

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2024**



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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 Interstate Medical Licensure Compact Commission as of and for the year ended June 30, 2024 and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Interstate Medical Licensure Compact Commission as of June 30, 2024, and the changes in financial position, and its cash flows 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 10, 2025

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
YEAR ENDED JUNE 30, 2024**

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, 2024. 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 \$6,991,079 to \$10,853,452 for the year ending June 30, 2024, an increase of \$3,862,373. 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
- FY 2023-2024: \$3,862,373
- Total operating revenues for the fiscal year ended June 30, 2024 were \$35,367,850, which was an increase of \$6,370,617 over the prior year's operating revenues.

For the fiscal year ended June 30, 2024, operating expenses totaled \$32,100,305, which is \$6,311,944 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, 2024**

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, 2024**

**FINANCIAL ANALYSIS OF THE IMLCC**

**Statement of Net Position**

The net position of the IMLCC increased by \$3,862,373 since June 30, 2023. The following table summarizes the changes in assets, liabilities, and net position between June 30, 2024 and 2023:

**STATEMENT OF NET POSITION**

	FY2024	FY2023	Dollar Change	Percent Change
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,650,595	\$ 2,230,264	\$ 1,420,331	64%
Investments	7,185,960	5,978,725	1,207,235	20%
Prepaid Assets	16,231	28,820	(12,589)	-44%
Total Current Assets	<u>10,852,786</u>	<u>8,237,809</u>	<u>2,614,977</u>	<u>32%</u>
Noncurrent Assets:				
Capital Assets	1,702,760	96,215	1,606,545	1670%
Less Accumulated Amortization	(70,882)	(55,204)	(15,678)	28%
Other Assets	9,679	9,679	-	0%
Total Assets	<u>12,494,343</u>	<u>8,288,499</u>	<u>4,205,844</u>	<u>51%</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	1,140,135	1,255,126	(114,991)	-9%
Accrued Wages and Benefits	34,701	2,064	32,637	100%
Current Portion of Lease Liability	84,000	29,480	54,520	185%
Total Current Liabilities	<u>1,258,836</u>	<u>1,286,670</u>	<u>(27,834)</u>	<u>-2%</u>
Long-Term Liabilities:				
Lease Liability	382,055	10,750	371,305	3454%
Total Liabilities	<u>1,640,891</u>	<u>1,297,420</u>	<u>343,471</u>	<u>26%</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,165,823	781	1,165,042	149173%
Unrestricted	9,687,629	6,990,298	2,697,331	39%
Total Net Position	<u>\$ 10,853,452</u>	<u>\$ 6,991,079</u>	<u>\$ 3,862,373</u>	<u>55%</u>



**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

The following table summarizes the changes in revenues and expenses between June 30, 2024 and June 30, 2023:

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

	FY2024	FY2023	Dollar Change	Percent Change
<b>OPERATING REVENUES</b>				
Licensing Fees	\$ 35,367,850	\$ 28,997,231	\$ 6,370,619	22%
Total Operating Revenues	35,367,850	28,997,231	6,370,619	22%
<b>OPERATING EXPENSES</b>				
License Fees	28,535,459	23,327,689	5,207,770	22%
Marketing	10,991	17,673	(6,682)	-38%
Professional Services	883,254	548,820	334,434	61%
Payroll	1,214,620	781,763	432,857	55%
Bank Charges and Fees	1,114,416	903,853	210,563	23%
Travel	22,840	11,501	11,339	99%
Office Supplies	42,955	29,148	13,807	47%
Other Operating	191,072	134,736	56,336	42%
Rent and Lease	-	-	-	0%
Amortization Expense	84,698	33,178	51,520	155%
Total Operating Expenses	32,100,305	25,788,361	6,311,944	24%
Net Operating Income	3,267,545	3,208,870	58,675	2%
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Unrealized Gain or Loss	603,125	163,682	439,443	268%
Interest Expense	(8,508)	(284)	(8,224)	2896%
Interest Income	211	276	(65)	-24%
Total Nonoperating Revenues (Expenses)	594,828	163,674	431,154	3141%
<b>CHANGE IN NET POSITION</b>	3,862,373	3,372,544	489,829	15%
Net Position - Beginning of Year	6,991,079	3,618,535	3,372,544	93%
<b>NET POSITION - END OF YEAR</b>	\$ 10,853,452	\$ 6,991,079	\$ 3,862,373	55%

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, 2024**

**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, 2024**

**ECONOMIC FACTORS**

**Positive external impacts.** During FY2024, 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 FY2024, while the direct impacts of the COVID-19 pandemic have significantly diminished, the residual effects of the expansion of telemedicine and need for locum tenens in hospitals and health clinics have created a real and long-term demand for physician services in multiple locations. Physicians are required to be licensed in the state where the patient is receiving care, not the state where the physician is located, has become a critical aspect the expanded use of the IMLCC, especially as it relates to women's health care services and gender affirming care.

The changes listed below are also illustrative of how the impacts on physician licensure have continued beyond the COVID-19 pandemic. These changes include:

1. Expansion of telemedicine as a care delivery model, especially as the Federal Medicaid and Medicare reimburse models continue to allow for full reimbursement for services via telemedicine. As states and the federal government 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. This impact was noted in the FY2023 audit and the impacts continue to spread as this treatment model expands to more hospital systems in new member states and in those states where the IMLCC has been enacted for several years, but the opportunity to reach more patients have been realized and implemented in those states.
3. Use of locum tenens physicians to provide expanded coverage and specialized care in rural hospitals and clinics continues to be a strong factor for physicians to utilize the IMLCC. Many locum tenens organizations are paying a premium to physicians who hold an active Letter of Qualification, as they can begin practicing faster and often on short notice, due to the expedited licensure process.
4. Statements from health care organizations supporting the IMLCC process as a permanent option for physicians requiring licensure in multiple states continues to impact physician usage of the IMLCC process verses the traditional licensing method or reciprocity options available in some states. Replacing the IMLCC as a permanent solution for the emergency reciprocity and temporary relaxation of licensure requirement has been viewed as a positive activity for states.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**PROJECTED LEGISLATIVE ACTION**

Projecting into the 2025 legislative session, there are 5 states where legislation has been introduced as of the date of this letter. This represents ½ of the states which are not yet a part of the IMLCC.

**ROADBLOCKS TO FULL PARTICIPATION BY MEMBER STATES**

The roadblocks allowing full participation for Connecticut, Hawaii, Pennsylvania and Vermont remain. The Federal Bureau of Investigations (FBI) withdrew authorization to obtain criminal background checks to the state of Alabama in April 2023 but reinstated that authority in September 2024. This action resulted in that state losing its ability to act as a State of Principal License, but they continue to issue licenses. The FBI has indicated that they may take similar action in Minnesota in 2025. The IMLCC is actively working with other compacts and national organizations who represent states to create a resolution by action of the U.S. Congress through the States Handling Access to Reciprocity for Employment or the SHARE Act. The SHARE Act has sponsorship in the U.S. House of Representatives and is currently seeking sponsorship in the U.S. Senate. Passage of the SHARE Act will eliminate this roadblock.

**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 Summer of 2025. 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, 2024**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 3,650,595	
Investments	7,185,960	
Prepaid Assets	16,231	
Total Current Assets	10,852,786	

Noncurrent Assets

Nondepreciable Capital Assets	1,200,000	
Depreciable Capital Assets	502,760	
Less: Accumulated Amortization	(70,882)	
Total Capital Assets, Net	1,631,878	
Other Assets	9,679	
Total Noncurrent Assets	1,641,557	

Total Assets		12,494,343
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**LIABILITIES**

Current Liabilities

Accounts Payable	1,140,135	
Accrued Wages and Benefits	34,701	
Current Portion of Lease Liability	84,000	
Total Current Liabilities	1,258,836	

Long-Term Liabilities

Lease Liability		382,055
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Total Liabilities		1,640,891
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**NET POSITION**

Net Investment in Capital Assets	1,165,823	
Unrestricted	9,687,629	
	9,687,629	

Total Net Position		\$ 10,853,452
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See accompanying Notes to Financial Statements.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
YEAR ENDED JUNE 30, 2024**

<b>OPERATING REVENUES</b>	
Licensing Fees	\$ 35,367,850
Total Operating Revenues	35,367,850
<b>OPERATING EXPENSES</b>	
License Fees	28,535,459
Marketing	10,991
Professional Services	883,254
Payroll	1,214,620
Bank Charges and Fees	1,114,416
Travel	22,840
Office Supplies	42,955
Other Operating	191,072
Amortization Expense	84,698
Total Operating Expenses	32,100,305
<b>NET OPERATING INCOME</b>	3,267,545
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Unrealized Investment Gain (Loss)	603,125
Interest Income	211
Interest Expense	(8,508)
Total Nonoperating Revenues (Expenses)	594,828
<b>CHANGE IN NET POSITION</b>	3,862,373
Net Position - Beginning of Year	6,991,079
<b>NET POSITION - END OF YEAR</b>	\$ 10,853,452

See accompanying Notes to Financial Statements.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2024**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers and Users	\$ 35,367,850
Payments to Vendors and Customers	<u>(32,085,373)</u>
Net Cash Provided by Operating Activities	3,282,477

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Lease Liability Principal Payment	(45,650)
Lease Liability Interest Payments	(8,508)
Capital Asset Payments	<u>(1,200,000)</u>
Net Cash Used by Capital and Related Financing Activities	(1,254,158)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Investments	(2,050,000)
Proceeds from Sales and Maturities of Investments	1,441,800
Interest Received	211
Net Cash Used by Investing Activities	<u>(607,989)</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

1,420,331

Cash and Cash Equivalents - Beginning of Year

2,230,264

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 3,650,595

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 3,267,545
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization	84,697
Effect of Changes in Operating Assets and Liabilities:	
Accounts Payable	(114,991)
Accrued Wages and Benefits	32,637
Prepaid Assets	12,589
Total Adjustments	<u>14,932</u>
Net Cash Provided by Operating Activities	<u><u>\$ 3,282,477</u></u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Change in Fair Value of Investments	\$ 603,125
Lease Assets	502,760
Lease Liabilities	466,055

See accompanying Notes to Financial Statements.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**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.

**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.



**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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

**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 and one construction in project asset, as described in Note 5. The useful life of the capital 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.

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.

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

**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 \$3,246,518 held with one financial institution, \$2,996,518 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.

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**NOTE 4 INVESTMENTS (CONTINUED)**

**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, 2024, 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 I	40.21 %	4.54 %	5.04 %	6.68 %	24.62 %	14.02 %	3.09 %	1.79 %
FIDELITY CAPITAL & INCOME	0.01	-	-	9.39	34.52	50.21	-	5.87
FRANKLIN FLOATING RATE DAILY FD ADV CL	-	0.52	-	1.39	19.31	62.40	6.01	10.37
INVESCO ROCHESTER MUNI OPPORTUNITIES Y	6.63	22.02	11.32	9.83	5.27	1.00	0.32	43.60
PIMCO LOW DURATION INCOME INSTITUTIONAL	66.61	5.89	5.94	11.56	4.51	1.62	3.85	-
PIMCO PREFERRED AND CAPITAL SECS CL I3	5.30	5.96	2.36	59.89	25.74	0.70	0.06	-
THE OSTERWEIS STRATEGIC INCOME FD	-	-	2.30	12.99	32.66	35.08	4.01	12.96
VIRTUS SEIX US GOVT SEC ULTRA SHORT DB I	34.94	17.54	16.20	17.88	2.21	1.00	0.34	9.90

**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, 2024, the duration for the fixed-income investments are as follows:

Investment	2024 (In Years)
EATON VANCE SHT DUR STRATEGIC INC FD I	4.52
FIDELITY CAPITAL & INCOME	3.17
FRANKLIN FLOATING RATE DAILY FD ADV CL	0.2
INVESCO ROCHESTER MUNI OPPORTUNITIES Y	8.22
PIMCO LOW DURATION INCOME INSTITUTIONAL	1.64
PIMCO PREFERRED AND CAPITAL SECS CL I3	4.33
THE OSTERWEIS STRATEGIC INCOME FD	1.54
VIRTUS SEIX US GOVT SEC ULTRA SHORT DB I	1.1

**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.

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**NOTE 4 INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk (Continued)**

IMLCC had investments at June 30, 2024 of 5% or more of the investment portfolio:

Investment	Percent of Investment	Investment Dollar Amount
CATALYST MILLBURN HEDGE STRTGY FD CL I	8 %	\$ 502,791
FIDELITY ADVISOR UTILITIES FUND CL I	7	408,575
FIDELITY LOW PRICED STOCK	8	484,496
INVESCO SMALL CAP VALUE CLASS Y	9	546,263
PARNASSUS VALUE EQUITY INSTITUTIONAL	7	434,778
EATON VANCE SHT DUR STRATEGIC INC FD I	7	345,269
FIDELITY CAPITAL & INCOME	6	373,555
FRANKLIN FLOATING RATE DAILY FD ADV CL	9	551,795
INVESCO ROCHESTER MUNI OPPORTUNITIES Y	7	405,813
PIMCO LOW DURATION INCOME INSTITUTIONAL	7	417,865
PIMCO PREFERRED AND CAPITAL SECS CL I3	6	361,827
THE OSTERWEIS STRATEGIC INCOME FD	7	432,741
VIRTUS SEIX US GOVT SEC ULTRA SHORT DB I	6	361,961
ISHARES U S ETF TR IT RT HDG HGYL	5	307,870

**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, 2024, IMLCC's categorizations of investment fair value measurements were as follows:

Investments by Fair Value Level	June 30, 2024	Level 1	Level 2	Level 3
Fixed Income	\$ 3,558,695	\$ 3,558,695	\$ -	\$ -
Equity	2,376,903	2,376,903	-	-
Total Investments at Fair Value	5,935,598	<u>\$ 5,935,598</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Investments at Net Asset Value</u>				
Fidelity Government Money Market	1,250,362			
Total Investments	<u>\$ 7,185,960</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.

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**NOTE 4 INVESTMENTS (CONTINUED)**

**Fair Value of Investments (Continued)**

The valuation method for investments measured at the NAV as of June 30, 2024 is presented in the follow table:

	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Fidelity Government Money Market	\$ 1,250,362	\$ -	Daily	Daily

**NOTE 5 CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2024 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Governmental Activities:				
Construction in progress	\$ -	\$ 1,200,000	\$ -	\$ 1,200,000
Total Capital Assets	-	1,200,000	-	1,200,000
Right-to-Use Building	96,215	502,760	(96,215)	502,760
Total Capital Assets Being Depreciated	96,215	502,760	(96,215)	502,760
Accumulated Amortization:				
Right-to-Use Building	(55,204)	(84,698)	69,020	(70,882)
Total Accumulated Amortization	(55,204)	(84,698)	69,020	(70,882)
Capital Assets, Net	<u>\$ 41,011</u>	<u>\$ 1,618,062</u>	<u>\$ (27,195)</u>	<u>\$ 1,631,878</u>

**NOTE 6 LEASE LIABILITY**

The changes to the lease liability are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Amortizations</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Lease Liability	\$ 40,230	\$ 502,760	\$ (76,935)	\$ 466,055	\$ 84,000
Total Long-Term Obligations	<u>\$ 40,230</u>	<u>\$ 502,760</u>	<u>\$ (76,935)</u>	<u>\$ 466,055</u>	<u>\$ 84,000</u>

IMLCC leases office space under a long-term, noncancelable lease agreement. In 2024, 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 was implemented under GASB 87, *Leases*, for the year ended June 30, 2024.

**INTERSTATE MEDICAL LICENSURE COMPACT COMMISSION**  
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**NOTE 6 LEASE LIABILITY (CONTINUED)**

Total future minimum lease payments as of June 30, 2024 under the lease agreement are as follows:

<u>Fiscal Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 84,000	\$ 13,888	\$ 97,888
2026	98,391	11,914	110,305
2027	104,147	8,349	112,496
2028	110,101	4,588	114,689
2029	69,416	8,017	77,433
Total	<u>\$ 466,055</u>	<u>\$ 46,756</u>	<u>\$ 512,811</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.

**NOTE 8 RISK MANAGEMENT**

IMLCC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. IMLCC carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



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