

INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022



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**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
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YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Interstate Medical Licensure Compact Commission
Littleton, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Interstate Medical Licensure Compact Commission as of and for the year ended June 30, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Interstate Medical Licensure Compact Commission as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Interstate Medical Licensure Compact Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Interstate Medical Licensure Compact Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Interstate Medical Licensure Compact Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Interstate Medical Licensure Compact Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
March 23, 2023

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
YEAR ENDED JUNE 30, 2022**

As management of the Interstate Medical Licensure Compact Commission (the IMLCC), we offer the readers of the IMLCC's financial statements this narrative overview and analysis of the financial activities of the IMLCC for the fiscal year ended June 30, 2022. This overview and analysis is required by accounting principles generally accepted in the United States of America (GAAP) in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34).

FINANCIAL HIGHLIGHTS

The IMLCC's net position increased from \$2,185,923 to \$3,618,535 for the year ending June 30, 2022, an increase of \$1,432,612. These positive changes over the previous year can be attributed to an increase in revenue relating to fees earned from requested letters of qualification, licenses, and renewals. The following include the net change over the years:

- FY 2017-2018: \$345,539
- FY 2018-2019: \$594,961
- FY 2019-2020: \$558,947
- FY 2020-2021: \$620,333
- FY 2021-2022: \$1,432,612
- Total operating revenues for the fiscal year ended June 30, 2022 were \$16,064,672, which was an increase of \$5,496,083 over the prior year's operating revenues.

For the fiscal year ended June 30, 2022, operating expenses totaled \$14,478,430, which is \$4,481,206 higher than the previous year. This increase is primarily due to the following factors: hiring of additional staff as authorized by the Personnel Committee to meet the needs of the increased requests for services and fiscal controls, increases for license fee expenses paid to the member boards due to increasing volume of fees earned, and increases in the credit card transaction fees charged, also due to the increasing volume.

Otherwise, operating expenses were consistent with budget projections.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of two parts: Management's discussion and analysis, and the financial statements of the IMLCC. This discussion and analysis are intended to serve as an introduction to the IMLCC's basic financial statements.

The Interstate Medical Licensure Compact is an agreement among participating U.S. states to work together to significantly streamline the licensing process for physicians who want to practice in multiple states. It offers a voluntary, expedited pathway to licensure for physicians who qualify. The IMLCC is considered a government instrumentality.

The financial statements are presented in a manner similar to that of a private business, using the accrual basis of accounting. The financial statements report information for all IMLCC operations.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The required financial statements are the Statement of Net Position, the Statement of Revenues, Expenses, and Change in Net Position, and the Statement of Cash Flows. The Statement of Net Position includes the IMLCC's assets, liabilities and net position. Increases and decreases in net position can serve as a useful indicator of whether the financial position of the IMLCC is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the IMLCC. All of the revenues and expenses of the IMLCC are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Revenues, Expenses, and Changes in Net Position reports the changes that have occurred during the year to the IMLCC's net position.

All changes in net position are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. The Statement of Cash Flows is concerned solely with inflows and outflows of cash and cash equivalents. Only transactions that affect the IMLCC's cash position are reflected in this statement.

Transactions are segregated and reported in four sections on the statement:

- (1) cash flows from operating activities,
- (2) cash flows from noncapital financing activities,
- (3) cash flows from capital and related financing activities and,
- (2) cash flows from investing activities.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE IMLCC

Statement of Net Position

The net position of the IMLCC increased by \$1,432,612 since June 30, 2021. The following table summarizes the changes in assets, liabilities, and net position between June 30, 2022 and 2021:

STATEMENT OF NET POSITION

	<u>FY2022</u>	<u>FY2021</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,813,503	\$ 2,897,241	\$ (83,738)	-3%
Investments	1,420,836	-	1,420,836	100%
Prepaid Assets	9,968	40,394	(30,426)	-75%
Total Current Assets	<u>4,244,307</u>	<u>2,937,635</u>	<u>1,306,672</u>	<u>44%</u>
Noncurrent Assets:				
Capital Assets	96,215	-	96,215	100%
Less Accumulated Depreciation	(22,026)	-	(22,026)	100%
Other Assets	4,100	-	4,100	100%
Total Assets	<u>4,322,596</u>	<u>2,937,635</u>	<u>1,384,961</u>	<u>47%</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	629,145	751,712	(122,567)	-16%
Current Portion of Lease Liability	32,012	-	32,012	100%
Total Current Liabilities	<u>661,157</u>	<u>751,712</u>	<u>(90,555)</u>	<u>-12%</u>
Long-Term Liabilities:				
Lease Liability	42,904	-	42,904	100%
Total Liabilities	<u>704,061</u>	<u>751,712</u>	<u>(47,651)</u>	<u>-6%</u>
NET POSITION				
Net Investment in Capital Assets	(727)	-	(727)	-100%
Unrestricted	3,619,262	2,185,923	1,433,339	66%
Total Net Position	<u>\$ 3,618,535</u>	<u>\$ 2,185,923</u>	<u>\$ 1,432,612</u>	<u>66%</u>

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Statement of Revenues, Expenses and Changes in Net Position

The following table summarizes the changes in revenues and expenses between June 30, 2022 and June 30, 2021:

CONDENSED COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

	<u>FY2022</u>	<u>FY2021</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
OPERATING REVENUES				
Licensing Fees	\$ 16,064,672	\$ 10,568,589	\$ 5,496,083	52%
Total Operating Revenues	<u>16,064,672</u>	<u>10,568,589</u>	<u>5,496,083</u>	<u>52%</u>
OPERATING EXPENSES				
License Fees	12,420,846	8,451,605	3,969,241	47%
Marketing	3,405	-	3,405	100%
Professional Services	836,331	789,951	46,380	6%
Payroll	555,299	302,517	252,782	84%
Bank Charges and Fees	487,587	322,874	164,713	51%
Travel	63,397	58,468	4,929	8%
Office Supplies	20,680	21,199	(519)	-2%
Other Operating	25,515	29,602	(4,087)	-14%
Rent and Lease	43,123	21,008	22,115	105%
Depreciation Expense	22,026	-	22,026	100%
Total Operating Expenses	<u>14,478,209</u>	<u>9,997,224</u>	<u>4,480,985</u>	<u>45%</u>
Net Operating Income	<u>1,586,463</u>	<u>571,365</u>	<u>1,015,098</u>	<u>178%</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental Revenue	38,378	100,000	(61,622)	-62%
Intergovernmental Expenses	(38,378)	(52,073)	13,695	-26%
Unrealized Gain or Loss	(154,164)	-	(154,164)	100%
Interest Expense	(221)	-	(221)	100%
Interest Income	534	1,041	(507)	-49%
Total Nonoperating Revenues (Expenses)	<u>(153,851)</u>	<u>48,968</u>	<u>(202,819)</u>	<u>63%</u>
CHANGE IN NET POSITION	1,432,612	620,333	812,279	131%
Net Position - Beginning of Year	<u>2,185,923</u>	<u>1,565,590</u>	<u>620,333</u>	<u>40%</u>
NET POSITION - END OF YEAR	<u>\$ 3,618,535</u>	<u>\$ 2,185,923</u>	<u>\$ 1,432,612</u>	<u>66%</u>

Revenues earned by the IMLCC include fees paid by physicians to obtain physician licenses to practice medicine in member board states. The fees charged for this are comprised of two components:

1. Fees paid to the state for obtaining letters of qualification (LOQ), licensing and renewals.
2. Fees paid to the IMLCC for providing these services.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Fees paid to the state. The fees paid to the state are treated as a revenue for the IMLCC. These same fees are also treated as an expense that is payable to the member state boards and passed through.

1. **LOQ.** The fee earned by state member boards is \$300.
2. **Licenses.** The fee earned by state member boards for obtaining a license will depend on the rate set by each individual state.
3. **Renewals.** The fee earned by state member boards for renewing a license will depend on the rate set by each individual state.

Fees paid to the IMLCC. The fees earned by the IMLCC are the same irrespective of the state fee charged. These include the following:

1. **LOQ.** The \$700 fee amount paid by the physician is divided between the state, earning \$300, and the IMLCC, earning \$400. The LOQ is valid for 12 months, after which, in order to obtain new licenses, a new LOQ must be requested, called an "LOQ reapply" and a new \$700.00 fee paid along with a new application.
2. **Original Licensing Request.** The initial request for license(s) after an LOQ is granted does not have any additional fee.
3. **Additional licensing.** If the physician applies for licenses before the 12 months from obtaining an LOQ has expired and wishes to use the LOQ to obtain additional licenses, the IMLCC charges an additional fee of \$100 for each instance of applying for the additional license(s). The LOQ can be used multiple times during the 12 months with the \$100 fee charged with each additional request.
4. **Renewals.** Member state boards establish the length of time a license is valid and when licenses may be renewed. The cost charged by the IMLCC is \$25 per license renewed, which is a charge in addition to the state license renewal fee.

Major expense categories. Fees paid to state boards, IT and system development charges, professional service expenses and payment processing fees are the major expense categories.

1. **Hiring additional staff.** Three staff positions were created and fill during the fiscal year. A new IT programmer was hired as the transaction from using independent vendors to provide IT services was brought in-house. Two additional customer service representatives were hired, allowing for customer service coverage from 8:00 AM Eastern to 5:00 PM Pacific. A vacated customer service position was immediately filled.
2. **State board fees.** These charges reflect the payments made to the various state boards for applications physicians file with those states. These fees include applications for letters of qualification (LOQ), licensing, and licensing renewals. The number of LOQ applications, license and renewal applications were nearly double in all three categories from the prior fiscal year.
3. **Payment processing fees.** All of the fees paid by physicians to the IMLCC are done through the Stripe processing platform. The fees charged by Stripe make up all of the IMLCC's credit processing costs. The significant increase in the number of applications from all three categories had a corresponding impact on the amount paid for these fees.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

ECONOMIC FACTORS

Positive external impacts. During FY2022, the following developments created opportunities for the IMLCC to increase licensing activities.

States joining the Compact via the passage and adoption of Compact legislation:

- Connecticut
- Indiana
- New Jersey
- Rhone Island

States initiating active processing of applications:

- Louisiana
- Texas
- Delaware
- Ohio
- Connecticut

COVID-19 impact. During FY2022, the lingering impacts of the COVID-19 pandemic continued to create demands for physician services in multiple locations. The number of physicians providing services via telemedicine increased dramatically, which in turn created a need for physicians to be licensed in multiple states. Physicians are required to be licensed in the state where the patient is receiving care not the state where the physician is located.

Many of the changes noted as occurring within the health care arena during FY2021 continued to have significant and positive impact on the IMLCC. The changes listed below where initially noted in the FY2021 report and again reported for FY2022, they include:

1. Expansion of telemedicine as a care delivery model. This requires licensure in the states where the patients are receiving their care. As states continue to find and enact legislation governing the use of telemedicine as a treatment delivery model, the need for strong controls to ensure patient safety, rely on a licensure process that is flexible and responsive to patient needs. The compact provides that licensure process.
2. Regional and national hospital systems changing care models to allow for post treatment follow up care, which requires licensure in the states where patients are receiving the care.
3. Use of locum tenens physicians to provide expanded coverage and specialized care in rural hospitals and clinics.
4. Statements from state government officials supporting the IMLCC process and other healthcare licensure processes (i.e., Nurses, EMS personnel, etc.) as a proven model to respond to public health crises. Several states have enacted formal study groups to investigate how joining a compact will enhance the health care safety net for their state.
5. Statements from health care organizations supporting the IMLCC process as a permanent option for physicians requiring licensure in multiple states. Replacing the emergency reciprocity and temporary relaxation of licensure requirement with the permanent solution the IMLCC represents.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Projecting into the 2023 legislative session, at least 6 states have expressed an interest in introducing joining legislation. Additionally, the roadblocks allowing full participation by Oklahoma medical and osteopathic boards, related to criminal background checks, were removed. The roadblocks remain in place for Pennsylvania and Vermont. Active training began processing applications started with Indiana, New Jersey, the District of Columbia.

While there are a number of prospects that will positively impact the IMLCC going forward, the factors that have the potential to negatively impact IMLCC operations would be the nationalization of physician licensure or the creation of universal portability of a state-based license discussions which do not appear to be strongly supported and the ending of many COVID-19 Pandemic related provisions related to telemedicine which could impact the number of multi-state licenses needed by physicians.

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the IMLCC's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to: Executive Director, Interstate Medical Licensure Compact Commission, 5401 S. Prince Street, Office 111, Littleton, CO 80120.

INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,813,503
Investments	1,420,836
Prepaid Assets	9,968
Total Current Assets	4,244,307

Noncurrent Assets:

Capital Assets	96,215
Less: Accumulated Depreciation	(22,026)
Total Capital Assets, Net	74,189
Other Assets	4,100
Total Noncurrent Assets	78,289

Total Assets	4,322,596
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LIABILITIES

Current Liabilities:

Accounts Payable	629,145
Current Portion of Lease Liability	32,012
Total Current Liabilities	661,157

Long-Term Liabilities:

Lease Liability	42,904
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Total Liabilities	704,061
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NET POSITION

Net Investment in Capital Assets	(727)
Unrestricted	3,619,262
Total Net Position	\$ 3,618,535

See accompanying Notes to Financial Statements.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2022**

OPERATING REVENUES	
Licensing Fees	\$ 16,064,672
Total Operating Revenues	<u>16,064,672</u>
OPERATING EXPENSES	
License Fees	12,420,846
Marketing	3,405
Professional Services	836,331
Payroll	555,299
Bank Charges and Fees	487,587
Travel	63,397
Office Supplies	20,680
Other Operating	25,515
Rent and Lease	43,123
Depreciation Expense	22,026
Total Operating Expenses	<u>14,478,209</u>
NET OPERATING INCOME	1,586,463
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental Revenue	38,378
Intergovernmental Expenses	(38,378)
Unrealized Investment Gain (Loss)	(154,164)
Interest Income	534
Interest Expense	(221)
Total Nonoperating Revenues (Expenses)	<u>(153,851)</u>
CHANGE IN NET POSITION	1,432,612
Net Position - Beginning of Year	<u>2,185,923</u>
NET POSITION - END OF YEAR	<u><u>\$ 3,618,535</u></u>

See accompanying Notes to Financial Statements.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 16,064,672
Payments to Vendors and Customers	<u>(14,552,424)</u>
Net Cash Provided by Operating Activities	1,512,248

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Interest Income	<u>534</u>
Net Cash Provided by Noncapital Financing Activities	534

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Lease Liability Principal Payments	(21,299)
Lease Liability Interest Payments	<u>(221)</u>
Net Cash Used by Noncapital Financing Activities	(21,520)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	<u>(1,575,000)</u>
Net Cash Used by Investing Activities	<u>(1,575,000)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

(83,738)

Cash and Cash Equivalents - Beginning of Year

2,897,241

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,813,503

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 1,586,463
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	22,026
Effect of Changes in Operating Assets and Liabilities:	
Accounts Payable	(122,567)
Prepaid Assets	30,426
Other Assets	<u>(4,100)</u>
Total Adjustments	<u>(74,215)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,512,248</u></u>

See accompanying Notes to Financial Statements.

INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 REPORTING ENTITY

The Interstate Medical Licensure Compact Commission (IMLCC) was established on October 27, 2015, pursuant to the terms of the Interstate Medical Licensure Compact (the Compact). IMLCC was established as a body corporate to fulfill the objectives of the Compact, through a means of joint cooperative action amount Member States to develop a comprehensive process that complements the existing licensing and regulatory authority of state medical boards and provide a streamlined process that allows physicians to become licensed in multiple states, thereby enhancing the portability of a medical license and ensuring the safety of patients.

The IMLCC Membership is comprised as provided by the Compact. Each Member State is limited to two appointed voting representatives. The appointees are the Commissioners of the Member State. A detail listing of Member States and IMLCC Membership can be found at IMLCC.org.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. IMLCC accounts for its operations as an enterprise fund. The significant accounting policies are described herein.

Measurement Focus, Basis of Accounting, and Basis of Presentation

IMLCC's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred, regardless of the timing of related cash flows.

IMLCC distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Adoption of New Accounting Standards

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

IMLCC adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in IMLCC reporting a right-to-use asset and a lease liability disclosed in Note 5 and Note 6, respectively.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments

Money market investments are stated at net asset value. Other investments are stated at fair value.

Capital Assets

IMLCC defines capital assets to include property, equipment, and software. Capital assets are defined by the Compact as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than one year. Such assets are recorded at acquisition cost. The costs of normal maintenance and repairs that do not add value to an asset or significantly extend the useful life of an asset are not capitalized. IMLCC has one capital asset as described in Note 5. The useful life of this asset is the same as the lease term as described in Note 6.

Leases

IMLCC is a lessee for a noncancellable lease of office space. IMLCC recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the applicable governmental activities in the government-wide financial statements. IMLCC recognizes lease liabilities with an initial, individual value of \$5,000.

At the commencement of a lease, IMLCC initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Key estimates and judgments related to leases include how IMLCC determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- IMLCC uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, IMLCC uses the incremental borrowing rate as outlined by the Colorado State Treasurer.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that IMLCC is reasonably certain to exercise.

IMLCC monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets – This category presents cumulative resources used to acquire depreciable and nondepreciable capital assets. Net Investment in Capital Assets is intended to reflect the portion of net position which is associated with nonliquid capital assets less outstanding capital asset related debt.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulation of other governments and restriction imposed by law through constitutional provisions or enabling legislation. IMLCC had no items which were classified as restricted net position.

Unrestricted Net Position – This category represents the net position of IMLCC, which is not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for use, it is the IMLCC's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue Recognition

Licensing fee revenues are derived from applications fees charged by IMLCC to physicians who are seeking to become licensed in a State that is a member of the Interstate Medical Licensure Compact. These charges are initially collected by the IMLCC and a portion is subsequent remitted to the individual State for which a license was issued. IMLCC recognizes the licensing fees as operating revenue on the accrual basis of accounting.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Intergovernmental revenues are received from the Federation of State Medical Boards (FSMB) Foundation. The Foundation provides support for projects associated with the Interstate Medical Licensure Compact. The purpose of the grant program is to support the Compact, its Commission, and state medical and osteopathic boards in their readiness to participate in the Compact. IMLCC recognizes the grant revenue as nonoperating revenue on the accrual basis of accounting.

NOTE 3 CASH AND CASH EQUIVALENTS

IMLCC maintains all of its cash with one financial institution, other than temporary clearing account, in accordance with IMLCC policies. Of the \$2,763,705 held with one financial institution, \$2,513,705 was not covered by the Federal Depository Insurance Corporation (FDIC).

NOTE 4 INVESTMENTS

The Commissioners of IMLCC require that all investments of IMLCC be made in accordance with its investment policy.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure, IMLCC's deposits and investments may not be returned promptly. Because investments of IMLCC are generally in mutual funds, this risk is significantly mitigated. IMLCC does not have a policy related to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. IMLCC's investment policy requires that fixed income securities and equities have a weighted average of no less than investment grade, as rated by Moody's and Standard & Poor's. IMLCC does not have a policy related to credit risk.

As of June 30, 2022, credit ratings for the fixed-income investments are as follows:

Investment	Credit Quality							
	AAA	AA	A	BBB	BB	B	Below B	Unrated
EATON VANCE SHT DUR STRATEGIC INC FD	40.48%	4.17%	5.56%	9.09%	18.18%	16.53%	3.69%	2.30%
INVESCO ROCHESTER MUNI OPPORTUNITIES	1.12%	24.97%	13.18%	4.99%	7.50%	3.59%	1.67%	42.99%
METROPOLITAN WEST HIGH YIELD BOND CL	9.78%	0.00%	-0.04%	10.37%	25.99%	38.58%	14.29%	1.04%
PMCO LOW DURATION INCOME INSTITUTIONAL	43.02%	2.56%	6.23%	23.60%	13.29%	5.43%	5.88%	0.00%
PMCO PREFERRED AND CAPITAL SECS CL	8.74%	4.63%	1.21%	66.59%	17.34%	1.33%	0.16%	0.00%
VIRTUS SEIX US GOV'T SEC ULTRA SHORT BD	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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NOTE 4 INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk refers to the value fluctuations of fixed-income security resulting from the invest relationship between price and yield. The market value fluctuations of fixed-income securities already held will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect net asset values. IMLCC does not have a policy related to custodial credit risk.

As of June 30, 2022, the duration for the fixed-income investments are as follows:

Investment	2022 (In Years)
EATON VANCE SHT DUR STRATEGIC INC FD	1.71
INVESCO ROCHESTER MUNI OPPORTUNITIES	11.88
METROPOLITAN WEST HIGH YIELD BOND CL	3.82
PMCO LOW DURATION INCOME INSTITUTIONAL	1.99
PMCO PREFERRED AND CAPITAL SECS CL	3.78
VIRTUS SEIX US GOVT SEC ULTRA SHORT BD	0.39

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by IMLCC's investment in a single issuer. IMLCC's investment policy requires diversification of investment assets between asset classes and investment categories. The includes range limits for investment categories and calls for annual rebalancing.

IMLCC had investments at June 30, 2022 of 5% or more of the investment portfolio:

Investment	% Of Investment	Investment \$ Amount
EATON VANCE SHT DUR STRATEGIC INC FD	14%	\$ 203,750
PMCO LOW DURATION INCOME INSTITUTIONAL	12%	\$ 172,810
PMCO PREFERRED AND CAPITAL SECS CL	12%	\$ 168,808
INVESCO ROCHESTER MUNI OPPORTUNITIES	10%	\$ 143,804
PARNASSUS ENDEAVOR INSITUTIONAL FD	9%	\$ 125,492
VIRTUS SEIX US GOVT SEC ULTRA SHORT BD	8%	\$ 117,483
MFS MID CAP GROWTH FUND CL	8%	\$ 113,956
FIDELITY ADVISOR STRAT DIV & INC CL	7%	\$ 98,925
METROPOLITAN WEST HIGH YIELD BOND CL	7%	\$ 98,312
FIDELITY LOW PRICED STOCK	6%	\$ 81,391
FIDELITY ADVISOR SMALL CAP VALUE CL	5%	\$ 67,817

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION
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NOTE 4 INVESTMENTS (CONTINUED)

Fair Value of Investments

IMLCC measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

Level 1 - Quoted prices for identical investments in active markets,

Level 2 - Observable inputs other than those in Level 1; and

Level 3 - Unobservable inputs.

At June 30, 2022, IMLCC's categorizations of investment fair value measurements were as follows:

Investments by Fair Value Level	June 30, 2022	Level 1	Level 2	Level 3
Fixed Income	\$ 904,967	\$ 904,967	\$ -	\$ -
Equity	487,581	487,581	-	-
Total Investments at Fair Value	1,392,548	<u>\$ 1,392,548</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at Net Asset Value				
Fidelity Government Money Market	28,288			
Total Investments	<u>\$ 1,420,836</u>			

The Fidelity Government Money Market is valued daily at the net asset value of the units in the fund (NAV). The NAV is based on the fair value of the underlying investments held by the fund less its liabilities.

The valuation method for investments measured at the NAV as of June 30, 2022 is presented in the follow table:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Fidelity Government Money Market	\$ 28,288	\$ -	Daily	Daily

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NOTE 5 CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2022 follows:

	Beginning Balance	Additions	Deletions	Ending Balances
Governmental Activities:				
Right-to-Use Building	\$ -	\$ 96,215	\$ -	\$ 96,215
Total Capital Assets Being Depreciated	-	96,215	-	96,215
Accumulated Amortization:				
Right-to-Use Building	-	(22,026)	-	(22,026)
Total Accumulated Amortization	-	(22,026)	-	(22,026)
Capital Assets, Net	\$ -	\$ 74,189	\$ -	\$ 74,189

NOTE 6 LEASE LIABILITY

The changes to the lease liability are as follows:

	Beginning Balance	Additions	Reductions/ Amortizations	Ending Balance	Due Within One Year
Governmental Activities:					
Lease Liability	\$ -	\$ 96,215	\$ (21,299)	\$ 74,916	\$ 32,012
Total Long-Term Obligations	\$ -	\$ 96,215	\$ (21,299)	\$ 74,916	\$ 32,012

IMLCC leases office space under a long-term, non-cancelable lease agreement. The lease expires on October 31, 2024.

Total future minimum lease payments under the lease agreement as are follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 32,012	\$ 268	\$ 32,280
2024	32,154	126	32,280
2025	10,750	10	10,760
Total	\$ 74,916	\$ 404	\$ 75,320

NOTE 7 COMMITMENTS AND CONTINGENCIES

IMLCC does not have any pending litigation or legal claims that would have a materially adverse effect on the financial position of IMLCC.



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