

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://CLAcconnect.com)

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2023**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)</b>	<b>4</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>11</b>
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION</b>	<b>12</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>13</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>14</b>



## 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, 2023, 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, 2023, 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  
December 19, 2023

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
YEAR ENDED JUNE 30, 2023**

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, 2023. 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 \$3,618,535 to \$6,991,079 for the year ending June 30, 2023, an increase of \$3,372,544. 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
- FY 2022-2023: \$3,372,544
- Total operating revenues for the fiscal year ended June 30, 2023 were \$28,997,231, which was an increase of \$12,932,559 over the prior year's operating revenues.

For the fiscal year ended June 30, 2023, operating expenses totaled \$25,788,361, which is \$11,310,152 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, 2023**

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, 2023**

**FINANCIAL ANALYSIS OF THE IMLCC**

**Statement of Net Position**

The net position of the IMLCC increased by \$3,372,544 since June 30, 2022. The following table summarizes the changes in assets, liabilities, and net position between June 30, 2023 and 2022:

**STATEMENT OF NET POSITION**

	<u>FY2023</u>	<u>FY2022</u>	<u>DOLLAR CHANGE</u>	<u>PERCENT CHANGE</u>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 2,230,264	\$ 2,813,503	\$ (583,239)	-21%
Investments	5,978,725	1,420,836	4,557,889	321%
Prepaid Assets	28,820	9,968	18,852	189%
Total Current Assets	<u>8,237,809</u>	<u>4,244,307</u>	<u>3,993,502</u>	<u>94%</u>
Noncurrent Assets:				
Capital Assets	96,215	96,215	-	0%
Less Accumulated Amortization	(55,204)	(22,026)	(33,178)	151%
Other Assets	9,679	4,100	5,579	136%
Total Assets	<u>8,288,499</u>	<u>4,322,596</u>	<u>3,965,903</u>	<u>92%</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	1,255,126	629,145	625,981	99%
Accrued Wages and Benefits	2,064	-	2,064	100%
Current Portion of Lease Liability	29,480	32,012	(2,532)	-8%
Total Current Liabilities	<u>1,286,670</u>	<u>661,157</u>	<u>625,513</u>	<u>95%</u>
Long-Term Liabilities:				
Lease Liability	10,750	42,904	(32,154)	-75%
Total Liabilities	<u>1,297,420</u>	<u>704,061</u>	<u>593,359</u>	<u>84%</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	781	(727)	1,508	-207%
Unrestricted	6,990,298	3,619,262	3,371,036	93%
Total Net Position	<u>\$ 6,991,079</u>	<u>\$ 3,618,535</u>	<u>\$ 3,372,544</u>	<u>93%</u>



**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Statement of Revenues, Expenses and Changes in Net Position**

The following table summarizes the changes in revenues and expenses between June 30, 2023 and June 30, 2022:

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

	<b>FY2023</b>	<b>FY2022</b>	<b>DOLLAR CHANGE</b>	<b>PERCENT CHANGE</b>
<b>OPERATING REVENUES</b>				
Licensing Fees	\$ 28,997,231	\$ 16,064,672	\$ 12,932,559	81%
Total Operating Revenues	<u>28,997,231</u>	<u>16,064,672</u>	<u>12,932,559</u>	<u>81%</u>
<b>OPERATING EXPENSES</b>				
License Fees	23,327,689	12,420,846	10,906,843	88%
Marketing	17,673	3,405	14,268	419%
Professional Services	548,820	836,331	(287,511)	-34%
Payroll	781,763	555,299	226,464	41%
Bank Charges and Fees	903,853	487,587	416,266	85%
Travel	11,501	63,397	(51,896)	-82%
Office Supplies	29,148	20,680	8,468	41%
Other Operating	134,736	25,515	109,221	428%
Rent and Lease	-	43,123	(43,123)	-100%
Amortization Expense	33,178	22,026	11,152	51%
Total Operating Expenses	<u>25,788,361</u>	<u>14,478,209</u>	<u>11,310,152</u>	<u>78%</u>
Net Operating Income	<u>3,208,870</u>	<u>1,586,463</u>	<u>1,622,407</u>	<u>102%</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental Revenue	-	38,378	(38,378)	-100%
Intergovernmental Expenses	-	(38,378)	38,378	-100%
Unrealized Gain or Loss	163,682	(154,164)	317,846	-206%
Interest Expense	(284)	(221)	(63)	29%
Interest Income	276	534	(258)	-48%
Total Nonoperating Revenues (Expenses)	<u>163,674</u>	<u>(153,851)</u>	<u>317,525</u>	<u>-226%</u>
<b>CHANGE IN NET POSITION</b>				
Net Position - Beginning of Year	<u>3,618,535</u>	<u>2,185,923</u>	<u>1,432,612</u>	<u>66%</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 6,991,079</u>	<u>\$ 3,618,535</u>	<u>\$ 3,372,544</u>	<u>93%</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, 2023**

**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 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.** One staff position was created and filled during the fiscal year. An IT programmer was hired as the transaction from using independent vendors to provide IT services was brought in-house. One of the accounting specialist positions was changed from part-time to full-time.
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 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, 2023**

**ECONOMIC FACTORS**

**Positive external impacts.** During FY2023, the following developments created opportunities for the IMLCC to increase licensing activities.

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

- Hawaii
- Missouri

**States initiating active processing of applications:**

- Connecticut
- Indiana
- Ohio

**COVID-19 impact.** During FY2023, 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 continued to increase 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 healthcare industry during FY2021 and FY2022 continued to have a significant and positive impact on the IMLCC. The changes listed below were initially noted in the FY2021 and FY2022 report and again reported for FY2023, 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, 2023**

**PROJECTED LEGISLATIVE ACTION**

Projecting into the 2024 legislative session, at least 4 states have expressed an interest in introducing joining legislation, in addition to the 3 states with pending legislation which will carry over into the 2024 legislative session.

**ROADBLOCKS TO FULL PARTICIPATION BY MEMBER STATES**

The roadblocks allowing full participation for Pennsylvania and Vermont remain; however, Pennsylvania has determined that it will proceed with a limited implementation of providing licenses only. The Federal Bureau of Investigations (FBI) withdrew authorization to obtain criminal background checks to the state of Alabama in April 2023. This action resulted in that state losing its ability to act as a State of Principal License, but they continue to issue licenses. Alabama is in active negotiations with the FBI to regain its authorization.

**POTENTIAL NEGATIVE IMPACTS**

The primary factor that has the potential to negatively impact IMLCC operations would be the failure of the federal government to extend the telemedicine provisions authorized during the Covid-19 pandemic, which are set to expire in December 2024. It is highly unlikely that these provisions will not be extended due to the adverse impact on patient care and the potential collapse of the hospital-based healthcare services that have developed since the pandemic. The IMLCC continues to monitor this situation.

**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, 7921 Southpark Plaza #109 Littleton CO 80120.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 2,230,264
Investments	5,978,725
Prepaid Assets	<u>28,820</u>
Total Current Assets	<u>8,237,809</u>

Noncurrent Assets

Capital Assets	96,215
Less: Accumulated Amortization	<u>(55,204)</u>
Total Capital Assets, Net	41,011
Other Assets	<u>9,679</u>
Total Noncurrent Assets	<u>50,690</u>

Total Assets	8,288,499
--------------	-----------

**LIABILITIES**

Current Liabilities

Accounts Payable	1,255,126
Accrued Wages and Benefits	2,064
Current Portion of Lease Liability	<u>29,480</u>
Total Current Liabilities	<u>1,286,670</u>

Long-Term Liabilities

Lease Liability	<u>10,750</u>
-----------------	---------------

Total Liabilities	1,297,420
-------------------	-----------

**NET POSITION**

Net Investment in Capital Assets	781
Unrestricted	<u>6,990,298</u>
Total Net Position	<u><u>\$ 6,991,079</u></u>

See accompanying Notes to Financial Statements.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
YEAR ENDED JUNE 30, 2023**

<b>OPERATING REVENUES</b>	
Licensing Fees	\$ 28,997,231
Total Operating Revenues	<u>28,997,231</u>
<b>OPERATING EXPENSES</b>	
License Fees	23,327,689
Marketing	17,673
Professional Services	548,820
Payroll	781,763
Bank Charges and Fees	903,853
Travel	11,501
Office Supplies	29,148
Other Operating	134,736
Amortization Expense	33,178
Total Operating Expenses	<u>25,788,361</u>
<b>NET OPERATING INCOME</b>	3,208,870
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Unrealized Investment Gain (Loss)	163,682
Interest Income	276
Interest Expense	(284)
Total Nonoperating Revenues (Expenses)	<u>163,674</u>
<b>CHANGE IN NET POSITION</b>	3,372,544
Net Position - Beginning of Year	<u>3,618,535</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 6,991,079</u></u>

See accompanying Notes to Financial Statements.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2023**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers and Users	\$ 28,997,231
Payments to Vendors and Customers	<u>(25,151,569)</u>
Net Cash Provided by Operating Activities	3,845,662
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interest Income	<u>276</u>
Net Cash Provided by Noncapital Financing Activities	276
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Lease Liability Principal Payments	(34,686)
Lease Liability Interest Payments	<u>(284)</u>
Net Cash Used by Capital and Related Financing Activities	(34,970)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(4,557,889)
Unrealized Gain (Loss) on Investments	<u>163,682</u>
Net Cash Used by Investing Activities	<u>(4,394,207)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(583,239)
Cash and Cash Equivalents - Beginning of Year	<u>2,813,503</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 2,230,264</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 3,208,870
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization	33,178
Effect of Changes in Operating Assets and Liabilities:	
Accounts Payable	626,008
Accrued Wages and Benefits	2,037
Prepaid Assets	(18,852)
Other Assets	<u>(5,579)</u>
Total Adjustments	<u>636,792</u>
Net Cash Provided by Operating Activities	<u><u>\$ 3,845,662</u></u>

See accompanying Notes to Financial Statements.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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 May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

IMLCC adopted the requirements of the guidance effective July 1, 2022 and noted no material SBITAs required to be implemented under the new standard.



**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Leases (Continued)

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.

**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 \$1,795,158 held with one financial institution, \$1,545,158 was not covered by the Federal Depository Insurance Corporation (FDIC).

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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, 2023, 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	41.93%	0.62%	4.11%	11.54%	19.29%	14.70%	4.01%	3.81%
INVESCO ROCHESTER MUNI OPPORTUNITIES	1.16%	19.87%	15.54%	5.14%	8.69%	3.37%	0.13%	46.10%
METROPOLITAN WEST HIGH YIELD BOND CL	7.10%	0.00%	1.36%	7.71%	30.31%	39.90%	12.87%	0.75%
PMCO LOW DURATION INCOME INSTITUTIONAL	58.42%	3.60%	6.28%	16.04%	6.46%	3.73%	5.47%	0.00%
PMCO PREFERRED AND CAPITAL SECS CL	3.91%	8.50%	1.41%	72.23%	13.35%	0.41%	0.19%	0.00%
VIRTUS SEIX US GOVT SEC ULTRA SHORT BD	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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, 2023, the duration for the fixed-income investments are as follows:

Investment	2023 (In Years)
EATON VANCE SHT DUR STRATEGIC INC FD	3.30
INVESCO ROCHESTER MUNI OPPORTUNITIES	11.38
METROPOLITAN WEST HIGH YIELD BOND CL	3.52
PMCO LOW DURATION INCOME INSTITUTIONAL	2.64
PMCO PREFERRED AND CAPITAL SECS CL	3.52
VIRTUS SEIX US GOVT SEC ULTRA SHORT BD	0.71

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 4 INVESTMENTS (CONTINUED)**

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, 2023 of 5% or more of the investment portfolio:

Investment	% Of Investment	Investment \$ Amount
EATON VANCE SHT DUR STRATEGIC INC FD	12%	\$ 693,386
PMCO LOW DURATION INCOME INSTITUTIONAL	10%	\$ 593,984
PMCO PREFERRED AND CAPITAL SECS CL	10%	\$ 589,649
INVESCO ROCHESTER MUNI OPPORTUNITIES	8%	\$ 493,304
PARNASSUS ENDEAVOR INSITUTIONAL FD	7%	\$ 448,295
MFS MID CAP GROWTH FUND CL	7%	\$ 402,240
VIRTUS SEIX US GOVT SEC ULTRA SHORT BD	7%	\$ 394,219
FIDELITY ADVISOR STRAT DIV & INC CL	6%	\$ 349,340
METROPOLITAN WEST HIGH YIELD BOND CL	6%	\$ 344,039
FIDELITY LOW PRICED STOCK	5%	\$ 297,818

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, 2023, 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	\$ 3,108,581	\$ 3,108,581	\$ -	\$ -
Equity	1,734,739	1,734,739	-	-
Total Investments at Fair Value	4,843,320	<u>\$ 4,843,320</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at Net Asset Value				
Fidelity Government Money Market	1,135,405			
Total Investments		<u>\$ 5,978,725</u>		

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 4 INVESTMENTS (CONTINUED)**

Fair Value of Investments (Continued)

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, 2023 is presented in the follow table:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Fidelity Government Money Market	\$ 1,135,405	\$ -	Daily	Daily

**NOTE 5 CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2023 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)	(33,178)	-	(55,204)
Total Accumulated Amortization	(22,026)	(33,178)	-	(55,204)
Capital Assets, Net	\$ 74,189	\$ (33,178)	\$ -	\$ 41,011

**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	\$ 74,916	\$ -	\$ (34,686)	\$ 40,230	\$ 29,480
Total Long-Term Obligations	\$ 74,916	\$ -	\$ (34,686)	\$ 40,230	\$ 29,480

IMLCC leases office space under a long-term, non-cancelable lease agreement. As of June 30, 2023, this lease expired on October 31, 2024. Subsequent to year end, IMLCC entered into a new office space lease, with an effective date of October 1, 2023. The lease in which the lease liability for the year ended June 30, 2023 was calculated, was terminated via a sublease, as of December 1, 2023. The new office space lease will be implemented under GASB 87, *Leases*, for the year ended June 30, 2024.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 LEASE LIABILITY (CONTINUED)**

Total future minimum lease payments as of June 30, 2023 under the lease agreement are as follows:

<u>Fiscal Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 29,480	\$ 126	\$ 29,606
2025	10,750	10	10,760
Total	<u>\$ 40,230</u>	<u>\$ 136</u>	<u>\$ 40,366</u>

**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.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.