \$821,570 for the same period in 2016.

***Gain on Sale of Property and Improvements***

Effective March 31, 2016, we sold and leased back Marina Towers under a sale/leaseback transaction via a 10-year absolute triple-net master lease agreement that expires in 2026. The Company has two successive options to renew the lease for five-year periods on the same terms and conditions as the primary non-revocable lease term with the exception of rent, which will be adjusted to the prevailing fair market rent at renewal and will escalate in successive years during the extended lease period. In connection with the sale, we reported a one-time gain on sale of property of approximately \$9.2 million for the six months ended June 30, 2016.

### **Interest Expense**

Interest expense decreased 73% to \$62,181 for the six months ended June 30, 2017, which compared to \$232,188 for the six months ended June 30, 2016. The decrease primarily is due to payoff of our Marina Towers mortgage in the first quarter of 2016 and a reduction of 56% of the accounts receivable line of credit with CT Capital at the end of 2016 as compared to the same period last year.

### **Net Income**

As a result of all the above, we reported net income of \$70,944 for the six months ended June 30, 2017 as compared to net income from \$9,720,078 reported for the same six-month period in the prior year.

### **Segment Results**

The Company reports segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company’s reportable segments.

The following are the revenues, operating expenses and net income (loss) by segment for the six months ended June 30, 2017 and 2016, respectively.

With the aforementioned sale and leaseback of Marina Towers on March 31, 2016, the Company will no longer report segmented rental revenue received from third party Marina Tower tenants under the segment heading “Marina Towers.” Rather, the Company has consolidated rental revenue received from third party tenants of Marina Towers under the “Corporate” segment for both the 2017 and 2016 comparable reporting periods; and will continue to do so hereafter. The significant fluctuations in the line items are described above.

#### **For the Six Months Ended June 30, 2017:**

	<u>FCID Medical</u>	<u>Brevard. Orthopaedic</u>	<u>CCSC</u>	<u>Corporate</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
Revenue:						
Net Patient Service Revenue	\$6,047,878	\$6,286,352	\$2,438,677	\$ —	\$ —	\$14,772,907
Rental revenue	—	683,763		875,117	(396,743)	1,162,137
Total Revenue	<u>6,047,878</u>	<u>6,970,115</u>	<u>2,438,677</u>	<u>875,117</u>	<u>(396,743)</u>	<u>15,935,044</u>
Total operating expenses	4,922,544	6,602,107	2,679,418	2,237,071	(396,743)	16,044,397
Net income (loss) from operations:	1,125,334	368,008	(240,741)	(1,361,954)	—	(109,353)

#### **For the Six Months Ended June 30, 2016:**

	<u>FCID Medical</u>	<u>Brevard Orthopaedic</u>	<u>The Crane Center</u>	<u>Corporate</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
Revenue:						
Net Patient Service Revenue	\$4,686,335	\$6,234,707	\$2,717,361	\$ —	\$ —	\$13,638,403
Rental revenue	—	720,451		695,732	(159,733)	1,256,450
Total Revenue	<u>4,686,335</u>	<u>6,955,158</u>	<u>2,717,361</u>	<u>695,732</u>	<u>(159,733)</u>	<u>14,894,853</u>
Total operating expenses	3,377,974	6,437,879	2,431,480	1,970,029	(159,733)	14,057,629
Net income (loss) from operations:	1,308,361	517,279	285,881	(1,274,297)	—	837,224

### **Liquidity and Capital Resources**

As of June 30, 2017, we had cash of \$3,242,006 and accounts receivables, net totaling \$10,855,735. This compared to cash of \$4,593,638 and accounts receivable, net of \$9,536,830 as of the end of 2016.

The Company believes that the current cash balance and line of credit (see notes, there is \$1,400,000 available as of June 30, 2017), along with continued execution of its business development plan, will allow the Company to further improve its working capital; and currently anticipates that it will have sufficient capital resources to meet projected cash flow requirements through the date at least one year from the filing of this report.

However, in order to execute the Company's business development plan, which there can be no assurance we will achieve, the Company may need to raise additional funds through public or private equity offerings, debt financings, corporate collaborations or other means and potentially reduce operating expenditures. If the Company is unable to secure additional capital, it may be required to curtail its business development initiatives and take additional measures to reduce costs in order to conserve its cash.

Net cash used in our operating activities for the six months ended June 30, 2017 totaled \$863,957, which compared to net cash used in our operations for the six months ended June 30, 2016 of \$1,274,163. The decrease in cash used for the six months ended June 30, 2017 was due primarily to increases in our operating assets of \$2,267,133 net with increases in our operating liabilities of \$258,929 as compared to \$2,232,334 and \$1,144,435 for the six months ended June 30, 2016.

Net cash flows used in investing activities was \$197,588 for the six months ended June 30, 2017, compared to \$14,963,990 provided by investing activities for the six months ended June 30, 2016. In 2016, we received \$15,113,497 net proceeds from the sale of Marina Towers. Purchases of equipment were \$197,588 and \$149,507 for the six months ended June 30, 2017 and 2016, respectively.

Net cash used in financing activities was \$290,387 for six months ended June 30, 2017, compared to net cash used in financing activities of \$7,499,223 for the six months ended June 30, 2016. The cash flows used in our financing activities were the result of:

	<b>Six Months ended June 30, 2017</b>	<b>Six Months ended June 30, 2016</b>
Payments for advances	\$ —	\$ (43,082)
Proceeds from note payable	22,113	—
Proceeds from line of credit	—	372,636
Purchase of treasury stock	(49,954)	
Payments on notes payable	(262,546)	(7,828,777)
Net cash used in financing activities	<u>\$ (290,387)</u>	<u>\$ (7,499,223)</u>

On March 31, 2016, in connection with the sale/leaseback transaction of Marina Towers, we paid off the outstanding mortgage balance of \$7,223,771.

Our aim is to distinguish our Medical Centers of Excellence from our competition by earning our Centers' reputations as premier destinations for clinically superior, patient-centric care which is coordinated across our patients' entire care continuums. By doing so, we deliver more meaningful and collaborative doctor-patient experiences, provide more accurate diagnoses resulting from care coordination, effective treatment plans, faster recoveries, and materially reduced costs.

Based on the dynamic growth taking place on Florida's Space Coast, we are currently estimating that the total market opportunity for Orthopaedic and Spine care approximates \$150 million annually, and we are working towards capturing a larger share of that market. In an effort to fully round out our Space Coast Platform, we have begun exploring opportunities to establish the infrastructure necessary to address a patient's end-to-end episode of care by offering both pharmacy and home health services. We are also planning to expand the number of PT/OT centers that we operate to provide greater travel convenience for our patients. Currently, we own and operate one state-of-the-art PT/OT center based in Melbourne. We anticipate that in 2017 we will expand to a total of five centers geographically situated across Brevard County, Florida, which extends 72 miles from north to south on Florida's east coast. Thus far in 2017, we have approval by the State Agency of Healthcare Administration to open two additional centers since May 2017.

Our longer term strategic focus is to grow primarily in select U.S. markets that can accommodate our unique business model. We have estimated there are in excess of 240 locations that might qualify for our model to be implemented. We are now studying and reviewing that list and narrowing it down to the top 10 that we feel would be a good fit to successfully replicating our current Platform. Our growth will be fueled by hiring best-in-class Orthopaedic physicians currently practicing in our target expansion markets. We will identify physicians in those markets that are seeking an alternative to owning and operating their own private practices or being employed by local hospitals. As necessary we will add diagnostic and ancillary services, to include an ambulatory surgery center, MRI, X-Ray, DME and PT/OT will also be added to these platforms.

Our business model is centered on our team of physicians being employees, thereby permitting us to optimize revenue generation from both physicians and ancillary services, while also providing our employed care providers with the ability to utilize our on-site diagnostic and ancillary services. Physician-owned practices, on the other hand, may be subject to prevailing federal regulations (e.g., The Ethics in Patient Referral Act of 1989, as amended; more commonly known as the “Stark Law”), which may limit their ability to refer patients for certain healthcare services provided by entities in which a physician-owner(s) has a financial interest.

We believe that our centralized system of back office operations will continue to allow us to achieve measurable cost and productivity efficiencies as we expand the number of centers and platforms we own and operate. We have specifically designed our centralized back office system to alleviate staff physicians from business administrative responsibilities associated with operating a medical practice or clinic, enabling them to focus strictly on caring for our patients (allowing “Doctors to be Doctors”). This is extremely attractive to physicians who own and manage their own private practices or clinics and devote valuable time and resources towards addressing business concerns – time and resources that might otherwise be spent on treating their patients.

There can be no assurance that our cash flow will increase in the near future from anticipated new business activities, or that revenues generated from our existing operations will be sufficient to allow us to continue to pursue new customer programs or profitable ventures.

### **Off Balance Sheet Arrangements**

We currently have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### **Critical Accounting Policies and Estimates**

Our unaudited condensed consolidated financial statements have been prepared by management in accordance with U.S. GAAP.

### **Recently Issued Accounting Pronouncements**

See Note 2 to the condensed consolidated financial statements, further management does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

### **Inflation**

The effect of inflation on our revenue and operating results was not significant.

### **Climate Change**

We believe that neither climate change, nor government regulations related to climate change, have had, or are expected to have, any material effect on our operations.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

As a smaller reporting company, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information required by this Item.

### **Item 4. Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

Pursuant to Rule 13a-15(b) under the Exchange Act, we carried out an evaluation, with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### ***Changes in Internal Control over Financial Reporting***

On July 27, 2017, the Company announced that it appointed Phillip J. Keller as its Chief Financial Officer and Corporate Secretary, who assumed the position on July 24, 2017. Mr. Keller succeeds Timothy K Skeldon, who has elected to resign as the Chief Financial Officer and Corporate Secretary, effective July 21, 2017.

There have been no other changes in our internal controls over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II

### Item 1. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

### Item 1A. Risk Factors

There have been no material changes to the Risk Factors reported in Item 1A of our Annual Report on Form 10-K/A for the year ended December 31, 2016.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

### Item 3. Defaults upon Senior Securities

There has been no default in the payment of principal, interest, sinking or purchase fund installment, or any other material default, with respect to any indebtedness of our Company.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

### Item 6. Exhibits

- 31.1 Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).\*
- 31.2 Certification by the Principal Accounting Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).\*
- 32.1 Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*
- 32.2 Certification by the Principal Accounting Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

\* Filed herewith.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**

Dated: August 14, 2017

By: /s/ Christian C. Romandetti  
Christian C. Romandetti  
Chief Executive Officer (Principal Executive Officer)

Dated: August 14, 2017

By: /s/ Phillip J. Keller  
Phillip J. Keller  
Chief Financial Officer (Principal Accounting Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Christian C. Romandetti, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of First Choice Healthcare Solutions, Inc. (the “registrant”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
- 4) The small business issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
- 5) I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: /s/ CHRISTIAN C. ROMANDETTI

Christian C. Romandetti

Chief Executive Officer

August 14, 2017

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Phillip J. Keller, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of First Choice Healthcare Solutions, Inc. (the “registrant”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
- 5) I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer’s auditors and the audit committee of the small business issuer’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: /s/ Phillip J. Keller  
Phillip J. Keller  
Chief Financial Officer (Principal Accounting Officer)

August 14, 2017

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of First Choice Healthcare Solutions, Inc. (the "Company"), as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Christian C. Romandetti, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ CHRISTIAN C. ROMANDETTI

Christian C. Romandetti

Chief Executive Officer

Dated: August 14, 2017

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of First Choice Healthcare Solutions, Inc. (the "Company"), as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Phillip J. Keller, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2017

By: /s/ Phillip J. Keller

Phillip J. Keller  
Chief Financial Officer (Principal Accounting Officer)

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