ACMAT CORPORATION

ACMAT CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2016

(Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
September 30, 2016

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ACMAT CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

As of September 30, 2016 and December 31, 2015

Assets		**September 30, 2016** (Unaudited)	**December 31, 2015**
Investments:			
Fixed maturities (Amortized cost of $47,024,608 in 2016 and $44,948,955 in 2015)	$	48,400,401	45,272,103
Equity securities (Historical cost of $8,732,769 in 2016 and $11,952,126 in 2015)		8,528,665	11,169,485
Short-term investments (at cost, which approximates fair value)		4,321,118	1,476,613
Total investments		61,250,184	57,918,201
Cash and cash equivalents		1,823,010	3,740,700
Accrued interest receivable		488,419	348,057
Premiums receivable, net of allowance for doubtful accounts of $16,353 as of September 30, 2016 and December 31, 2015		31,780	32,903
Other receivables		142,768	168,955
Reinsurance recoverable		2,085,572	2,076,711
Prepaid expenses		224,278	126,996
Income taxes receivable		-	258,173
Deferred income taxes, net		328,218	546,124
Property and equipment, net		4,951,032	5,050,382
Deferred policy acquisition costs		88,226	82,279
Ceded unearned premiums		89,962	86,101
Other assets		1,084,297	1,137,169
Intangibles		1,920,360	1,920,360
Total assets	$	74,508,106	73,493,111
Liabilities and Stockholders' Equity			
Reserves for losses and loss adjustment expenses	$	14,376,730	14,718,196
Unearned premiums		617,869	591,355
Collateral held		18,484,917	16,705,694
Reinsurance premiums payable		32,682	39,730
Accounts payable and accrued liabilities		1,522,164	1,397,222
Long-term debt		8,574,139	9,559,953
Total liabilities		43,608,501	43,012,150
Common Stock (No par value; 3,500,000 shares authorized; 356,946 shares issued and outstanding)		356,746	357,966
Class A Stock (No par value; 10,000,000 shares authorized; 513,349 shares issued and outstanding)		513,349	582,782
Retained earnings		29,256,195	29,999,706
Accumulated other comprehensive income (loss)		773,315	(459,493)
Total stockholders' equity		30,899,605	30,480,961
Total liabilities and stockholders’ equity	$	74,508,106	73,493,111

See Notes to Consolidated Financial Statements (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
Consolidated Statements of Earnings (Unaudited)
For the Three Months and Nine Months Ended September 30, 2016 and 2015

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Premiums	$ 298,224	483,634	825,410	1,246,513
Net investment income	527,622	645,092	1,754,703	1,831,524
Net realized capital gains	300,588	212,615	881,918	881,506
Fee and other income	32,083	27,326	119,513	116,707
Total revenues	1,158,517	1,368,667	3,581,544	4,076,250
Expenses				
Incurred losses and loss adjustment expenses	(358,837)	(243,992)	(275,257)	(417,704)
Amortization of deferred acquisition costs	45,048	79,079	136,156	201,425
General and administrative expenses	662,711	665,512	2,258,518	2,306,858
Interest expense	78,199	76,218	237,877	210,781
Total expenses	427,121	576,817	2,357,294	2,301,360
Earnings before income taxes	731,396	791,850	1,224,250	1,774,890
Provision for income taxes	199,241	225,280	324,629	527,534
Net earnings	$ 532,155	566,570	899,621	1,247,356
Earnings per-share	$ 0.58	$ 0.57	$ 0.97	$ 1.27

See Notes to Consolidated Financial Statements (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
For the Three Months and Nine Months Ended September 30, 2016 and 2015

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2016	2015	2016	2015
Net earnings	$	532,155	566,570	899,621	1,247,356
Change in unrealized gains and losses on investment securities		(20,677)	(1,538,372)	1,631,181	(2,760,356)
Income tax (benefit) expense		(7,030)	(33,620)	398,374	(124,745)
Other comprehensive (loss) income, net of taxes		(13,647)	(1,504,752)	1,232,808	(2,635,611)
Comprehensive income (loss)	$	518,508	(938,182)	2,132,429	(1,388,255)

See Notes to Consolidated Financial Statements (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity (Unaudited)
For the Nine Months Ended September 30, 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 loss						
Change in net unrealized gains and losses on investment securities, net of reclassification		-	-	-	(2,635,611)	(2,635,611)
Net earnings		-	-	1,247,356	-	1,247,356
Total comprehensive loss		-	-	1,247,356	(2,635,611)	(1,388,255)
Excess benefit from stock options exercised		-	-	459,899	-	459,899
Issuance of 47,000 shares of Class A Stock pursuant to stock options		-	47,000	575,750	-	622,750
Acquisition and retirement of 99,900 shares of Class A Stock		-	(99,900)	(2,304,322)	-	(2,404,222)
Balance as of September 30, 2015	$	357,966	594,782	31,235,309	(2,350,509)	29,837,548
Balance as of December 31, 2015	$	357,966	582,782	29,999,706	(459,493)	30,480,961
Comprehensive income						
Change in net unrealized gains and losses on investment securities, net of reclassification		-	-	-	1,232,808	1,232,808
Net earnings		-	-	899,621	-	899,621
Total comprehensive income		-	-	899,621	1,232,808	2,132,429
Excess benefit from stock options exercised		-	-	260,925	-	260,925
Acquisition of 1,220 shares of common stock		(1,220)	-	(24,025)	-	(25,245)
Acquisition and retirement of 69,433 shares of Class A Stock		-	(69,433)	(1,880,032)	-	(1,949,465)
Balance as of September 30, 2016	$	356,746	513,349	29,256,195	773,315	30,899,605

See Notes to Consolidated Financial Statements (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

For the Nine Months Ended September 30, 2016 and 2015

		2016	2015
Cash flows from operating activities			
Net earnings	$	899,621	1,247,356
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization		320,558	172,903
Net realized capital gains		(881,918)	(881,506)
Deferred income tax expense		(180,466)	(258,681)
Changes in:			
Accrued interest receivable		(140,362)	(126,355)
Receivables		27,310	52,200
Reinsurance recoverable		(8,861)	(81,218)
Income taxes receivable		310,074	(63,574)
Deferred policy acquisition costs		(5,947)	(13,861)
Prepaid expenses and other assets		(72,643)	(131,556)
Reserves for losses and loss adjustment expenses		(341,466)	(249,034)
Unearned premiums, net		22,653	94,515
Collateral held		1,779,223	46,444
Reinsurance premiums payable		(7,048)	22,786
Accounts payable and accrued liabilities		(236,860)	(82,722)
Net cash provided by (used for) operating activities		1,483,868	(252,303)
Cash flows from investing activities			
Proceeds from investments sold, matured or redeemed:			
Fixed maturities sold		5,125,102	3,672,811
Maturities and redemptions		4,219,211	7,689,168
Equity securities		16,873,931	39,562,070
Purchases of:			
Fixed maturities		(11,768,127)	(11,782,974)
Equity securities		(12,272,481)	(44,976,437)
Short-term investments, net		(2,844,505)	3,430,918
Unsettled securities transactions		-	(943,558)
Capital expenditures		(32,511)	(54,760)
Net cash used for investing activities		(699,380)	(3,402,762)
Cash flows from financing activities			
Funds borrowed		-	2,020,117
Repayments of long-term debt		(988,393)	(159,821)
Excess tax benefit realized pursuant to stock options exercised		260,925	459,899
Acquisition and retirement of common shares		(25,245)	-
Issuance of Class A shares pursuant to stock options		-	622,750
Acquisition and retirement of Class A shares		(1,949,465)	(2,404,222)
Net cash (used for) provided by financing activities		(2,702,178)	538,723
Net change in cash and cash equivalents		(1,917,690)	(3,116,342)
Cash and cash equivalents, beginning of period		3,740,700	5,793,124
Cash and cash equivalents, end of period	$	1,823,010	2,676,782

Supplemental disclosure of cash flows information:

	2016	2015
Cash (received) paid for income taxes	(65,904)	389,890
Cash paid for interest	207,065	179,970

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.

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.

(2) Investments

The amortized cost and fair value of investments in fixed maturities and equity securities classified as available-for-sale as of September 30, 2016 and December 31, 2015 were as follows:

		Amortized	Gross Unrealized		Fair
		Cost	Gains	Losses	Value
As of September 30, 2016					
U.S. government and government agencies	$	4,017,999	741	-	4,018,740
States, municipalities and political subdivisions		25,843,625	1,078,122	119,667	26,802,080
Industrial and miscellaneous		7,419,256	246,264	15,840	7,649,680
Mortgage-backed securities		6,467,110	150,221	65,734	6,551,597
Redeemable preferred stock		3,276,618	107,372	5,686	3,378,304
Total fixed maturities		47,024,608	1,582,720	206,927	48,400,401
Perpetual preferred stock		1,750,000	121,120	-	1,871,120
Common stock		6,982,769	409,047	734,271	6,657,545
Total equity securities		8,732,769	530,167	734,271	8,528,665
Total	$	55,757,377	2,112,887	941,198	56,929,066

		Amortized	Gross Unrealized		Fair
		Cost	Gains	Losses	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

The following tables summarize, for all investments in an unrealized loss position at September 30, 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 September 30, 2016						
States, municipalities and political subdivisions	$ 4,635,265	89,416	1,760,479	30,251	6,395,744	119,667
Industrial and miscellaneous	689,720	6,998	191,165	8,842	880,885	15,840
Mortgage-backed securities	1,286,479	27,003	671,453	38,731	1,957,932	65,734
Redeemable preferred stock	348,720	2,023	39,712	3,663	388,432	5,686
Total fixed maturities	6,960,184	125,440	2,662,809	81,487	9,622,993	206,927
Common stock	2,611,537	196,089	2,080,446	538,182	4,691,983	734,271
Total equity securities	2,611,537	196,089	2,080,446	538,182	4,691,983	734,271
Total	$ 9,571,721	321,529	4,743,255	619,669	14,314,976	941,198

	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 September 30, 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 September 30, 2016						
Mortgage-backed securities	$	15,596	-	-	-	15,596
Common stock		98,419	77,695	264,326	38,803	479,243
Total:	$	114,015	77,695	264,326	38,803	494,839

(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.

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 September 30, 2016 and December 31, 2015.

		Level 1	Level 2	Level 3	Total
As of September 30, 2016					
U.S. government and government agencies	$	4,018,740	-	-	4,018,740
States, municipalities and political subdivisions		-	26,802,080	-	26,802,080
Industrial and miscellaneous		-	7,649,680	-	7,649,680
Mortgage-backed securities		-	6,551,597	-	6,551,597
Redeemable preferred stock		-	3,378,304	-	3,378,304
Total fixed maturities		4,018,740	44,381,661	-	48,400,401
Perpetual preferred stock		-	1,871,120	-	1,871,120
Common stock		6,375,888	281,657	-	6,657,545
Total equity securities		6,375,888	2,152,777	-	8,528,665
Short-term investments		-	4,321,118	-	4,321,118
Total	$	10,394,628	50,855,556	-	61,250,184

		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 September 30, 2016 and December 31, 2015 is as follows:

		September 30, 2016	December 31, 2015
Term loan	$	7,353,571	8,285,714
Mortgage note		1,243,750	1,300,000
Principal outstanding		8,597,321	9,585,714
Unamortized loan costs		23,182	25,761
Long-term debt:	$	8,574,139	9,559,953

(5) Earnings Per-Share

The following is a reconciliation of the numerators and denominators of the earnings per-share computations for the three months and nine months ended September 30, 2016 and 2015:

		Three months ended September 30,		Nine months ended September 30,	
		2016	2015	2016	2015
Net earnings	$	532,155	566,570	899,621	1,247,356
Weighted average shares outstanding		915,588	997,304	930,454	981,991
Earnings per-share	$	0.58	0.57	0.97	1.27

There were no dilutive instruments at September 30, 2016 and 2015.

(6) Comprehensive Income

The following tables present the changes in the Company's accumulated other comprehensive income (loss) for the three months and nine months ended September 30, 2016 and 2015:

		2016		2015	
Three months ended September 30,		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 July 1	$	786,962	786,962	(845,757)	(845,757)
Other comprehensive income (loss) before reclassifications to earnings, net		26,123	26,123	(1,432,733)	(1,432,733)
Reclassifications, net		(39,770)	(39,770)	(72,019)	(72,019)
Other comprehensive (loss), net of taxes		(13,647)	(13,647)	(1,504,752)	(1,504,752)
Balance as of September 30	$	773,315	773,315	(2,350,509)	(2,350,509)

		2016		2015	
Nine months ended September 30,		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 (loss) before reclassifications to earnings, net		1,550,218	1,550,218	(2,600,090)	(2,600,090)
Reclassifications, net		(317,410)	(317,410)	(35,521)	(35,521)
Other comprehensive income (loss), net of taxes		1,232,808	1,232,808	(2,635,611)	(2,635,611)
Balance as of September 30	$	773,315	773,315	(2,350,509)	(2,350,509)

The following table presents the pretax and related income tax expense 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 and nine months ended September 30, 2016 and 2015.

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2016	2015	2016	2015
Realized capital gains and losses reclassified to net earnings during the period	$	60,258	109,121	480,925	53,820
Income taxes		20,488	37,102	163,515	18,299
Reclassifications, net	$	39,770	72,019	317,410	35,521

The following table presents the pretax components of other comprehensive income and loss and related income tax expense for the three months and nine months ended September 30, 2016 and 2015.

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2016	2015	2016	2015
Unrealized holding increase (decrease) arising during the period, net of taxes	$	39,583	(1,429,253)	2,112,106	(2,706,536)
Tax (expense) benefit on unrealized holding gains and losses arising during the period		(13,460)	485,946	(718,116)	920,222
Valuation allowance		-	(489,426)	156,228	(813,776)
Less: Reclassification adjustment for gains and losses included in earnings, net of taxes		(39,770)	(72,019)	(317,410)	(35,521)
Other comprehensive income (loss), net	$	(13,647)	(1,504,752)	1,232,808	(2,635,611)

(7) Subsequent Events

There were no subsequent events requiring adjustment to the consolidated financial statements (unaudited) or disclosure therein through October 25, 2016, the date the Company’s consolidated financial statements (unaudited) were issued.