

The background features a complex abstract graphic design. It consists of various organic shapes and lines in black, light blue, purple, pink, and lime green. Some shapes are solid, while others are outlines. There are also thin black lines with dots at their ends, resembling pointers or connectors. The overall composition is dynamic and modern.

**dcl.**

2025

**Annual  
Report**

# 2025

## Annual Report



### **Different on Purpose.**

One overarching goal defines DCI: We strive to serve and empower community banks in every aspect. Through nearly 65 years of business, that goal has never changed - and it never will.



Dear Shareholders,

For the fifth consecutive year, DCI achieved double-digit growth in core signings, including thirteen new partnerships, twenty-one conversions and \$2.8 billion in assets entrusted to our core platform.

In an industry reshaped by acquisitions, seemingly every quarter, this level of consistency is rare. It is not the result of luck or timing, but a reflection of the dedication of people who show up each day, do the work and build relationships that endure even as the landscape shifts.

This year, several of our bank clients acquired other community banks, while others were themselves acquired by institutions using different vendors. In a number of those cases, we earned the business of the acquiring bank. These outcomes reinforce that our relationships are grounded in meaningful, day-to-day partnerships and performance. This is a testament to the strength of the DCI team.

In 2020, the board and management established a 10 year strategic initiative focused on growth and profitability. We are pleased to report that the company is meeting and exceeding the annual benchmarks established under that plan. This sustained performance has resulted in a significant increase in cash on our balance sheet. The board is actively evaluating prudent options to deploy this accumulated liquidity, which may include the potential for additional dividends in the future.

As noted above, merger and acquisition activity in the banking sector has increased significantly and this trend affects our business. One clear impact is earnings volatility related to early bank deconversions. We believe it is important to highlight this dynamic given the elevated level of merger and acquisition activity in the industry.


In 2025, we experienced the devastating loss of someone very special, John Clarke. John served for many years as President and CFO of Bank of Hays and as a valued member of DCI's Board of Directors. He brought generosity, warmth and thoughtful leadership to everything he did. As a banker, as a board member, and as a friend. His contributions to community banking will long endure.

John understood what matters most in community banking: trust. The kind of trust that is earned steadily over time.

As our industry grows louder—with more noise, more promises and more complexity—trust matters more than ever. We believe trust is built through clarity. That commitment will guide us in 2026 as we continue to advocate for community banks and play a meaningful role in moving the industry forward.

**Thank you to our customers, employees and partners for making DCI's work possible.**

With gratitude,



Sarah Fankhauser, President & CEO



Keith Hughes, Chairman of the Board

# SALES AND MARKETING



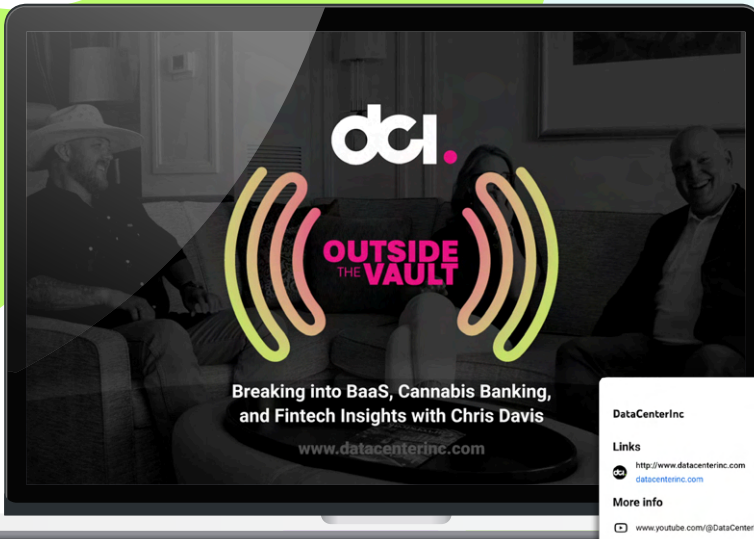
This year marked DCI's fifth consecutive year in double-digit contract signings, with **13 core contracts**, resulting in millions of dollars in revenue.



Layne Hanson, Vice President, National Sales



Jesse Tosten, Director of Marketing



DataCenterInc x

Links

- <http://www.datacenterinc.com>
- [datacenterinc.com](https://www.datacenterinc.com)

More info

- [www.youtube.com/@DataCenterInc](https://www.youtube.com/@DataCenterInc)
- Joined Mar 15, 2010
- 34 videos
- 4,523 views

[Share channel](#) [Report user](#)

In 2025, Sales and Marketing increased DCI's visual content, focusing on their podcast, **Outside The Vault**, centered on conversations surrounding the current state of community and Fintech banking.

## 2025 ACCOMPLISHMENTS

Secured 13 core contracts, in addition to two ancillary contracts with the understanding that Fintech components will be added in the near future

Conducted 186 product demonstrations by product specialists

Adopted Salesforce CPQ to add efficiency to DCI's proposal generation processes

A record number of vendors attended DCI's 2025 Conference

Built blog/newsroom and events webpages to integrate within marketing CRM for better data analysis

Increased the amount of content for DCI's podcast, Outside the Vault

## 2026 GOALS

Sales will continue to expand their services and accessibility for customers, by adding a Regional Sales Manager to strengthen their market coverage and adopting AI functionality within their RFP automation tool.



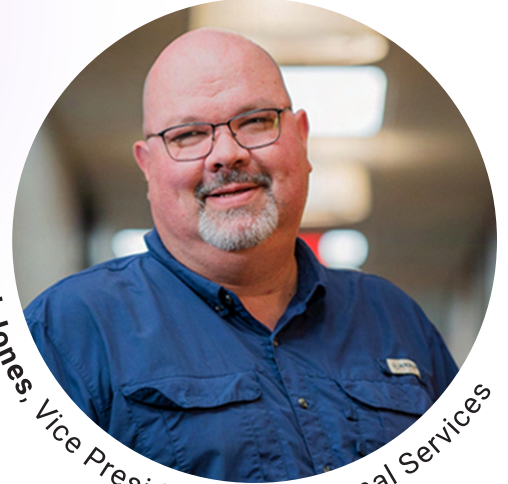
# CUSTOMER SERVICES AND PROFESSIONAL SERVICES

Communication with customers is the most essential part of creating seamless and effective conversions with DCI.

**In 2025, Professional Services completed 21 conversions.**



*Julie Carter, Vice President, Customer Service*



*Paul Jones, Vice President, Professional Services*



## 2025 ACCOMPLISHMENTS

Secured **15 new bank customers** coming from a total of eight different core vendors

Completed **six mergers/acquisitions**. Including four iCore360 to iCore360 mergers and two acquisitions from other core vendors

## GOBANKING IMPLEMENTATIONS

**24**  
Total Completed Conversions

- ▶ **12** new bank customers
- ▶ **Six** mergers/acquisitions
- ▶ **Three** existing GoBanking customers converted to iCore360
- ▶ **Two** conversions for existing customers to GoBanking
- ▶ **One** non-core customer adding GoBanking

## THIRD PARTY IMPLEMENTATIONS

- ▶ **21** Proof21/Teller and Account Origination implementations
- ▶ Secured **15** new bank customers
- ▶ Completed **six** mergers/acquisitions
- ▶ **Four** iCore360 to iCore360 mergers and two acquisitions from other core vendors
- ▶ Completed **11** additional Proof21 and Account Origination implementations

## CARD COMPLETED

- ▶ **14** conversions including adding Card@Once, 3DS, SecurLOCK Block, Case Manager, and VRU
- ▶ **Six** Acquisition Merges
- ▶ **Two** Digital Branches – Green Check and BADASS BANK
- ▶ **One** Mastercard Brand Flip
- ▶ **Eight** Contactless projects
- ▶ **10** Mobile Wallet projects
- ▶ **17** Card@Once/new artwork projects
- ▶ **10** Network changes for existing banks
- ▶ **Eight** 8-digit BIN migration

## 2026 GOALS

DCI's Customer Services team strives to continuously improve the customer experience by enhancing processes and procedures to create new efficiencies, while exploring and utilizing AI tools for internal automation, allowing employees to spend more time supporting customers and less time on manual tasks.

## EDUCATION

**44,992 hits** on DCI University resources

Conducted **56 Operational Reviews**

**2,697 users** touched the DCI University screen at least once

Led **813 live classes**

**168 banks** used the DCI University screen at least once

## 2025 COMPLETED PROJECTS

# APPLICATION DEVELOPMENT

### ENTERPRISE DEVELOPMENT

Development continued to advance DCI's digital strategy through a combination of platform and integration initiatives, including:

Digital and Sponsor Bank initiatives

Sustained investment in the REST DCI API to improve integration, scalability, and cross-platform interoperability

### CAPTURE DEVELOPMENT

The Capture team made significant progress on the FrontLine Teller browser-based application built on .NET and JavaScript frameworks. Key accomplishments included:

Remote Teller Override

Multiple Branches

Holds Processing

Savings Bonds Processing

DCI is currently piloting **FrontLine Teller** in some banks, **planning to have the majority of the project completed in 2026.**

### CARD DEVELOPMENT

Card completed a major rewrite of the Card Chargeback Processing solution. Development delivered targeted processing improvements, including:

Enhancements to card processing cutoffs

Improvements to card limits

These changes resulted in increased operational efficiency and improved customer control capabilities.

### DCI ANALYTICS

The Analytics team delivered several new reporting and dashboard capabilities, including:

SLA Reporting

FrontLine Teller Reporting

ATM/Debit Card dashboard design through client focus groups



## 2025 COMPLETED PROJECTS

### DEPOSITS DEVELOPMENT

Deposits Development focused on automation, compliance and efficiency improvements across wires and ACH processing, including:

PCBB international wires implementation

ACH duplicate detection

Auto-approval for ACH imports

Reduced manual wire processing

Account analysis enhancements

APTYS wire interfaces

Sandra Schmitt, Vice President, Application Development



### GOBANKING DEVELOPMENT

GoBanking Development delivered comprehensive UI/UX redesign improvements and several high-value integrations. Accomplishments included:

New card screens and breadcrumb navigation

Expanded card control capabilities

ISO20022 wire enhancements

Integrations with Zelle and Array

Application Development completed **UI and UX Redesign** enhancements creating new card screens and updating breadcrumb navigation. Focus groups conducted by the department provided positive feedback. **In 2026, the department will continue expanding on the project, with a focus on a modern API platform, cash management and transfer screens.**

Application Development is committed to the continued improvement of visual experiences and providing customers with modernized interfaces for their services.

### GOOPEN & GOLIVE DEVELOPMENT

GoOpen & GoLive Development focused on modernizing and streamlining the digital onboarding experience. Accomplishments included:

Rewriting GoOpen into a modern, .NET and Javascript platform

Native hosting of GoOpen landing pages in GoLive for a tighter, streamlined integration

### LOAN DEVELOPMENT

The Loan Development team delivered API enhancements, regulatory updates, and user experience improvements, including:

Loan and customer API updates

SBA 1502 modifications

Modernized loan notices

## ENTERPRISE DEVELOPMENT

In 2026, DCI will continue to focus on expanding the REST DCI API by adding additional servicing functionality and increasing third-party vendor integrations. These efforts will further broaden platform interoperability and deepen support for Digital and Sponsor Bank initiatives.

## CAPTURE DEVELOPMENT

- Completion of FrontLine Teller adding image capture functionality
- Check inventory support
- Conductor information capabilities

## CARD DEVELOPMENT

- Exception and adjustment processing enhancements
- FIS ATM driving settlement
- PAN generation improvements
- iCore360 security enhancements

## DCI ANALYTICS

- Introduction of new data visualization capabilities with the new DCI Analytics Studio feature
- Machine learning initiatives

DCI is working to create a more seamless and insightful way for clients to access their data by utilizing AI learning machines, creating a map to show where accounts are open and expanding on account analytics.

## DEPOSITS DEVELOPMENT

- Positive Pay enhancements
- Incoming wires via APTYS
- Non-NACHA ACH API support
- Future-date account origination
- Continued account analysis improvements

## GOBANKING DEVELOPMENT

- Expanded UI/UX redesign for cash management, transfers, and customizable themes
- Piper P2P application rollout
- ACH prefunding and balance verification Phase 2
- Paymentus integration
- Digital wallet provisioning

## GOOPEN & GOLIVE DEVELOPMENT

- LexisNexis integration to enhance identity verification and compliance

## LOAN DEVELOPMENT

- Real Time Funds Management Sweeps
- Fannie Mae reporting enhancements
- Teller and internet transaction enhancements

# SECURITY AND RISK

## 2025 PROJECTS

### COMPLIANCE & FRAUD

Expanded DCI University's course catalog by adding compliance resources

Performed multiple fraud education speaking engagements to provide clarity on fraud monitoring practices

2026

Compliance and fraud will be **expanding their fraud education courses in DCI University**, giving clients additional access and information about regulation changes within their industry, aiding in the efforts to expand their businesses.

### SECURITY AND CYBER RESILIENCE

Added expansions to data loss prevention, endpoint security, incident response playbooks, and security testing

Completed quarterly **iCore360 Disaster Recovery Testing**

2025 Business Impact Analysis enhancements

Completed the **NIST CSF 2.0 Compliance Assessment**

Adopted an emergency communication tool to expand services for customers

2026

Security and Cyber Resilience will refresh their user entitlement with automated workflow and enterprise risk management tools.

### INTERNAL AUDIT

Completed **10 internal audits**, covering over 50 percent of DCI's audit universe

Completed **five external exam engagements**, with two in progress. These include: **EPCOR ACH, FFIEC, SOC 1 and 2, Penetration Testing**, and **PCI-DSS**

2026

Security and Risk **will be implementing AI capabilities for internal audits and exam management** to help improve productivity.

Amanda Taylor, Senior Vice President, Security and Risk



# HUMAN RESOURCES

## 2025 COMPLETED PROJECTS

Conducted a HR session on *Paper Trails and Success Tales* at the annual DCI Conference

Completed the transition to a Defined Contribution Model for health insurance deductions

Completed the first year with a new wellness program provider, Prevention Cloud, for wellness incentives, and forty percent of employees covered on our health insurance earned the incentive



## 2025 AWARDS

- ▶ America's Best Workplaces
- ▶ Best Places to Work for Women
- ▶ Best Places to Work in Financial Technology



**47 NEW EMPLOYEES**  
Hired in 2025



Katie Albers, Vice President, Human Resources

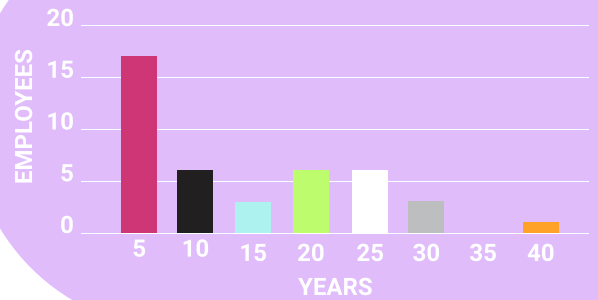


## IN 2026

Human Resources is sustaining the development program provided by Dr. Melissa Furman, MS, DBA, in 2025, for ongoing leadership training

Human Resources will continue to increase utilization of Paylocity to streamline processes and create efficiency in the department

## Work Anniversaries



**Average Tenure**  
**9.2 Years**

2025 ACCOMPLISHMENTS

1

Windows 10 machines were upgraded to Windows 11

6

Upgraded DCI's Cisco Firewall Management Console

2

Completed 1000's of patches, updates, and vulnerability mitigations

7

Implemented an additional replica of the iCore360 Oracle databases to create additional maintenance flexibility

3

Continued growth of the Managed File Transfer Implementation, providing better visibility and reliability

8

Strategically planned for upcoming hardware refresh cycles, VMware renewal, and DR data center move

4

Upgraded Linux business servers to RedHat Linux 9

5

Implemented required MFA for all administrative access

2026

In 2026, Technical Services will continue to upgrade firewalls to remain up to code and secure the safety of DCI and its customers. The department also plans to complete the move of the DR data center to a new facility, enhancing the relationship with Lightedge.

TECHNICAL SERVICES



Mark Kintzel, Senior Vice President, Technical Services



# OPERATIONS AND ITEM PROCESSING

## 2025 PROJECTS

Operations, Item Processing, and Backroom Services completed multiple projects to improve department efficiency and customer item distribution. While producing and handling **4,220,000 pieces of mail this year**, the department also completed and continued the following projects:

### BACKROOM PROCESSING

**98 percent adoption rate** of generic envelopes

The adoption of these generic envelopes has proved to be more efficient when processing a high number of items, also eliminating the storage of many different envelopes.

### ITEM PROCESSING

Processed over a total of **160 million items**

Processed **135,000 capture files**

**39 percent** of DCI's banks have completed the Item Processing Software Migration



## 2026

In 2026, the primary focus and goal for Item Processing will be the **completion of the Item Processing Software Migration**. This migration will provide customers with brand new item processing software and vendor replacement software. While this is a big undertaking, there are currently 130-140 customers currently testing and evaluating the new software. The department is hoping to complete this project by the Summer of 2026.

### OPERATIONS PRODUCTION CONTROL

Performed 1,000 SQL Database updates

Completed 400 Pilot Distributions

# INDEPENDENT AUDITOR'S REPORT

## The Board of Directors Data Center, Inc.

### Opinion

We have audited the accompanying financial statements of Data Center, Inc. (the Company), which comprise the balance sheets as of December 31, 2025, and 2024, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Data Center, Inc. as of December 31, 2025, and 2024, 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. 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 Company's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted 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 generally accepted 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.

*Allen, Gibbs & Houlik, L.C.*

Allen, Gibbs & Houlik, L.C  
CERTIFIED PUBLIC ACCOUNTANTS

Wichita, KS  
January 22, 2026

# DECEMBER 31, 2025, AND 2024

## BALANCE SHEETS

### ASSETS

#### CURRENT ASSETS

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$23,477,789	\$16,249,382
Accounts receivable	5,407,790	5,899,400
Financing receivables, contract costs and prepaid expenses	10,791,916	10,324,932
Income taxes receivable	<u>—</u>	<u>1,080,969</u>
Total current assets	<u>39,677,495</u>	<u>33,554,683</u>

#### PROPERTY AND EQUIPMENT

Land	254,787	254,787
Building and improvements	7,639,874	7,437,671
Equipment	<u>10,038,815</u>	<u>9,738,402</u>
	17,933,476	17,430,860
Less: accumulated depreciation and amortization	<u>12,165,139</u>	<u>11,469,156</u>
Total property and equipment	<u>5,768,337</u>	<u>5,961,704</u>

#### OTHER ASSETS AND SOFTWARE

Financing receivables, contract costs and prepaid expenses	4,607,326	4,176,971
Operating lease right-of-use assets	441,697	661,537
Other investments	1,643,487	1,477,396
Software, less accumulated amortization of \$16,328,399 and \$15,655,001	<u>3,275,775</u>	<u>4,354,922</u>
Total other assets and software	<u>9,968,285</u>	<u>10,670,826</u>
Total assets	<u>\$55,414,117</u>	<u>\$50,187,213</u>

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

## DECEMBER 31, 2025, AND 2024

### BALANCE SHEETS

#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### CURRENT LIABILITIES

	<u>2025</u>	<u>2024</u>
Accounts payable	\$1,824,667	\$520,720
Accrued expenses	2,178,719	2,241,808
Income taxes payable	245,113	—
Contract liabilities (deferred revenue)	1,656,238	1,638,820
Current portion of operating lease liability	<u>224,073</u>	<u>220,491</u>
Total current liabilities	6,128,810	4,621,839

##### OTHER LIABILITIES

Accrued expenses	688,347	518,840
Deferred income taxes	817,000	574,000
Operating lease liabilities	<u>224,309</u>	<u>448,381</u>
Total noncurrent liabilities	1,729,656	1,541,221

Total liabilities	<u>7,858,466</u>	<u>6,163,060</u>
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##### STOCKHOLDERS' EQUITY

Common stock, \$1 par value; authorized 500,000 shares, 98,073 and 100,645 outstanding in 2025 and 2024, net of shares held in treasury	422,168	422,168
Additional paid-in capital	4,653,073	4,653,073
Retained earnings	<u>60,264,751</u>	<u>55,608,209</u>
	65,339,992	60,683,450
Less treasury stock at cost; 324,095 and 321,523 shares in 2025 and 2024, respectively	<u>17,784,341</u>	<u>16,659,297</u>
Total stockholders' equity	47,555,651	44,024,153
Total liabilities and stockholders' equity	<u>\$55,414,117</u>	<u>\$50,187,213</u>

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

# YEARS ENDED DECEMBER 31, 2025, AND 2024

## STATEMENTS OF INCOME

	<b>2025</b>	<b>2024</b>
<b>Revenues, net</b>	<b><u>\$52,670,195</u></b>	<b><u>\$51,502,184</u></b>
<b>Operating expenses:</b>		
Salaries and payroll tax	29,102,913	27,795,864
Other employee expense and benefits	6,417,929	6,951,353
Maintenance and processing	3,660,746	3,697,675
Occupancy	1,322,211	1,193,444
Depreciation and amortization	2,323,989	2,359,017
Administrative	<u>2,450,389</u>	<u>2,208,430</u>
Total operating expenses	<b><u>45,278,177</u></b>	<b><u>44,205,783</u></b>
<b>Operating income</b>	<b><u>7,392,018</u></b>	<b><u>7,296,401</u></b>
<b>Other income (expense):</b>		
Interest	1,070,450	640,656
Financing receivables, net	18,042	26,987
Employee Retention Tax Credit	--	(4,898,398)
Loss on disposal of software and equipment	<u>(42,546)</u>	<u>(131,253)</u>
Total other income (loss)	<b><u>1,045,946</u></b>	<b><u>(4,362,008)</u></b>
<b>Income before income taxes</b>	<b>8,437,964</b>	<b>2,934,393</b>
<b>Provision for income taxes</b>	<b><u>2,242,000</u></b>	<b><u>602,000</u></b>
<b>Net income</b>	<b><u>\$6,195,964</u></b>	<b><u>\$2,332,393</u></b>

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

# YEARS ENDED DECEMBER 31, 2025, AND 2024

## STATEMENTS OF CASH FLOWS

	<u>2025</u>	<u>2024</u>
<b>Cash flows from operating activities:</b>		
Net income	\$6,195,964	\$2,332,393
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	2,323,989	2,359,017
Changes in operating lease assets and liabilities	(650)	954
Loss on disposal of software and equipment	42,546	131,253
Financing receivables, net	(18,042)	(26,987)
Amortization of contract costs	1,447,062	1,207,978
Deferred income taxes	243,000	(323,000)
Changes in operating assets and liabilities:		
Accounts receivable	491,610	(1,639,300)
Financing receivables, contract costs and prepaid expenses	(2,326,359)	(3,267,731)
Employee Retention Tax Credit receivable	--	1,616,510
Income taxes receivable/payable	1,326,082	(2,978,617)
Accounts payable	1,303,947	259,348
Accrued expenses	106,418	876,346
Accrued savings and retirement plan contribution	--	(638,000)
Contract liabilities (deferred revenue)	17,418	792,301
Net cash flow from operating activities	<u>11,152,985</u>	<u>702,465</u>
<b>Cash flows from investing activities:</b>		
Purchase of other investments	(166,091)	—
Purchase of property and equipment	(1,022,851)	(727,080)
Purchase of software	(71,170)	(255,105)
Net cash flow from investing activities	<u>(1,260,112)</u>	<u>(982,185)</u>
<b>Cash flows from financing activities:</b>		
Acquisition of treasury stock	(1,125,044)	—
Dividend to shareholders	(1,539,422)	(1,962,577)
Net cash flow from financing activities	<u>(2,664,466)</u>	<u>(1,962,577)</u>
Net change in cash	7,228,407	(2,242,297)
<b>Cash and cash equivalents at beginning of year</b>	<u>16,249,382</u>	<u>18,491,679</u>
Cash and cash equivalents at end of year	<u>\$23,477,789</u>	<u>16,249,382</u>
<b>Supplemental disclosures of cash flow information:</b>		
Income tax payments net of refunds	<u>\$407,830</u>	<u>\$3,903,617</u>

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

## YEARS ENDED DECEMBER 31, 2025, AND 2024

### STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL
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	--	--	<u>2,332,393</u>	--	<u>2,332,393</u>
Balance at December 31, 2024	422,168	4,653,073	55,608,209	(16,659,297)	44,024,153
Purchase of 2,572 shares	--	--	--	(1,125,044)	(1,125,044)
Dividend to shareholders	--	--	(1,539,422)	--	(1,539,422)
Net income	--	--	<u>6,195,964</u>	--	<u>6,195,964</u>
<b>Balance at December 31, 2025</b>	<b><u>\$422,168</u></b>	<b><u>\$4,653,073</u></b>	<b><u>\$60,264,751</u></b>	<b><u>\$(17,784,341)</u></b>	<b><u>\$47,555,651</u></b>

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, 2025, and 2024. For the years ended December 31, 2025, and 2024, the Company had an opening accounts receivable balance of \$5,899,400 and \$4,260,100, respectively.

**Prepaid Assets** - Prepaid expenses represent advance payments for goods and services to be received in future periods, primarily software licenses and maintenance agreements. These costs are initially recorded as assets and are recognized as expense over the life of the associated contracts. As of December 31, 2025, and 2024, the Company has recorded approximately \$5,750,000 and \$5,770,000 in prepaid assets, respectively.

**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, 2025, and 2024 was \$1,202,414 and \$1,269,051, 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, 2025, and 2024 was \$1,121,575 and \$1,089,966, 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, 2025, and 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.

As of December 31, 2025, and 2024 the Company carried a total investment balance of \$1,643,487 and \$1,477,396, respectively.

**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 2025 or 2024.

**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, 2025, and 2024, 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 \$1,107,000 and \$1,450,000 in 2025 and 2024, 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, 2025, the outstanding balance and present value of financing receivables are \$485,653 and \$471,583, respectively. As of December 31, 2024, the outstanding balance and present value are \$745,626 and \$713,514, respectively. As of January 1, 2024, the outstanding balance and present value are \$1,115,438 and \$986,556, respectively. For 2025, financing receivable income of \$18,042 includes 2025 interest income. For 2024, financing receivable income of \$26,987 includes 2024 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, 2025, and 2024, 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, 2025, and 2024, the Company has recorded \$1,656,238 and \$1,638,820 as contract liabilities. As of January 1, 2024, the Company had recorded \$846,519 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, 2025, and 2024, are \$9,137,577 and \$7,981,874, respectively. Contract costs at January 1, 2024, were \$7,339,883.

For the years ended December 31, 2025, and 2024, amortization of contract costs totaled \$1,447,062 and \$1,207,978, respectively.

Net Revenues - Net revenues are summarized as follows:

	2025	2024
Revenue recognized at a point in time	\$ 62,792,215	\$ 58,501,075
Revenue recognized over time	<u>1,744,589</u>	<u>3,270,710</u>
Total revenue	64,536,804	61,771,785
Less direct costs	<u>11,866,609</u>	<u>10,269,601</u>
Net revenues	<u>\$ 52,670,195</u>	<u>\$ 51,502,184</u>

**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 22, 2026, 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, 2025, and 2024:

	2025	2024
Property, equipment and software	\$ (832,000)	\$ (1,071,000)
Prepaid expenses	(560,000)	(552,000)
Other investments	682,000	682,000
Deferred compensation	199,000	135,000
Acquisition costs	10,000	11,000
Financing receivables	15,000	25,000
Leases	2,000	2,000
Capitalized research and development	343,000	870,000
State tax credits carryforward	6,000	5,000
Deferred tax liabilities	(135,000)	108,000
Valuation allowance	<u>(682,000)</u>	<u>(682,000)</u>
Deferred tax liability, net	<u>\$ (817,000)</u>	<u>\$ (574,000)</u>

As of December 31, 2025, and 2024, 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, 2025, and 2024 is as follows:

	2025	2024
Current	\$ 1,999,000	\$ 925,000
Deferred	<u>243,000</u>	<u>(323,000)</u>
Total	<u>\$ 2,242,000</u>	<u>\$ 602,000</u>

## 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:

	2025	2024
Operating lease cost	\$ 244,084	\$ 267,341
Variable lease cost	31,575	28,730
Short-term lease cost	<u>75,997</u>	<u>67,583</u>
Total lease cost	<u>\$ 351,656</u>	<u>\$ 363,654</u>

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

	2025	2024
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows - payments on operating leases	<u>\$ 276,308</u>	<u>\$ 295,118</u>

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

	2025	2024
Weighted-average remaining lease term:		
Operating leases	1.9 years	2.9 years
Weighted-average discount rate:		
Operating leases	4.45 %	4.43 %

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, 2025:

	2025	2024
Years ending December 31:		
2026	238,616	224,539
2027	224,539	4,245
2028	<u>4,245</u>	<u>4,245</u>
Total lease payments	467,400	467,400
Less imputed interest	<u>(19,018)</u>	<u>(19,018)</u>
Total present value of lease liabilities	<u>\$ 448,382</u>	<u>\$ 448,382</u>

## 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 \$1,213,840 and \$1,158,734 for the years ended December 31, 2025, and 2024, 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 (\$4,138,393 aggregate and \$100,000 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 \$184,071 and \$305,777 at December 31, 2025, and 2024, 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. In 2025, 96 vested shares were redeemed, and 64 available units were retired in accordance with the plan agreement. The plan will award approximately 202 Phantom Units per year through this period. The deferred compensation obligation related to the estimated value of vested units, included in other liabilities, was \$537,973 and \$374,249 at December 31, 2025, and 2024, respectively. As of December 31, 2025, the Company has also recorded \$77,476 as current accrued expenses related to the units redeemed during the year.

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, 2025, and 2024, the Company has authorized 1,010 units and 1,170 units respectively.

Units remaining, as of December 31, 2025, and 2024, consist of the following:

	Units Authorized	Units Awarded	Units Vested
Beginning Balance, December 31, 2023	936	234	222
Units Awarded	(234)	234	228
Units Vested	--	--	6
Ending Balance, December 31, 2024	702	468	456
Units Awarded	(234)	234	234
Units Vested	--	--	12
Units Redeemed and Retired	(64)	(96)	(96)
Ending Balance, December 31, 2025	<u>404</u>	<u>606</u>	<u>606</u>

During 2025 and 2024, \$241,200 and \$204,136 of administrative expense was included in the statements of income, respectively, related to the Phantom Units.

## 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. During the year ended December 31, 2025, this amount was fully collected and no amounts related to this transaction are outstanding as of December 31, 2025.

## 2025 BOARD MEMBERS



**KEITH HUGHES**  
DCI Board Chairman  
Retired CEO and Chairman of the Board  
First National Bank of Hutchinson  
Hutchinson, Kansas



**SARAH E. FANKHAUSER**  
President and CEO  
Data Center, Inc.  
Hutchinson, Kansas



**JEFFREY K. BALL**  
President and CEO  
Orange County Business Council  
Irvine, California  
Vice Chair, First Pacific Bank  
Whittier, California



**GREG BINNS**  
Retired President, COO  
and Vice Chairman of the Board  
First National Bank of Hutchinson  
Hutchinson, Kansas



**DOUGLAS M. BRIGGS**  
Chairman and CEO  
Fusion Bank  
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**WADE B. HUCKABAY**  
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Chairman and CEO  
Centera Bank  
Sublette, Kansas




**RANDOLPH P. JOHNSTON**  
Chairman and CEO  
Network Management Group, Inc.  
Hutchinson, Kansas



## IN MEMORY OF **JOHN CLARKE**

President and CFO of Bank of Hays  
a valued member of DCI's Board of Directors

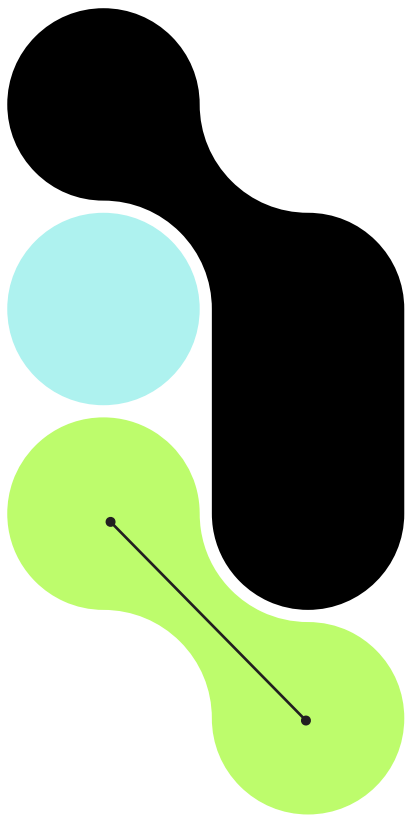
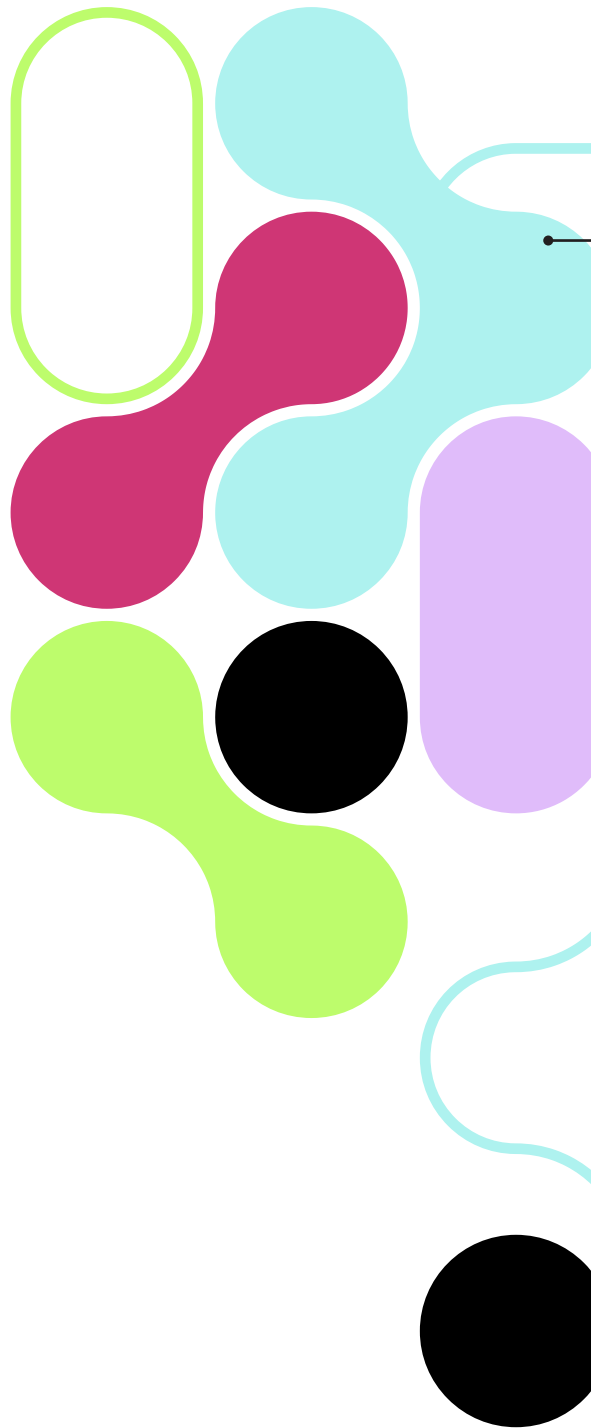
In 2025, we grieved together the loss of John Clarke. John brought generosity, warmth, and originality to his work, as a leader, mentor, and friend. We are grateful for John's partnership, guidance, and the legacy he leaves across the banking community. Our hearts are with the Clarke family, the Bank of Hays team, and all who knew and admired him.



DCI is dedicated to helping financial institutions navigate a rapidly changing financial landscape.

Through modern core processing, digital solutions, and trusted partnerships, we equip our clients with the tools they need to operate efficiently, innovate confidently, and deliver exceptional service to their customers.

**Together, we are building a stronger, more connected future for financial services.**



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