2024

ANNUAL REPORT

"Our people, our infrastructure, and our advocacy for community banks is what makes us **the partner community bankers count on.**

We're proud to be that partner, and it's clear our customers value that commitment. The success we've experienced this year is a testament to the strength of our values, the dedication of our team, and the flexibility to continuously evolve and improve."

Sarah F

Sarah Fankhauser

President & CEO

Dear Shareholders:

In our seventh consecutive record-breaking revenue year, DCI proved once again that its commitment to community banking advocacy isn't just steadfast–it is growing, expanding, and more vital than ever.

Made possible by private ownership, 2024 highlighted DCI's unmatched capacity to empower bankers with the agile technology and personalized service they need to thrive. In a year where faltering competitors and bad actors left many bankers between a rock and a hard place, DCI lived out its mission to make cutting-edge service and solutions accessible to all–and it paid off.

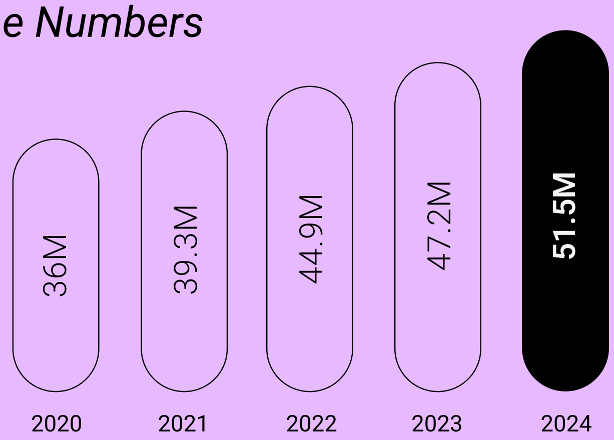
Sixteen new core partnerships and an already-filled 2025 implementations chart later, we have our dedicated team, collaborative partnerships, and bank ownership to thank for the success we continue to see for ourselves and our customers. We are ever grateful for your continued support.

Here's to another record year, the prosperity of community banking, and the many triumphs 2025 holds for the DCI community–thank you, and cheers!

Keith Hughes
Chairman of the Board

Sarah Fankhauser
President & CEO

Revenue by the Numbers



DEPARTMENT HIGHLIGHTS

SALES & MARKETING

Tanna Faulkner

SVP, Sales & Digital Channels

A record 16 new core contracts signed in 2024
(Total Contract Value of **$33.27 million**)

TWO ANCILLARY CONTRACTS SIGNED IN 2024:

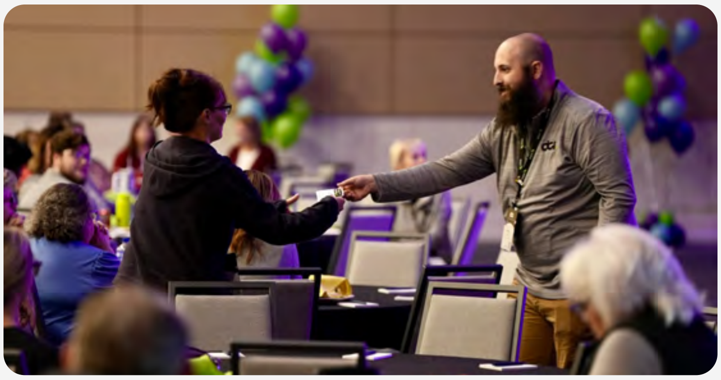
Farmers Bank
Parsons, TN
GoDeposits

Peoples First Savings Bank
Mason, OH
GoLive

SIGNED NEW FINTECH CONTRACT:
RiverBank Spokane, WA

Fourth consecutive year with double-digit core contract signings

Adopted new CPQ technology to streamline pricing and proposal generation processes



Hosted 15 prospect banks at DCI's Annual Conference in September

Product Specialists performed 205 demonstrations, including 50 onsite

Filled 2025 Implementation Slot Chart

Planned and put on another record-breaking conference

- Largest vendor hall ever
- Most prospect attendees

Implemented Hubspot CRM Marketing platform

- Unifies reporting and data-tracking
- All-encompassing platform: social media, landing pages, ads, website, etc.

Finished up some final parts of the rebrand

- Brand new trade show equipment and booths
- New and updated corporate presentations

Ran several successful campaigns

- Blogs
- Landing pages
- Email

Organized dozens of conferences and secured multiple speaking opportunities for DCI executives at industry events

Completed submission and helped secure two "Best Places to Work" awards for DCI

The team attended several industry conferences; they also attended Marketing/Creative conferences

Capturing value of marketing leads for the sales team and board by tracking deals closed and working from marketing leads to project total marketing ROI and revenue

Working on capturing the total user journey from beginning to end in the lead cycle, as a marketing lead in new CRM, Hubspot

DEPARTMENT HIGHLIGHTS

CUSTOMER SUPPORT | PROFESSIONAL SERVICES

Susan Flores

SVP, Customer Service

Customer Relationships

Existing customers contracted for 487 new services which resulted in $818K in one-time revenues and $727K in recurring annual fees

The Customer Relationship Managers conducted 327 on-site and virtual bank visits

Professional Services

Core Implementations:

17 Conversions in 2024:

- 13 New Bank Conversions
- 1 Merger/Acquisition
- 1 IP/Transcode Conversion
- Implemented 2 Digital Branches

GoBanking Implementations:

48 Implementations in 2024:

- 12 New Banks
- Implemented 2 Digital Branches
- 34 Implementations of Stand-alone GoBanking products only

13 Deposit Account Origination Implementations:

- 12 New DCI Banks
- 1 New Digital Branch

15 Document Imaging Implementations and/or Document Conversions:

- 12 New DCI Banks
- 1 New Digital Branch
- 1 Existing DCI Bank
- 1 Branch Acquisition

14 Teller Implementations:

- 12 New DCI Banks
- 2 Existing DCI Banks

17 BSA/AML/TCR Implementations:

- 12 New DCI Banks
- 1 New Digital Branch
- 4 Existing DCI Banks

Card Services

Completed 14 Full Card/ATM Conversions **which includes adding:**

Completed 10 contactless card projects

Completed 8 Logo/Name/ Image changes for existing banks

Added/Deleted 8 Networks for existing banks

Currently working on 13 other projects including Contactless, Network Changes, Card Art/ Program Changes

6-8 digit BIN migrations: **17 banks completed with 7 more banks in process**

Mobile Wallet:
11 banks added mobile wallet

Customer Support

Average monthly case volume **increased to 4,075 from 3,350** in 2023

The customer's preferred method to contact DCI Customer Support is still by telephone, 43% of submitted cases were received by phone call

2025 Initiatives:

Preparing to roll out an updated version of ChatBeacon, our online chat solution, in December 2025; This will offer increased features including video chat

Education

Training Sessions:
1,005 Live Classes in 2024:
- 511 Onsite/In Person
- 494 Web-based

Operational Reviews:
53 Operational Reviews for Existing Customers in 2024:

Deposits:	Loans:	Management:
19	19	15

DCI University:
39,342 hits on DCI University content by existing customers in 2024

DEPARTMENT HIGHLIGHTS

DEVELOPMENT

Daren Fankhauser

SVP, CDO & Chief Architect

Completed Projects

Capture

DCI FrontLine Teller – Pilot non-proof feature for new browser-based technologies (.NET/JavaScript Frameworks)

Card

- Pilot of Card Chargeback Processing Rewrite
- Framework for GoBanking card control improvements

Deposits

- FedNow Receive
- PCBB – Domestic Wires
- ABA Look Up – Routing Number Verification for Wires and ACH

GoBanking

- UI/UX Redesign Project – Phase 1 – Customer facing excluding Cash Management
- ABA Lookup
- Foreign Currency Exchange
- Integration with Array Credit Score

GoLive

GoOpen Landing Page creation within GoLive

Loans

- Fannie Mae Daily Reporting
- CALYX Mortgage interface to iCore360
- Loan transaction history enhancements

2025 Initiatives

DCI Analytics
- Data Visualization Content and Application Update
- GoBanking Reports and Dashboard Content (Focus group initiative)

Capture
- DCI FrontLine Teller — Continued work on new application using browser-based technologies (.NET/Javascript Frameworks)

Card
- Implementation of Card Chargeback Processing Rewrite
- FIS ATM Driving Settlement

GoBanking
- UI/UX Redesign Project
- New P2P Application, **Piper,** for Real Time Payments and FedNow
- ACH/External Transfer Balance Verification
- ACH/External Transfer Prefunding
- Integration with Array My Credit Manager
- Integration with Zelle
- Custom theme management

Card Control Improvements
- Replace/reissue card
- New card order
- Temporary card limit
- Card status by time

Deposits
- FedNow SEND
- PCBB International Wires

GoOpen
- New application using .Net/Javascript Framework technologies

Loans
- General Ledger Rewrite
- Loan/Customer DCI API Updates – Loan Servicing

DEPARTMENT HIGHLIGHTS

HUMAN RESOURCES

Katie Albers

VP, Human Resources

Sustaining the development program provided by Dr. Melissa Furman for ongoing training

Continue to increase utilization of Paylocity to streamline processes and create efficiencies

Complete the transition to a Defined Contribution model for health insurance deductions

Partnered with Dr. Melissa Furman of Career Potential for Leadership Training.

Topics included:

1. **Leading from Within:** Leading for today and tomorrow, self-awareness, behavioral styles, preferences, motivators, emotional intelligence, burnout

2. **Leading Others:** Burnout, generational diversity, inclusive leadership, leadership presence/brand

3. **Leading Teams:** Management vs. leadership, trust and respect, coaching

4. **Leading Organizations:** Time management, change management, decision making, negotiation, accountability

Interview Training conducted in November

Performance Appraisal process was fully leveraged inside **Paylocity**

Conducted an HR session on Coaching, Feedback, and Difficult Conversations at **Cowboy Bank in Enid, OK**

Partnered with a new vendor, Refer.IO, to source more applicants through email marketing and completed a recruiting podcast to be used in email campaigns

Completed the first step in a two-year approach to transition to a Defined Contribution Model for health insurance deductions

Partnered with a new wellness program provider, **Prevention Cloud**, for wellness incentives

DEPARTMENT HIGHLIGHTS

TECHNICAL SERVICES

Mark Kintzel

SVP, Technical Services

Infrastructure

- Upgraded Cox links between Lightedge Cavern Suites, Oklahoma City, and Hutchinson
- Cisco APIC upgrade
- Corporate firewall refresh
- Exagrid expansion in OKC
- HPE Alletra (Nimble storage) lifecycle refresh in both Lightedge Cavern Suites and Oklahoma City
- 22 new routers deployed (18 new customers, 4 existing) plus 4 new deployments hosted via BankOnIT
- 22 DR tests that required shipment of our DR in a box kits plus numerous additional DR tests with equipment already installed
- Firemon implementation for firewall rule review and maintenance
- Oracle Analytics (OAS) upgrade
- AMP & Desktop Central running on Linux hosts
- Oracle Linux 9 Upgrades
- VMware 8.0 upgrade

Automation

- IIS site build automation
- DMZ-SFTP file movement processes migrated to MFT
- Optimized data replication between Lightedge Cavern Suites and Oklahoma City
- Ansible playbook automation
- Developed process to move Oracle pdb's making them truly pluggable

Security

- Stronger password requirements implemented
- Building security camera displays at exit

DEPARTMENT HIGHLIGHTS

OPERATIONS

Devin Brown

VP, Operations & Item Processing

Backroom

Produced and sent over 4,000,000 pieces of mail in 2024

33 banks used the new generic envelopes for yearend customer mailings

Two new postage machines have been installed and are now operational

Our first bank converted to HC3, a 3rd party provider, for statement rendering and mail services

11 additional banks added backroom processing services

Implemented generic envelopes for all year-end forms that DCI prints and mails for banks

Item Processing

Processed more than 50 million item images by the end of 2024

Imported and processed approximately 125,000 image files by the end of 2024

Completed one in-house to service bureau item processing project

Configured and implemented enhanced notices, including a new process automation system

Completed the scripting project to allow Item Processing to send statement print files to HC3

DEPARTMENT HIGHLIGHTS

FRAUD & SECURITY

Amanda Taylor

VP, Security & Risk

Fraud and Compliance

Completed DataVisor implementation for existing banks, conversions, and all new banks for all products DCI has built out for DataVisor

Completed Certified Fraud Examiner certification for Fraud Implementation Analyst

Rolled out enhanced Fraud and Compliance policies and procedures

Enhanced rule sets for 95 active customers

2025 Initiatives:

- Roll out of additional DataVisor modules for customers
- Enhanced privacy and compliance policies and procedures
- Fraud education resources for staff and customers

Information Security

Completed Projects:

- Updated Phishing Awareness Policy
- Quarterly Risk Assessments
- Monthly Security Awareness Training
- Password Management tool implementation

2025 Initiatives:

- Enhancements to user entitlement
- Technology risk management refresh
- Expanded DLP security
- CSF 2.0 Program Alignment
- Updates to the cyber incident response playbooks

Disaster Recovery/Business Continuity Planning

Completed Projects:

- 2024 Business Impact Analysis updates
- iCore360 and GoBanking Disaster Recovery Testing, more than 70 participants
- Enhanced report to review asset recoverability
- Rolled out FFIEC Control and Comply tool

2025 Initiatives:

- Crisis Communications Training and Certification for Staff
- Enhanced Emergency Notification Tool
- New Security Awareness Program
- Cyber Resilience

Internal Audit

Completed Projects:

- 95 Audit Confirmations processed for banks
- 208 Electronic Loan Download files produced for banks
- 24 Internal Audits
- Completion of SOC 2 Type 2
- PCI-DSS 4.0 Attestation

2025 Initiatives:

- Upgrade Audit tool for faster audit review

INDEPENDENT
AUDITOR'S REPORT

The Board of Directors
Data Center, Inc.

Opinion

We have audited the financial statements of Data Center, Inc. (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, the related statements of income, stockholders' equity and cash flows for the years then ended and the related notes to 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 results of its operations 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's 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 audits. 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 from the date that these audited financial statements were available to be issued.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 purposed 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.

Allen, Gibbs & Houlik, L.C.

CERTIFIED PUBLIC ACCOUNTANTS
Wichita, KS
January 23, 2025

DECEMBER 31, 2024 AND 2023

BALANCE SHEETS

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	$16,249,382	$18,491,679
Accounts receivable	5,899,400	4,260,100
Financing receivables, contract costs and prepaid expenses	10,324,932	7,820,837
Income taxes receivable	1,080,969	--
Employee Retention Tax Credit receivable	--	1,616,510
Total current assets	33,554,683	32,189,126
PROPERTY AND EQUIPMENT		
Land	254,787	254,787
Building and improvements	7,437,671	7,337,786
Equipment	9,738,402	9,588,644
	17,430,860	17,181,217
Less: accumulated depreciation and amortization	11,469,156	10,660,259
Total property and equipment	5,961,704	6,520,958
OTHER ASSETS AND SOFTWARE		
Financing receivables, contract costs and prepaid expenses	4,176,971	4,594,326
Operating lease right-of-use assets	661,537	894,883
Other investments	1,477,396	1,477,396
Software, less accumulated amortization of $15,655,001 and $14,631,789	4,354,922	5,303,753
Total other assets and software	10,670,826	12,270,358
Total assets	$50,187,213	$50,980,442

The accompanying notes are an integral part of these financial statements.

DECEMBER 31, 2024 AND 2023

BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	2024	2023
CURRENT LIABILITIES		
Accounts payable	$520,720	$261,372
Accrued expenses	2,241,808	1,600,828
Accrued savings and retirement plan contribution	--	638,000
Income taxes payable	--	1,897,648
Contract liabilities (deferred revenue)	1,638,820	846,519
Current portion of operating lease liability	220,491	232,394
Total current liabilities	4,621,839	5,476,761
OTHER LIABILITIES		
Accrued expenses	518,840	283,474
Deferred income taxes	574,000	897,000
Operating lease liabilities	448,381	668,870
Total noncurrent liabilities	1,541,221	1,849,344
Total liabilities	6,163,060	7,326,105
STOCKHOLDERS' EQUITY		
Common stock, $1 par value; authorized 500,000 shares, 100,645 outstanding in 2023 and 2024, net of shares held in treasury	422,168	422,168
Additional paid-in capital	4,653,073	4,653,073
Retained earnings	55,608,209	55,238,393
	60,683,450	60,313,634
Less treasury stock at cost; 321,523 shares in 2024 and 2023	16,659,297	16,659,297
Total stockholders' equity	44,024,153	43,654,337
Total liabilities and stockholders' equity	$50,187,213	$50,980,442

The accompanying notes are an integral part of these financial statements.

YEARS ENDED DECEMBER 31, 2024 AND 2023

STATEMENTS OF INCOME

	2024	2023
Revenues, net	$51,502,184	$47,152,088
Operating expenses:		
Salaries and payroll tax	27,795,864	26,212,182
Other employee expense and benefits	6,951,353	6,626,046
Maintenance and processing	3,697,675	3,377,892
Occupancy	1,193,444	1,183,465
Depreciation and amortization	2,359,018	2,495,360
Administrative	2,208,429	2,110,491
Total operating expenses	44,205,783	42,005,436
Operating income	7,296,401	5,146,652
Other income (expense):		
Interest, net	640,656	529,971
Financing receivables, net	26,987	41,904
Impairment of other investment	--	(616,449)
Employee Retention Tax Credit	(4,898,398)	4,898,398
(Loss) gain on disposal of software and equipment	(131,253)	17,150
Total other income (loss)	(4,362,008)	4,870,974
Income before income taxes	2,934,393	10,017,626
Provision for income taxes	602,000	2,993,000
Net income	$2,332,393	$7,024,626

The accompanying notes are an integral part of these financial statements.

YEARS ENDED DECEMBER 31, 2024 AND 2023

STATEMENTS OF CASH FLOWS

	2024	2023
Cash flows from operating activities:		
Net income	$2,332,393	$7,024,626
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	2,359,017	2,495,360
Changes in operating lease assets and liabilities	954	2,503
Loss (Gain) on disposal of software and equipment	131,253	(17,150)
Impairment of other investments	--	616,449
Financing receivables, net	(26,987)	(41,904)
Amortization of contract costs	1,207,978	961,261
Deferred income taxes	(323,000)	(293,000)
Changes in operating assets and liabilities:		
Accounts receivable	(1,639,300)	890,463
Financing receivables, contract costs and prepaid expenses	(3,267,731)	(2,606,442)
Employee Retention Tax Credit receivable	1,616,510	(1,616,510)
Income taxes	(2,978,617)	2,067,029
Accounts payable	259,348	(133,580)
Accrued expenses	876,346	30,963
Accrued savings and retirement plan contribution	(638,000)	(170,000)
Contract liabilities (deferred revenue)	792,301	(626,476)
Net cash flow from operating activities	702,465	8,583,592
Cash flows from investing activities:		
Proceeds from sale of equipment	--	20,000
Purchase of property and equipment	(727,080)	(1,061,059)
Purchase of software	(255,105)	(261,237)
Net cash flow from investing activities	(982,185)	(1,302,296)
Cash flows from financing activities:		
Acquisition of treasury stock	--	(187,235)
Dividend to shareholders	(1,962,577)	(1,059,022)
Net cash flow from financing activities	(1,962,577)	(1,246,257)
Net change in cash	(2,242,297)	6,035,039
Cash and cash equivalents at beginning of year	18,491,679	12,456,640
Cash and cash equivalents at end of year	$16,249,382	$18,491,679
Supplemental disclosures of cash flow information:		
Income tax payments net of refunds	$3,903,617	$1,047,971

The accompanying notes are an integral part of these financial statements.

YEARS ENDED DECEMBER 31, 2024 AND 2023

STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL
Balance at December 31, 2022	$422,168	$4,653,073	$49,272,789	$(16,472,062)	$37,875,968
Purchase of 500 shares				(187,235)	(187,235)
Dividend to shareholders			(1,059,022)		(1,059,022)
Net income			7,024,626		7,024,626
Balance at December 31, 2023	422,168	4,653,073	55,238,393	(16,659,297)	43,654,337
Dividend to shareholders			(1,962,577)		(1,962,577)
Net income			2,332,393		2,332,393
Balance at December 31, 2024	$422,168	$4,653,073	$55,608,209	$(16,659,297)	$44,024,153

The accompanying notes are an integral part of these financial statements.

NOTES TO
FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Operations – Data Center, Inc. (Company) is incorporated under the laws of the State of Kansas. The Company's primary business is to provide core banking software and technology services to financial institutions. The Company conducts business in nearly all states and extends credit to all customers. The Company's shareholders are financial institutions; most of which are also customers, and therefore related parties.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - The Company maintains its cash in bank deposit accounts and treasury bills that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on its cash accounts.

Accounts Receivable - Accounts receivable are carried at original invoice amount. Receivables are written off against the allowance when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Accounts receivable are considered past due after 30 days. Interest is not normally charged on past due amounts. The Company analyzes the collectability of trade accounts receivable by considering historical bad debts, client creditworthiness, current economic trends, changes in client payment terms and collection trends when evaluating the adequacy of the allowance for doubtful accounts. Management believes that the Company's customers are creditworthy, and all receivables are collectible; therefore, the Company does not have an allowance for credit losses as of December 31, 2024 and 2023. For the years ended December 31, 2024 and 2023, the Company had an opening accounts receivable balance of $4,260,100 and $5,150,563, respectively.

Inventory - Inventories primarily consist of equipment, software and licenses purchased and held for resale and are stated at the lower of cost or net realizable value. Cost is generally determined on the specific identification method.

Property and Equipment - Property and equipment assets are recorded at cost and are depreciated over their estimated useful lives using the straight-line method, as follows:

Building and improvements	15 - 25 years
Equipment	3 - 10 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation expense for the years ended December 31, 2024 and 2023 was $1,269,051 and $1,199,475, respectively.

Software - Costs to acquire software products are capitalized and amortized over economic useful lives ranging between three and 15 years. Research and development costs and other normal maintenance costs are expensed when incurred. Amortization expense for the years ended December 31, 2024 and 2023 was $1,089,966 and $1,295,884, respectively.

Other Investments - The Company has other equity investment securities without a readily determinable fair value that are carried at cost less any impairment plus or minus changes resulting from observable price changes. As of December 31, 2024, management performed a qualitative assessment of market conditions in relation to the investment and determined that there were no indicators of impairment or observable price changes. During 2023, management estimated fair value was less than the original cost basis, and recognized an impairment of $616,449.

As of December 31, 2024 and 2023 the Company carried a total investment balance of $1,477,396.

Impairment of Long-Lived Assets - Whenever events or changes in circumstances occur that indicate the carrying amount of long-lived assets (property or equipment and software) may not be recoverable, management reviews the assets for possible impairment. Management's review of long-lived assets indicates that, at this time, there is no material impairment for 2024 or 2023.

Income Taxes - Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and loss carryforwards; deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company recognizes the financial effects of a tax position only when it believes it can more likely than not support the position upon an examination by the relevant tax authority. As of December 31, 2024 and 2023, the Company believes it does not have any material uncertain tax positions.

Leases - The Company leases a building and equipment in accordance with Accounting Standards Codification (ASC) Topic 842, Leases, and the series of related Accounting Standards Updates that followed (collectively referred to as ASC 842). The Company determines if an arrangement is a lease at inception and evaluates identified leases for operating or finance lease treatment at lease commencement. Operating or finance lease right-of-use (ROU) assets and liabilities are recognized at the commencement date based on the present value of future lease payments over the lease term for leases exceeding 12 months. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. The discount rate to determine the present value of lease payments is based on information available at lease commencement and is the rate implicit in the lease. If there is not an implicit borrowing rate, the Company uses its incremental borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of ASC 842).

Minimum lease payments include the fixed lease component of the agreement as well as any variable rate payments that depend on an index, initially measured using the index at the lease commencement date. Subsequent changes of an index and other periodic adjustment to the base rent are recorded as lease expense in the period incurred. The lease terms may include options to extend or terminate when it is reasonably certain that the Company will exercise that option.

Revenue Streams - Generally, the Company enters into contracts of three to 12 years in length. The Company generates revenue through the sale of processing services, through a core service license agreement, equipment and supplies, maintenance contracts, e-business services and other service products. The Company also records revenue under certain contracts for postage, telecommunication, supplies, certain travel and hardware costs, net of the related expenses. Additionally, the Company also has deconversion related fees.

Performance Obligations Recognized at a Point in Time - Processing revenue is generated from transaction-based fees for electronic deposit and payment services, electronic funds transfers and debit and credit card processing. The Company's arrangements for these services typically require the Company to provide specific services on a when and if needed basis by processing an unspecified number of transactions over the contractual term. Amounts of revenue allocated to these services are recognized as those services are performed. Customers are typically billed monthly for transactions processed during the month.

Hardware revenue is recognized upon delivery.

Deconversion revenues are recognized when a contract with a customer has been terminated and the Company has no further performance obligations left with the customer. Such deconversion revenues are approximately $1,450,000 and $1,805,000 in 2024 and 2023, respectively.

Performance Obligations Recognized Over Time - Non-core revenue is generated from software maintenance for ongoing client support and software usage, which includes a license and ongoing customer support. These fees are typically billed to the customer annually in advance and recognized ratably over the maintenance term.

Contract Assets - Financing receivables are contract assets primarily resulting from advances made to customers to repay contractual, one-time charges due to the Company over the life of the contract. The Company analyzes contract language to identify if a significant financing component exists and adjusts the transaction price for any material effects of the time value of money if the timing of payments provides either party to the contract with a significant benefit of financing the transaction.

As of December 31, 2024, the outstanding balance and present value of financing receivables are $803,023 and $713,514, respectively. As of December 31, 2023, the outstanding balance and present value are $1,115,438 and $986,556, respectively. As of January 1, 2023, the outstanding balance and present value are $1,179,046 and $1,078,043, respectively. For 2024, financing receivable income of $26,987 includes 2024 interest income. For 2023, financing receivable income of $41,904 includes 2023 interest income.

The financing receivables are generally unsecured, non-interest bearing and have repayment terms of up to 120 months. The Company analyzes the collectability of financing receivable by considering historical bad debts, client creditworthiness, current economic trends, changes in client payment terms and collection trends. At December 31, 2024 and 2023, no financing receivables were past due, impaired or on a non-accrual status and there is no allowance for estimated credit losses.

Contract Liabilities (deferred revenue) - Contract liabilities (deferred revenue) primarily relate to consideration received from customers (primarily annual software maintenance and license agreements) in advance of delivery of the related goods and services. Revenue is recognized over time on a straight-line basis.

As of December 31, 2024 and 2023, the Company has recorded $1,638,820 and $846,519 as contract liabilities. As of January 1, 2023, the Company had recorded $1,472,995 as contract liabilities.

Contract Costs - The Company incurs incremental costs to obtain a contract as well as costs to fulfill contracts with customers that are expected to be recovered. These costs consist primarily of sales commissions, which are incurred only if a contract is obtained, and customer conversion or implementation-related costs. Contract costs are capitalized and amortized on a straight-line basis over the life of the contract. Contract costs at December 31, 2024 and 2023, are $7,981,874 and $7,339,883, respectively. Contract costs at January 1, 2023, were $5,948,046.

For the years ended December 31, 2024 and 2023, amortization of contract costs totaled $1,207,978 and $961,261, respectively.

Net Revenues - Net revenues are summarized as follows:

	2024	2023
Revenue recognized at a point in time	$ 58,501,075	$ 52,800,831
Revenue recognized over time	3,270,710	3,417,215
Total revenue	61,771,785	56,218,046
Less direct costs	10,269,601	9,065,958
Net revenues	$ 51,502,184	$ 47,152,088

Significant Accounting Policies - Recently issued accounting pronouncements: In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which provides for improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This ASU is effective for the Company beginning on January 1, 2026. The adoption of ASU 2023-09 is not expected to have a significant impact on the Company's financial statements.

Subsequent Events - Subsequent events have been evaluated through January 23, 2025, which is the date that these audited financial statements were available to be issued.

2. INCOME TAXES

Deferred tax assets (liabilities) consist of the following at December 31, 2024 and 2023:

	2024	2023
Property, equipment and software	$ (1,071,000)	$ (1,159,000)
Prepaid expenses	(552,000)	(492,000)
Other investments	682,000	682,000
Deferred compensation	135,000	74,000
Acquisition costs	11,000	14,000
Financing receivables	26,000	38,000
Leases	2,000	2,000
Capitalized research and development	870,000	619,000
State tax credits carryforward	5,000	7,000
Deferred tax liabilities	108,000	(215,000)
Valuation allowance	(682,000)	(682,000)
Deferred tax liability, net	$ (574,000)	$ (897,000)

As of December 31, 2024 and 2023, the Company has recognized an impairment of other investments that results in unrealized long-term capital losses with a tax benefit of approximately $682,000. Once realized, these long-term capital losses may only be utilized or carried forward five years to offset future long-term capital gains. Management estimates that such carryforwards may expire before they are utilized and has recorded a valuation allowance to offset these deferred tax assets.

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income because of state income taxes, non-deductible expenses, and changes in estimates from prior years. Income tax expense for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Current	$ 925,000	$ 3,286,000
Deferred	(323,000)	(293,000)
Total	$ 602,000	$ 2,993,000

3. LEASES

The Company leases a building and equipment under operating lease agreements that have initial terms ranging from three to five years. None of the leases include options for renewal or early termination. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees. Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense, included in operating expenses, are as follows for the years ended December:

	2024	2023
Operating lease cost	$267,341	$269,391
Variable lease cost	28,730	30,151
Short-term lease cost	67,583	57,955
Total lease cost	$363,654	$357,497

Supplemental cash flow information related to leases is as follows for the years ended December 31:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows - payments on operating leases	$295,118	$297,039

Supplemental balance sheet information related to leases is as follows as of December 31:

	2024	2023
Weighted-average remaining lease term:		
Operating leases	2.9 years	3.8 years
Weighted-average discount rate:		
Operating leases	4.43 %	4.40 %

Future undiscounted cash flows for each of the next five years and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2023:

	Operating Leases
Years ending December 31:	
2025	244,734
2026	238,616
2027	224,539
2028	4,245
Total lease payments	712,134
Less imputed interest	(43,262)
Total present value of lease liabilities	$668,872

4. SAVINGS AND RETIREMENT PLAN

The Company has a Safe Harbor profit sharing plan, which includes a salary reduction feature, under Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees of the Company. Benefits vest to individual participants at varying rates with full vesting after the sixth year of service. Prior to 2024, the Company's profit-sharing contribution was determined annually by the Board of Directors, and the Company would match the employee's salary reduction contribution to the plan up to 4% of the employee's annual compensation. In 2024 the Company discontinued the profit sharing provisions of the plan and increased the employer matching contribution from 4% to 5%. Company contributions to the plan were $1,158,734 and $1,505,751 for the years ended December 31, 2024 and 2023, respectively.

5. SELF INSURANCE

Effective in August 2020, the Company became partially self-insured for certain insurable employee health care risks. The extent of the risk is subject to "stop loss" coverage ($3,963,979 aggregate and $75,000 individual), and management does not believe the Company would be exposed to any significant risk above what it would pay had the Company had a traditional insurance plan. Management estimates outstanding, unpaid obligations, included in accrued expenses, totaling $305,777 and $170,622 at December 31, 2024 and 2023, respectively.

6. PHANTOM STOCK PLAN

Effective January 1, 2023, the Company established a Phantom Stock Plan (Plan) that authorized Phantom Units to non-employee directors. These Phantom Units provide deferred compensation based on the estimated fair value of the common stock of the Company. Participants in the Plan are also entitled to receive an amount, with respect to each Phantom Unit granted to the Participant, equal to the amount of dividends paid by the Company with respect to one share of Class A common stock. The cost is recognized over the service period based on award and vesting schedules. The Phantom Units are awarded over a five-year period and are vested over a five-year service period, including prior service. The units will be redeemed over a five-year period beginning in 2028 or upon separation, as defined in the Plan Agreement. The plan will award approximately 234 Phantom Units per year through this period. The deferred compensation obligation and expense related to the estimated value of vested units, included in other liabilities, was $374,249 and $170,113 at December 31, 2024 and 2023, respectively.

The planned award, vesting, and redemption of units are subject to an acceleration clause upon change in control of the Company, as defined by the Plan. In the event of a change in control, all authorized units will be paid in a single lump-sum within 30 days of the date of the change in control. The value of the benefit in the event of a change in control will be calculated as of that date. As of December 31, 2024 and 2023, the Company has authorized 1,170 units.

Units remaining, as of December 31, 2024 and 2023, consist of the following:

	Units Available	Units Awarded	Units Vested
Beginning Balance, December 31, 2022	--	--	--
New Units Authorized	1,170	--	--
Units Awarded	(234)	234	222
Ending Balance, December 31, 2023	936	234	222
Units Awarded	(234)	234	228
Units Vested	--	--	6
Ending Balance, December 31, 2024	702	468	456

7. EMPLOYEE RETENTION CREDIT

The Employee Retention Tax Credit (ERTC), created in the coronavirus Aid, Relief, and Economic Security Act (CARES Act) and then subsequently amended by the Consolidated Appropriation Act (CAA) of 2021, the American Rescue Plan Act (ARPA) of 2021 and the Infrastructure Investment and Jobs Act (IIJA) of 2021, is a refundable payroll credit for qualifying businesses retaining employees on payroll during the COVID-19 pandemic.

Under the CARES Act, eligible employers could claim a refundable tax credit against certain employment taxes equal to 50% of qualified wages paid to employees between March 13, 2020 and December 31, 2020. Under the CAA, ARPA, and IIJA amendments, employers can claim this credit against certain employment taxes equal to 70% of qualified wages paid to employees after December 31, 2020 through September 30, 2021. Qualified wages are limited to $10,000 per employee per calendar quarter, so the maximum allowable ERTC is $7,000 per employee per calendar quarter in 2021, and $5,000 per employee for calendar year 2020.

The Company claimed revenue of $4,898,398, net of contingent fees paid to a third-party advisor, in 2023 using certain interpretations of the ERTC that qualified the Company for the credit. As of December 31, 2023, $1,616,510 of this income was included as a receivable in the Company's balance sheet.

In November 2024, the Company received a Notice of Proposed Adjustment from the Internal Revenue Service (IRS) stating that the interpretations initially used had been updated subsequent to the Company's filing, the Company was not eligible for the ERTC, and the credit would be disallowed in full. In response to this notice, the Company returned the funds to the IRS and recorded a loss of $4,898,398. As of December 31, 2024, the Company has recorded a receivable in financing receivables, contract costs and prepaid expenses on the balance sheet of $682,305 related to the anticipated refund of contingent fees paid to a third-party advisor. Subsequent to year end, this amount was fully collected.

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