

276



State of New Hampshire Banking Department

53 Regional Drive, Suite 200
Concord, New Hampshire 03301

Telephone: (603) 271-3561

57

May 5, 2025

Her Excellency, Governor Kelly A. Ayotte
And the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Authorize the New Hampshire Banking Department to enter into a **sole source** contract with the Conference of State Bank Supervisors Education Foundation ("CSBSEF") (Vendor No. 406085), 1300 I. Street, N.W., Washington, D.C., 20005, for an amount not to exceed \$60,000 for the purpose of accrediting the Banking Department through CSBSEF. The contract is effective upon Governor and Council approval through May 21, 2030. 100% Other Funds

Funds are available for payment of the fees and expenses associated with this contract from the accounts entitled the Consumer Credit Division and the Banking Division contingent on budget approval for Fiscal Years 2026-2030, as follows:

010-072-072--20460000-026-500251

AU	Class	FY25	FY26	FY27	FY28	FY29	FY30	Total
2046	026-500251	\$10,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$30,000

010-072-072--20430000-026-500251

AU	Class	FY25	FY26	FY27	FY28	FY29	FY30	Total
2043	026-500251	\$10,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$30,000

EXPLANATION

The contract with CSBSEF is requested as **sole source** because this program is the only accreditation program available for state bank regulators. No statewide contract is available to provide the services contemplated by the contract.

The CSBSEF is the only regulator-focused accreditation organization that supports state bank regulators in the supervision of the banking, mortgage, and money services businesses ("MSB") industries. CSBSEF performs audits to accredit state bank regulators in each of these three areas. This accreditation process helps standardize regulatory processes, demonstrates the regulator has satisfied accepted principles for supervision, and strengthens state regulation through the application of these shared standards. The majority of state banking regulators are accredited through the CSBSEF in one or more of the three accreditation program areas. The Banking Department has been accredited under

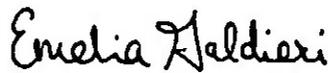
the Mortgage Accreditation Program since 2014 and the Banking Accreditation Program since 2019. The Banking Department has not been accredited under the MSB Program previously. The Banking Department seeks to obtain accreditation in the MSB Program and reaccreditation for the mortgage and banking programs at this time.

The accreditation programs involve a comprehensive review of the critical elements that assure a bank regulator's ability to discharge its responsibilities through an investigation of its administration and finances, personnel policies and practices, training programs, examination policies and practices, supervisory procedures, and statutory powers. In setting high standards, CSBSEF is supporting public interest goals by identifying highly competent bank regulators and strengthening the capabilities of all agencies.

Under the terms of the contract, CSBSEF agrees to provide an evaluation of the Banking Department that includes an in-depth review of the Banking Department's policies, procedures, and operations to determine if it meets the standards set forth by the CSBSEF Performance Standards Committee in the areas of banking, mortgage, and MSB supervision. The contract provides for the payment of dues by the Banking Department on a yearly basis of \$8,000 through May 21, 2030, and a one-time reimbursement of vendor direct expenses associated with evaluating the Banking Department for compliance with the accreditation programs in an amount not to exceed \$20,000. Any and all payments to CSBSEF are contingent upon the availability and continued appropriation of funds, and in no event shall the Banking Department be liable for any payments in excess of such available appropriated funds. In the event of a reduction or termination of appropriated funds, the Banking Department shall have the right under the contract to withhold payment until such funds become available, if ever.

The contract has been approved by the Attorney General as to form and execution and the Department has verified that the necessary funds are available. Subsequent to Governor and Council approval, a copy of the fully executed contract will be on file at the Banking Department.

Sincerely,


Emelia A.S. Galdieri
Bank Commissioner

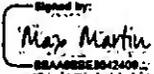
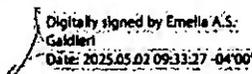
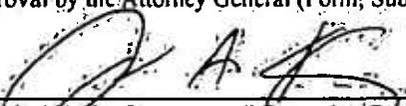
Notice: This agreement and all of its attachments shall become public upon submission to Governor and Executive Council for approval. Any information that is private, confidential or proprietary must be clearly identified to the agency and agreed to in writing prior to signing the contract.

AGREEMENT

The State of New Hampshire and the Contractor hereby mutually agree as follows:

GENERAL PROVISIONS

1. IDENTIFICATION.

1.1 State Agency Name New Hampshire Banking Department		1.2 State Agency Address 53 Regional Drive, Suite 200, Concord, New Hampshire 03301	
1.3 Contractor Name Conference of State Bank Supervisors Education Foundation		1.4 Contractor Address 1300 I Street NW, Suite 700 East, Washington, D.C., 20005	
1.5 Contractor Phone Number 202 899 3077	1.6 Account Unit and Class 2043 026-500251 2046 026-500251	1.7 Completion Date 5/21/2030	1.8 Price Limitation \$60,000.00
1.9 Contracting Officer for State Agency Emelia Galdieri, Bank Commissioner		1.10 State Agency Telephone Number 603:271 3561	
1.11 Contractor Signature  Date: 4/29/2025		1.12 Name and Title of Contractor Signatory Max Martin Senior Vice President, Chief Learning Officer	
1.13 State Agency Signature Emelia A.S. Galdieri  Date: 2025.05.07 09:33:27 -04'00'		1.14 Name and Title of State Agency Signatory Emelia Galdieri, Bank Commissioner	
1.15 Approval by the N.H. Department of Administration, Division of Personnel (if applicable) By: _____ On: _____ Director, On:			
1.16 Approval by the Attorney General (Form, Substance and Execution) (if applicable) By:  On: 5/2/25			
1.17 Approval by the Governor and Executive Council (if applicable) G&C Item number: _____ G&C Meeting Date: _____			

2. SERVICES TO BE PERFORMED. The State of New Hampshire, acting through the agency identified in block 1.1 ("State"), engages contractor identified in block 1.3 ("Contractor") to perform, and the Contractor shall perform, the work or sale of goods, or both, identified and more particularly described in the attached EXHIBIT B which is incorporated herein by reference ("Services").

3. EFFECTIVE DATE/COMPLETION OF SERVICES.

3.1 Notwithstanding any provision of this Agreement to the contrary, and subject to the approval of the Governor and Executive Council of the State of New Hampshire, if applicable, this Agreement, and all obligations of the parties hereunder, shall become effective on the date the Governor and Executive Council approve this Agreement, unless no such approval is required, in which case the Agreement shall become effective on the date the Agreement is signed by the State Agency as shown in block 1.13 ("Effective Date").

3.2 If the Contractor commences the Services prior to the Effective Date, all Services performed by the Contractor prior to the Effective Date shall be performed at the sole risk of the Contractor, and in the event that this Agreement does not become effective, the State shall have no liability to the Contractor, including without limitation, any obligation to pay the Contractor for any costs incurred or Services performed.

3.3 Contractor must complete all Services by the Completion Date specified in block 1.7.

4. CONDITIONAL NATURE OF AGREEMENT.

Notwithstanding any provision of this Agreement to the contrary, all obligations of the State hereunder, including, without limitation, the continuance of payments hereunder, are contingent upon the availability and continued appropriation of funds. In no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or termination of appropriated funds by any state or federal legislative or executive action that reduces, eliminates or otherwise modifies the appropriation or availability of funding for this Agreement and the Scope for Services provided in EXHIBIT B, in whole or in part, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to reduce or terminate the Services under this Agreement immediately upon giving the Contractor notice of such reduction or termination. The State shall not be required to transfer funds from any other account or source to the Account identified in block 1.6 in the event funds in that Account are reduced or unavailable.

5. CONTRACT PRICE/PRICE LIMITATION/ PAYMENT.

5.1 The contract price, method of payment, and terms of payment are identified and more particularly described in EXHIBIT C which is incorporated herein by reference.

5.2 Notwithstanding any provision in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no event shall the total of all payments authorized, or actually made hereunder, exceed the Price Limitation set forth in block 1.8. The payment by the State of the contract price shall be the only and the complete reimbursement to the Contractor for all expenses, of whatever nature incurred by the Contractor in the performance

hereof, and shall be the only and the complete compensation to the Contractor for the Services.

5.3 The State reserves the right to offset from any amounts otherwise payable to the Contractor under this Agreement those liquidated amounts required or permitted by N.H. RSA 80:7 through RSA 80:7-c or any other provision of law.

5.4 The State's liability under this Agreement shall be limited to monetary damages not to exceed the total fees paid. The Contractor agrees that it has an adequate remedy at law for any breach of this Agreement by the State and hereby waives any right to specific performance or other equitable remedies against the State.

6. COMPLIANCE BY CONTRACTOR WITH LAWS AND REGULATIONS/EQUAL EMPLOYMENT OPPORTUNITY.

6.1 In connection with the performance of the Services, the Contractor shall comply with all applicable statutes, laws, regulations, and orders of federal, state, county or municipal authorities which impose any obligation or duty upon the Contractor, including, but not limited to, civil rights and equal employment opportunity laws and the Governor's order on Respect and Civility in the Workplace, Executive order 2020-01. In addition, if this Agreement is funded in any part by monies of the United States, the Contractor shall comply with all federal executive orders, rules, regulations and statutes, and with any rules, regulations and guidelines as the State or the United States issue to implement these regulations. The Contractor shall also comply with all applicable intellectual property laws.

6.2 During the term of this Agreement, the Contractor shall not discriminate against employees or applicants for employment because of age, sex, sexual orientation, race, color, marital status, physical or mental disability, religious creed, national origin, gender identity, or gender expression, and will take affirmative action to prevent such discrimination, unless exempt by state or federal law. The Contractor shall ensure any subcontractors comply with these nondiscrimination requirements.

6.3 No payments or transfers of value by Contractor or its representatives in connection with this Agreement have or shall be made which have the purpose or effect of public or commercial bribery, or acceptance of or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining business.

6.4. The Contractor agrees to permit the State or United States access to any of the Contractor's books, records and accounts for the purpose of ascertaining compliance with this Agreement and all rules, regulations and orders pertaining to the covenants, terms and conditions of this Agreement.

7. PERSONNEL.

7.1 The Contractor shall at its own expense provide all personnel necessary to perform the Services. The Contractor warrants that all personnel engaged in the Services shall be qualified to perform the Services, and shall be properly licensed and otherwise authorized to do so under all applicable laws.

7.2 The Contracting Officer specified in block 1.9, or any successor, shall be the State's point of contact pertaining to this Agreement.

Contractor Initials AA
Date 4/29/2025

8. EVENT OF DEFAULT/REMEDIES.

8.1 Any one or more of the following acts or omissions of the Contractor shall constitute an event of default hereunder ("Event of Default"):

- 8.1.1 failure to perform the Services satisfactorily or on schedule;
- 8.1.2 failure to submit any report required hereunder; and/or
- 8.1.3 failure to perform any other covenant, term or condition of this Agreement.

8.2 Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:

- 8.2.1 give the Contractor a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) calendar days from the date of the notice; and if the Event of Default is not timely cured, terminate this Agreement, effective two (2) calendar days after giving the Contractor notice of termination;
- 8.2.2 give the Contractor a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the contract price which would otherwise accrue to the Contractor during the period from the date of such notice until such time as the State determines that the Contractor has cured the Event of Default shall never be paid to the Contractor;
- 8.2.3 give the Contractor a written notice specifying the Event of Default and set off against any other obligations the State may owe to the Contractor any damages the State suffers by reason of any Event of Default; and/or
- 8.2.4 give the Contractor a written notice specifying the Event of Default, treat the Agreement as breached, terminate the Agreement and pursue any of its remedies at law or in equity, or both.

9. TERMINATION.

9.1 Notwithstanding paragraph 8, the State may, at its sole discretion, terminate the Agreement for any reason, in whole or in part, by thirty (30) calendar days written notice to the Contractor that the State is exercising its option to terminate the Agreement.

9.2 In the event of an early termination of this Agreement for any reason other than the completion of the Services, the Contractor shall, at the State's discretion, deliver to the Contracting Officer, not later than fifteen (15) calendar days after the date of termination, a report ("Termination Report") describing in detail all Services performed, and the contract price earned, to and including the date of termination. In addition, at the State's discretion, the Contractor shall, within fifteen (15) calendar days of notice of early termination, develop and submit to the State a transition plan for Services under the Agreement.

10. PROPERTY OWNERSHIP/DISCLOSURE.

10.1 As used in this Agreement, the word "Property" shall mean all data, information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations, computer programs, computer printouts, notes, letters, memoranda, papers, and documents, all whether finished or unfinished.

10.2 All data and any Property which has been received from the State, or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason.

10.3 Disclosure of data, information and other records shall be governed by N.H. RSA chapter 91-A and/or other applicable law. Disclosure requires prior written approval of the State.

11. CONTRACTOR'S RELATION TO THE STATE. In the performance of this Agreement the Contractor is in all respects an independent contractor, and is neither an agent nor an employee of the State. Neither the Contractor nor any of its officers, employees, agents or members shall have authority to bind the State or receive any benefits, workers' compensation or other emoluments provided by the State to its employees.

12. ASSIGNMENT/DELEGATION/SUBCONTRACTS.

12.1 Contractor shall provide the State written notice at least fifteen (15) calendar days before any proposed assignment, delegation, or other transfer of any interest in this Agreement. No such assignment, delegation, or other transfer shall be effective without the written consent of the State.

12.2 For purposes of paragraph 12, a Change of Control shall constitute assignment. "Change of Control" means (a) merger, consolidation, or a transaction or series of related transactions in which a third party, together with its affiliates, becomes the direct or indirect owner of fifty percent (50%) or more of the voting shares or similar equity interests, or combined voting power of the Contractor, or (b) the sale of all or substantially all of the assets of the Contractor.

12.3 None of the Services shall be subcontracted by the Contractor without prior written notice and consent of the State.

12.4 The State is entitled to copies of all subcontracts and assignment agreements and shall not be bound by any provisions contained in a subcontract or an assignment agreement to which it is not a party.

13. INDEMNIFICATION. The Contractor shall indemnify, defend, and hold harmless the State, its officers, and employees from and against all actions, claims, damages, demands, judgments, fines, liabilities, losses, and other expenses, including, without limitation, reasonable attorneys' fees, arising out of or relating to this Agreement directly or indirectly arising from death, personal injury, property damage, intellectual property infringement, or other claims asserted against the State, its officers, or employees caused by the acts or omissions of negligence, reckless or willful misconduct, or fraud by the Contractor, its employees, agents, or subcontractors. The State shall not be liable for any costs incurred by the Contractor arising under this paragraph 13. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the State's sovereign immunity, which immunity is hereby reserved to the State. This covenant in paragraph 13 shall survive the termination of this Agreement.

Contractor Initials
 Date
 4/29/2025

14. INSURANCE.

14.1 The Contractor shall, at its sole expense, obtain and continuously maintain in force, and shall require any subcontractor or assignee to obtain and maintain in force, the following insurance:

14.1.1 commercial general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than \$1,000,000 per occurrence and \$2,000,000 aggregate or excess; and

14.1.2 special cause of loss coverage form covering all Property subject to subparagraph 10.2 herein, in an amount not less than 80% of the whole replacement value of the Property.

14.2 The policies described in subparagraph 14.1 herein shall be on policy forms and endorsements approved for use in the State of New Hampshire by the N.H. Department of Insurance, and issued by insurers licensed in the State of New Hampshire.

14.3 The Contractor shall furnish to the Contracting Officer identified in block 1.9, or any successor, a certificate(s) of insurance for all insurance required under this Agreement. At the request of the Contracting Officer, or any successor, the Contractor shall provide certificate(s) of insurance for all renewal(s) of insurance required under this Agreement. The certificate(s) of insurance and any renewals thereof shall be attached and are incorporated herein by reference.

15. WORKERS' COMPENSATION.

15.1 By signing this agreement, the Contractor agrees, certifies and warrants that the Contractor is in compliance with or exempt from, the requirements of N.H. RSA chapter 281-A ("*Workers' Compensation*").

15.2 To the extent the Contractor is subject to the requirements of N.H. RSA chapter 281-A, Contractor shall maintain, and require any subcontractor or assignee to secure and maintain, payment of Workers' Compensation in connection with activities which the person proposes to undertake pursuant to this Agreement. The Contractor shall furnish the Contracting Officer identified in block 1.9, or any successor, proof of Workers' Compensation in the manner described in N.H. RSA chapter 281-A and any applicable renewal(s) thereof, which shall be attached and are incorporated herein by reference. The State shall not be responsible for payment of any Workers' Compensation premiums or for any other claim or benefit for Contractor, or any subcontractor or employee of Contractor, which might arise under applicable State of New Hampshire Workers' Compensation laws in connection with the performance of the Services under this Agreement.

16. WAIVER OF BREACH. A State's failure to enforce its rights with respect to any single or continuing breach of this Agreement shall not act as a waiver of the right of the State to later enforce any such rights or to enforce any other or any subsequent breach.

17. NOTICE. Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses given in blocks 1.2 and 1.4, herein.

18. AMENDMENT. This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Executive Council of the State of New Hampshire unless no such approval is required under the circumstances pursuant to State law, rule or policy.

19. CHOICE OF LAW AND FORUM.

19.1 This Agreement shall be governed, interpreted and construed in accordance with the laws of the State of New Hampshire except where the Federal supremacy clause requires otherwise. The wording used in this Agreement is the wording chosen by the parties to express their mutual intent, and no rule of construction shall be applied against or in favor of any party.

19.2 Any actions arising out of this Agreement, including the breach or alleged breach thereof, may not be submitted to binding arbitration, but must, instead, be brought and maintained in the Merrimack County Superior Court of New Hampshire which shall have exclusive jurisdiction thereof.

20. CONFLICTING TERMS. In the event of a conflict between the terms of this P-37 form (as modified in EXHIBIT A) and any other portion of this Agreement including any attachments thereto, the terms of the P-37 (as modified in EXHIBIT A) shall control.

21. THIRD PARTIES. This Agreement is being entered into for the sole benefit of the parties hereto, and nothing herein, express or implied, is intended to or will confer any legal or equitable right, benefit, or remedy of any nature upon any other person.

22. HEADINGS. The headings throughout the Agreement are for reference purposes only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

23. SPECIAL PROVISIONS. Additional or modifying provisions set forth in the attached EXHIBIT A are incorporated herein by reference.

24. FURTHER ASSURANCES. The Contractor, along with its agents and affiliates, shall, at its own cost and expense, execute any additional documents and take such further actions as may be reasonably required to carry out the provisions of this Agreement and give effect to the transactions contemplated hereby.

25. SEVERABILITY. In the event any of the provisions of this Agreement are held by a court of competent jurisdiction to be contrary to any state or federal law, the remaining provisions of this Agreement will remain in full force and effect.

26. ENTIRE AGREEMENT. This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire agreement and understanding between the parties, and supersedes all prior agreements and understandings with respect to the subject matter hereof.

Contractor Initials MM
Date 4/29/2025

EXHIBIT A

1. **Certification:** The Contractor certifies that it has not been convicted of bribery or attempting to bribe an officer or employee of any state or government, nor has the Contractor made an admission of guilt of such conduct which is a matter of record, nor has any official, agent or employee of the Contractor been so convicted nor made such admission of bribery on behalf of the Contractor and pursuant to the direction or authorization of a responsible official of the Contractor.
2. **Termination:** Prior to expiration of this Agreement's five-year term, this Agreement may be terminated by either Party upon written notice given thirty (30) days in advance. Upon termination, and subject to the conditions provided for in Exhibit C of this Agreement, the Contractor shall be paid for work satisfactorily completed or costs incurred prior to the date of termination.
3. **Work Product:** All documents, including reports and all other work products produced by the Contractor under this contract, shall become and remain the property of the State and of the Contractor. The Contractor shall not share the Work Product with any third party without permission of the State.
4. **Conflict of Interest:** Contractor agrees to comply with the provisions of New Hampshire State Statutes prohibiting conflict of interests.
5. **Re-accreditation:** State acknowledges that initial accreditation (or re-accreditation) does not create any guarantee of, or presumption toward, any subsequent re-accreditation and that each accreditation and each re-accreditation are independently conducted.
6. **No Waiver of Privilege:** Any communication of information, whether written, oral, electronic, or any other form, between the Parties to this Agreement does not waive and shall not be deemed a waiver of any claim of privilege.
7. **Confidentiality:** Contractor and State each acknowledge that as part of the accreditation/reaccreditation process they may be furnished with, receive, or otherwise have access to information of the other Party that is confidential by law (Confidential Information). The Parties agree that the State's records relating to investigations, examinations and any other matter that is confidential by law, will be subject to review under the accreditation/reaccreditation process but shall not be disclosed to any third party by the Contractor except as provided herein. Each Party's Confidential Information shall remain the property of that Party. Each Party shall maintain all of the other Party's Confidential Information in strict confidence. Except as provided in this Agreement, a Party shall not use or disclose any Confidential Information of the other Party without the express prior written consent of such other Party.
 - (a) **Use to Perform Agreement:** Each Party may disclose Confidential Information of the other Party only to those employees, agents, and subcontractors with a need to use the information to perform such Party's obligations under this Agreement and who are bound to preserve the confidentiality thereof under an executed non-disclosure agreement with obligations equivalent to those in section 7 of Exhibit A of this

Contractor Initials:

AA

Date: 4/29/2025

EXHIBIT A

Agreement.

- (b) Notice of Potential Disclosure: If any communication or document under this Agreement is subject to any order, subpoena, discovery request, or other form of compulsory process in any mechanism, or to any public access, Freedom of Information request, or Right-to-Know request, the Party subject to the request or compulsory process: (1) shall immediately notify in writing the other Party to this Agreement of the request so that the notified Party may take such action as it deems appropriate to preserve and assert all applicable privileges; (2) shall cooperate with the other Party to this Agreement in preserving and asserting any privileges; and (3) shall refrain from disclosing such communication or document pending a determination regarding disclosure by a court or other tribunal of competent jurisdiction or obtaining the written assent of the other Party to disclose.
- (c) Return: As requested by either Party during the Term, upon termination of this Agreement, or upon completion of a Party's obligations under this Agreement: (a) each Party shall return or destroy all Confidential Information received or obtained from the other Party and (b) in the case of Contractor, Contractor shall (as elected by State in its sole discretion) return or destroy all Confidential Information created or received by Contractor on behalf of State; provided however, that each Party may retain archival copies as necessary to comply with document retention laws and regulations, and provided further that a Party shall have no obligation to destroy any Confidential Information that is subject to a claim, dispute, or lawsuit or in any other circumstances in which such Party reasonably believes that destruction of Confidential Information would be unethical or unlawful. The Parties' obligations respecting Confidential Information shall survive termination or expiration of this Agreement.

Contractor Initials: 

Date: 4/29/2025

EXHIBIT B

Services: The Contractor agrees to provide an evaluation of the State, as described in the following “CSBS Accreditation Program Overview for Banking, Mortgage, and Money Service Business (MSB) as of January 3, 3023”:

Introduction

The CSBS Accreditation involves an in-depth review of an agency’s policies, procedures, and operations to determine if it meets the standards set forth by the Performance Standards Committee (PSC). A state seeking accreditation for the first time or a state seeking its five-year re-accreditation must complete the self-evaluation questionnaire (SEQ), which includes several sections broken into multiple topics. The agency is asked to answer a series of questions and rate themselves against the corresponding standard. The agency can add documentation to support its answers and ratings.

It is hoped your responses to the statements and questions will address much of the criteria needed by the onsite accreditation team to gain an understanding of how your agency operates. However, narrative space has been provided for each area to allow the agency to better address items and information it feels has not been fully covered by the statements and questions previously asked. Narrative responses should be kept concise as they each have a character limit. The use of the narrative space is optional by the agency. If your responses need further explanation or description, you may add attachments to support your rating.

Following completion and submission of the SEQ, the agency will be evaluated by a review team, made up of experienced financial regulators. This review involves an in-depth on-site review of the agency’s work product and interviews with key personnel. The review team will also rate the agency against the standards, and compute the scores and provide its immediate feedback to the agency. The review team will then draft and submit a report to the PSC, which outlines the recommendations for the agency, provides the final score and if the agency has met the minimum standards set forth in the program. The decision to accredit an agency is the sole responsibility of the PSC, and the final decision will be communicated to the agency by the PSC Chair.

Principles of Accreditation

The bank accreditation program evaluates several principles as outlined below. The program is designed to determine if the agency has:

1. The legal authority to charter, examine, supervise and regulate all state-chartered banks consistent with basic principles of safety and soundness, and protection of the public interest.
2. The demonstrated capability to conduct safety and soundness examinations of state-chartered banks within acceptable time limits. This capability should be supported by a combination of active monitoring and review of federal examinations and other methods in a manner consistent with state statutes, safety and soundness and the public interest.
3. Specialized capabilities as required in each state to assure safety and soundness of all state-chartered banks and full compliance with statutes.
4. Adequate qualified staff with expertise to charter, examine, supervise and regulate all state-chartered banks and to perform other departmental functions and responsibilities.
5. A policy, statutory or departmental, which requires an adequate examination frequency based on

Contractor Initials: AAI

Date: 4/29/2025

EXHIBIT B

the risk profile of the state-chartered financial institutions, and the ability to meet the frequency policy.

6. Adequate statutory authority for the department to carry out its duties and responsibilities independently, including authority to take formal enforcement action(s).
7. Adequate funding to achieve all above-mentioned criteria.

The mortgage accreditation program evaluates several principles as outlined below. The program is designed to determine if the agency has:

1. The legal authority to license, examine, supervise and regulate its state-licensed mortgage companies (lenders, brokers, or servicers) consistent with basic principles of consumer protection, effective management oversight and acceptable financial condition.
2. The demonstrated capability to conduct examinations of state-licensed mortgage companies within acceptable time limits. This capability should be supported by a combination of active monitoring, acceptable complaint processing procedures, review of applicable federal reports and other methods in a manner consistent with state statutes and consumer protection standards.
3. Specialized capabilities as required in each state to assure effective management oversight and acceptable financial condition of its state-licensed mortgage companies and full compliance with both state and federal statutes.
4. Adequate qualified staff with expertise to license, examine, supervise and regulate all state-licensed mortgage companies and to perform other agency functions and responsibilities.
5. A policy or statutory authority which requires an adequate examination frequency based on the risk profiles of their state-licensed mortgage companies, and the ability to meet the frequency policy.
6. Adequate statutory authority for the agency to carry out its duties and responsibilities independently, including authority to take formal enforcement action in addition to revocation of a license.
7. Adequate funding to achieve all above-mentioned criteria.

The Money Services Businesses (MSB) accreditation program evaluates the principles outlined below. The program is designed to determine if the agency has:

1. The legal authority to license, examine, and supervise state-licensed MSBs consistent with basic principles of consumer protection, effective management oversight, and acceptable financial condition.
2. The demonstrated ability to regularly participate in a multi-state system of state supervision of MSBs.
3. The statutory authority for an adequate examination frequency based on the risk profiles of their state-licensed MSBs, and the ability to meet the frequency either by conducting exams or accepting reports of examination from another state.
4. Adequate qualified staff with expertise to license, examine, and supervise all state-licensed MSBs, and to perform other agency functions and responsibilities.
5. Adequate funding to achieve these principles.

Rating Scale

Agencies and Review Teams will evaluate the agency against each standard, and assign a rating of 3, 2, 1,

Contractor Initials:

Date:

AK

4/29/2025

EXHIBIT B

or 0. Below is the rating scale including some sample narrative and definitions for each point value on the scale.

Rating	Definition	Descriptions
3 Points	Exceeds standard, no suggestions for improvement	Excellent Exceptional Outstanding Strong Proactive Much more than acceptable Surpasses expectations Significant evidence that the agency exceeds the standard Meets or exceeds requirements in spite of unusually challenging issues Work performed influences other agencies such as serving as model or motivating or inspiring others to perform better
2 Points	Meets standard, may or may not have suggestions for improvement	Good Acceptable Satisfactory Adequate Reactive Some of the major criteria for the standard were met; some deficiencies exist in the areas assessed but none of major concern Satisfactory evidence that the essential aspects of the standard are met Demonstrates proficiency in meeting the requirements of the standard
1 Point	Does not meet standard, significant improvement(s) required	Less than satisfactory Less than acceptable Significant weaknesses Insufficient or significantly below the requirements of the standard Inefficiencies cause difficulty in meeting standard Attempt made to address standard, but lack of evidence the standard is met
0 Points	Does not meet standard, major deficiencies exist; Not performed	Significantly below requirements of the standard Much less than acceptable Major deficiencies/problems evident Describes/demonstrates insufficient skills to meet criteria of the standard Describes/demonstrates counter-productive practices/procedures that can result in negative outcomes or consequences (make the situation worse) Not Active Poor performance Significant improvement required in the short-term

Contractor Initials: MM

Date: 4/29/2025

EXHIBIT B

NOTE FOR RATINGS: When the standard states “must”, the agency will be required to demonstrate its ability to meet those aspects of the standard to obtain a 2 rating. If the standard states “should”, the Review Team is given greater discretion in determining if the agency has met the critical components of the standard.

Accreditation Scoring System

The scoring system is a tool used by the agency and the review team to determine if the agency meets the requirements of the program. The final decision of accreditation is the decision of the PSC, based on the overall adequacy of the agency to abide by the principles of the program listed in the SEQ. Agencies with scores that do not meet the minimum passing score(s) may be denied accreditation or subject to corrective action for a defined period of time, as determined by the PSC.

Each standard within the section has an assigned value, which is multiplied by the rating to produce a score. The standards have values ranging from 3 to 40, with the higher values being most important (see values of all standards listed below). The scores are added together for each section, and to obtain a passing score, an agency must obtain the minimum scores listed below.

The SEQ consists of four or five sections, with the following maximum points available and passing scores for each section, and overall:

Bank Accreditation Sections

Section	Max Score	Passing Score
1. Administration and Finance	240	120_
2. Personnel and Training	240	120_
3. Bank Examination Policies and Procedures	330	181
4. Bank Examination Capabilities	480	264*
5. Bank Supervision and Legislation	300	165_
Overall Score	1,590	875*

** For agencies that supervise large banks -OR- international banks/branches, max score for this section is 525, with passing score of 289. For agencies that supervise BOTH large banks and international banks/branches, max score for this section is 570, with passing score of 314. The overall scores will be adjusted accordingly, as well.*

Mortgage Accreditation Sections

Section	Max Score	Passing Score
1. Administration and Finance	240	120_
2. Personnel and Training	240	120_
6. Mortgage Examination Program	870	479
7. Mortgage Supervision and Legislation	300	165_
Overall Score	1,650	908

Contractor Initials: MM

Date: 4/29/2025

EXHIBIT B

** For agencies that have the authority to examine mortgage services, max score for this section is 870, with passing score of 479. The overall scores will be adjusted accordingly, as well.*

MSB Accreditation Sections

Section	Max Score	Passing Score
1. Administration and Finance	240	120_
2. Personnel and Training	240	120_
12. MSB Examination Program	930	520
13. MSB Supervision and Legislation	510	280
Overall Score	1,920	1,056

Sections of the SEQ

Section 1 – Administration and Finance

(this section is applicable to bank and mortgage accreditation)

Max Score = 240, Passing Score = 120

NAME OF STANDARD	VALUE	MAX SCORE
1-A-1. Mission Statement and Strategic Plan & Org Chart	5	15
1-A-2. Succession Planning and Organization Chart	3	9
1-B. Internal Communication	5	15
1-C. Communication with Other Regulatory Agencies	5	15
1-D. Communication with Industry	5	15
1-E. Consumer Education / Financial Literacy	4	12
1-F. Access to Legal Assistance	5	15
1-G. Agency Physical Facilities	3	9
1-H. Business Continuity Plan	5	15
1-I. Technology Infrastructure and Cybersecurity	16	48
1-J. Budget Revenue / Contingency Plan	12	36
1-K. Budget Expenses / Supplemental Budgets	12	36

Contractor Initials: NA

Date: 4/29/2025

EXHIBIT B

Section 2 – Personnel and Training
(this section is applicable to bank and mortgage accreditation)
 Max Score = 240, Passing Score = 120

NAME OF STANDARD	VALUE	MAX SCORE
2-A. Personnel Manual	5	15
2-B. Job Descriptions	5	15
2-C. Hiring Policies	5	15
2-D. Promotional Opportunities / Pay for Performance	5	15
2-E. Performance Appraisal Process	5	15
2-F. Adequacy of Salaries and Benefits	10	30
2-G. Training Coordinator / Evaluations	5	15
2-H. Policy on Examiner Training	5	15
2-I. Training Procedures and On-The-Job Training	10	30
2-J. Exit Meeting Training	5	15
2-K. Support of External Academic Training	5	15
2-L. Adequacy of Training Funds	15	45

Section 3 – Bank Examination Policies and Procedures
(this section is only applicable to bank accreditation)
 Max Score = 330, Passing Score = 181

NAME OF STANDARD	VALUE	MAX SCORE
3-A. Examination Frequency Policy/Ability to Meet Policy	40	120
3-B. Agreements with Federal Regulators	10	30
3-C. Interstate Banking Policy/Procedures	10	30
3-D. Examination Manuals	20	60
3-E. Examination Procedures/Preplanning	10	30
3-F. Review and Transmittal of Report	10	30
3-G. Working Paper Preparation and Review	10	30

Contractor Initials: N/A

Date: 4/29/2025

EXHIBIT B

Section 4 – Bank Examination Capabilities
(this section is only applicable to bank accreditation)
 Max Score = 480, Passing Score = 264*

NAME OF STANDARD	VALUE	MAX SCORE
4-A. Banks-Assessment of CAMELS	40	120
4-B. Trust (companies and departments)	20	60
4-C. IT Examination and Cybersecurity	20	60
4-D. Large Bank Supervision*	15	45
4-E. International Banking*	15	45
4-F. Capital Markets	10	30
4-G. Bank Holding Companies	10	30
4-H. Third-party Service Providers (TSPs)	10	30
4-I. Compliance with Laws and Regulations	10	30
4-J. Consumer Compliance Examinations	10	30
4-K. Problem Identification / Migration Analysis	10	30
4-L. Follow-up / Correction of Problems	20	60

Standards indicated by a (*) can be rated N/A if they are not applicable to the agency. An N/A rating will not impact the scoring. If those standards are rated, the total max score and passing score increases based on the value of the standard.

Section 5 – Bank Supervision and Legislation
(this section is only applicable to bank accreditation)
 Max Score = 300, Passing Score = 165

NAME OF STANDARD	VALUE	MAX SCORE
5-A. Surveillance System	20	60
5-B. Communication of Findings of Surveillance System	10	30
5-C. Applications	15	45
5-D. Adequacy of Enforcement Authority	15	45
5-E. Policy for and Use of Enforcement Authority	15	45
5-F. Frequency of Banking Code Review / Revision	5	15
5-G. Involvement in State Legislative Process	10	30
5-H. Involvement in Federal Legislative Process	5	15
5-I. Promulgation of Rules and Regulations	5	15

Contractor Initials: AAA
 Date: 4/29/2025

EXHIBIT B

Section 6 – Mortgage Examination Program
(this section is only applicable to mortgage accreditation)
 Max Score = 870, Passing Score = 479

NAME OF STANDARD	VALUE	MAX SCORE
6-A. Entrance Examination Policy	20	60
6-B. Examination Scheduling	30	90
6-C. Examination Policy on Risk Scoping	20	60
6-D. Accepting and Leveraging Other Examinations	10	30
6-E. Ability to Participate in Multi-State Exams	20	60
6-F. Examination Manuals	20	60
6-G. Review and Transmittal of Report	10	30
6-H. Working Paper Preparation and Retention	10	30
6-I. Ability to Examine Mortgage Licensees	30	90
6-J-1. Origination Examination Program - Financial Condition	10	30
6-J-2. Origination Examination Program - Board Oversight and Management	10	30
6-J-3. Origination Examination Program - Compliance Program	10	30
6-J-4. Origination Examination Program - Violations of Law and Consumer Harm	10	30
6-K-1. Servicing Examination Program - Financial Condition	10	30
6-K-2. Servicing Examination Program - Board Oversight and Management	10	30
6-K-3. Servicing Examination Program - Compliance Program	10	30
6-K-4. Servicing Examination Program - Violations of Law and Consumer Harm	10	30
6-L. Report of Examination	20	60
6-M. Follow-up Correction of Problems	10	30
6-N. Information Technology and Cybersecurity Examinations	10	30

Contractor Initials: NA

Date: 4/29/2025

EXHIBIT B

Section 7 – Mortgage Supervision and Legislation
(this section is only applicable to mortgage accreditation)

Max Score = 300, Passing Score = 165

NAME OF STANDARD	VALUE	MAX SCORE
7-A Complaint Resolution System	20	60
7-B Licensing/Renewal Process	15	45
7-D Enforcement Authority	15	45
7-E. Use of Enforcement Authority	15	45
7-F. Ability to Investigate Fraud and Abuse	10	30
7-G. Frequency of Banking Code Review/Revision	5	15
7-H. Involvement In State Legislative Process	10	30
7-I Involvement in Federal Legislative Process	5	15
7-J. Promulgation of Rules and Regulations	5	15

Note: Topic 7-C was removed as part of the January 2023 changes.

Section 12 – Money Services Businesses Examination Program
(this section is only applicable to MSB accreditation)

Max Score = 930, Passing Score = 520

NAME OF STANDARD	VALUE	MAX SCORE
12-A. Examination Frequency Policy	40	120
12-B. Risk Scoping Policy	25	75
12-C. Sharing and Accepting Reports	35	105
12-D. Participation in Multi-State Exams	35	105
12-E. Examination Manuals	20	60
12-F. Review and Transmittal of Report	15	45
12-G. Working Paper Retention	15	45
12-H. Staffing Capabilities	30	90
12-I. MSB Examination Work Program	40	120
12-J. Report of Examination	35	105
12-K. Follow-up Correction of Problems	20	60
TOTAL	310	930

Contractor Initials: AM

Date: 4/29/2025

EXHIBIT B

Section 13 – Money Services Businesses Supervision and Legislation
(this section is only applicable to MSB accreditation)

Max Score = 510 Passing Score = 280

NAME OF STANDARD	VALUE	MAX SCORE
13-A. Complaint Resolution System	25	75
13-B. Licensing/Renewal Process	35	105
13-C. Off-Site Monitoring Program	15	45
13-D. Enforcement Authority	35	105
13-E. Ability to Investigate	25	75
13-F. Frequency of Code Review / Revision*	20	60
13-G. Involvement in State Legislative Process*	15	45
TOTAL	170	510

Contractor Initials: 

Date: 4/29/2025

EXHIBIT C

The contract price, method of payment, and terms of payment are identified and more particularly described as follows:

1. **Compensation:** Any and all payments to the Contractor are contingent upon the availability and continued appropriation of funds, and in no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or termination of appropriated funds, the State shall have the right to withhold payment until such funds become available, if ever.

Subject to the conditions above, the State shall make payments to Contractor as follows:

(a) The Annual Banking Accreditation Fee for the State is \$4,000.00, which is due each year of this Agreement, including option periods, if applicable. If the State does not obtain bank re-accreditation, this fee would no longer be assessed.

(b) The Annual Mortgage Accreditation Fee for the State is \$2,000.00, which is due each year of this Agreement, including option periods, if applicable. This fee would no longer be assessed if the State does not obtain mortgage re-accreditation.

(c) The Annual MSB Accreditation Fee for the State is \$2,000.00, which is due each year of this Agreement, including option periods, if applicable. If the State does not obtain MSB accreditation, this fee will not be assessed.

(d) The State shall reimburse Contractor for direct expenses incurred during the 2025 accreditation / re-accreditation process, which shall not exceed \$20,000.00 total for the three accreditation/reaccreditation types listed above in sections 2(a)-(c) together.

2. **Billing:** Contractor shall submit invoices as follows:

(a) The Annual Accreditation Fee(s) will be invoiced on or about April 1st of each year.

(b) After completion of the accreditation or re-accreditation on-site review of the State, Contractor shall submit a bill for services rendered within sixty (60) days of the completion of the on-site review.

Contractor Initials: 

Date:

4/29/2025

Certificate of Authority

I, Margaret Liu, General Counsel of the Conference of State Bank Supervisors Education Foundation (CSBSEF) certify that Max Martin is CSBSEF's duly appointed Senior Vice President and has been duly authorized by CSBSEF Board of Trustees to act on behalf of CSBSEF, to sign the contract between CSBSEF and the State of New Hampshire, Banking Department.

IN WITNESS WHEREOF, I have executed this Certificate of Authority on this 24th day of

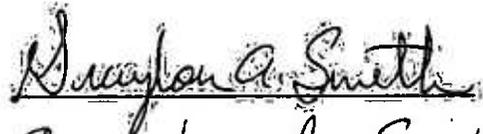
~~May~~, 2025
April



Margaret Liu, General Counsel

Virginia

Subscribed and sworn to before me on this 24th day of April, 2025, by Margaret Liu, General Counsel, on behalf of the Conference of State Bank Supervisors Education Foundation.



Print Name:

Graylon A. Smith

Notary Public, Virginia

Commission Expires: 05/31/2026

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Financial Report
December 31, 2023

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4-5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7-18
Independent auditor's report on the supplementary information	19
<hr/>	
Supplementary information	
Consolidating statement of financial position	20
Consolidating statement of activities	21
<hr/>	



RSM US LLP

Independent Auditor's Report

Board of Directors
Conference of State Bank Supervisors, Inc.

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CSBS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CSBS's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CSBS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CSBS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Washington, D.C.
May 14, 2024

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidated Statements of Financial Position
December 31, 2023 and 2022

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

See notes to consolidated financial statements.

Conference of State Bank Supervisors, Inc. and Affiliates

**Consolidated Statement of Activities
Year Ended December 31, 2023**

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

See notes to consolidated financial statements.

Conference of State Bank Supervisors, Inc. and Affiliates

**Consolidated Statement of Activities
Year Ended December 31, 2022**

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

See notes to consolidated financial statements.

Conference of State Bank Supervisors, Inc. and Affiliates

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

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

See notes to consolidated financial statements.

Conference of State Bank Supervisors, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

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

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

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

A summary of significant accounting policies follows:

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

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

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

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

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

Conference of State Bank Supervisors, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

SRR has various information technology applications that are currently in the process of being upgraded. SRR had capitalized work-in-progress development costs of \$2,753,776 and \$0 within the NMLS modernization category as of the years ended December 31, 2023 and 2022, respectively.

Conference of State Bank Supervisors, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

Conference of State Bank Supervisors, Inc. and Affiliates

Notes to Consolidated Financial Statements

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 precicensure requirements of the SAFE Act. These fees include state and national test fees, fingerprinting fees, credit report fees and course provider fees.

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

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

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

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

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

Conference of State Bank Supervisors, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

Conference of State Bank Supervisors, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

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

Note 2. Investments

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

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

Note 3. Fair Value Measurements

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

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

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

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

Conference of State Bank Supervisors, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 3. Fair Value Measurements (Continued)

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

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

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

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

Conference of State Bank Supervisors, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 4. Liquidity

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

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

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

Note 5. Deferred Compensation Plans

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

Note 6. Retirement Plan

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

Conference of State Bank Supervisors, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 7. Property and Equipment

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

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

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

Conference of State Bank Supervisors, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 8. Funds Held for Others

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

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

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

Note 9. Classifications of Net Assets

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

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

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

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

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

Conference of State Bank Supervisors, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 10. Commitments and Contingencies

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

Note 11. Leases

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

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

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

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

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

Conference of State Bank Supervisors, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 12. Functional Presentation of Expenses

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

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

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



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
Conference of State Bank Supervisors, Inc.

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

RSM US LLP

Washington, D.C.
May 14, 2024

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidating Statement of Financial Position
December 31, 2023

	CSBS	Foundation	SRR	Eliminations	Total
Assets					
Cash and cash equivalents	\$ 5,922,089	\$ 1,004,382	\$ 37,797,171	\$ -	\$ 44,723,642
Accounts receivable, net	542,832	167,491	1,255,326	-	1,965,449
Investments	24,248,202	2,208,964	112,920,768	-	139,377,934
Prepaid expenses and other	2,654,082	254,102	1,561,757	-	4,469,941
Deferred compensation investments	2,627,997	-	-	-	2,627,997
Operating lease right-of-use assets, net	11,579,019	-	-	-	11,579,019
Property and equipment, net	6,980,816	-	16,811,494	-	23,792,110
Due from affiliates	2,418,380	325,971	-	(2,744,351)	-
Investment in subsidiary	157,684,449	-	-	(157,684,449)	-
	<u>\$ 214,657,466</u>	<u>\$ 3,960,910</u>	<u>\$ 170,346,516</u>	<u>\$ (160,428,800)</u>	<u>\$ 228,536,092</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 2,655,907	\$ 264,248	\$ 8,326,249	\$ -	\$ 11,246,404
Deferred revenue	3,099,987	792,900	1,917,207	-	5,810,094
Funds held for others	1,971,225	-	-	-	1,971,225
Deferred compensation obligation	2,627,997	-	-	-	2,627,997
Operating lease liabilities, net	20,512,118	-	-	-	20,512,118
Due to affiliates	325,740	-	2,418,811	(2,744,351)	-
Total liabilities	<u>31,192,974</u>	<u>1,057,148</u>	<u>12,662,067</u>	<u>(2,744,351)</u>	<u>42,167,838</u>
Net assets:					
Without donor restrictions:					
Undesignated	23,792,110	-	16,811,494	(16,811,494)	23,792,110
Designated for reserves and development	145,118,912	2,892,624	140,872,955	(140,872,955)	148,011,536
	<u>168,911,022</u>	<u>2,892,624</u>	<u>157,684,449</u>	<u>(157,684,449)</u>	<u>171,803,646</u>
With donor restrictions					
	14,553,470	11,138	-	-	14,564,608
	<u>183,464,492</u>	<u>2,903,762</u>	<u>157,684,449</u>	<u>(157,684,449)</u>	<u>186,368,254</u>
	<u>\$ 214,657,466</u>	<u>\$ 3,960,910</u>	<u>\$ 170,346,516</u>	<u>\$ (160,428,800)</u>	<u>\$ 228,536,092</u>

Conference of State Bank Supervisors, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2023

	CSBS	Foundation	SRR	Eliminations	Total
Revenue:					
NMLS processing fees	\$ -	\$ -	\$ 59,319,820	\$ -	\$ 59,319,820
NMLS professional services, net	-	-	11,358,742	-	11,358,742
Dues	6,849,469	-	-	-	6,849,469
Registration fees	96,221	1,984,355	340,258	-	2,420,834
Accreditation of banking and mortgage departments	-	271,599	-	-	271,599
Other income	8,000	-	-	-	8,000
Investment income, net	2,064,582	180,802	6,735,967	-	8,981,351
Grants from affiliates	2,183,000	1,705,017	-	(3,888,017)	-
Loss on equity investment in subsidiary	7,190,096	-	-	(7,190,096)	-
Total revenue without donor restrictions	18,391,368	4,141,773	77,754,787	(11,078,113)	69,209,815
Expenses:					
Direct program expenses:					
NMLS and SES system operations	-	-	20,923,718	-	20,923,718
NMLS—call center	-	-	5,518,120	-	5,518,120
NMLS professional services	-	-	668,506	-	668,506
Professional services—legal, audit and other	451,594	518,188	4,829,204	-	5,798,986
Staff, board and member travel and meetings	356,529	1,810,504	1,207,446	-	3,374,479
Grants to affiliates	679,234	-	3,208,783	(3,888,017)	-
Staffing and administrative expenses:					
Salaries and benefits	8,590,745	1,317,007	26,956,016	-	36,863,768
Technology and general office	1,017,941	450,245	5,653,802	-	7,121,988
Rent and occupancy	248,536	45,829	1,599,096	-	1,893,461
Total expenses	11,344,579	4,141,773	70,564,691	(3,888,017)	82,163,026
Change in net assets	7,046,789	-	7,190,096	(7,190,096)	7,046,789
Net assets:					
Beginning	176,417,703	2,903,762	150,494,353	(150,494,353)	179,321,465
Ending	\$ 183,464,492	\$ 2,903,762	\$ 157,684,449	\$ (157,684,449)	\$ 186,368,254

CSBS EDUCATIONAL FOUNDATION BOARD OF TRUSTEES

Chair

Mr. Thomas C. Fite, Director, Indiana Department of Financial Institutions

Immediate Past Chair

Ms. Susannah T. Marshall, CEM, Bank Commissioner, Arkansas State Bank Department

Vice Chair

Ms. Ingrid White, Deputy Superintendent of Banks, Ohio Division of Financial Institutions

Treasurer

Mr. Kelly J. Lammers, Director, Nebraska Department of Banking and Finance

Secretary

Brandon Milthorn, President & CEO, CSBS

Members

Ms. Jennifer DeWitt, CCPE-II, Chief Administrative Officer, Massachusetts Division of Banks

Ms. Marilyn S. Davis, CSBE, Financial Institutions Manager, California Department of Financial Protection and Innovation

Mr. John Ahlen, Deputy Commissioner, Arkansas State Bank Department

Mr. Stephen Gordon, CEIC, Chief of Regulation and Supervision - Banks and Trust Companies, Oregon Division of Financial Regulation

Mr. Mark Hastie, Director of Non-Depository Financial Institutions, Minnesota Department of Commerce

Mr. Martin C. Lamb, CSBE, Senior Bank Examiner, Iowa Division of Banking

Ms. Patti Perkins, Director, Idaho Department of Finance

Ms. Wendy Rodriguez, Deputy Commissioner & Chief Information Officer, Texas Department of Banking

Perry Anne Thimmes, CEM, Director, Banking Division, Mississippi Department of Banking and Consumer Finance

Mr. Charles Clark, Agency Director, Washington State Department of Financial Institutions

Resumes of Key Personnel

The Review Team Professional Biographies

Sheila Schroer (CSBS Team Lead): CFE, CEM - Ms. Schroer retired from the Ohio Division of Financial Institutions in September 2022. During her 36-year tenure with the Division, she served as Assistant Bank Examiner, Review and Surveillance Examiner and for the last 11 years as Chief Examiner of Banks and Savings Institutions. Ms. Schroer supervised the examination process for banks, savings institutions, trust departments, trust companies and technology departments. She was responsible for scheduling all safety and soundness and specialty examinations, developing examination policies, procedures and monitoring the Division's compliance with those policies. Ms. Schroer participated in strategic planning for the Division and monitored and assessed examination staffing needs. She is a Certified Fraud Examiner and Certified Examination Manager. Ms. Schroer holds a bachelor's degree in accounting and finance from The Defiance College and was a graduate of the Graduate School of Banking at Boulder.

Julie Stackhouse - Ms. Stackhouse retired as the Executive Vice President at the Federal Reserve Bank of St. Louis in 2020, where she served as managing officer of Supervision, Credit, Community Development and Learning Innovation. As Executive Vice President, she served as the officer in charge of supervision, responsible for the examination of 130 state member banks and 500 bank holding companies located in the 8th Federal Reserve District. Ms. Stackhouse's responsibilities also included administration of the District's discount window function as well as outreach activities in support of low-and-moderate income communities. She was responsible for leading Federal Reserve business line learning and development functions, including the development, delivery, and maintenance of three examiner commissioning programs. Other activities included frequent public speaking. Ms. Stackhouse served in multiple capacities in her career within the Federal Reserve system, starting as a bank examiner with the Federal Reserve Bank of St. Louis and was the bank's first senior female officer. She also spent over two years as Vice President of the Risk Management Department of the Federal Reserve Bank of Minneapolis. Ms. Stackhouse earned her bachelor's degree from

Drake University and was a graduate of the Wisconsin Graduate School of Banking.

Tara Murphy – Ms. Murphy spent over 40 years as an attorney in the areas of banking and financial services in both the private and public sectors, and in the regulation of those areas. She was Deputy Commissioner of the Hawaii Division of Financial Institutions for 10 years and retired in August of 2024. Prior to serving in Hawaii, she was Assistant General Counsel at the California Department of Financial Institutions and the California Department of Business Oversight (now known as the California Department of Financial Protection and Innovation). Previously, Ms. Murphy was Senior Counsel in the Liquidation Division of the FDIC for nearly 11 years. Her private sector experience, for nearly 17 years, was as VP, Chief Counsel, Corporate Secretary, and Compliance Officer with Fireside Bank of Pleasanton, CA. Her banking experience there focused on auto lending. Tara is originally from the state of West Virginia and earned her bachelor's degree from West Virginia University and her JD degree from the West Virginia University School of law.

Gary M. Davis, CFE, CMEM, CPM: Mr. Davis has over 22 years of experience in financial services, both as a regulator and in the financial services industry. He retired from the Kentucky Department of Financial Institutions in April 2019 as the Mortgage Examination Branch Manager and served in various capacities at the Department since 1999. In his role as Branch Manager, Gary was responsible for the risk analysis and prioritization of examinations, examination of licensees for compliance with all applicable state and federal lending and servicing laws, management of the examination teams, review of Reports of Examination, recommendations for necessary administrative actions, including the related follow-up and resolution of findings or administrative/enforcement action. He was also responsible for the development and maintenance of all examination policies and procedures. Mr. Davis served on several committees and working groups, including the CSBS Multi-State Mortgage Committee, the CSBS Performance Standards Committee, and the NMLS National MLO Test Maintenance Committee. He is a Certified Fraud Examiner, Certified Mortgage Examination Manager, and Certified Anti Money Laundering Specialist. Mr. Davis is a graduate of Western Kentucky University, Bowling Green, Kentucky.

Thomas Palin - Mr. Palin retired from the Banking Division of the Vermont Department of Financial Regulation in August 2021. He was a Senior Financial Examiner from August 1999 to his retirement in 2021 with a five-year stint as the Director of Examinations and Enforcement from August 2005 to August 2010. During his tenure as a senior examiner, Mr. Palin was the primary examiner for credit union, bank, and independent trust company examinations. In addition, he was an Examiner in Charge for license lender, mortgage broker, and debt adjuster examinations. During his time as Director of Examinations the Department he enhanced the License Lender and Mortgage Broker examination process as the mortgage disaster hit the country and Vermont. Mr. Palin has the following CSBS certifications: Certified Examinations Manager, Certified Trust Examiner, and Certified Training Manager. He is also a Certified State Credit Union Examination Supervisor through NASCUS. Mr. Palin graduated from the University of Vermont with a Bachelor of Arts degree in Economics.

Chuck Cross – Mr. Cross retired from CSBS in 2023. Mr. Cross established and led the CSBS Nonbank Supervision and Enforcement Section for 16 years. For over a decade, he was Enforcement Chief and Division Director of the WA State Department of Financial Institutions, overseeing licensing, examination, investigation, enforcement, and regulatory policy for a staff of 51 professionals, including examiners and attorneys. He was the principal author or staff supervisor for several model state laws including prudential standards for nonbank mortgage servicers, nonbank data security, and money transmission modernization. He was the original author of the federal Secure and Fair Enforcement for Mortgage Licensing Act and lead staff for the development and drafting of the State SAFE model law. He developed and instructed numerous courses for organizations such as the National White Collar Crime Center, the American Association of Residential Mortgage Regulators, and the Conferences of State Bank Supervisors. Over the last decade he has focused on developing innovations in supervising financial institutions that are transparent to the industry while providing greater effectiveness and efficiency for the regulators.

Key Personnel Sheet

Conference of State Bank Supervisors, Education Foundation

Name	Job Title	Annual Amount Paid from this Contract	Annual Salary
Vickie Peck	EVP, Products and Solutions	\$0	\$426,470
Sheila Schroer	Review Team Member	Honorarium Per Accreditation Rate Table Below	n/a- not a salaried employee of CSBSEF
Julie Stackhouse	Review Team Member	Honorarium Per Accreditation Rate Table Below	n/a- not a salaried employee of CSBSEF
Tara Murphy	Review Team Member	Honorarium Per Accreditation Rate Table Below	n/a- not a salaried employee of CSBSEF
Gary M. Davis	Review Team Member	Honorarium Per Accreditation Rate Table Below	n/a- not a salaried employee of CSBSEF
Thomas Palin	Review Team Member	Honorarium Per Accreditation Rate Table Below	n/a- not a salaried employee of CSBSEF
Chuck Cross	Review Team Member	Honorarium Per Accreditation Rate Table Below	n/a- not a salaried employee of CSBSEF

Accreditation Rate Table

Fee	Total (per compensable increment)
Accreditation Review Assignment	\$1,900
Report Writing (Approximate 1 day)	\$600
Additional Full Day	\$400
Half day (ie: Audit Team, PSC Call)	\$200