

Financial Statements

Delaware Compensation

Rating Bureau, Inc.

December 31, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Governing Board
Delaware Compensation Rating Bureau, Inc.
Philadelphia, Pennsylvania

Opinion

We have audited the accompanying financial statements of Delaware Compensation Rating Bureau, Inc. ("DCRB") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities without donor restrictions and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the 2024 financial statements referred to above present fairly, in all material respects, the financial position of DCRB as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements as of December 31, 2023, were audited by Rainer & Company, P.C., who merged with PKF O'Connor Davies, LLP as of June 1, 2025, and whose report dated October 1, 2024, expressed an unmodified opinion on those statements.

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 DCRB's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 DCRB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DCRB's ability to continue as a going concern for a reasonable period of time.

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

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP

Newtown Square, PA
October 3, 2025

DELAWARE COMPENSATION RATING BUREAU, INC.

Statements of Financial Position

December 31, 2024 and 2023

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Current:		
Cash and Cash Equivalents	\$ 399,188	\$ 88,276
Accounts Receivable, Net of Allowance for Expected Credit Losses of \$2,438, as of December 31, 2024 and 2023	116,579	64,830
Assessments Due from Members	0	24,269
TOTAL CURRENT ASSETS	<u>515,767</u>	<u>177,375</u>
Investment in CDX, LLC	<u>40,030</u>	<u>40,030</u>
TOTAL ASSETS	<u>\$ 555,797</u>	<u>\$ 217,405</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current:		
Accounts Payable	\$ 92,629	\$ 131,757
Due to PCRБ	4,408	48,186
Assessments Due to Members	421,298	0
TOTAL CURRENT LIABILITIES	<u>518,335</u>	<u>179,943</u>
Net Assets Without Donor Restrictions	<u>37,462</u>	<u>37,462</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 555,797</u>	<u>\$ 217,405</u>

The accompanying notes are an integral part of these statements.

DELAWARE COMPENSATION RATING BUREAU, INC.
Statements of Activities Without Donor Restrictions
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues Without Donor Restrictions:		
Assessments	\$ 3,074,909	\$ 3,487,026
Assessments - Fines	257,280	99,454
Membership Fees	995,000	97,000
Printing and Special Services	40,179	37,991
Interest and Other	16,725	14,617
TOTAL REVENUES WITHOUT DONOR RESTRICTIONS	<u>4,384,093</u>	<u>3,736,088</u>
Expenses:		
Operating Expenses:		
Program Services:		
Rate Payer Advocate - Actuarial	30,175	29,250
Rate Payer Advocate	9,139	9,010
TOTAL PROGRAM SERVICES	<u>39,314</u>	<u>38,260</u>
Supporting Services:		
Management and General:		
Legal	106,316	65,100
Consulting	8,640	7,721
Benchmarking Study Reference	205,000	102,500
Miscellaneous	18,758	13,638
Travel	1,000	0
Provision for (Reduction in) Allowance in Credit Losses	0	(1,347)
TOTAL SUPPORTING SERVICES	<u>339,714</u>	<u>187,612</u>
Other Expenses:		
Allocation of Expenses to DCRB from PCRB	3,795,366	3,353,240
Technology Fund Contribution - PCRB	209,699	151,945
TOTAL OTHER EXPENSES	<u>4,005,065</u>	<u>3,505,185</u>
TOTAL EXPENSES	<u>4,384,093</u>	<u>3,731,057</u>
CHANGE IN NET ASSETS	0	5,031
Net Assets Without Donor Restrictions - Beginning	<u>37,462</u>	<u>32,431</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	<u>\$ 37,462</u>	<u>\$ 37,462</u>

The accompanying notes are an integral part of these statements.

DELAWARE COMPENSATION RATING BUREAU, INC.

Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 0	\$ 5,031
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Provision for (Reduction in) Allowance for Credit Losses	0	(1,347)
Decrease (Increase) in:		
Accounts Receivable	(51,749)	122,745
Assessments Due from Members	24,269	553,005
Increase (Decrease) in:		
Accounts Payable	(39,128)	11,690
Due to PCRБ	(43,778)	(661,431)
Assessments Due to Members	<u>421,298</u>	<u>0</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	310,912	29,693
Cash and Cash Equivalents - Beginning	<u>88,276</u>	<u>58,583</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 399,188</u></u>	<u><u>\$ 88,276</u></u>

The accompanying notes are an integral part of these statements.

DELAWARE COMPENSATION RATING BUREAU, INC.

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 1 - Nature of Business

Delaware Compensation Rating Bureau, Inc. ("DCRB") (a nonprofit corporation) provides services to insurers underwriting workers compensation coverage within Delaware. DCRB also provides services and information to a broad variety of non-member constituencies including the Delaware Department of Insurance, the Delaware Industrial Accident Board, employers, insurance agents and brokers.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of DCRB have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents - For purposes of financial statements presentation, DCRB considers all highly liquid debt instruments maturing within three months or less from the date of purchase to be cash equivalents.

Accounts Receivable, Net - Beginning January 1, 2023, accounts receivable are stated at their estimated collectible amounts and comprise amounts billed and currently due from member carriers. The organization extends credit to members in the normal course of business. Collections from member carriers are continuously monitored and an allowance for credit losses is maintained based on historical experience adjusted for current conditions and reasonable forecasts taking into account geographical and industry-specific economic factors. The organization also considers any specific member carrier collection issues. Since the organization's accounts receivable are largely similar, the organization evaluates its allowance for credit losses as one portfolio segment. At origination, the organization evaluates credit risk based on a variety of credit quality factors including prior payment experience, customer financial information, credit ratings, probabilities of default, industry trends and other internal metrics.

On a continuing basis, data for each member carrier is regularly reviewed based on past-due status to evaluate the adequacy of the allowance for credit losses. The organization determines the allowance for credit losses by calculating a loss rate percentage based on a calculation of rolling historical write-offs during the year as a percentage of accounts receivable at the end of the prior year as well as applying a specific loss rate percentage based on past due status and selecting the rate that better represents the status. Loss rates, which are adjusted for current facts and circumstances, forecasting, and geographic trends, for the past five years are 0.0% and loss rates by past due status are 0.5% for up to 30 days, 2.0% for up to 60 days, and 5.0% for 61 days and older. Actual write-offs are charged against the allowance. The allowance for credit losses was \$2,438 as of December 31, 2024 and 2023. Accounts receivable, net as of January 1, 2023, or the beginning of the earliest period presented, was \$193,697.

Changes in the valuation allowance for trade accounts receivable for the years ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Beginning Balance	\$ 2,438	\$ 0
Adoption of ASU 2016-13, Topic 326	0	7,469
Write-offs	0	(3,684)
Provision (Reduction) in Allowance for Credit Losses	<u>0</u>	<u>(1,347)</u>
ENDING BALANCE	<u>\$ 2,438</u>	<u>\$ 2,438</u>

DELAWARE COMPENSATION RATING BUREAU, INC.

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Investment in CDX, LLC - DCRB has an investment in Compensation Data Exchange, LLC, ("CDX, LLC") a Minnesota Limited Liability Company. CDX, LLC is an internet-based services company that facilitates the electronic transmission of workers compensation data between member insurers and data collection organizations in participating states. The investment is valued using the cost method of accounting since DCRB only has a 5.6% membership interest. Cost was not impaired at December 31, 2024 or 2023.

Assessments Due from (Refundable to) Members - Under the terms of DCRB's by-laws, the balance of net revenues assessed or expenditures paid by DCRB (after deducting membership fees, increases in net assets without donor restrictions, and all other income) is refundable to, or due from, members according to their respective proportion of applicable total net written insurance premiums for the calendar year during which revenues have been earned and expenditures have been paid. The amounts reflected as assessments refundable to and from members in the accompanying statements of financial position reflect the adjustment of assessments based upon actual net premiums written and expenditures paid.

Due from (to) PCRB - Pennsylvania Compensation Rating Bureau ("PCRB") provides services which enable DCRB to carry out its principal functions. DCRB accounts for receivables from or payables to PCRB at the costs of those services less amounts remitted.

Functional Allocation of Expenses - The costs of providing programs and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets without donor restrictions. Direct expenses are charged directly to the program and supporting service benefited. Allocated costs from PCRB include primarily salaries, pension and savings, and payroll taxes which are allocated to program and supporting services on the basis of time and effort.

Income Tax Status - DCRB is a nonprofit corporation that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

DCRB recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized in 2024 or 2023.

DCRB's Form 990, Return of Organization Exempt from Income Tax for the years ended 2021 through 2024 remain subject to examination by the Internal Revenue Service.

Revenue Recognition - The organization's primary sources of revenue are from quarterly assessments and membership fees. Revenue is recognized ratably over membership terms and as services are rendered to its members, for an amount that reflects the consideration the organization expects to be entitled to in exchange for the assessments and memberships.

Disaggregation of Revenue from Contracts with Customers

Revenue from performance obligations satisfied over time consist of assessments, membership fees and services provided to the organization's members. As a result, the organization is dependent on the strength of its membership and its ability to collect amounts owed on contracts.

DELAWARE COMPENSATION RATING BUREAU, INC.

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Performance Obligations and Significant Judgements

Assessments: Quarterly provisional assessments of member companies for budgeted expenses of DCRB are the primary source of revenue. The assessments are levied pro rata upon members according to their respective proportions of the total Delaware workers compensation premiums written in the prior year. Assessments made each year are adjusted at the end of the year according to actual DCRB expenses and insurer premium writings during the assessment year. Assessments are not recognized as revenues until revenue is earned, which is when services are provided, and the organization does not believe it is required to provide additional activities or services.

Membership Fees Revenue: DCRB assesses membership fees to its members on an annual basis. Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the organization expects to be entitled in exchange for providing membership to its members. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term, which begins annually on January 1. Membership fees are nonrefundable. Generally, the organization bills members annually with the first quarter assessment.

Fines: DCRB assesses fines for lateness and quality deficiencies of data submissions from its members if late or not in compliance with reporting standards. Revenue from contracts with members for fines is reported at the amount that reflects the consideration to which the organization expects to be entitled in exchange for noncompliant submissions from its members. Revenue is recognized as performance obligations are satisfied, which is when the submission is originally due and deemed noncompliant.

The organization does not have any significant financing components as payment is received at or shortly after the beginning of membership periods (the year) or when services are provided.

Costs incurred to obtain a contract will be expensed as incurred when the amortization period is less than one year.

The organization recognizes a contract liability (deferred revenue) for quarterly assessments and membership fees received prior to completion of services or their terms, respectively. Upon completion of services or over the membership fee term, the contract liability is reversed, and revenue is recognized.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk - DCRB maintains checking and money market accounts at two financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation. In the normal course of business, the balance of these accounts may exceed federally insured limits. At December 31, 2024, DCRB had cash balances in excess of FDIC limits of \$145,269.

DELAWARE COMPENSATION RATING BUREAU, INC.

Notes to Financial Statements
December 31, 2024 and 2023

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Subsequent Events - Subsequent events have been evaluated through October 3, 2025, the date that the financial statements were available to be issued.

NOTE 3 - Liquidity and Availability

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	<u>2024</u>	<u>2023</u>
Financial Assets at Year End		
Cash and Cash Equivalents	\$ 399,188	\$ 88,276
Accounts Receivable, Net	116,579	64,830
Assessments Due from Members	<u>0</u>	<u>24,269</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u><u>\$ 515,767</u></u>	<u><u>\$ 177,375</u></u>

As part of the DCRB's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other obligations come due.

NOTE 4 - Related Party Services

PCRB is a separate nonprofit corporation performing activities for the Commonwealth of Pennsylvania. PCRB assessed DCRB in 2024 and 2023 for its share of the cost of services provided to members based on the proportion of staff effort directed to Pennsylvania and Delaware issues for the year. An allocation is selected in advance of each calendar year based on management's estimate of staff efforts anticipated on an ongoing basis for the benefit of PCRB and DCRB, respectively. That allocation was 20.75% and 19.51% of PCRB expenses for 2024 and 2023, respectively.

There was no information technology surcharge levied to DCRB by PCRB for the years ended December 31, 2024 or 2023. DCRB makes annual contributions to PCRB's technology fund once financial results are evaluated. DCRB's contribution to the technology fund was \$209,699 and \$151,945 for the years ended December 31, 2024 and 2023, respectively.

NOTE 5 - Concentration of Credit Risk

Amounts due from four members represented approximately 60% of accounts receivable at December 31, 2024.

Amounts due from two members represented approximately 34% of accounts receivable at December 31, 2023.

DELAWARE COMPENSATION RATING BUREAU, INC.

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 6 - Functional Expense Allocation

The following tables display the functional expense allocation of the allocation of expenses to DCRB from PCRB for the years ended December 31, 2024 and 2023:

	2024		
	Program Services	Management and General	Total
Salaries	\$1,510,791	\$ 747,535	\$ 2,258,326
Pension and Savings Plan	45,459	155,546	201,005
Payroll Taxes	100,927	50,748	151,675
TOTAL SALARIES AND RELATED EXPENSES	1,657,177	953,829	2,611,006
Group Insurance	0	401,910	401,910
Data Processing	0	600,915	600,915
Rent and Electric	0	124,330	124,330
Travel	42,075	20,695	62,770
Benchmarking Study Reference	40,463	0	40,463
Legal	0	11,430	11,430
Consulting	0	32,264	32,264
Document Processing, Postage and Telephone	0	7,339	7,339
Employee Overhead and Education	0	36,693	36,693
Insurance and Bonds	0	15,789	15,789
Accounting	0	17,799	17,799
Office Expenses	0	23,795	23,795
Equipment and Furnishings	0	15,505	15,505
Supplies	0	3,057	3,057
TOTAL FUNCTIONAL EXPENSES	<u>\$1,739,715</u>	<u>\$ 2,265,350</u>	<u>\$ 4,005,065</u>

DELAWARE COMPENSATION RATING BUREAU, INC.

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 6 - Functional Expense Allocation (Continued)

	2023		
	Program Services	Management and General	Total
Salaries	\$1,263,075	\$ 681,257	\$ 1,944,332
Pension and Savings Plan	38,413	221,291	259,704
Payroll Taxes	91,317	49,994	141,311
TOTAL SALARIES AND RELATED EXPENSES	1,392,805	952,542	2,345,347
Group Insurance	0	320,570	320,570
Data Processing	0	525,558	525,558
Rent and Electric	0	48,203	48,203
Travel	34,269	18,763	53,032
Benchmarking Study Reference	38,045	0	38,045
Legal	0	24,154	24,154
Consulting	0	44,948	44,948
Document Processing, Postage and Telephone	0	5,441	5,441
Employee Overhead and Education	0	28,793	28,793
Insurance and Bonds	0	20,363	20,363
Accounting	0	14,395	14,395
Office Expenses	0	14,597	14,597
Equipment and Furnishings	0	16,598	16,598
Supplies	0	5,141	5,141
TOTAL FUNCTIONAL EXPENSES	<u>\$1,465,119</u>	<u>\$ 2,040,066</u>	<u>\$ 3,505,185</u>