Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Financial Report
December 31, 2021

Contents

Independent Auditor's Report

Board of Directors
Conference of State Bank Supervisors, Inc.

Opinion

We have audited the consolidated financial statements of the Conference of State Bank Supervisors, Inc. and Affiliates (the Conference), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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 the Conference as of December 31, 2021 and 2020, 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 the Conference 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 the Conference's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

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 the Conference'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 the Conference'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.

RSM US LLP

Washington, D.C.
June 24, 2022

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	**$ 81,888,066**	$ 83,994,737
Accounts receivable, net	**563,122**	920,040
Investments	**97,471,386**	93,975,708
Prepaid expenses and other	**3,703,770**	2,805,646
Deferred compensation	**2,612,237**	2,289,723
Property and equipment, net	**69,378,712**	44,714,940
Total assets	**$ 255,617,293**	$ 228,700,794
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 12,867,483**	$ 15,558,877
Deferred revenue	**5,023,351**	4,512,605
Deferred rent	**1,108,382**	1,595,555
Funds held for others	**2,094,975**	2,131,507
Deferred compensation	**2,662,237**	2,289,723
Total liabilities	**23,756,428**	26,088,267
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions:		
Undesignated	**69,378,707**	44,714,940
Designated for reserves and development	**147,875,352**	143,290,781
	217,254,059	188,005,721
With donor restrictions	**14,606,806**	14,606,806
Total net assets	**231,860,865**	202,612,527
Total liabilities and net assets	**$ 255,617,293**	$ 228,700,794

See notes to consolidated financial statements.

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
NMLS processing fees	$ 73,214,204	$ -	$ 73,214,204
NMLS professional services, net	19,177,057	-	19,177,057
Dues	6,473,558	-	6,473,558
Registration fees	1,059,458	-	1,059,458
Accreditation of banking and mortgage departments	265,174	-	265,174
Other income	21,950	-	21,950
Investment return, net	3,506,949	-	3,506,949
Net assets released from restriction	-	-	-
Total revenue	103,718,350	-	103,718,350
Expenses:			
Direct program expenses			
NMLS system operations	17,861,703	-	17,861,703
NMLS professional services	817,288	-	817,288
NMLS—call center	5,998,619	-	5,998,619
Professional services—legal, audit and other	5,692,407	-	5,692,407
Staff, board and member travel/meetings	766,313	-	766,313
Total direct program expenses	31,136,330	-	31,136,330
Staffing and administrative expenses:			
Salaries and benefits	32,217,108	-	32,217,108
Technology and general office	7,286,894	-	7,286,894
Rent and occupancy	2,405,594	-	2,405,594
Impairment loss—SES and NMLS development costs	1,424,086	-	1,424,086
Total staffing and administrative expenses	43,333,682	-	43,333,682
Total expenses	74,470,012	-	74,470,012
Change in net assets	29,248,338	-	29,248,338
Net assets:			
Beginning	188,005,721	14,606,806	202,612,527
Ending	$ 217,254,059	$ 14,606,806	$ 231,860,865

See notes to consolidated financial statements.

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
NMLS processing fees	$ 59,450,432	$ -	$ 59,450,432
NMLS professional services, net	15,579,168	-	15,579,168
Dues	6,234,272	-	6,234,272
Registration fees	1,364,371	-	1,364,371
Accreditation of banking and mortgage departments	255,175	-	255,175
Other income	13,700	-	13,700
Investment return, net	7,329,944	-	7,329,944
Net assets released from restriction	-	-	-
Total revenue	90,227,062	-	90,227,062
Expenses:			
Direct program expenses			
NMLS system operations	18,055,172	-	18,055,172
NMLS professional services	958,472	-	958,472
NMLS—call center	4,638,979	-	4,638,979
Professional services—legal, audit and other	7,017,614	-	7,017,614
Staff, board and member travel/meetings	1,844,308	-	1,844,308
Total direct program expenses	32,514,545	-	32,514,545
Staffing and administrative expenses:			
Salaries and benefits	32,241,883	-	32,241,883
Technology and general office	6,614,514	-	6,614,514
Rent and occupancy	2,388,010	-	2,388,010
Impairment loss—NMLS development costs	1,340,013	-	1,340,013
Total staffing and administrative expenses	42,584,420	-	42,584,420
Total expenses	75,098,965	-	75,098,965
Change in net assets	15,128,097	-	15,128,097
Net assets:			
Beginning	172,877,624	14,606,806	187,484,430
Ending	$ 188,005,721	$ 14,606,806	$ 202,612,527

See notes to consolidated financial statements.

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	**$ 29,248,338**	$ 15,128,097
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**4,643,913**	4,439,796
Loss on impairment—NMLS development costs	**1,424,086**	1,340,013
Realized and unrealized gain on investments	**(1,409,026)**	(5,630,113)
Deferred rent	**(487,173)**	(319,738)
Changes in assets and liabilities:		
(Increase) decrease:		
Accounts receivable	**356,918**	(91,124)
Prepaid expenses and other	**(898,124)**	(1,027,645)
Deferred compensation	**(322,514)**	-
Increase (decrease):		
Accounts payable and accrued expenses	**(2,691,394)**	6,996,236
Deferred revenue	**510,746**	(599,702)
Funds held for others	**(36,532)**	308,105
Deferred compensation liability	**372,514**	511,117
Net cash provided by operating activities	**30,711,752**	21,055,042
Cash flows from investing activities:		
Purchases of property and equipment	**(30,731,771)**	(17,924,767)
Proceeds from the sale and redemption of investments	**3,154,537**	38,526,684
Purchases of investments	**(5,241,189)**	(40,544,087)
Net cash used in investing activities	**(32,818,423)**	(19,942,170)
Net (decrease) increase in cash and cash equivalents	**(2,106,671)**	1,112,872
Cash and cash equivalents:		
Beginning	**83,994,737**	82,881,865
Ending	**$ 81,888,066**	$ 83,994,737

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

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

The 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 the Conference's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of CSBS, the Foundation and SRR (collectively referred to as the Conference). 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, the Conference 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. The Conference 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 restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction 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. The Conference classifies certain components of its net assets without donor restrictions as being designated for reserves and development.

Income tax status: CSBS 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.

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

Use of estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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.

Cash and cash equivalents: For consolidated 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. 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: 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: 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.

The Conference invests funds in a professionally managed portfolio that contains money market funds, mutual funds and exchange-traded funds (ETFs). 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.

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 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 and totaled approximately $11,157 and $13,703 at December 31, 2021 and 2020, respectively.

Property and equipment: Property and equipment is stated at cost. It is the policy of the Conference 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 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 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.

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. 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 considered to be 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 years ended December 31, 2021 and 2020, management determined that intangible costs within capitalized State Examination System (SES) and NMLS development costs totaling $1,424,086 and $1,340,013, respectively, were considered to be impaired, thus, a loss was recorded within the consolidated statements of activities.

Revenue: The Conference's 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 the Conference. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Conference.

The Conference 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, 2021 and 2020, license processing and credit card processing revenue recognized at a point in time totaled $69,685,972 and $56,529,784, 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, 2021 and 2020, subscription revenue recognized over time totaled $3,528,232 and $2,920,648, 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, 2021 and 2020, state and national test fees, fingerprinting fees and credit report fees revenue recognized at a point in time totaled $11,931,907 and $9,624,896, 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, 2021 and 2020, course provider fees recognized at a point in time totaled $7,195,903 and $5,915,300, respectively.

Membership dues: Membership dues are billed annually for the membership period, which runs from July 1 to June 30. 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 11. 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)

Pending accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the current leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of activities. The new standard is effective for the Conference for the year beginning January 1, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Conference is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Conference’s fiscal year ending December 31, 2022. The Conference is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

Reclassifications: Certain amounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

Subsequent events: Subsequent events have been evaluated through June 24, 2022, which is the date 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, 2021 and 2020:

	2021	2020
Fixed-income mutual funds	$ 73,656,387	$ 71,469,232
Equity mutual funds	20,512,812	19,451,235
Equity ETFs	3,300,236	2,858,631
Money market funds	1,563	15,594
Common stocks	388	-
Fixed-income ETFs	-	181,016
Total investments	$ 97,471,386	$ 93,975,708

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, the Conference does not adjust the quoted prices for these investments even in situations where the Conference 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 the Conference at December 31, 2021 and 2020.

The Conference’s investments in money market funds, mutual funds and ETFs are classified as Level 1 items as they are traded on a public exchange.

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, 2021:

	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income mutual funds	$ 73,656,387	$ 73,656,387	$ -	$ -
Equity mutual funds	20,512,812	20,512,812	-	-
Equity ETFs	3,300,236	3,300,236	-	-
Money market funds	1,563	1,563	-	-
Common stocks	388	388	-	-
	97,471,386	97,471,386	-	-
Deferred compensation:				
Equity mutual funds	2,369,950	2,369,950	-	-
Fixed-income mutual funds	242,287	242,287	-	-
	2,612,237	2,612,237	-	-
Assets carried at fair value	$ 100,083,623	$ 100,083,623	$ -	$ -
Liabilities:				
Deferred compensation liability	$ 2,612,237	$ -	$ 2,612,237	$ -

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, 2020:

	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income mutual funds	$ 71,469,232	$ 71,469,232	$ -	$ -
Equity mutual funds	19,451,235	19,451,235	-	-
Equity ETFs	2,858,631	2,858,631	-	-
Fixed-income ETFs	181,016	181,016	-	-
Money market funds	15,594	15,594	-	-
	93,975,708	93,975,708	-	-
Deferred compensation:				
Equity mutual funds	2,161,116	2,161,116	-	-
Equity ETFs	75,173	75,173	-	-
Fixed-income mutual funds	35,346	35,346	-	-
Fixed-income ETFs	15,548	15,548	-	-
Money market funds	2,540	2,540	-	-
	2,289,723	2,289,723	-	-
Assets carried at fair value	$ 96,265,431	$ 96,265,431	$ -	$ -
Liabilities:				
Deferred compensation liability	$ 2,289,723	$ -	$ 2,289,723	$ -

Note 4. Liquidity

The Conference 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 overnight treasury sweep accounts with commercial banks, mutual funds and ETFs.

The following table reflects the Conference's financial assets that are available to meet general expenditures within one year of the consolidated statements of financial position date at December 31, 2021 and 2020. Amounts not available are primarily board-designated funds as determined under the Conference's 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.

	2021	2020
Cash and cash equivalents	$ 81,888,066	$ 83,994,737
Accounts receivable	563,122	920,040
Investments	97,471,386	93,975,708
Deferred compensation investments	2,612,237	2,289,723
Total financial assets	182,534,811	181,180,208
Board-designated funds	(147,875,352)	(143,290,781)
Donor restricted funds	(14,606,806)	(14,606,806)
Deferred compensation investments	(2,662,237)	(2,289,723)
Financial assets available to meet cash needs for general expenditures within one year	$ 17,390,416	$ 20,992,898

Note 5. Deferred Compensation Plans

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, and the Conference makes discretionary contributions. The Conference made contributions of $132,347 and $132,075 to the deferred compensation plan for the years ended December 31, 2021 and 2020, respectively. Also, during the years ended December 31, 2021 and 2020, benefit distributions of $0 and $116,359, respectively, were made from the plan. Assets designated for this plan consist of various equity and fixed-income mutual funds.

The Conference also maintains a nonqualified deferred compensation plan established under Section 457(f) of the Internal Revenue Code for eligible senior staff of the Conference, to which the Conference makes contributions. During the years ended December 31, 2021 and 2020, the Conference contributed $100,839 and $53,039, respectively, to the plan. Also, during the years ended December 31, 2021 and 2020, benefit distributions of $322,519 and $0, respectively, were made from the plan. As of December 31, 2021, the 457(f) plan contributions are no longer separately invested. Assets designated for this plan as of December 31, 2020, consisted of money market funds, mutual funds and ETFs.

Note 6. Property and Equipment

Property and equipment consists of the following at December 31, 2021 and 2020 :

	2021	2020
SES and NMLS licensing database	$ 120,316,541	$ 91,183,873
Computer equipment	1,255,156	1,170,770
Website development	2,289,696	2,364,791
Furniture and fixtures	975,085	975,085
Equipment	1,171,075	1,171,075
Leasehold improvements	2,065,196	2,065,196
	128,072,749	98,930,790
Less accumulated depreciation and amortization	(58,694,037)	(54,215,850)
Total property and equipment	$ 69,378,712	$ 44,714,940

The Conference's various information technology applications are currently in the process of being upgraded. Accordingly, the Conference had capitalized work-in-progress development costs of $46,901,403 and $26,524,533 within the SES and NMLS licensing database category as of the years ended December 31, 2021 and 2020, respectively. Amortization of these amounts will begin when the assets are placed into service.

Note 7. Funds Held for Others

From time to time, in the normal course of transactions with states, the Conference holds amounts on account for individual states. At the direction of individual states, the Conference holds these funds for future use such as training or educational programs sponsored by the Conference, including cosponsored "Day with the Commissioner" projects in various individual states. The balance of these accounts at December 31, 2021 and 2020, was $131,218 and $127,697, respectively.

As a result of the National Mortgage Settlement in 2012, $65,000,000 was distributed to the Conference, of which, $16,000,000 was granted directly to the Conference for creating a State Regulatory Fund. The remaining $49,000,000 was to be distributed to the 49 states which were a party to the settlement with the Conference acting as the escrow agent. Since 2012, CSBS has distributed the funds to the states as directed by the states. As of December 31, 2021 and 2020, the Conference held $1,568,691 and $1,608,744, respectively.

During 2020, $414,135 was distributed to the Conference 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 the Conference 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 the Conference. As of both December 31, 2021 and 2020, the Conference held $395,066 in the Ameriquest Settlement Fund.

Note 8. Retirement Plan

401(k) Plan: The Conference 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. The Conference makes a nonelective contribution equal to 3% of each participant's eligible salary. In addition, the Conference matches each participant's elective deferrals up to 5% of eligible salary. The Conference may also make discretionary contributions to the plan. Vesting is determined based on the nature of each plan contribution. The Conference's total contributions for the years ended December 31, 2021 and 2020, were $2,853,380 and $2,681,624, respectively.

Note 9. Classifications of Net Assets

Net assets without donor restrictions, designated for reserves and development: The Conference 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, the Conference 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, 2021 and 2020:

	2021	2020
CSBS	$ 15,024,058	$ 12,397,532
Foundation	3,190,970	3,190,970
SRR	129,660,324	127,702,279
Total reserves	$ 147,875,352	$ 143,290,781

Net assets with donor restrictions: Net assets with donor restrictions have been donor restricted by specified time or purpose limitations The Conference's donor restricted net assets for specified purpose consist of $14,606,806 as of both December 31, 2021 and 2020, restricted for use for the purposes of the State Regulatory Fund (see Note 7) and $11,138 as of both December 31, 2021 and 2020, for the purpose of the Samuel Weinrott Memorial Scholarship Fund held by CSBS Education Foundation. 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

Leases: In May 2011, the Conference signed an operating lease for office space at 1129 20th Street NW, Washington, D.C., which expires in April 2023. The lease contains an annual 2.5% rent escalation and requires the Conference to pay its proportionate share of operating expenses and real estate taxes. The Conference was provided a tenant allowance of $1,488,297 and 9½ months of rental abatement as incentives to lease the space.

In April 2014, the Conference signed an operating lease for overflow office space for SRR at 1919 M Street NW, Washington, D.C., commencing on May 1, 2014, and expiring on August 31, 2026, with monthly payments of approximately $32,800. The lease contains an annual 2.5% rent escalation and requires the Conference to pay its proportionate share of operating expenses and real estate taxes. The lease agreement includes various rental abatements and a tenant improvement allowance of $724,240. In connection with the 1919 M Street leased space, the Conference is also required to maintain a standby letter of credit of approximately $131,000. As of December 31, 2021 and 2020, no amounts have been drawn on the letter of credit.

Note 10. Commitments and Contingencies (Continued)

In August 2016, the Conference signed an operating lease for additional space at 1129 20th Street NW, Washington, D.C, commencing on September 16, 2016, and expiring June 1, 2022, with monthly payments of approximately $60,900. As a result of entering into this lease, the Conference has been able to locate all of its employees at 1129 20th Street.

In June 2017, the Conference entered into an agreement to sublease its space at 1919 M Street effective August 2017 through March 2023. The subtenant agreement was terminated during 2020. Through the termination date, monthly sublease payments of approximately $30,000 included base rent that escalated 4.5% each year and rental income was recognized on a straight-line basis until the end of the lease term in September 2020. In October 2020, a new subtenant began leasing space at 1919 M Street on a month-to-month basis. Sublease income for the years ended December 31, 2021 and 2020, was $336,118 and $345,744.

In November 2018, the Conference signed an operating lease for additional office space at 1129 20th Street NW, Washington, D.C., which expires in December 2022. The lease contains an annual 4.0% rent escalation. The Conference was provided 3½ months of rental abatement as an incentive to lease the space.

In December 2021, the Conference signed an operating lease for office space at 1300 I Street NW, Washington, D.C., which commences in January 2023 and expires in December 2036. The lease contains an annual 2.5% escalation and requires the Conference to pay its proportionate share of operating expenses and real estate taxes. As incentives to lease the space, the Conference was provided a tenant allowance of $5,528,496 to be applied to construction costs and a limited amount of furniture, fixtures and equipment and an option to receive either 24 months of rental abatement or, alternatively, an option to convert $1,298,570 of the abatement to cover an increased improvement allowance or reimbursement of other qualified existing lease liabilities.

The Conference is recognizing the benefit of the tenant improvement allowances and rental abatements on a straight-line basis over the life of the leases. The unrecognized components of these items are presented as deferred rent on the consolidated statements of financial position.

Rent expenses under these office space lease agreements amounted to approximately $2,100,000 for both of the years ended December 31, 2021 and 2020.

The following represents the future minimum lease payments under the office leases net of sublease payments as of December 31, 2021:

	Lease Payments	Sublease Payments	Net Lease Payments
Years ending December 31:			
2022	$ 2,445,299	$ (367,124)	$ 2,078,175
2023	808,404	(94,196)	714,208
2024	503,890	-	503,890
2025	2,231,694	-	2,231,694
2026	2,108,252	-	2,108,252
Thereafter	20,187,192	-	20,187,192
Total future minimum lease payments	$ 28,284,731	$ (461,320)	$ 27,823,411

Note 10. Commitments and Contingencies (Continued)

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 the Conference.

NMLS modernization: To incorporate the latest technology and streamline the license approval process, the redesign of NMLS started in July 2020. Through 2021, efforts on this project have continued.

COVID-19: The coronavirus and actions taken to mitigate its spread have had and are expected to continue to have an adverse impact on the economy and financial markets. It is unknown how long the current conditions associated with the coronavirus will last and what the complete financial effect will be to the Conference.

Note 11. Functional Presentation of Expenses

Expenses by nature and function for the years ended December 31, 2021 and 2020, are as follows:

	2021					
	NMLS	Regulatory and Legislative	Education	Total Program Services	Management and General	Total
Expenses:						
NMLS professional services	$ 817,288	$ -	$ -	$ 817,288	$ -	$ 817,288
NMLS system operations	17,861,703	-	-	17,861,703	-	17,861,703
NMLS—call center	5,998,619	-	-	5,998,619	-	5,998,619
Staff, board and member travel and meetings	135,163	31,915	478,382	645,460	120,853	766,313
Professional services—legal, audit and other	2,443,722	268,422	296,201	3,008,345	2,684,062	5,692,407
Salaries and benefits	17,757,858	5,122,125	1,104,735	23,984,718	8,232,390	32,217,108
Technology and general office	3,074,661	318,424	259,817	3,652,902	3,633,992	7,286,894
Rent and occupancy	1,804,196	264,616	48,112	2,116,924	288,670	2,405,594
Impairment loss—SES and NMLS development costs	1,424,086	-	-	1,424,086	-	1,424,086
Total expenses by nature and function	$ 51,317,296	$ 6,005,502	$ 2,187,247	$ 59,510,045	$ 14,959,967	$ 74,470,012

	2020					
	NMLS	Regulatory and Legislative	Education	Total Program Services	Management and General	Total
Expenses:						
NMLS professional services	$ 958,472	$ -	$ -	$ 958,472	$ -	$ 958,472
NMLS system operations	18,055,172	-	-	18,055,172	-	18,055,172
NMLS—call center	4,638,979	-	-	4,638,979	-	4,638,979
Staff, board and member travel and meetings	531,077	83,292	1,123,132	1,737,501	106,807	1,844,308
Professional services—legal, audit and other	3,603,934	-	284,111	3,888,045	3,129,569	7,017,614
Salaries and benefits	18,046,949	5,089,525	1,295,448	24,431,922	7,809,961	32,241,883
Technology and general office	2,806,635	342,920	171,834	3,321,389	3,293,125	6,614,514
Rent and occupancy	1,791,008	262,681	47,761	2,101,450	286,560	2,388,010
Impairment loss—NMLS development costs	1,340,013	-	-	1,340,013	-	1,340,013
Total expenses by nature and function	$ 51,772,239	$ 5,778,418	$ 2,922,286	$ 60,472,943	$ 14,626,022	$ 75,098,965

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 (the Conference) as of and for the years ended December 31, 2021 and 2020, 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Washington, D.C.
June 24, 2022

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidating Statement of Financial Position
December 31, 2021

	CSBS	Foundation	SRR	Eliminations	Total
Assets					
Cash and cash equivalents	$ 4,627,451	$ 791,713	$ 76,468,902	$ -	$ 81,888,066
Accounts receivable, net	69,615	152,062	341,445	-	563,122
Investments	25,166,353	2,287,450	70,017,583	-	97,471,386
Prepaid expenses and other	2,453,818	211,568	1,038,384	-	3,703,770
Deferred compensation	2,612,237	-	-	-	2,612,237
Property and equipment, net	1,401,067	-	67,977,645	-	69,378,712
Due from affiliates	7,686,603	761,325	1,301,685	(9,749,613)	-
Investment in subsidiary	197,637,968	-	-	(197,637,968)	-
Total assets	$ 241,655,112	$ 4,204,118	$ 217,145,644	$ (207,387,581)	$ 255,617,293
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 2,260,840	$ 342,178	$ 10,264,465	$ -	$ 12,867,483
Deferred revenue	2,817,473	348,584	1,857,294	-	5,023,351
Deferred rent	1,108,382	-	-	-	1,108,382
Funds held for others	2,094,975	-	-	-	2,094,975
Deferred compensation	2,662,237	-	-	-	2,662,237
Due to affiliates	2,052,448	311,248	7,385,917	(9,749,613)	-
Total liabilities	12,996,355	1,002,010	19,507,676	(9,749,613)	23,756,428
Net assets:					
Without donor restrictions:					
Undesignated	69,378,707	-	67,977,644	(67,977,644)	69,378,707
Designated for reserves and development	144,684,382	3,190,970	129,660,324	(129,660,324)	147,875,352
	214,063,089	3,190,970	197,637,968	(197,637,968)	217,254,059
With donor restrictions	14,595,668	11,138	-	-	14,606,806
Total net assets	228,658,757	3,202,108	197,637,968	(197,637,968)	231,860,865
Total liabilities and net assets	$ 241,655,112	$ 4,204,118	$ 217,145,644	$ (207,387,581)	$ 255,617,293

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2021

	CSBS	Foundation	SRR	Eliminations	Total
Activities without donor restrictions:					
Revenue:					
NMLS processing fees	$ -	$ -	$ 73,214,204	$ -	$ 73,214,204
NMLS professional services, net	-	-	19,177,057	-	19,177,057
Dues	6,473,558	-	-	-	6,473,558
Registration fees	-	766,336	293,122	-	1,059,458
Accreditation of banking and mortgage departments	-	265,174	-	-	265,174
Other income	8,000	13,950	-	-	21,950
Investment return, net	1,294,252	101,045	2,111,652	-	3,506,949
Grants from affiliates	1,935,000	1,264,026	-	(3,199,026)	-
Income on equity investment in subsidiary	27,413,411	-	-	(27,413,411)	-
Net assets released from restriction	-	-	-	-	-
Total revenue without donor restrictions	37,124,221	2,410,531	94,796,035	(30,612,437)	103,718,350
Expense:					
Direct program expenses:					
NMLS system operations	-	-	17,861,703	-	17,861,703
NMLS professional services	-	-	817,288	-	817,288
NMLS—call center	-	-	5,998,619	-	5,998,619
Professional services—legal, audit and other	521,719	336,648	4,834,040	-	5,692,407
Staff, board and member travel/meetings	52,929	480,010	233,374	-	766,313
Grants to affiliates	651,321	-	2,547,705	(3,199,026)	-
Staffing and administrative expenses:					
Salaries and benefits	5,604,459	1,227,090	25,385,559	-	32,217,108
Technology and general office	714,445	312,898	6,259,551	-	7,286,894
Rent and occupancy	331,010	53,885	2,020,699	-	2,405,594
Impairment loss—SES and NMLS development costs	-	-	1,424,086	-	1,424,086
Total expense	7,875,883	2,410,531	67,382,624	(3,199,026)	74,470,012
Change in net assets without donor restrictions	29,248,338	-	27,413,411	(27,413,411)	29,248,338
Change in net assets with donor restrictions	-	-	-	-	-
Change in net assets	29,248,338	-	27,413,411	(27,413,411)	29,248,338
Net assets:					
Beginning	199,410,419	3,202,108	170,224,557	(170,224,557)	202,612,527
Ending	$ 228,658,757	$ 3,202,108	$ 197,637,968	$ (197,637,968)	$ 231,860,865