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

FORM 10-K

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

For the fiscal year ended: **December 31, 2024**

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 000-50009

PACIFIC HEALTH CARE ORGANIZATION, INC.

(Exact name of registrant as specified in its charter)

Utah

(State or other jurisdiction of incorporation or organization)

87-0285238

(I.R.S. Employer Identification No.)

19800 MacArthur Boulevard, Suites 306 & 307
Irvine, California

(Address of principal executive offices)

92612

(Zip Code)

Registrant's telephone number, including area code: **(949) 721-8272**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

None

Trading symbol

N/A

Name of each exchange on which registered

N/A

Securities registered pursuant to Section 12(g) of the Act:

\$.001 par value, common voting shares

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes No

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 (or for such shorter period that the registrant was required to file such reports), 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit 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 the 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 checked="" 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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant’s most recently completed second fiscal quarter was approximately \$3,849,120.

As of March 19, 2025, the issuer had 12,800,000 shares of its \$.001 par value common stock outstanding.

Documents incorporated by reference: None

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PACIFIC HEALTH CARE ORGANIZATION, INC.

Throughout this annual report on Form 10-K (this “annual report”), unless the context indicates otherwise, the terms, “we,” “us,” “our” or the “Company” refer to Pacific Health Care Organization, Inc., (“PHCO”) and our wholly owned subsidiaries Medex Healthcare, Inc. (“Medex”), Medex Managed Care, Inc. (“MMC”) and Medex Medical Management, Inc. (“MMM”). References to “fiscal year 2024” and “fiscal year 2023” mean the periods ended December 31, 2024, and 2023, respectively.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this annual report and in the documents incorporated by reference herein, if any, including without limitation, statements regarding our future events, financial condition or results of operations, business strategy, potential acquisitions, budgets, projected costs, liquidity, capital resources, and plans and objectives of management for future operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “foresee,” “future,” “intend,” “likely,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “should,” “strategy,” “will,” “would,” and other similar expressions and their negatives.

Forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which may be beyond our control. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof, and actual results could differ materially as a result of various factors. The following include some but not all of the factors that could cause actual results and financial condition to differ materially from those expressed or implied by forward-looking statements:

- competition within our industry, including competition from much larger competitors;
- our ability to retain existing customers and to attract new customers;
- cost reduction efforts by our existing and prospective customers;
- failure to retain or recruit, or changes in, officers and key employees, and uncertainties in our ability to maintain key consultants and advisors;
- reductions in workers compensation claims or the demand for our services, from whatever source;
- the loss, ineffective management, malfunction (including those resulting from cybersecurity incidences and breaches), or increased costs of third-party-provided technologies and services on which our operations rely;
- cybersecurity incidences and breaches, and other software system failures, and the imposition of laws imposing costly cybersecurity and data protection compliance;
- delays, reductions, or cancellations of contracts we have previously entered;
- changes in U.S. trade policies and retaliatory responses from other countries, including tariffs;
- The effects of and uncertainty surrounding the adoption, use and reliability of disruptive technologies such as artificial intelligence;
- the loss of or inability to obtain adequate insurance coverage;
- legislative and regulatory requirements or changes which could render our services less competitive or obsolete;
- business combinations involving our customers or competitors;

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- economic and labor market conditions generally and in the industries in which we and our customers participate, including the effects resulting from immigration laws and enforcement, economic recessions, financial sector turmoil, international conflicts, and rising domestic inflation and related economic policy responses; and
- our failure to successfully develop new services and/or products either organically or through acquisition, or to anticipate current or prospective customers' needs.

For more detailed information about particular risk factors related to the Company, see Item 1A *Risk Factors* below.

New risk factors emerge from time to time, and it is not possible for management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

One should not place undue reliance on forward-looking statements. Forward-looking statements are based on the beliefs of management as well as assumptions made by and information currently available to management and apply only as of the date of this annual report or the respective dates of the documents it incorporates by reference. Neither we nor any other person assumes any responsibility for the accuracy or completeness of forward-looking statements. Further, except to the extent required by law, we undertake no obligations to update or revise any forward-looking statements, whether as a result of new information, future events, or a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

The following discussion should be read in conjunction with our consolidated financial statements and the related notes contained elsewhere in this annual report and in our other filings with the Securities and Exchange Commission (the "Commission").

PART I

ITEM 1. BUSINESS

We are workers' compensation cost containment specialists providing a range of services principally to California employers and claims administrators. The Company was incorporated under the laws of the state of Utah in April 1970, under the name Clear Air, Inc. The Company changed its name to Pacific Health Care Organization, Inc., in January 2001. In February 2001, we acquired Medex, a California corporation organized in March 1994, in a share for share exchange. Medex is a wholly owned subsidiary of the Company. Medex is in the business of managing and administering both Health Care Organizations ("HCOs") and Medical Provider Networks ("MPNs") in the state of California, and providing worker's compensation carve-out and Medicare set-aside services. In March 2011, we incorporated MMC, a Nevada corporation, as a wholly owned subsidiary of the Company. MMC oversees and manages the Company's utilization review and bill review services. In February 2012, we incorporated MMM, a Nevada corporation, as a wholly owned subsidiary of the Company. MMM is responsible for overseeing and managing medical case management. We discontinued lien representation services in the third quarter of 2023 due to the lack of demand. Below is our corporate structure as of December 31, 2024.



Business of the Company

We offer an integrated and layered array of complementary business solutions that enable our customers to better manage their workers' compensation-related healthcare administration costs. We are constantly looking for ways to expand the suite of services we can provide our customers, either through strategic acquisitions or organic development.

Our business objective is to deliver value to our customers by reducing their workers' compensation-related medical claims expenses in a manner that will ensure that injured employees receive high quality healthcare that allows them to recover from an injury and return to gainful employment without undue delay. According to studies conducted by auditing bodies on behalf of the California Division of Workers' Compensation, ("DWC") the two most significant cost drivers for workers' compensation are claims frequency and longer than average treatment duration. Our services focus on ensuring timely medical treatment to reduce the claim duration and medical treatment costs.

Our services include providing customers access to our HCOs and MPNs. We also provide medical bill review, medical case management, employee advocate services, utilization review, workers' compensation carve-outs and Medicare set-aside services. Complementary to these services, we also provide expert witness testimony. We offer our services as a bundled solution, as standalone services, or as add-on services.

Our core services focus on reducing medical treatment costs by enabling our customers to have control and oversight of the medical treatment of their injured employees to ensure treatment is timely and appropriate. This control is primarily obtained by participation in our HCOs or one of our MPNs. Through Medex, we hold two of three total licenses issued by the state of California to establish and manage HCOs within the state of California. We hold several government-issued licenses to operate medical provider networks. We also hold approvals issued by the state of California to function as an MPN and currently administer 22 MPNs. Our HCO and MPN programs provide our customers with provider networks within which the customer has some ability to direct the administration of the claim. This is designed to decrease the incidence of fraudulent claims and disability awards, and ensure injured employees receive necessary vocational rehabilitation and training. Our medical bill and utilization review services provide oversight of medical billing and treatment requests, and our medical case management and employee advocate services keep workers' compensation claims progressing to a resolution and assure treatment plans are aligned from a medical perspective.

Our customers include self-administered employers, insurers, third party administrators, municipalities, and others. Our principal customers are companies with operations located in the state of California where the cost of workers' compensation insurance is a critical problem for employers, though we process medical bill reviews, utilization reviews and provide medical case management and employee advocate services in several other states. Our provider networks, which are located only in California, are comprised of providers experienced in treating occupational injuries.

Our business has a long sales cycle, typically eight months or more. Once we have established a customer relationship and enrolled the employees of our employer customers, we anticipate our revenue to adjust with the growth or retraction of our customers' employee headcount. We also expect growth and retraction of employee headcounts throughout the year as we gain new customers and lose existing customers. The reasons for customer terminations vary but include when a customer opts to use a different workers' compensation administration vendor; engages an insurance carrier or third-party administrator that uses a different workers' compensation administration vendor; and when our contract ends with state and local governments and they are required to engage in a public bidding process for their workers' compensation administration vendor.

Health Care Organizations

An HCO is a network of health care providers specializing in the treatment of workplace injuries and in back-to-work rehabilitation for our customers' injured employees. HCOs provide injured employees with a network of health care providers in the event of a workers' compensation injury, while providing their employer (our customer) control over medical treatment and costs. In most cases, our HCOs give the employer up to 180 days of medical control in an HCO within which the employer can direct the administration of the claim. The injured employee may change providers once during this period but may not go to an out-of-network provider. The increased length of time during which the employer has control over administration of the claim is designed to decrease the incidence of fraudulent claims and disability awards. The right for the employer to control treatment within a network is based upon the notion that if the employer can direct care, it will facilitate timely and appropriate medical care and reduce the total cost of the claim.

Our two HCO licenses (respectively referred to as "Medex HCO" and "Medex 2 HCO") allow us to provide comprehensive medical provider networks throughout California. Our HCO networks are composed of medical providers experienced in treating worker injuries. We have contracted with approximately 6,859 and 7,939 individual medical providers and clinics for Medex HCO and Medex 2 HCO, respectively, as well as hospitals, and rehabilitation centers. Our customers select one of the Medex HCO networks in which to enroll their employees based on the medical groups in the network. During initial enrollment and during the period of re-enrollment, our customers' employees have the option to opt out of the HCO by predesignating their primary care physician to manage a workplace injury. If the employee opted out and is later injured on the job, their primary care physician would be authorized to oversee their medical care. Otherwise, the employer would be able to select the provider to oversee their medical care.

We continually review and update our networks with provider additions and removals based on feedback from internal operations, our customers, and their claims administrators. All our network providers' credentials are reviewed and vetted by Medex.

Our HCO networks are required to be recertified every three years. The Medex HCO has been recertified through March 15, 2028, and the Medex 2 HCO through October 9, 2027. HCO guidelines impose certain medical oversight, reporting, information delivery and usage fees on HCOs. These requirements increase the administrative costs and obligations on HCOs compared to MPNs.

Medical Provider Networks

Like an HCO, an MPN is a network of health care providers, but health care providers participating in MPNs are not required to have the same level of medical expertise in treating workplace injuries. Under an MPN program the employer dictates which provider the injured employee will see for the initial visit. After the initial visit, the employee has the discretion to choose which provider in the network will continue treatment of the claim. However, the employee's choice of provider is limited to those within the MPN for the life of the claim and the employee cannot opt-out of the MPN, which is a benefit to our customers. While the injured employee is limited to treatment by providers within the MPN, the California MPN laws and regulations allow the injured employee to dispute treatment decisions, provide for second and third medical opinions, and permit case review by an independent medical reviewer whose decision can result in the employer losing control over medical treatment of the employee.

Unlike our HCOs, our MPNs do not require our customers to pay annual enrollment fees, nor do they require our customers to comply with annual enrollment notice delivery requirements. As a result, there are fewer administrative costs to customers associated with an MPN program. This allows our MPNs to market their services at a lower cost to employers than our HCOs. For this reason, many customers may opt to use the MPN even though it provides customers with fewer rights to control medical treatment of employee injury claims.

We have received approval for and currently administer 22 MPNs. Customers can choose between two of our off-the-shelf MPNs, which serve as stand-alone networks or the foundation for the customer to customize their own MPN, in which they can add or remove specific providers or clinics. Each MPN must be reappraised every four years for each customer based on the date the MPN was approved by the California Division of Workers' Compensation.

HCO and MPN Hybrid Offering

As a licensed HCO and approved MPN, in addition to offering HCO and MPN programs, we are also able to offer our customers a combination of the HCO and MPN programs. Under this program, a customer can enroll its employees in our HCO program, and then prior to the expiration of the 180-day treatment period under the HCO program, the customer (the employer) can then enroll their injured employees into our MPN program to keep the medical care within their network of providers. This allows our customers to take advantage of both programs, which is what our HCO customers typically do. To our knowledge, Medex is currently the only entity in California offering this hybrid program.

Medical Case Management

Medical case management oversees injured employees' medical treatment to ensure that it progresses to a resolution and ensures treatment plans are aligned from a medical perspective. Medical case management is a collaborative process that assesses, evaluates, coordinates, implements and monitors medical treatment plans and the options and services required for occupational injuries. At the direction of the employer, medical case managers function as liaisons between the injured employee, claims adjuster, medical providers, and workers' compensation attorneys to achieve optimal results for the injured employee and their employer.

Our medical case management services are performed by nurses who are credentialed by the state and have expertise in various clinical areas and backgrounds in workers' compensation matters. This combination allows our nurses the opportunity to facilitate medical treatment that addresses the nuances of workers' compensation, which may include litigation. By utilizing these services our customers can ensure that the injured employee receives quality medical treatment in a timely and appropriate manner to help the employee return to work and close the workers' compensation claim. We also offer employee advocate services, which is similar to medical case management in that it utilizes our medical case managers to oversee an injured employee's medical treatment; however, the employee advocate assists the injured worker in resolving any disputes between the employer and the claims adjusters that may arise. The employee advocate is given authorization by the employee to contact others on the employee's behalf, such as claims adjusters, medical employees, lien claimants, human resources, return to work programs, unions, and employers, in order to facilitate resolution of the dispute.

Medical Bill Review

Medical bills are one of the biggest expenses that an employer's workers' compensation insurance company must pay for. To curtail these expenses, our customers utilize our medical bill review services to review medical bills for services rendered to an injured employee. We provide professional analysis of medical provider services and equipment billing to ascertain proper reimbursement. Our review of medical bills includes coding review and re-bundling, confirming that the services are customary and reasonable, fee schedule compliance, out-of-network bill review, pharmacy review, and preferred provider organization repricing arrangements. While some states have adopted fee schedules, which regulate the maximum allowable fees payable under workers' compensation for procedures performed by a variety of health treatment providers, many procedures are not covered by fee schedules and are still subject to review and negotiation.

Medical bill review services can result in significant claims savings. Our medical bill services are primarily within the state of California, but we process medical bill reviews in several other states. Out of state medical bill reviews typically are the result of an injured California employee moving to a different state, but who still requires medical care under an open workers' compensation claim.

Utilization Review

Utilization review, also known as utilization management, is required by law in all states for workers' compensation claims. Utilization review evaluates the medical necessity of proposed treatment by comparing medical treatment requests against accepted medical guidelines. Its purpose is to serve as a safeguard against payor liability for medical costs that are not medically appropriate or approved by the relevant medical and legal authorities. Reviews of medical treatment requests are conducted at the appropriate qualification level for the request by a nurse, peer-to-peer provider, a specialist or a medical director and within the timelines set by the relevant laws and regulations.

Our utilization review services provide an electronic intake of medical treatment requests, collection and review of the submitted documentation required for processing, and submission to the appropriately qualified reviewer for approval, modification, denial, or request for more information for the requested treatment. Once a determination is made, we process the request and notify all the stakeholders in the injured employee's claim within the regulated timeframe.

Medicare Set-Aside

Medicare set-aside services for workers' compensation claims is a financial agreement that allocates a portion of a workers' compensation settlement to pay for future medical services related to the work-place injury, illness, or disease. The purpose of the set-aside arrangement is to provide funds to the injured party to pay for future medical expenses that would not be covered by Medicare. This program affords our customers an effective way to overcome complications after settlement and avoids unnecessary costs attached to the claim.

Workers' Compensation Carve-Outs

Certain employers can opt out of the standard workers' compensation regulatory dispute resolution scheme through carve-out agreements that comply with state statutory and regulatory requirements. More specifically, carve-out agreements permit employers and employees to establish alternative dispute resolution arrangements to resolve disputes in the context of workers' compensation. These carve-out agreements are made between employers and the collective bargaining units representing the employer's covered employees.

Utilizing our knowledge of the friction in the California workers' compensation system, and the objectives of employers and the unions, we assist in guiding the negotiation of legal agreements for the implementation of workers' compensation carve-outs for California customers and provide services that reflect the parties' agreement regarding alternative dispute resolution arrangements. Under such carve-out agreements certain customers can access our HCOs, MPNs and medical case management program.

Expert Witness Testimony

As an ancillary service to our HCO and MPN services, we provide expert witness testimony before the California Workers Compensation Appeals Board. The fees we charge for this service include reimbursement of expert witness fees and travel and lodging expenses for all HCO customers except for one, whose fees are included in their monthly global fee.

Lien Representation

As of the third quarter of 2023, we discontinued providing lien representation services due to lack of customer demand.

Marketing, Customers and Pricing

We provide services to virtually any size employer in the state of California as well as insurers, third party administrators, self-administered employers, municipalities, and other industries. We also provide some customers utilization review, medical case management, and medical bill review services outside the state of California, typically to employees who suffered a workplace injury in California and then relocated to another state.

Our marketing and sales efforts focus primarily on customer referrals, conference presentations and responding to requests for proposals. We service both local and national accounts, however, with an emphasis on California focused markets. Our sales and marketing activities are conducted by account managers with the assistance of our executive team members. We do not market our services outside the state of California.

During fiscal year 2024, three major customers combined accounted for 43% of sales, approximately 21%, 11%, and 11%, respectively. By comparison, during fiscal year 2023 our three largest customers accounted for 43% of sales, approximately 23%, 10%, and 10%, respectively.

Our services can be integrated to allow for partial or full bundling of services and the sharing of information that creates efficiencies to further reduce the costs of claims. For example, our bundled services have allowed some customers to achieve up to a 70% reduction in the cost of injury claim resolution while maintaining superior treatment for their injured employees. The cost to our customers for our bundled services is generally the same as if the services were purchased individually.

Competition

We were one of the first commercial enterprises capable of offering HCO services and MPN services in California. While there are few HCO competitors, there are many MPN companies who compete in this market. Many of these competitors are larger than us and may have greater financial, research and marketing experience and resources than we do, and they may therefore represent substantial long-term competition. As of December 31, 2024, in California there were three certified health care organization licenses issued to two companies, and we own two of the three licenses. As such, we consider our current, direct HCO competition limited to one licensee business. On the other hand, there are minimal requirements for establishing MPNs and therefore, as of December 31, 2024, there were approximately 2,518 active MPNs in the state of California according to the DWC MPN website. Of these, we have received approval for and administer 22 MPNs.

We compete on both quality and price of services. We maintain quality of service by virtue of the training, skill, and experience of our professional staff and outside consultants. We compete on price through our integration of robust information technology systems we license from various vendors. We focus our business primarily on those employers and payors who use our HCO and/or MPN services. We anticipate that this focus will keep most of this business stable and renewable. However, periodically we expect that large customers may establish the in-house capability, or their third-party administrators may offer a discounted bundle for the services we offer, as this has occurred in the past. Further, if we are unable to compete effectively either because of a degradation in quality-of-service delivery resulting from, for example, a reduction in the skill and experience of our personnel or our inability to effectively manage, maintain or upgrade our information technology systems, it may be difficult for us to retain current customers or add new customers. A loss of customers, from whatever source, could materially and adversely affect our business, financial condition, and results of operations.

We rely on our well-trained and knowledgeable in-house professionals to develop service offerings that target the needs of our customers, all of whom seek efficient and effective resolution of workplace injuries and workers' compensation claims. For example, we contract directly with medical providers based on quality determinations rather than the provision of discounted medical services. We believe this provides us with a competitive advantage because we can market a direct relationship with providers who have demonstrated expertise in treating occupational injuries and writing credible medical reports. These qualities contribute to quicker resolution of workplace injuries and workers' compensation claims. We believe these qualities also provide more competitive value than relying on third party relationships or discounts alone.

We offer both HCO and MPN programs to potential customers, as well as an HCO/MPN combination model, which we believe also gives us a competitive advantage, because of the way the network was created. While some of our competitors offer either HCO or MPN services, to our knowledge, none of our competitors offer this type of HCO/MPN combination model.

Governmental Regulation

Managed care programs for workers' compensation are subject to various laws and regulations. The nature and degree of applicable regulation varies by state and by the specific services provided. Notably, services such as our HCOs, MPNs, and utilization review services that provide or arrange for the provision of healthcare services are subject to numerous, complex regulatory requirements that govern many aspects of our conduct and operations. These laws and regulations impose evolving administrative and legal burdens, expense, and risks to our business, but also provide a regulated environment in which our expertise and experience help us provide valuable services for our customers based on proven strategies that work within the existing system.

The provision of workers' compensation managed care in the state of California is governed by legislation and secondary regulations. We are required to be licensed or receive regulatory approval to operate our HCO and MPN networks. Medex has recertified the "Medex HCO" through March 15, 2028, and the "Medex 2 HCO" through October 9, 2027. Our MPN networks are required to be reapproved every four years based upon when the MPN went into effect for each customer.

MMC is required to be accredited by the independent, nonprofit accreditation entity Utilization Review Accreditation Commission ("URAC") in California to perform utilization review and is subject to a routine investigation by the state of California every five years. MMC has received full Utilization Management Accreditation for Workers' Compensation as a Utilization Review Organization from URAC. The full accreditation requires us to have and follow specific policies and procedures for our utilization review services and demonstrate our commitment to quality and adherence to nationally recognized guidelines. MMC must apply for URAC reaccreditation every three years and was most recently reaccredited on January 1, 2024. The costs to be accredited by URAC for Workers' Compensation Utilization Management for three years is \$36,000. URAC accreditation also allows us to provide utilization review services nationally as it is widely accepted as an alternative credential to state specific licenses and certificates.

The services we provide have developed largely in response to legislation or other governmental action. In many jurisdictions, such as California, licensing laws and regulations generally grant broad discretion to supervisory authorities to adopt and amend regulations and to supervise regulated activities. Changes in the legislation, or rules and regulations regulating workers' compensation may create greater or lesser demand for the services we offer or require us to develop new or modified services to meet the needs of the marketplace and compete effectively. Such changes could also have an impact on our costs for providing services, potentially to levels that make our services unattractive or unaffordable to existing or potential customers. We could also be materially and adversely affected if the state of California were to elect to reduce the extent of medical cost containment strategies available to insurance companies and other payors or adopt other strategies for cost containment that would not support demand for our services. To proactively address such possibilities, we have engaged a California-based lobbyist with expertise in workers' compensation.

Healthcare reform remains a topic of considerable discussion at both the federal and state level. Due to uncertainties regarding the ultimate features of future reform initiatives and the timing of their enactment, we cannot predict which, if any, reforms will be adopted, when they may be adopted, or what impact they may have on our business or within the industry in which we participate. However, because workers' compensation is primarily a disability program, not the focus of recent healthcare reform discussions, we do not anticipate that healthcare reform would significantly impact workers' compensation.

Employees

Including the employees of our subsidiaries, as of March 13, 2025, we had a total of 29 full-time employees and one part-time employee. We also use the services of several consultants. Over the next twelve months, we anticipate hiring one additional employee in order to grow our employee advocate program.

Reports to Security Holders

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy and information statements and other filings pursuant to Sections 13, 14 and 15(d) of the Exchange Act, and amendments to such filings with the Commission. The public may read and copy any materials we file with the Commission at its Public Reference Room at 100 F Street N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Commission maintains its internet site www.sec.gov, which contains reports, proxy and information statements and our other Commission filings. We also post electronic copies of our quarterly and annual reports on our website www.pacifichealthcareorganization.com, which can be viewed or downloaded free of charge. Materials and information on our website are not part of or otherwise incorporated into this annual report.

ITEM 1A. RISK FACTORS

The risks and uncertainties described in the risk factors below are those that we currently consider material. You should carefully consider these risk factors, together with the statements contained elsewhere in this annual report, including our financial statements and the other reports we file with the Commission, in evaluating us or before making an investment in our common stock. The occurrence of any of the following risks or uncertainties, or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial, could materially and adversely affect our business, financial position, results of operations, liquidity, cash flows, or reputation.

You should not draw any inference as to the magnitude or likelihood of any particular risk from its position or categorization in the following discussion. Further, the headings and subheadings of the risk factors are organized based on certain shared characteristics with other risk factors, but each risk factor should be read without limiting its application or content to the heading under which it is organized.

Customer, Vendor and Competition Related Risks

A significant percentage of our revenue is generated from a few customers, the loss of one or more of which could have a material impact on our results of operations, cash flows and financial condition.

A significant portion of operating revenue is received from a relatively small group of customers. Combined sales for three customers accounted for approximately 43% and 43% of our total revenue in fiscal year 2024 and fiscal year 2023, respectively.

We cannot guarantee that significant customers will not, at some point, terminate or reduce our services. This has happened in the past. The loss of one or more significant customers has historically had an adverse impact on our business, results of operations, cash flows and financial condition, sometimes materially. While we continue to work to lessen our dependence on a few customers, we believe this will continue to be a risk in the foreseeable future.

Most of our customer contracts permit either party to terminate without cause. In the past, for example, we have lost customers due to competitive pricing pressures and customer cost reduction efforts; failure to maintain the quality of the services we provide; and our inability to retain sufficient staffing. Competitive pricing is a particular challenge for us, as our larger competitors can often exploit economies of scale to price lower than us, or can offer bundled services that include insurance-related and other services we do not provide. In October 2024 we received notice of termination from one of our significant customers, which has had a material impact on our operating revenues during fiscal year 2024 due to a shift in timing of delivery of services and which we expect may have further material impacts on operating revenues in future years. If other significant or multiple customers terminate their contracts, or do not renew or extend their contracts with us, it could have a material adverse effect on our business and results of operations.

A significant percentage of our accounts receivable is generated from a few customers, and if one or more of these customers default on their payment obligations to us, it could have a material impact on our results of operations, cash flows and financial condition.

Combined receivables for three customers accounted for approximately 45% of our total receivables in fiscal year 2024 and 49% in fiscal year 2023. If we are unable to diversify our customer base, we will continue to be susceptible to risks associated with customer concentration. Further, accounts receivable are typically unsecured and are thus subject to the increased risk of us being unable to collect overdue amounts. The inability or unwillingness to pay by our account debtors, for whatever reason or cause, could have a material adverse effect on our financial condition.

We are reliant on the timely, accurate and consistent provision of outsourced services for various services and business functions, the disruption, malfunction, termination or replacement of which could impede our ability to provide our services and materially adversely affect our business.

We contract with various third-party vendors for the provision and support of our services and business functions, including the critical information systems functionality upon which our services rely. Our business is dependent on our ability to provide, in an efficient and uninterrupted manner, necessary business functions which we outsource, such as the processing and support of enrollment in our HCO and MPN programs, and the partial outsourcing of our utilization review, medical bill review, administrative services for medical case management and Medicare set-aside services. Our operations may be adversely affected if there is a failure, disruption or malfunction, (including cybersecurity breaches and other risks discussed further at “*Cybersecurity, Information Technology and Outsourced Services Related Risks*” below) in the provision of such outsourced services, or if the relationship with or services provided by our vendors are terminated in whole or in part. Further, we may not be able to find an alternative vendor in a timely manner, on acceptable terms, or that can provide adequate services or functionality.

Outsourcing also may require us to change our existing operations or adopt new processes for providing or managing our services. If there are delays or difficulties in changing business processes or our third-party vendors do not perform as expected, it may delay our ability to provide our services and we may not realize, or not realize on a timely basis, the anticipated functionality or benefits of these relationships. Terminating or transitioning, in whole or in part, arrangements with vendors could result in additional costs or penalties, risks of operational delays and interruptions, or potential errors and control issues during the termination or transition phase. As previously disclosed, our revenues were adversely impacted in the fourth quarter of 2022 as a result of the interruptions and costs associated with difficulties in transitioning to a new software vendor. We may also be subject to future regulatory fines related to that software transition. If we experience continued or another interruption in our ability to provide our services or loss of access to data resulting from a malfunction, termination, transition or other disruption in outsourced services, we may not be able to meet the demands of our customers and, in turn, our business and results of operations could be materially and adversely impacted.

Our revenues may decline if we cannot compete successfully in an intensely competitive market.

Our target customers are employers seeking to control the cost of employee workers’ compensation claims. We face competition from a variety of companies and the markets for our services are fragmented and competitive. Our competitors include national managed care providers, preferred provider networks, smaller independent providers, third-party administrators, and insurance companies. Many of our current and potential competitors have significantly greater financial, technical, marketing, and other resources than we do. As a result, our competitors may be able to respond more quickly to changes in market demands and requirements, including enhanced technology, changes in regulations and standards, and shifts in customer needs. We believe that as managed care services continue to gain acceptance in the marketplace our competitors will increasingly consist of insurance companies, third-party administrators, large workers’ compensation managed care service companies and other significant providers of managed care services. These competitors may also be able to devote greater resources to the development, promotion and sale of their services and may be able to deliver competitive services or solutions at a lower price. Any of these competitive pressures could have a material adverse effect on our business, results of operations and financial condition.

If the scope and quality of our services lag behind the market or lower costs can be obtained elsewhere, we may lose customers which could have a material adverse impact on our results of operations and financial condition.

We are in the business of assisting our customers in controlling the cost of their employee workers’ compensation claims. While we believe that several factors, including the quality of care provided to the employee, the rapidity at which the employee returns to work, and the service provided to the customer, play a part in attracting and retaining our customers, we believe that price is a primary determining factor in whether customers select or retain our services. While our competitors may offer direct fees less than those we charge, they have traditionally added fees to their other associated services and thus raised the total cost of their services. If our competitors reduce the cost at which they provide services, or our customers seek to reduce costs by performing similar services in-house, we anticipate we would have to likewise attempt to reduce the cost at which we provide our services or risk losing customers. Either outcome could have a material adverse impact on our business, results of operations and financial condition.

If we are unable to continue to attract and retain key employees and consultants with the skills our business requires, our business operations could be impacted negatively.

We compete with other workers’ compensation managed care companies and healthcare providers in recruiting qualified personnel and consultants. Hiring and retaining personnel with industry expertise is critical to our competitive strategy. There is intense competition for the services of such people. Furthermore, we do not maintain “key person” insurance for any of our executive officers or employees and replacing executive officers and other key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to perform these roles. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate key personnel on acceptable terms given the competition among the numerous competitors in our industry for similar personnel, many of whom have greater financial resources than us and can offer higher salaries, better benefit packages and broader opportunities. In addition, we operate primarily in California and some of our roles require our employees to live in or near very high cost of living areas in Southern California, which corresponds to higher wage requirements and alternative employment options.

Similarly, competition and pricing for our consultants and advisors, such as workers' compensation consultants, legal, accounting, and other professional service providers, is increasing. As a relatively small business, these costs can disproportionately impact our business and results of operations compared to larger competitors. Further, our consultants and advisors may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain such consultants, our ability to pursue our growth strategy may be limited. In addition, as discussed below, we rely heavily on third-party provided information technology to support our business activities. As technology becomes more complex and more integral to our operations, our lack of inside technology personnel, both in general and with specialty in the third-party business systems we rely on, may also negatively impact our ability to adapt to changes, respond to technology related crises, meet customer needs, or timely implement necessary advancements.

We cannot guarantee that we will be able to attract and retain personnel in the future, particularly in a challenging labor market that disproportionately impacts us as a small service-oriented business. During 2024, our Chief Financial Officer resigned and we have not yet identified a full-time replacement for this role. Our CEO, President and Chairman of the board of directors, Tom Kubota, is also our acting Principal Financial Officer until we find a replacement. Given the level of knowledge, experience, and skills the role of a full-time Chief Financial Officer requires, we cannot assure when we will be able to replace this role or the degree of impact on our salary and wages expenses when we do replace this role. If we are unable to effectively compete for, or otherwise attract or retain, key employees and consultants, our business and financial condition could be materially adversely affected.

Cybersecurity, Information Technology and Outsourced Services Related Risks

A cybersecurity breach or other disruption to our or our vendors' information technology systems could result in the loss, theft, misuse, unauthorized disclosure of, or unauthorized access to customer, customer-employee or company information, or could otherwise disrupt our operations, any of which could materially adversely affect our business, financial condition or results of operations.

We rely heavily on third-party provided information technology to support our business activities. Our business involves the transmission and storage of confidential and personal information (including protected health information as defined by the Health Insurance Portability and Accountability Act) of our customers, their employees, and our employees. We, and the vendors we use to support our business, including vendor support of critical business functions such as IT, data management and cybersecurity, are at risk of cybersecurity breaches of the systems on which we rely, including circumvention or breach of security systems, denial-of-service attacks or other cyber-attacks, hacking, "phishing" attacks, computer viruses, ransomware, malware, employee error, social engineering, physical breaches, or other malfeasance. We anticipate that the threats of such incidents will continue to increase as dependence on information technology increases. Further, as these threats evolve, cybersecurity incidents could be more difficult to detect, defend against, and remediate.

As discussed further in Item 1C. Cybersecurity herein, during fiscal year 2023, the third-party vendor that provides the file transfer service through which our customers electronically share certain data regarding their employees and other third parties with us, experienced a data security incident that affected many of their customers, including the Company. Through this incident the threat actor accessed certain of our customers' employees' and other third parties' data, and such data included protected health information, as defined by the Health Insurance Portability and Accountability Act, and personally identifiable information. As of the date of this annual report, this incident has not had a materially adverse impact on our results of operations and the matter was closed in 2024. However, we have incurred expenses, and may incur in the future expenses and losses, related to this incident.

We continue to operate primarily remotely using employee laptops and accessories and secure, cloud-based data storage and access. As part of accommodating remote work, we rely on technology, software, hardware, and internet access and home resources of individual employees. We also have less control over the hardware, physical security of equipment, and maintenance of equipment used by our off-premises employees. Although we have implemented employee IT security training, instant remote access termination, remote hard drive wipe capabilities, and other systemic enhancements to increase security, we are still exposed to additional security and system failure risks through our accommodation of remote work.

Any compromise or perceived compromise of our security (or the security of our third-party service providers) could damage our reputation and our relationship with our customers, third-party administrators, insurers, enrollees, vendors and employees; reduce demand for our services; and subject us to significant liability as well as regulatory action. Cybersecurity breaches or failure to meet customer or other required cybersecurity standards could cause us to experience reputational harm, loss of customers, loss and/or delay of revenue, loss of proprietary data, loss of licenses, regulatory actions and scrutiny, sanctions or other statutory penalties, litigation, liability for failure to safeguard customers' information, financial losses or a drop in our stock price.

We cannot assure that we can maintain cyber liability insurance coverage and we could be subject to uninsured liabilities.

While we seek to maintain cyber liability insurance coverage and currently have such a policy in place, we cannot assure that we will be able to obtain or have continual cyber liability insurance coverage in the future, that available cyber liability insurance will be adequate to cover our liabilities or will not be cost prohibitive to maintain, or that claims will be covered by policies in place.

As discussed elsewhere in this annual report, we responded to a cybersecurity incident in fiscal year 2023. We made a claim related to that incident under the cyber liability insurance policy in effect at that time. While that claim has been covered thus far, we received a notice of non-renewal of that policy. We were able to obtain new cyber liability insurance, but we cannot assure that we will be able to in the future.

Additionally, cyber liability insurance is subject to policy limitations and exclusions. If the limits of our cyber liability policies are exhausted, in whole or in part, it could deplete or reduce the limits available to pay other material claims applicable to that policy period. Further, our cyber liability insurance carrier could become insolvent and unable to fulfill its obligations to defend, pay or reimburse us when those obligations become due. The loss of or material reduction in cyber liability insurance could also materially affect our ability to contract with current or future customers depending on the cyber liability insurance requirements they require us to have. In any of these cases, or if payments of claims exceed our limits or are not otherwise covered by insurance, it could have an adverse effect on our business, financial condition, or results of operations.

Our financial performance is tied to the availability, quality and functionality of the information technology platforms we can acquire or license from third parties to provide our services, the loss of which could disrupt our business and ability to remain competitive.

The effective and competitive delivery of our services is increasingly dependent upon information technology resources and processes provided by third-party vendors. In addition to better serving our customers, the effective use of technology increases efficiency and enables us to reduce costs. Our future success will depend, in part, on our ability to address the needs of our customers by using technology to provide services to enhance customer convenience, as well as to create additional efficiencies in our operations. We are largely dependent on licensing and integrating various information technology systems and software from third parties for delivery of our services, the loss, ineffective management or malfunction of which could jeopardize all or parts of our ability to deliver our services. For example, in 2022 we had difficulties implementing new utilization review and medical case management software and had to transition to another vendor after the first vendor was unable to provide fully functioning software. During those transitions, our automated processes had to be performed manually, which caused delays in providing services and invoicing our customers, reduced productivity, and increased outsourcing costs. While the replacement software has restored our ability to provide services, certain important functionalities are still being developed. We cannot be assured that the new software system will remain functional, nor whether adequate software will be available from any source in the future. We anticipate that we will continue to rely on third-party software for our services in the future and many of the risks associated with the use of third-party software cannot be eliminated.

Further, there can be no assurance that we will be able to effectively implement new technology-driven products and services, which could reduce our ability to compete effectively, particularly because many of our competitors have greater resources to invest in technological improvements than we do. The ability to provide our services may also suffer from the impacts of industry consolidation, as larger companies privatize, acquire, develop, retire or limit the licensing of the software we currently rely on for providing our services. For example, the software we used for our utilization review and medical case management services was purchased by a larger competitor and the software was discontinued because the competitor already had its own software. This resulted in us acquiring new utilization review and medical case management software and experiencing implementation problems, as discussed in the preceding paragraph. The cost of technologies we rely on may also change drastically, changing the profitability profiles of certain services and, in extreme cases, the viability of that line of business for us. Because we rely heavily on various technologies and their ability to integrate with other critical systems to provide our services, the occurrence of any of these events could have a material adverse impact on our business, results of operations and financial condition.

The adoption, use, and reliability of disruptive technologies such as artificial intelligence technology (“AI”), and the continued rapid pace of development of such technologies, are inherently uncertain and present risks that could have a material adverse effect on our business and results of operations.

As technology in our industry changes and evolves, keeping pace may become increasingly complex and expensive, or not possible, and could result in substantial increases in costs or a reduction in the demand for our services. Disruptive technologies such as AI increasingly present risks that could render our services uncompetitive, unprofitable, or even obsolete, and require us to alter our business plans.

The failure by us to compete with AI-based competitive services, integrate AI into our services, or accommodate the AI needs of our customers could have a material adverse effect on our business. Our efforts to integrate AI into our services are inherently risky and may not always succeed or be profitable. Our recent efforts to incorporate AI enhancements into some of our services were determined not to be cost-efficient when combined with our claim volumes and the specific means through which we provide our services. We cannot assure that we will be able to incorporate AI or other technology enhancements into our services cost-effectively, or at all. However, our competitors, including those with higher claim volume, more staff or less expensive offshore medically licensed staff, or different services models may be able to more quickly and profitably incorporate AI into their products and services, which could impair our ability to compete effectively.

In addition, one of our market differentiators is our expertise and specialized application of strategic tools to each service line of our customers' programs. We believe this makes our services higher quality and more valuable to our customers; though, these services currently require human expertise and intervention to implement. Many of our competitors use AI or other forms of automation that lower their operating costs for their services. The growing adoption of artificial intelligence and automation by our customers and their other service providers also presents the risk that our customers will begin to expect us to adopt these technologies and potentially terminate our services if we do not.

The adoption of AI by us, the healthcare industry and the software upon which we rely to provide our services, introduces various risks, including dependency on potentially inaccurate or unreliable AI-generated outputs, potential for data privacy and security breaches, intellectual property infringement or disputes, challenges in complying with rapidly-evolving AI regulations across multiple jurisdictions, and unforeseen consequences of AI integration into the workers' compensation industry. The failure to address these risks adequately may negatively impact our operations, reputation, and financial performance. Additionally, as AI technology continues to evolve rapidly, other unforeseen risks may emerge that could adversely affect our business, financial condition, and results of operations.

An interruption in our ability to access, review or deliver data may cause customers to terminate our services and/or may reduce our ability to effectively compete.

Certain aspects of our business are dependent upon our ability to store, retrieve, process and manage data, and to maintain and upgrade our data processing capabilities. Interruption of data processing capabilities for any extended length of time, loss of stored data, programming errors or other system failures could cause our customers to terminate our services and could have a material adverse effect on our business and results of operations. For example, during our fourth quarter of 2022, our utilization review and medical case management services were interrupted when we transitioned to different software for those functions. Although the current software has restored our ability to provide services, we continue to experience delays in invoicing several of our customers. We cannot assure that these customers or other customers that may be affected in the future, will not dispute the amounts invoiced or otherwise terminate our services due to these or potential future functionality problems.

In addition, we expect that a considerable amount of our future growth will depend on our ability to process and manage claims data more efficiently and to provide more meaningful healthcare information to customers and payors of healthcare. There can be no assurance that our current data processing capabilities will be adequate, that we will be able to efficiently upgrade our systems to meet future needs, or that we will be able to develop, license or otherwise acquire software to competitively address market demands.

If we are unable to safeguard the security and privacy of confidential data, including personal information of our customers and their employees, or comply with applicable data privacy laws, our reputation and business could be harmed.

We are subject to data privacy related risks. Our services involve the collection and storage of confidential and personal information (including protected health information as defined by the Health Insurance Portability and Accountability Act) and the transmission of this information, most often electronically. For example, we collect personal information of our employees and our customers' employees. We cannot guarantee such information is invulnerable to security breaches and other unauthorized access by third parties. In certain cases, such information is also provided to third parties, the transmission of which is also subject to security risks. Once such information is in the control of the third parties, we are most often no longer able to control the use of such information, or the security protections employed by such third parties.

For example, and as discussed in more detail in Item 1C. Cybersecurity, the third-party vendor that provides our managed file transfer as a service system experienced a data security incident that affected many of its customers, including the Company. The threat actor in this incident accessed certain of our customers' employees' and other third parties' data and such data included protected health information, as defined by the Health Insurance Portability and Accountability Act, and personally identifiable information. We have provided the required notifications to the data owners, and where appropriate, to the individuals affected by the incident and to various State Attorneys General. As of the date of this annual report, this incident has not had a materially adverse impact on our results of operations. However, we cannot assure that there will not be future impacts from this incident on our business, results of operations and other potential liabilities.

In addition, as new data privacy and security laws are implemented, we may be unable to timely comply with such requirements, or such requirements may not be compatible with our current processes. Changing our processes to address new data security laws or customer requirements could be time-consuming and expensive and the failure to timely implement the required changes could result in our inability to sell our services or retain customers. For example, the California Consumer Privacy Act (“CCPA”) and amendments made to it through the California Privacy Rights Act (“CPRA”), can require certain businesses to give California consumers more control over their data and share certain notices regarding their privacy practices. We believe we are currently exempt from compliance with the CCPA and CPRA, but if we have misinterpreted the existing exemptions, or if amendments to or official guidance related to these laws changes the availability of these exemptions to us, we may incur significant costs, administrative burdens, and legal liabilities as a result.

The collection and transmission of confidential and personal information subjects us to numerous related security breach risks and regulatory compliance risks. Our failure to comply with evolving regulatory requirements related to the collection and transmission of such information or the loss, unauthorized disclosure or access of such information could lead to significant reputational or competitive harm, result in litigation, governmental or regulatory proceedings, or cause us to incur substantial liabilities, fines, penalties, or expenses.

Licensure and Regulatory Risks

Failure to maintain our licenses and/or accreditation would have a material, adverse impact on our business and results of operations.

Our HCOs require operating licenses from and our MPNs require approval by the state of California. If the California governing body were to determine that we have failed to comply with the licensure or approval requirements, it has the authority to deny, suspend or revoke our licenses or approvals. Further, our HCO licenses and MPN approvals must be recertified every three years and reapproved every four years, respectively. If our licenses or approvals were suspended, revoked, or not recertified or reapproved we would no longer be able to operate our HCO and/or MPN networks. In addition to the reduction in revenue we would experience from the loss of our HCO and/or MPN operations, the other services we offer would likely also be impacted negatively as many of the customers for our utilization review, medical bill review and medical case management services are derived from our HCO and MPN customers.

There are also risks that California reduces support for, or discontinues or alters the HCO and MPN programs. The HCO program, though effective, is the predecessor to the more utilized MPN program in California. As a result, there is a risk that the state’s resources and expertise in certifying HCO programs may become limited to such an extent that we or the state decide to terminate the re-licensing HCO programs, or the state amends or repeals the legislation authorizing HCOs. MPNs may also be at risk of legislative amendment or repeal due to pressures from various industry interest groups in California. Changes to or cessation of either program, by whatever cause, could have materially adverse effects on our business and results of operations.

Similarly, the state of California requires workers’ compensation organizations performing utilization review in California to be accredited by URAC and undergo a routine investigation by the California Division of Workers’ Compensation every five years. We must be reaccredited by URAC every three years. If we were to lose our URAC accreditation or fail to earn reaccreditation, we would experience a loss of utilization review revenue in California and possibly other states. Other states in which we currently perform utilization review/utilization management each have different standards for authorizing utilization review organizations. If we were to fail our routine investigations or meet those varied standards or experience administrative difficulty managing the maintenance of these various certifications and approvals, we could experience a loss or reduction in utilization review revenue and/or fines or penalties.

Our costs of operation and/or demand for our services may be negatively impacted by changes in government regulations.

Our primary business operations are subject to licensing and other regulatory requirements in California, including minimum qualification standards for personnel, confidentiality, internal quality control and dispute resolution procedures. The cost of compliance with these regulatory programs can increase our costs of operation, which may make it difficult for us to compete with other available alternatives for workers’ compensation healthcare cost control.

The healthcare and workers’ compensation regulatory environment is subject to ongoing change that presents risks to the continued or efficient provision of our services. While we try to be involved in the California legislative process and to stay informed on industry developments, we cannot predict what additional government initiatives affecting our business, if any, may be promulgated in the future. We cannot assure that we will always be able to adapt to new or modified regulatory requirements or to keep in force necessary licenses and government approvals. Proposals for healthcare legislative reforms are regularly considered at the federal and state levels, and more recently Presidential executive orders have been issued that may impact the health care industry, including those focused on restructuring and streamlining government agencies and reducing or eliminating regulations and federal government programs and other expenditures. To the extent that such actions affect workers’ compensation, it may render us unable to deliver services profitably, reduce demand for our services, or require us to develop new or modified services. Any of these factors could materially impact our results of operations.

Industry Trend Related Risks

Challenges to the use of certain healthcare cost containment techniques may cause our revenue to decrease.

Within our industry there has been a movement among certain medical and healthcare providers and injured worker applicants' attorneys to challenge the use of cost containment techniques. Some have even resorted to litigation to challenge the application of cost containment and medical control measures. This includes challenges to insurers' claims adjudication, reimbursement decisions, and choice of medical provider and treatments. While these lawsuits have not yet involved us or any services we currently offer, we may be subject to them in the future, and the impacts of other legal challenges may negatively impact our ability to provide certain cost containment services in the future, which could result in material adverse effects on our revenues.

Increased use of early intervention services could negatively impact our revenue.

Our revenue could be negatively impacted by the increased use of early intervention services such as injury occupational healthcare, first notice of loss, and telephonic case management services. The implementation at an early stage in the workers' compensation claim by healthcare payors of these early intervention services can lead to decreases in the average length of, and the total costs associated with, a healthcare claim, which may reduce or even eliminate the need for the later stage network and healthcare management services we provide.

Declines in workers' compensation claims could materially impact our financial condition and results of operations.

Some of our customers' industries are labor intensive, which can result in higher workers' compensation claims. However, with the rise in costs or unavailability of labor our customers may use technology to replace some of their workforce. This may cause a decline in the frequency or severity of the workers' compensation claims and reduce the need for our services. Changes in the strength of the economy also affect the size and activity of the workforce and consequently the level of workers' compensation claims. These factors can cause cyclical and permanent material adverse impacts on our results of operations.

Risks Related to Owning our Securities

The price and trading volume of our common stock may be volatile, which may negatively affect its value and liquidity.

The market price of our common stock may be volatile and subject to fluctuations. During the twelve-month period ended December 31, 2024, the low bid price for our common stock was \$0.53 per share and the high bid price was \$0.88 per share. Our common stock is currently quoted on the OTCQB, which is generally a thinly traded market that lacks the liquidity of certain other public markets. Additionally, there is a limited number of our shares of common stock outstanding, which may further limit the liquidity of our shares. Moreover, in the past, stock markets have experienced price and volume fluctuations that have particularly affected companies in the healthcare and managed care markets resulting in changes in the market price of the stock of many companies, which may not have been directly related to the operating performance of those companies. We cannot assure that the market price for our common stock will not fluctuate or decline significantly in the future or that there will be sufficient trading volume in our common stock to allow our shareholders to sell their shares in the market when they desire to do so.

Our Chief Executive Officer, President and Chairman of the board of directors has the ability to exercise significant control over the Company.

Tom Kubota, our Chief Executive Officer, President and Chairman of the board of directors beneficially owns 8,410,000 common shares, or approximately 65.7% of our outstanding common stock. Since 2008, Mr. Kubota has held a majority of our outstanding common stock and voting control of the Company. Mr. Kubota also holds 16,000 shares of our Series A convertible preferred stock, which represents 100% of the outstanding shares of Series A convertible preferred stock. In most matters, our Series A convertible preferred stock is treated on parity with our common stock on a share-for-share basis, with the exception that each share of Series A convertible preferred stock is entitled to 20,000 votes of common stock on all matters submitted to a vote of our common stockholders. The Series A convertible preferred stock is convertible to shares of our common stock on a one share for one share basis at the election of the holder thereof. This capital structure may be viewed positively, negatively or indifferently by the market, investors, and potential acquisition targets. If it is viewed negatively, it could affect the liquidity and/or market price for our common stock, and our ability to participate in merger and acquisition or capital-raising transactions.

General Risk Factors

Restrictions on immigration or changes in immigration laws and policy could have adverse impacts on our condition and the condition of our customers and their workforces, and the healthcare industry, which could have an adverse impact on our results of operations and financial condition.

The political environment in the United States in recent years has included significant support for immigration legislation and enforcement changes, including most recently the new Presidential Administration's executive orders on immigration. This has resulted in uncertainty regarding the effects of national immigration policies and enforcement practices. These effects may include risks of labor shortages and increased labor costs for us, our customers and the healthcare industry.

Workers in California are eligible for workers' compensation benefits regardless of their immigration status. Given that most of our customers are based in California, if new immigration policies and enforcement adversely affect our customers' workforce composition or participation it could result in a decline in the number of workers' compensation claims filed (either due to lower overall employee counts or reduced reporting of workplace injuries), a decline in the overall number of employees employed by our customers (impacting our service lines billed based on total employee count), our customers closing or downsizing California locations due to lack of adequate and economically feasible labor resources, and other factors. Further, if new immigration policies and enforcement adversely impact the financial condition of our customers it may affect our customer's willingness or ability to spend on the services we provide.

In addition, changes in immigration policies and enforcement may impact our network of medical providers and our ability to provide network administration at the level required by our customers or state regulatory bodies. The healthcare industry is increasingly facing a nationwide shortage of healthcare personnel. We believe that foreign-trained medical providers comprise a significant part of medical providers that treat workers' compensation cases. While we do not know the immigration status of the health care providers in our networks, if new immigration policies and enforcement have the effect of materially reducing the number of medical providers in California, it could adversely affect our medical provider networks, or otherwise contribute to increased labor shortages in healthcare, which could have an adverse impact on our ability to provide adequate network coverage, to maintain the quality of our networks, to charge for network services for customers in certain locations, or to meet the network composition standards required to maintain our certifications. Any of these events could materially adversely affect our business and financial results.

Changes in U.S. trade policies and retaliatory responses from other countries may adversely impact our customers' businesses and result in a reduction or elimination of our services.

U.S. trade policies have changed with the new U.S. Presidential administration, which brings uncertainty as to the effects of the implementation of such policies, such as new tariffs and retaliatory responses to them. New tariffs and effects of potential trade wars may result in increased costs for our customers and other risks related international trade uncertainty. While it is still too early to ascertain the impact or potential increased escalation of these trade policies, the effects may include a contraction of our customers' business and headcounts, a decrease in our customers' business spending, including on our services, and customer business closures, each of which would likely have a material adverse impact on our business and results of operations.

Even if we are successful in making strategic acquisitions, it could have a negative impact on our business.

From time to time, management evaluates potential opportunities to expand our business through strategic acquisitions. To date, we have been unsuccessful in our efforts to identify suitable acquisition candidates. Even if we are successful in identifying and making strategic acquisitions, there can be no assurance such acquisitions will positively impact our business and the results of operations. Acquisitions are subject to numerous risks. Expenses arising from our acquisition efforts could have a negative impact on operating results, at least in the short term. If such transactions do occur, there can be no assurance that we will be able to effectively integrate the acquired businesses. In addition, any such transactions would be subject to various risks associated with the acquisition of businesses, including, but not limited to, the following:

- an acquisition may (i) negatively impact our results of operations because it may require incurring large one-time charges, substantial debt or liabilities; (ii) require the amortization or write down of amounts related to deferred compensation, goodwill and other intangible assets; or (iii) cause adverse tax consequences, substantial depreciation, or deferred compensation charges;
- we may encounter difficulties in assimilating and integrating the businesses, technologies, products, services, personnel, or operations of companies that are acquired, particularly if key personnel of acquired companies decide not to work for us;
- an acquisition may disrupt ongoing business, divert resources, increase expenses, and distract management;
- the acquired businesses, products, services, or technologies may not generate sufficient revenue to offset acquisition costs;

- we may have to issue equity or debt securities to complete an acquisition, which would dilute the position of stockholders and could adversely affect the market price of our common stock; and
- the acquisitions may involve entry into a geographic or business market in which we have little or no prior experience.

There can be no assurance that we will be able to identify or consummate any future acquisitions on favorable terms, or at all, or that any future acquisitions will not have an adverse impact on our business or results of operations. If suitable opportunities arise, we may finance such transactions through debt or equity financing. There can be no assurance, however, that such debt or equity financing would be available to us on acceptable terms or at all when, and if, suitable strategic opportunities arise.

Litigation and legal liability may adversely affect our financial condition and results of operations.

In instances where we make recommendations concerning the appropriateness of providers' medical treatment plans for patients, we could potentially be exposed to legal claims from adverse medical outcomes. We do not believe we engage in the practice of medicine or medical services. Similarly, we do not grant or deny claims for payment of benefits. Notwithstanding this, there is nothing that bars someone from making a claim that the services we provide constitute the practice of medicine or the delivery of medical services.

In addition, we cannot assure that we will not be the subject of litigation, including but not limited to, being joined in litigation brought against one of our customers in the managed care industry. While we maintain professional liability insurance and such other coverages as we believe are reasonable considering our experience to date, this coverage may be insufficient. We also cannot assure that insurance companies will always make insurance available to us at a reasonable cost to protect us from significant future liability. If we become subject to litigation our business, financial condition or results of operations could be negatively impacted.

Competition for qualified employees and increasing costs of employee benefits may result in increased labor cost and decreased profitability.

It can be difficult for us to hire and retain qualified and capable individuals to fill roles for our day-to-day operational staff and for more senior or specialized employees. Moreover, the cost associated with employee benefits can experience significant increases based on economic factors beyond our control. We compete in the employee market with many larger, more established companies, many of which have greater resources and offer more robust benefits. Our failure to hire and retain employees within our current pay structure and increases in employee benefits costs could result in increased operating expenses and decreased profitability. Since the economic instability caused by the pandemic, we have had some opportunity to take advantage of a labor market more favorable to employers by hiring highly qualified employees at rates within our budget and in locations with lower costs of living; however, recent macroeconomic inflationary trends may bring back challenges in hiring and retaining the necessary employees.

The effects of inflation may have a disproportionate impact on our business.

The majority of our assets and liabilities are monetary in nature, as opposed to businesses that have significant investments in fixed assets or inventories. Because of this, the effects of rising inflation may impact us more than many other businesses, including the value of holding on to our cash position over time and related ability to capitalize on potential acquisition opportunities. Rising inflation can also adversely impact the profit margins for our customers who have fixed contract pricing, the pricing our vendors charge us, and our salary and wage expenses in our efforts to retain and attract employees. Further, inflation may affect our customers similarly and their ability to maintain and grow employee head counts. Inflation may also affect the general level of interest rates, which, among other things, will likely increase borrowing costs and preclude further growth of our business and the business of our customers.

Acts of war, terrorist attacks, natural disasters, and health crises (including epidemics and pandemics), may harm our business, operating results, and financial condition.

Acts of war, terrorist attacks, natural disasters, health crises or other similar events may disrupt our operations, as well as the operations of our customers. Such events have the potential to create significant volatility, uncertainty, and worldwide economic disruption, resulting in an economic slowdown of potentially extended duration, as seen with the COVID-19 pandemic. Such events could adversely affect our business and financial results, and they may also have the effect of heightening many of the other risks described throughout this annual report.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We recognize the importance of maintaining the trust and confidence of our customers, business partners, and employees, and cybersecurity represents an important component of our overall approach to enterprise risk management. Our approach to cybersecurity risk management is aligned with our risk profile and business, and includes efforts towards meeting the standards for an organization of our size and type in conjunction with the National Institute of Standards and Technology. We also utilize a third-party IT vendor to manage the technological security and efficacy of our systems, including a Virtual Chief Information Officer, a Virtual Chief Information Security Officer, and other IT specialists who manage our IT and cybersecurity needs. In April 2024, the Company engaged the services of a cybersecurity company that works in conjunction with our managed IT vendor to provide additional cybersecurity management.

Our cybersecurity risk management is designed to employ technology and security practices across our operations and business functions, including vulnerability assessments, detecting and responding to cybersecurity incidents, cybersecurity crisis preparedness and incident response resources, vulnerability scans and IT security risk assessments, and progressive investments in cybersecurity infrastructure and technology designed to reduce cybersecurity risks. Notable aspects of our cybersecurity risk management include:

- efforts towards adoption of the National Institute of Standards and Technology (NIST) Cybersecurity Framework;
- periodic IT risk assessments conducted by an external cybersecurity consultant;
- log management;
- Security Information Event Management (SEIM) and Security Operation Center Incident Response;
- vulnerability management;
- enterprise-wide security and privacy measures;
- IT security, cybercrime, privacy, and HIPAA security training provided to employees and independent contractors;
- periodic social engineering and phishing testing for employees;
- encrypted and air-gapped data backups;
- periodic dark web monitoring and vulnerability scans; and
- periodic review of disaster preparedness, incident response, and business continuity plans with cybersecurity consultants.

We intend to continue to leverage the support of third-party information technology and security providers, including to perform risk assessments designed to identify, assess, and manage cybersecurity risks. We assess on an ad-hoc basis the data protection practices of certain of our third-party vendors who handle our data, which assessments include the assessment of vendor data protection policies, disclosure of changes to data protection policies or practices, maintenance of cyber liability insurance, and provision of certifications, assessments, or other documentation as deemed relevant.

As of the date of this annual report, we maintain cyber liability insurance that provides cyber incident response coverage. However, costs, damages, and remediation associated with cybersecurity incidents may not be adequately insured under our insurance policy and may be subject to applicable deductibles, to the extent that they are covered. See also *“We cannot assure that we can maintain cyber liability insurance coverage and we could be subject to uninsured liabilities.”* in Item 1A, *Risk Factors*, of this annual report for additional discussion of risks related to our cyber liability insurance.

As previously disclosed, in fiscal year 2023, Fortra, LLC, the third-party vendor that provides the GoAnywhere managed file transfer as a service system (MFTaaS), experienced a data security incident that affected many of Fortra’s customers, including us. We use GoAnywhere as a means by which our customers electronically share certain data regarding their employees and other third parties with us. Our understanding is that this activity was the result of the threat actor’s exploit of a zero-day vulnerability in Fortra’s systems. Based on the information we have obtained from Fortra and our own diligence, we understand that this activity only affected Fortra’s systems, and did not involve unauthorized access to our information systems. However, the threat actor in this incident accessed certain of our customers’ employees’ and other third parties’ data and such data included protected health information, as defined by the Health Insurance Portability and Accountability Act, and personally identifiable information. We engaged outside experts to assist in investigating and responding to this incident and have provided the required notifications to the data owners, and where appropriate, to the individuals affected by the incident and to various State Attorneys General.

As of the date of this annual report, this incident has not had a materially adverse impact on our results of operations and the matter was closed in 2024. Though our response has not included material changes to our cyber risk management, strategy, or governance, we have taken or plan to take additional cybersecurity measures to continue to advance our cybersecurity policies, practices, and technology. We have incurred expenses, and may incur in the future expenses and losses related to this incident. See also the risks included below the heading *“Cybersecurity, Information Technology and Outsourced Services Related Risks”* in Item 1A, *Risk Factors*, of this annual report for additional discussion of risks related to cybersecurity.

Governance

Our entire board of directors is responsible for the strategic leadership and direction of our cybersecurity program and has oversight over cybersecurity risks. Our management may provide periodic presentations to the board on our cybersecurity program, including updates on cybersecurity risks, strategy and incident management, as applicable. Our cybersecurity risk management is also administrated at a management level through a multi-disciplinary Technology Business Review Committee comprised of members of our operational and organizational management, as well as our outsourced Virtual Chief Information Officer. The Technology Business Review Committee is tasked with identifying and monitoring what we believe to be the key technology risks currently facing the Company, including cybersecurity risks. The committee meets on at least a quarterly basis and on an as-needed basis to address risks, regulatory requirements, potential threats, vulnerabilities, available mitigation strategies and technologies, operational imperatives and changes, and progress updates on relevant projects related to our IT and cybersecurity.

In addition, we undergo an annual IT risk assessment reviewed by a third-party IT vendor, with significant or actionable findings reported to the Technology Business Review Committee. The annual IT risk assessment identifies our risk status on various IT security metrics and prioritizes remediation, external vulnerability scan results, patching reports, dark web status, and personnel IT security training reports. This annual third-party review helps further monitor and inform our Technology Business Review Committee's work and our cybersecurity risk management and strategy.

ITEM 2. PROPERTIES

On April 1, 2022, the Company moved office locations from 1201 Dove Street, Suite 300 in Newport Beach, California to 19800 MacArthur Boulevard, Suites 306 & 307, in Irvine, California, under a one-year lease. The Company renewed the lease on December 10, 2024, for an additional 12 months, with a new expiration of March 31, 2026. This office space now serves as the principal executive office of the Company, as well as the principal office of the Company's operating subsidiaries. The new office space is for the executive team and shared office space for key employees to use as needed. We have decided to keep the majority of our workers remote, which gives us the flexibility to hire employees inside and outside of the state of California. We anticipate our new office space will be suitable and adequate for our needs for the duration of the lease. Our telephone number is 949-721-8272.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, see Note 11 - *Commitments and Contingencies* in the notes to our consolidated financial statements included in this annual report, which discussion we incorporate by reference into this Item.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our common stock is traded on the OTCQB under the ticker symbol "PFHO." The following table presents the published quarterly high and low bid quotations for the periods indicated and was furnished to us by OTC Markets Group, Inc. These quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	<u>High</u>	<u>Low</u>
<u>Fiscal year ended December 31, 2024</u>		
Fourth Quarter	\$ 0.84	\$ 0.68
Third Quarter	\$ 0.84	\$ 0.78
Second Quarter	\$ 0.88	\$ 0.53
First Quarter	\$ 0.70	\$ 0.57
<u>Fiscal year ended December 31, 2023</u>		
Fourth Quarter	\$ 0.80	\$ 0.67
Third Quarter	\$ 0.88	\$ 0.82
Second Quarter	\$ 0.93	\$ 0.87
First Quarter	\$ 0.96	\$ 0.77

Holdings

As of March 13 2025, we had 284 shareholders of record holding 12,800,000 shares of our common stock. The number of record shareholders was determined from the records of our stock transfer agent and does not include beneficial owners of common stock whose shares are held in "nominee" or "street" name by banks, brokers, and other financial institutions.

Dividends

Our ability to pay dividends is subject to limitations imposed by Utah law. Under Utah law, dividends may not be paid if, after giving effect to the dividend; a) the company would be unable to pay its debts as they become due in the usual course of business; or b) the company's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy the rights of any holders of preferential rights whose rights are superior to those receiving the dividend.

During the year ended December 31, 2023, our board of directors declared a special one-time cash dividend of \$0.10 per share on each share of Company common stock outstanding at the record date of June 5, 2023. On June 20, 2023, the Company issued \$1,281,600 in one-time cash dividends. Pursuant to the rights provided in the Designation of Rights, Privileges and Preferences of Series A Preferred Stock dated December 27, 2019, holders of the Company's Series A Preferred Stock participated in the dividend payment based on the number of shares of Series A Preferred Stock held on the record date.

Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding securities authorized for issuance under our equity compensation plans is set forth under the heading "Equity Compensation Plans" in Item 12 *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* of this annual report.

Performance Graph

Smaller reporting companies are not required to provide the information required by this Item.

Recent Sales of Unregistered Securities

Except as previously reported in our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, we have not sold any equity securities during the year ended December 31, 2024, which were not registered under the Securities Act of 1933, as amended.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not repurchase any of our equity securities during the year ended December 31, 2024.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations for the years ended December 31, 2024 and 2023, and other factors that are expected to affect our prospective financial condition. The following discussion and analysis should be read together with our consolidated financial statements and related notes included in Item 8 *Financial Statements and Supplementary Data* of this annual report.

Some of the statements set forth in this section are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual future results may differ materially from those expressed in the forward-looking statements. We disclaim any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. For further information about forward-looking statements and the factors that could cause actual results or events to differ materially from anticipated results or events, please see "*Cautionary Statement Regarding Forward-Looking Statements*" and Item 1A *Risk Factors* of this annual report.

Summary of Fiscal Year 2024

During the year ended December 31, 2024, total revenues increased 8% compared to fiscal year 2023. During fiscal year 2024, revenue from MPN, medical bill review, utilization review, medical case management, and other services increased by 19%, 6%, 11%, 29% and 20%, respectively; and revenue from HCO decreased 18% compared to fiscal year 2023.

From fiscal year 2023 to fiscal year 2024, operating expenses increased by 5%, primarily as a result of increases in salaries and wages, and general and administrative expenses. The increases were partially offset by decreases primarily in bad debt provision and data maintenance expenses. As a result, there was a 26% increase in our income from operations from fiscal year 2023 to fiscal year 2024.

Our net income increased 15%, from \$767,928 in fiscal year 2023 to \$883,584 in fiscal year 2024, as a result of the increase in our net income from operations, as well as a 1% increase in interest income from our investment in U.S. Treasury bills. The increase in net income was partially offset by a 19% increase in income tax provision related to additional revenues earned during fiscal year 2024. Basic and fully diluted earnings per share during fiscal year 2024 were \$0.07 and \$0.07, respectively, compared to \$0.06 and \$0.06, respectively, during fiscal year 2023.

Revenue

We derive revenue from fees charged for HCO notifications, HCO/MPN program administration, HCO/MPN custom networks, HCO/MPN claim network fees, medical bill review, utilization review services, medical case management and employee advocate services, Medicare set-asides, and network access.

HCO

HCO revenue is generated from fees charged to our employer customers for annual and new hire notifications to enroll their employees into our HCO program, annual or monthly program administration, custom network fees, claim network fees to access our HCO provider networks, and fees for other ancillary services they may select.

MPN

Like HCO revenue, MPN revenue is generated from fees charged to our employer customers for monthly program administration, custom network fees, and claim network fees to access our MPN provider networks. Unlike HCOs, from which we derive revenues from annual and new hire notification fees, MPNs do not require annual and new hire notifications and as such we do not generate related revenues.

Medical bill review

California and many other states have established fee schedules for the maximum allowable fees payable under workers' compensation for a variety of procedures performed by medical providers. Many procedures, however, are not covered under the fee schedules, such as hospital bills, which still require review and negotiation. Medical bill review involves analyzing medical provider services and equipment billing to ascertain proper reimbursement. Our medical bill review services include coding review and re-bundling, confirming that the services are customary and reasonable, fee schedule compliance, out-of-network bill review, pharmacy review, and preferred provider organization repricing arrangements. Our medical bill review services can result in significant savings for our customers. Revenue for medical bill reviews is generated based on a set fee per medical bill reviewed and a percentage of savings of the preferred provider organization discounts. Hospital bill review services generate revenue on a percentage of savings off of the hospital bill, usually with a negotiated cap.

Utilization review

Utilization review is the review of medical treatment requests by providers to provide a safeguard for employers and injured employees against unnecessary or inappropriate medical treatment from the perspective of medical necessity, quality of care, appropriateness of decision-making, and timeliness of treatment. Its purpose is to reduce employer liability for medical costs that are not medically appropriate or approved by the relevant medical and legal authorities and the payor. We generate revenue when we receive a referral for a request for authorization of treatment from a claims adjuster. We bill by the number of treatment requests and the level of expertise of the reviewer required to approve, modify, or deny the request.

Medical case management

Medical case management oversees the injured employees' medical treatment to ensure that it progresses to a resolution and assures treatment plans are aligned from a medical perspective. Medical oversight is a collaborative process that assesses, evaluates, coordinates, implements and monitors medical treatment plans and the options and services required to meet an injured worker's health needs. Our medical case management services are performed by nurses who are licensed by the state and have expertise in various clinical areas and backgrounds in workers' compensation matters. We work to manage the number of nurses in our program to maintain our ratio of claims per nurse at a level that ensures timely and appropriate medical care is given to the injured worker and facilitates faster claim closures for our customers.

We also offer employee advocate services, which is similar to medical case management in that it utilizes our medical case managers who provide similar services; however, the medical case manager is an advocate for the employee. We generate revenue from these services when we receive a workers' compensation claim and a medical case manager is assigned to oversee the injured workers' medical treatment, with billing based on the number of hours a medical case manager works on the claim.

Other

Other revenue consists of revenue derived from network access fees charged for network access for preferred provider organizations, ancillary legal support services, Medicare set-aside and workers' compensation carve-out services.

The following table sets forth, for the years ended December 31, 2024, and 2023, the percentage each revenue item identified in our consolidated financial statements contributed to total revenues during the respective period.

	<u>2024</u>	<u>2023</u>
HCO	21%	27%
MPN	10%	9%
Medical bill review	7%	7%
Utilization review	34%	33%
Medical case management	26%	21%
Other	2%	3%

Expense

Salaries and wages

Salaries and wages reflect employment-related compensation we pay to our employees, payroll processing, payroll taxes and commissions.

Professional fees

Professional fees include fees we pay to third parties to provide IT, financial, marketing, lobbying, in-house legal services related to the various services we offer, medical consulting, field medical case management, and board of directors' fees for board meetings, as well as legal, accounting, and other professional services fees.

Insurance

Insurance expenses are comprised primarily of health insurance benefits offered to our employees, directors' and officers' liability insurance, and cyber liability, workers' compensation and business liability coverages.

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Outsource service fees

Outsource service fees consist of costs incurred by our subsidiaries by partially outsourcing utilization review, medical bill review, administrative services for medical case management and HCO, and Medicare set-aside services; and typically tend to fluctuate in correlation with customer demand for those services.

Data maintenance fees

Data maintenance fees include fees we pay to a third party to process HCO annual and new hire employee enrollments and notifications. HCO employee enrollment and notification fees fluctuate throughout the year because of the varied timing of customer enrollment in our HCO program, the number of employees our customers have in their workforce, the number of new hires throughout the year, and the number of new workers' compensation claims.

General and administrative

General and administrative expenses consist primarily of dues and subscriptions, IT enhancement, meals, travel, and entertainment, office rent, telephone, vacation expense, licenses and permits, miscellaneous, advertising and marketing, auto expenses, bank charges and fees, education, parking, postage and delivery, shareholders' expense, equipment repairs and office supplies.

The following table sets forth, for the years ended December 31, 2024, and 2023, the percentage each expense item identified in our consolidated financial statements contributed to total expense during the respective period.

	2024	2023
Salaries and wages	53%	52%
Professional fees	12%	12%
Insurance	6%	6%
Outsource service fees	13%	14%
Data maintenance fees	2%	4%
General and administrative	14%	12%

Results of Operations

Comparison of the fiscal years ended December 31, 2024 and 2023

The following represents selected components of our consolidated results of operations, for the years ended December 31, 2024 and 2023, respectively, together with changes from year-to-year:

	<u>Year Ended December 31,</u>		<u>Amount</u>	<u>% of</u>
	<u>2024</u>	<u>2023</u>	<u>of Change</u>	<u>Change</u>
Revenues:				
HCO	\$ 1,247,712	\$ 1,516,608	\$ (268,896)	(18%)
MPN	625,488	525,595	99,893	19%
Medical bill review	418,276	394,058	24,218	6%
Utilization review	2,061,560	1,861,450	200,110	11%
Medical case management	1,560,649	1,206,283	354,366	29%
Other	151,705	125,924	25,781	20%
Total revenues	<u>6,065,390</u>	<u>5,629,918</u>	<u>435,472</u>	<u>8%</u>
Expenses:				
Salaries and wages	2,754,394	2,565,199	189,195	7%
Professional fees	600,915	556,016	44,899	8%
Insurance	332,856	311,779	21,077	7%
Outsource service fees	699,081	699,770	(689)	(0%)
Data maintenance	91,424	201,696	(110,272)	(55%)
General and administrative	734,097	616,923	117,174	19%
Total expenses	<u>5,212,767</u>	<u>4,951,383</u>	<u>261,384</u>	<u>5%</u>
Income from operations	852,623	678,535	174,088	26%
Other income (expense):				
Interest income	414,635	409,950	4,685	1%
Interest expense	(3,552)	-	(3,552)	(100%)
Total other income (expense)	<u>411,083</u>	<u>409,950</u>	<u>1,133</u>	<u>0%</u>
Income before taxes	1,263,706	1,088,485	175,221	16%
Income tax provision	380,122	320,557	59,565	19%
Net income	<u>\$ 883,584</u>	<u>\$ 767,928</u>	<u>\$ 115,656</u>	<u>15%</u>

Key trends affecting results of operations

The employee enrollment numbers in our HCO and MPN programs typically correlate with general economic conditions and the size and activities of our customers' workforce. During fiscal year 2024, we saw an increase in MPN revenue that was attributable to additional service agreements with existing customers, reflecting efforts to access more cost-effective healthcare for injured workers, and an increase in employee enrollments from our customers' increased headcounts. In contrast, our HCO revenue decreased during the same period due to decreases in employee enrollments and reported injuries, and a decrease in annual notifications revenue related to the timing of delivery of services to a significant customer that began phasing out our services during the fourth quarter of fiscal year 2024. If economic conditions become challenging, including from the effects of inflationary pressures, elevated interest rates, and difficult labor market conditions, our customers may reduce their workforce or seek price-competitive alternatives to our services, in which case we would expect a decline in the number of employees enrolled in our HCO and MPN programs in future periods and in related revenues.

Our utilization review program grew by 11% during fiscal year 2024 due to increased requests for our services, which helped offset the overall decrease in HCO program revenue. We believe that increased demand for our utilization review services is driven by rising and difficult to control healthcare costs, as this service is an additional means to decrease healthcare costs. However, as labor markets change, our customers may reduce their workforce which would decrease the amount of opportunities to provide this specialized function.

We have expanded our employee advocate services to six states outside of California, which continues to bolster our medical case management revenues. For example, during fiscal year 2024, revenue from our employee advocate services increased 184% when compared to the same period of 2023, which drove a 29% increase in medical case management revenue. We plan to continue to expand employee advocate services to other states as feasible during 2025, but cannot guarantee that we will be successful in further growing this service.

Though we continue our efforts to increase our customer base and reduce customer concentration across all service lines, the addition or loss of a single customer can materially impact our results of operations. For example, in October 2024 we received notice of termination from one of our significant customers, which we anticipate may materially impact future operating revenues. The Company experienced a shift in the timing of when certain services were provided to the significant customer related to this phase-out, resulting in a material impact to fiscal year 2024 revenue that is not expected to affect fiscal year 2025 revenue. We began phasing out the associated services for that customer during the fourth quarter of fiscal year 2024, which we anticipate will be completed during the first quarter of fiscal year 2025. The customer termination was not due to a contract dispute or issues related to our performance of services, and we remain in good standing with the customer. We expect to continue to be susceptible to risks associated with customer concentration, which could continue to materially affect our results of operations into the foreseeable future.

Revenue

HCO

During the year ended December 31, 2024, HCO revenue decreased by 18% compared to fiscal year 2023. The decrease in HCO revenue was attributable primarily to the timing of when we completed annual notifications and related billing during each year for the significant customer that is completing a phase out of our services during the first quarter of fiscal year 2025. We anticipate similar future fluctuations for HCO revenues when the timing of recognizing HCO revenue for customers does not align between comparable periods.

MPN

During the year ended December 31, 2024, MPN revenue increased by 19% compared to fiscal year 2023. The increase in MPN revenue was largely due to an increase in monthly MPN program administration fees, resulting from the addition of a new customer and an increase in our existing customers' reported injuries. The increase in MPN revenue was partially offset by a decrease in both employee headcount and reported injuries at other customer locations.

Medical bill review

During fiscal year 2024, medical bill review revenue increased by 6%, compared to fiscal year 2023. The increase was due to a net increase in bill reviews performed for existing customers along with the addition of a new customer. The increase was partially offset by the loss of a customer in the third quarter of fiscal year 2023.

Utilization review

During fiscal year 2024, utilization review revenue increased 11% compared to fiscal year 2023. The increase in utilization review revenue was due to increased referrals of requests for authorization from existing customers.

Medical case management

During fiscal year 2024, revenue from medical case management increased 29% compared to fiscal year 2023. The increase was attributable to an increase in employee advocate services revenue due to the continued growth of the program within California and to locations in six other states, an increase in managed claims by existing customers, and increase accuracy and efficiency in our related billing processes.

Other

Other revenue for the year ended December 31, 2024, increased 20%, compared to the same period in the prior year, primarily due to an increase in network access revenue from increased customer usage of our network during fiscal year 2024.

Expense

Salaries and wages

Salaries and wages increased 7% during fiscal year 2024 compared to fiscal year 2023. The increase was due to a discretionary bonus and the addition of one employee during fiscal year 2024. Given the current increased wage inflation trends, we expect salaries and wages will increase in future periods from our efforts to attract and retain employees.

Professional fees

Professional fees increased 8% during fiscal year 2024 compared to fiscal year 2023. The increase in professional fees during fiscal year 2024 was primarily the result of increases in accounting and other professional services during that period.

Insurance

During fiscal year 2024, insurance expenses increased 7%, compared to the same period in the prior year, due to increases in cyber liability insurance premiums and health insurance costs for employees.

Data maintenance

During fiscal year 2024, data maintenance fees decreased 55% compared to fiscal year 2023. The decrease in data maintenance fees was primarily due to the timing of when we completed annual and termination letters and related billing for some of our customers during each year, most notably for the significant customer that is completing a phase out of our services during the first quarter of fiscal year 2025. We expect similar future fluctuations for data maintenance fees when the timing of sending annual and termination letters for customers does not align between comparable periods.

General and administrative

During fiscal year 2024, general and administrative expenses increased by 19% compared to fiscal year 2023. The increase was primarily due to increases in advertising and marketing, dues and subscriptions, IT enhancement, meals/travel, and licenses and permits. The increases were primarily offset by decreases in vacation expense. While we anticipate certain general and administrative expenses will remain lower than historic levels, such as office rent, internet and phone, we expect other general and administrative expenses, such as IT enhancements, licenses and permits, and other technology-related expenses will remain at higher than historic levels in future periods.

Income from Operations

During the year ended December 31, 2024, we recognized an 8% increase in total revenue and a 5% increase in total expenses compared to the same period of 2023. As a result, our income from operations increased \$174,088, or 26%, during fiscal year 2024 when compared to the prior year.

Other Income

Other income increased 1% during the year ended December 31, 2024, compared to the year ended December 31, 2023, due to an increase in interest income from our investments in U.S. Treasury bills. This increase in interest income was offset by an increase in interest expense in fiscal year 2024, resulting in other income (expense) of \$411,083.

Income Tax Provision

Our income tax provision for the year ended December 31, 2024 increased by \$59,565 or 19% compared to fiscal year 2023. The increase in income tax provision was attributable to a 26% increase in income from operations during fiscal year 2024.

Net Income

During fiscal year 2024, we realized an 8% increase in total revenues, a 5% increase in total expenses, and a 19% increase in our provision for income tax when compared to fiscal year 2023. As a result, we realized net income of \$883,584, a 15% increase year over year.

Liquidity and Capital Resources

Management currently believes that cash on hand and anticipated revenues from operations will be sufficient to cover our operating expenses for at least the next twelve months. The Company's primary sources of liquidity are cash, cash equivalents, short-term investments, and future cash generated from operations. However, our ability to generate cash from operations will depend on our future operating performance, which is subject to certain ongoing known and unknown risks and uncertainties. For a discussion of particular risk factors related to our business, see Part I, Item 1A *Risk Factors* of our Annual Report.

We currently have planned certain capital expenditures to replace laptops and ancillary devices due to their age and as part of our ongoing continuity plan. We anticipate investing activities will continue throughout 2025 as we replace aging software, computer equipment, and further enhance our IT security. We anticipate these costs will be significant, but believe we have adequate cash on hand to cover these expenses. We do not anticipate these expenditures will require us to seek outside sources of funding.

We intend to continue to pursue potential acquisition transactions that, if additional cash on hand were needed for such a transaction, we would either need to condition closing upon maturity of our investments, if applicable, or seek alternate financing, or a combination of those approaches. We may also seek growth through organic development of new lines of business or expansion of existing offerings. Depending upon the nature of the opportunities we identify, such acquisitions or expansion could require greater capital resources than we currently possess. Should we need additional capital resources, we could seek to obtain such through debt and/or equity financing. We do not currently possess an institutional source of financing and there is no assurance that we could be successful in obtaining equity or debt financing when needed, on favorable terms, or at all. We could also use shares of our capital stock as consideration for a business acquisition transaction, but there is also no assurance that there would be significant interest in our capital stock from a potential seller or the market.

Cash Flow

During the year ended December 31, 2024, we had a net decrease in cash and cash equivalents of \$423,503. See below for additional discussion and analysis of cash flow.

	<u>Year Ended December 31,</u>	
	<u>2024</u>	<u>2023</u>
Net cash provided by operating activities	\$ 675,084	\$ 932,359
Net cash provided by (used in) investing activities	(1,133,892)	806,788
Net cash provided by (used in) financing activities	35,305	(1,281,600)
Net increase (decrease) in cash	<u>\$ (423,503)</u>	<u>\$ 457,547</u>

Net cash provided by operating activities was \$675,084 and \$932,359 in fiscal year 2024 and fiscal year 2023, respectively. This \$257,275 decrease in cash flow from operations during fiscal year 2024 was primarily the result of higher net income offset primarily by an increase in accounts receivable and a decrease in income tax payable due to cash payments made for estimated taxes throughout fiscal year 2024.

Net cash provided by (used in) investing activities was \$(1,133,892) during fiscal year 2024, and \$806,788 during fiscal year 2023. The change in net cash used in investing activities was the result of reinvesting the proceeds of investments that reached maturity during the period, which we increased by investing additional cash. We plan to continue reinvesting the proceeds as our investments reach maturity.

During fiscal year 2024, net cash provided by financing activities was \$35,305, which was the result of cash received from the Company's insurance financing agreement offset by payments made on the insurance financing agreement during the year.

Off-Balance Sheet Financing Arrangements

As of December 31, 2024, we had no off-balance sheet financing arrangements.

Inflation

We experience pricing pressures in the form of competitive pricing. Insurance carriers and third-party administrators compete against us for customers by offering bundled claims administration services with their own managed care services at a lower rate. We are also impacted by rising costs for certain inflation-sensitive operating expenses such as labor and employee benefits and facility leases. We believe that these impacts can be material to our revenues or net income. Some of our customers are public entities which contract with us at a fixed price for the term of the contract. Increases in labor and employee benefits can reduce our profit margin over the term of these contracts. See also "*the effects of inflation may have a disproportionate impact on our business*" under Part I, Item 1A *Risk Factors* of this annual report.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). Application of these principles requires us to make estimates, assumptions, and judgments that affect the amounts reported in our consolidated financial statements and accompanying notes. Because of the inherent uncertainty in making estimates and judgments, actual results could differ from our estimates and judgments. Our critical accounting policies are disclosed in Note 2, *Significant Accounting Policies*, of the Notes to the Consolidated Financial Statements in this annual report.

We continually evaluate our accounting estimates and judgments and base our estimates and judgments on historical experience and various other factors that we believe to be reasonable under the circumstances. Our critical accounting estimates include allowance for credit losses and income taxes, and are discussed in more detail below. Such accounting estimates require the most subjective or complex judgments by us, often as a result of the need to make assumptions regarding matters that are inherently uncertain, and actual results could differ materially from these estimates.

Revenue Recognition: Contracts with customers often include promises to transfer multiple products and services to a customer, referred to as distinct performance obligations. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

The Company allocates revenue to each performance obligation based on its stand-alone selling price (SSP). Judgment is required to determine unobservable SSP for each distinct performance obligation as most services provided by the Company are not directly observable. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions and other observable inputs. We typically have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we determine SSP using a cost-plus margin approach. Refer to Note 2 for further discussion.

Allowance for Credit Losses: We determine our allowance for credit losses by considering several factors, including the length of time trade accounts receivable are past due, our previous loss history, the customers' current ability to pay its obligation to us, and the condition of the general economy and the industry as a whole. We write off accounts receivable when they become uncollectible.

We must make significant judgments and estimates in determining contractual and credit loss allowances in any accounting period. One significant uncertainty inherent in our analysis is whether our past experience will be indicative of future periods. Although we consider future projections when estimating contractual and credit loss allowances, we ultimately make our decisions based on the best information available to us at the time the decision is made. Adverse changes in general economic conditions or trends in reimbursement amounts for our services could affect our contractual and credit loss allowance estimates, collection of accounts receivable, cash flows, and results of operations. At December 31, 2024, three customers accounted for 10% or more of accounts receivable compared to two customers at December 31, 2023.

Accounting for Income Taxes: We record a tax provision for the anticipated tax consequences of our reported results of operations. The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. We record a valuation allowance, if necessary, to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with future reversals of existing taxable temporary differences, will be sufficient to fully recover the deferred tax assets. In the event we determine all, or part of the net deferred tax assets are not realizable in the future, we will make an adjustment to the valuation allowance that would be charged to earnings in the period such determination is made. In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of GAAP and complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on our financial condition and operating results. The significant assumptions and estimates described above are important contributors to our ultimate effective tax rate each year.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Smaller reporting companies are not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Pacific Health Care Organization, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Pacific Health Care Organization, Inc. and Subsidiaries (the Company) as of December 31, 2024, and the related consolidated statements of operations, stockholders' equity, and cash flows in the year then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there were no critical audit matters.

/s/ Boulay PLLP

We have served as the Company's auditor since 2024.

Minneapolis, Minnesota

March 19, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM



To the Board of Directors and Shareholders
of Pacific Health Care Organization, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Pacific Health Care Organization, Inc. (the Company) as of December 31, 2023, and the related consolidated statement of operations, consolidated statement of stockholders' equity, and consolidated statement of cash flows for the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the result of its operations and its cash flows the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the audit as of December 31, 2023 of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Description of the Matter	<p><i>Allowance for doubtful accounts</i></p> <p>As described in the Consolidated Balance Sheet to the consolidated financial statements, the Company has established an allowance for doubtful accounts of \$32,814 as of December 31, 2023. Auditing management's evaluation of allowance was challenging due to the level of subjectivity and significant judgment associated with collectability of accounts receivable.</p>
How We Addressed the Matter in Our Audit	<p>We obtained an understanding, evaluated the design for allowance of doubtful accounts. Our procedures consisted of performing retrospective review of the allowance by comparing historical reserve to historical write-offs, analyzing accounts receivable aging buckets, and sending confirmations. Based on the audit procedures performed, we found the reserve levels to be reasonable.</p>

GreenGrowthCPAs

We served as the Company's auditor in 2023.

Los Angeles, California
April 15, 2024

PCAOB ID Number 6580

Pacific Health Care Organization, Inc. and Subsidiaries
Consolidated Balance Sheet

	December 31, 2024	December 31, 2023
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 2,070,476	\$ 2,493,979
Investments	9,033,761	7,877,752
Accounts receivable, net	1,028,920	1,020,580
Prepaid expenses	202,117	179,702
Total current assets	<u>12,335,274</u>	<u>11,572,013</u>
<i>Property and Equipment, net</i>		
Computer equipment	244,519	255,783
Furniture and fixtures	13,284	21,620
Total property and equipment	<u>257,803</u>	<u>277,403</u>
Less: accumulated depreciation	(205,374)	(200,009)
Net property and equipment	52,429	77,394
Operating lease right-of-use assets	-	56,489
Deferred tax assets	37,990	38,871
Other assets	7,110	7,110
Total Assets	\$ 12,432,803	\$ 11,751,877
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current Liabilities</i>		
Accounts payable	\$ 148,051	\$ 159,789
Accrued expenses	422,973	367,609
Income tax payable	68,727	296,452
Dividend payable	37,000	37,000
Operating lease liabilities, current portion	-	44,519
Insurance financing	35,305	-
Unearned revenue	33,544	30,919
Total current liabilities	<u>745,600</u>	<u>936,288</u>
<i>Long Term Liabilities</i>		
Operating lease liabilities, long-term portion	-	11,970
Total Liabilities	<u>745,600</u>	<u>948,258</u>
<i>Commitments and Contingencies</i>		
Stockholders' Equity		
Convertible Preferred stock; 5,000,000 shares authorized at \$0.001 par value of which 40,000 shares designated as Series A preferred and 16,000 shares issued and outstanding at December 31, 2024 and 2023	16	16
Common stock, \$0.001 par value, 800,000,000 shares authorized, 12,800,000 shares issued and outstanding at December 31, 2024 and 2023	12,800	12,800
Additional paid-in capital	416,057	416,057
Retained earnings	11,258,330	10,374,746
Total Stockholders' Equity	<u>11,687,203</u>	<u>10,803,619</u>
Total Liabilities and Stockholders' Equity	\$ 12,432,803	\$ 11,751,877

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

Pacific Health Care Organization, Inc. and Subsidiaries
Consolidated Statements of Operations

	Years Ended December 31,	
	2024	2023
Revenues		
HCO	\$ 1,247,712	\$ 1,516,608
MPN	625,488	525,595
Medical bill review	418,276	394,058
Utilization review	2,061,560	1,861,450
Medical case management	1,560,649	1,206,283
Other	151,705	125,924
Total revenues	<u>6,065,390</u>	<u>5,629,918</u>
Expenses		
Salaries and wages	2,754,394	2,565,199
Professional fees	600,915	556,016
Insurance	332,856	311,779
Outsource service fees	699,081	699,770
Data maintenance	91,424	201,696
General and administrative	734,097	616,923
Total expenses	<u>5,212,767</u>	<u>4,951,383</u>
Income from operations	852,623	678,535
Other income (expense)		
Interest income	414,635	409,950
Interest expense	(3,552)	-
Total other income, net	<u>411,083</u>	<u>409,950</u>
Income before taxes	1,263,706	1,088,485
Income tax provision	380,122	320,557
Net income	<u>\$ 883,584</u>	<u>\$ 767,928</u>
Basic earnings per share:		
Net Income per share amount	\$ 0.07	\$ 0.06
Weighted average shares outstanding, basic	12,800,000	12,800,000
Fully diluted earnings per share:		
Net Income per share amount	\$ 0.07	\$ 0.06
Weighted average shares outstanding, diluted	12,816,000	12,816,000

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

Pacific Health Care Organization, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

	Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance December 31, 2022	16,000	\$ 16	12,800,000	\$ 12,800	\$ 416,057	\$ 10,888,418	\$ 11,317,291
Common stock cash dividends paid	-	-	-	-	-	(1,280,000)	(1,280,000)
Preferred stock cash dividends paid	-	-	-	-	-	(1,600)	(1,600)
Net income for the year ended December 31, 2023	-	-	-	-	-	767,928	767,928
Balance December 31, 2023	16,000	\$ 16	12,800,000	\$ 12,800	\$ 416,057	\$ 10,374,746	\$ 10,803,619
Net income for the year ended December 31, 2024	-	-	-	-	-	883,584	883,584
Balance December 31, 2024	16,000	\$ 16	12,800,000	\$ 12,800	\$ 416,057	\$ 11,258,330	\$ 11,687,203

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

Pacific Health Care Organization, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Years ended December 31,	
	2024	2023
Cash Flows from Operating Activities		
Net income	\$ 883,584	\$ 767,928
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	34,096	37,527
Provision for credit losses	(19,094)	25,941
Noncash interest on investments	(31,248)	(31,363)
Deferred taxes	881	23,192
Changes in operating assets and liabilities:		
Accounts receivable	10,754	(111,531)
Receivable – other	-	3,000
Other assets	-	(508)
Prepaid expenses	(22,415)	(4,347)
Accounts payable	(11,738)	(103,233)
Accrued expenses	55,364	35,058
Income tax payable	(227,725)	293,320
Unearned revenue	2,625	(2,625)
Net cash provided by operating activities	<u>675,084</u>	<u>932,359</u>
Cash Flows from Investing Activities		
Proceeds from investments	15,931,687	16,312,707
Purchase of investments	(17,056,448)	(15,488,403)
Purchase of property and equipment	(9,131)	(17,516)
Net cash provided by (used in) investing activities	<u>(1,133,892)</u>	<u>806,788</u>
Cash Flows from Financing Activities		
Payment of cash dividends	-	(1,281,600)
Proceeds from insurance financing agreement	139,790	-
Payments made on insurance financing agreement	(104,485)	-
Net cash provided by (used in) financing activities	<u>35,305</u>	<u>(1,281,600)</u>
Net increase (decrease) in cash and cash equivalents	<u>(423,503)</u>	<u>457,547</u>
Cash and cash equivalents at beginning of year	2,493,979	2,036,432
Cash and cash equivalents at end of year	<u>\$ 2,070,476</u>	<u>\$ 2,493,979</u>
Supplemental Cash Flow Information		
Cash paid for:		
Interest	\$ 3,552	\$ -
Income taxes	613,000	82,000
Non-cash investing and financing activities		
Initial recognition of operating lease right-of-use assets and operating lease liabilities	\$ -	\$ 56,489

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

Pacific Health Care Organization, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

NOTE 1 – NATURE OF BUSINESS

Pacific Health Care Organization, Inc. (the “Company” or “PHCO”) is a workers’ compensation cost containment company providing a range of services principally to California employers and claims administrators. The Company was incorporated under the laws of the state of Utah in April 1970, under the name Clear Air, Inc. The Company changed its name to Pacific Health Care Organization, Inc., in January 2001. In February 2001, the Company acquired Medex, a California corporation organized in March 1994, in a share for share exchange. Medex is a wholly owned subsidiary of the Company. Medex is in the business of managing and administering both Health Care Organizations (“HCO”) and Medical Provider Networks (“MPN”) in the state of California, and providing workers’ compensation carve-out and Medicare set-aside services. In March 2011, the Company incorporated MMC, a Nevada corporation, as a wholly owned subsidiary of the Company. MMC oversees and manages the Company’s utilization review and bill review services. In February 2012, the Company incorporated MMM, a Nevada corporation, as a wholly owned subsidiary of the Company. MMM is responsible for overseeing and managing medical case management. The Company discontinued lien representation services in the third quarter of 2023 due to the lack of demand.

On October 19, 2021, the Company completed short-form mergers between PHCO and each of its wholly owned subsidiaries Industrial Resolutions Coalition (“IRC”), Medex Legal Support, Inc. (“MLS”), and Pacific Medical Holding Company (“PMHC”). As a result of the short-form mergers the separate existence of IRC, MLS and PMHC terminated and the business, assets and liabilities of those entities have been transferred to PHCO and, as appropriate, to its other subsidiaries. The Company continues to offer the services of IRC and MLS through its other subsidiaries as described in the preceding paragraph.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

B. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentations. These changes had no impact on the Company’s total assets, stockholders’ equity or reported net income.

C. Revenue Recognition

The Company recognizes revenue in accordance with ASU 2014-09, “Revenue from Contracts with Customers (Topic 606).” The core principle underlying Topic 606 is that the Company recognizes revenue to represent the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This requires the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer.

ASC 606 requires the use of a five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation.

Revenues are generated as services are provided to the customer based on the agreed upon sales price in accordance with our customers’ contracts. Contracts are typically written for an initial annual period with automatic renewals on an annual or monthly basis, cancellable with 30 to 90 days’ notice, except as required by law for our HCO and MPN services, which require up to 180 days’ notice in some cases. When performing services for a public entity customer, the Company may be required to agree to the contract terms of the customer which are typically aligned with specific laws and regulations governing the customer.

The Company’s customers are typically large, well-established businesses with a significant workforce. The Company determines whether it is probable to collect substantially all of the consideration for services based on the creditworthiness of the customers at the time of commencing services.

The Company offers multiple services under its workers’ compensation cost containment specialty service lines. The Company typically provides a menu of offerings from which the customer may choose to purchase as bundled managed care, standalone services, or add-on ancillary services. The price of each service is separate and distinct and provides a separate and distinct value to the customer. Pricing is generally consistent for each service irrespective of the other services or quantities requested by the customer. Bundled managed care contracts are therefore accounted for as separate performance obligations. Customers are typically invoiced monthly in arrears or annually in advance, depending on the service provided and the customer’s preferences, and payment is due within 30 days. In cases where a customer is invoiced annually prior to services being rendered or remits payment in advance, typically for our HCO/MPN services, the Company records the cash collected as unearned revenue and recognizes the revenue over the contract term as services are rendered.

Pacific Health Care Organization, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

Contracts with customers often include promises to transfer multiple products and services to a customer, referred to as distinct performance obligations. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

The Company allocates revenue to each performance obligation based on its stand-alone selling price (SSP). Judgment is required to determine unobservable SSP for each distinct performance obligation as most services provided by the Company are not directly observable. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions and other observable inputs. We typically have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we determine SSP using a cost-plus margin approach. Discounts and other concessions are rarely awarded, and returns and refunds are not part of the normal course of business.

As of January 1, 2023, the balance of accounts receivable, net and unearned revenue was \$934,990 and \$33,544, respectively.

The Company recognizes revenue as described below for each type of service.

HCO/MPN

An HCO is a network of health care providers specializing in the treatment of workplace injuries and in back-to-work rehabilitation for our customers' injured employees. HCOs provide injured employees with a network of health care providers in the event of a workers' compensation injury, while providing their employer (our customer) control over medical treatment and costs. Like an HCO, an MPN is a network of health care providers, but health care providers participating in MPNs are not required to have the same level of medical expertise in treating workplace injuries. As a licensed HCO and approved MPN, in addition to offering HCO and MPN programs, we are also able to offer our customers a combination of the HCO and MPN programs.

The Company derives its HCO and MPN revenue from fees charged for various aspects of these programs. Monthly and annual HCO/MPN program administration is provided over time and invoiced monthly or annually for a fixed fee, with revenue recognized ratably over the applicable contractual term. HCO/MPN claim network fees are generated at specific points in time throughout the month and invoiced at the end of the month for an agreed upon per item fee. Monthly HCO/MPN custom network fees are provided over time and invoiced monthly for a fixed fee. Revenue is recognized ratably over time. Annual or one-time HCO notification letters are generated and mailed at a point in time during the year, at which time the customer is invoiced for the service for a fixed fee.

For the fiscal years ended December 31, 2024 and 2023, the Company's HCO programs generated approximately \$597,064 and \$605,424, respectively, from services performed over time and approximately \$650,648 and \$911,184, respectively, from services performed at a point in time.

For the fiscal years ended December 31, 2024 and 2023, the Company's MPN programs generated approximately \$470,208 and \$419,185, respectively, from services performed over time and approximately \$155,280 and \$106,410, respectively, from services performed at a point in time.

Medical Bill Review

Medical bills are one of the biggest expenses that an employer's workers' compensation insurance company must pay for. To curtail these expenses, our customers utilize our medical bill review services to review medical bills for services rendered to an injured employee. We provide professional analysis of medical provider services and equipment billing to ascertain proper reimbursement.

The Company derives its medical bill review revenue from fees generated and delivered at a point in time and invoiced upon completion of the services. These services are invoiced at a fixed fee with certain items also invoiced for a percentage of savings produced for the customer.

Utilization Review

Utilization review, also known as utilization management, is required by law in all states for workers' compensation claims. Utilization review evaluates the medical necessity of proposed treatment by comparing medical treatment requests against accepted medical guidelines. Its purpose is to serve as a safeguard against payor liability for medical costs that are not medically appropriate or approved by the relevant medical and legal authorities.

Pacific Health Care Organization, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2023

The Company derives its utilization review revenue from fees generated and delivered at a point in time and invoiced upon completion of the services. These services are invoiced at a fixed fee with certain items also invoiced for a percentage of savings produced for the customer.

Medical Case Management

Medical case management oversees injured employees' medical treatment to ensure that it progresses to a resolution and ensures treatment plans are aligned from a medical perspective. Medical case management is a collaborative process that assesses, evaluates, coordinates, implements and monitors medical treatment plans and the options and services required for occupational injuries.

The Company derives its medical case management revenue from services performed and delivered over time and invoiced monthly for those services at a fixed hourly rate. Types of services offered include both telephonic and field case management as well as employee advocate services.

Other Revenues

Other revenues consist of services performed for Medicare set aside requests, network access fees charged for network access for preferred provider organizations, ancillary legal support services, and workers' compensation carve-out services. Medicare set-aside services for workers' compensation claims is a financial agreement that allocates a portion of a workers' compensation settlement to pay for future medical services related to the work-place injury, illness, or disease. The purpose of the set-aside arrangement is to provide funds to the injured party to pay for future medical expenses that would not be covered by Medicare. Network access for preferred provider organizations gives customers access to provider groups that include a specialized network of medical providers related to workers' compensation and the lower fees associated with the Company's affiliation to those groups.

These services are performed at a point in time and invoiced upon completion of the service. Medicare set-aside requests are invoiced at a fixed fee or hourly rate, depending on the request type. Network access fees are invoiced at a percentage of savings produced for the customer. Ancillary legal services are invoiced at a fixed fee or hourly rate, depending on the service performed. Workers' compensation carve-out services are invoiced at a fixed fee or hourly rate, depending on the service performed.

D. Cash and Cash Equivalents

The Company considers all short-term, highly liquid investments that are readily convertible, within three months of origination, to known amounts as cash equivalents. As of December 31, 2024 and 2023, the Company had no cash equivalents.

E. Investments

The Company maintains its investments in US treasury bills and has classified them as held-to-maturity at the time of purchase. Held-to-maturity purchases are those securities in which the Company has the ability and intent to hold until maturity. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums and discounts. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security using a straight-line method.

The amortized cost basis, gross unrealized gains and losses, and fair value of the Company's held-to-maturity securities at December 31, 2024 and 2023 are shown below.

	Held-to-maturity securities			Fair Value
	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	
December 31, 2024				
U.S. Treasury Bills	\$ 9,033,761	\$ 7,743	\$ -	\$ 9,041,504
Totals	\$ 9,033,761	\$ 7,743	\$ -	\$ 9,041,504
December 31, 2023				
U.S. Treasury Bills	\$ 7,877,752	\$ -	\$ -	\$ 7,877,752
Totals	\$ 7,877,752	\$ -	\$ -	\$ 7,877,752

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The amortized cost basis and fair value of the Company’s securities at December 31, 2024, by contractual maturity, are shown below.

December 31, 2024	Amortized Cost	Fair Value
Held-to-maturity securities		
Due in one year or less	\$ 9,033,761	\$ 9,041,504
	\$ 9,033,761	\$ 9,041,504

The fair value of the Company’s held-to-maturity debt securities are determined based upon inputs, other than the quoted prices in active markets, that are observable either directly or indirectly, and are classified as level 2 fair value investments.

F. Concentrations of Risk

Cash and Cash Equivalents

Financial instruments that potentially subject the Company to concentrations of credit risks are comprised of cash deposits in excess of federally insured limits. The Company places its cash and cash equivalents at one well-known, quality financial institution. At times, such cash and investments may be in excess of the \$250,000 FDIC insurance limit. The Company believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Major Customers

During 2024, three major customers, who represent 10% or more of revenue, combined accounted for approximately 43% of our total sales, approximately 21%, 11%, and 11%, respectively. By comparison, during 2023 our three largest customers accounted for 43% of sales, approximately 23%, 10%, and 10%, respectively.

The percentages of the amounts due from major customers who represent 10% or more of total accounts receivable as of December 31, 2024 and 2023, are as follows:

	12/31/24	12/31/23
Customer A	20%	23%
Customer B	15%	17%
Customer C	10%	-%

G. Depreciation

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The cost of leasehold improvements is depreciated over the lesser of the length of the lease of the related assets or the estimated lives of the assets. Depreciation is computed on the straight-line method which is five years for computer equipment, office equipment, and furniture and fixtures.

H. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates include the values assigned to the allowance for credit losses and accruals for income taxes.

I. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

J. Fair Value of Financial Instruments

The Company applies ASC 820, “Fair Value Measurements.” This guidance defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to valuation methodology are unobservable and significant to the fair measurement.

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The carrying amounts reported in the balance sheets for cash and cash equivalents, receivables and current assets and liabilities each qualify as financial instruments and are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest.

K. General and Administrative Expenses

General and administrative expenses include fees for advertising, charity, depreciation, bad debt and recoveries, rent expense for office, shareholders' expense, auto expenses, bank charges, dues and subscriptions, education, equipment/repairs, IT enhancement and internet expenses, licenses and permits, office supplies, parking, postage and delivery, printing and reproduction, rent expense for equipment, telephone, travel expenses and entertainment costs, and compensated absences.

L. Income Taxes

The Company accounts for income taxes by following the asset and liability approach to accounting for income taxes. Deferred tax assets and liabilities represent the future tax consequences of the differences between the financial statement carrying amounts of assets and liabilities versus the tax basis of assets and liabilities. Under this method, deferred tax assets are recognized for deductible temporary differences, operating loss, and tax credit carryforwards. Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The impact of the tax rate changes on deferred tax assets and liabilities is recognized in the year that the change is enacted. Management believes that any write-off not allowed will not have a material impact on the Company's financial position.

The Company is subject to taxation in United States federal and state jurisdictions. Based on its evaluation, the Company believes that it has no significant unrecognized tax positions. The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months. The years 2020, 2021, 2022, and 2023 are still open for examination. The Company is not currently under audit by the Internal Revenue Service or any other tax authority.

The Company may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In accordance with current guidance, the Company classifies interest and penalties as income tax expense as incurred.

M. Stockholders' Equity

On January 6, 2020, the Company effected a four-shares-for-one-share (4:1) forward stock split ("Forward Split") of its common stock and its Series A convertible preferred stock. Unless otherwise noted, impacted amounts, share and per share information included in the financial statements and notes thereto have been retroactively adjusted for the Forward Split as if such Forward Split occurred on the first day of the first period presented.

The Company has two classes of stock. The Company has 800,000,000 shares of voting common stock authorized, and 12,800,000 shares issued and outstanding at both December 31, 2024 and 2023. The Articles of Incorporation of the Company, as amended, also authorizes 5,000,000 shares of \$0.001 par value preferred stock, which may be issued in one or more series, with designation, rights and privileges of such preferred stock to be set by the board of directors of the Company from time to time. On November 21, 2016, the board of directors of the Company approved a Certificate of Designation of Rights, Privileges and Preferences of Series A convertible preferred stock and authorized the Company's officers to file such with the Utah Division of Corporations and Commercial Code to create the Series A convertible preferred stock. The Series A convertible preferred stock has a par value of \$0.001 and consists of 40,000 shares, and may be converted into common stock on a one-share for one-share basis at the election of the holder thereof. The holders of Series A convertible preferred stock are entitled to vote with the common stockholders on all matters brought for approval of the common stockholders. In connection with any such matter, each outstanding share of Series A convertible preferred stock is entitled to 20,000 votes of common stock of the Company. In the event of a liquidation, dissolution or winding up of the Company, the Series A convertible preferred stock shall rank in parity with the Company's common stock. Holders of Series A convertible preferred stock are entitled to receive dividends, when, as and if declared by the board of directors. The Series A convertible preferred stock shall rank in parity with the Company's common stock as to any dividends. As of December 31, 2024 and 2023, 16,000 shares of the Series A convertible preferred stock were outstanding.

The Company purchased no shares of treasury stock during fiscal year 2024 or 2023. The Company does not have a plan to repurchase outstanding shares of common stock.

During the year ended December 31, 2023, our board of directors declared a special one-time cash dividend of \$0.10 per share on each share of Company common stock and preferred stock outstanding at the record date of June 5, 2023. On June 20, 2023, the Company issued \$1,281,600 in dividends. Pursuant to the rights provided in the Designation of Rights, Privileges and Preferences of Series A Preferred Stock dated December 27, 2019, holders of the Company's Series A Preferred Stock participated in the dividend payment based on the number of shares of Series A Preferred Stock held on the record date.

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As of December 31, 2024 and 2023, the Company had dividends payable of \$37,000, from a dividend declared in September 2015. As of December 31, 2024 and 2023, no shareholder entitled to claim the unpaid September 2015 dividend made a claim to such dividend, accordingly the Company paid \$0 in connection with the September 2015 dividend during both the years ended December 31, 2024 and 2023.

N. Share Based Compensation

The Company follows the fair value method of accounting for stock-based employee and non-employee compensation in accordance with statement of ASC Topic 718, “Compensation – Stock Compensation” which requires that equity-based payments (to the extent they are compensatory) be recognized in these audited consolidated statements of operations as compensation expense over the requisite service (vesting) period, based on the award’s fair value at grant date. No awards or grants have been awarded or granted under the Plan.

O. Accounts Receivable and Allowance for Credit Losses

In the normal course of business, the Company extends credit to its customers on a short-term basis. Although the credit risk associated with these customers is minimal, the Company routinely reviews its accounts receivable balances and makes provisions for credit losses. The Company ages its receivables by date of invoice. Management reviews the allowance for credit loss quarterly and evaluates the balance of accounts receivable based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. When a specific account is deemed uncollectible, the Company charges off the receivable against the allowance for credit loss. A considerable amount of judgment is required in assessing the realization of these receivables including the current creditworthiness of each customer and related aging of the past-due balances, including any billing disputes. To assess the collectability of these receivables, the Company performs ongoing credit evaluations of its customers’ financial condition.

Through these evaluations, the Company may become aware of a situation where a customer may not be able to meet its financial obligations due to deterioration of its financial viability, credit ratings or bankruptcy. The allowance for credit losses is based on the best information available to the Company and is reevaluated and adjusted as additional information is received. The Company evaluates the allowance based on historical write-off experience, the size of the individual customer balances, and past-due amounts. At fiscal year-end 2024 and 2023, the Company had an allowance for credit losses of \$12,489 and \$32,814, respectively. The decrease in allowance for credit loss is attributable to collections made during fiscal year 2024 from one customer who had become delinquent on some of their payments during fiscal year 2023.

A roll-forward of the Company’s allowance for credit losses for the years ended is as follows:

	December 31, 2024	December 31, 2023
Allowance for credit losses, beginning of year	\$ 32,814	\$ 7,807
Current period provision	(19,094)	25,941
Write-off	(1,231)	(934)
Recovery	-	-
Allowance for credit losses, end of year	\$ 12,489	\$ 32,814

P. Leases

On April 1, 2022, the Company moved office locations from 1201 Dove Street, Suite 300 in Newport Beach, California to 19800 MacArthur Boulevard, Suites 306 and 307, in Irvine, California. Our current lease was set to expire as of March 31, 2025, but was renewed on December 10, 2024 for an additional 12-month lease, with a new expiration of March 31, 2026 with no extension options.

The Company follows the guidance of ASC 842, Leases, which requires an entity to recognize a right-of-use asset and a lease liability for all leases. As of December 31, 2023, the Company recognized the operating lease right-of-use assets of \$56,489, lease liabilities for operating leases of \$56,489, and a zero cumulative-effect adjustment to accumulated deficit. As of December 31, 2024, there are no operating lease right-of-use assets or liabilities. The Company elected to not apply the requirements of ASC 842 for short-term leases. Short-term leases are defined as leases that, at the commencement date, have a lease term of 12 months or less. Lease expense is recognized on a straight-line basis over the lease term. If a Company lease does not provide an implicit rate, the Company develops an estimated incremental borrowing rate at the commencement date based on the estimated rate at which it would borrow, in the current economic environment, an amount equal to the lease payments over a similar term on a collateralized basis which is used to determine the present value of lease payments. The Company had no finance leases at December 31, 2024 and 2023.

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Q. Subsequent Events

In accordance with ASC 855-10, Company management reviewed all material events through the date of issuance and there are no material subsequent events to report.

NOTE 3 – RECENTLY ISSUED ACCOUNTING STANDARDS

Recently Adopted Accounting Guidance

On January 1, 2024, the Company retroactively adopted ASU 2023-07: Improvements to Reportable Segment Disclosures. This ASU, which amends Topic 280: *Segment Reporting*, improves disclosure requirements for reportable segments and enhances disclosures for companies with single reportable segments. The adoption did not have a material impact on the Company's financial statements.

The Company conducts its business activities and reports financial results as a single reportable segment, the workers' compensation cost containment specialists segment, based on the nature of its business and accounting policies, which are described throughout Notes 1 and 2. The Chief Operating Decision Maker ("CODM") is its executive team. The CODM makes decisions about allocating resources and assessing performance in a manner consistent with the way the Company operates its business and presents its financial results, using the same net income that is also reported on the consolidated statements of operations as net income. There are no reconciling items to the consolidated statements of operations. The measurement of segment assets is reported on the consolidated balance sheet as total assets. The CODM uses net income to evaluate income generated from segment assets (return on assets) in deciding whether to reinvest profits into the workers' compensation cost containment specialists segment or into other parts of the entity. All of the Company's customers are based in the United States.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," which requires measurement and recognition of expected versus incurred credit losses for financial assets held. The measurement of expected credit losses should be based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The guidance is effective for annual reporting periods beginning after December 15, 2022, and interim periods within those annual periods. The Company adopted ASU 2016-13 in 2023, using the modified retrospective approach with an immaterial impact to the Company's financial statements as of January 1, 2023.

NOTE 4 – PROPERTY AND EQUIPMENT

Scheduled below are the assets, costs, and accumulated depreciation at December 31, 2024 and 2023.

	December 31, 2024	December 31, 2023
Computer equipment	\$ 244,519	\$ 255,783
Furniture and fixtures	13,284	21,620
Totals	\$ 257,803	\$ 277,403
Less: accumulated depreciation	(205,374)	(200,009)
Total Property and Equipment, net	\$ 52,429	\$ 77,394

Depreciation expense for the years ended December 31, 2024 and 2023, totaled \$34,096 and \$37,527, respectively.

NOTE 5 – INCOME TAXES

The income tax provision for the years ended December 31, 2024 and 2023, consisted of the following:

	2024	2023
Current tax expense	\$ 379,239	\$ 375,107
Deferred tax expense	883	(54,550)
Total income tax provision	\$ 380,122	\$ 320,557

Pacific Health Care Organization, Inc.
Notes to Consolidated Financial Statements
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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's total deferred tax assets and deferred tax liabilities at December 31, 2024 and December 31, 2023, are as follows:

	2024	2023
Current deferred tax assets (liabilities)		
Reserves	\$ 3,494	\$ 9,181
Right-of-use asset	-	15,805
Lease obligation	-	(15,805)
Unearned revenues	9,385	8,652
Accrued expenses	38,441	41,832
Net current deferred tax asset	\$ 51,320	\$ 59,665
Long-term deferred tax assets (liabilities)		
Depreciation	\$ (13,330)	\$ (20,794)
Net long-term deferred tax liability	\$ (13,330)	\$ (20,794)
Total deferred tax asset	\$ 37,990	\$ 38,871

The reconciliation of income tax computed at statutory rates of income tax benefits is as follows:

	2024		2023	
	Amount	Percent	Amount	Percent
Expense at federal statutory rate of 21%	\$ 265,388	21.0%	\$ 225,646	21.0%
State income taxes, net of federal benefit	96,155	7.6%	77,375	7.2%
Non-deductible expenses	15,096	1.2%	10,326	1.0%
Other items	3,483	0.3%	7,210	0.7%
Income tax provision	\$ 380,122	30.1%	\$ 320,557	29.9%

NOTE 6 – LEASES

The Company rents office space at 19800 MacArthur Boulevard, Suites 306 & 307, in Irvine, California. This lease was to expire as of March 31, 2025, but was renewed on December 10, 2024, for an additional 12 months, with a new expiration of March 31, 2026. The lease provides 320 square feet of office space for the executive team and a shared office space for key employees to use as needed. All other employees will continue to work remotely.

The components of lease expense and supplemental cash flow information related to leases for the period are as follows:

	Year Ended December 31, 2023
<u>Lease Cost</u>	
Operating lease cost (included in general and administrative in the Company's consolidated statement of operations)	\$ 59,217
<u>Other Information</u>	
Cash paid for amounts included in the measurement of lease liabilities for the year ended December 31, 2023	\$ 41,898
Weighted average remaining lease term – operating leases (in years)	1.25
Average discount rate – operating leases	5.75%

The supplemental balance sheet information related to leases for the period is as follows:

	At December 31, 2023
<u>Operating leases</u>	
Remaining right-of-use assets	\$ 56,489
Short-term operating lease liabilities	44,519
Long-term operating lease liabilities	11,970
Total operating lease liabilities	\$ 56,489

Lease expenses were \$47,079 and \$41,898 during the years ended December 31, 2024 and 2023, respectively.

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Notes to Consolidated Financial Statements
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NOTE 7 – ACCRUED EXPENSES

As of December 31, 2024 and 2023, accrued expenses consist of the following:

	2024	2023
Salaries and wages	\$ 130,960	\$ 100,053
Compensated absences	193,525	185,763
Legal fees	2,964	26,984
Accounting fees	64,183	16,325
Sales commissions	19,558	8,800
Other	11,783	29,684
Total	\$ 422,973	\$ 367,609

NOTE 8 – INSURANCE FINANCING AGREEMENT

The Company entered into an insurance policy finance arrangement for business insurance coverage effective May 2024. The agreement will mature in May 2025, with monthly payments of principal and interest of approximately \$12,276 with interest at 9.3%. At December 31, 2024, the balance outstanding was approximately \$35,305.

NOTE 9 – EQUITY INCENTIVE AWARDS

2018 Plan

The Pacific Health Care Organization 2018 Equity Incentive Plan (the “2018 Plan”) became effective on April 6, 2018. The 2018 Plan permits the granting of 8,000,000 shares of Common Stock (as adjusted to reflect the four-shares-for-one-share forward split of the company’s common stock that took effect on January 6, 2020). No awards or grants have been awarded or granted under the Plan. The 2018 Plan provides for grants of equity incentive compensation to employees and consultants of the Company and such other individuals the Company reasonably expects to become employees or consultants of the Company. The 2018 Plan allows for awards of (a) incentive stock options, (b) non-qualified stock options, (c) stock appreciation rights, (d) restricted awards, and (e) other equity-based awards. The 2018 Plan will terminate automatically on the tenth anniversary of the 2018 Plan’s Effective Date. The 2018 Plan is currently administered by the full board of directors.

The Company did not award any equity incentive compensation during the years ended December 31, 2024 and 2023.

NOTE 10 – EARNINGS PER SHARE OF COMMON STOCK

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding at the date of these consolidated financial statements. The fully diluted earnings per share includes 16,000 shares of Series A convertible preferred stock, as disclosed in Section M of Note 2.

Basic and Diluted Net Income per share calculation	For the Years Ended	
	December 31,	
	2024	2023
Net Income to common stockholders	\$ 883,584	\$ 767,928
Weighted average shares outstanding, basic	12,800,000	12,800,000
Basic Net Income per share	<u>\$ 0.07</u>	<u>\$ 0.06</u>
Weighted average shares outstanding, diluted	12,816,000	12,816,000
Diluted Net Income per share	<u>\$ 0.07</u>	<u>\$ 0.06</u>

For the years ended December 31, 2024 and 2023, there were common stock equivalents related to convertible preferred stock that had a dilutive effect of 16,000 shares.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in such matters may arise from time to time that may harm the Company’s business. To the knowledge of management, there is no material litigation or governmental agency proceeding pending or threatened against the Company or any of its subsidiaries. Further, the Company is not aware of any material proceeding to which any director, member of senior management or owner of record or beneficially of more than five percent of any class of voting securities of the Company, or any associate of any of them is a party adverse to or has a material interest adverse to the Company or any of its subsidiaries.

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NOTE 12 – BENEFITS AND OTHER COMPENSATION

The Company offers a 401(k)-profit sharing plan for employees who meet the eligibility requirements. Pursuant to the plan, the Company may make discretionary matching contributions and/or discretionary profit-sharing contributions to the plan. All such contributions must comply with federal pension laws, non-discrimination requirements and the terms of the plan. In determining whether to make a discretionary contribution, the board of directors would evaluate current and prospective costs of such awards to the Company and management's desire to reward and retain employees and attract new employees. To date, the Company has never made matching contributions and/or discretionary profit-sharing contributions to any plan.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Company defines a related party as an individual who has the ability to exercise significant influence over the Company's management or operations, including individuals who own 5% or more of outstanding common stock or preferred stock of the Company and individuals who perform consulting activities for the Company and are, or are related to, an individual who owns 5% or more of outstanding common stock or preferred stock of the Company.

The Company retains Donald P. Balzano, who is a shareholder owning 6.9% of the Company's common stock, as legal counsel. Mr. Balzano provides legal guidance and expertise in the workers' compensation industry on behalf of the Company. The fees paid to Mr. Balzano are recorded in Professional Fees on the consolidated statement of operations. The retainer agreement with Mr. Balzano has been in place for approximately 24 years. For the years ended December 31, 2024 and 2023, respectively, Mr. Balzano earned \$144,144 and \$144,144 related to the retainer agreement.

The Company's former CFO, Kat Kubota, provides financial consulting services for the Company. Kat Kubota is the daughter of Tom Kubota, the Company's CEO, President, Chairman of the Board and a majority shareholder of the Company, and sister of Lauren Kubota, the Company's Vice President and Secretary, and a Board member. The fees paid to Ms. Kubota are recorded in Professional Fees on the consolidated income statement. Fees for services not yet billed are included in Accrued Expenses on the consolidated balance sheet, totaling \$64,183 at December 31, 2024. This consulting arrangement commenced upon Ms. Kubota's resignation from the CFO position with the Company on March 5, 2024, and for the year ended December 31, 2024, Ms. Kubota earned \$64,183 for such services.

NOTE 14 – IMMATERIAL CORRECTION OF AN ERROR

During fiscal year 2024, the Company identified errors to the December 31, 2023 consolidated balance sheet related to \$72,013 of dividends payable which were actually paid during 2023. The December 31, 2023 consolidated balance sheet herein has been corrected to present the dividend as paid (\$72,013) and reduce the balance of cash (\$72,013) and the statement of cash flows herein has been corrected to present the cash used in financing activities for the dividend paid (\$1,281,600). The correction of this item had no impact on the fiscal year 2023 consolidated statement of operations and consolidated statement of stockholders' equity. The Company assessed the applicable guidance issued by the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB) and has determined the impact of the error is immaterial to the interim periods in fiscal year 2024 and fiscal year 2023.

During fiscal year 2025, the Company identified the errors discussed below in the interim June 30, 2024 and September 30, 2024 consolidated balance sheets. The Company assessed the applicable guidance issued by the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB) and concluded these errors were not material, individually or in the aggregate, to the Company's unaudited condensed consolidated financial statements for the aforementioned interim periods. However, the Company is providing in the paragraphs below the corrections to its previously issued second and third quarter 2024 unaudited condensed consolidated financial information.

The June 30, 2024 consolidated balance sheet has been corrected to present the insurance financing agreement (\$105,915) and increase the balance of prepaid expenses (\$105,915) and corresponding effect of the dividend correction noted above. Based on the corrections noted, the statement of cash flows for the six months ended June 30, 2024 has been corrected, resulting in cash flow provided by operating activities of \$143,648 and cash flow provided by financing activities of \$105,915.

The September 30, 2024 consolidated balance sheet has been corrected to present the insurance financing agreement (\$70,610) and increase the balance of prepaid expenses (\$70,610) and corresponding effect of the dividend correction noted above. Based on the corrections noted, the statement of cash flows for the nine months ended September 30, 2024 has been corrected, resulting in cash flow provided by operating activities of \$107,110 and cash flow provided by financing activities of \$70,610.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, are designed to provide reasonable assurance that information required to be disclosed by a company in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer (who, since March 5, 2024, has also been acting as our Principal Financial Officer) does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by individual acts, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report. Based on the evaluation of our disclosure controls and procedures as of December 31, 2024, the end of the period covered by this annual report, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective due to the material weakness described below.

(b) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act. Management assessed the effectiveness of our internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)* to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with US GAAP. Based on this assessment, management has concluded that our internal control over financial reporting is not effective as of December 31, 2024, due to the material weakness in internal controls over financial reporting as described below.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Commission that permit us to provide only management's report in this annual report.

(c) Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As of December 31, 2024, the Company identified a material weakness in internal control over financial reporting related to the identification and recording of loan amounts payable and accounting for dividends paid. This material weakness could result in a misstatement of account balances or disclosures that may result in a material misstatement of the annual or interim consolidated financial statements, which would not be prevented or detected.

(d) Remediation Plan

Remediation efforts have already been implemented which primarily consist of new policies and procedures to assist management in recording transactions appropriately, particularly related to identifying loan amounts payable and accounting for dividends paid. We will consider this material weakness to be fully remediated once the applicable controls operate for a sufficient period of time and our management has concluded, through testing, that these controls are operating effectively, which management expects to be completed by March 31, 2025.

(e) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None of our directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408 (c) of Regulation S-K.

There was no information required on Form 8-K during the fourth quarter of fiscal year 2024 that was not reported.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth our executive officers and directors, their ages, and all offices and positions they hold with the Company as of March 5, 2025. There is no agreement or understanding between the Company or any other person and any director or executive officer pursuant to which he or she was selected as a director or executive officer.

<u>Name</u>	<u>Age</u>	<u>Positions with the Company</u>	<u>Director Since</u>	<u>Executive Officer Since</u>
Tom Kubota	85	Chief Executive Officer, President and Chairman of the Board of Directors ⁽¹⁾	Sept. 2000	Sept. 2000
Lauren Kubota	41	Director, Vice President, and Secretary	Feb. 2018	January 2024
Kristina Kubota	40	Director ⁽²⁾	Feb. 2018	
David Wang	62	Director	Nov. 2007	
Stacy Hadley	57	Director	Nov. 2016	
Günter Soraperra	65	Director	Nov. 2016	

⁽¹⁾ Tom Kubota is the acting Principal Financial and Accounting Officer for the Company until a permanent replacement is hired.

⁽²⁾ Kristina Kubota resigned as the Company's Chief Financial Officer and Secretary on March 5, 2024.

Tom Kubota. Since 2000, Mr. Kubota has been primarily engaged in the operations of the Company. Mr. Kubota also has over thirty years of experience in the investment banking, securities, and corporate finance field. He held the position of Vice President at Drexel Burnham Lambert; at Stem, Frank, Meyer and Fox; and at Cantor Fitzgerald. Mr. Kubota also founded Nanko Investments, Inc. and Laurkat Inc., in 1996 and 2018, respectively, which specialized in providing capital formation services to high tech and natural resources companies. Mr. Kubota served as president of each firm from the time they were founded until 2019 when he elected to shutter their respective operations. He has expertise in counseling emerging public companies and has previously served as a director of both private and public companies. Mr. Kubota is not currently, nor has he in the past five years been, a nominee or director of any other SEC registrant. Mr. Kubota is qualified to serve on our board of directors due to his experience as the Company's president and chief executive officer, and his experience in investment banking and corporate finance.

Lauren Kubota. Ms. Kubota joined the Company in June 2014 and currently serves as the Company's Vice President and Secretary. Ms. Kubota previously served as the Company's Risk Manager, the responsibilities of which she continues in her current role, including oversight of some of the Company's broad business fundamentals, such as risk management and personnel. In her current role, she also directs risk management activities, mitigating legal, insurance, financial, security, disaster recovery and business continuity, human resources, vendor, and other business risks. Ms. Kubota is also responsible for developing and implementing policies, procedures, and best practices to comply with applicable laws and regulations, contract terms, and other best business practices essential to the continued successful operation of the Company, and will continue to plan company-wide advancements in operations, quality management, sustainable business growth, and technological enhancements. She has also developed and implemented numerous initiatives in customer retention, government relations, vendor management, SOP and report reform, project management, sales and marketing, information technology, information security, premises improvement, systems optimization, accreditation, employee recruitment and retention, leadership training, employee engagement, communications, and other business improvements. During her employment with the Company, Ms. Kubota has also served in project-based roles as an Account Manager (3.5 years), Quality Assurance Auditor (6 months), and in launching the Company's Workers' Compensation Lien Defense service line (6 months).

Ms. Kubota is an attorney licensed to practice law in California. She earned a Bachelor of Arts degree in Political Science from the University of California, San Diego in 2005 and a Juris Doctor from the University of California, Hastings College of the Law, now named UC Law San Francisco, in 2011. She was appointed to the board of directors of the Company in February 2018. Ms. Kubota is not currently, nor has she in the past five years, been a nominee or director of any other SEC registrant. Ms. Kubota is qualified to serve on our board of directors due to her educational background and legal experience, as well as her knowledge of and comprehensive participation in the policies, operations, and risk management of the Company.

Kristina Kubota. Ms. Kubota is currently a financial consultant for the Company and was the Company's Chief Financial Officer from January 2021 through March 5, 2024. Ms. Kubota served as the Company's Controller from November 2017 to January 2021, where her primary responsibilities included general ledger accounting, analyzing and reconciling accounts and records for service lines, verifying revenues, expenses, and other accounting functions. Ms. Kubota joined the Company as a Quality Assurance Auditor in January 2014. As a Quality Assurance Auditor, she was responsible for developing and auditing policies and procedures, developing and implementing data analyses and reporting capabilities that optimize statistical efficiency and quality. She has also developed and implemented policies and procedures which resulted in MMC receiving full accreditation for Workers' Compensation Utilization Review Management from URAC. Ms. Kubota earned a Bachelor of Arts degree in Finance from California State University, Northridge in 2012. Ms. Kubota is not currently, nor has she in the past five years been, a nominee or director of any other SEC registrant. Ms. Kubota is qualified to serve on our board of directors due to her educational background, URAC accreditation and financial and accounting experience, including her knowledge of data and statistical analytics skills.

David Wang. Since January 2021, Mr. Wang has been managing a private investment portfolio consisting of stocks, options, and futures. Previously, from 2018 to 2020 he served as the Co-CEO of Hacknowledge, LLC. Hacknowledge shuttered its operations in December 2020, as a result of the impacts of the COVID-19 pandemic on its business. Hacknowledge offered a Managed Detection and Response (MDR) cybersecurity solution. Mr. Wang was responsible for day-to-day operations of Hacknowledge, including business development, marketing, and sales. From late 2013 to 2017, Mr. Wang served as a managing member of Reef Capital Management, LLC, where he managed a fund that was created to generate long-term cash flow to investors by investing primarily in drilling and development of oil projects. Prior to joining Reef Capital Management, Mr. Wang was a consultant to high tech companies, through which he assisted a cloud computing company expand its coverage outside of Asia and assisted a cell phone manufacturer explore a joint venture with a manufacturer in Brazil to build low-cost smart phones and tablets utilizing various government tax incentives. Mr. Wang earned a Bachelor of Science in Computer Science/Mathematics from the University of California, Los Angeles (UCLA) in 1985. He earned a Master of Business Administration degree with an emphasis in Financial and Entrepreneurial Studies from the Anderson School at UCLA in 2000. Mr. Wang is not currently, nor has he in the past five years been, a nominee or director of any other SEC registrant. Mr. Wang is qualified to serve on our board of directors due to his education background, his experience in entrepreneurial business enterprises, his understanding of cybersecurity issues and his favorable history of attracting venture capital funds through his established contacts in the investment banking community.

Stacy Hadley. Mrs. Hadley has over 30 years of accounting and audit experience. She is employed as Chief Financial Officer of Radius Engineering, Inc. Her current responsibilities include overseeing and implementing the Company's financial management, forecasting, financial reporting, job costing and financial transactions, regulatory compliance, supply chain and facilities management. Mrs. Hadley was a Partner at Now CFO, a provider of outsourced accounting and financial solutions, from September 2015 through March 2021. She was responsible for consulting services in Houston, Texas and Salt Lake City, Utah, overseeing projects, and serving as Controller/CFO for various companies. From November 2014 to September 2015, Mrs. Hadley was employed by Harman International as a Compliance and Financial Consultant where, among other things, she oversaw compliance reporting of four business units and divisional shared services, worked with finance directors to implement and document internal control testing, and documented procedures to ensure adherence with company policies and internal controls. From December 2012 to November 2014, Mrs. Hadley served as the Controller for Dalbo Holdings where she was responsible for general ledger accounting, analyzing and reconciling accounts and records for service lines, verifying revenues, expenses, and other accounting functions. Mrs. Hadley received licensure as a Certified Public Accountant in July 2014. Mrs. Hadley received a Bachelor of Science Degree in Accounting and a Master's Degree in Accounting from Weber State University, Utah in 2010 and 2012, respectively. During the past five years Mrs. Hadley has not served, and she does not currently serve, as a director of any other SEC registrant or any registered investment company. Mrs. Hadley is qualified to serve on our board of directors due to her years of accounting and auditing experience both with accounting firms, and in-house with several different employers, as well as her educational background and her CPA licensure.

Günter Soraperra. Mr. Soraperra has served as the Chief Executive Officer of Traunkristall Design since 2000. Traunkristall specializes in the design, production, and sale of high-end hand-made crystal products and has business activities in more than 25 countries. Among other things, Mr. Soraperra is responsible for setting strategy and direction, allocation of capital, and overseeing sales and marketing at Traunkristall. Mr. Soraperra received a Master of Business Administration degree from the University of Graz, Austria in 1990. Over the past fifteen years Mr. Soraperra has also served as a Senior Vice President of a private Swiss investment group responsible for coordinating international activities, financing and mergers and acquisitions. He has also served on the advisory boards of various international companies. In the past five years Mr. Soraperra has not served, and he does not currently serve, as a director of any other SEC registrant or any registered investment company. Mr. Soraperra is qualified to serve on our board of directors due to his years of strategy, management, finance, and operational experience.

Family Relationships

Lauren Kubota and Kristina Kubota are sisters, and are daughters of Tom Kubota.

Code of Ethics

Our board of directors has adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller and to people performing similar functions. The code of ethics is designed to deter wrongdoing and to promote (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, (ii) full, fair, accurate, timely and understandable disclosure in reports and documents we file with, or submit to, the Commission and in other public communications we make, (iii) compliance with applicable governmental laws, rules and regulations, (iv) prompt internal reporting of violations of the code, and (v) accountability for adherence to the code. We will provide a copy of our code of ethics, without charge, to any person upon receipt of the written request for such delivered to our corporate headquarters. All such requests should be sent to the care of Pacific Health Care Organization, Inc., Attn: Corporate Secretary, 19800 MacArthur Blvd, Suite 306 & 307, Irvine, CA 92612. A copy of our code of ethics has been posted on our website and may be viewed at www.pacifichealthcareorganization.com. If we make any substantive amendments to, or grant any waivers from, the code of ethics for any officer or director, we will disclose the nature of such amendment or waiver on our website or in a Current Report on Form 8-K.

Insider Trading Policy

We have an Insider Trading Policy governing the purchase, sale, and other dispositions of our securities by our directors, officers, and employees that we believe is reasonably designed to promote compliance with insider trading laws, rules and regulations, and any listing standards applicable to us. The foregoing summary of our Insider Trading Policy is not complete and is qualified in its entirety by reference to the full text of our Insider Trading Policy provided herewith as Exhibit 19.1.

Committees of the Board of Directors

The OTCQB does not require us to have a separately designated standing audit committee, a compensation committee or a nominating and corporate governance committee. Our board of directors has determined that it is in the Company's best interest to have the full board fulfill the functions that would be performed by these committees.

While we do not currently have a standing audit committee, our board of directors believes that were it to establish an audit committee, Mrs. Hadley would qualify as an independent director and possesses the attributes necessary to be considered an "audit committee financial expert" under the rules adopted by the Commission pursuant to the Sarbanes-Oxley Act of 2002.

Procedures for Security Holders to Nominate Candidate to the Board of Directors

There have been no material changes to the procedures by which shareholders may recommend nominees to our board of directors since March 30, 2012, the date we last provided information regarding our director nomination process.

ITEM 11. EXECUTIVE COMPENSATION

The table below summarizes compensation paid to or earned by our named executive officers (“NEOs”) for the years ended December 31, 2024 and 2023. No other executive officer of the Company had total compensation of \$100,000 or more during the year ended December 31, 2024.

Summary Compensation Table

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Tom Kubota Chief Executive Officer, President and Director	2024	\$ 193,536	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 24,195 ⁽¹⁾	\$ 218,731
	2023	\$ 193,536	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 31,959 ⁽²⁾	\$ 226,495
Kristina Kubota Chief Financial Officer ⁽³⁾ , Secretary ⁽³⁾ and Director	2024	\$ 24,659	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,542 ⁽⁴⁾	\$ 118,201
	2023	\$ 115,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 10,229 ⁽⁵⁾	\$ 126,229
Lauren Kubota Vice President ⁽⁶⁾ , Secretary ⁽⁶⁾ and Director	2024	\$ 115,000	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 13,589 ⁽⁷⁾	\$ 129,589
	2023	\$ 103,885	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 8,391 ⁽⁸⁾	\$ 113,276

- (1) Reflects health insurance premiums of \$6,722, auto expense of \$6,796, director’s fees of \$7,200, and phone/internet reimbursement of \$3,477.
- (2) Reflects health insurance premiums of \$5,391, auto expense of \$6,381, director’s fees of \$2,400, phone/internet reimbursement of \$ 2,900, and partial payment of unused paid time off of \$14,887.
- (3) Kristina Kubota served as the Company’s Chief Financial Officer and Secretary during fiscal year 2023 and the first two months of fiscal year 2024. She resigned from those positions on March 5, 2024.
- (4) Reflects health insurance premiums of \$1,327, director’s fees and board meeting secretary fees of \$7,550, consultant fees of \$ 64,183, and phone/internet reimbursement of \$150.
- (5) Reflects health insurance premiums of \$5,329, director’s fees and board meeting secretary fees of \$3,100, and phone/internet reimbursement of \$1,800.
- (6) Lauren Kubota was not serving as an executive officer of the Company during fiscal year 2023 or the first two months of fiscal year 2024. She was appointed as Vice President on January 3, 2024, and became Secretary on March 6, 2024.
- (7) Reflects health insurance premiums of \$4,739, director’s fees and board meeting secretary fees of \$8,250, and phone/internet reimbursement of \$600.
- (8) Reflects health insurance premiums of \$5,391, and director’s fees of \$2,400, and phone/internet reimbursement of \$600.

Narrative Disclosure to Summary Compensation Table

Employment Agreements

We do not have written employment agreements with Tom Kubota or Lauren Kubota. Our NEOs are or were, as applicable, employed on an at-will basis and we can terminate their employment at any time, with or without cause. After Kristina Kubota's resignation as an employee of the Company on March 5, 2024, the Company engaged her as a third-party financial consultant under an independent contractor agreement. Pursuant to that independent contractor agreement, Kristina Kubota's services are billed at an hourly rate of \$120.00 and the Company's engagement with her may be terminated at any time by either party with or without cause.

Base Salary

Base salary is used to recognize the experience, skills, knowledge, and responsibilities required of our NEOs. The base salary for each NEO is typically set at the time the individual is hired based on the factors discussed in the preceding sentence and the negotiation process between us and the NEO. We also take into consideration the individual's past performance and experience, the expertise we need and local market and labor conditions. Changes to base salary, if any, are determined based on several factors, including evaluation of performance, anticipated financial performance of the Company, economic condition and local market and labor conditions. Mr. Kubota's base salary for 2024 was \$193,536. Ms. L. Kubota's base salary for 2024 was \$115,000. Ms. K. Kubota's base salary for 2024 was \$115,000, up until her resignation in March 2024.

Non-Equity Incentive Compensation

From time to time, we may make cash awards to our employees, including the NEOs. Such awards may be designed to incentivize employees over a specified period pursuant to pre-established, performance-based criteria, the accomplishment of which is substantially uncertain at the time the criteria are established. In the event this type of cash award is made, it would be reflected in the "Summary Compensation Table" under a separate column entitled "Nonequity Incentive Plan Compensation." The criteria for earning non-equity incentive bonuses may be based on corporate financial performance measures that would be developed by our board of directors at the time such non-equity incentive plan is established. Our board has discretion to determine the applicable performance measures and the appropriate weighting of such measures at the time it establishes any non-equity incentive plan. Our board of directors did not establish non-equity incentive compensation plans during the years ended December 31, 2024 or 2023, and no non-equity incentive compensation was awarded during these years. Similarly, as of the date of this annual report, the board of directors has not awarded non-equity incentive compensation to our NEOs, although there is nothing that prohibits the board of directors from doing so at any point during fiscal year 2025.

Bonuses

We may also make cash awards to employees that are not part of any pre-established, performance-based criteria. To the extent awards are made to our NEOs, such awards are reported in the "Summary Compensation Table" in the column entitled "Bonus."

The Company is under no contractual or other obligation to award cash bonuses. We awarded total aggregate bonuses to our NEOs in the amounts of \$2,000 and \$3,000 during fiscal year 2024 and fiscal year 2023, respectively.

Equity Incentive Compensation

Our equity incentive award program is a vehicle we may use to offer long-term incentives to our employees. From time to time, we may also make equity incentive awards to our NEOs, employees, and consultants in the form of stock options, restricted stock grants or some other form of equity award. Equity incentive awards are reflected in the "Summary Compensation Table" under the columns entitled "Stock Awards" and "Option Awards" as appropriate.

Our board of directors has no obligation to award equity incentive compensation. That does not mean the board of directors may not, as it deems appropriate, award equity incentive compensation when it deems such to be appropriate in the future.

During the years ended December 31, 2024 or 2023, our board of directors awarded no equity incentive compensation to our NEOs. The board of directors has also not awarded equity incentive compensation to our NEOs as of the date of this annual report, although there is nothing that prohibits the board of directors from doing so at any point during the 2025 fiscal year.

Policies and Practices for Granting Certain Equity Awards

We have not granted any equity incentive awards under our equity incentive award program. Our equity incentive award program is administered by our board of directors, who are responsible for the timing and terms of equity awards. We do not follow a predetermined schedule for the granting of equity awards; instead, each grant is considered on a case-by-case basis to align with our strategic objectives and to ensure the competitiveness of our compensation packages. If and when we issue such awards, our board of directors will determine when to grant such awards (for example, whether such awards are granted on a predetermined schedule); whether they take material nonpublic information into account when determining the timing and terms of such an award, and, if so, how they take material nonpublic information into account when determining the timing and terms of such an award. In any event, we will take precautions reasonably designed to ensure we do not time the disclosure of material nonpublic information for the purpose of affecting the value of executive compensation.

As noted above, during fiscal year 2024, no NEOs were awarded stock options or other equity awards.

Benefits and Other Compensation

We currently provide health care benefits, including medical, vision and dental insurance, subject to certain deductibles and co-payments to our full-time employees. We also provide for paid time off (“PTO”), which includes vacation, sick leave and other out-of-the-office time and is accrued and paid in accordance with our PTO policy and the Paid Sick Leave laws of California. We may also provide group life and disability insurance to employees who are eligible to participate in such programs.

We offer a 401(k)-profit sharing plan for employees who meet the eligibility requirements. Pursuant to the plan, we may make discretionary matching contributions and/or discretionary profit-sharing contributions to the plan. All such contributions must comply with federal pension laws, non-discrimination requirements and the terms of the plan. In determining whether to make a discretionary contribution, the board of directors would evaluate current and future prospects and management’s desire to reward and retain employees and attract new employees. To date, we have never made matching contributions and/or discretionary profit-sharing contributions to any plan.

Other than the foregoing, we do not offer any retirement or other benefit plans to our employees, including our NEOs; however, our board of directors may adopt plans as it deems to be reasonable under the circumstances.

Our NEOs are entitled to participate, if eligible under such benefit plans, in any insurance programs we offer to our employees, are eligible for PTO and to participate in such other fringe benefit programs as we may make available to our other employees. Non-executive employees can cash out up to 80 hours of PTO per request and executives do not have a cap on the hours of PTO eligible for a cash out. However, we reserve the right to deny or modify the cash out requests.

Nonqualified Deferred Compensation

We offer no defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified to any of our employees including our NEOs.

Pension Benefits

We offer no pension or other specified retirement payments or benefits, including but not limited to tax-qualified deferred benefit plans and supplemental executive retirement plans to our NEOs.

Termination and Change in Control

We do not have agreements, plans or arrangements, written or unwritten, with any of our NEOs that would provide for payments or other benefits to any of our NEOs following, or in connection with, the resignation, retirement or other termination of any NEO or change in control of the Company or a change in the responsibilities of any NEO following a change in control of the Company.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

As of December 31, 2024, there were no outstanding equity awards held by our NEOs.

None of our NEOs exercised any stock options or had any stock vest related to grants made in connection with their employment during the year ended December 31, 2024.

DIRECTOR COMPENSATION

We offer cash compensation to attract and retain candidates to serve on our board of directors.

Meeting Fees

All directors receive a fee of \$1,200 and the recording secretary receives a fee of \$350 per meeting for each meeting attended either in person or telephonically. Additionally, all directors are paid \$1,000 for attendance at the annual meeting of stockholders, plus airfare and hotel expenses.

Equity Compensation

We do not currently have a fixed plan for the award of equity compensation to our directors, and we did not award any equity compensation to any of our directors during the year ended December 31, 2024.

Director Compensation Table

The following table sets forth a summary of the compensation we paid to our directors during the year ended December 31, 2024.

Name	Fees Earned or Paid in Cash (\$)	All Other Compensation (\$)	Total (\$)
Tom Kubota	\$ 7,200	\$ 211,531 ⁽¹⁾	\$ 218,731
David Wang	\$ 7,200	\$ -	\$ 7,200
Günter Soraperra	\$ 7,200	\$ -	\$ 7,200
Stacy Hadley	\$ 7,200	\$ 3,650 ⁽²⁾	\$ 10,850
Lauren Kubota	\$ 8,250 ⁽⁴⁾	\$ 121,339 ⁽³⁾	\$ 129,589
Kristina Kubota	\$ 7,550 ⁽⁴⁾	\$ 110,651 ⁽³⁾	\$ 118,201

- (1) Mr. Kubota is employed as the Company’s Chief Executive Officer and President. For details regarding All Other Compensation paid to Mr. Kubota, please see “*Summary Compensation Table*” above.
- (2) This amount reflects consulting fees paid to Ms. Hadley during fiscal year 2024 pursuant to the Independent Consultant Agreement between the Company and Ms. Hadley provided herewith as Exhibit 10.4.
- (3) During fiscal year 2024, Lauren and Kristina Kubota were both employees of the Company. Kristina Kubota resigned as an employee on March 5, 2024, but remains a board member. These amounts reflect their salaries and other compensation they received in connection with their employment during fiscal year 2024. For more details regarding their compensation, please see “*Summary Compensation Table*” above.
- (4) Lauren Kubota and Kristina Kubota were paid additional fees of \$350 for the times they served as Secretary at each meeting of the board of directors.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of March 13, 2024:

- each person known to us to beneficially own more than 5% of our common stock or Series A convertible preferred stock;
- each of our named executive officers;
- each member of our board of directors; and
- all our directors and executive officers as a group.

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On March 13, 2024, there were 12,800,000 shares of common stock issued and outstanding and 16,000 shares of Series A convertible preferred stock issued and outstanding.

Beneficial ownership is determined in accordance with the rules of the Commission. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities. Except as otherwise indicated, the persons or entities listed below have sole voting and investment power with respect to all shares of the Company's common stock and Series A convertible preferred stock beneficially owned by them, except to the extent this power may be shared with a spouse.

Unless otherwise indicated, the address of each person or entity named in the table is 19800 MacArthur Blvd, Suite 306 & 307, Irvine, CA 92612.

Name of Beneficial Owner	Common Stock Beneficially Owned ⁽¹⁾		Series A Convertible Preferred Stock Beneficially Owned ⁽²⁾	
	Number	%	Number	%
Directors and Named Executive Officers:				
Tom Kubota ⁽³⁾	8,410,000	65.7%	16,000	100%
Kristina Kubota ⁽³⁾	8,000	*%	--	--%
Lauren Kubota ⁽³⁾	8,000	*%	--	--%
Stacy Hadley	--	--%	--	--%
Günter Soraperra	--	--%	--	--%
David Wang	--	--%	--	--%
All directors and executive officers as a group (6 persons)	8,426,000	65.4%	16,000	100%
5% Shareholders:				
Donald P. Balzano ⁽⁴⁾ 5422 Michelle Drive Torrance, CA 90503	878,640	6.9%	--	--%
Bruce & Sarah Everakes ⁽⁵⁾ 3442 River Falls Drive Northbrook, IL 60062	702,356	5.5%	--	--%

* Less than 1%.

- (1) Excludes shares of common stock that may be deemed to be beneficially owned by such persons due to their beneficial ownership of Series A convertible preferred stock, which are convertible to common stock on a one-share-for-one-share basis at any time at the election of the holder.
- (2) Each share of Series A convertible preferred stock is convertible to common stock on a one-share-for-one-share basis at any time at the election of the holder. Each share of Series A convertible preferred stock entitles its holder to vote together with the common stock as a single class on all matters presented to the Company's common stockholders for their vote. Each outstanding share of Series A convertible preferred stock votes as 20,000 shares of common stock. The Series A convertible preferred stock ranks in parity with the common stock on a per share basis, not on a per vote basis, as to any dividends, liquidation, dissolution or winding up of the Company.
- (3) Mr. Kubota holds the shares in the Tom Kubota Revocable Trust of 2013 (the "Trust"). Mr. Kubota is the sole Trustee and settlor of the Trust. As such he may be deemed to have voting and/or investment power over the shares held by the Trust and therefore may be deemed to be the beneficial owner of those shares. Kristina Kubota and Lauren Kubota are currently beneficiaries of the Trust. As the Trust is revocable, Mr. Kubota could revoke the Trust or change its beneficiaries at any time. Kristina Kubota and Lauren Kubota have no voting or investment power over the shares held by the Trust. If Mr. Kubota is unable or unwilling to serve in the office of Trustee, the Trust documents currently provide that Kristina Kubota and Lauren Kubota would serve as successor co-trustees of the Trust.
- (4) Mr. Balzano is retained legal counsel for the Company.
- (5) Based on the Schedule 13G filed by Bruce Everakes on April 12, 2023, and on representations made by Bruce Everakes to the Company.

Equity Compensation Plans

The following table sets forth certain information relating to our 2018 Equity Incentive Plan, as of December 31, 2024:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	-	\$ -	8,000,000*
Equity compensation plans not approved by security holders	-	\$ -	-
Total	-	\$ -	8,000,000*

* Adjusted to reflect the four-shares-for-one-share forward split of the Company’s common stock that took effect on January 6, 2020.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Except as disclosed in Item 11 *Executive Compensation*, during the years ended December 31, 2024 and 2023 and below, we did not engage in transactions with related persons (as defined by Rule 404 of Regulation S-K (*Instructions to Item 404(a)*)) that exceeded the lesser of \$120,000 or 1% of the average of our total assets at year-end for the last two fiscal years in which any such related person had or will have a direct or indirect material interest.

The Company retains Donald P. Balzano, who is a shareholder owning 6.9% of the Company’s common stock, as legal counsel. Mr. Balzano provides legal guidance and expertise in the workers’ compensation industry on behalf of the Company. The fees paid to Mr. Balzano are recorded in Professional Fees on the consolidated income statement and any fees billed but not yet paid are included in Accounts Payable on the consolidated balance sheet. Any fees for services not yet billed are included in Accrued Expenses on the consolidated balance sheet. The retainer agreement with Mr. Balzano has been in place for approximately 24 years and was inadvertently not previously disclosed. For the years ended December 31, 2024 and 2023, respectively, Mr. Balzano earned \$144,144 and \$144,144 related to the retainer agreement.

Director Independence

The board has determined that as of date of this annual report, Mrs. Hadley, Mr. Soraperra and Mr. Wang would qualify as “independent directors” as that term is defined in the listing standards of the NYSE American. Such independence definition includes a series of objective tests, including that the director is not an employee of the company and has not engaged in various types of business dealings with the company. In addition, the board of directors has made a subjective determination as to each independent director that no relationships exist which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in fulfilling the responsibilities of a director.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

On November 5, 2024, we engaged Boulay PLLP as our independent registered public accounting firm. Boulay PLLP audited our consolidated financial statements for the fiscal year ended December 31, 2024. The following is a summary of fees for professional services billed (or to be billed) to us by Boulay PLLP for fiscal year 2024 in each of the following categories:

	Boulay PLLP 2024
Audit	\$ 60,000
Audit related	-
Tax	-
All other	-
Total	\$ 60,000

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Audit Fees. Audit fees were for professional services rendered in connection with the audit of the financial statements included in our annual report and review of the financial statements included in our quarterly reports on Form 10-Q and for services normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

Board of Directors Pre-Approval Policies and Procedures. At its regularly scheduled and special meetings, our board of directors, in lieu of an established audit committee, considers and pre-approves any audit and non-audit services to be performed by our independent registered public accounting firm. The board of directors has the authority to grant pre-approvals of non-audit services.

Our full board of directors is responsible for the selection, review, and oversight of our independent registered public accounting firm. The board of directors has not, as of the time of filing this annual report with the Commission, adopted policies and procedures for pre-approving audit or permissible non-audit services performed by our independent registered public accounting firm. Instead, the board of directors as a whole pre-approves all such services, except for services meeting a “de minimus” exception. To qualify for the “de minimus” exception, the aggregate amount of all such non-audit services provided to the Company must constitute no more than 5% of the total amount of revenues paid by us to our independent registered public accounting firm during the fiscal year in which the non-audit services are provided; such services were not recognized by us at the time of the engagement to be non-audit services; and the non-audit services are promptly brought to the attention of the board and approved prior to the completion of the audit by the board or by one or more members of the board to whom authority to grant such approval has been delegated. In the future, our board of directors may approve the services of our independent registered public accounting firm pursuant to pre-approval policies and procedures adopted by the board of directors, or an audit committee if one is standing, provided the policies and procedures are detailed as to the particular service, the board of directors is informed of each service, and such policies and procedures do not include delegation of the board of director’s responsibilities to our management.

The board of directors has determined that the provision of services by Boulay PLLP as described above is compatible with maintaining their independence as our independent registered public accounting firm.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) *Financial Statements*

The following financial statements of the registrant are included in response to Item 8 of this annual report:

Report of Independent Registered Public Accounting Firm (Boulay PLLP PCAOB ID: #542)	32
Report of Independent Registered Public Accounting Firm (GreenGrowth CPAs PCAOB ID: #6580)	33
Consolidated Balance Sheet as of December 31, 2024 and 2023	34
Consolidated Statements of Operations for the years ended December 31, 2024 and 2023	35
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2024 and 2023	36
Consolidated Statements of Cash Flows for the years ended December 31, 2024 and 2023	37
Notes to the Consolidated Financial Statements	38

(a) (2) *Financial Statement Schedules*

Schedules are omitted because the required information is either inapplicable or presented in the audited consolidated financial statements or related notes.

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(a) (3) Exhibits

Exhibit No.	Exhibit Description
3.1	Articles of Incorporation and Amendments thereto⁽¹⁾
3.2	Bylaws⁽¹⁾
3.3	Bylaws⁽²⁾
3.4	Articles of Amendment to Articles of Incorporation to effect 1 share for 50 shares reverse split⁽³⁾
3.5	Articles of Amendment to Articles of Incorporation to effect 2.5 shares for 1 share forward split⁽³⁾
3.6	Certificate of Designation of Rights, Privileges and Preferences of Series A Convertible Preferred Stock⁽⁴⁾
3.7	Articles of Amendment to Articles of Incorporation to affect four-shares-for-one-share forward split⁽⁵⁾
3.8	Articles of Amendment to Articles of Incorporation, dated December 27, 2019, including Amended Certification of Designation of Rights, Privileges and Preferences of Series A Convertible Preferred Stock to affect a four-shares-for-one-share forward stock split⁽⁶⁾
10.1	Pacific Health Care Organization, Inc. 2018 Equity Incentive Plan⁽⁷⁾⁺
10.2	Services Agreement, dated January 2, 2024, between the Company and NOW CFO⁽⁸⁾
10.3	Independent Consultant Agreement, dated March 5, 2024, between the Company and Kristina Kubota⁽⁹⁾
10.4	Independent Consultant Agreement, dated May 30, 2024, between the Company and Stacy Hadley*
14.1	Code of Ethics⁽¹⁰⁾
16.1	Letter from Pinnacle Accountancy Group of Utah (a dba of Heaton & Company, PLLC), dated December 22, 2023⁽¹¹⁾
16.2	Letter from GreenGrowth CPAs, dated November 6, 2024⁽¹²⁾
19.1	Insider Trading Policy*
21.1	List of Subsidiaries*
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101	The following materials from Pacific Health Care Organization, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2024, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheet, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

+ Indicates management contract, compensatory plan or arrangement of the Company.

* Filed or furnished herewith, as applicable.

- (1) Incorporated by reference to Registrant's Registration Statement on Form 10-SB as filed with the Commission on September 19, 2002.
- (2) Incorporated by reference to Registrant's Registration Statement on Form 10-SB/A-2 as filed with the Commission on July 13, 2004.
- (3) Incorporated by reference to Registrant's Definitive Proxy Statement on Schedule 14A as filed with the Commission on March 13, 2008.
- (4) Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the Commission on November 22, 2016.
- (5) Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the Commission on March 27, 2018.
- (6) Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the Commission on January 2, 2020.
- (7) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on May 15, 2018.
- (8) Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the Commission on January 5, 2024.
- (9) Incorporated by reference to Registrant's Annual Report on Form 10-K as filed with the Commission on April 16, 2024.
- (10) Incorporated by reference to Registrant's Annual Report on Form 10-KSB as filed with the Commission on April 17, 2007.
- (11) Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the Commission on December 22, 2023.
- (12) Incorporated by reference to Registrant's Current Report on Form 8-K as filed with the Commission on November 7, 2024.

(b) Exhibits:

See Item 15(a) (3) above.

(c) Financial Statement Schedules: See Item 15(a) (2) above.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

PACIFIC HEALTH CARE ORGANIZATION, INC.

Date: March 19, 2025

By: /s/ Tom Kubota
Tom Kubota Chief Executive Officer, President and
Chairman of the Board (Principal Executive, Financial
and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signatures	Title	Date
<u>/s/ Tom Kubota</u> Tom Kubota	Chief Executive Officer, President and Chairman of the Board	March 19, 2025
<u>/s/ Kristina Kubota</u> Kristina Kubota	Director	March 19, 2025
<u>/s/ David Wang</u> David Wang	Director	March 19, 2025
<u>/s/ Stacy Hadley</u> Stacy Hadley	Director	March 19, 2025
<u>/s/ Günter Soraperra</u> Günter Soraperra	Director	March 19, 2025
<u>/s/ Lauren Kubota</u> Lauren Kubota	Director, Vice President, and Secretary	March 19, 2025



INDEPENDENT CONSULTANT AGREEMENT

THIS INDEPENDENT CONSULTANT AGREEMENT (“Agreement”) is by and between Pacific Health Care Organization, Inc. (“Company”), a Utah corporation, on behalf of itself and each of its wholly owned subsidiaries, and Stacy Hadley (“Consultant”).

WITNESSETH:

WHEREAS, the Company is in the business of providing Workers’ Compensation managed care services (including, but not limited to, provider networks, nurse case management, utilization review, bill review, lien adjudication, and legal expertise), network administration, medical management, and other services in the Workers’ Compensation field to payers, administrators, and employers nationally (“Business”); and

WHEREAS, the Consultant has served as an independent Director on the Board of Directors for a number of years, and is willing and able to draw on their financial consulting expertise to provide financial advisement and work product to the Company according to the applicable Statement of Work;

WHEREAS, the Company desires to employ the services of the Consultant as Consultant of the Company and the Consultant desires to accept that position with the Company;

NOW, THEREFORE, in consideration of the promises, mutual covenants, and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Consultant agree as follows:

1. REPRESENTATIONS AND WARRANTIES.

A. Representations and Warranties of the Consultant

The Consultant hereby represents and warrants to the Company as follows:

- (1) The Consultant is knowledgeable and experienced for the engagement position.
- (2) The Consultant has full power and authority to enter into and to fully perform this Agreement.
- (3) This Agreement has been duly executed by the Consultant and constitutes binding and valid obligations of the Consultant as of the effective date of this Agreement in accordance with its terms.

B. Representations of the Company.

The Company hereby represents and warrants to the Consultant as follows:

- (1) The Company is a corporation duly organized and validly existing under the laws of the State of Utah.
- (2) The Company has all requisite power and authority, corporate or otherwise, to enter into and to fully perform this Agreement.
- (3) This Agreement has been duly executed and delivered by the Company and constitutes a valid and binding obligation of the Company as of the effective date of this Agreement enforceable in accordance with its terms.

2. ENGAGEMENT TERM.

The Company agrees to engage the Consultant, and the Consultant agrees to serve the Company, as provided in this Agreement. The Consultant’s engagement under this Agreement shall commence on the effective date of this Agreement and shall continue until terminated at any time by either party with or without cause (“Term”).



3. DUTIES OF THE CONSULTANT.

Consultant shall perform the duties of Financial Consultant and shall perform all duties and responsibilities normally associated with this position.

4. COVENANTS OF THE CONSULTANT.

The Consultant agrees that he/she will obey all rules, regulations, and special instructions of the Company and all other rules, regulations, and special instructions applicable to Consultant in connection with his/her duties hereunder and will endeavor to improve Consultant's expertise and knowledge, in an effort to increase the value of his/her services for the mutual benefit of the Company and the Consultant.

A. Qualifications of the Consultant.

The Consultant shall seek in good faith to assist the Company to fully and timely comply with all applicable laws, rules, and regulations and to obtain all permits, certifications, licenses, and qualifications as required or helpful in the conduct of the Company's business in order to maximize its Business.

B. Expertise.

The Consultant agrees that he/she will make available to the Company any and all information of which he/she has knowledge that is relevant to the Company's Business and will make suggestions and recommendations which Consultant should reasonably believe will be of benefit to the Company.

C. Opportunities.

The Consultant shall make all business opportunities of which Consultant becomes aware pertaining to the Business in which the Company engages available to the Company, and to no other person or entity or to other employees individually.

D. Compliance.

The Consultant shall attempt in good faith to cause the Company to comply with all of its contractual obligations and commitments, as well as all applicable laws and regulations.

E. IT Security, Computer Equipment, Data Confidentiality and Security.

In order to maintain the security, confidentiality, and efficient transmittal of Company information to the Consultant, the Company may issue Company-owned equipment to the Consultant. The Consultant agrees to keep and maintain Company-owned equipment to the highest standard of security, good repair, and responsibility, and to use Company-owned equipment only for services rendered for the Company. Consultant also agrees to read, understand, agree to, and comply with any and all IT, data, use, and/or security policies the Company may apply to Company data, systems, accounts, or equipment, and to immediately report any known lapses in compliance, security breaches, data loss or compromise, equipment loss or compromise, account issues, access issues, IT issues, or other conditions or facts known to the Consultant that may impact the Company's IT security, data integrity, IT functionality, etc. The Consultant agrees to return Company-owned equipment at Company request within one (1) business day. Upon termination of this Agreement, Consultant shall return Company-owned equipment within one (1) business day.



5. COMPENSATION AND BENEFITS.

A. Compensation.

For and in consideration of the performance by the Consultant of the services, terms, conditions, covenants, and promises herein recited, the Company agrees and promises to pay to the Consultant at the times and in the manner herein stated, a fee of \$200.00 per hour, payable monthly during the period of engagement.

- a. Invoicing the Responsibility of the Consultant. Consultant shall submit, by the 10th of each month, an accurate invoice for the previous month's services. The invoice shall include the following details per line item: date, quantity of hours (billed to in increments of 6 minutes, or 0.10 hours), activity, and project assignment. Invoices shall be sent via email to those responsible for requesting, assigning, and approving the services of the Consultant.
- b. Payment. Payment shall be made within 15 days of receipt of the invoice in a manner and method mutually agreed upon by the parties in writing.
- c. Late Payment Penalty. Payments made 15 days or more after receipt shall incur a penalty of 15% of the total invoice amount.

B. Business Expenses and Reimbursements.

In keeping with Independent Contractor classification under California law, Consultant is responsible for personal, insurance, business, transportation, commuting, housing, travel, and other expenses incurred in the course of fulfilling the duties of the role. Consultant should seek the approval of the Company in advance for business expenditures it must make on behalf of the Company related to the Consultancy. Business expenditures not approved in advance may not be reimbursed at the discretion of the Company.

C. Independent Contractor Status.

Consultant is and throughout the term of this Agreement shall be an independent contractor and not an employee, partner, or agent of Company. Consultant shall not be entitled to, nor receive, any benefits normally provided to Company's employees. Company shall not be responsible for withholding income or other taxes from the payments made to Consultant. Consultant shall be solely responsible for filing all returns and paying any income, social security or other tax levied upon or determined with respect to the payments made to Consultant pursuant to this Agreement. Consultant is solely responsible for the means, manner, and method of Consultant's work, subject only to the general objectives contained herein.



6. CONFIDENTIALITY OF INFORMATION AND DUTY OF NON-DISCLOSURE; SOLICITATION OF EMPLOYEES; INDEMNITY.

The Consultant acknowledges and agrees that during the course of engagement and for the Consultant to conduct his/her duties as set forth in this Agreement, Consultant shall have access to certain confidential information and trade secrets, both oral and written, pertaining to the Business of the Company (all such information is collectively referred to hereinafter as "Confidential Information"), consisting but not necessarily limited to the following:

Its trade secrets, technical information, methods, processes, formulae, compositions, systems, techniques, discoveries, ideas, concepts, know-how, designs, specifications, inventions, computer programs, and research projects;

Business information consisting of customer lists, pricing methodologies and data, provider networks, information technologies, work flows, sources of services, business plans, financial data, and marketing strategies, plans, or systems.

A. Non-Use and Non-Disclosure of Confidential Information.

Consultant and his/her present and future partners, employees, agents, representatives, brokers, attorneys, owners, shareholders, principals, officers, directors, subsidiaries, divisions, affiliates, associates, heirs, executors, assigns and administrators, and all persons acting by, through, under or in concert with them, shall not directly or indirectly engage in business activities at any time during or after the term of the Consultant's engagement hereunder, utilizing Confidential Information, that are considered competitive to those Business activities of the Company or its clients or to disclose to third parties the Confidential Information (i) without the express prior written permission of the Company, (ii) as he/she may be required pursuant to any law or court order or similar process, or (iii) in connection with any valid claim by the Consultant against the Company directly or indirectly disclose or is not otherwise in the public domain.

B. Unauthorized Possession, Use, or Knowledge; Recovery.

Upon discovery of any unauthorized possession, use, or knowledge of any of the Confidential Information, Consultant shall immediately notify the Company of the same, and shall cooperate with the Company to regain possession or prevent further unauthorized use of the Confidential Information. If such unauthorized possession or use of the Confidential Information is the result of the negligence of the Consultant or of any breach by the Consultant of the terms of this Agreement, the Consultant, at Consultant's own expense, shall take all reasonable actions, including, if likely to be effective, court proceedings, to recover possession of, or (as the case may be) to prevent further unauthorized use or disclosure of the Confidential Information.

C. Confidential Information Remains Exclusive Property of the Company.

All Confidential Information is and shall remain the property of the Company. By disclosing such information to the Consultant, the Company does not grant to the Consultant any express or implied right to the Confidential Information.



D. No Obligation to Preserve Confidentiality of Information Otherwise Obtained or Released.

Consultant shall have no obligation to preserve the confidential or proprietary nature of any Confidential Information which:

- (i) was already known to the Consultant free of any obligation to keep it confidential at the time of its disclosure by the Company as evidenced by its written records prepared prior to such disclosure; or
- (ii) is or becomes, publicly known through no wrongful act of the Consultant to which the information was disclosed; or
- (iii) is rightfully received from a third person or company having no direct or indirect secrecy or confidential obligation with respect to such information; or
- (iv) is approved for release by written authorization of the Company.

E. Non-Solicitation of Company employees.

Consultant also covenants and agrees that during the term of engagement with the Company and for twelve (12) months after the termination thereof, regardless of the reason for the engagement termination, will not, directly or indirectly, on his/her own behalf or on behalf of or in conjunction with any person or legal entity, recruit, solicit, or induce, nor attempt to recruit, solicit, or induce, any employee of the Company with whom Consultant had personal contact or supervised while performing his or her Job Duties, to terminate their engagement relationship with the Company.

F. Indemnity.

Consultant shall defend, hold harmless and indemnify the Company for any liability, loss, claims, or damage of any kind, including reasonable attorney's fees, incurred by Consultant as a result of any disclosure or use of any Confidential Information in violation of the provisions of this Agreement.



7. CONFLICT OF INTEREST.

It is the Company's policy that employees and others acting on the Company's behalf must be free from conflicts of interest that could adversely influence their judgment, objectivity, or effectiveness in conducting the Company's business activities and assignments. The Company recognizes that Consultants may take part in legitimate financial, business, charitable, and other activities outside their work for, with, or on behalf of the Company, but any potential conflict of interest raised by those activities must be disclosed promptly to management.

- A. Consultant acknowledges and agrees that during the course of engagement and for the Consultant to conduct his/her duties as set forth in this Agreement, Consultant shall:
- (1) Disclose in APPENDIX A, hereby incorporated by reference, any and all of Consultant's past, existing, and reasonably ascertainable future conflicts of interest or potential conflicts of interest, including but not limited to relationships with outside entities or persons, professional or personal activities, financial interests, legal interests, liabilities, or other circumstances that may pose, or appear to pose, an actual or potential conflict of interest in fulfilling the duties and obligations of this Agreement ("Conflicts").
 - (2) Include disclosure of all information requested by the appendix and any and all other material information relating to such Conflicts.
 - (3) Request acknowledgement and approval, in writing, from the Company of any Conflicts. The Company may refuse to approve any Conflict and may at any time revoke its approval of any Conflict.
 - (4) Immediately inform the Company of any material changes to the circumstances of any of Consultant's Conflicts, any new Conflicts, any previously undisclosed Conflicts, or the termination of any Conflict.
 - (5) Avoid personal relationships with the Company employees whereby parties in the relationship may receive or give unfair advantage or preferential treatment because of the relationship.
 - (6) Avoid actions or relationships that might conflict or appear to conflict with job responsibilities or the interests of the Company.
 - (7) Obtain necessary approvals in writing from the Company before accepting any position as an officer or director of an outside business concern.
- B. Consultant further acknowledges and agrees that during the course of engagement and for the Consultant to conduct his/her duties as set forth in this Agreement, Consultant shall avoid the following:
- (8) Working with a business in a capacity outside the Company that is in competition with any business of the Company without disclosing the relationship and obtaining written permission from the Company.
 - (9) Engaging an employment relationship where the employer is a direct or indirect competitor, distributor, supplier, or customer of the Company.
 - (10) Having employment or a consulting relationship that affects your ability to satisfactorily perform your Company assignments.
 - (11) Using nonpublic Company information for your personal gain or advantage, or for the gain or advantage of another, including the purchase or sale of securities in a business the Company is interested in acquiring, selling, or otherwise establishing or terminating business relations with.
 - (12) Investing in an outside business opportunity in which the Company has an interest, except for having an insignificant stock interest in publicly-held companies.



8. MISCELLANEOUS.

A. Time of Essence.

Time shall be of the essence in all things pertaining to the performance of this Agreement unless waived in writing by the undersigned parties.

B. Waivers.

No provision of this Agreement may be waived except by a written instrument signed by the party waiving such provision. A waiver by either party of any of the terms and conditions of the Agreement in any instance shall not be deemed or construed to be a waiver of such term or condition to, the future, or of any subsequent breach thereof, or of any other term and condition of the Agreement.

C. Entire Agreement.

This Agreement and the accompanying schedules constitute the entire Agreement between the parties respecting the services of the Consultant and compensation by the Company and there are no representations, warranties, agreements or commitments between the parties hereto except as set forth herein.

D. Notices.

Any notice, request, demand or other communication permitted or required to be given hereunder shall be in writing and shall be deemed to be duly given when personally delivered to the Board of Directors of the Company or to the Consultant, as the case may be, or when deposited in the United States mails, by certified or registered mail, return receipt requested, postage prepaid, at the respective addresses of the Company and the Consultant as shown on the signature page hereto, or when delivered via electronic mail to a verified company email account accompanied by a receipt of delivery. Either party may change by notice the address to which notices are to be sent.

E. Governing Law.

This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of California.

F. Severance.

If any provision of this Agreement shall, for any reason, be held in violation of any applicable law or regulation, such provision shall be deemed to be unenforceable. The invalidity of such specific provision, however, shall not be held to invalidate any other provision herein, and the remainder of this Agreement shall remain in full force and effect.

G. Successors and Assigns.

The Consultant may not, under any circumstances, delegate any of his/her rights or obligations hereunder without first obtaining the written consent of the Company. This Agreement and all of the Company's rights and obligations hereunder may be assigned or transferred by the Company, in whole or in part, to and shall be binding upon and inure to the benefit of any successor or the Company if the successor shall expressly assume by an instrument in writing all of the obligations of the Company hereunder. As used herein, the term "successor" shall mean any person, firm, corporation or other business entity which at any time by merger, consolidation or otherwise shall have acquired all or substantially all of the stock of the Company. Any such successor shall be deemed to be substituted for all purposes as the "Company" hereunder.



H. Jurisdiction.

The parties consent, stipulate and agree without power of revocation to the non-exclusive jurisdiction of any competent Federal or State court sitting in California in connection with any suit, action, or proceeding arising out of this Agreement and that service of process upon the other party by means of any method reasonably calculated to notify such other party of any such suit, action or proceeding shall be valid and effective service of process and further waive any right to object to the laying of venue in any such court of any such suit, action or proceeding or that any such suit, action, or proceeding brought in any such court has been brought in any inconvenient forum.

I. Expenses of Enforcement.

If any action, suit or proceeding is brought by any party hereto against any other party hereto with respect to a matter or matters covered by this Agreement, all costs and expenses of the prevailing party incident to such action, suit or proceeding, including reasonable attorney's fees, shall be paid by the non-prevailing party.

J. Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute but one and the same instrument.

K. Effective Date.

The effective date of this Agreement shall be as of the date set forth at the end of this Agreement.

L. Modifications and Amendments.

This Agreement may not be modified, changed or supplemented, nor may any obligations hereunder be waived or extensions of time for performance granted, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein.

M. Legal Counsel.

Consultant has had the opportunity to have his or her own legal counsel review and advise him or her regarding the legal effect of this Agreement.

N. Arbitration.

In the event that a dispute arises relating to or concerning this Agreement or the transactions contemplating herein, the parties agree to submit said dispute to binding arbitration to JAMS or a similar arbitration organization in Orange County, California. The prevailing party to said arbitration shall be entitled to recover costs and attorney's fees.



IN WITNESS WHEREOF, this Agreement is signed by the Consultant and the Company as of this 30th day of May, 2024, and shall become enforceable as of the effective date of this Agreement.

COMPANY

By: /s/ Lauren Kubota Date: 05/30/24

Name: Lauren Kubota Title: Vice President

Company Address: Pacific Health care Organization, Inc.
2618 San Miguel Dr., #477
Newport Beach, CA 92660

Verified Email Address: lkubota@medexhco.com

CONSULTANT

By: /s/ Stacy Hadley Date: 05/30/24

Name: Stacy Hadley Title: Consultant

Consultant Address:

Verified Email Address:



APPENDIX A
DISCLOSURE OF CONFLICTS

List to the fullest extent of your knowledge any and all past, existing, and reasonably ascertainable future conflicts of interest or potential conflicts of interest, including but not limited to relationships with outside entities or persons, professional or personal activities, financial interests, legal interests, liabilities, or other circumstances that may pose, or appear to pose, an actual or potential conflict of interest in fulfilling the duties and obligations of this Agreement (“Conflicts”).

If you are currently conducting or have ever conducted IMRs for any entity, please include that information in this disclosure.

If no Conflicts exist to the extent of your knowledge, please check the box below.

I certify that I do not have any past, existing, or reasonably ascertainable future Conflicts.

Dates	Entity or Person	Relationship	Activity	Rate of Pay	Volume	Other Information



STATEMENT OF WORK 1

1. Project Overview: The financial consultant will provide expert advisory services to Pacific Health Care Organization, Inc., a public company, to enhance financial management, reporting, and strategic decision-making processes. The consultant will collaborate with internal stakeholders to develop and analyze financial data, provide actionable insights, and implement best practices to achieve organizational objectives.

2. Scope of Work: The scope of work includes but is not limited to the following:

- Conduct a comprehensive review of the company's financial statements, including balance sheets, income statements, and cash flow statements.
- Analyze financial trends, performance metrics, and key financial ratios to identify areas for improvement and growth opportunities.
- Participate in financial audits, communication and planning with auditing firm, and other due diligence related to financial audits.
- Assess internal controls and financial reporting processes to ensure compliance with regulatory requirements and industry standards.
- Provide recommendations for optimizing capital structure, managing working capital, and improving overall financial efficiency.
- Collaborate with executive management to evaluate potential investments, acquisitions, or divestitures.
- Assist with and advise upon the preparation of financial reports for board meetings, investors, regulatory bodies, and other stakeholders.
- Provide ad-hoc financial analysis, guidance, and support as needed.

3. Deliverables: The consultant will deliver the following key deliverables:

- Review of the Company's financial data, analysis, processes, standards, and reports.
- Advisement and input on any reports, disclosures, and other statements made to the SEC, any other regulatory body, and/or the public.
- Advisement and recommendations for optimization of processes, advantageous financial options, compliance, and financial risk management.
- Participation in financial audits, communication and planning with auditing firm, and other due diligence related to financial audits.



4. Timeline: The project will commence on June 1, 2024 and is expected to be completed within four months. A detailed timeline, including milestones and deliverable due dates, may be established in consultation with the consultant.

5. Reporting and Communication: The consultant will report directly to the CEO and the Board of Directors and will maintain regular communication with key stakeholders throughout the project duration. Progress updates, issues, and recommendations will be communicated through meetings, email, and other agreed-upon channels.

6. Confidentiality and Compliance: The consultant shall adhere to strict confidentiality standards and comply with all applicable laws, regulations, and company policies. Any sensitive information obtained during the course of the project must be handled with the utmost discretion.

7. Payment Terms: Payment will be made according to mutually agreed-upon terms outlined in the consulting agreement. Payment milestones may be tied to the completion of key deliverables or project milestones as specified in the agreement.

8. Amendments and Termination: Any changes to the scope of work must be agreed upon in writing by both parties. Either party may terminate the engagement with written notice if deemed necessary, subject to the terms and conditions outlined in the consulting agreement.

9. Work Hours: Consultant shall be prepared to commit the hours they deem necessary to competently fulfill the services in this Statement of Work. Consultant shall notify stakeholders of their availability and make reasonable efforts to attend meetings or calls as necessary under the scope of work. Consultant shall notify the company if they believe that the scope of work will exceed forty (40) hours per month prior to working the hours, and will work additional hours only by approval of the Company.

COMPANY

By: /s/ Lauren Kubota Date: 05/30/24

Name: Lauren Kubota Title: Vice President

Company Address: Pacific Health care Organization, Inc.
2618 San Miguel Dr., #477
Newport Beach, CA 92660

Verified Email Address: lkubota@medexhco.com

CONSULTANT

By: /s/ Stacy Hadley Date: 05/30/24

Name: Stacy Hadley Title: Consultant

Consultant Address:

Verified Email Address:

Pacific Health Care Organization and Subsidiaries**Insider Trading Policy****Effective: December 23, 2024**

This Insider Trading Policy (this “**Policy**”) describes the standards of Pacific Health Care Organization and its subsidiaries (the “**Company**”) on trading, and causing the trading of, the Company’s securities and securities of certain other publicly traded companies while in possession of material nonpublic information relating to or obtained in the course of employment or association with the Company.

This Policy is divided into two parts. Part I prohibits trading in certain circumstances and applies to all directors, officers, and employees of the Company, and their respective immediate family members. Part II imposes special additional trading restrictions and applies to all “**Company Insiders,**” meaning all directors, officers and certain other employees that the Company may designate from time to time because of their position, responsibilities, or their actual or potential access to material information.

Questions regarding this Policy or its application should be directed to the Company’s Legal Department, which can be reached directly at Legal@medexhco.com. The Company reserves the right to amend and interpret this Policy from time to time.

PART I – GENERAL POLICY**1. No Trading While in Possession of Material Nonpublic Information**

(a) No director, officer, employee, or independent contractor or any of their immediate family members may purchase or sell, or offer to purchase or sell, any Company security, while in possession of material nonpublic information about the Company.

(b) No director, officer, employee, or independent contractor or any of their immediate family members may purchase or sell any security of any other company while in possession of material nonpublic information that was obtained in the course of his or her involvement with the Company.

(c) No director, officer, employee, or independent contractor or any of their immediate family members who knows of any material nonpublic information about the Company may communicate that information to any other person, including family members and friends, or otherwise disclose such information without the Company’s authorization.

2. Definitions of Material and Nonpublic

(a) Material. Insider trading restrictions apply only if the information is “material.” Information is considered “material” if a reasonable investor would consider the information important in making a decision to buy, hold, or sell securities. Any information that could reasonably be expected to affect the price of the security is material. Material information can be positive or negative and can relate to virtually any aspect of the Company’s business.

Examples of information that will frequently be regarded as material are:

- unpublished financial or operational results or projections, including earnings information;
- significant changes in prospects or objectives;
- pending or proposed mergers, acquisitions, dispositions, or other transactions;
- significant acquisition or sale of assets;
- cybersecurity risks and incidents (including vulnerabilities and breaches), which may also include the period of time the Company is investigating the underlying facts, ramifications and materiality of a cybersecurity incident;
- award or loss of a significant contract;
- liquidity problems;
- major changes in the management or the board of directors;
- developments regarding significant litigation or government agency investigations;
- changes in dividends;
- major changes in accounting methods or policies; and
- offerings of securities.

The above list is only illustrative; other types of information may be considered “material,” depending on the circumstances.

(b) Nonpublic. Insider trading restrictions apply only if the information is both material and “nonpublic.” To be “public” the information must have been disclosed in the Company’s public filings with the Securities and Exchange Commission (“SEC”) or widely disseminated in a manner making it generally available to investors. Even after public disclosure of information about the Company, you must wait until the **close of business on the second trading day after the information was publicly disclosed before you can treat the information as public.**

If you are not sure whether information is considered material and nonpublic, you should either consult with the Company’s Legal Department or assume that it is.

3. Non-disclosure of Material Nonpublic Information

Material nonpublic information must not be disclosed to anyone, except persons within the Company or third-party agents of the Company (e.g. investment banking advisors, auditors or outside legal counsel) whose responsibilities require them to know it, until such information has been publicly released by the Company.

PART II – COMPANY INSIDERS

1. Blackout Periods

All Company Insiders are prohibited from trading in the Company's securities during the blackout periods defined below.

(a) Quarterly Blackout Periods. Trading in the Company's securities is prohibited during the period beginning at the close of the market two weeks before the end of each fiscal quarter and ending at the close of business on the second trading day following the date the Company's financial results are publicly disclosed and Form 10-Q or Form 10-K is filed.

(b) Other Blackout Periods. From time to time, other types of material nonpublic information regarding the Company may be pending and not be publicly disclosed. While such material nonpublic information is pending, the Company may impose special blackout periods during which Company Insiders are prohibited from trading in the Company's securities. If the Company imposes a special blackout period, it will notify the Company Insiders affected.

2. Trading Window

Company Insiders are permitted to trade in the Company's securities when no blackout period is in effect. However, even during this trading window, a Company Insider who is in possession of any material nonpublic information should not trade in the Company's securities until the information has been made publicly available or is no longer material, and the Company Insider has received pre-clearance in accordance with Section 4 below.

3. Exceptions for 10b5-1 Plans

The trading restrictions in this Policy do not apply to transactions under a pre-existing written plan, contract, instruction, or arrangement under Rule 10b5-1 under the Securities Exchange Act of 1934 (an "**Approved 10b5-1 Plan**"), provided that it has been reviewed and approved by the Legal Department in advance of being entered into and the applicable cooling off period for the Approved 10b5-1 Plan has ended. Any amendment or modification to an existing Approved 10b5-1 Plan must also be reviewed and approved in advance by the Company's Legal Department. An Approved 10b5-1 Plan must be in writing and must meet the requirements of the rules of the SEC, as they may exist from time to time.

If you are considering entering into, modifying, or terminating an Approved 10b5-1 Plan or have any questions regarding Approved Rule 10b5-1 Plans, please contact the Legal Department. You should also consult your own legal and tax advisors before entering into, or modifying or terminating, an Approved 10b5-1 Plan.

4. Pre-Clearance of Securities Transactions

In addition to the prohibition on trading during blackout periods, Company Insiders must refrain from trading without first pre-clearing all transactions in the Company's securities with the Legal Department, even if not in possession or aware of specific material non-public information. Clearance will be granted or denied based solely on the restraints imposed by law and will not constitute investment advice regarding the advisability of any transaction or ensure compliance with securities laws.

Pre-clearance is not required for purchases and sales of securities under an Approved 10b5-1 Plan once the applicable cooling-off period has expired. No trades may be made under an Approved 10b5-1 Plan until expiration of the applicable cooling-off period.

5. Other Prohibited Transactions

Company Insiders, including their immediate family members, are prohibited from engaging in the following transactions in the Company’s securities unless advance approval is obtained from the Legal Department:

- Short-term trading. Company Insiders who purchase Company securities may not sell any Company securities of the same class for at least six months after the purchase;
- Short sales. Company Insiders may not “short sell” the Company’s securities;
- Options trading. Company Insiders may not buy or sell puts or calls or other derivative securities on the Company’s securities;
- Trading on margin or pledging. Company Insiders may not hold Company securities in a margin account or pledge Company securities as collateral for a loan; and
- Hedging. Company Insiders may not enter into hedging or monetization transactions or similar arrangements with respect to Company securities.

6. Inquiries

If you have any questions regarding any of the provisions of this Policy or its application, please contact the Legal Department.

ACKNOWLEDGMENT AND CERTIFICATION

The undersigned acknowledges receipt of the Company’s Insider Trading Policy. The undersigned has read and understands such Policy and agrees to be governed by such Policy at all times in connection with the purchase and sale of securities and the confidentiality of nonpublic information. The undersigned acknowledges that one of the sanctions to which they may be subject as a result of violating this Policy is termination of employment, including termination for cause.

_____	_____
Name	Title/Position
_____	_____
Signature	Date

**LIST OF SUBSIDIARIES OF
PACIFIC HEALTH CARE ORGANIZATION, INC.**

The Company has three wholly owned subsidiaries:

Medex Healthcare, Inc. – a California corporation

Medex Managed Care, Inc. – a Nevada corporation

Medex Medical Management, Inc. – a Nevada corporation

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tom Kubota, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pacific Health Care Organization, Inc.;
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 this 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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 involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 19, 2025

By: /s/ Tom Kubota
Tom Kubota
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Tom Kubota, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pacific Health Care Organization, Inc.;
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 this 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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 involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 19, 2025

By: /s/ Tom Kubota
Tom Kubota
Principal Financial Officer

**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 this Annual Report on Form 10-K of Pacific Health Care Organization, Inc. (the “Company”) for the periods ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Tom Kubota, as Chief Executive Officer and as Principal Financial Officer of the Company, certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (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 result of operations of the Company.

Date: March 19, 2025

By: /s/ Tom Kubota
Tom Kubota
Chief Executive Officer and Principal Financial Officer