Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Financial Report
December 31, 2023

Contents

Independent Auditor's Report

Board of Directors
Conference of State Bank Supervisors, Inc.

Opinion
We have audited the consolidated financial statements of Conference of State Bank Supervisors, Inc. and Affiliates (CSBS), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CSBS as of December 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CSBS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 CSBS's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's 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 auditor's 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 CSBS' 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 CSBS' 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.

RSM US LLP

Washington, D.C.
May 14, 2024

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	**$ 44,723,642**	$ 85,169,111
Accounts receivable, less allowance for expected credit losses 2023 $16,651; 2022 $24,080	**1,965,449**	1,810,695
Investments	**139,377,934**	87,347,903
Prepaid expenses and other	**4,469,941**	3,735,035
Deferred compensation investments	**2,627,997**	2,172,750
Operating lease right-of-use assets, net	**11,579,019**	14,258,719
Property and equipment, net	**23,792,110**	23,769,666
	$ 228,536,092	$ 218,263,879
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 11,246,404**	$ 8,724,316
Deferred revenue	**5,810,094**	5,340,065
Funds held for others	**1,971,225**	2,075,188
Deferred compensation obligation	**2,627,997**	2,172,750
Operating lease liabilities, net	**20,512,118**	20,630,095
Total liabilities	**42,167,838**	38,942,414
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions:		
Undesignated	**23,792,110**	23,769,666
Designated for reserves and development	**148,011,536**	140,977,010
	171,803,646	164,746,676
With donor restrictions	**14,564,608**	14,574,789
	186,368,254	179,321,465
	$ 228,536,092	$ 218,263,879

See notes to consolidated financial statements.

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
NMLS processing fees	$ 59,319,820	$ -	$ 59,319,820
NMLS professional services, net	11,358,742	-	11,358,742
Dues	6,849,469	-	6,849,469
Registration fees	2,420,834	-	2,420,834
Accreditation of banking and mortgage departments	271,599	-	271,599
Other income	8,000	-	8,000
Investment income, net	8,981,351	-	8,981,351
Net assets released from restriction	10,181	(10,181)	-
Total revenue	89,219,996	(10,181)	89,209,815
Expenses:			
Direct program expenses:			
NMLS and SES system operations	20,923,718	-	20,923,718
NMLS—call center	5,518,120	-	5,518,120
NMLS professional services	668,506	-	668,506
Professional services—legal, audit and other	5,798,986	-	5,798,986
Staff, board and member travel and meetings	3,374,479	-	3,374,479
Total direct program expenses	36,283,809	-	36,283,809
Staffing and administrative expenses:			
Salaries and benefits	36,863,768	-	36,863,768
Technology and general office	7,121,988	-	7,121,988
Rent and occupancy	1,893,461	-	1,893,461
Total staffing and administrative expenses	45,879,217	-	45,879,217
Total expenses	82,163,026	-	82,163,026
Change in net assets	7,056,970	(10,181)	7,046,789
Net assets:			
Beginning	164,746,676	14,574,789	179,321,465
Ending	$ 171,803,646	$ 14,564,608	$ 186,368,254

See notes to consolidated financial statements.

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
NMLS processing fees	$ 68,106,431	$ -	$ 68,106,431
NMLS professional services, net	15,870,504	-	15,870,504
Dues	6,631,611	-	6,631,611
Registration fees	1,656,781	-	1,656,781
Accreditation of banking and mortgage departments	275,174	-	275,174
Other income	20,367	-	20,367
Investment loss, net	(9,847,304)	-	(9,847,304)
Net assets released from restriction	32,017	(32,017)	-
Total revenue	82,745,581	(32,017)	82,713,564
Expenses:			
Direct program expenses:			
NMLS and SES system operations	20,673,034	-	20,673,034
NMLS—call center	6,527,395	-	6,527,395
NMLS professional services	729,778	-	729,778
Professional services—legal, audit and other	6,182,599	-	6,182,599
Staff, board and member travel and meetings	2,099,042	-	2,099,042
Total direct program services	36,211,848	-	36,211,848
Staffing and administrative expenses:			
Salaries and benefits	35,955,492		35,955,492
Technology and general office	6,917,798		6,917,798
Rent and occupancy	3,382,021		3,382,021
Total staffing and administrative expenses	46,255,311	-	46,255,311
Total expenses	82,467,159	-	82,467,159
Change in net assets before other item	278,422	(32,017)	246,405
Impairment loss—NMLS development costs	(52,785,805)	-	(52,785,805)
Change in net assets	(52,507,383)	(32,017)	(52,539,400)
Net assets:			
Beginning	217,254,059	14,606,806	231,860,865
Ending	$ 164,746,676	$ 14,574,789	$ 179,321,465

See notes to consolidated financial statements.

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	**$ 7,046,789**	$ (52,539,400)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**4,948,760**	5,250,859
Loss on disposal of property and equipment	**41,233**	63,674
Loss on impairment—NMLS development costs	**-**	52,785,805
Realized and unrealized (gain) loss on investments	**(4,564,452)**	12,722,067
Amortization of operating lease right-of-use assets	**1,295,717**	3,701,645
Changes in assets and liabilities:		
(Increase):		
Accounts receivable	**(154,754)**	(1,247,573)
Prepaid expenses and other	**(734,906)**	(31,265)
Increase (decrease):		
Accounts payable and accrued expenses	**2,522,088**	(4,143,167)
Deferred revenue	**470,029**	316,714
Funds held for others	**(103,963)**	(19,787)
Deferred compensation	**455,247**	(489,487)
Principal payments on operating lease liabilities	**(117,977)**	(3,227,922)
Net cash provided by operating activities	**11,103,811**	13,142,163
Cash flows from investing activities:		
Purchases of property and equipment	**(3,628,454)**	(7,702,021)
Proceeds from the sale and redemption of investments	**16,603,416**	104,639
Purchases of investments	**(64,524,242)**	(2,263,736)
Net cash used in investing activities	**(51,549,280)**	(9,861,118)
Net (decrease) increase in cash and cash equivalents	**(40,445,469)**	3,281,045
Cash and cash equivalents:		
Beginning	**85,169,111**	81,888,066
Ending	**$ 44,723,642**	$ 85,169,111
Supplemental schedule of noncash investing activities:		
Leasehold improvements obtained through tenant allowance	**$ 1,383,983**	$ 4,789,271
Supplemental disclosure of cash flow information:		
Cash payments for operating leases	**$ 299,202**	$ 2,950,992
Right-of-use assets, recorded at ASC 842 adoption on January 1, 2022	**$ -**	$ 3,461,954
Right-of-use assets, recorded at March 1, 2022	**$ -**	$ 14,498,410

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Conference of State Bank Supervisors, Inc. (the Conference) is a nonprofit organization founded in 1902 to assure the ability of each state banking authority to provide safe, sound and well-regulated financial institutions to meet the unique financial needs of local economies and their citizens. Its members are public entities who charter, regulate and supervise state-chartered banks of the United States. State bankers are also members.

CSBS Education Foundation (the Foundation) was formed in January 1985, to carry on the educational and scholarship activities of state banking department personnel.

State Regulatory Registry LLC (SRR) is a single-member liability company owned by CSBS, which was formed in 2006, to operate the Nationwide Multistate Licensing System and Registry (NMLS) on behalf of state financial services regulatory agencies. The NMLS was created to comply with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act). NMLS is a web-based system that allows state-licensed nondepository companies, branches and individuals in the mortgage, consumer lending, money services businesses and debt collection industries to apply for, amend, update or renew a license online for all participating state agencies using a single set of uniform applications. Mortgage loan originators employed by insured depository institutions are also registered through NMLS. NMLS brings greater uniformity and transparency to these nondepository financial services industries while maintaining and strengthening the ability of state regulators to monitor these industries and protect their citizens. All individual mortgage loan originators are represented in the system.

A summary of significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of the Conference, the Foundation and SRR (collectively referred to as CSBS). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation: The consolidated financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-For-Profit Entities topic of the FASB ASC, CSBS is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets with donor restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. CSBS reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Net assets without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. CSBS classifies certain components of its net assets without donor restrictions as being designated for reserves and development.

Cash and cash equivalents: For consolidated financial statement purposes, CSBS considers all highly liquid investments with an original maturity of three months or less that are not held in investment accounts to be cash equivalents. CSBS maintains accounts with a commercial bank.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is charged or credited to investment return net of related fees.

Financial risk: CSBS maintains accounts with a commercial bank. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. CSBS has not experienced any such losses in the past and does not believe it is exposed to any significant financial risk on these cash balances.

CSBS invests funds in a professionally managed portfolio that contains money market funds, treasury bills, mutual funds and exchange-traded funds (ETFs). Such investments are exposed to market and credit risks. Thus, CSBS' investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in these consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

Accounts receivable: Accounts receivable consist primarily of amounts owed from customers for mortgage database processing fees, membership dues, conference and seminar registrations, and online courses. Accounts receivable are presented at the net amount due to CSBS (i.e., gross amount less allowance). CSBS adopted ASC 326, Financial Instruments—Credit Losses, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. There was no significant impact of this adoption as of January 1, 2023. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include billed and unbilled receivables as well as contract assets. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Management recorded an allowance of $16,651 at December 31, 2023. Prior to adoption of ASC 326, the collectibility of each receivable balance was assessed based on management's knowledge of the customer and the age of the receivable balance. Customer balances deemed to be uncollectible were charged directly to bad-debt expense to the extent not covered by the allowance. Management recorded an allowance of $24,080 at December 31, 2022.

Contract balances: The timing of revenue recognition may not align with the right to invoice the customer. CSBS records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded. Opening contract balances as of January 1, 2022, included accounts receivable of $563,122 and deferred revenue of $5,023,351.

Property and equipment: Property and equipment is stated at cost. It is the policy of CSBS to capitalize all purchases of property and equipment greater or equal to $5,000 and depreciate them over estimated useful lives of three to 10 years using the straight-line method, with no salvage value. Leasehold improvements to CSBS' office space are recorded at cost and depreciated using the straight-line basis over the remaining life of the original lease term. The development costs of the NMLS database are being amortized over a seven-year useful life. Development costs of subsequent database releases will also be amortized over a seven-year useful life beginning when the release is implemented.

SRR has various information technology applications that are currently in the process of being upgraded. SRR had capitalized work-in-progress development costs of $2.753,776 and $0 within the NMLS modernization category as of the years ended December 31, 2023 and 2022, respectively.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Impairment policy: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value less costs to sell.

During the year ended December 31, 2022, the progress and status of the NMLS Modernization project was re-evaluated. Over the course of the year, management determined that the direction of the project would change and require a new approach to development. With that change, the total carrying amount of the NMLS 2.0 and NMLS Modernization assets was reviewed and deemed to not be recoverable; therefore, $52,785,805 was written off in 2022, which is recorded as a loss within the consolidated statement of activities. There were no impairments recorded for the year ended December 31, 2023.

Revenue: CSBS' activities are primarily supported through NMLS license processing fees, NMLS professional fees, membership dues and meeting registration fees. Prices charged to customers are specific to distinct performance obligations and do not consist of multiple transactions. Economic factors are driven by consumer confidence, employment, inflation and other world events that impact the timing and level of cash received and revenue recognized by CSBS. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of CSBS.

CSBS did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

NMLS processing fees: NMLS processing fees revenue consists of NMLS license processing fees, credit card service fees, and NMLS subscription revenue.

NMLS license processing fees are fixed amounts charged by SRR to facilitate the obtainment and renewal of licenses through the NMLS. When a license issuance or renewal request is initiated by the customer within the NMLS, the request is transmitted to the selected state agencies who are responsible for making the licensing determination to issue or renew a license. Credit card service fees are fixed amounts charged by SRR to process customer payments through the NMLS. License processing and credit card service fees are recognized at the point in time when SRR processes the transactions through the NMLS. For the years ended December 31, 2023 and 2022, license processing and credit card processing revenue recognized at a point in time totaled $55,478,922 and $64,168,864, respectively.

NMLS subscription revenue consists of two-factor subscriptions and business-to-business (B2B) subscriptions. For two-factor subscriptions, the customer receives the use of a two-factor authentication tool to meet NMLS security requirements for a period of one year. For B2B subscriptions, the customer receives access to various resources and data online for the selected weekly, monthly or annual period. SRR's performance obligation for two-factor and B2B subscriptions are considered to occur evenly over the period of the subscriptions. Amounts received for subscriptions are deferred upon receipt and recognized ratably over the subscription period. For the years ended December 31, 2023 and 2022, subscription revenue recognized over time totaled $3,840,898 and $3,937,567, respectively.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

NMLS professional fees: NMLS professional fees represent the fees charged by SRR to facilitate the prelicensure requirements of the SAFE Act. These fees include state and national test fees, fingerprinting fees, credit report fees and course provider fees.

For state and national test fees, SRR has a performance obligation to act as an agent in processing the customer request through the NMLS to register for exams. After the request is processed through the NMLS, all aspects of exam registration and administration are the responsibility of a third-party provider. For fingerprinting fees, SRR has a performance obligation to act as an agent in processing the customer request through the NMLS for a criminal background check. After the request is processed through the NMLS, all aspects of the criminal background check are performed by the Federal Bureau of Investigation with results returned to the state agencies. For credit report fees, SRR has a performance obligation to act as an agent in processing the customer request through the NMLS for an independent credit report. After the request is processed through the NMLS, the credit report is created by a third-party provider with results returned to the state agencies. State and national test fees, fingerprinting fees and credit report fees are recognized at the point in time when the customer request is processed through the NMLS. For the years ended December 31, 2023 and 2022, state and national test fees, fingerprinting fees and credit report fees, revenue recognized at a point in time totaled $6,890,780 and $10,087,910, respectively, net of expenses paid to the third-party providers.

Course provider fees consist of course application fees and credit banking fees. As part of the SAFE Act prelicensure requirements, licensure applicants must have a certain amount of continuing education credits in approved courses. Course application fees represent SRR's performance obligation to make an approval decision as to whether a course meets the continuing professional education requirements of the SAFE Act. Course application fees are recognized at the point in time when SRR has rendered an approval decision to the course provider. Credit banking fees represent SRR's performance obligation to track education courses that count towards licensure requirements within the licensure applicant's record in the NMLS. Credit banking fees are paid by the course providers to SRR when courses have been completed and revenue is recognized at the point in time when SRR has recorded the course completion details in the NMLS. For the years ended December 31, 2023 and 2022, course provider fees recognized at a point in time totaled $4,467,962 and $5,734,347, respectively.

Membership dues: Membership dues are billed annually for the membership period. Member benefits include access to public policy advocacy, access to information and research, an opportunity to serve on an advisory board and access to discounted training courses from a third-party vendor. All member benefits are considered one performance obligation given that benefits are accessible to the member throughout the term of the membership. Membership dues are recorded as deferred revenue upon receipt and revenue is recognized ratably over the membership period as the delivery of the member benefits are provided.

Meeting registrations: Meeting registrations are recognized over the period of time that the related meeting takes place. Registration is typically collected in advance of the meeting date and recorded as deferred revenue until the meeting occurs.

Allocation of functional expenses: Expenses have been summarized on a functional basis in Note 12. Accordingly, costs primarily associated with personnel, professional fees, information technology, supplies and other shared services have been allocated among the program and supporting services benefited on the basis of the labor costs utilized by each area. Costs related to occupancy, such as rent, equipment depreciation, property taxes, leasehold improvements and insurance expense, are allocated based on an estimate of square footage occupied by each business unit.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Leases: CSBS determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. CSBS also considers whether its service arrangements include the right to control the use of an asset.

CSBS recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the income statement.

CSBS made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, CSBS made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

CSBS has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The nonlease components typically represent additional services transferred to CSBS, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Use of estimates: The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Income tax status: The Conference and the Foundation are both exempt from the payment of income taxes on their exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC) and are classified as other than a private foundation within the meaning of Section 509(a)(3) of the IRC. SRR has been ruled by the Internal Revenue Service to be a single-member domestic limited liability company and is therefore disregarded as a separate entity for income tax purposes.

Reclassifications: For comparative purposes, certain items related to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in consolidated net assets.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Subsequent events: CSBS has evaluated subsequent events through May 14, 2024, the date on which the consolidated financial statements were available to be issued.

Note 2. Investments

Investments other than deferred compensation holdings consist of the following at December 31, 2023 and 2022:

	2023	2022
Fixed-income mutual funds	$ 73,284,448	$ 69,465,706
Money market funds	39,369,426	22,762
Equity mutual funds	18,025,220	15,184,171
Treasury bills	4,153,849	-
Equity ETFs	3,115,811	2,675,106
Cash and cash equivalents	1,423,489	-
Fixed-income ETFs	5,691	-
Common stock	-	158
Total investments	$ 139,377,934	$ 87,347,903

Note 3. Fair Value Measurements

The Fair Value Measurement topic of the ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this topic as assumptions market participants would use in pricing an asset or liability.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. As required by the Fair Value Measurement topic, CSBS does not adjust the quoted prices for these investments even in situations where CSBS holds a large position, and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category are investments where fair value is not based on a net asset value practical expedient. There were no Level 3 inputs for any assets or liabilities held by CSBS at December 31, 2023 and 2022.

Note 3. Fair Value Measurements (Continued)

The following is a summary of the input levels used to determine fair values, measured on a recurring basis, of the following assets and liabilities at December 31, 2023:

	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income mutual funds	$ 73,284,448	$ 73,284,448	$ -	$ -
Money market funds	39,369,426	39,369,426	-	-
Equity mutual funds	18,025,220	18,025,220	-	-
Treasury bills	4,153,849	4,153,849	-	
Equity ETFs	3,115,811	3,115,811	-	-
Fixed-income ETFs	5,691	5,691		
Investments carried at fair value	137,954,445	137,954,445	-	-
Cash and cash equivalents	1,423,489	1,423,489	-	-
Total Investments	139,377,934	139,377,934	-	-
Deferred compensation investments:				
Equity mutual funds	2,432,159	2,432,159	-	-
Fixed-income mutual funds	195,838	195,838	-	-
Investments carried at fair value	2,627,997	2,627,997	-	-
	$ 142,005,931	$ 142,005,931	$ -	$ -
Liabilities:				
Deferred compensation obligation	$ 2,627,997	$ -	$ 2,627,997	$ -

The following is a summary of the input levels used to determine fair values, measured on a recurring basis, of the following assets and liabilities at December 31, 2022:

	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income mutual funds	$ 69,465,706	$ 69,465,706	$ -	$ -
Equity mutual funds	15,184,171	15,184,171	-	-
Equity ETFs	2,675,106	2,675,106	-	-
Money market funds	22,762	22,762	-	-
Common stocks	158	158	-	-
	87,347,903	87,347,903	-	-
Deferred compensation investments:				
Equity mutual funds	1,673,752	1,673,752	-	-
Fixed-income mutual funds	498,998	498,998	-	-
Investments carried at fair value	2,172,750	2,172,750	-	-
	$ 89,520,653	$ 89,520,653	$ -	$ -
Liabilities:				
Deferred compensation obligation	$ 2,172,750	$ -	$ 2,172,750	$ -

Note 4. Liquidity

CSBS strives to maintain liquid financial assets sufficient to cover general expenditures anticipated within one year. Financial assets in excess of daily cash requirements are invested in U.S. treasury instruments, money market funds, mutual funds and ETFs.

The following table reflects CSBS' financial assets that are available to meet general expenditures within one year of the consolidated statements of financial position date at December 31, 2023 and 2022. Amounts not available are primarily board-designated funds as determined under CSBS' Reserve Policy and Liquidity Policy. Continuing development and enhancement of the NMLS licensing database is the largest anticipated future need. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

	2023	2022
Cash and cash equivalents	$ 44,723,642	$ 85,169,111
Accounts receivable	1,965,449	1,810,695
Investments	139,377,934	87,347,903
Deferred compensation investments	2,627,997	2,172,750
Total financial assets	188,695,022	176,500,459
Board-designated funds	(148,011,536)	(140,977,010)
Donor-restricted funds	(14,564,608)	(14,574,789)
Deferred compensation investments	(2,627,997)	(2,172,750)
Financial assets available to meet cash needs for general expenditures within one year	$ 23,490,881	$ 18,775,910

Note 5. Deferred Compensation Plans

CSBS maintains a nonqualified deferred compensation plan established under Section 457(b) of the IRC for eligible senior staff of CSBS, to which the participants make voluntary contributions, and CSBS makes discretionary contributions. CSBS made contributions of $79,220 and $89,453 to the deferred compensation plan for the years ended December 31, 2023 and 2022, respectively. Also, during the years ended December 31, 2023 and 2022, benefit distributions of $92,541 and $116,359, respectively, were made from the plan. Assets designated for this plan consist of various equity and fixed-income mutual funds.

Note 6. Retirement Plan

401(k) Plan: CSBS has a defined contribution plan for its employees under section 401(k) of the Internal Revenue Code. Elective contributions can be made by all employees 21 years of age or older. CSBS makes a nonelective contribution equal to 3% of each participant's eligible salary. In addition, CSBS matches each participant's elective deferrals up to 5% of eligible salary. CSBS may also make discretionary contributions to the plan. Vesting is determined based on the nature of each plan contribution. CSBS' total contributions for the years ended December 31, 2023 and 2022, were $2,954,161 and $3,114,385, respectively.

Note 7. Property and Equipment

Property and equipment consists of the following at December 31, 2023 and 2022:

	2023		
	Cost	Accumulated Depreciation and Amortization	Net Value
NMLS 1.0 and licensing databases	$ 51,717,466	$ (50,737,846)	$ 979,620
NMLS 1.0 Cloud	6,323,310	(2,005,512)	4,317,798
NMLS modernization	2,753,776	-	2,753,776
State Examination System	16,817,962	(8,057,662)	8,760,300
Computer equipment	774,657	(569,648)	205,009
Website development	2,489,094	(2,132,078)	357,016
Furniture and fixtures	1,483,335	(557,799)	925,536
Equipment	695,293	(114,488)	580,805
Leasehold improvements	4,272,167	(301,036)	3,971,131
Financial Management System	952,458	(11,339)	941,119
	$ 88,279,518	$ (64,487,408)	$ 23,792,110

	2022		
	Cost	Accumulated Depreciation and Amortization	Net Value
NMLS 1.0 and licensing databases	$ 51,676,748	$ (49,947,483)	$ 1,729,265
NMLS 1.0 Cloud	6,323,309	(1,096,502)	5,226,807
State Examination System	16,817,962	(5,655,096)	11,162,866
Computer equipment	976,732	(846,600)	130,132
Website development	2,489,094	(2,048,952)	440,142
Furniture and fixtures	882,427	(881,561)	866
Equipment	707,087	(666,598)	40,489
Leasehold improvements	7,036,720	(1,997,621)	5,039,099
	$ 86,910,079	$ (63,140,413)	$ 23,769,666

Note 8. Funds Held for Others

From time to time, in the normal course of transactions with states, CSBS holds amounts on account for individual states. At the direction of individual states, CSBS holds these funds for future use such as training or educational programs sponsored by CSBS, including cosponsored “Day with the Commissioner” projects in various individual states. The balance of these accounts at December 31, 2023 and 2022, was $87,186 and $112,131, respectively.

As a result of the National Mortgage Settlement in 2012, $65,000,000 was distributed to CSBS, of which, $16,000,000 was granted directly to CSBS for creating a State Regulatory Fund. The remaining $49,000,000 was to be distributed to the 49 states that were a party to the settlement, with CSBS acting as the escrow agent. Since 2012, CSBS has distributed the funds to the states as directed by the states. As of December 31, 2023 and 2022, CSBS held $1,488,973 and $1,567,991, respectively.

During 2020, $414,135 was distributed to CSBS for the Ameriquest Settlement Fund. The Fund is intended to be distributed to the 50 states and the District of Columbia which were a party to the settlement with CSBS acting as the escrow agent. CSBS will distribute the funds to the states as directed by the states subject to approval by a special committee independent of CSBS. As of both December 31, 2023 and 2022, CSBS held $395,066 in the Ameriquest Settlement Fund.

Note 9. Classifications of Net Assets

Net assets without donor restrictions, designated for reserves and development: CSBS has designated a portion of its net assets as reserves to ensure that CSBS and affiliates are financially prepared to meet the needs for planned system enhancements as well as uninsurable risks. Under its specific reserve policy, CSBS defines reserves as net assets without donor restrictions less investments in fixed assets and capitalized system and test development costs.

The following represents the reserve balances by entity at December 31, 2023 and 2022:

	2023	2022
CSBS	$ 4,245,957	$ 5,708,971
Foundation	2,892,624	2,892,624
SRR	140,872,955	132,375,415
Total reserves	$ 148,011,536	$ 140,977,010

Net assets with donor restrictions: Net assets with donor restrictions have been donor restricted by specified time or purpose limitations. CSBS’s donor-restricted net assets for specified purpose consist of $14,553,470 and $14,563,651 as of December 31, 2023 and 2022, respectively, restricted for use for the purposes of the State Regulatory Fund (see Note 7). For the year ended December 31, 2023, CSBS incurred expenses relating to Money Service Business accreditations, which satisfied the Board-approved use of the State Regulatory fund, and therefore $10,181 was released.

As of December 31, 2023 and 2022, the Foundation held net assets with donor restrictions of $11,138 for the Samuel Weinrott Memorial Scholarship Fund. The donors of the scholarship fund have stipulated that the corpus of the fund must remain in perpetuity. The earnings from the scholarship fund are restricted to provide scholarships to bank examiners at graduate schools for banking.

Note 10. Commitments and Contingencies

Vendor relationship: SRR has contracted with the Financial Industry Regulatory Authority, Inc. (FINRA) to develop and host NMLS. FINRA also provides development support for NMLS education and testing components. Given the size of the FINRA services contract, a disruption in the capabilities provided by FINRA could have a detrimental impact on CSBS.

Note 11. Leases

Leases: In December 2021, CSBS signed an operating lease for office space at 1300 I Street N.W., Washington, D.C., which commenced in March 2022 and expires in December 2036. The lease contains an annual 2.5% escalation and requires CSBS to pay its proportionate share of operating expenses and real estate taxes. As incentives to lease the space, CSBS was provided a tenant allowance of $5,976,407 to be applied to construction costs and a limited amount of furniture, fixtures and equipment and 24 months of rent abatement. In addition, CSBS leases various office equipment under agreements that span from four to five years. Operating lease costs are recognized on a straight-line basis over the lease term.

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the consolidated statement of financial position as of December 31, 2023, is as follows:

Years ending December 31:	
2024	$ 19,363
2025	1,610,029
2026	1,773,946
2027	1,806,684
2028	1,848,097
Thereafter	16,538,217
Total lease payments	23,596,336
Less present value discount	3,084,218
Total present value of lease liabilities	$ 20,512,118

Supplemental information related to leases is as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Operating lease cost	$ 1,598,745	$ 3,012,404
Operating lease liability at December 31, 2023 and 2022	$ 20,512,118	$ 20,630,095
Operating lease right-of-use asset, net of amortization at December 31, 2023 and 2022	$ 11,579,019	$ 14,258,719
Weighted-average remaining lease term (in years)	12.96	13.71
Weighted-average discount rate	1.96%	1.95%

Note 12. Functional Presentation of Expenses

Expenses by nature and function for the years ended December 31, 2023 and 2022, are as follows:

	2023					
	NMLS, SES and Call Center	Regulatory and Legislative	Education	Total Program Services	Management and General	Total
Salaries and benefits	$ 15,167,280	$ 7,477,364	$ 1,120,528	$ 23,765,172	$ 13,098,596	$ 36,863,768
Professional services	12,162,567	54,407	456,442	12,673,416	3,416,268	16,089,684
Technology and other software costs	11,250,374	59,725	77,469	11,387,568	2,872,517	14,260,085
Amortization and depreciation	4,101,939	-	-	4,101,939	888,055	4,989,994
General office	3,303,375	471,710	293,850	4,068,935	622,620	4,691,555
Staff, board and member travel and meetings	729,776	396,092	1,802,543	2,928,411	446,068	3,374,479
Rent and occupancy	1,467,758	160,619	37,869	1,666,246	227,215	1,893,461
	$ 48,183,069	$ 8,619,917	$ 3,788,701	$ 60,591,687	$ 21,571,339	$ 82,163,026

	2022					
	NMLS, SES and Call Center	Regulatory and Legislative	Education	Total Program Services	Management and General	Total
Salaries and benefits	$ 16,229,380	$ 6,937,274	$ 1,213,878	$ 24,380,532	$ 11,574,960	$ 35,955,492
Professional services	13,043,961	69,500	231,279	13,344,740	3,682,326	17,027,066
Technology and other software costs	10,269,908	92,435	48,863	10,411,206	3,199,149	13,610,355
Amortization and depreciation	4,360,185	-	-	4,360,185	954,348	5,314,533
General office	3,854,442	492,685	263,104	4,610,231	468,419	5,078,650
Staff, board and member travel and meetings	423,611	357,084	772,580	1,553,275	545,767	2,099,042
Rent and occupancy	2,536,517	372,023	67,640	2,976,180	405,841	3,382,021
	$ 50,718,004	$ 8,321,001	$ 2,597,344	$ 61,636,349	$ 20,830,810	$ 82,467,159

RSM

RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
Conference of State Bank Supervisors, Inc.

We have audited the consolidated financial statements of Conference of State Bank Supervisors, Inc. and Affiliates (CSBS) as of and for the years ended December 31, 2023 and 2022, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements (see Pages 1 and 2). Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets, and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Washington, D.C.
May 14, 2024

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidating Statement of Financial Position
December 31, 2023

	CSBS	Foundation	SRR	Eliminations	Total
Assets					
Cash and cash equivalents	$ 5,922,089	$ 1,004,382	$ 37,797,171	$ -	$ 44,723,642
Accounts receivable, net	542,632	167,491	1,255,326	-	1,965,449
Investments	24,248,202	2,208,964	112,920,768	-	139,377,934
Prepaid expenses and other	2,654,082	254,102	1,561,757	-	4,469,941
Deferred compensation investments	2,627,997	-	-	-	2,627,997
Operating lease right-of-use assets, net	11,579,019	-	-	-	11,579,019
Property and equipment, net	6,980,616	-	16,811,494	-	23,792,110
Due from affiliates	2,418,380	325,971	-	(2,744,351)	-
Investment in subsidiary	157,684,449	-	-	(157,684,449)	-
	$ 214,657,466	$ 3,960,910	$ 170,346,516	$ (160,428,800)	$ 228,536,092
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 2,655,907	$ 264,248	$ 8,326,249	$ -	$ 11,246,404
Deferred revenue	3,099,987	792,900	1,917,207	-	5,810,094
Funds held for others	1,971,225	-	-	-	1,971,225
Deferred compensation obligation	2,627,997	-	-	-	2,627,997
Operating lease liabilities, net	20,512,118	-	-	-	20,512,118
Due to affiliates	325,740	-	2,418,611	(2,744,351)	-
Total liabilities	31,192,974	1,057,148	12,662,067	(2,744,351)	42,167,838
	-				
Net assets:					
Without donor restrictions:					
Undesignated	23,792,110	-	16,811,494	(16,811,494)	23,792,110
Designated for reserves and development	145,118,912	2,892,624	140,872,955	(140,872,955)	148,011,536
	168,911,022	2,892,624	157,684,449	(157,684,449)	171,803,646
With donor restrictions	14,553,470	11,138	-	-	14,564,608
	183,464,492	2,903,762	157,684,449	(157,684,449)	186,368,254
	$ 214,657,466	$ 3,960,910	$ 170,346,516	$ (160,428,800)	$ 228,536,092

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2023

	CSBS	Foundation	SRR	Eliminations	Total
Revenue:					
NMLS processing fees	$ -	$ -	$ 59,319,820	$ -	$ 59,319,820
NMLS professional services, net	-	-	11,358,742	-	11,358,742
Dues	6,849,469	-	-	-	6,849,469
Registration fees	96,221	1,984,355	340,258	-	2,420,834
Accreditation of banking and mortgage departments	-	271,599	-	-	271,599
Other income	8,000	-	-	-	8,000
Investment income, net	2,064,582	180,802	6,735,967	-	8,981,351
Grants from affiliates	2,183,000	1,705,017	-	(3,888,017)	-
Loss on equity investment in subsidiary	7,190,096	-	-	(7,190,096)	-
Total revenue without donor restrictions	18,391,368	4,141,773	77,754,787	(11,078,113)	89,209,815
Expenses:					
Direct program expenses:					
NMLS and SES system operations	-	-	20,923,718	-	20,923,718
NMLS—call center	-	-	5,518,120	-	5,518,120
NMLS professional services	-	-	668,506	-	668,506
Professional services—legal, audit and other	451,594	518,188	4,829,204	-	5,798,986
Staff, board and member travel and meetings	356,529	1,810,504	1,207,446	-	3,374,479
Grants to affiliates	679,234	-	3,208,783	(3,888,017)	-
Staffing and administrative expenses:					-
Salaries and benefits	8,590,745	1,317,007	26,956,016	-	36,863,768
Technology and general office	1,017,941	450,245	5,653,802	-	7,121,988
Rent and occupancy	248,536	45,829	1,599,096	-	1,893,461
Total expenses	11,344,579	4,141,773	70,564,691	(3,888,017)	82,163,026
Change in net assets	7,046,789	-	7,190,096	(7,190,096)	7,046,789
Net assets:					
Beginning	176,417,703	2,903,762	150,494,353	(150,494,353)	179,321,465
Ending	$ 183,464,492	$ 2,903,762	$ 157,684,449	$ (157,684,449)	$ 186,368,254