Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Financial Report
December 31, 2024

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, 2024 and 2023, 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, 2024 and 2023, 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 21, 2025

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	**$ 49,918,207**	$ 44,723,642
Accounts receivable, less allowance for expected credit losses 2024 $19,827; 2023 $16,651	**1,864,590**	1,965,449
Investments	**136,439,387**	139,377,934
Prepaid expenses and other	**4,456,740**	4,469,941
Deferred compensation investments	**2,986,904**	2,627,997
Operating lease right-of-use assets, net	**10,840,087**	11,579,019
Property and equipment, net	**39,498,555**	23,792,110
	$ 246,004,470	$ 228,536,092
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 18,768,517**	$ 11,246,404
Deferred revenue	**6,704,895**	5,810,094
Funds held for others	**1,932,605**	1,971,225
Deferred compensation obligation	**2,986,904**	2,627,997
Operating lease liabilities, net	**20,898,350**	20,512,118
Total liabilities	**51,291,271**	42,167,838
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions:		
Undesignated	**39,498,555**	23,792,110
Designated for reserves and development	**140,654,236**	148,011,536
	180,152,791	171,803,646
With donor restrictions	**14,560,408**	14,564,608
	194,713,199	186,368,254
	$ 246,004,470	$ 228,536,092

See notes to consolidated financial statements.

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
NMLS processing fees	$ 61,140,043	$ -	$ 61,140,043
NMLS professional services, net	11,916,192	-	11,916,192
Dues	7,230,554	-	7,230,554
Registration fees	2,404,477	-	2,404,477
Accreditation of banking and mortgage departments	244,000	-	244,000
Other income	28,000	-	28,000
Investment income, net	8,196,904	-	8,196,904
Net assets released from restriction	4,200	(4,200)	-
Total revenue	91,164,370	(4,200)	91,160,170
Expenses:			
Direct program expenses:			
NMLS and SES system operations	20,551,092	-	20,551,092
NMLS—call center	5,094,139	-	5,094,139
NMLS professional services	777,782	-	777,782
Professional services—legal, audit and other	4,673,440	-	4,673,440
Staff, board and member travel and meetings	3,921,904	-	3,921,904
Total direct program expenses	35,018,357	-	35,018,357
Staffing and administrative expenses:			
Salaries and benefits	37,971,095	-	37,971,095
Technology and general office	7,425,765	-	7,425,765
Rent and occupancy	2,400,008	-	2,400,008
Total staffing and administrative expenses	47,796,868	-	47,796,868
Total expenses	82,815,225	-	82,815,225
Change in net assets	8,349,145	(4,200)	8,344,945
Net assets:			
Beginning	171,803,646	14,564,608	186,368,254
Ending	$ 180,152,791	$ 14,560,408	$ 194,713,199

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 Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	**$ 8,344,945**	$ 7,046,789
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**5,336,987**	4,948,760
Loss on disposal of property and equipment	**-**	41,233
Realized and unrealized gain on investments	**(2,247,528)**	(4,564,452)
Amortization of operating lease right-of-use assets	**1,144,527**	1,295,717
Changes in assets and liabilities:		
(Increase) decrease:		
Accounts receivable	**100,859**	(154,754)
Prepaid expenses and other	**13,201**	(734,906)
Increase (decrease):		
Accounts payable and accrued expenses	**7,522,113**	2,522,088
Deferred revenue	**894,801**	470,029
Funds held for others	**(38,620)**	(103,963)
Deferred compensation obligation	**358,907**	455,247
Principal payments on operating lease liabilities	**(19,363)**	(117,977)
Net cash provided by operating activities	**21,410,829**	11,103,811
Cash flows from investing activities:		
Purchases of property and equipment	**(21,043,432)**	(3,628,454)
Proceeds from the sale and redemption of investments	**41,500,000**	16,603,416
Purchases of investments	**(36,672,832)**	(64,524,242)
Net cash used in investing activities	**(16,216,264)**	(51,549,280)
Net increase (decrease) in cash and cash equivalents	**5,194,565**	(40,445,469)
Cash and cash equivalents:		
Beginning	**44,723,642**	85,169,111
Ending	**$ 49,918,207**	$ 44,723,642
Supplemental schedule of noncash investing activities:		
Leasehold improvements obtained through tenant allowance	**$ -**	$ 1,383,983
Supplemental disclosure of cash flow information:		
Cash payments for operating leases	**$ 19,363**	$ 299,202

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: 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.

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 non-depository 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 non-depository 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 CSBS, 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). 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 $19,827 and $16,651 at December 31, 2024 and 2023, respectively.

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, 2023, included accounts receivable of $1,810,695 and deferred revenue of $5,340,065.

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 $12,491,282 and $2,753,776 within the NMLS Modernization—work-in-progress category as of the years ended December 31, 2024 and 2023, respectively. SRR expects to complete these information technology upgrades by December 31, 2028.

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.

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 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, 2024 and 2023, license processing and credit card processing revenue recognized at a point in time totaled $57,193,809 and $55,478,922, 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, 2024 and 2023, subscription revenue recognized over time totaled $3,946,234 and $3,840,898, respectively.

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.

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

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, 2024 and 2023, state and national test fees, fingerprinting fees and credit report fees, revenue recognized at a point in time totaled $7,167,618 and $6,890,780, 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, 2024 and 2023, course provider fees recognized at a point in time totaled $4,748,574 and $4,467,962, 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 consolidated 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 consolidated statement of activities.

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 non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease 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: 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)(2) and Section 509(a)(3) of the IRC, respectively. 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)

The accounting standard on Accounting for Uncertainty in Income Taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, CSBS may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of CSBS and various positions related to the potential sources of unrelated business income tax (UBIT). There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods included in these consolidated financial statements.

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.

Subsequent events: CSBS has evaluated subsequent events through May 21, 2025, 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, 2024 and 2023:

	2024	2023
Fixed-income mutual funds	$ 75,394,394	$ 73,284,448
Money market funds	26,588,485	39,369,426
Equity mutual funds	21,470,742	18,025,220
Treasury Bills	9,778,558	4,153,849
Equity ETFs	3,026,495	3,115,811
Cash and cash equivalents	-	1,423,489
Fixed-income ETFs	180,713	5,691
Total investments	$ 136,439,387	$ 139,377,934

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.

Note 3. Fair Value Measurements (Continued)

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, 2024 and 2023.

All mutual funds, ETFs, and treasury bills are valued based on quoted market prices in open markets. Although money market funds are open-ended funds and subject to market fluctuations, they generally have a subscription and redemption value of $1.00 per share.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. SRR's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and considers factors specific to the investments. The inputs or methodology used for valuing investments are not necessarily an indication of the risks associated with investing in those instruments.

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, 2024:

	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income mutual funds	$ 75,394,394	$ 75,394,394	$ -	$ -
Money market funds	26,588,485	26,588,485	-	-
Equity mutual funds	21,470,742	21,470,742	-	-
Treasury Bills	9,778,558	9,778,558	-	-
Equity ETFs	3,026,495	3,026,495	-	-
Fixed-income ETFs	180,713	180,713	-	-
Investments carried at fair value	136,439,387	136,439,387	-	-
Total Investments	136,439,387	136,439,387	-	-
Deferred compensation investments:				
Equity mutual funds	2,677,661	2,677,661	-	-
Fixed-income mutual funds	178,338	178,338	-	-
Investments carried at fair value	2,855,999	2,855,999	-	-
Cash and cash equivalents	130,905	130,905	-	-
	2,986,904	2,986,904	-	-
Total Investments	$ 139,426,291	$ 139,426,291	$ -	$ -
Liabilities:				
Deferred compensation obligation	$ 2,986,904	$ -	$ 2,986,904	$ -

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	$ -

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, 2024 and 2023. 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.

	2024	2023
Cash and cash equivalents	$ 49,918,207	$ 44,723,642
Accounts receivable	1,864,590	1,965,449
Investments	136,439,387	139,377,934
Deferred compensation investments	2,986,904	2,627,997
Total financial assets	191,209,088	188,695,022
Board-designated funds	(140,654,236)	(148,011,536)
Donor-restricted funds	(14,560,408)	(14,564,608)
Deferred compensation investments	(2,986,904)	(2,627,997)
Financial assets available to meet cash needs for general expenditures within one year	$ 33,007,540	$ 23,490,881

Note 5. Deferred Compensation Plans

CSBS maintains a non-qualified 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 $80,453 and $79,220 to the deferred compensation plan for the years ended December 31, 2024 and 2023, respectively. Also, during the years ended December 31, 2024 and 2023, benefit distributions of $0 and $92,541, respectively, were made from the plan. Assets designated for this plan consist of various equity and fixed-income mutual funds.

CSBS maintains a non-qualified deferred compensation plan established under Section 457(f) of the IRC for eligible staff, to which CSBS makes contributions. The plan was established during 2024. During the year ended December 31, 2024, CSBS contributed $130,000 to the plan. No distributions were made. The 457(f) plan contributions are not separately invested. This balance is included in the deferred compensation investments and obligation on the statement of financial position.

Note 6. Retirement Plan

401(k) Plan: CSBS has a defined contribution plan for its employees under section 401(k) of the IRC. 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, 2024 and 2023, were $2,965,830 and $2,954,161, respectively.

Note 7. Property and Equipment

Property and equipment consists of the following at December 31, 2024 and 2023:

	2024		
	Cost	Accumulated Depreciation and Amortization	Net Value
NMLS 1.0 and licensing databases	$ 51,598,290	$ (51,163,954)	$ 434,336
NMLS 1.0 Cloud	6,323,310	(2,914,522)	3,408,788
NMLS Modernization	11,231,394	(664,556)	10,566,838
NMLS Modernization—work-in-progress	12,491,282	-	12,491,282
State Examination System	16,817,962	(10,460,228)	6,357,734
Computer equipment	878,137	(679,809)	198,328
Website development	2,489,094	(2,215,203)	273,891
Furniture and fixtures	1,483,335	(711,783)	771,552
Equipment	753,303	(258,120)	495,183
Leasehold improvements	4,279,691	(606,921)	3,672,770
Financial Management System	977,152	(149,299)	827,853
	$ 109,322,950	$ (69,824,395)	$ 39,498,555

Note 7. Property and Equipment (Continued)

	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—work-in-progress	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

Depreciation and amortization expense, related to property and equipment, was $5,336,987 and $4,948,780 for 2024 and 2023, respectively. The work-in-progress is related to a project expected to be completed in 2029 for an estimated total cost of $93,000,000.

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, 2024 and 2023, was $90,668 and $87,186, 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, 2024 and 2023, CSBS held $1,475,466 and $1,488,973, 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 December 31, 2024 and 2023, CSBS held $366,471 and $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.

Note 9. Classification of Net Assets (Continued)

The following represents the reserve balances by entity at December 31, 2024 and 2023:

	2024	2023
CSBS	$ 5,687,896	$ 4,245,957
Foundation	2,892,624	2,892,624
SRR	132,073,716	140,872,955
Total reserves	$ 140,654,236	$ 148,011,536

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 $14,549,270 and $14,553,470 as of December 31, 2024 and 2023, respectively, restricted for use for the purposes of the State Regulatory Fund. For the year ended December 31, 2024, CSBS incurred expenses relating to Money Service Business accreditations, which satisfied the Board-approved use of the State Regulatory fund, and therefore $4,200 was released.

As of December 31, 2024 and 2023, 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.

Note 11. Leases (Continued)

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, 2024, is as follows:

Years ending December 31:	
2025	$ 1,610,029
2026	1,775,173
2027	1,806,684
2028	1,848,097
2029	1,892,944
Thereafter	16,538,216
Total lease payments	25,471,143
Less present value discount	4,572,793
Total present value of lease liabilities	$ 20,898,350

Supplemental information related to leases is as follows for the years ended December 31, 2024 and 2023:

	2024	2023
Operating lease cost	$ 1,142,556	$ 1,598,745
Operating lease liability at December 31, 2024 and 2023	20,898,350	20,512,118
Operating lease right-of-use asset, net of amortization at December 31, 2024 and 2023	10,840,087	11,579,019
Weighted-average remaining lease term (in years)	11.98	12.96
Weighted-average discount rate	1.96%	1.96%

Note 12. Functional Presentation of Expenses

Expenses by nature and function for the years ended December 31, 2024 and 2023, are as follows:

	2024					
	NMLS, SES and Call Center	Regulatory and Legislative	Education	Total Program Services	Management and General	Total
Salaries and benefits	$ 18,058,028	$ 6,272,642	$ 1,619,396	$ 25,950,066	$ 12,021,029	$ 37,971,095
Professional services	10,347,545	29,499	388,815	10,765,859	3,813,429	14,579,288
Technology and other software costs	10,866,875	190	182,156	11,049,221	3,782,189	14,831,410
Amortization and depreciation	4,402,239	-	-	4,402,239	934,748	5,336,987
General office	3,517,804	221,240	234,839	3,973,883	711,113	4,684,996
Staff, board and member travel and meetings	843,646	152,169	1,971,340	2,967,155	954,929	3,922,084
Rent and occupancy	1,117,026	134,042	29,787	1,280,855	208,510	1,489,365
	$ 49,153,163	$ 6,809,782	$ 4,426,333	$ 60,389,278	$ 22,425,947	$ 82,815,225

	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

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, 2024 and 2023, and have issued our report thereon, dated May 21, 2025, 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, results of operations and cash flows of the individual companies 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 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 21, 2025

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidating Statement of Financial Position
December 31, 2024

	CSBS	Foundation	SRR	Eliminations	Total
Assets					
Cash and cash equivalents	$ 11,242,500	$ 190,505	$ 38,485,202	$ -	$ 49,918,207
Accounts receivable, net	53,997	294,218	1,516,375	-	1,864,590
Investments	25,858,784	2,349,325	108,231,278	-	136,439,387
Prepaid expenses and other	2,656,748	683,016	1,116,976	-	4,456,740
Deferred compensation investments	2,986,904	-	-	-	2,986,904
Operating lease right-of-use assets, net	10,840,087	-	-	-	10,840,087
Property and equipment, net	6,239,577	-	33,258,978	-	39,498,555
Due from affiliates	2,808,419	1,073,623	13,963,174	(17,845,216)	-
Investment in subsidiary	165,332,694	-	-	(165,332,694)	-
	$ 228,019,710	$ 4,590,687	$ 196,571,983	$ (183,177,910)	$ 246,004,470
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 5,657,089	$ 67,549	$ 13,043,879	$ -	$ 18,768,517
Deferred revenue	3,268,699	1,091,658	2,344,538	-	6,704,895
Funds held for others	1,932,605	-	-	-	1,932,605
Deferred compensation obligation	2,986,904	-	-	-	2,986,904
Operating lease liabilities, net	20,898,350	-	-	-	20,898,350
Due to affiliates	1,466,626	527,718	15,850,872	(17,845,216)	-
Total liabilities	36,210,273	1,686,925	31,239,289	(17,845,216)	51,291,271
	-				
Net assets:					
Without donor restrictions:					
Undesignated	39,498,555	-	33,258,978	(33,258,978)	39,498,555
Designated for reserves and development	137,761,612	2,892,624	132,073,716	(132,073,716)	140,654,236
	177,260,167	2,892,624	165,332,694	(165,332,694)	180,152,791
With donor restrictions	14,549,270	11,138	-	-	14,560,408
	191,809,437	2,903,762	165,332,694	(165,332,694)	194,713,199
	$ 228,019,710	$ 4,590,687	$ 196,571,983	$ (183,177,910)	$ 246,004,470

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2024

	CSBS	Foundation	SRR	Eliminations	Total
Revenue:					
NMLS processing fees	$ -	$ -	$ 61,140,043	$ -	$ 61,140,043
NMLS professional services, net	-	-	11,916,192	-	11,916,192
Dues	7,230,554	-	-	-	7,230,554
Registration fees	110,385	1,970,578	323,514	-	2,404,477
Accreditation of banking and mortgage departments	-	244,000	-	-	244,000
Other income	8,000	20,000	-	-	28,000
Investment income, net	1,610,562	140,364	6,445,978	-	8,196,904
Grants from affiliates	2,195,000	2,394,893	-	(4,589,893)	-
Gain on equity investment in subsidiary	7,648,245	-	-	(7,648,245)	-
Total revenue without donor restrictions	18,802,746	4,769,835	79,825,727	(12,238,138)	91,160,170
Expenses:					
Direct program expenses:					
NMLS and SES system operations	-	-	20,551,092	-	20,551,092
NMLS—call center	-	-	5,094,139	-	5,094,139
NMLS professional services	-	-	777,782	-	777,782
Professional services—legal, audit and other	291,645	435,721	3,946,074	-	4,673,440
Staff, board and member travel and meetings	464,462	1,988,617	1,468,825	-	3,921,904
Grants to affiliates	957,957	-	3,631,936	(4,589,893)	-
Staffing and administrative expenses:					-
Salaries and benefits	7,592,516	1,804,276	28,574,303	-	37,971,095
Technology and general office	617,753	492,739	6,315,273	-	7,425,765
Rent and occupancy	533,468	48,482	1,818,058	-	2,400,008
Total expenses	10,457,801	4,769,835	72,177,482	(4,589,893)	82,815,225
Change in net assets	8,344,945	-	7,648,245	(7,648,245)	8,344,945
Net assets:					
Beginning	183,464,492	2,903,762	157,684,449	(157,684,449)	186,368,254
Ending	$ 191,809,437	$ 2,903,762	$ 165,332,694	$ (165,332,694)	$ 194,713,199