ACMAT CORPORATION

ACMAT CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

March 31, 2016

(Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
March 31, 2016

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ACMAT CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

As of March 31, 2016 and December 31, 2015

Assets		**March 31, 2016** (Unaudited)	**December 31, 2015**
Investments:			
Fixed maturities (Amortized cost of $45,009,161 in 2016 and $44,948,955 in 2015)	$	45,972,055	45,272,103
Equity securities (Historical cost of $11,339,819 in 2016 and $11,952,126 in 2015)		10,622,174	11,169,485
Short-term investments, at cost which approximates fair value		3,462,098	1,476,613
Total investments		60,056,327	57,918,201
Cash and cash equivalents		3,774,490	3,740,700
Accrued interest receivable		511,810	348,057
Premiums receivable, net of allowance for doubtful accounts of $16,353 as of March 31, 2016 and December 31, 2015		53,519	32,903
Other receivables		157,058	168,955
Reinsurance recoverable		2,081,382	2,076,711
Prepaid expenses		106,741	126,996
Income taxes receivable		146,589	258,173
Deferred income taxes, net		456,781	546,124
Property and equipment, net		5,024,263	5,050,382
Deferred policy acquisition costs		109,432	82,279
Ceded unearned premiums		99,333	86,101
Other assets		1,037,046	1,137,169
Intangibles		1,920,360	1,920,360
Total assets	$	75,535,131	73,493,111
Liabilities and Stockholders' Equity			
Reserves for losses and loss adjustment expenses	$	14,740,035	14,718,196
Unearned premiums		682,233	591,355
Collateral held		18,469,257	16,705,694
Reinsurance premiums payable		33,878	39,730
Accounts payable and accrued liabilities		1,165,509	1,397,222
Long-term debt		9,231,349	9,559,953
Total liabilities		44,322,261	43,012,150
Common Stock (No par value; 3,500,000 shares authorized; 357,966 shares issued and outstanding)		357,766	357,966
Class A Stock (No par value; 10,000,000 shares authorized; 580,682 shares issued and outstanding)		580,682	582,782
Retained earnings		30,112,556	29,999,706
Accumulated other comprehensive income (loss)		161,866	(459,493)
Total stockholders' equity		31,212,870	30,480,961
Total liabilities and stockholders’ equity	$	75,535,131	73,493,111

See Notes to Consolidated Financial Statements (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
Consolidated Statements of Earnings (Unaudited)
For the Three Months Ended March 31, 2016 and 2015

		2016		2015
Revenues				
Premiums	$	274,077		326,569
Net investment income		623,690		567,337
Net realized capital gains		167,061		335,366
Fee and other income		45,877		40,485
Total revenues		1,110,705		1,269,757
Expenses				
Incurred losses and loss adjustment expenses		43,447		(92,343)
Amortization of deferred acquisition costs		44,974		52,701
General and administrative expenses		755,374		824,879
Interest expense		79,983		67,353
Total expenses		923,778		852,590
Earnings before income taxes		186,927		417,167
Provision for income taxes		33,064		127,622
Net earnings	$	153,863		289,545
Basic and diluted earnings per-share	$	0.16	$	0.29

See Notes to Consolidated Financial Statements (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Unaudited)
For the Three Months Ended March 31, 2016 and 2015

		2016	2015
Net earnings	$	153,863	289,545
Change in net unrealized gains and losses on investment securities		704,742	126,525
Income tax expense		83,383	66,803
Other comprehensive income, net of taxes		621,359	59,722
Comprehensive income	$	775,222	349,267

See Notes to Consolidated Financial Statements (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity (Unaudited)
For the Three Months Ended March 31, 2016 and 2015

		Common Stock Par value	Class A Stock Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance as of December 31, 2014	$	357,966	647,682	31,256,626	285,102	32,547,376
Comprehensive income						
Net change in unrealized capital gains and losses on investment securities, net of reclassification		-	-	-	59,722	59,722
Net earnings		-	-	289,545	-	289,545
Comprehensive income		-	-	289,545	59,722	349,267
Excess benefit from stock options exercised		-	-	128,337	-	128,337
Acquisition and retirement of 600 shares of Class A Stock		-	(600)	(12,750)	-	(13,350)
Balance as of March 31, 2015	$	357,966	647,082	31,661,758	344,824	33,011,630
Balance as of December 31, 2015	$	357,966	582,782	29,999,706	(459,493)	30,480,961
Comprehensive income						
Net change in unrealized capital gains and losses on investment securities, net of reclassification		-	-	-	621,359	621,359
Net earnings		-	-	153,863	-	153,863
Comprehensive income		-	-	153,863	621,359	775,222
Acquisition of 200 shares of Common stock		(200)	-	(4,002)	-	(4,202)
Acquisition and retirement of 2,100 shares of Class A Stock		-	(2,100)	(37,011)	-	(39,111)
Balance as of March 31, 2016	$	357,766	580,682	30,112,556	161,866	31,212,870

See Notes to Consolidated Financial Statements (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
For the Three Months Ended March 31, 2016 and 2015

		2016	2015
Cash flows from operating activities			
Net earnings	$	153,863	289,545
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization		124,067	56,683
Net realized capital gains		(167,061)	(335,366)
Deferred income tax expense		5,960	(101,990)
Changes in:			
Accrued interest receivable		(163,753)	(136,925)
Receivables		(8,719)	(119,064)
Reinsurance recoverable		(4,671)	(5,566)
Income taxes receivable		111,584	17,150
Deferred policy acquisition costs		(27,153)	428
Prepaid expenses and other assets		157,460	354,490
Reserves for losses and loss adjustment expenses		21,839	(26,494)
Unearned premiums, net		77,646	49,887
Collateral held		1,763,563	134,812
Reinsurance premiums payable		(5,852)	4,271
Accounts payable and accrued liabilities		(493,300)	(336,739)
Net cash used for (provided by) operating activities		1,545,473	(154,878)
Cash flows from investing activities			
Proceeds from investments sold, matured or redeemed:			
Fixed maturities sold		252,057	1,070,200
Maturities and redemptions		985,536	1,657,039
Equity securities		3,951,392	19,364,909
Purchases of:			
Fixed maturities		(2,127,873)	(3,382,194)
Equity securities		(2,201,705)	(24,361,566)
Short-term investments, net		(1,985,485)	3,806,887
Capital expenditures		(12,829)	(18,001)
Net cash used for investing activities		(1,138,907)	(1,862,726)
Cash flows from financing activities			
Repayments of long-term debt		(329,463)	(18,750)
Excess benefit realized on share based compensation		-	128,337
Acquisition and retirement of common shares		(4,202)	-
Acquisition and retirement of Class A shares		(39,111)	(13,350)
Net cash (used for) provided by financing activities		(372,776)	96,237
Net change in cash and cash equivalents		33,790	(1,921,367)
Cash and cash equivalents, beginning of period		3,740,700	5,793,124
Cash and cash equivalents, end of period	$	3,774,490	3,871,757

Supplemental disclosure of cash flows information:

	2016	2015
Cash received from (paid for) income taxes	84,480	(84,125)
Cash paid for interest	69,713	57,083

See Notes to Consolidated Financial Statements (Unaudited)

(1) Basis of Presentation and Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of ACMAT Corporation ("ACMAT" or "the Company") and its subsidiaries. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and are unaudited.

The interim financial information contained in this report has been prepared from the books and records of the Company and its subsidiaries and reflects, in the opinion of the management of the Company, all adjustments (consisting of normal and recurring accruals) necessary to fairly present results of operations for the periods indicated. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior period balances have been reclassified to conform to the current period presentation.

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended December 31, 2015.

Recently Adopted Accounting Standards

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued updated guidance to clarify the required presentation of debt issuance costs. The amended guidance requires that debt issuance costs be presented in the balance sheet as a direct reduction from the carrying amount of the recognized liability for long-term debt, consistent with the treatment of debt discounts. Amortization of debt issuance costs is to be reported as interest expense. The recognition and measurement guidance for debt issuance costs are not affected by the updated guidance. The updated guidance was effective for reporting periods beginning after December 15, 2015. The effect of the adoption of this accounting standard is reflected in Footnote 4, *Long-Term Debt*. The adoption of this guidance did not have a material effect on the Company's results of operations, financial position or liquidity.

Accounting Standards Not Yet Adopted

Disclosures about Short-Duration Contracts

In May 2015, the FASB issued updated disclosure requirements to increase transparency of significant estimates made in measuring liabilities associated with short-duration insurance contracts. The requirements will provide financial statement users with information to facilitate analysis of the amount, timing, and uncertainty of cash flows arising from contracts issued by insurance entities and the development of loss reserve estimates. The updated guidance is effective for reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this guidance will not have any effect on the Company's results of operations, financial position or liquidity.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued updated guidance to address the recognition, measurement, presentation, and disclosure of certain financial instruments. The updated guidance requires equity investments, except those accounted for under the equity method of accounting, that have readily determinable fair value to be measured at fair value with changes in fair value recognized in net earnings. Equity investments that do not have readily determinable fair values may be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. A qualitative assessment for impairment is required for equity investments without readily determinable fair values. The updated guidance is effective for the quarter ending March 31, 2018 and will require recognition of a cumulative effect adjustment at adoption. The Company will not be able to determine the impact that the updated guidance will have on its results of operations until the updated guidance is adopted, but does not currently expect the adoption of this guidance to impact its financial position or liquidity.

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued updated guidance to simplify several aspects of accounting for share-based payment transactions and the related effects on income taxes. Under current accounting guidance, if the deduction for a share-based payment award for tax purposes exceeds, or is less than, the compensation cost recognized for financial reporting purposes, the resulting excess tax benefit, or tax deficiency, is reported as part of additional paid-in capital. Under the updated guidance, these excess tax benefits, or tax deficiencies, are reported as part of income tax expense or benefit in the income statement. The updated guidance also removes the requirement to delay recognition of any excess tax benefit when there are no current taxes payable to which the benefit would be applied. The tax-related cash flows resulting from share-based payments are to be included with other income tax cash flows as an operating activity rather than being reported separately as a financing activity.

The updated guidance is effective for reporting periods beginning after December 15, 2016. Early adoption is permitted in any interim period; if early adoption is elected, the entity must adopt all of the amendments in the same reporting period and reflect any adjustments as of the beginning of the fiscal year. Management is currently evaluating the effect the updated guidance will have on the Company's results of operations, financial position and liquidity.

Nature of Operations

ACMAT, through its wholly-owned subsidiary, ACSTAR Insurance Company ("ACSTAR"), provides surety bonds for prime contractors, specialty trade, environmental remediation and asbestos abatement contractors, and miscellaneous surety. ACSTAR is licensed to write business nationwide and is an approved surety by the United States Department of the Treasury.

(2) Investments

The amortized cost and fair value of investments in fixed maturities and equity securities classified as available-for-sale as of March 31, 2016 and December 31, 2015 were as follows:

		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of March 31, 2016					
U.S. government and government agencies	$	4,028,141	27	3,799	4,024,369
States, municipalities and political subdivisions		23,360,593	1,008,705	98,848	24,270,450
Industrial and miscellaneous		6,675,451	123,671	158,468	6,640,654
Mortgage-backed securities		8,062,476	202,363	112,635	8,152,204
Redeemable preferred stock		2,882,500	62,328	60,450	2,884,378
Total fixed maturities		45,009,161	1,397,094	434,200	45,972,055
Perpetual preferred stock		2,869,655	99,326	62,894	2,906,087
Common stock		8,470,164	594,458	1,348,535	7,716,087
Total equity securities		11,339,819	693,784	1,411,429	10,622,174
Total	$	56,348,980	2,090,878	1,845,629	56,594,229

		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of December 31, 2015					
U.S. government and government agencies	$	4,033,176	-	15,217	4,017,959
States, municipalities and political subdivisions		21,861,945	702,346	188,304	22,375,987
Industrial and miscellaneous		6,520,163	101,901	233,655	6,388,409
Mortgage-backed securities		8,534,771	166,775	160,138	8,541,408
Redeemable preferred stock		3,998,900	91,650	142,210	3,948,340
Total fixed maturities		44,948,955	1,062,672	739,524	45,272,103
Perpetual preferred stock		2,040,755	98,461	480	2,138,736
Common stock		9,911,371	699,452	1,580,074	9,030,749
Total equity securities		11,952,126	797,913	1,580,554	11,169,485
Total	$	56,901,081	1,860,585	2,320,078	56,441,588

Short-term investments are carried at cost, which approximates fair value as of March 31, 2016 and December 31, 2015.

The following tables summarize, for all investments in an unrealized loss position at March 31, 2016 and December 31, 2015, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position:

		Less than 12 months		Greater than 12 months		Total	
		Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
As of March 31, 2016							
U.S. government and government agencies	$	1,241,961	644	2,507,325	3,155	3,749,286	3,799
States, municipalities and political subdivisions		949,414	7,597	3,833,674	91,251	4,783,088	98,848
Industrial and miscellaneous		747,546	14,737	1,092,197	143,731	1,839,743	158,468
Mortgage-backed securities		379,222	15,798	1,341,167	96,837	1,720,389	112,635
Redeemable preferred stock		870,224	26,694	306,826	33,756	1,177,050	60,450
Total fixed maturities		4,188,367	65,470	9,081,189	368,730	13,269,556	434,200
Perpetual preferred stock		-	-	484,024	62,894	484,024	62,894
Common stock		1,869,978	267,899	3,441,686	1,080,636	5,311,664	1,348,535
Total equity securities		1,869,978	267,899	3,925,710	1,143,530	5,795,688	1,411,429
Total	$	6,058,345	333,369	13,006,899	1,512,260	19,065,244	1,845,629

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
As of December 31, 2015						
U.S. government and government agencies	$ 4,017,959	15,217	-	-	4,017,959	15,217
States, municipalities and political subdivisions	5,110,974	75,707	2,839,218	112,597	7,950,192	188,304
Industrial and miscellaneous	2,635,688	123,989	516,156	109,666	3,151,844	233,655
Mortgage-backed securities	2,176,135	101,005	596,879	59,133	2,773,014	160,138
Redeemable preferred stock	746,950	128,050	448,340	14,160	1,195,290	142,210
Total fixed maturities	14,687,706	443,968	4,400,593	295,556	19,088,299	739,524
Perpetual preferred stock	199,520	480	-	-	199,520	480
Common stock	4,966,260	936,515	1,291,204	643,559	6,257,464	1,580,074
Total equity securities	5,165,780	936,995	1,291,204	643,559	6,456,984	1,580,554
Total	$ 19,853,486	1,380,963	5,691,797	939,115	25,545,283	2,320,078

The following table summarizes, for all fixed maturities and equity securities reported at fair value for which fair value is less than 80% of amortized cost at March 31, 2016, the gross unrealized loss by length of time those securities have continuously been in an unrealized loss position in excess of 20% of amortized cost:

	Period For Which Fair Value is Less than 80% of Amortized Cost				
	3 Months or Less	Greater than 3 Months, Less than 6 Months	Greater than 6 Months, Less than 12 Months	Greater than 12 Months	Total
As of March 31, 2016					
Industrial and miscellaneous	$ -	67,388	11,812	-	79,200
Perpetual preferred stock	-	61,000	-	-	61,000
Common stock	158,467	19,728	697,931	38,974	915,100
Total:	$ 158,467	148,116	709,743	38,974	1,055,300

(3) Fair Value Measurement

The Company's estimates of fair value for financial assets and financial liabilities are based on a fair value hierarchy. The hierarchy is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets, requiring that observable inputs be used in the valuations when available. The fair value hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The three levels of the hierarchy are as follows:

- Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 – Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use.

Valuation of Investments Reported at Fair Value in the Financial Statements

The fair value of a financial instrument is the estimated amount at which the instrument could be exchanged in an orderly transaction between knowledgeable, unrelated willing parties, i.e., not in a forced transaction. The estimated fair value of a financial instrument may differ from the amount that could be realized if the security was sold in an immediate sale, e.g., a forced transaction. Additionally, the valuation of fixed maturity investments is more subjective when markets are less liquid due to the lack of market based inputs, which may increase the potential that the estimated fair value (i.e., the carrying amount) of an investment is not reflective of the price at which an actual transaction would occur.

For investments that have quoted market prices in active markets, the Company uses the quoted market prices as fair value and includes these prices in the amounts disclosed in Level 1 of the hierarchy. The Company receives the quoted market prices from a third party nationally recognized pricing service. When quoted market prices are unavailable, the Company utilizes a pricing service to determine an estimate of fair value, which is mainly for its fixed maturity investments. The fair value estimates provided from this pricing service are included in the amount disclosed in Level 2 of the hierarchy. If quoted market prices and an estimate from a pricing service are unavailable, the Company produces an estimate of fair value based on internally developed valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or Level 3. The Company bases all of its estimates of fair value for assets on the bid price as it represents what a third party market participant would be willing to pay in an arm's length transaction. The following section describes the valuation methods used by the Company for each type of financial instrument it holds that is carried at fair value.

Fixed Maturities

The Company utilizes a pricing service to estimate fair value measurements for all of its fixed maturities. The pricing service utilizes market quotations for fixed maturity securities that have quoted prices in active markets. Since fixed maturities other than U.S. Treasury securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing.

The fair value estimates of most fixed maturity investments are based on observable market information rather than market quotes. Accordingly, the estimates of fair value for such fixed maturities, other than U.S. Treasury securities, provided by the pricing service are included in the amount disclosed in Level 2 of the hierarchy. The estimated fair value of U.S. Treasury securities are included in the amount disclosed in Level 1 as the estimates are based on unadjusted market prices.

Equity Securities

For publicly-traded common stocks, the Company receives prices from a pricing service that are based on observable market transactions and includes these estimates in the amount disclosed in Level 1. Under certain circumstances, current market quotes in active markets are unavailable for certain non-redeemable preferred stocks held by the Company. In these instances, the Company receives an estimate of fair value from the pricing service that provides fair value estimates for the Company's fixed maturities. The service utilizes some of the same methodologies to price the non-redeemable preferred stocks as it does for fixed maturities. The Company includes the estimate in the amount disclosed in Level 2.

Short-Term Investments

The Company's short-term investment instruments are priced based on net asset values. The assets' classifications within the fair value hierarchy are determined based on the lowest level input of the underlying investments that is significant to each instrument's individual measurement. Based on this methodology, the Company has disclosed these assets in Level 2.

Fair Value Hierarchy

The following tables present the level within the fair value hierarchy at which the Company's financial assets are measured on a recurring basis at March 31, 2016 and December 31, 2015.

	Level 1	Level 2	Level 3	Total
As of March 31, 2016				
U.S. government and government agencies	$ 4,024,369	-	-	4,024,369
States, municipalities and political subdivisions	-	24,270,450	-	24,270,450
Industrial and miscellaneous	-	6,640,654	-	6,640,654
Mortgage-backed securities	-	8,152,204	-	8,152,204
Redeemable preferred stock	-	2,884,378	-	2,884,378
Total fixed maturities	4,024,369	41,947,686	-	45,972,055
Perpetual preferred stock	-	2,906,087	-	2,906,087
Common stock	7,716,087	-	-	7,716,087
Total equity securities	7,716,087	2,906,087	-	10,622,174
Short-term investments	-	3,462,098	-	3,462,098
Total	$ 11,740,456	48,315,871	-	60,056,327

	Level 1	Level 2	Level 3	Total
As of December 31, 2015				
U.S. government and government agencies	$ 4,017,959	-	-	4,017,959
States, municipalities and political subdivisions	-	22,375,987	-	22,375,987
Industrial and miscellaneous	-	6,388,409	-	6,388,409
Mortgage-backed securities	-	8,541,408	-	8,541,408
Redeemable preferred stock	-	3,948,340	-	3,948,340
Total fixed maturities	4,017,959	41,254,144	-	45,272,103
Perpetual preferred stock	-	2,138,736	-	2,138,736
Common stock	9,030,749	-	-	9,030,749
Total equity securities	9,030,749	2,138,736	-	11,169,485
Short-term investments	-	1,476,613	-	1,476,613
Total	$ 13,048,708	44,869,493	-	57,918,201

There were no significant transfers between Level 1 and 2 or from level 3 in 2016 or 2015.

(4) Long-Term Debt

Long-term debt as of March 31, 2016 and December 31, 2015 is as follows:

		March 31 2016	December 31, 2015
Term loan	$	7,975,000	8,285,714
Mortgage note		1,281,250	1,300,000
Principal outstanding		9,256,250	9,585,714
Unamortized loan costs		24,901	25,761
Long-term debt:	$	9,231,349	9,559,953

(5) Earnings Per-Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per-share computations for the three months ended March 31, 2016 and 2015:

		2016			2015		
		Net Earnings	Weighted Average Shares Outstanding	Net Earnings Per Share	Net Earnings	Weighted Average Shares Outstanding	Net Earnings Per Share
Three Months Ended March 31,							
Basic earnings per share	$	153,863	939,862	0.16	289,545	1,005,128	0.29
Effect of dilutive securities							
Stock options		-	-	-	-	9,212	-
Diluted earnings per share	$	153,863	1,014,340	0.16	289,545	1,014,340	0.29

(6) Comprehensive Income (Loss)

The following table presents the changes in the Company’s accumulated other comprehensive income (loss) for the three months ended March 31, 2016 and 2015:

		2016		2015	
		Net Unrealized Gains and Losses	Total Accumulated Other Comprehensive Income (Loss)	Net Unrealized Gains and Losses	Total Accumulated Other Comprehensive Income (Loss)
Balance as of January 1	$	(459,493)	(459,493)	285,102	285,102
Other comprehensive income before reclassifications to earnings, net		678,791	678,791	1,320	1,320
Reclassifications, net		57,432	57,432	(58,402)	(58,402)
Other comprehensive income, net of taxes		621,359	621,359	59,722	59,722
Balance as of March 31	$	161,866	161,866	344,824	344,824

The following table presents the pretax and related income tax expense (benefit) component of the amounts reclassified from the Company's accumulated other comprehensive income (loss) to the Company's consolidated statement of earnings for the three months ended March 31, 2016 and 2015.

Three Months Ended March 31,		2016	2015
Net realized capital gains (losses) reclassified to net earnings during the period	$	87,018	(88,488)
Income tax expense (benefit)		29,586	(30,086)
Reclassifications, net	$	57,432	(58,402)

The following table presents the pretax components of other comprehensive income (loss) and related income tax expense for the three months ended March 31, 2016 and 2015.

Three Months Ended March 31,		2016	2015
Unrealized holding gain arising during the period	$	791,762	38,039
Tax expense on unrealized holding gain arising during the period		(269,199)	(12,933)
Change in valuation allowance		156,228	(23,786)
Less: Reclassification adjustment for gains and losses included in earnings, net of income taxes		(57,432)	58,402
Changes included in comprehensive income	$	621,359	59,722

(7) Subsequent Events

There were no subsequent events requiring adjustment to the consolidated financial statements (unaudited) or disclosure therein through May 12, 2016, the date the Company's consolidated financial statements (unaudited) were issued.