



ACMAT CORPORATION

**ACMAT CORPORATION AND SUBSIDIARIES**

Consolidated Financial Statements

March 31, 2018

(Unaudited)

**ACMAT CORPORATION AND SUBSIDIARIES**  
**March 31, 2018**

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**ACMAT CORPORATION AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**As of March 31, 2018 and December 31, 2017**

<b>Assets</b>	<b>March 31, 2018 (Unaudited)</b>	<b>December 31, 2017</b>
Investments:		
Fixed maturities (Amortized cost of \$43,883,410 in 2018 and \$42,986,429 in 2017)	\$ 43,638,925	43,502,013
Equity securities (Historical cost of \$5,446,193 in 2018 and \$5,179,844 in 2017)	5,423,527	5,544,274
Short-term investments	1,164,256	2,398,074
Total investments	50,226,708	51,444,361
Cash and cash equivalents	1,590,807	3,383,091
Accrued interest receivable	493,591	413,885
Premiums receivable, net of allowance for doubtful accounts of \$12,000 as of March 31, 2018 and December 31, 2017	32,597	57,389
Other receivables	55,935	73,355
Reinsurance recoverable	2,109,165	2,105,259
Prepaid expenses	61,979	121,821
Income taxes receivable	605,712	620,712
Deferred income taxes, net	272,448	51,221
Property and equipment, net	4,656,998	4,705,026
Deferred policy acquisition costs	114,902	108,333
Ceded unearned premiums	79,296	75,356
Other assets	1,371,935	1,235,664
Intangibles	1,920,360	1,920,360
Total assets	\$ 63,592,433	66,315,833
<b>Liabilities and Stockholders' Equity</b>		
Reserves for losses and loss adjustment expenses	\$ 13,943,889	13,917,155
Unearned premiums	544,613	517,557
Collateral held	14,449,387	15,307,778
Reinsurance premiums payable	19,020	19,003
Accounts payable and accrued liabilities	820,912	1,659,852
Long-term debt	4,717,643	4,927,115
Total liabilities	34,495,464	36,348,460
Common Stock (No par value; 3,500,000 shares authorized; 356,946 shares issued and outstanding)	356,746	356,746
Class A Stock (No par value; 10,000,000 shares authorized; 471,854 shares issued and outstanding)	471,854	474,854
Retained earnings	28,479,418	28,440,562
Accumulated other comprehensive (loss) income	(211,049)	695,211
Total stockholders' equity	29,096,969	29,967,373
Total liabilities and stockholders' equity	\$ 63,592,433	66,315,833

See Notes to Consolidated Financial Statements (Unaudited)

**ACMAT CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Earnings (Unaudited)**  
**For the Three Months Ended March 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Premiums	\$ 229,218	199,097
Net investment income	476,989	545,493
Net realized capital gains	217,035	366,352
Fee and other income	<u>52,886</u>	<u>40,278</u>
Total revenues	<u>976,128</u>	<u>1,151,220</u>
<b>Expenses</b>		
Incurred losses and loss adjustment expenses	36,336	31,561
Amortization of deferred acquisition costs	59,087	29,751
General and administrative expenses	693,129	826,006
Interest expense	<u>53,693</u>	<u>67,182</u>
Total expenses	<u>842,245</u>	<u>954,500</u>
Earnings before income taxes	133,883	196,720
Provision for income taxes	<u>35,027</u>	<u>32,752</u>
Net earnings	<u>\$ 98,856</u>	<u>163,968</u>
Earnings per-share	\$ 0.12	\$ 0.19

See Notes to Consolidated Financial Statements (Unaudited)

**ACMAT CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Loss and Income (Unaudited)**  
**For the Three Months Ended March 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Net earnings	\$ 98,856	163,968
Change in net unrealized gains and losses on investment securities	(1,147,165)	53,120
Income tax (benefit) expense	<u>(240,905)</u>	<u>-</u>
Other comprehensive (loss) income, net of taxes	<u>(906,260)</u>	<u>53,120</u>
Comprehensive (loss) income	<u>\$ (807,404)</u>	<u>217,088</u>

See Notes to Consolidated Financial Statements (Unaudited)

**ACMAT CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Stockholders' Equity (Unaudited)**  
**For the Three Months Ended March 31, 2018 and 2017**

	<u>Common Stock Par value</u>	<u>Class A Stock Par Value</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Equity</u>
Balance as of December 31, 2016	\$ 356,746	508,349	29,196,532	(238,681)	29,822,946
Comprehensive income					
Net change in unrealized capital gains and losses on investment securities, net of reclassification	-	-	-	53,120	53,120
Net earnings	-	-	163,968	-	163,968
Comprehensive income	-	-	163,968	53,120	217,088
Balance as of March 31, 2017	<u>\$ 356,746</u>	<u>508,349</u>	<u>29,360,500</u>	<u>(185,561)</u>	<u>30,040,034</u>
Balance as of December 31, 2017	\$ 356,746	474,854	28,440,562	695,211	29,967,373
Comprehensive income					
Net change in unrealized capital gains and losses on investment securities, net of reclassification	-	-	-	(906,260)	(906,260)
Net earnings	-	-	98,856	-	98,856
Comprehensive income	-	-	98,856	(906,260)	(807,404)
Acquisition and retirement of 3,000 shares of Class A Stock	-	(3,000)	(60,000)	-	(63,000)
Balance as of March 31, 2018	<u>\$ 356,746</u>	<u>471,854</u>	<u>28,479,418</u>	<u>(211,049)</u>	<u>29,096,969</u>

See Notes to Consolidated Financial Statements (Unaudited)

**ACMAT CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows (Unaudited)**  
**For the Three Months Ended March 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Net earnings	\$ 98,856	163,968
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	98,802	98,527
Net realized capital gains	(217,035)	(366,352)
Deferred income tax expense	19,678	8,241
Changes in:		
Accrued interest receivable	(79,706)	(93,915)
Receivables	42,212	2,042
Reinsurance recoverable	(3,906)	(3,393)
Income taxes receivable	15,000	24,511
Deferred policy acquisition costs	(6,569)	(27,778)
Prepaid expenses and other assets	(76,429)	25,645
Reserves for losses and loss adjustment expenses	26,734	(229,268)
Unearned premiums, net	23,116	68,367
Collateral held	(858,391)	(1,180,543)
Reinsurance premiums payable	17	(5,953)
Accounts payable and accrued liabilities	(329,581)	(566,793)
Net cash used for operating activities	(1,247,202)	(2,082,694)
<b>Cash flows from investing activities</b>		
Proceeds from investments sold, matured or redeemed:		
Fixed maturities sold	285,104	1,051,476
Maturities and redemptions	562,400	1,240,353
Equity securities	2,235,048	2,158,806
Purchases of:		
Fixed maturities	(2,102,883)	(1,775,390)
Equity securities	(2,485,237)	(1,233,589)
Short-term investments, net	1,233,818	(313,019)
Capital expenditures	-	(2,892)
Net cash (used for) provided by investing activities	(271,750)	1,125,745
<b>Cash flows from financing activities</b>		
Repayments of long-term debt	(210,332)	(329,463)
Acquisition and retirement of Class A shares	(63,000)	-
Net cash used for financing activities	(273,332)	(329,463)
Net change in cash and cash equivalents	(1,792,284)	(1,286,412)
Cash and cash equivalents, beginning of period	3,383,091	3,432,485
Cash and cash equivalents, end of period	\$ 1,590,807	2,146,073
<u>Supplemental disclosure of cash flows information:</u>		
Cash paid for income taxes	350	-
Cash paid for interest	52,834	66,323

See Notes to Consolidated Financial Statements (Unaudited)

**ACMAT CORPORATION AND SUBSIDIARIES**  
**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, 2017.

**Accounting Standards Not Yet Adopted**

*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 annual periods beginning after December 15, 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.

*Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*

In June 2016, the FASB issued updated guidance for the accounting for credit losses for financial instruments. The updated guidance applies a new credit loss model (current expected credit losses or CECL) for determining credit-related impairments for financial instruments measured at amortized cost (i.e. reinsurance recoverables) and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. The expected credit losses, and subsequent adjustments to such losses, will be recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the consolidated balance sheet at the amount expected to be collected.

The updated guidance also amends the current other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position will no longer impact the determination of whether a credit loss exists.

The updated guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted for reporting periods beginning after December 15, 2018. The Company will not be able to determine the impact that the updated guidance will have on its results of operations, financial position or liquidity until the updated guidance is adopted.

**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.



**ACMAT CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Unaudited)**

**(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, 2018 and December 31, 2017 were as follows:

	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
<u>As of March 31, 2018</u>				
U.S. government and government agencies	\$ 3,499,103	-	21,837	3,477,266
States, municipalities and political subdivisions	27,339,789	293,964	554,228	27,079,525
Industrial and miscellaneous	6,571,059	92,086	151,978	6,511,167
Mortgage-backed securities	4,263,152	136,425	25,739	4,373,838
Redeemable preferred stock	2,210,307	18,466	31,644	2,197,129
Total fixed maturities	43,883,410	540,941	785,426	43,638,925
Perpetual preferred stock	1,223,352	17,940	18,121	1,223,171
Common stock	4,222,841	534,632	557,117	4,200,356
Total equity securities	5,446,193	552,572	575,238	5,423,527
Total	\$ 49,329,603	1,093,513	1,360,664	49,062,452
	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
<u>As of December 31, 2017</u>				
U.S. government and government agencies	\$ 3,501,596	-	22,718	3,478,878
States, municipalities and political subdivisions	26,707,046	507,622	219,882	26,994,786
Industrial and miscellaneous	5,957,186	169,163	66,869	6,059,480
Mortgage-backed securities	4,359,308	138,835	26,572	4,471,571
Redeemable preferred stock	2,461,293	45,167	9,162	2,497,298
Total fixed maturities	42,986,429	860,787	345,203	43,502,013
Perpetual preferred stock	1,175,861	38,206	3,801	1,210,266
Common stock	4,003,983	625,163	295,138	4,334,008
Total equity securities	5,179,844	663,369	298,939	5,544,274
Total	\$ 48,166,273	1,524,156	644,142	49,046,287

**ACMAT CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Unaudited)**

The following tables summarize, for all investments in an unrealized loss position at March 31, 2018 and December 31, 2017, 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
<u>As of March 31, 2018</u>						
U.S. government and government agencies	\$ 741,730	4,452	2,735,535	17,385	3,477,265	21,837
States, municipalities and political subdivisions	9,196,185	194,227	5,863,556	360,001	15,059,741	554,228
Industrial and miscellaneous	3,004,434	121,601	503,008	30,377	3,507,442	151,978
Mortgage-backed securities	338,863	8,986	529,780	16,753	868,643	25,739
Redeemable preferred stock	1,114,100	29,042	40,773	2,602	1,154,873	31,644
Total fixed maturities	14,395,312	358,308	9,672,652	427,118	24,067,964	785,426
Perpetual preferred stock	632,740	18,121	-	-	632,740	18,121
Common stock	2,441,260	434,674	500,758	122,443	2,942,018	557,117
Total equity securities	3,074,000	452,795	500,758	122,443	3,574,758	575,238
Total	\$ 17,469,312	811,103	10,173,410	549,561	27,642,722	1,360,664

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<u>As of December 31, 2017</u>						
U.S. government and government agencies	\$ 742,614	3,533	2,736,264	19,185	3,478,878	22,718
States, municipalities and political subdivisions	4,511,616	48,133	5,914,150	171,749	10,425,766	219,882
Industrial and miscellaneous	621,365	52,938	395,117	13,931	1,016,482	66,869
Mortgage-backed securities	320,973	6,897	579,819	19,675	900,792	26,572
Redeemable preferred stock	355,800	6,700	166,656	2,462	522,456	9,162
Total fixed maturities	6,552,368	118,201	9,792,006	227,002	16,344,374	345,203
Perpetual preferred stock	72,060	3,801	-	-	72,060	3,801
Common stock	1,603,690	224,687	284,313	70,451	1,888,003	295,138
Total equity securities	1,675,750	228,488	284,313	70,451	1,960,063	298,939
Total	\$ 8,228,118	346,689	10,076,319	297,453	18,304,437	644,142

**ACMAT CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Unaudited)**

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, 2018, 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				Total
	3 Months or Less	Greater than 3 Months, Less than 6 Months	Greater than 6 Months, Less than 12 Months	Greater than 12 Months	
<u>As of March 31, 2018</u>					
Industrial and miscellaneous	\$ 44,786	-	-	-	44,786
Common stock	288,663	1,220	-	2,000	291,883
Total:	\$ 333,449	1,220	-	2,000	336,669

**(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.

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 instrument was sold in an immediate sale (i.e., 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.

The Company utilizes one pricing service as its primary source for obtaining pricing information for substantially all of its financial instruments that are carried at fair value. In the event prices are not available from the primary pricing service, secondary pricing services are used to obtain pricing information based on a price source hierarchy. The Company then uses its third-party investment accounting service provider to analyze prices received from the pricing services to determine that they represent a reasonable estimate of fair value. Management employs additional analysis (including a weekly review of fair value changes and comparison of price changes to external indices and trends) to assess the reasonableness of prices provided by pricing services. The following section describes the valuation methods underlying each type of financial instrument held by the Company that is carried at fair value.

**ACMAT CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Unaudited)**

***Fixed Maturities***

The pricing service utilizes market quotations for fixed maturity securities that have quoted prices in active markets. Because 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 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 the 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 perpetual 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 perpetual preferred stocks as it does for fixed maturities. The Company includes the estimate in the amount disclosed in Level 2.

The Company holds certain mutual funds that are priced based on net asset values, which are the basis for current transactions on a public exchange and represent fair value. 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.

***Short-Term Investments***

The Company's short-term investment instruments are priced based on net asset values, which are the basis for current transactions and represent fair value. 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.

**ACMAT CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Unaudited)**

***Fair Value Hierarchy***

The following tables present the level within the fair value hierarchy at which the Company's financial assets and liabilities are measured on a recurring basis at March 31, 2018 and December 31, 2017.

	Level 1	Level 2	Level 3	Total
<u>As of March 31, 2018</u>				
U.S. government and government agencies	\$ 3,477,266	-	-	3,477,266
States, municipalities and political subdivisions	-	27,079,525	-	27,079,525
Industrial and miscellaneous	-	6,511,167	-	6,511,167
Mortgage-backed securities	-	4,373,838	-	4,373,838
Redeemable preferred stock	-	2,197,129	-	2,197,129
<b>Total fixed maturities</b>	<b>3,477,266</b>	<b>40,161,659</b>	<b>-</b>	<b>43,638,925</b>
Perpetual preferred stock	-	1,223,171	-	1,223,171
Common stock	4,170,000	-	-	4,170,000
<b>Total equity securities</b>	<b>4,170,000</b>	<b>1,223,171</b>	<b>-</b>	<b>5,393,171</b>
Short-term investments	545,470	618,786	-	1,164,256
Receivable for securities	27,576	-	-	27,576
<b>Total</b>	<b>\$ 8,220,312</b>	<b>42,003,616</b>	<b>-</b>	<b>50,223,928</b>

	Level 1	Level 2	Level 3	Total
<u>As of December 31, 2017</u>				
U.S. government and government agencies	\$ 3,478,878	-	-	3,478,878
States, municipalities and political subdivisions	-	26,994,786	-	26,994,786
Industrial and miscellaneous	-	6,059,480	-	6,059,480
Mortgage-backed securities	-	4,471,571	-	4,471,571
Redeemable preferred stock	-	2,497,298	-	2,497,298
<b>Total fixed maturities</b>	<b>3,478,878</b>	<b>40,023,135</b>	<b>-</b>	<b>43,502,013</b>
Perpetual preferred stock	-	1,210,266	-	1,210,266
Common stock	4,297,233	-	-	4,297,233
<b>Total equity securities</b>	<b>4,297,233</b>	<b>1,210,266</b>	<b>-</b>	<b>5,507,499</b>
Short-term investments	-	2,398,074	-	2,398,074
<b>Total assets:</b>	<b>\$ 7,776,111</b>	<b>43,631,475</b>	<b>-</b>	<b>51,407,586</b>
Payable for securities	169,458	312,325	-	481,783
<b>Total liabilities:</b>	<b>\$ 169,458</b>	<b>312,325</b>	<b>-</b>	<b>481,783</b>

There were no significant transfers between Level 1 and 2 or from level 3 in 2018 or 2017. The Company had no material assets or liabilities that were measured at fair value on a non-recurring basis during the periods ended March 31, 2018 and 2017. The Company held investments in common stock mutual funds priced using net asset value totaling \$30,356 at March 31, 2018 and \$36,775 at December 31, 2017. Assets using net asset value as a practical expedient present the risk that the price obtained when disposing the asset may differ from that used to determine fair value.

**ACMAT CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Unaudited)**

**(4) Long-Term Debt**

Long-term debt as of March 31, 2018 and December 31, 2017 is as follows:

	March 31, 2018	December 31, 2017
Term loan	\$ 3,608,418	3,800,000
Mortgage note	1,131,250	1,150,000
Principal outstanding	4,739,668	4,950,000
Unamortized loan costs	22,025	22,885
Long-term debt:	<u>\$ 4,717,643</u>	<u>4,927,115</u>

**(5) Earnings Per-Share**

The following is a reconciliation of the numerators and denominators of the earnings per-share computations for the three months ended March 31, 2018 and 2017:

	2018	2017
Net earnings	\$ 98,856	163,968
Weighted average shares outstanding	828,667	865,095
Earnings per-share	<u>\$ 0.12</u>	<u>0.19</u>

**(6) Comprehensive Income and Loss**

The following table presents the changes in the Company's accumulated other comprehensive (loss) income for the three months ended March 31, 2018 and 2017:

	2018		2017	
	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	\$ 695,211	695,211	(238,681)	(238,681)
Other comprehensive (loss) income before reclassifications to earnings, net	(748,593)	(748,593)	285,907	285,907
Reclassifications, net	157,667	157,667	232,787	232,787
Other comprehensive (loss) income, net	(906,260)	(906,260)	53,120	53,120
Balance as of March 31	<u>\$ (211,049)</u>	<u>(211,049)</u>	<u>(185,561)</u>	<u>(185,561)</u>

**ACMAT CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Unaudited)**

The following table presents the pretax and related income tax expense component of the amounts reclassified from the Company's accumulated other comprehensive (loss) income to the Company's consolidated statement of earnings for the three months ended March 31, 2018 and 2017.

<u>Three Months Ended March 31,</u>	<u>2018</u>	<u>2017</u>
Net realized capital gains reclassified to net earnings during the period	\$ 199,579	352,707
Income tax expense	41,912	119,920
Reclassifications, net	<u>\$ 157,667</u>	<u>232,787</u>

The following table presents the pretax components of other comprehensive (loss) income and related income tax expense for the three months ended March 31, 2018 and 2017.

<u>Three Months Ended March 31,</u>	<u>2018</u>	<u>2017</u>
Unrealized holding (loss) gain arising during the period	\$ (947,586)	405,837
Tax benefit (expense) on unrealized holding (loss) gain arising during the period	198,993	(137,985)
Change in valuation allowance	-	18,055
Less: Reclassification adjustment for gains included in earnings, net of income taxes	<u>(157,667)</u>	<u>(232,787)</u>
Changes included in comprehensive (loss) income	<u>\$ (906,260)</u>	<u>53,120</u>

**(7) Subsequent Events**

There were no subsequent events requiring adjustment to the consolidated financial statements (unaudited) or disclosure therein through May 4, 2018, the date the Company's consolidated financial statements (unaudited) were issued.