

ACMAT CORPORATION

30 South Road
Farmington, CT 06032-2418

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www.acmatcorp.com
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Quarterly Report

**For the period ending: September 30, 2024
(the "Reporting Period")**

Outstanding Shares

The number of shares outstanding of our Common Stock and Class A Stock was:

- 335,876 shares of Common Stock and 435,221 shares of Class A Stock as of November 5, 2024 (Date of filing)
- 335,876 shares of Common Stock and 435,221 shares of Class A Stock as of September 30, 2024 (Reporting date)
- 336,076 shares of Common Stock and 435,421 shares of Class A Stock as of December 31, 2023 (Prior year end)

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Change in Control

Indicate by check mark whether a Change in Control⁴ of the company has occurred during this reporting period:

Yes: No:

⁴ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

Provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

ACMAT Corporation (1973 to present)
Acoustical Materials Corporation (1950 to 1973)

Current State and Date of Incorporation or Registration:

Connecticut, USA; Incorporated March 16, 1951

Standing in this jurisdiction: (e.g. active, default, inactive):

Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:

None

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

None

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

Address of the issuer's principal executive office:

30 South Road Farmington, Connecticut, USA 06032-2418

Address of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: Yes: If Yes, provide additional details below:

2) Security Information

Transfer Agent:

Name: Equiniti Trust Company, LLC
Phone: (800) 937-5449
Email: help@equiniti.com
Address: 6201 15th Avenue
Brooklyn, NY 11219

Publicly Quoted or Traded Securities:

Trading symbol:	<u>ACMT</u>	
Exact title and class of securities outstanding:	<u>Common Stock</u>	
CUSIP:	<u>004616108</u>	
Par or stated value:	<u>No Par Value</u>	
Total shares authorized:	<u>3,500,000</u>	as of date: <u>September 30, 2024</u>
Total shares outstanding:	<u>335,876</u> ¹	as of date: <u>September 30, 2024</u>
Number of shares in the Public Float ² :	<u>14,217</u>	as of date: <u>September 30, 2024</u>
Total number of shareholders of record:	<u>27</u>	as of date: <u>September 30, 2024</u>

All additional class of publicly traded securities:

Trading symbol:	<u>ACMTA</u>	
Exact title and class of securities outstanding:	<u>Class A Stock</u>	
CUSIP:	<u>004616207</u>	
Par or stated value:	<u>No Par Value</u>	
Total shares authorized:	<u>10,000,000</u>	as of date: <u>September 30, 2024</u>
Total shares outstanding:	<u>435,221</u> ³	as of date: <u>September 30, 2024</u>
Number of shares in the Public Float ² :	<u>27,025</u>	as of date: <u>September 30, 2024</u>
Total number of shareholders of record:	<u>31</u>	as of date: <u>September 30, 2024</u>

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

None

Security Description:

1. For common equity, describe any dividend, voting and preemption rights.

Common stock and Class A stock are identical in all aspects, except with respect to voting rights. Common stockholders are granted one vote per share while Class A stockholders are granted one-tenth of a vote per share.

¹ Of the 335,876 shares outstanding, 293,739 are directly owned by Henry W. Nozko, Jr., Chairman and Chief Executive Officer.

² "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

³ Of the 435,221 Class A shares outstanding, 104,490 are directly owned by Henry W. Nozko, Jr., Chairman and Chief Executive Officer.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

Not applicable

3. Describe any other material rights of common or preferred stockholders.

Not applicable

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

Not applicable

3) Issuance History

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: Yes: (If yes, you must complete the table below)

The following tables itemize the changes in the Issuer's Common stock and Class A stock from December 31, 2021 through the current reporting date.

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance:</u> Date <u>Dec. 31, 2021</u> Common: <u>336,076</u>			ACMAT Corporation Common Stock (ACMT)						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
<u>03/06/2024</u>	<u>Purchase of Shares</u>	<u>(200)</u>	<u>Common</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Shares Outstanding on Date of This Report: <u>Ending Balance:</u> Date <u>Sept. 30, 2024</u> Common: <u>335,876</u>									

Shares Outstanding as of Second Most Recent Fiscal Year End: Opening Balance: Date <u>Dec. 31, 2021</u> Class A: <u>435,421</u>			ACMAT Corporation Class A Stock (ACMTA)						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
<u>03/06/2024</u>	<u>Purchase of Shares</u>	<u>(200)</u>	<u>Class A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Shares Outstanding on Date of This Report: Ending Balance: Date <u>Sept. 30, 2024</u> Class A: <u>435,221</u>									

Common stock and Class A stock are repurchased from public shareholders and subsequently retired.

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: Yes:

The issuer maintains a \$1 million revolving line of credit and a \$3 million term loan advance line of credit with a financial institution. The issuer did not have any amounts outstanding under these instruments at the reporting date.

4) Issuer's Business, Products and Services

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

ACMAT Corporation, through its wholly-owned subsidiary, ACSTAR Insurance Company, markets surety products throughout the United States. Prior to 2010, ACMAT Corporation provided construction contracting services to commercial and governmental customers.

B. List any subsidiaries, parent company, or affiliated companies.

The following illustrates the Issuer's subsidiaries and holding system. Indentation is indicative of ownership. All ownership interests are 100%. States of incorporation are shown parenthetically.

ACMAT Corporation (CT)
... AMINS Inc. (CT)
... ACMAT Realty Corporation (CT)
... ACSTAR Holdings, Inc. (DE)
... ACSTAR Insurance Company (IL)

C. Describe the issuers' principal products or services.

The Issuer, through ACSTAR Insurance Company, offers surety bonds for almost all classifications of construction contractors. ACSTAR also provides other miscellaneous surety such as workers' compensation bonds, supply bonds, subdivision bonds, and license and permit bonds.

5) Issuer's Facilities

The Issuer's principal place of business is located at 30 South Road Farmington, CT 06032-2418. The Issuer does not maintain any other office locations or operations. The issuer owns the property outright and the ownership interest is unencumbered as of the reporting date.

6) All Officers, Directors, and Control Persons of the Company

Names of All Officers, Directors, and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of 5% or more)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
<u>Henry Walter Nozko, Jr.</u>	<u>Director, Officer (Chief Executive), and Stockholder</u>	<u>Franklin, TN</u>	<u>293,739</u>	<u>Common</u>	<u>88%</u>	<u>_____</u>
<u>Henry Walter Nozko, Jr.</u>	<u>Director, Officer (Chief Executive), and Stockholder</u>	<u>Franklin, TN</u>	<u>104,490</u>	<u>Class A</u>	<u>24%</u>	<u>_____</u>
<u>Henry Walter Nozko, III</u>	<u>Director, Officer (Executive Vice President), and Stockholder</u>	<u>Nashville, TN</u>	<u>13,420</u>	<u>Common</u>	<u>4%</u>	<u>_____</u>
<u>Henry Walter Nozko, III</u>	<u>Director, Officer (Executive Vice President), and Stockholder</u>	<u>Nashville, TN</u>	<u>12,250</u>	<u>Class A</u>	<u>3%</u>	<u>_____</u>
<u>Brian Patrick Marshall, CPA</u>	<u>Officer (Vice President)</u>	<u>Longmeadow, MA</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>_____</u>
<u>Gary Michael Case, Esq.</u>	<u>Officer (Vice President)</u>	<u>Glastonbury, CT</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>_____</u>
<u>Maurice Christopher Shea</u>	<u>Director</u>	<u>Vernon, CT</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>_____</u>
<u>Hale Partnership Capital Management</u>	<u>Stockholder (More than 5% of share class)</u>	<u>Charlotte, NC</u>	<u>291,456</u>	<u>Class A</u>	<u>67%</u>	<u>Steven A. Hale, II (Charlotte, NC)</u>

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

None

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

None

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

None

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

None

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

8) Third Party Service Providers

Securities Counsel:

Name: HarrisBeachMurtha, LLP⁴
Address 1: 185 Asylum St.
Address 2: Hartford, CT 06103
Phone: (860) 240-6000

Accountant or Auditor:

Firm: Crowe, LLP
Address 1: 62 Memorial Rd. Suite 100
Address 2: West Hartford, CT 06107
Phone: (860) 678-9200

Other Service Providers:

There were no Other Service Providers used in the preparation of this disclosure statement.

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Brian P. Marshall, CPA
Title: Vice President
Relationship to Issuer: Corporate Officer

B. The following financial statements were prepared in accordance with:

- IFRS
 U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Brian P. Marshall, CPA
Title: Vice President
Relationship to Issuer: Corporate Officer

Describe the qualifications of the person or persons who prepared the financial statements:

The financial statements were prepared by Brian Marshall, who has been the principal financial officer of the Company since 2012. Mr. Marshall is a Certified Public Accountant and holds degrees in accountancy and finance. Prior to joining the Company, Mr. Marshall worked for KPMG LLP.

The Issuer's Quarterly Report is attached. The Issuer's Quarterly Report ("ACMAT Corporation September 30, 2024 Consolidated Financial Statements (Unaudited)") is also available on the Company's Investor Relations site (www.acmatcorp.com/quarterly-reports/).

⁴ Formerly MurthaCulina, LLP

10) Issuer Certification

Principal Executive Officer:

I, Henry Walter Nozko, Jr. certify that:

1. I have reviewed this Disclosure Statement for ACMAT Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 5, 2024

/s/ Henry Walter Nozko, Jr.

Principal Financial Officer:

I, Brian Patrick Marshall, CPA certify that:

1. I have reviewed this Disclosure Statement for ACMAT Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 5, 2024

/s/ Brian Patrick Marshall, CPA



ACMAT CORPORATION

ACMAT CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2024

(Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2024

(Unaudited)

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ACMAT CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of September 30, 2024 and December 31, 2023

	September 30,	December 31,
	2024	2023
	(Unaudited)	
Assets		
Investments:		
Fixed maturities (Amortized cost of \$33,801,384 and \$32,064,793; allowance for expected credit losses of \$83,607 and \$79,736)	\$ 33,132,295	\$ 30,752,721
Equity securities (Cost of \$6,154,475 and \$6,085,044)	5,723,157	5,431,268
Short-term investments	5,978,701	4,761,109
Total investments	<u>44,834,153</u>	<u>40,945,098</u>
Cash and cash equivalents	1,080,876	1,069,204
Accrued interest receivable	392,997	381,108
Premiums receivable, net of allowance for credit losses of \$5,514 as of September 30, 2024 and \$8,039 as of December 31, 2023	73,101	70,380
Reinsurance recoverable	228,246	210,816
Income taxes receivable	363,495	255,541
Deferred income taxes, net	403,010	508,535
Property and equipment, net	3,937,296	4,035,488
Deferred policy acquisition costs	162,785	108,031
Ceded unearned premiums	114,303	74,094
Contract balances held	487,487	25,000
Net cash surrender value on officers' life insurance	2,523,311	2,382,554
Prepaid expenses and other assets	275,154	137,762
Intangibles	1,920,360	1,920,360
Total assets	<u>\$ 56,796,574</u>	<u>\$ 52,123,971</u>
Liabilities and Stockholders' Equity		
Reserves for losses and loss adjustment expenses	\$ 9,176,028	\$ 9,158,519
Unearned premiums	783,576	506,933
Collateral held	13,124,027	12,544,001
Reinsurance premiums payable	47,165	50,932
Payable for securities purchased	2,476,713	104,337
Contract balances payable	487,487	25,000
Accounts payable and accrued liabilities	918,424	885,862
Total liabilities	<u>27,013,420</u>	<u>23,275,584</u>
Common Stock (No par value; 3,500,000 shares authorized; 336,076 shares issued and 335,876 shares outstanding)	335,876	336,076
Class A Stock (No par value; 10,000,000 shares authorized; 435,221 shares issued and outstanding)	435,221	435,421
Retained earnings	29,474,344	29,047,166
Accumulated other comprehensive loss	(462,287)	(970,276)
Total stockholders' equity	<u>29,783,154</u>	<u>28,848,387</u>
Total liabilities and stockholders' equity	<u>\$ 56,796,574</u>	<u>\$ 52,123,971</u>

See accompanying Notes to Consolidated Financial Statements (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
Consolidated Statements of Net Earnings and Losses (Unaudited)
For the Three Months and Nine Months Ended September 30, 2024 and 2023

	Three months ended September 30,		Nine Months ended September 30,	
	2024	2023	2024	2023
Revenues				
Premiums	\$ 394,807	\$ 263,952	\$ 1,022,689	\$ 651,264
Investment income	488,421	436,216	1,440,931	1,310,680
Realized capital (losses) gains	(4,248)	717	(5,355)	17,992
Unrealized capital gains (losses)	343,140	(347,041)	222,458	(1,021,496)
Fee and other income	45,762	22,064	127,807	53,505
Total revenues	<u>1,267,882</u>	<u>375,908</u>	<u>2,808,530</u>	<u>1,011,945</u>
Expenses				
Net expense (benefit) recognized on incurred losses and loss adjustment expenses	62,587	(108,134)	62,128	(147,400)
Amortization of deferred acquisition costs	64,530	34,246	141,574	89,000
General and administrative expenses	693,775	631,442	2,144,939	2,070,016
Interest expense	3,347	4,552	16,288	24,925
Total expenses	<u>824,239</u>	<u>562,106</u>	<u>2,364,929</u>	<u>2,036,541</u>
Earnings (losses) before income taxes	443,643	(186,198)	443,601	(1,024,596)
Provision for income taxes	(35,580)	34,048	3,373	15,462
Net earnings (losses)	<u>\$ 479,223</u>	<u>\$ (220,246)</u>	<u>\$ 440,228</u>	<u>\$ (1,040,058)</u>
Earnings (losses), per-share:				
Common stock	\$ 0.62	\$ (0.29)	\$ 0.57	\$ (1.35)
Class A stock	\$ 0.62	\$ (0.29)	\$ 0.57	\$ (1.35)

Consolidated Statements of Comprehensive Income and Loss (Unaudited)
For the Three Months and Nine Months Ended September 30, 2024 and 2023

	Three months ended September 30,		Nine Months ended September 30,	
	2024	2023	2024	2023
Net earnings (losses)	\$ 479,223	\$ (220,246)	\$ 440,228	\$ (1,040,058)
Change in net unrealized gains and losses on fixed maturity securities available-for-sale	828,052	(833,250)	643,024	(558,389)
Income tax expense (benefit)	173,891	(174,983)	135,035	(117,262)
Other comprehensive income (loss), net of taxes	654,161	(658,267)	507,989	(441,127)
Comprehensive income (loss)	<u>\$ 1,133,384</u>	<u>\$ (878,513)</u>	<u>\$ 948,217</u>	<u>\$ (1,481,185)</u>

See accompanying Notes to Consolidated Financial Statements (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity (Unaudited)
For the Nine Months Ended September 30, 2024 and 2023

	<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, 2022	\$ 336,076	\$ 435,421	\$ 28,536,942	\$ (1,744,400)	\$ 27,564,039
Comprehensive loss:					
Net change in unrealized capital gains and losses on investment securities available-for-sale, net of reclassification	-	-	-	(441,127)	(441,127)
Net losses	-	-	(1,040,058)	-	(1,040,058)
Comprehensive loss	-	-	(1,040,058)	(441,127)	(1,481,185)
Balance as of September 30, 2023	<u>\$ 336,076</u>	<u>\$ 435,421</u>	<u>\$ 27,496,884</u>	<u>\$ (2,185,527)</u>	<u>\$ 26,082,854</u>
Balance as of December 31, 2023	\$ 336,076	\$ 435,421	\$ 29,047,166	\$ (970,276)	\$ 28,848,387
Comprehensive income:					
Net change in unrealized capital gains and losses on investment securities available-for-sale, net of reclassification	-	-	-	507,989	507,989
Net earnings	-	-	440,228	-	440,228
Comprehensive income	-	-	440,228	507,989	948,217
Acquisition and retirement of 200 shares of Common Stock	(200)	-	(6,550)	-	(6,750)
Acquisition and retirement of 200 shares of Class A Stock	-	(200)	(6,500)	-	(6,700)
Balance as of September 30, 2024	<u>\$ 335,876</u>	<u>\$ 435,221</u>	<u>\$ 29,474,344</u>	<u>\$ (462,287)</u>	<u>\$ 29,783,154</u>

See accompanying Notes to Consolidated Financial Statements (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Net earnings (losses)	\$ 440,228	\$ (1,040,058)
Adjustments to reconcile net earnings (losses) to net cash used for operating activities:		
Depreciation and amortization	143,962	137,626
Investment income	10,783	128,028
Realized capital losses (gains)	5,355	(17,992)
Unrealized capital (gains) losses on equity securities	(222,458)	1,021,496
Deferred income taxes	(29,510)	(95,246)
Changes in:		
Accrued interest receivable	(11,889)	(13,367)
Receivables	(2,721)	4,806
Reinsurance recoverable	(17,429)	(11,090)
Income taxes receivable	(107,954)	83,964
Deferred policy acquisition costs	(54,754)	(14,929)
Prepaid expenses and other assets	(291,670)	(147,181)
Reserves for losses and loss adjustment expenses	17,509	(907,612)
Unearned premiums, net	236,434	47,227
Collateral held	580,026	373,731
Reinsurance premiums payable	(3,767)	11,508
Accounts payable and accrued liabilities	32,562	171,436
Net cash provided by (used for) operating activities	724,707	(267,653)
Cash flows from investing activities		
Proceeds from investments sold, matured or redeemed:		
Fixed maturities	5,087,447	2,382,954
Equity securities	-	1,926,143
Purchases of:		
Fixed maturities	(4,509,216)	(1,633,385)
Equity securities	(69,550)	(2,218,463)
Short-term investments, net	(1,176,016)	(145,418)
Capital expenditures	(32,250)	(37,708)
Net cash (used for) provided by investing activities	(699,585)	274,123
Cash flows from financing activities		
Repayments of outstanding debt	-	(775,000)
Acquisition and retirement of common shares	(6,750)	-
Acquisition and retirement of Class A shares	(6,700)	-
Net cash used for financing activities	(13,450)	(775,000)
Net change in cash and cash equivalents	11,672	(768,530)
Cash and cash equivalents, beginning of period	1,069,204	1,839,741
Cash and cash equivalents, end of period	\$ 1,080,876	\$ 1,071,211
<u>Supplemental disclosure of cash flows information:</u>		
Cash paid for income taxes	141,000	29,000
Cash paid for interest	5,602	23,414

See accompanying Notes to Consolidated Financial Statements (Unaudited)

ACMAT CORPORATION AND SUBSIDIARIES
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(Unaudited)

(1) Basis of Presentation and Accounting Policies

(a) 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.

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, 2023. Certain prior period balances have been reclassified to conform to the current period presentation.

(b) 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

(a) Fixed Maturities

The amortized cost and fair value of investments in fixed maturities available-for-sale as of September 30, 2024 and December 31, 2023 were as follows¹:

	As of September 30, 2024				Fair Value
	Amortized Cost	Credit Losses	Gross Unrealized		
			Gains	Losses	
U.S. government and government agencies	\$ 5,661,503	\$ -	\$ 88,731	\$ 1,566	\$ 5,748,668
States, municipalities and political subdivisions	16,004,834	-	71,723	433,727	15,642,830
Industrial and miscellaneous	9,218,151	68,372	109,920	400,763	8,858,936
Mortgage-backed securities	2,067,880	15,235	85,882	46,322	2,092,205
Redeemable preferred stock	849,016	-	1,776	61,136	789,656
Total fixed maturities	<u>\$ 33,801,384</u>	<u>\$ 83,607</u>	<u>\$ 358,032</u>	<u>\$ 943,514</u>	<u>\$ 33,132,295</u>

¹ The tables above present information compiled at the individual lot level. Certain unrealized gains and losses presented may be offset or affected by unrealized gains and losses on additional holdings of the same security.

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	As of December 31, 2023				Fair Value
	Amortized Cost	Credit Losses	Gross Unrealized		
			Gains	Losses	
U.S. government and government agencies	\$ 5,866,582	\$ -	\$ 85,108	\$ 26,415	\$ 5,925,275
States, municipalities and political subdivisions	13,797,528	14,571	49,689	518,450	13,314,196
Industrial and miscellaneous	9,323,932	52,087	56,048	762,978	8,564,915
Mortgage-backed securities	2,202,734	13,078	63,732	71,582	2,181,806
Redeemable preferred stock	874,017	-	1,512	109,000	766,529
Total fixed maturities	<u>\$ 32,064,793</u>	<u>\$ 79,736</u>	<u>\$ 256,089</u>	<u>\$ 1,488,425</u>	<u>\$ 30,752,721</u>

(b) Equity Securities

The cost and fair value of investments in equity securities as of September 30, 2024 and December 31, 2023 were as follows²:

	As of September 30, 2024			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Perpetual preferred stock	\$ 4,171,969	\$ 10,132	\$ 417,646	\$ 3,764,455
Common stock	1,982,506	377,301	401,105	1,958,702
Total equity securities	<u>\$ 6,154,475</u>	<u>\$ 387,433</u>	<u>\$ 818,751</u>	<u>\$ 5,723,157</u>

	As of December 31, 2023			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Perpetual preferred stock	\$ 4,171,349	\$ 1,437	\$ 728,312	\$ 3,444,474
Common stock	1,913,695	285,375	212,276	1,986,794
Total equity securities	<u>\$ 6,085,044</u>	<u>\$ 286,812</u>	<u>\$ 940,588</u>	<u>\$ 5,431,268</u>

(c) Short-Term Investments

The Company's short-term investments consist of high credit-quality registered money market funds and fixed maturity debt securities purchased within one year of contractual maturity. Fair value was \$308 in excess of amortized cost at September 30, 2024. Fair value was \$4,139 in excess of amortized cost at December 31, 2023, respectively.

² The tables above present information compiled at the individual lot level. Certain unrealized gains and losses presented may be offset or affected by unrealized gains and losses on additional holdings of the same security.

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(d) Unrealized Capital Losses

The following tables summarize, for all fixed maturities in an unrealized loss position at September 30, 2024 and December 31, 2023, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position ³:

	Less than 12 Months			
	As of September 30, 2024		As of December 31, 2023	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
U.S. government and government agencies	\$ 2,465,625	\$ 160	\$ 49,770	\$ 229
States, municipalities and political subdivisions	3,204,191	40,581	2,310,779	27,133
Industrial and miscellaneous	1,018,858	9,775	1,029,192	49,594
Mortgage-backed securities	197,396	2,358	241,032	12,833
Total fixed maturities	<u>\$ 6,886,070</u>	<u>\$ 52,874</u>	<u>\$ 3,630,773</u>	<u>\$ 89,789</u>
	Greater than 12 Months			
	As of September 30, 2024		As of December 31, 2023	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	U.S. government and government agencies	\$ 523,430	\$ 1,406	\$ 1,488,743
States, municipalities and political subdivisions	7,870,711	393,146	7,988,700	491,317
Industrial and miscellaneous	4,999,732	390,988	5,421,143	713,384
Mortgage-backed securities	763,153	43,964	778,624	58,749
Redeemable preferred stock	637,880	61,136	590,017	109,000
Total fixed maturities	<u>\$ 14,794,906</u>	<u>\$ 890,640</u>	<u>\$ 16,267,227</u>	<u>\$ 1,398,636</u>
	Total			
	As of September 30, 2024		As of December 31, 2023	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	U.S. government and government agencies	\$ 2,989,055	\$ 1,566	\$ 1,538,513
States, municipalities and political subdivisions	11,074,902	433,727	10,299,479	518,450
Industrial and miscellaneous	6,018,590	400,763	6,450,335	762,978
Mortgage-backed securities	960,549	46,322	1,019,656	71,582
Redeemable preferred stock	637,880	61,136	590,017	109,000
Total fixed maturities	<u>\$ 21,680,976</u>	<u>\$ 943,514</u>	<u>\$ 19,898,000</u>	<u>\$ 1,488,425</u>

³ The tables above present information compiled at the individual lot level. Certain unrealized losses presented may be offset or affected by unrealized gains and losses on additional holdings of the same security. Management assesses other than temporary impairment at the aggregate level when it is believed that unit size will not trigger significant pricing variations or affect market efficiency.

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(e) Allowance for Expected Credit Losses

The following table presents the allowance for expected credit losses on fixed maturities available-for-sale as of September 30, 2024 and 2023 and the changes for the three months and nine months then ended.

	Three Months Ended September 30,	
	2024	2023
Balance, April 1	\$ 91,904	\$ 34,846
Remeasurement of expected credit losses where credit losses were previously reported	<u>(8,297)</u>	<u>16,765</u>
Balance, September 30	<u>\$ 83,607</u>	<u>\$ 51,611</u>

	Nine Months Ended September 30,	
	2024	2023
Balance, January 1	\$ 82,373	\$ 18,282
Additions for expected credit losses where no credit losses were previously reported	-	65,178
Remeasurement of expected credit losses where credit losses were previously reported	<u>1,234</u>	<u>(31,849)</u>
Balance, September 30	<u>\$ 83,607</u>	<u>\$ 51,611</u>

(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,

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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.

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.

Short-Term Investments

The Company's short-term investments in U.S. Government money market funds 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.

The Company's short-term investments in fixed maturities purchased within one year of contractual maturity follow the pricing policies and framework for fixed maturity securities.

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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 September 30, 2024 and December 31, 2023.

	As of September 30, 2024				
	Level 1	Level 2	Level 3	Net Asset Value	Total
Assets:					
<u><i>Fixed maturities</i></u>					
U.S. government and government agencies	\$ 5,748,668	\$ -	\$ -	\$ -	\$ 5,748,668
States, municipalities and political subdivisions	-	15,642,830	-	-	15,642,830
Industrial and miscellaneous	-	8,858,936	-	-	8,858,936
Mortgage-backed securities	-	2,092,205	-	-	2,092,205
Redeemable preferred stock	-	789,656	-	-	789,656
Total fixed maturities	5,748,668	27,383,627	-	-	33,132,295
<u><i>Equity securities</i></u>					
Perpetual preferred stock	-	3,764,455	-	-	3,764,455
Common stock	1,955,907	-	-	2,795	1,958,702
Total equity securities	1,955,907	3,764,455	-	2,795	5,723,157
Short-term investments	4,836,655	-	-	1,142,046	5,978,701
Total assets	\$ 12,541,230	\$ 31,148,082	\$ -	\$ 1,144,841	\$ 44,834,153
Payable for securities	\$ 2,476,713	\$ -	\$ -	\$ -	\$ 2,476,713
As of December 31, 2023					
	Level 1	Level 2	Level 3	Net Asset Value	Total
Assets:					
<u><i>Fixed maturities</i></u>					
U.S. government and government agencies	\$ 5,925,275	\$ -	\$ -	\$ -	\$ 5,925,275
States, municipalities and political subdivisions	-	13,314,196	-	-	13,314,196
Industrial and miscellaneous	-	8,564,915	-	-	8,564,915
Mortgage-backed securities	-	2,181,806	-	-	2,181,806
Redeemable preferred stock	-	766,529	-	-	766,529
Total fixed maturities	5,925,275	24,827,446	-	-	30,752,721
<u><i>Equity securities</i></u>					
Perpetual preferred stock	-	3,444,474	-	-	3,444,474
Common stock	1,984,732	-	-	2,062	1,986,794
Total equity securities	1,984,732	3,444,474	-	2,062	5,431,268
Short-term investments	3,967,992	-	-	793,117	4,761,109
Total assets	\$ 11,877,999	\$ 28,271,920	\$ -	\$ 795,179	\$ 40,945,098
Payable for securities	\$ 77,234	\$ 27,103	\$ -	\$ -	\$ 104,337

There were no significant transfers between Level 1 and 2 or from level 3 in 2024 or 2023. The Company had no material assets or liabilities that were measured at fair value on a non-recurring basis during the

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periods ended September 30, 2024 and 2023. The Company held investments in common stock mutual funds priced using net asset value totaling \$2,795 at September 30, 2024 and \$2,062 at December 31, 2023. 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.

(4) Earnings and Losses Per-Share

Earnings and losses per share are calculated using the two-class method. Basic earnings and losses per share are calculated using the weighted average number of shares outstanding during the period. There are no dilutive or anti-dilutive instruments or events as of, or for the periods ended, September 30, 2024 and 2023. The following tables detail earnings and losses per share computations, by class of stock, for the three months and nine months ended September 30, 2024 and 2023.

	Three Months Ended September 30,			
	2024		2023	
	Common Stock	Class A Stock	Common Stock	Class A Stock
Undistributed net earnings (losses)	\$ 208,741	\$ 270,482	\$ (95,943)	\$ (124,303)
Weighted average shares	335,876	435,221	336,076	435,421
Earnings (losses) per share	\$ 0.62	\$ 0.62	\$ (0.29)	\$ (0.29)

	Nine Months Ended September 30,			
	2024		2023	
	Common Stock	Class A Stock	Common Stock	Class A Stock
Undistributed net earnings (losses)	\$ 191,759	\$ 248,469	\$ (453,065)	\$ (586,993)
Weighted average shares	335,923	435,268	336,076	435,421
Earnings (losses) per share	\$ 0.57	\$ 0.57	\$ (1.35)	\$ (1.35)

The rights of holders of Common Stock and Class A Stock are identical, except with respect to voting rights. Per share amounts are equal for shares of Common Stock and Class A Stock for the three months and nine months ended September 30, 2024 and 2023 because holders of the stock are entitled to equal shares of earnings and losses.

(5) Debt

(a) Extinguishment of Debt

The Company's mortgage note matured in April 2023, which prompted a final principal payment of \$750,000.

(b) Renewal of Credit Facility

The Company renewed its credit facility with its financial institution. The facility provides a \$1 million revolving line of credit and a \$3 million term loan advance line. Amounts outstanding on the advance line convert to a term loan at a designated point in the future. Interest on the lines is based on the one-month tenor Secured Overnight Financing Rate (SOFR) plus 200 basis points. Interest on principal converted to a term loan is based on the one-month tenor SOFR plus 225 basis points.

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(6) Comprehensive Income and Loss

The following tables present the changes in the Company's accumulated other comprehensive income and loss for the three months and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,	
	2024	2023
Balance, July 1	\$ (1,116,448)	\$ (1,527,260)
Other comprehensive income (loss) before reclassifications to earnings and losses, net	650,415	(657,734)
Reclassifications, net	3,746	(533)
Other comprehensive loss, net of taxes	654,161	(658,267)
Balance, September 30	<u>\$ (462,287)</u>	<u>\$ (2,185,527)</u>

	Nine Months Ended September 30,	
	2024	2023
Balance, January 1	\$ (970,276)	\$ (1,744,400)
Other comprehensive income (loss) before reclassifications to earnings and losses, net	503,365	(468,455)
Reclassifications, net	4,624	27,328
Other comprehensive (loss) income, net of taxes	507,989	(441,127)
Balance, September 30	<u>\$ (462,287)</u>	<u>\$ (2,185,527)</u>

The following tables present the pretax and related income tax consequence of the amounts reclassified from the Company's accumulated other comprehensive loss to the Company's consolidated statements of net earnings and losses for the three months and nine months ended September 30, 2024 and 2023.

	Three Months Ended September 30,	
	2024	2023
Realized capital (losses) gains reclassified to net earnings and losses during the period	\$ (4,742)	\$ 675
Income tax (benefit) expense	(996)	142
Reclassifications, net	<u>\$ (3,746)</u>	<u>\$ 533</u>

	Nine Months Ended September 30,	
	2024	2023
Realized capital losses reclassified to net earnings and losses during the period	\$ (5,853)	\$ (34,592)
Income tax benefit	(1,229)	(7,264)
Reclassifications, net	<u>\$ (4,624)</u>	<u>\$ (27,328)</u>

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The following tables present the pretax components of other comprehensive income and loss and the related income tax effects for the three months and nine months ended September 30, 2024 and 2023.

	Three Months Ended September 30,	
	2024	2023
Increase (decrease) in unrealized holding gains and losses arising during the period	\$ 823,310	\$ (832,575)
Tax (expense) benefit recognized on unrealized holding gains and losses arising during the period	(172,895)	174,841
Reclassification adjustment for gains and losses included in net losses, net of income taxes	3,746	(533)
Other comprehensive income (loss), net	\$ 654,161	\$ (658,267)

	Nine Months Ended September 30,	
	2024	2023
Increase (decrease) in unrealized holding gains and losses arising during the period	\$ 637,171	\$ (592,981)
Tax (expense) benefit recognized on unrealized holding gains and losses arising during the period	(133,806)	124,526
Reclassification adjustment for gains and losses included in net losses, net of income taxes	4,624	27,328
Other comprehensive income (loss), net	\$ 507,989	\$ (441,127)

(7) Subsequent Events

There were no subsequent events requiring adjustment to the consolidated financial statements (unaudited) or disclosure therein through November 5, 2024, the date the Company's consolidated financial statements (unaudited) were issued.