American Bureau of Shipping
Reports on Federal Awards in Accordance with the
Uniform Guidance
Year ended December 31, 2024

American Bureau of Shipping

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Year ended December 31, 2024

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Part I

Financial Statements and Schedule of Expenditures of Federal Awards

Report of Independent Auditors

To the Management and Board of Directors of
American Bureau of Shipping

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of American Bureau of Shipping (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of revenue in excess of expense and surplus, and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2024 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (*Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2025 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended December 31, 2024. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Houston, Texas
July 16, 2025

American Bureau of Shipping

Balance Sheets
As of December 31, 2024 and 2023 *(In Thousands)*

	December 31 2024	December 31 2023
Assets		
Current assets:		
Cash and cash equivalents	**$ 149,449**	$ 100,727
Investments	**1,368,177**	1,297,842
Accounts receivable, net of allowance of $2,532 and $2,232	**108,924**	109,226
Due from affiliates	**681,592**	511,607
Deferred expenses and unbilled revenue, net of allowance of $1,251 and $649	**51,300**	48,759
Prepaid expenses and other current assets	**32,184**	31,427
Total current assets	**2,391,626**	2,099,588
Investment in unconsolidated subsidiaries	**66,853**	77,862
Property and equipment, net	**32,898**	36,441
Intangible assets, net	**31,584**	30,824
Prepaid pension and postretirement benefits	**146,630**	117,200
Operating lease assets	**70,005**	74,034
Other long-term assets	**19,829**	17,660
Total assets	**$ 2,759,425**	$ 2,453,609
Liabilities and surplus		
Current liabilities:		
Accounts payable and accrued expenses	**$ 81,443**	$ 75,628
Due to affiliates	**627,524**	482,560
Deferred revenue	**95,174**	96,324
Total current liabilities	**804,141**	654,512
Pension, postretirement, and severance benefits	**29,885**	33,079
Operating lease liabilities – noncurrent	**89,402**	94,267
Other long-term liabilities	**35,117**	28,658
Total liabilities	**958,545**	810,516
Commitments and Contingencies (see Note 11)		
Surplus:		
Surplus	**1,964,747**	1,827,098
Pension and other postretirement	**(86,856)**	(124,186)
Foreign currency	**(77,011)**	(59,819)
Total Surplus	**1,800,880**	1,643,093
Total liabilities and surplus	**$ 2,759,425**	$ 2,453,609

See accompanying notes.

American Bureau of Shipping

Statements of Revenue in Excess of Expense and Surplus

For the years ended December 31, 2024 and 2023 *(In Thousands)*

	Year Ended December 31 2024	2023
Revenue:		
Revenue	**$ 564,707**	$ 517,637
Revenue - affiliates	**10,912**	10,066
Total revenue	**575,619**	527,703
Expenses:		
Direct operating expense	**314,535**	295,428
Direct operating expense – affiliates	**120,446**	103,265
General and administrative expense	**124,665**	114,257
Total expense	**559,646**	512,950
Income from operations	**15,973**	14,753
Income from investment securities and financial instruments, net	**127,271**	162,367
Loss on investments in unconsolidated affiliates	**(700)**	(921)
Income from investments in unconsolidated subsidiaries	**10,190**	3,958
Foreign exchange gain, net	**12,380**	503
Other (expense), net	**(8,153)**	(4,114)
Revenue in excess of expense before income taxes	**156,961**	176,546
Provision for income taxes	**19,330**	18,720
Revenue in excess of expense	**137,631**	157,826
Change in pension and other postretirement liabilities	**37,330**	1,504
Foreign currency adjustments	**(17,193)**	4,184
Other	**19**	53
Sale of unconsolidated subsidiary service line	**-**	(4,150)
Adjustment for adoption of accounting standards (Note 2)	**-**	(30,372)
Total increase in surplus	**157,787**	129,045
Surplus at beginning of year	**1,643,093**	1,514,048
Surplus at end of year	**$ 1,800,800**	$ 1,643,093

See accompanying notes.

American Bureau of Shipping

Statements of Cash Flow
For the years ended December 31, 2024 and 2023 *(In Thousands)*

	Year Ended December 31	
	2024	**2023**
Operating activities		
Revenue in excess of expense	**$ 137,631**	$ 157,826
Adjustments to reconcile revenue in excess of expense to net cash provided by operating activities:		
Depreciation and amortization	**12,756**	11,135
Provision for credit losses	**4,154**	1,342
Provision for employee benefits	**10,706**	12,633
Contributions for employee benefits	**(1,366)**	(1,588)
Deferred tax expense	**1,356**	1,485
Unrealized (gain) on investment securities, net	**(78,007)**	(133,433)
Realized (gain) on sale of investment securities, net	**(21,199)**	(13,497)
Amortization of fixed income securities	**(3,587)**	6,351
(Income) from investments in subsidiaries	**(10,190)**	(3,958)
Remittances from unconsolidated subsidiaries	**26,171**	13,319
Unrealized (gain) on fx from unconsolidated affiliates	**(13,663)**	(639)
Other, net	**(5,428)**	2,399
Changes in assets and liabilities:		
Accounts receivable	**(6,785)**	(16,082)
Due from affiliates, net	**(25,021)**	(20,965)
Deferred expenses and unbilled revenue	**(3,416)**	(5,377)
Prepaid expenses and other current assets	**(1,231)**	(5,954)
Other long-term assets	**(1,403)**	(1,208)
Accounts payable and accrued expenses	**7,607**	3,648
Deferred revenue	**(298)**	6,723
Other long-term liabilities	**3,576**	1,168
Net cash provided by operating activities	**32,363**	15,328
Investing activities		
Purchases of property and equipment and intangible assets	**(9,802)**	(12,835)
Purchases of investment securities	**(625,800)**	(443,441)
Proceeds from sales of investment securities	**660,343**	449,276
Investment in unconsolidated affiliates	**(675)**	(883)
Net cash provided by (used in) investing activities	**24,066**	(7,883)
Financing activities		
Principal repayments of finance leases	**(2,112)**	(1,690)
Net cash used in financing activities	**(2,112)**	(1,690)
Effect of exchange rate changes on cash and cash equivalents	**(5,595)**	(867)
Net increase in cash and cash equivalents	**48,722**	4,888
Cash and cash equivalents, beginning of year	**100,727**	95,839
Cash and cash equivalents, end of year	**$ 149,449**	$ 100,727
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Income taxes	**$ 16,429**	$ 17,151
Interest on finance leases	**259**	170

See accompanying notes.

American Bureau of Shipping

Notes to Financial Statements

December 31, 2024

1. Organization

The accompanying financial statements consists of the accounts of American Bureau of Shipping (ABS or the Company). The Company provides services to clients through a network of offices in 33 countries.

The Company is an international classification society incorporated in 1862 as a membership-type organization. The responsibility of the classification society is to verify that marine vessels and offshore structures comply with Rules that the society has established for design, construction, and periodic survey.

The Company is organized into two primary global operations: Survey and Engineering. The Company derives its revenue principally from fees it charges for the services of its surveyors and engineers who are engaged in the classification, testing, surveying, and certification of marine vessels and offshore structures for the benefit of the maritime and offshore industries on a worldwide basis. Worldwide building activities in the maritime and offshore industries can have an impact on the amount of the Company's revenue.

The Company has no capital stock, pays no dividends, and is classified as an exempt organization under section 501 (c)(6) of the United States Internal Revenue Code (Code). It is also exempt from income taxes in certain foreign countries that grant exemptions like those allowed under the Code.

The Company has unconsolidated subsidiaries, including those which perform classification work on behalf of the Company, ABS Group of Companies, Inc. and its Subsidiaries (collectively, ABS Group) which provide non-classification inspections and consulting services, ABS Digital Solutions LLC (also known as ABS Wavesight) which is dedicated to developing software products for the marine industry, and ABS Boiler and Marine Insurance Company and Subsidiary (BMIC), which is a Vermont captive insurance company that primarily provides liability coverage to the Company and its unconsolidated subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Presentation

These single entity financial statements of ABS are prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). These financial statements include the Company's foreign branches but exclude all its domestic and foreign subsidiaries. In the single entity financial statements, the Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of the subsidiaries since the date of acquisition or establishment. Investment in subsidiaries is also adjusted for pension and foreign currency balances in surplus, which are included in the single entity Surplus. The Company's share of net income of its unconsolidated subsidiaries is included in income using the equity method of accounting. Single entity financial statements should be read in conjunction with the Company's consolidated financial statements. All significant intercompany accounts and transactions within the Company have been eliminated.

The Company also utilizes the equity method of accounting when it has ownership interest between 20% and 50% in an entity and has the ability to exercise significant influence over the investee's operations. Investments in these affiliated companies are included in "Other long-term assets" on the accompanying Balance Sheets. The Company follows the cumulative earnings approach to classify distributions received from equity method investments.

The Company has no restrictions placed on its net assets, including no restrictions from outside parties, and no designations by its board of directors except $0.8 million and $0.5 million associated with grants as of December 31, 2024 and December 31, 2023, respectively.

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation of the current year financial statements.

Revenue Recognition

The Company generates substantially all its revenue from providing professional services to its clients. As a service provider, the Company generally recognizes revenue over time as control is transferred to a client based on the extent of progress towards satisfaction of the performance obligation. Sales and other taxes the Company collects concurrently with revenue-producing activities are excluded from revenue.

2. Summary of Significant Accounting Policies (continued)

Many of the Company's contracted services are of a short-term nature and consist of one task, such as an annual inspection or annual survey, representing one performance obligation. Other contracts require the Company to perform many tasks in providing an integrated service, such as performing multiple surveys for a newly constructed vessel, representing only one performance obligation culminating in the issuance of a class certificate. Many contracts, such as contracts to perform multiple surveys for a ship over a period of five years, have multiple performance obligations. Satisfaction of performance obligations for most services occurs upon the issuance of a report or certification associated with a survey or inspection.

Revenues are generated mostly under fixed-price and time-and-materials arrangements. Fixed-price contracts of a long-term nature may provide for milestone billings based on the attainment of a specific project stage or are billed monthly. Fixed-price contracts of a short-term nature are billed upon completion. The payment terms of invoices generally are due upon receipt or within a range of 30 to 60 days from the invoice date. There is not a significant financing component in the payment terms.

The input method based on hours worked is used to measure progress for fixed-price contracts. When a performance obligation is billed using a time and materials contract type, the Company uses the output method to estimate revenue earned based on hours worked at the contractual rates. For contracts in which the estimated cost to perform exceeds the consideration to be received ("loss contracts"), the Company accrues for the entire estimated loss during the period in which the loss is determined. Revenue recognition requires the use of judgment including, but not limited to: evaluating agreements in terms of the number and nature of performance obligations; establishing the original estimated hours; and estimating progress towards satisfying the performance obligation.

2. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

The U.S. dollar is the functional currency for the Company's U.S.-based operations. The functional currency for foreign operations is predominantly the local currency. Results of operations for foreign branches have been translated into U.S. dollars using the average exchange rates during the period. Assets and liabilities of foreign branches have been translated into U.S. dollars using exchange rates at the end of the period. The effects of foreign currency exchange gains and losses that result from the translation of assets and liabilities are included in surplus. The foreign currency exchange gains and losses associated with the remeasurement of short-term monetary assets and intercompany balances are recorded in income, whereas gains and losses associated with intercompany balances designated as long-term are recorded in surplus.

Cash and Cash Equivalents

Cash and cash equivalents include money market funds, short-term investment funds and time deposits. Short-term investment funds are collective trust money market funds with the Company's investment custodian, which holds underlying investments in obligations issued by the U.S. government or its agencies with maturities of three months or less.

Allowance for Expected Credit Losses

The Company recognizes an allowance for losses on accounts receivable in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and expectation of future conditions. The Company assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk. The current expected credit losses for at risk balances are determined following a discounted cash flow method, utilizing management's best estimate of an appropriate discount rate and collection period.

2. Summary of Significant Accounting Policies (continued)

Investment Securities

Investments and marketable securities are measured at fair value. Unrealized gains and losses are included in the determination of Revenue in excess of expense. Dividend and interest income is recognized when earned.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Significant additions or improvements extending asset lives are capitalized. Normal maintenance and repair costs are expensed as incurred.

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

Leases

The Company has both operating and finance leases. The operating leases consist of office and residential real estate, vehicles, and office equipment. The finance leases consist of vehicles and office equipment. The Company generally does not include renewal or termination options in the assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain. The option terms are limited to extensions and terminations found in most standard lease agreements.

For all leases with a term in excess of 12 months, the Company recognizes a lease liability equal to the present value of the lease payments and a right-of-use asset representing the right to use the underlying asset for the lease term. Operating lease expense is recognized on a straight-line basis over the lease term, while finance leases include both lease expense and interest expense components. For all leases with a term of 12 months or less, the Company elected the practical expedient to not recognize lease assets and liabilities and recognizes lease expense for these short-term leases on a straight-line basis over the lease term.

Many of the vehicle leases have a guaranteed residual value. Most of these arrangements guarantee that the proceeds from the sale of the vehicle after termination of the lease will be more than the unamortized cost of the vehicle. The amortization period for most of the vehicles is 48 months.

2. Summary of Significant Accounting Policies (continued)

The accounting for some leases requires judgment which includes determining whether a contract contains a lease, determining the incremental borrowing rate to utilize in the net present value calculation for lease agreements when the implicit rate is not known, and assessing the likelihood of renewal or termination options being exercised. The incremental borrowing rate outside the United States is based on the swap rate for specific countries and regions increased by the spread above the Company's borrowing rate which is based on the Secured Overnight Financing Rate (SOFR). The Company has elected the practical expedient to account for lease and non-lease components as a single lease component for all asset classes.

Intangible Assets

The Company has identifiable intangible assets with determinable lives which include software. Software is amortized on a straight-line basis over the estimated useful life ranging from three to ten years.

The Company's policy provides for the capitalization of external direct costs of materials and services associated with developing internal use computer software. The Company also capitalizes certain payroll and payroll-related costs for employees to the extent they are directly associated with the development of internal use software and performing capitalizable tasks.

At December 31, 2024 and 2023, intangible assets and the related accumulated amortization consisted of the following (in thousands):

	2024	2023
Software	**$ 81,238**	$ 83,197
Less accumulated amortization	**(49,654)**	(52,373)
Intangible assets, net	**$ 31,584**	$ 30,824

Amortization expense of intangible assets was $6.1 million and $5.6 million for the years ended December 31, 2024 and 2023, respectively. The Company estimates that annual amortization expense with respect to intangible assets recorded as of December 31, 2024 will be approximately $7.8 million in 2025, $7.2 million in 2026, $6.5 million in 2027, $6.3 million in 2028, and $3.7 million in 2029.

2. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and intangible assets with determinable lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such an indicator is identified, the Company measures the recoverability of these assets by comparing the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, then an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value. Fair value is typically determined based on discounted cash flows based on assumptions typical of third-party market participants.

Pension Plans, Postretirement, and Other Benefits

The Company offers several contributory and noncontributory defined benefit pension plans for eligible employees worldwide. The Company also provides health care and life insurance to eligible retired U.S. employees. The Company accounts for its pension and other postretirement plans by the measurement of fair value of plan assets and benefit obligations as of the balance sheet date, recognition of the funded status of the Company's defined benefit pension and other postretirement benefit plans in the Balance Sheets.

The amounts recognized in the financial statements for the Company's benefit obligations are determined on an actuarial basis as of the date of the financial statements. Significant assumptions involved in determining the Company's pension and other postretirement benefit expense include the expected return on plan assets, expected health care cost, and the discount rate for calculating the present value of future liabilities. The assumed long-term rate of return on assets is applied to the value of plan assets, resulting in an estimated return on plan assets that is included in current year pension income or expense. The cost of pension and other postretirement benefits is accrued during the employees' years of active service. Service costs are recognized in Direct operating expense and General and administrative expense. Other components of periodic benefit costs are included in Other income, net on the Statements of Revenue in Excess of Expense and Surplus.

2. Summary of Significant Accounting Policies (continued)

Certain countries require the Company to pay severance benefits for active employees upon termination of employment. The Company's policy is to conform to local requirements and record the appropriate reserves for mandatory payments. The Company provides for the cost of these benefits over the term of employment. Generally, these benefits are unfunded.

Income Taxes

The Company is exempt from income taxes in the United States and in certain foreign countries. The Company's foreign operations file income tax returns in their local jurisdiction. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating loss and tax credit carryforwards. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if the Company believes it is more likely than not that all or a portion of the entire asset will not be realized. The effect on deferred tax assets and liabilities due to a change in tax rates or a change in the determination that the Company will not realize the benefit of some or all of its deferred tax assets is recognized in the Company's provision for income taxes in the same period as the respective change occurs.

The Company recognizes tax benefits from uncertain tax positions only when it is more likely than not, based on the technical merits of the position, that the tax position will be sustained upon examination, including the resolution of any related appeals or litigation. The tax benefits recognized in the financial statements from such a position are measured as the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution.

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Investments are recorded at their fair market value in the Balance Sheets. The carrying amounts reported in the Balance Sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term nature of those instruments.

Fair Value Measurements

The Company uses various inputs to determine the fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value. The Company's financial assets and liabilities are measured using inputs from all levels of the fair value hierarchy. The fair value hierarchy is as follows:

> *Level 1 Inputs*: Quoted prices in active markets for identical assets or liabilities that are accessible on the measurement date.
>
> *Level 2 Inputs:* Other significant observable inputs, including: (a) quoted prices for similar assets in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active; (c) inputs other than quoted prices that are observable; and (d) inputs that are not directly observable but derived principally from or corroborated by observable market data.
>
> *Level 3 Inputs:* Unobservable inputs that reflect the Company's own estimates and assumptions that a market participant would use in pricing the asset or liability. These inputs would be based on the best information available to the Company, including certain pricing models, discounted cash flow methodologies, and similar techniques.

The Company maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

2. Summary of Significant Accounting Policies (continued)

With regard to the pension plans, the Level 2 plan assets include commingled equity and fixed income funds. These funds are valued on a reported net asset value (NAV) per unit of the fund based on the current fair values of the underlying investments. The underlying investments have readily observable inputs for valuation assessment (i.e., quoted prices for similar assets in active markets).

The Company has investments in limited partnership interests in a fund of hedge funds (the Fund) and hedge funds. As it relates to the Fund, the unit of account that is valued by the Company is its interest in the Fund, not the underlying holdings of the Fund. Thus, the inputs used by the Company to value its investment in the Fund may differ from the inputs used to value the underlying holdings of such investment funds or other financial instruments. This valuation is based on the NAV calculated by the general partner of the Fund which the Company considers to be the best estimate of fair value. The limited partnership interests in the hedge funds are valued based on the NAV calculated by the general partners of the hedge funds. The Company considers the ability of the Fund and hedge funds to satisfy redemption requests at NAV. The limited partnership investments mostly have redemption frequencies of monthly or quarterly while several investments have frequencies of annually to two years. The redemption notice period varies from 3 to 90 days.

Use of Estimates and Assumptions

The preparation of the financial statements in conformity with U.S. GAAP requires management to use estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include revenue recognition, loss contract accruals, useful lives of intangible assets and property and equipment, assessment of asset impairment, valuation allowances, and assets and obligations related to employee benefits. Actual results could differ from those estimates.

Concentrations of Credit Risk and Foreign Currency Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, investments, accounts receivable, and unbilled revenue. Concentration of credit risk associated with investments is limited due to the diversified nature of the Company's portfolio. With respect to trade accounts receivable and unbilled revenue, this risk is limited due to the large number of customers in various geographic regions and industry segments comprising the Company's customer base. No single customer accounted for more than 10% of revenue in 2024 and 2023. Management regularly monitors the collectability of receivables

2. Summary of Significant Accounting Policies (continued)

and believes that it has adequately provided for any exposure to potential credit losses Doubtful accounts are written off upon final determination that the trade accounts will not be collected.

The Company is exposed to changes in foreign currency rates as a result of its revenues and expenses generated in currencies other than the U.S. dollar. Revenue and Revenue in excess of (less than) expense generated by international operations, will increase or decrease compared to prior periods as a result of changes in foreign currency exchange rates. The concentration of foreign currency risk in one currency is limited, due to operations being in 33 different countries, with no single foreign currency accounting for more than 10% of revenue for the years ended December 31, 2024 and 2023, except for one foreign currency that was approximately 23% and 17% of revenue, respectively.

Recently Issued Pronouncements

In December 2023, the FASB issue ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands income tax disclosure requirements to include additional information related to the rate reconciliation of effective tax to statutory rates, as well as additional disaggregation of taxes paid in both U.S. and foreign jurisdictions. The amendments in the ASU also remove disclosures related to certain unrecognized tax benefits and deferred taxes. ASU 2023-09 is effective for fiscal years beginning after December 15, 2025. The Company early adopted this guidance on a prospective basis in 2024.

3. Financial Assets and Liquidity

The Company's financial assets available within one year of the balance sheet date, December 31, 2024 and 2023, for general expenditures are as follows (in thousands):

	2024	**2023**
Cash and cash equivalents	**$ 149,449**	$ 100,727
Accounts receivable	**108,924**	109,226
Short-term investments	**94,600**	131,052
Other investments	**1,273,577**	1,166,790
	$ 1,626,550	$ 1,507,795

3. Financial Assets and Liquidity (continued)

The Company had $0.8 million and $0.5 million in restricted funds at December 31, 2024 and 2023, respectively, with the remainder of the above financial assets available for general expenditure. The Company structures its financial assets to be available as general expenditures, liabilities and other obligations come due. Cash and cash equivalent balances are maintained to support daily operations throughout the year. The Company manages a short-term investment portfolio to provide an additional layer of liquidity if needed. The investment portfolio that represents the above Other investments is designed to be held for a longer term but is available to meet short-term liquidity needs. In addition, to help manage unanticipated liquidity needs, the Company and ABS Group has a $50 and $100 million credit facility with available capacity of $46.9 million and $97.5 million at December 31, 2024 and 2023, respectively (Refer to Note 11).

Cash and cash equivalents at December 31, 2024 and 2023 consist of the following (in thousands):

	2024	2023
Cash	**$ 90,671**	$ 81,478
Money market funds	**9,058**	-
Short-term investment funds	**49,720**	19,214
Cash and cash equivalents	**$ 149,449**	$ 100,727

A money market fund (also known as a money market mutual fund) is an open-ended mutual fund that invests in short-term debt securities, such as U.S. Treasury bills and commercial paper. These funds are valued on a reported net asset value (NAV) per unit of the fund based on current fair values of the underlying investments.

Short-term investment funds are valued on a reported NAV per unit of the fund based on current fair values of the underlying investments. The underlying investments have readily observable inputs for valuation assessment, generally quoted prices for similar assets in active markets. Short-term investment funds are not a money market fund registered with the Securities and Exchange Commission.

4. Investments

The placement in the fair value hierarchy, cost, gross unrealized gains and losses, and fair value of investments at December 31, 2024 and 2023 are as follows (in thousands):

	Fair Value Hierarchy	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2024					
Equity securities:					
Domestic	1	$ 171,206	$ 45,273	$ (13,921)	$ 202,558
International	1	15,259	3,253	(1,290)	17,222
Preferred stock	1	84	1	(17)	68
Total equity securities		186,549	48,527	(15,228)	219,848
Debt securities:					
U.S. treasuries	2	177,058	200	(5,125)	172,133
Corporate debt securities	2	253,253	1,542	(5,734)	249,061
Total debt securities		430,311	1,742	(10,859)	421,194
Mutual funds	1	65,193	2,060	(891)	66,362
Exchange traded funds	1	326,475	124,876	(5,206)	446,145
Limited partnership interests	NAV	113,918	101,916	(1,206)	214,628
Total investment securities		$ 1,122,446	$ 279,121	$ (33,390)	$ 1,368,177

	Fair Value Hierarchy	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2023					
Equity securities:					
Domestic	1	$ 155,848	$ 36,515	$ (11,219)	$ 181,144
International	1	14,084	3,101	(896)	16,289
Preferred stock	1	66	3	(9)	60
Total equity securities		169,998	39,619	(12,124)	197,493
Debt securities:					
U.S. treasuries	2	143,840	375	(4,987)	139,228
Government agencies	2	5,802	-	(125)	5,677
Corporate debt securities	2	282,795	1,006	(39,797)	244,004
Commercial paper	2	17,218	–	–	17,218
Total debt securities		449,655	1,381	(44,909)	406,127
Mutual funds	1	120,582	3,258	(1,990)	121,850
Exchange traded funds	1	306,549	77,655	(4,708)	379,496
Limited partnership interests	NAV	112,539	81,553	(1,216)	192,876
Total investment securities		$ 1,159,323	$ 203,466	$ (64,947)	$ 1,297,842

4. Investments (continued)

Income from investment securities and financial instruments, net for the year ended December 31, 2024 and 2023, consists of the following (in thousands):

	2024	2023
Investment securities:		
Interest and dividends	**$ 32,503**	$ 19,581
Unrealized gain, net	**78,007**	133,433
Realized gain on sale, net	**21,199**	13,497
Total income from investment securities, net	**131,709**	166,511
Income from cash and cash equivalents	**594**	523
Investment management fees	**(4,750)**	(5,025)
Other	**(282)**	358
Total income from investment securities and financial instruments, net	**$ 127,271**	$ 162,367

The Company's investment securities are held for a total return investment objective. Investment managers are governed by an investment policy with guidelines intended to limit exposure to credit risk and provide for a diversified portfolio of fixed income, equity and other investment holdings. Concentration of credit risk associated with investments is limited due to the diversified nature of the Company's portfolio. Unrealized losses within the fixed income portfolio arise primarily from changes in interest rates and adverse credit rating changes.

5. Property and Equipment

At December 31, 2024 and 2023, property and equipment and the related accumulated depreciation and amortization consisted of the following (in thousands):

	2024	2023
Buildings	**$ 1,025**	$ 689
Furniture and equipment	**33,705**	32,680
Leasehold improvements	**33,672**	33,365
	68,402	66,734
Less accumulated depreciation and amortization	**(35,504)**	(30,293)
Property and equipment, net	**$ 32,898**	$ 36,441

Depreciation and amortization expense of property and equipment was $6.5 million and $5.4 million for the years ended December 31, 2024 and 2023, respectively.

6. Pension Plans

The Company amended the US pension plan in 2021 to close the plan to new participants as of January 1, 2022. U.S. employees hired prior to this date are covered under a noncontributory defined benefit pension plan which is funded. Effective December 31, 2023, the ABS Group pension plan merged with the ABS US pension plan. Foreign nationals are covered under either contributory or noncontributory defined benefit pension plans, several of which are funded on an insured basis or through a trust arrangement.

Independent actuarial valuations are used to measure pension costs and to determine the amount of contributions to U.S. and non-U.S. defined benefit pension plans, which are in accordance with their respective regulatory requirements. The projected unit credit actuarial cost method is used to determine pension cost. The Company uses a December 31 measurement date for its pension plans.

6. Pension Plans (continued)

The following table sets forth the plans' projected benefit obligation, fair value of plan assets, funded status, and accrued benefit cost at December 31, 2024 and 2023 (in thousands):

	2024			**2023**		
	U.S.	**Non-U.S.**	**Total**	**U.S.**	**Non-U.S.**	**Total**
Projected benefit obligation	**$ (381,149)**	**$ (106,900)**	**$ (488,049)**	$ (423,951)	$ (113,174)	$ (537,125)
Fair value of plan assets	**426,480**	**143,070**	**569,550**	451,517	148,993	600,510
Funded status	**$ 45,331**	**$ 36,170**	**$ 81,501**	$ 27,566	$ 35,819	$ 63,385
Accumulated benefit obligation	**$ (334,615)**	**$ (90,065)**	**$ (424,680)**	$ (368,405)	$ (96,556)	$ (464,961)
Amounts recognized in the balance sheets consist of:						
Noncurrent assets	**$ 52,326**	**$ 37,940**	**$ 90,266**	$ 34,882	$ 37,731	$ 72,613
Current liabilities	**(1,300)**	**(152)**	**(1,452)**	-	(164)	(164)
Noncurrent liabilities	**(5,695)**	**(1,618)**	**(7,313)**	(7,316)	(1,748)	(9,064)
Net amount recognized	**$ 45,331**	**$ 36,170**	**$ 81,501**	$ 27,566	$ 35,819	$ 63,385
Amounts not yet reflected in net periodic cost and included in accumulated other comprehensive income (loss):						
Prior service credit (cost)	**$ 962**	**$ (353)**	**$ 609**	$ –	$ (452)	$ (452)
Accumulated loss	**(83,705)**	**(11,768)**	**(95,473)**	(114,891)	(14,685)	(129,576)
Accumulated other comprehensive loss	**(82,743)**	**(12,120)**	**(94,864)**	(114,891)	(15,137)	(130,028)
Cumulative employer contributions in excess of net periodic cost	**128,074**	**48,291**	**176,365**	142,457	50,956	193,413
Net amount recognized	**$ 45,331**	**$ 36,170**	**$ 81,501**	$ 27,566	$ 35,819	$ 63,385

6. Pension Plans (continued)

Actuarial gain related to projected benefit obligations of U.S. defined benefit pension plans was $33.0 million at December 31, 2024. For 2024, the gain was caused by an increase in discount rates. Actuarial loss related to projected benefit obligations of U.S. defined benefit pension plans was $22.0 million at December 31, 2023. For 2023, the loss caused by a decrease in discount rates was partially offset by a change in the lump sum mortality assumptions.

Actuarial gain related to projected benefit obligations of non-U.S. defined benefit pension plans was $5.0 million at December 31, 2024. In 2024, the gain was caused by an increase in discount rates partially offset by changes in inflationary assumptions. Actuarial loss related to projected benefit obligations of non-U.S. defined benefit pension plans was $6.4 million at December 31, 2023. For 2023, the loss was primarily the result of the decrease in discount rates.

The aggregate projected benefit obligations of defined benefit pension plans with projected benefit obligations in excess of plan assets (unfunded plans) were $8.8 million and $9.2 million for the years ended December 31, 2024 and 2023, respectively. The aggregate accumulated benefit obligations of defined benefit pension plans with accumulated benefit obligations in excess of plan assets (unfunded plans) were $7.3 million and $6.0 million for the years ended December 31, 2024 and 2023, respectively.

The following table sets forth the plans' weighted-average assumptions used to determine the benefit obligations as of December 31, 2024 and 2023:

	2024		**2023**	
	U.S.	**Non-U.S.**	**U.S.**	**Non-U.S.**
Discount rate	**5.78%**	**4.74%**	5.17%	4.16%
Expected long-term rate of return on plan assets	**6.25**	**4.50**	6.25	4.39
Rate of compensation increase	**4.16**	**4.62**	4.17	4.16

6. Pension Plans (continued)

The following table sets forth the plans' weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31, 2024 and 2023:

	2024		2023	
	U.S.	**Non-U.S.**	**U.S.**	**Non-U.S.**
Discount rate – service cost	**5.26%**	**4.69%**	5.53%	4.71%
Discount rate – interest cost	**5.03**	**4.70**	5.39	4.99
Expected long-term rate of return on plan assets	**6.25**	**4.50**	6.25	4.39
Rate of compensation increase	**4.16**	**4.16**	4.30	3.95

The expected long-term rate of return on plan assets assumption is based upon estimates of the long-term inflation rate and the relationship of the market risk premiums of the assets in the portfolio over the same period.

To meet the plan requirements, the investment strategy utilized by the Company's U.S. pension plan and International Benefit Plan is to emphasize total return, while providing protection against changes in the discount rate utilized in the valuation of the underlying plan liabilities. The investment strategy utilized by the Company's other pension plans is to emphasize total return. This includes all inflation-adjusted earnings through capital appreciation and investment income to meet the current and future financial requirements of the plan.

Plan assets are invested in well-diversified portfolios of equities (including domestic and international commingled fund-equity), debt securities (including commingled fund fixed income), exchange traded funds, cash and cash equivalents (including short-term investment funds), and a limited partnership interest (fund of funds).

The asset allocation strategy varies by plan. The following table reflects the actual asset allocations for pension plan assets as of December 31, 2024 and 2023:

	2024	2023
Debt securities	**36%**	43%
Equity securities	**59**	56
Cash equivalents	**4**	-
Limited partnership	**1**	1

6. Pension Plans (continued)

The asset mix at December 31, 2024 and 2023 approximates the targeted portfolio mix.

Fair value and NAV measurements at December 31, 2024 and 2023 are as follows (in thousands):

	Fair Value Measurements			
	Level 1 Inputs	**Level 2 Inputs**	**Level 3 Inputs**	**Total**
2024				
Assets				
Equity securities:				
Commingled fund – equity	**$ 241,727**	**$ 4,714**	**$ –**	**$ 246,441**
Debt securities:				
Commingled fund – fixed income	**203,483**	**2,898**	**–**	**206,381**
Cash and cash equivalents	**3,486**	**–**	**–**	**3,486**
Exchange traded funds	**90,039**	**–**	**–**	**90,039**
	$ 538,735	**$ 7,612**	**$ –**	**546,347**
Alternatives				**23,203**
Total				**$ 569,550**

	Fair Value Measurements			
	Level 1 Inputs	**Level 2 Inputs**	**Level 3 Inputs**	**Total**
2023				
Assets				
Equity securities:				
Commingled fund – equity	$ 238,604	$ 4,505	$ –	$ 243,109
Debt securities:				
Commingled fund – fixed income	253,096	2,600	–	255,696
Cash and cash equivalents	5,454	–	–	5,454
Exchange traded funds	95,611	–	–	95,611
	$ 592,765	$ 7,105	$ –	599,870
Alternatives				640
Total				$ 600,510

6. Pension Plans (continued)

The following table sets forth the plans' benefit costs, contributions, and benefits paid for the years ended December 31, 2024 and 2023 (in thousands):

	2024		**2023**	
	U.S.	**Non-U.S.**	**U.S.**	**Non-U.S.**
Periodic benefit cost	**$ 14,383**	**$ 2,206**	$ 16,680	$ 2,116
Employer contributions	**–**	**1,227**	–	1,442
Benefits paid	**42,027**	**6,588**	18,773	5,717

The following table sets forth the change recognized in Surplus during 2024 (in thousands):

	2024	
	U.S.	**Non-U.S.**
Net gain arising during the year	$ 23,388	$ 2,381
Effect of exchange rates on amounts included in Surplus	–	(15)
Prior service cost	1,135	–
Amortization or curtailment recognition of prior service (credit) cost	(173)	81
Amortization or settlement recognition of net loss	7,798	569
Total change recognized in Surplus	$ 32,148	$ 3,016

6. Pension Plans (continued)

The Company estimates that the annual benefits paid by the plans for the next five years and in the aggregate for the next five years after that will be as follows (in thousands):

	U.S.	Non-U.S.	Total
2025	$ 41,336	$ 6,068	$ 47,404
2026	30,035	6,535	36,570
2027	28,950	6,594	35,544
2028	26,893	6,986	33,879
2029	27,395	7,158	34,553
Next five years	145,370	37,273	182,643

The Company expects to contribute $1.2 million to the non-U.S. plans in 2025.

7. Postretirement Benefits

The Company provides certain health care and life insurance benefits to eligible retired U.S. employees, generally age 62 with 10 years of service, or anyone who had at least 15 years of service as of January 1, 2011. New entrants were excluded beginning in 2013. Effective July 1, 2021, the Company adopted an amendment to move from the ABS sponsored medical plan to individual plans from the Medicare Supplement/Medicare Advantage plan marketplace. Plan participants participate in a Medicare Exchange which provides plan participants with a large selection of individual medical and prescription drug plans from multiple insurance companies. The Company recognizes the cost of providing postretirement benefits, including health care and life insurance coverage, during the active service period of the employee. The majority of the benefits are funded through a Voluntary Employee Beneficiary Association trust. The Company uses a measurement date of December 31 for its postretirement benefit plan.

7. Postretirement Benefits (continued)

The following table sets forth the plan's benefit obligation, fair value of plan assets, funded status, and accrued benefit cost at December 31, 2024 and 2023 (in thousands):

	2024	**2023**
Benefit obligation	**$ (63,156)**	$ (68,075)
Fair value of plan assets	**118,046**	111,109
Funded status	**$ 54,890**	$ 43,034
Amounts recognized in balance sheets consist of the following:		
Noncurrent assets	**$ 56,364**	$ 44,587
Current liabilities	**(157)**	(155)
Noncurrent liabilities	**(1,317)**	(1,398)
Net amount recognized	**$ 54,890**	$ 43,034
Amounts not yet reflected in net periodic cost and included in Surplus:		
Prior service credit	**$ 21,246**	$ 24,970
Accumulated gain (loss)	**843**	(7,681)
Recognized in Surplus	**22,089**	17,289
Cumulative net periodic cost in excess of employer contributions	**32,801**	25,745
Net amount recognized	**$ 54,890**	$ 43,034

7. Postretirement Benefits (continued)

Actuarial gain related to projected benefit obligations was $4.2 million at December 31, 2024. The gain was primarily the result of the increase in discount rates and per capita claims cost, which were partially offset by changes to the trend rate assumption. Actuarial loss related to projected benefit obligations was $2.5 million at December 31, 2023. The loss was primarily the result of the decrease in discount rates, census experience, and updated trend rate assumption partially offset by gains caused by per capita claims costs and other experience.

The following table sets forth the plan's weighted-average assumptions used to determine the benefit obligation as of December 31, 2024 and 2023:

	2024	**2023**
Discount rate	**5.65%**	5.08%
Expected long-term rate of return on plan assets	**6.25**	6.25
Rate of compensation increase	**4.30**	4.30

The following table sets forth the plan's weighted-average assumptions used to determine the net periodic benefit cost for the years ended December 31, 2024 and 2023:

	2024	**2023**
Discount rate	**5.08%**	5.43%
Expected long-term rate of return on plan assets	**6.25**	6.25
Rate of compensation increase	**4.30**	3.33

7. Postretirement Benefits (continued)

The following table sets forth the plan's assumed health care cost trend rates used to determine the postretirement benefit obligation for December 31:

	2024	2023	2022
Initial health care trend rate assumed	**8.40%**	7.50%	6.60%
Ultimate health care trend rate	**4.50%**	4.50%	4.50%
Year that the ultimate health care trend rate is reached	**2037**	2034	2030

The initial health care trend rate assumed above represents the rate at the end of the period noted and assumed for the determination of the net periodic benefit cost for the following year.

The long-term rate of return on assets assumption is based upon estimates of the long-term inflation rate and the relationship of the market risk premiums of the assets in the portfolio over the same period.

In order to meet the plan requirements, the investment strategy utilized by the plan is to emphasize total return. This includes all inflation-adjusted earnings through capital appreciation and investment income to meet the current and future financial requirements of the plan.

Plan assets are invested in a well-diversified portfolio of debt securities (including corporate and government bonds), cash and cash equivalents (including short-term investment funds), exchange traded funds, stocks, and a limited partnership interest (fund of funds).

The following table reflects the actual asset allocations for the postretirement benefit plan assets at December 31, 2024 and 2023:

	2024	2023
Equity securities	**52%**	50%
Limited partnership interest	**24**	28
Debt securities	**22**	19
Cash and cash equivalents	**2**	3

7. Postretirement Benefits (continued)

The asset mix at December 31, 2024 and 2023 approximates the targeted portfolio mix.

Fair value measurements at December 31, 2024 and 2023 are as follows (in thousands):

	Level 1 Inputs	Level 2 Inputs	Total
2024			
Assets			
Debt securities:			
U.S. treasuries	**$ –**	**$ 24,392**	**$ 24,392**
Corporate	**–**	**1,064**	**1,064**
Total debt	**–**	**25,456**	**25,456**
Equity securities:			
International stocks	**9,265**	**–**	**9,265**
Exchange traded funds	**52,052**	**–**	**52,052**
Total equity securities	**61,317**	**–**	**61,317**
Cash and cash equivalents	**2,660**	**–**	**2,660**
	$ 63,977	**$ 25,456**	**89,433**
Limited partnership interest measured at NAV			**28,613**
Total			**$ 118,046**

	Level 1 Inputs	Level 2 Inputs	Total
2023			
Assets			
Debt securities:			
U.S. treasuries	$ –	$ 19,732	$ 19,732
Corporate	–	830	830
Total debt	–	20,562	20,562
Equity securities:			
International stocks	11,254	–	11,254
Exchange traded funds	44,609	–	44,609
Total equity securities	55,863	–	55,863
Cash and cash equivalents	3,076	–	3,076
	$ 58,939	$ 20,562	79,501
Limited partnership interest measured at NAV			31,608
Total			$ 111,109

7. Postretirement Benefits (continued)

The following table sets forth the plan's benefit income, contributions and benefits paid for the years ended December 31, 2024 and 2023 (in thousands):

	2024	2023
Benefit income	**$ (6,919)**	$ (5,523)
Employer contributions	**138**	146
Participant contributions	**233**	279
Benefits paid	**4,468**	4,339

The following table sets forth the change recognized in Surplus during 2024 (in thousands):

	2024
Net gain arising during the year	$ 8,522
Amortization or curtailment recognition of prior service credit	(3,723)
Total change recognized in Surplus	$ 4,799

The Company expects to pay benefits related to its postretirement benefit plan for the next five years and in the aggregate for the next five years after that as follows (in thousands):

2025	$ 4,876
2026	4,829
2027	5,013
2028	4,942
2029	4,902
Next five years	23,933

The Company expects to contribute $0.2 million in cash to the postretirement benefit plan in 2025.

8. Income Taxes

Total income from continuing operations before income tax expense for the year ended December 31, 2024 was allocated as follows (in thousands):

	2024
Federal	$ (16,009)
Foreign	172,970
Total	$ 156,961

Total income tax expense for the years ended December 31, 2024 and 2023 was allocated as follows (in thousands):

	2024	2023
Income from operations		
Federal	$ 8,907	
Foreign	10,423	
Total	19,330	$18,720
Tax effect of items through accumulated other comprehensive income	722	1,645
	$ 20,052	$ 20,365

Income tax expense is comprised of the following (in thousands):

	2024	2023
Current expense	$ 17,974	$ 17,235
Deferred expense	1,356	1,485
	$ 19,330	$ 18,720

8. Income Taxes (continued)

Total income taxes paid during the year ended December 31, 2024 was allocated as follows (in thousands):

		2024
Federal	$	**8,674**
Foreign		**7,755**
Total	$	**16,429**
Country details:		
Brazil	$	**1,172**
India		**1,989**
Indonesia		**1,012**
Japan		**1,930**
All others		**1,652**
Total foreign taxes paid	$	**7,755**

8. Income Taxes (continued)

The Company's deferred tax liabilities are reported as Other long-term liabilities in the Balance Sheets. The tax effects of temporary differences that give rise to the deferred tax balances at December 31, 2024 and 2023 are as follows (in thousands):

	2024	2023
Deferred tax assets:		
Net operating loss carryforwards	**$ 3,713**	$ 2,805
Accruals for pensions and postretirement benefits	**344**	391
Allowance for credit losses	**1,607**	1,191
Other accruals and credits, net	**39**	910
Total gross deferred tax assets	**5,703**	5,297
Valuation allowance	**(3,691)**	(2,785)
Total deferred tax assets	**2,012**	2,512
Deferred tax liabilities:		
Accruals for pensions and postretirement benefits	**5,919**	5,396
Withholding taxes on future remittances to Corporate	**10,730**	7,844
Long-term contracts	**60**	230
Other	**1,197**	721
Total deferred tax liabilities	**17,906**	14,191
Net deferred tax liabilities	**$ (15,894)**	$ (11,679)

8. Income Taxes (continued)

A reconciliation of the statutory U.S. federal income tax rate to the Company's effective income tax rate for 2024 and 2023 is as follows (in thousands):

	2024			2023		
	Income	**Tax**	**Rate**	**Income**	**Tax**	**Rate**
Revenue in excess of expense before income taxes	**$ 156,961**			**$ 176,546**		
Statutory U.S. tax rate		**$ 32,962**	**21.0%**		**$ 37,075**	**21.0%**
(Income) exempt from U.S. income taxes		**(21,738)**	**(13.8)**		**(35,090)**	**(19.9)**
Items disallowed for tax purposes		**541**	**0.3**		**(48)**	**0.0**
Items taxed at non-U.S. rates		**1,936**	**1.2**		**2,616**	**1.5**
Change in valuation allowance		**906**	**0.6**		**1,030**	**0.6**
Uncertain tax positions		**895**	**0.6**		**268**	**0.2**
Withholding taxes		**8,744**	**5.6**		**7,683**	**4.4**
Miscellaneous adjustments		**(4,916)**	**(3.1)**		**5,186**	**2.9**
Provision for income taxes		**$ 19,330**	**12.4%**		**$ 18,720**	**10.6%**

In 2024, the effective tax rate for the Company was 12.4% primarily due to income arising in tax exempt locations which are not subject to U.S. income tax. In 2023, the effective tax rate for the Company was 10.6% primarily due to income arising in tax exempt locations which are not deductible for U.S. tax purposes.

The net change in the valuation allowances for the year ended December 31, 2024 was an increase of $0.9 million caused primarily by operating losses incurred. The Company has a valuation allowance against various deferred tax assets because it is more likely than not that these assets will not be realized in the foreseeable future. The amount of the asset considered realizable may change if estimates of future taxable income in various locations change.

At December 31, 2024, the Company had foreign net operating losses of $21.6 million. The net operating losses will begin expiring in 2025.

The Company is subject to income tax in many jurisdictions, including the U.S. The Company has tax years open to examination for the years 2021-2024 in the U.S. and 2015-2024 in various foreign locations. While the outcome of tax audits is uncertain, the Company believes that adequate amounts of tax, interest and penalties have been provided for any adjustments that are expected to arise.

8. Income Taxes (continued)

The Company recognizes interest and penalties related to its expected tax adjustments in current income tax expense. The Company recognized a net decrease in income tax expense in respect of uncertain tax provisions of $0.4 million due to items falling out of statute, increased by additional taxes, interest and penalties of $1.2 million for the year ended December 31, 2024. The Company recognized an increase in income tax expense for interest and penalties of $0.3 million for the year ended December 31, 2023. Furthermore, none of the tax audit adjustments, if assessed, are expected to be individually material to the Company's financial position, results of operations or cash flows.

The Organization for Economic Co-operation and Development (OECD) introduced Base Erosion and Profit Shifting (BEPS) rules that impose a global minimum tax rate of 15% (referred to as "Pillar 2") for companies with global revenues and profits above certain thresholds. While it is uncertain whether the U.S. will enact legislation to adopt Pillar 2, certain countries in which the Company operates have adopted the legislation, and other countries are in the process of introducing legislation to implement Pillar 2. The Company is continuing to evaluate and monitor the impact of Pillar 2. To date, Pillar 2 has not had a material impact on the effective tax rate or the financial statements.

9. Revenue

Substantially all revenue reported on the Statement of Revenue in Excess of Expense and Surplus is derived from contracts with customers. The Company recognizes revenue over time.

The Company's contracts vary by service line and generally are either based upon a fixed price or provided on a time and materials basis.

The following table presents the Company's revenue disaggregated by contract type for the years ended December 31, 2024 and December 31, 2023 (in thousands):

	2024	2023
Fixed price of a long-term nature	**$ 79,205**	$ 68,399
Fee schedule of a short-term nature	**463,129**	429,908
Time and materials and other contracts	**22,373**	19,330
Total revenue	**$ 564,707**	$ 517,637

9. Revenue (continued)

Fixed price contracts of a long-term nature are related to construction of new vessels and major modification of existing vessels. These contracts generally require multiple months or years to complete. These types of contracts represent the Company's highest amount of performance risk since the Company is required to deliver a scope of work or level of effort for a negotiated fixed price. These contracts also require the most judgment due to the size of the projects and subjectivity of estimating hours in establishing the budget and forecasting hours to complete a project in process. The majority of the work is performed in the Americas and North Pacific regions. These contracts are billed on a milestone basis or monthly over the term of the contract.

Services invoiced based on the Company's fee schedules are surveys of materials and equipment and periodic inspections of existing vessels and structures. These services are mostly of a short-term nature, requiring few hours and small monetary consideration. Due to the short-term nature and scope of the work, these contracts pose little risk. These services are provided throughout the world. Inspection of materials and equipment is slightly more weighted to the Americas and North Pacific whereas the inspections of existing vessels and structures is more weighted to the western hemisphere.

Time-and-materials contracts are of a long-term and short-term nature and are mostly associated with new construction, major modification and certification work. These contracts require the Company to provide services for negotiated fixed hourly rates. Since the Company is not required to deliver a scope of work prior to billing it considers these contracts to be less risky than a fixed-price agreement. The other contracts are generally of a short-term nature and are associated with inspections and other services. Due to the short-term nature and scope of the work, these contracts pose little risk. These services are provided throughout the world with no concentration in a certain region.

Contract Assets and Liabilities

Contract assets consist of unbilled revenue for services performed but not yet billed to clients and are reported as deferred expense and unbilled revenue in the Balance Sheet. The services have been performed, but the Company is not yet entitled to bill the clients because certain events, such as the completion of the project, attainment of a milestone, or timing per the billing agreement, must occur prior to billing. The Company's contract liabilities consist of advance payments and billings more than revenue recognized and are reported as deferred revenue in the Balance Sheet.

10. Leases

The following tables present the financial impact of leases as of and for the years ended December 31, 2024, and December 31, 2023, along with other supplemental information about existing leases (in thousands):

	2024	2023
Components of lease expense:		
Finance lease cost:		
Amortization of right-of-use assets	**$ 2,176**	$ 1,726
Interest on lease liabilities	**259**	170
Operating lease cost	**12,308**	11,868
Short-term lease cost	**1,433**	2,393
Total lease cost	**$ 16,176**	$ 16,157

	2024	**2023**
Components of balance sheet:		
Operating leases:		
Operating lease assets	**$ 70,005**	$ 74,034
Operating lease liabilities – current [1]	**9,526**	10,173
Operating lease liabilities – noncurrent	**89,402**	94,267
Finance leases:		
Finance lease assets [2]	**$ 5,567**	$ 4,664
Finance lease liabilities – current [1]	**1,976**	1,823
Finance lease liabilities – noncurrent [2]	**3,733**	2,920

(1) Operating lease liabilities - current and Finance lease liabilities - current are included in Accounts payable and accrued expenses in the Company’s Balance Sheets.

(2) Finance lease assets are included in Other long-term assets and Finance lease liabilities - noncurrent are included in Other long-term liabilities in the Company’s Balance Sheets.

10. Leases (continued)

		2024		2023
Other supplemental information:				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	**$**	**13,787**	$	13,161
Operating cash flows from finance leases		**259**		170
Financing cash flows from finance leases		**2,112**		1,690
Right-of-use assets obtained in exchange for new Lease obligations:				
Operating leases		**5,725**		5,031
Finance leases		**3,071**		2,719
Weighted-average remaining lease terms:				
Operating leases		**11.11 years**		12.05 years
Finance leases		**3.54 years**		2.86 years
Weighted-average discount rate for operating leases		**2.79%**		2.60%
Weighted-average discount rate for finance leases		**5.42%**		4.62%

The following table summarizes the maturity of operating and finance leases as of December 31, 2024 (in thousands):

		Operating Leases		Finance Leases
2025	$	12,147	$	2,228
2026		10,618		1,768
2027		9,774		1,014
2028		9,144		611
2029		9,006		528
Thereafter		63,802		143
Total lease payments		114,491		6,292
Less imputed interest		(15,563)		(583)
Total	$	98,928	$	5,709

11. Commitments and Contingencies

Letters of Credit

On July 29, 2021, ABS and ABSG Consulting Inc., a wholly owned subsidiary of ABS Group, entered into a $100.0 million, three-year unsecured revolving credit facility with PNC Bank. On June 20, 2024 the credit facility was renewed for one year at $50.0 million. At December 31, 2024, and December 31, 2023, there were no borrowings outstanding under the revolving credit facility.

On May 15, 2025, ABS and ABSG Consulting Inc., a wholly owned subsidiary of ABS Group, entered into a $50.0 million, five-year unsecured revolving credit facility with Citibank N.A. Under the agreement with Citibank N.A., ABS and ABSG Consulting Inc. guarantee each other's liability. The interest rate for any future borrowings will be based on Base Rate Option OR the Secured Overnight Financing Rate (SOFR) plus the Benchmark Replacement.

The Company pays a commitment fee on the unused portion of the credit facility. The credit facility contains a sublimit of $25.0 million for the issuance of letters of credit.

At December 31, 2024 and 2023, the Company had outstanding letters of credit of $1.7 million and $1.4 million, respectively.

The credit facility includes covenants which, among other things, require the Company and its subsidiaries to maintain a funded debt to a total capitalization ratio of less than 40%. At December 31, 2024, the Company was in compliance with all covenants.

Prestige Litigation

In 2003, the Company was sued in federal court in New York by the Kingdom of Spain (Kingdom) and several Basque regions due to the sinking of the ABS classed vessel "Prestige" off the coast of Spain in November 2002 and resulting oil spill. Ultimately, the complaint by the Basques was dismissed with prejudice and ABS prevailed against the Kingdom when, in August 2012, the 2nd Circuit Court of Appeals ruled in favor of ABS on an appeal, effectively ending the case in New York.

In March 2010, the French government brought an action in France (Bordeaux Court) against the Company seeking €67.0 million in damages arising out of the same oil spill. After France prevailed on the immunity defense in the French Supreme Court, the parties were remanded to the Bordeaux

11. Commitments and Contingencies (continued)

court where final submissions have been made on admissibility issues and the merits. As the Company believes it has a viable legal defense of time bar, it does not believe that a loss is probable at this time and is, therefore, unable to reasonably estimate the potential loss or range of loss, if any, arising from this matter. Therefore, no loss has been recorded in the accompanying financial statements.

In November 2012, the International Oil Pollution Compensation (IOPC) Fund filed a suit in France in the Bordeaux court against ABS. After significantly reducing its claim, the IOPC is now seeking recovery of €14.4 million in damages that it claims to have paid to victims of the oil spill. ABS raised admissibility defenses of immunity, res judicata and statute of limitations and final submissions have been made. Due to the significant admissibility defenses, the Company does not believe that a loss with respect to the IOPC claims is probable at this time and is, therefore, unable to reasonably estimate the potential loss or range of loss, if any, arising from this matter. Therefore, no loss has been recorded in the accompanying financial statements.

On February 12, 2025, the Court handed down its decision and dismissed all claims against ABS in both actions on the basis of time bar. The decision was appealed by The French State and IOPC Fund on May 2, 2025.

Other Litigation

The Company is involved, from time to time, in various other legal proceedings arising in the ordinary course of business. While the ultimate results of the proceedings cannot be predicted with certainty, the Company's management believes these claims will not have a material effect on the Company's financial position, results of operations, or cash flows.

12. Related Parties

The Company has transactions with its unconsolidated subsidiaries in the normal course of business. The transactions are presented in the Revenue – affiliates and Direct operating expense – affiliates lines on the Statements of Revenue in excess of expense and in the Due from affiliates and Due to affiliates lines on the Balance Sheets. The transactions and balances are mostly the result of one entity providing services to the other entity's customers. To a lesser extent they include the allocation of general and administrative costs and technology costs.

12. Related Parties (continued)

The balances are also the result of moving cash to and from the Company's unconsolidated subsidiaries. The due to\from affiliates balances are non-interest bearing and generally have no payment terms.

Certain balances are settled periodically. The Company paid insurance premiums of $11.6 million and $11.0 million on December 31, 2024 and 2023, respectively to BMIC.

13. Classification of Expenses

The Company reports expenses in its statement of Revenue in Excess of Expense by function: Direct operating and General and administrative. The natural classification of expenses by function for the years ended December 31, 2024 and 2023, are as follows (in thousands):

	Direct Operating	General and Administrative	Total Expenses
2024			
Salaries and Benefits	$ 215,026	$ 64,975	$ 280,001
Outside services	15,927	36,396	52,323
Travel and transportation	11,014	4,106	15,120
Systems and telecommunications	21,755	(1,521)	20,234
Facility and maintenance costs	7,583	8,844	16,427
Insurance and other	34,783	10,827	45,610
Depreciation and amortization	8,447	1,038	9,485
Direct operating expenses - affiliates	120,446	-	120,446
	434,981	124,665	559,646
Other components of pension expense	4,267	3,340	7,607
	$ 439,248	$ 128,005	$ 567,253

13. Classification of Expenses (continued)

	Direct Operating	General and Administrative	Total Expenses
2023			
Salaries and Benefits	$ 203,637	$ 66,871	$ 270,508
Outside services	15,915	27,175	43,090
Travel and transportation	9,648	2,867	12,515
Systems and telecommunications	14,539	1,177	15,716
Facility and maintenance costs	11,134	5,764	16,898
Insurance and other	33,763	9,247	43,010
Depreciation and amortization	6,630	1,156	7,786
Direct operating expenses - affiliates	103,427	-	103,427
	398,693	114,257	512,950
Other components of pension expense	2,016	1,728	3,744
	$ 400,709	$ 115,985	$ 516,694

14. Investments in unconsolidated subsidiaries

The Company has unconsolidated subsidiaries of which it owns 100% of the economic interest and accounts for their ownership as equity method investments. At December 31, 2024 and 2023, the unconsolidated subsidiaries had total assets of $959.7 million and $796.7 million and liabilities of $892.8 million and $718.9 million, respectively. For the years ended December 31, 2024 and 2023, the unconsolidated subsidiaries had total revenues of $487.3 million and $444.3 million and total expenses of $477.1 million and $440.4 million, respectively. For the years ended December 31, 2024 and 2023 the Company received cash distributions of $26.2 million and $13.3 million, respectively.

15. Subsequent Events

The Company has evaluated all other subsequent events through July 16, 2025, which is the date the financial statements were available to be issued.

American Bureau of Shipping
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

Cluster Name/Federal Grantor/Program Name/ Pass-through Entity	ALN	FAIN/Pass-through Entity Identifying No.	Expenditures	Passed-through to Subrecipients	Total
Research and Development Cluster					
Department of Commerce					
National Institute of Standards and Technology					
Measurement and Engineering Research Standards					
	11.609	70NANB21H038	$ 17,613	$ 7,042	$ 24,655
Total - ALN 11.609			17,613	7,042	24,655
Total - Department of Commerce			**17,613**	**7,042**	**24,655**
Department of the Interior					
Bureau of Ocean Energy Management					
Bureau of Ocean Energy Management Environmental Studies					
	15.423	M24AC00021	6,031	5,898	11,929
Total - ALN 15.423			6,031	5,898	11,929
Bureau of Safety and Environmental Enforcement					
Safety and Environmental Enforcement Research and Data Collection for Offshore Energy and Mineral Activities					
Pass-through from Texas A&M Engineering Experiment Station	15.441	M2304846	90,527	89,046	179,573
Pass-through from Texas A&M Engineering Experiment Station	15.441	M2304848	63,175	408,000	471,175
Pass-through from Texas A&M Engineering Experiment Station	15.441	M2401114	74,560	86,619	161,179
Pass-through from Texas A&M Engineering Experiment Station	15.441	M2403163	27,304	-	27,304
Pass-through from University of Massachusetts - Amherst	15.441	016436-9206	14,762	-	14,762
Total - ALN 15.441			270,328	583,665	853,993
Total - Department of the Interior			**276,359**	**589,563**	**865,922**
Department of Transportation					
Maritime Administration					
Air Emissions and Energy Initiative					
	20.817	693JF72450011	16,945	-	16,945
Total - ALN 20.817			16,945	-	16,945
Total - Department of Transportation			**16,945**	**-**	**16,945**
National Science Foundation					
Engineering					
Pass-through from University of Florida	47.041	SUB00002840	43,933	-	43,933
Total - ALN 47.041			43,933	-	43,933
Total - National Science Foundation			**43,933**	**-**	**43,933**
Department of Energy					
Office of Energy Efficiency and Renewable Energy					
Renewable Energy Research and Development					
Pass-through from Principle Power	81.087	154626	49,896	-	49,896
Pass-through from University of Maine	81.087	UMS1277	3,907	-	3,907
Total - ALN 81.087			53,803	-	53,803
Office of Nuclear Energy					
Nuclear Energy Research, Development and Demonstration					
	81.121	DE-NE0009226	140,195	-	140,195
Total - ALN 81.121			140,195	-	140,195
Advanced Research Projects Agency - Energy					
Advanced Research Projects Agency - Energy					
	81.135	DE-AR0001700	55,021	603,375	658,396
	81.135	DE-AR0001782	87,849	63,525	151,374
Pass-through from University of Maine	81.135	UMS2259	31,489	-	31,489
Pass-through from University of Texas at Austin	81.135	UTAUS-SUB00001398	48,176	-	48,176
Total - ALN 81.135			222,535	666,900	889,435
Total - Department of Energy			**416,533**	**666,900**	**1,083,433**
Department of Health and Human Services					
Centers for Disease Control and Prevention					
Occupational Safety and Health Program					
	93.262	U01OH012288	26,156	14,822	40,978
	93.262	U01OH012502	49,403	96,738	146,141
	93.262	U01OH012571	12,642	168,455	181,097
Total - ALN 93.262			88,201	280,015	368,216
Total - Department of Health and Human Services			**88,201**	**280,015**	**368,216**
Total - Research and Development Cluster			859,584	1,543,520	2,403,104
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 859,584**	**$ 1,543,520**	**$ 2,403,104**

See accompanying notes.

American Bureau of Shipping

Notes to the Schedule of Expenditures of Federal Awards

December 31, 2024

1. Basis of Presentation

   The accompanying schedule of expenditures of federal awards (the "Schedule") is presented on the accrual basis of accounting. The purpose of this schedule is to present a summary of those activities of American Bureau of Shipping for the year ended December 31, 2024, which have been financed by the United States government ("federal awards"). For purposes of this Schedule, federal awards include all federal assistance awarded directly between American Bureau of Shipping and the federal government and subawards from nonfederal organizations made under federally sponsored agreements. The information in this Schedule is presented in accordance with the requirements of Title 2*, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pass-through entity identification numbers and Assistance Listing numbers have been provided where available.

2. Indirect Cost Rate

   American Bureau of Shipping uses the de minimis indirect cost rate of 10% of modified total direct costs for federal awards issued by the Department of Health and Human Services, as required by the terms of the respective awards. For all other federal awards covered under this Single Audit, American Bureau of Shipping applies agreed-upon indirect cost rates as specified in the award proposals. Indirect cost recovery amounts are calculated using a sliding scale of rates negotiated and approved individually for each award.

Part II

Reports on Internal Control and Compliance

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Management and the Board of Directors of
American Bureau of Shipping

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of American Bureau of Shipping (the "Company"), which comprise the balance sheet as of December 31, 2024, and the related statement of revenue in excess of expense and surplus, and statement of cash flow for the year then ended, including the related notes (collectively referred to as the "financial statements"), and have issued our report thereon dated July 16, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our

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tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Houston, Texas
July 16, 2025

Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance

To the Management and Board of Directors of
American Bureau of Shipping

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited American Bureau of Shipping's (the "Company") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Company's major federal programs for the year ended December 31, 2024. The Company's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Company's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Company's federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Houston, Texas
July 16, 2025

Part III

Findings

American Bureau of Shipping and the Schedule

of Findings and Questioned Costs

December 31, 2024

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	___ yes	_x_ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ yes	_x_ none reported
Noncompliance material to financial statements noted?	___ yes	_x_ no

Federal Awards

Internal control over major programs		
Material weakness(es) identified?	___ yes	_x_ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ yes	_x_ none reported
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes	_x_ no

Identification of Major Programs

Assistance Listing Number(s)	Name of Federal Program/Cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000	
Auditee qualified as a low-risk auditee?	_x_ yes	___ no

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

There are no matters to report.

American Bureau of Shipping and the Summary Schedule

of Prior Audit Findings and Status

December 31, 2024

2023-001 – Subrecipient Monitoring

Cluster: Research and Development
Agency: Department of Human and Health Services
Award Names: Safety and Health Risks in Energy Transition for the Commercial Fishing Industry
Award Numbers: U01OH012502
Assistance Listing Title: Center for Disease Control and Prevention (CDC)
Assistance Listing Number: 93.262
Award Year: FY 2023

Condition

Through PwC's testing of 4 subrecipients out of a total subrecipient population of 10, PwC was able to obtain a documented initial risk assessment for each subrecipient selected and other evidence of monitoring such as meetings with the subrecipients. However, PwC was unable to obtain evidence that the Company obtained and reviewed the annual Uniform Guidance report or annual audited financial statements (if the entity was not subject to a Uniform Guidance audit) for 1 out of 4 subrecipients selected for testing.

Recommendation

PwC recommended we follow our policy, which includes obtaining and reviewing Uniform Guidance reports (or audited financial statements to the extent Uniform Guidance reports are not available) for every subrecipient on an annual basis and ensure that it is completed for all applicable awards. When reviewing the reports, we should understand the type of opinion(s) expressed and whether there were any findings associated with the awards, document our review and assess whether there is any change in the risk assessment and subsequent monitoring needed of each subrecipient. PwC also recommended a supervisory review over subrecipient monitoring to be included in the process to ensure it gets completed completely and accurately for all awards. This supervisory review should also be evidenced through documentation.

Status Update

ABS obtains Uniform Guidance reports for all entities subject to its requirements on an annual basis directly from the Federal Audit Clearinghouse website. Audited financial statements are obtained for entities not subject to Uniform Guidance. ABS documents the review and assessment of its subrecipients through subrecipient risk assessment and monitoring check sheets which are completed on an annual basis. ABS implemented these corrective measures in 2023. After implementation, this has continued to be performed on an annual basis.

2023-002 – Budget to Actual Analysis

Cluster: Research and Development
Supporting Agency: Department of Commerce, Department of Energy, and Department of Human and Health Services
Award Names: Standards/Guidance for Rapid Qualification of Metal-Based Additive Manufacturing, Accelerating Commercial Maritime Demonstration Projects for Advanced Nuclear Reactor Technologies, Safety and Health Risks in Energy Transition for the Commercial Fishing Industry, The NASA Floater: 15MW Ultra-lightweight Concrete Hull with Sea-Water Ballast Tuned Mass Dampers, Scale model Experiments for Co-Designed FOWTs Supporting A High-Capacity (15 MW) Turbine, Demonstrating a Reduced-Footprint Synthetic Rope Mooring System that Minimizes Fishing Impacts and Costs for a 10MW+ Floating Wind Turbine

Award Numbers: 70NANB21H038, DE-NE0009226, U01OH012502, UMS-1258, ABS-061720, and FOA-2236

Assistance Listing Title: National Institute of Standards and Technology, Office of Nuclear Energy, Advanced Research Projects Agency, Office of Energy Efficiency and Renewable Energy, Center for Disease Control and Prevention (CDC)
Assistance Listing Number: 11.609, 81.121, 81.135, 81.087, 93.262
Award Year: FY 2023

American Bureau of Shipping and the Summary Schedule

of Prior Audit Findings and Status

December 31, 2024

Condition

PwC selected 6 quarters out of a population of 61 quarters across the Research and Development Cluster awards for testing to evidence that a budget to actual review was being performed, as required by Company policy. Through PwC's testing, PwC noted 6 instances where appropriate supporting documentation was not maintained to support that the budget to actual review was performed. PwC noted through inquiry of management that for each selection, a review of expenses was performed but evidence was not formally maintained of the budget to actual review. However, when reviewing the award budget and cumulative expenses incurred on the award for each selection, it was noted that each quarter selected was within budget.

Recommendation

PwC recommended we review our policies and ensure appropriate communication and coordination amongst relevant parties to ensure the budget to actual review is performed according to policy and appropriate documentation is maintained.

Status Update

ABS developed a budget to actuals analysis template to provide project managers with a standard review process, which was implemented in Q4 2023. After implementation, this has continued to be performed on a quarterly basis. This entails that ABS performs a budget to actuals analysis on a fixed-calendar quarterly basis. To perform a budget-to-actual analysis at the award level, ABS compares the approved budget expenditure amounts to the actual expenditures for each category specified on the award budget. Variances are calculated by subtracting actual amounts from budgeted amounts and identifying whether they are favorable or unfavorable. Significant variances are investigated to determine their causes and the variances are documented. The project manager's digital signature is obtained to document their review and acknowledges the budget is maintained within award requirements. The Contracted Research and Development (CRAD) Process Instruction was updated in Q4 2023.