Audited Consolidated Financial Statements and Other Financial Information

CONFERENCE OF STATE BANK SUPERVISORS, INC. AND AFFILIATES

December 31, 2010

Conference of State Bank Supervisors, Inc. and Affiliates

Contents

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Independent Auditor's Report on the Consolidated Financial Statements

To the Board of Directors
Conference of State Bank Supervisors, Inc. and Affiliates

We have audited the accompanying consolidated statements of financial position of the Conference of State Bank Supervisors, Inc. and Affiliates (the Conference) as of December 31, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Conference's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Conference of State Bank Supervisors, Inc. and Affiliates as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
March 24, 2011

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statements of Financial Position

December 31,	2010	2009
Assets		
Cash and cash equivalents - Note B	**$ 13,672,883**	$ 3,506,346
Accounts receivable, net of allowance for doubtful accounts of $57,098 and $58,738 for 2010 and 2009, respectively	**2,028,093**	963,592
Investments - Notes B & C	**2,626,195**	2,339,698
Prepaid expenses and other	**640,812**	235,707
Deferred compensation - Notes C & D	**371,374**	313,475
Property and equipment, net - Note E	**17,944,531**	12,912,199
Capitalized test development costs, net	**1,884,715**	1,122,840
Total assets	**$ 39,168,603**	$ 21,393,857

Liabilities and Net Assets		
Accounts payable and accrued expenses	**$ 10,077,742**	$ 3,925,819
Day with the Commissioner - Note F	**68,704**	53,891
Deferred revenue	**2,668,982**	3,311,289
Funds held for others - Note G	**51,272**	38,396
Deferred compensation - Notes C & D	**371,374**	313,475
Lines of credit payable - Note H	**19,063**	4,994,763
Accrued pension cost - Note I	**2,768,027**	2,504,402
Total liabilities	**16,025,164**	15,142,035
Commitments - Note K	-	-
Net assets - Note J		
Unrestricted	**23,132,301**	6,240,684
Permanently restricted	**11,138**	11,138
Total net assets	**23,143,439**	6,251,822
Total liabilities and net assets	**$ 39,168,603**	$ 21,393,857

See accompanying notes to consolidated financial statements.

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statements of Activities

Year Ended December 31,	**2010**	**2009**
Unrestricted activities		
Revenue		
Mortgage database	**$ 67,299,371**	$ 16,325,800
Member dues	**5,115,725**	4,877,073
Educational revenue:		
Education services	**1,240,745**	1,053,501
Accreditation / certification	**256,290**	220,810
Total educational revenue	**1,497,035**	1,274,311
Investment income at approved spending rate - Note C	**136,295**	166,000
Annual conference	**114,897**	300
Publication sales and other	**75,547**	100,948
Net assets released from restrictions due to satisfaction of program restrictions	**16**	58
Total unrestricted revenue	**74,238,886**	22,744,490
Expense		
Program services:		
Mortgage database	**49,351,189**	15,155,323
Education	**2,159,508**	1,857,210
Regulatory	**1,804,407**	1,624,275
Legislative	**1,217,022**	1,172,161
Communications and member services	**808,647**	649,815
Total program services	**55,340,773**	20,458,784
Supporting services:		
General and administrative	**2,096,448**	1,003,107
Marketing	**123,414**	86,674
Total supporting services	**2,219,862**	1,089,781
Total expense	**57,560,635**	21,548,565
Change in unrestricted net assets before other activity	**16,678,251**	1,195,925
Actual investment income over spending rate - Note C	**151,595**	241,849
Pension related charges other than net periodic pension cost - Note I	**61,771**	(266,973)
Change in unrestricted net assets	**16,891,617**	1,170,801
Temporarily restricted activities		
Interest income - Note C	**16**	58
Net assets released from restriction	**(16)**	(58)
Change in temporarily restricted net assets	**-**	-
Change in net assets	**16,891,617**	1,170,801
Net assets, beginning of year	**6,251,822**	5,081,021
Net assets, end of year	**$ 23,143,439**	$ 6,251,822

See accompanying notes to consolidated financial statements.
Certain 2009 amounts have been reclassified for comparative purposes.

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statements of Cash Flows

Year Ended December 31,		**2010**		**2009**
Cash Flows From Operating Activities				
Change in net assets	**$**	**16,891,617**	$	1,170,801
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation and amortization		**3,298,393**		1,992,986
Loss on disposal of property and equipment		**11,475**		2,468
(Decrease) increase in allowance for doubtful accounts		**(1,640)**		3,015
Gain on investments, net		**(247,723)**		(360,154)
Changes in assets and liabilities:				
Accounts receivable		**(1,062,861)**		(123,791)
Prepaid expenses and other		**(405,105)**		(38,266)
Accounts payable and accrued expenses		**6,151,923**		1,031,443
Day with the Commissioner		**14,813**		23,558
Deferred revenue		**(642,307)**		386,033
Funds held for others		**12,876**		(18,693)
Deferred compensation liability		**57,899**		123,758
Accrued pension cost		**263,625**		351,907
Total adjustments		**7,451,368**		3,374,264
Net cash provided by operating activities		**24,342,985**		4,545,065
Cash Flows From Investing Activities				
Net purchases of property and equipment		**(8,053,080)**		(5,877,980)
Costs paid in developing tests		**(1,050,995)**		(1,220,600)
Proceeds from the sale and redemption of investments		**648**		721,672
Purchases of investments		**(39,422)**		(441,802)
Purchases of deferred compensation assets		**(57,899)**		(123,758)
Net cash used in investing activities		**(9,200,748)**		(6,942,468)
Cash Flows From Financing Activities				
Proceeds from lines of credit		**95,382**		5,472,308
Payments on line of credit balances		**(5,071,082)**		(2,000,000)
Net cash (used in) provided by financing activities		**(4,975,700)**		3,472,308
Net increase in cash and cash equivalents		**10,166,537**		1,074,905
Cash and cash equivalents, beginning of year		**3,506,346**		2,431,441
Cash and cash equivalents, end of year	**$**	**13,672,883**	$	3,506,346
Supplemental disclosures of cash flow information				
Cash paid during the year for interest	**$**	**428,797**	**$**	**-**

See accompanying notes to consolidated financial statements.

A. Summary of Significant Accounting Policies

Organization: The Conference of State Bank Supervisors, Inc. (CSBS) 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.

The Education Foundation of State Bank Supervisors (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) was formed in September 2006 to develop and operate the Nationwide Mortgage Licensing System (NMLS) as a mortgage licensing database for use by state government regulators and by the public, and to design uniform systems, applications, and procedures for adoption by participating state government regulators.

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

Basis of accounting: The consolidated financial statements of the Conference are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the underlying obligations are incurred. The Conference defines operations as all revenues and expenses that are an integral part of its programs and support services. Long-term investment income in excess of the Conference's Board-authorized investment spending policy is reported as other activity.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Income tax status: CSBS is exempt from the payment of Federal and state income taxes on income other than unrelated business income under Section 501(c)(6) of the Internal Revenue Code (IRC). In accordance with the Revenue Reconciliation Act of 1993, CSBS has elected to pay the proxy tax on its lobbying expenditures for the years ended December 31, 2010 and 2009. The proxy tax was $117,881 and $23,806 for the years ended December 31, 2010 and 2009, respectively. The tax is included in general and administrative expenses on the accompanying consolidated statements of activities.

The Foundation is exempt from the payment of Federal and state income taxes on income other than unrelated business income under Section 501(c)(3) of the IRC, and has been classified by the Internal Revenue Service as other than a private foundation.

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 tax purposes.

A. Summary of Significant Accounting Policies - Continued

Uncertain income tax positions: The Organization believes that it has appropriate support for any tax positions taken, and therefore, does not have any uncertain tax positions that are material to the financial statements. Management considers the years from 2007 through 2010, to be open for examination by taxing authorities.

Cash and cash equivalents: For financial statement purposes, the Conference 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.

Accounts receivable: Accounts receivable consist primarily of amounts owed from customers for mortgage database licensee processing fees, membership dues, conference & seminar registrations, online courses, and sales of publications. Accounts receivable are presented at the net amount due to the Conference (i.e., gross amount less allowance). The Conference's management periodically reviews the status of all accounts receivable balances for collectibility. Each receivable balance is assessed based on management's knowledge of the customer, the Conference's relationship with the customer, and the age of the receivable balance. The Conference has established an allowance for doubtful accounts to estimate the portion of receivables that will not be collected. This allowance is regularly reviewed by management.

Property and equipment: Property and equipment are stated at cost. It is the policy of the Conference to capitalize all purchases of property and equipment greater or equal to $1,000 and depreciate them over the following estimated useful lives using the straight-line method, with no salvage value:

Furniture and equipment	3-10 years
Automobiles	5 years

Leasehold improvements to the Conference's 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 new mortgage licensing 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 when the release is implemented.

Capitalized test development costs: In order to address provisions of the Secure and Fair Enforcement of Mortgage Licensing Act of 2008, SRR has developed a national test as well as unique state-specific tests which all mortgage loan originators registering on the NMLS are required to take. As of December 31, 2010 and 2009, SRR had capitalized a total of $2,271,595 and $1,220,600, respectively, related to the development of these tests.

SRR is amortizing these test development costs over an estimated useful life of five years. During the year ended December 31, 2010 and 2009, amortization expense of $289,120 and $97,760, respectively, is included in general and administrative expenses on the accompanying consolidated statements of activities.

A. Summary of Significant Accounting Policies - Continued

Net assets: Net assets are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions. A description of each net asset group is as follows:

Unrestricted: Unrestricted net assets 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.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by the Conference has been donor restricted by specified time or purpose limitations.

Permanently restricted: Represents contributions received from donors who have specified that the corpus of their gifts be maintained in perpetuity. Generally, the donors of these assets permit the Conference to use all or part of the income earned on investment of the assets for either general or donor-specified purposes.

Revenue recognition: Revenue and expenses are recognized in the period in which services or benefits are provided or received. Deferred revenue primarily includes member dues, meeting registration fees, accreditation fees, and license processing fees received before they are earned.

Allocation of functional expenses: Expenses have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events: Subsequent events have been evaluated through March 24, 2011.

B. Credit and Market Risk

Cash: The Conference maintains demand deposits and overnight treasury fund sweep accounts with commercial banks. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The Conference 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.

Investments: The Conference also invests funds in professionally managed portfolios containing equity mutual funds. Such investments are exposed to market and credit risks. Thus, the Conference's 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.

C. Investments and Fair Value Measurements

The Conference has implemented the accounting standard regarding fair value measurements. The standard defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

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, 2010:

2010	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments	$ 2,626,195	$ 2,626,195	$ -	$ -
Deferred compensation asset	371,374	371,374		
Total	**$ 2,997,569**	**$ 2,997,569**	**$ -**	**$ -**

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, 2009:

2009	**Total**	**Level 1**	**Level 2**	**Level 3**
Investments	$ 2,339,698	2,339,698	$ -	$ -
Deferred compensation asset	313,475	313,475		
Total	**$ 2,653,173**	**$ 2,653,173**	**$ -**	**$ -**

C. INVESTMENTS - CONTINUED

Investments are recorded at fair value using Level 1 inputs and consist of the following at December 31,:

	2010	2009
Money market funds	$ 434,548	$ 434,753
Equity mutual funds	2,191,647	1,904,945
Total investments	**$ 2,626,195**	**$ 2,339,698**

Investment income consists of the following for the years ended December 31,:

	2010	2009
Dividends and interest	$ 40,183	$ 47,753
Net gain on investments	247,723	360,154
	$ 287,906	**$ 407,907**

Investment income is presented in the consolidated statements of activities as follows for the years ended December 31,:

	2010	2009
Unrestricted:		
At Board-approved spending rate	$ 136,295	$ 166,000
Actual earnings over spending rate	151,595	241,849
Temporarily restricted - interest income	16	58
Net investment income	**$ 287,906**	**$ 407,907**

D. DEFERRED COMPENSATION PLAN

The Conference maintains a nonqualified deferred compensation plan established under Section 457(b) of the Internal Revenue Code for eligible senior staff of the Conference, to which the participants make voluntary contributions. The Conference made no contributions to the deferred compensation plan for the years ended December 31, 2010 and 2009.

E. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31,:

	2010	2009
Furniture and fixtures	$ 311,005	$ 303,833
Equipment	119,797	115,931
Computer equipment	844,461	750,543
Auto	46,847	46,847
Leasehold improvements	321,927	321,927
Mortgage licensing database	22,409,543	14,748,735
Website development	513,588	302,537
	24,567,168	16,590,353
Less accumulated depreciation and amortization	(6,622,637)	(3,678,154)
Total property and equipment	**$ 17,944,531**	**$ 12,912,199**

F. DAY WITH THE COMMISSIONER

The Conference has co-sponsored certain "Day with the Commissioner" projects in various individual states. The liability on the Conference's consolidated statements of financial position represents net unexpended revenue that is available to the individual states.

G. FUNDS HELD FOR OTHERS

Beginning in 2004, the State of Alabama provided the Foundation with money to run its annual Interstate Banking Meeting benefiting Alabama's banking industry, and later had the Foundation begin running its employee training seminar. From time to time, the State of Alabama provides additional funds for running its future meetings. The remaining balance of $49,669 and $19,476 at December 31, 2010 and 2009, respectively, represents monies left over from these meetings after expenses were paid, and will either be used for similar future meetings or returned to the State of Alabama, at the State's discretion.

During 2007, the State of Wyoming provided prepaid funding to SRR in order to cover its licensees' processing fees during its transition onto the Nationwide Mortgage Licensing System. Following this transition process, a total of $1,603 and $18,920 of the prepaid funds remained unused as of December 31, 2010 and 2009, respectively. The State instructed the Conference to hold these excess funds until a future use can be determined.

H. Lines of Credit Payable

On February 5, 2008, SRR entered into a line of credit with the Financial Industry Regulatory Authority, Inc. (FINRA), an unrelated party. Under the terms of the line of credit agreement, SRR was permitted to borrow up to $3,500,000 (including accrued interest) for use in funding the development and hosting costs of its mortgage licensing database. Effective March 10, 2009, FINRA amended its line of credit to allow SRR to borrow up to $10,000,000 (including accrued interest). There are no specific repayment requirements on outstanding balances, but all borrowed amounts must be repaid by December 31, 2012, unless the term is extended by FINRA.

During the year ended December 31, 2009, interest was assessed at 6%. From January 1, 2010 onward, interest is assessed at a variable rate equal to the U.S. prime rate published in the Wall Street Journal at January 1st of each year plus 2%, and compounds on a quarterly basis on the outstanding balance of the line. The prime rate at January 1 remains in effect for the remainder of the calendar year. At December 31, 2010 and 2009, the amount borrowed and outstanding by SRR, including accrued interest, totaled $19,063 and $4,774,182, respectively. Interest expense related to the line of credit totaled $81,881 and $228,624 for the years ended December 31, 2010 and 2009, respectively.

As a condition of securing the line of credit from FINRA, CSBS agreed to enter into a separate guaranty agreement with FINRA to guarantee the repayment of amounts borrowed by SRR under the line of credit.

On August 18, 2008, SRR entered into a line of credit with the American Association of Residential Mortgage Regulators (AARMR), an unrelated party. Under the terms of the line of credit agreement, SRR may borrow up to $200,000 (excluding accrued interest) for use in funding the development and operation of its mortgage licensing database. There are no specific repayment requirements on outstanding balances, but all borrowed amounts must be repaid by December 31, 2012, unless the term is extended by AARMR.

During the year ended December 31, 2009, interest was assessed at 8%. From January 1, 2010 onward, interest is assessed at a variable rate equal to the U.S. prime rate published in the Wall Street Journal at January 1st of each year, and compounds on a quarterly basis on the outstanding balance of the line. The prime rate at January 1 remains in effect for the remainder of the calendar year. At December 31, 2010 and 2009, the amount borrowed and outstanding by SRR, including accrued interest, totaled $0 and $220,581, respectively. Interest expense from the line of credit totaled $13,501 and $16,798 for the years ended December 31, 2010 and 2009, respectively.

I. Retirement Plans

Pension Plan: The Conference maintains a non-contributory defined benefit retirement plan covering all employees who are 21 years of age or older and have completed one year of service. Normal retirement benefits are based on the lesser of (a) the accrued benefit as of December 31, 1995 plus 2.67% of average compensation multiplied by years of participation (to a maximum of 15) after December 31, 1995, or (b) forty percent of average compensation.

The Conference's policy is to fund the plan annually to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA). In accordance with this funding policy, the Conference expects to contribute approximately $500,000 to the plan during 2011.

I. RETIREMENT PLANS - CONTINUED

The measurement date used to determine pension benefits was December 31 for each of the years ended 2010 and 2009.

The following table sets forth the plan's funded status for the years ended December 31,:

	2010	2009
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 5,681,949	$ 4,275,175
Service cost	678,085	516,685
Interest cost	305,437	238,511
Actuarial loss	228,940	652,789
Benefits paid	(252,342)	(1,211)
Projected benefit obligation at end of year	**$ 6,642,069**	**$ 5,681,949**
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 3,177,547	$ 2,122,680
Actual return on plan assets	448,837	470,882
Contributions by the Conference (employer)	500,000	585,196
Benefits paid to participants during year	(252,342)	(1,211)
Fair value of plan assets at end of year	**$ 3,874,042**	**$ 3,177,547**
Funded status of plan at end of year	**$ (2,768,027)**	**$ (2,504,402)**

The accumulated benefit obligation was $4,750,481 and $3,991,248 at December 31, 2010 and 2009, respectively.

In order to recognize the funded status of the plan, the following amounts, which have not yet been included in net periodic benefit cost, have been recognized as changes in unrestricted net assets in the consolidated statements of activities for the years ended December 31,:

	2010	2009
Total net (gain) loss	$ (68,520)	$ 260,224
Prior service credit	4,846	4,846
Transition asset	1,903	1,903
(Addition to) reduction of unrestricted net assets	**$ (61,771)**	**$ 266,973**

Of the $61,771 recognized as an addition to unrestricted net assets for the year ended December 31, 2010, $61,205 of the total net loss, $4,846 of the prior service credit, and $1,903 of the transition asset are expected to be recognized in net periodic benefit cost during the fiscal year ending December 31, 2011.

Of the 266,973 recognized as a charge to unrestricted net assets for the year ended December 31, 2009, $70,183 of the total net loss, $4,846 of the prior service credit, and $1,903 of the transition asset were recognized in net periodic benefit cost during the fiscal year ended December 31, 2010.

I. Retirement Plans - Continued

Components of the net periodic benefit cost are as follows for the years ended December 31,:

	2010	2009
Service cost	$ 678,085	$ 516,685
Interest cost	305,437	238,511
Expected return on plan assets	(221,560)	(143,542)
Amortization of net loss	70,183	65,225
Amortization of prior service credit	(4,846)	(4,846)
Amortization of transition asset	(1,903)	(1,903)
Net periodic pension cost	**$ 825,396**	**$ 670,130**

The following are the weighted-average assumptions used in the actuarial valuation for the years ended December 31,:

	2010	2009
Discount rate	5.75%	5.75%
Expected long-term rate of return on plan assets	7.25%	7.25%
Rate of increase in compensation	4.00%	4.00%

The expected long-term rate of return on plan assets reflects the almost equivalent investment of the plan assets in equities and fixed income funds and an analysis of the average rate of return of the S&P 500 Index and the Lehman Brothers Government/Corporate Index.

The investment strategy of the plan is to promote growth and income of plan assets without subjecting the assets to undue market risk. In order to accomplish this, the Conference's investment policy regarding plan assets is to evenly invest funds between equity securities and fixed income securities (a targeted allocation of 50% each). The fair value of plan assets consists of the following at December 31,:

	2010		2009	
Equity mutual funds	$ 2,061,132	53%	$ 1,279,853	40%
Fixed income mutual funds	1,812,890	47%	1,509,253	48%
Money market funds and cash	20	0%	102,755	3%
Real estate mutual fund	-	0%	285,686	9%
Total fair value of plan assets	**$ 3,874,042**	**0%**	**$ 3,177,547**	100%

I. Retirement Plans - Continued

Estimated future benefits to be paid from the plan for each of the next five years and in the aggregate for the five years thereafter are as follows:

Year ending December 31,	
2011	$ 790,000
2012	46,000
2013	1,850,000
2014	50,000
2015	460,000
2016 - 2020	780,000
	$ 3,976,000

401(k) Plan: The Conference also has a defined contribution plan for its employees under section 401(k) of Internal Revenue Code. Elective contributions can be made by all employees 21 years of age or older. The Conference may make discretionary or employer matching contributions that are allocated on the basis of the participant's annual eligible contributions, up to 4%. Such contributions are fully vested when made. The Conference's total matching contributions for the years ended December 31, 2010 and 2009 were $196,526 and $156,429, respectively.

J. Classifications of Net Assets

Unrestricted Net Assets: Unrestricted net assets represent funds not restricted by donors, as well as those designated by the Board of Trustees of the Foundation for certain purposes. The unrestricted net assets include the Board-designated fund of $2,234,784 and $2,155,928 as of December 31, 2010 and 2009, respectively. This Board-designated fund accumulates unexpended, unrestricted contributions and investment income.

Permanently Restricted Net Assets: Permanently restricted net assets consist of the Samuel Weinrott Memorial Scholarship Fund. The donors have stipulated that the corpus of the fund must remain in perpetuity. The earnings from the fund are restricted to provide scholarships to bank examiners at graduate schools for banking. The balance of the fund at both December 31, 2010 and 2009 was $11,138.

K. Commitments

Leases: In January 2002, the Conference signed an operating lease for new office space in Washington, D.C., which expires in May 2012. In September 2005, the Conference signed an addendum to this lease to obtain additional office space at the same location. The Conference received certain concessions under both the original lease and the addendum, which are amortized over the lease term.

Effective January 1, 2007, the Conference entered into a sublease agreement for additional space with another tenant in the Conference's current building. Effective June 1, 2008, the Conference entered into a lease assignment with another tenant on the same floor as the Conference's 2007 sublease. Under the terms of this assigned lease, the Conference took over the former tenant's lease obligations for the remainder of the lease term during 2009.

Effective July 1, 2009, the Conference's 2002 lease was amended to include the total combined office space from the 2007 sublease and 2008 lease assignment. This amended lease schedules this additional office space to expire on April 30, 2011.

Rent expenses, net of rent abatements, under these office space lease agreements amounted to approximately $789,000 and $762,000 for the years ended December 31, 2010 and 2009, respectively.

The following represents the future minimum lease payments as of December 31, 2010:

Years ending December 31,:	Operating lease payments
2011	$ 549,048
2012	183,575
Total future minimum lease payments	**$ 732,623**

Purchase commitment: SRR has contracted with FINRA to develop and host the Nationwide Mortgage Licensing System (NMLS). FINRA also provides development support for the NMLS' education and testing components. Under the terms of the various contracts with FINRA, management projects it will be responsible for costs of approximately $25 million during 2011.

L. Subsequent Events

Pension plan: Subsequent to year end the Conference's Board of Directors voted to terminate the defined benefit pension plan.

Leases: The Conference committed to a new lease for office space effective May 2011. The new office lease expires in April 2023.

TATE
&
TRYON

A Professional Corporation

Certified Public
Accountants
and Consultants

Independent Auditor's Report
on the Other Financial Information

To the Board of Directors
Conference of State Bank Supervisors, Inc. and Affiliates

We have audited the consolidated financial statements of the Conference of State Bank Supervisors, Inc. and Affiliates as of and for the years ended December 31, 2010 and 2009, and our report thereon dated March 24, 2011, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on the following two pages is presented for purposes of additional analysis of the consolidated financial statements, rather than to present financial position, results of operations, and cash flows of the individual companies, and it 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 audit 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Tate & Tryon

Washington, DC
May 24, 2011

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Conference of State Bank Supervisors, Inc. and Affiliates

Consolidating Statement of Financial Position

December 31, 2010	CSBS	Foundation	SRR	Eliminations	Total
Assets					
Cash and cash equivalents	$ 3,993,717	$ 988,429	$ 8,690,737	$ -	**$ 13,672,883**
Accounts receivable, net	98,266	148,102	1,781,725	-	**2,028,093**
Investments	1,225,874	1,400,321	-	-	**2,626,195**
Prepaid expenses and other	582,953	55,087	2,772	-	**640,812**
Deferred compensation	371,374	-	-	-	**371,374**
Property and equipment, net	890,478	-	17,054,053	-	**17,944,531**
Capitalized test development costs, net	-	-	1,884,715	-	**1,884,715**
Due from affiliates	2,573,129	1,255,205	1,111,288	(4,939,622)	**-**
Investment in subsidiary	19,285,990	-	-	(19,285,990)	**-**
Total assets	$ 29,021,781	$ 3,847,144	$ 30,525,290	$ (24,225,612)	**$ 39,168,603**
Liabilities and Net Assets					
Accounts payable and accrued expenses	$ 577,006	$ 124,485	$ 9,376,251	$ -	**$ 10,077,742**
Day with the Commissioner	68,704	-	-	-	**68,704**
Deferred revenue	2,148,605	342,669	177,708	-	**2,668,982**
Funds held for others	1,603	49,669	-	-	**51,272**
Deferred compensation	371,374	-	-	-	**371,374**
Lines of credit payable	-	-	19,063	-	**19,063**
Accrued pension cost	2,768,027	-	-	-	**2,768,027**
Due to affiliates	2,188,945	1,084,399	1,666,278	(4,939,622)	**-**
Total liabilities	8,124,264	1,601,222	11,239,300	(4,939,622)	**16,025,164**
Net assets					
Unrestricted	20,897,517	2,234,784	19,285,990	(19,285,990)	**23,132,301**
Permanently restricted	-	11,138	-	-	**11,138**
Total net assets	20,897,517	2,245,922	19,285,990	(19,285,990)	**23,143,439**
Total liabilities and net assets	$ 29,021,781	$ 3,847,144	$ 30,525,290	$ (24,225,612)	**$ 39,168,603**

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidating Statement of Activities

Year Ended December 31, 2010	CSBS	Foundation	SRR	Eliminations	Total
Unrestricted activities					
Revenue					
Mortgage database	$ 149,457	$ 55,639	$ 67,299,371	$ (205,096)	**$ 67,299,371**
Member dues	5,115,725	-	-	-	**5,115,725**
Educational revenue:					
Education services	-	1,240,745	-	-	**1,240,745**
Grants from affiliates	-	511,000	-	(511,000)	**-**
Accreditation / certification	-	256,290	-	-	**256,290**
Total educational revenue	-	2,008,035	-	(511,000)	**1,497,035**
Investment income at approved spending rate	40,000	96,295	-	-	**136,295**
Annual conference	114,897	-	-	-	**114,897**
Publication sales and other	35,739	39,808	-	-	**75,547**
Net assets released from restrictions due to satisfaction of program restrictions	-	16	-	-	**16**
Total unrestricted revenue	5,455,818	2,199,793	67,299,371	(716,096)	**74,238,886**
Expense					
Program services:					
Mortgage database	-	-	49,556,285	(205,096)	**49,351,189**
Education	361,000	2,159,508	150,000	(511,000)	**2,159,508**
Regulatory	1,804,407	-	-	-	**1,804,407**
Legislative	1,217,022	-	-	-	**1,217,022**
Communications and member services	808,647	-	-	-	**808,647**
Total program services	4,191,076	2,159,508	49,706,285	(716,096)	**55,340,773**
Supporting services:					
General and administrative	882,179	-	1,214,269	-	**2,096,448**
Marketing	123,414	-	-	-	**123,414**
Total supporting services	1,005,593	-	1,214,269	-	**2,219,862**
Total expense	5,196,669	2,159,508	50,920,554	(716,096)	**57,560,635**
Change in unrestricted net assets before other activity	259,149	40,285	16,378,817	-	**16,678,251**
Actual investment income over spending rate	120,565	30,657	373	-	**151,595**
Pension related charges other than net periodic pension cost	24,694	7,914	29,163		**61,771**
Change in unrestricted net assets before subsidiary earnings	404,408	78,856	16,408,353	-	**16,891,617**
Equity in earnings of subsidiary	16,408,353	-	-	(16,408,353)	**-**
Change in unrestricted net assets	16,812,761	78,856	16,408,353	(16,408,353)	**16,891,617**
Temporarily restricted activities					
Interest income	-	16	-	-	**16**
Net assets released from restriction	-	(16)	-	-	**(16)**
Change in temporarily restricted net assets	-	-	-	-	**-**
Change in net assets	16,812,761	78,856	16,408,353	(16,408,353)	**16,891,617**
Net assets, beginning of year	4,084,756	2,167,066	2,877,637	(2,877,637)	**6,251,822**
Net assets, end of year	$ 20,897,517	$ 2,245,922	$ 19,285,990	$ (19,285,990)	**$ 23,143,439**