2023 Annual Report

Letter to **Shareholders**

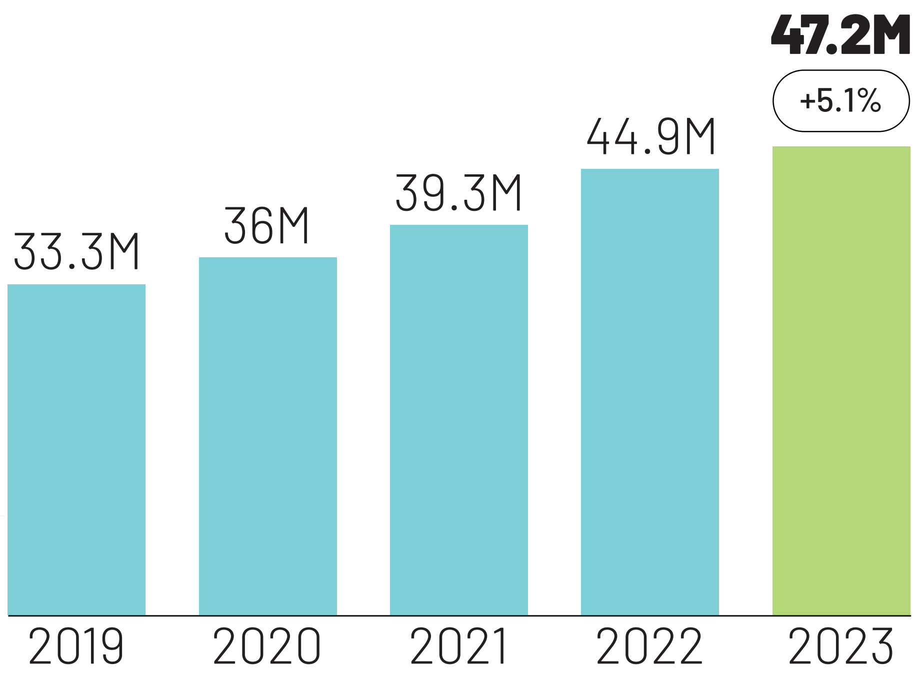
To our shareholders:
DCI's 60th diamond anniversary shone brightly, in another record-breaking revenue year.

In 2023 we proved, once again, the far-reaching impact of community-driven values and offerings made possible by private ownership. As we reflect on the successes brought on by our bank ownership, collaborative partnerships, and technological advancements, it's no wonder that market awareness and enthusiasm continues to soar for DCI.

Guided by our commitment to best serve community banks, the dedication of our hardworking professionals and empowered partnerships continue to deliver value second to none in this industry. We're exceedingly grateful for your role in this success, and we couldn't be more excited for what's to come.

Here's to a standout 60th year, to the future of community banking, and to many more DCI milestones ahead. Let the celebrations begin!

Sincerely,
Keith Hughes, Chairman of the Board
Sarah Fankhauser, President and CEO



"DCI is a company built on relationships. With customers and coworkers alike, this is a team that goes above and beyond. The success of 2023 is a direct result of employee talent and passion, and we're incredibly grateful to all involved."

Sarah E. [signature]

President & CEO

Department **Highlights**

Customer Care
As outstanding service continues to differentiate DCI, our customer support specialists serve as our "first responders," steadfast in their commitment to stellar customer care.

In upholding this commitment to customer service, 2023 saw the completion of:

- A new phone system with cloud-based, unified communication
- Quarterly personal consultations between DCI customers and CRMs
- Professional Services team executing:
  - 11 iCore360 conversions
  - 51 iCoreGO implementations
  - 50+ third-party implementations
- Education department performing:
  - 740 on-site or web-based training classes
  - 40 operational reviews with recommendations for improved processes

Continuing to work toward an enhanced customer experience through conversions, education, implementations, and more, 2024 initiatives will also include upgraded online chat options and features for customer support.

Why? Because one overarching goal defines DCI: We strive to serve and empower community banks.

Technical Services and Operations
Our Technical Services and Operations teams implemented numerous system enhancements in 2023, focusing on compliance, security monitoring, and data protection.

Projects included:

- Migration to a cloud-based, unified communication platform
- Implementation of encryption at rest for ACH-related data
- Migration of all DCI customers to updated levels of connectivity either through direct Ethernet or VPN connections
- Completion of PCI certification, FFEIC exam, and ACH audit

Continually enhancing our technologies, as demanded by today's market, doesn't just require state-of-the-art facilities—it also requires technical vigilance and security expertise. With many initiatives in store for 2024, the dedication of these departments will no doubt continue to play a crucial role in the overall success of DCI.

Fintech

Marking a strategic expansion into Fintech processing, 2023 further demonstrated DCI's dedication to remaining at the forefront of financial innovation.

Totaling $5 million in contract value for the company, we secured pivotal contracts leading to increasingly diverse capabilities in the Fintech landscape.

Notably, the new Fintech deals in 2023 involved no middleware. For our BaaS customers, this meant:

- Reduced risk
- Greater control/oversight
- More negotiating power
- Cost-savings

DCI is not merely working toward success in the Fintech arena—we're actively delivering results today. With sustained growth and a robust pipeline of prospects on the horizon for 2024, we're eager to continue supporting community banks in expanding their reach and thriving in the digital age, enabling them to venture into Fintech initiatives easily and affordably.

No Middleware = Cost-Savings & Reduced-Risk for Community Banks

Research & Development

Every DCI development project must be relevant to our customers' needs and enhance our clients' day-to-day efficiency. To that end, our team continuously monitors new technological developments, regulatory changes, and requests from our customers.

In 2023, the development team made numerous enhancements including:

- GoBanking UI/UX design changes
- Onboarding of DataVisor's real-time fraud and risk management platform to detect and mitigate application and identity fraud

Our research and development professionals' ability to bring ideas to life through innovation is certain to drive further growth in 2024, both for ourselves and our customers. At the forefront of technology trends, DCI will continue to refine and expand its offerings for community banks.

New UI/UX to Modernize GoBanking User Experience

Sales & Marketing

Sixty years of proven advocacy for community banks was an added perk for the DCI sales team's pitch in 2023. With marketing supporting this message through an enhanced digital presence, complete visual rebrand, and more, great strides were made in both departments, including:

- New core customers from 11 states—including our first core customer in Delaware
- Completion of 24 RFPs and 200 demonstrations presented to prospective and current customers
- 60th anniversary conference celebration:
    - Record-breaking turnout of over 450 attendees, including current and prospective clients
    - New logo and rebranding reveal

Moving forward, these impressive teams are galvanized by a robust pipeline of prospective clients and the ever-increasing interest in DCI's unique offerings of bank ownership, agile technology solutions, and collaborative, personal partnerships.

DCI Customer Footprint Expanded into New Territory

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, 2023 and 2022, 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, 2023 and 2022, 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 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.

CERTIFIED PUBLIC ACCOUNTANTS
Wichita, KS
January 19, 2024

BALANCE SHEETS

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$18,491,679	$12,456,640
Accounts receivable	4,260,100	5,150,563
Financing receivables, contract costs and prepaid expenses	7,818,996	6,651,746
Income taxes receivable	--	340,381
Employee Retention Tax Credit receivable	1,616,510	--
Inventory	1,841	7,549
Total current assets	32,189,126	24,606,879
PROPERTY AND EQUIPMENT		
Land	254,787	254,787
Building and improvements	7,337,786	7,216,159
Equipment	9,588,644	10,224,560
	17,181,217	17,695,506
Less: accumulated depreciation and amortization	10,660,259	11,033,281
Total property and equipment	6,520,958	6,662,225
OTHER ASSETS AND SOFTWARE		
Financing receivables, contract costs and prepaid expenses	4,594,326	4,068,783
Operating lease right-of-use assets	894,883	1,120,458
Other investments	1,477,396	2,093,845
Software, less accumulated amortization of $14,631,789 and $13,562,799	5,303,753	6,338,400
Total other assets and software	12,270,358	13,621,486
Total assets	$50,980,442	$44,890,590

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	2023	2022
CURRENT LIABILITIES		
Accounts payable	$261,372	$394,952
Accrued expenses	1,600,828	1,941,007
Accrued savings and retirement plan contribution	638,000	808,000
Income taxes payable	1,897,648	--
Contract liabilities (deferred revenue)	846,519	1,472,995
Current portion of operating lease liability	232,394	223,072
Total current liabilities	5,476,761	4,840,026
OTHER LIABILITIES		
Accrued expenses	283,474	83,332
Deferred income taxes	897,000	1,190,000
Operating lease liabilities	668,870	901,264
Total noncurrent liabilities	1,849,344	2,174,596
Total liabilities	7,326,105	7,014,622
STOCKHOLDERS' EQUITY		
Common stock, $1 par value; authorized 500,000 shares, 100,645 outstanding in 2023 and 101,145 shares outstanding in 2022, net of shares held in treasury	422,168	422,168
Additional paid-in capital	4,653,073	4,653,073
Retained earnings	55,238,393	49,272,789
	60,313,634	54,348,030
Less treasury stock at cost; 321,523 shares in 2023 and 321,023 shares in 2022	16,659,297	16,472,062
Total stockholders' equity	43,654,337	37,875,968
Total liabilities and stockholders' equity	$50,980,442	$44,890,590

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

STATEMENTS **OF INCOME**

	2023	2022
Revenues, net	$47,152,088	$44,863,180
Operating expenses:		
Salaries and payroll tax	26,212,182	23,478,786
Other employee expense and benefits	6,626,046	6,521,081
Maintenance and processing	3,377,892	3,293,215
Occupancy	1,183,465	1,149,890
Depreciation and amortization	2,495,360	2,473,472
Administrative	2,110,491	1,750,339
Total operating expenses	42,005,436	38,666,783
Operating income	5,146,652	6,196,397
Other income (expense):		
Interest, net	529,971	127,065
Financing receivables, net	41,904	61,835
Impairment of other investment	(616,449)	(1,000,000)
Employee Retention Tax Credit income	4,898,398	--
Gain on disposal of software and equipment	17,150	23,366
Total other income	4,870,974	(787,734)
Income before income taxes	10,017,626	5,408,663
Provision for income taxes	2,993,000	1,522,000
Net income	$7,024,626	$3,886,663

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

STATEMENTS **OF CASH FLOWS**

	2023	2022
Cash flows from operating activities:		
Net income	$7,024,626	$3,886,663
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	2,495,360	2,473,472
Changes in operating lease assets and liabilities	2,503	3,878
Gain on disposal of software and equipment	(17,150)	(23,366)
Impairment of other investments	616,449	1,000,000
Financing receivables, net	(41,904)	(61,835)
Amortization of contract costs	961,261	712,983
Deferred income taxes	(293,000)	435,000
Changes in operating assets and liabilities:		
Accounts receivable	890,463	939,633
Financing receivables, contract costs and prepaid expenses	(2,612,150)	(2,564,570)
Employee Retention Tax Credit receivable	(1,616,510)	--
Income taxes	2,067,029	(150,443)
Inventory	5,708	10,774
Accounts payable	(133,580)	121,719
Accrued expenses	30,963	768,460
Accrued savings and retirement plan contribution	(170,000)	183,000
Contract liabilities (deferred revenue)	(626,476)	(1,129,904)
Net cash flow from operating activities	8,583,592	6,605,464
Cash flows from investing activities:	20,000	25,200
Proceeds from sale of equipment	(1,061,059)	(2,898,333)
Purchase of property and equipment	--	(500,000)
Purchase of note receivable	(261,237)	(89,788)
Purchase of software	(1,302,296)	(3,462,921)
Net cash flow from investing activities		
Cash flows from financing activities:	(187,235)	--
Acquisition of treasury stock	--	240,000
Proceeds from issued shares	(1,059,022)	(1,158,568)
Dividend to shareholders	(1,246,257)	(918,568)
Net cash flow from financing activities		
	6,035,039	2,223,975
Net change in cash and cash equivalents		
	12,456,640	10,232,665
Cash and cash equivalents at beginning of year		
	$18,491,679	$12,456,640
Cash and cash equivalents at end of year		
Supplemental disclosures of cash flow information:	$1,047,971	$1,237,443
Income tax payments net of refunds		

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

STATEMENTS
OF STOCKHOLDERS' EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL
Balance at December 31, 2021	$421,768	$4,413,473	$46,544,694	$(16,472,062)	$34,907,873
Issuance of 400 shares	400	239,600			240,000
Dividend to shareholders			(1,158,568)		(1,158,568)
Net income			3,886,663		3,886,663
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

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, 2023 and 2022.

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, 2023 and 2022 was $1,199,475 and $1,061,168, 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, 2023 and 2022 was $1,295,884 and $1,412,304, 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, 2023 and 2022, management performed a qualitative assessment of market conditions in relation to the investment and determined that estimated fair value was less than the original cost basis, as a result the Company recognized impairment of $616,449 and $1,000,000, respectively.

As of December 31, 2023 and 2022 the Company carried a total investment balance of $1,477,396 and $2,093,845, respectively. As of December 31, 2022 this investment partially consisted of convertible notes receivable of $1,477,384. On February 16, 2023 the Board of Directors authorized the Company to exercise the conversion of these notes receivable into equity for the full amount of $1,477,384.

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 2023 or 2022.

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, 2023 and 2022, 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 (such expense amounts were $9,065,958 and $8,861,911 in 2023 and 2022, respectively). 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 $1,805,000 and $2,836,000 in 2023 and 2022, 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, 2023, the outstanding balance and present value of financing receivables are $1,115,438 and $986,556, respectively. As of December 31, 2022, the outstanding balance and present value are $1,179,046 and $1,078,043, respectively. For 2023, financing receivable income of $41,904 includes 2023 interest income. For 2022, financing receivable income of $61,835 includes 2022 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, 2023 and 2022, 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.

During the years ended December 31, 2023 and 2022, the Company recognized over time revenue of $4,085,201 and $4,457,658 respectively, that was included in the corresponding deferred revenue balance at the beginning of the periods or through monthly recognition.

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, 2023 and 2022, are $7,339,883 and $5,984,046, respectively.

For the years ended December 31, 2023 and 2022, amortization of contract costs totaled $961,261 and $712,983, respectively.

Net Revenues – Net revenues are summarized as follows:

	2023	2022
Revenue recognized at a point in time	$ 52,132,845	$ 49,267,433
Revenue recognized over time	4,085,201	4,457,658
Total revenue	56,218,046	53,725,091
Less direct costs	9,065,958	8,861,911
Net revenues	$ 47,152,088	$ 44,863,180

Subsequent Events – Subsequent events have been evaluated through January 19, 2024, 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, 2023 and 2022:

	2023	2022
Property, equipment and software	$ (1,159,000)	$ (1,061,000)
Prepaid expenses	(492,000)	(403,000)
Other investments	682,000	481,000
Note receivable	--	32,000
Deferred compensation	74,000	--
Acquisition costs	14,000	15,000
Financing receivables	38,000	49,000
Leases	2,000	(1,000)
Capitalized research and development	619,000	164,000
State tax credits carryforward	7,000	15,000
Deferred tax liabilities	(215,000)	(709,000)
Valuation allowance	(682,000)	(481,000)
Deferred tax liability, net	$ (897,000)	$ (1,190,000)

As of December 31, 2023 and 2022, 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 and $481,000, respectively. 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, 2023 and 2022 is as follows:

	2023	2022
Current	$ 3,286,000	$ 1,087,000
Deferred	(293,000)	435,000
Total	$ 2,993,000	$ 1,522,000

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:

	2023	2022
Operating lease cost	$ 269,391	$ 269,391
Variable lease cost	30,151	29,203
Short-term lease cost	57,955	57,679
Total lease cost	$ 357,497	$ 356,273

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

	2023	2022
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows - payments on operating leases	$ 297,039	$ 265,511

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

	2023	2022
Weighted-average remaining lease term:		
Operating leases	3.8 years	4.7 years
Weighted-average discount rate:		
Operating leases	4.40 %	4.39%

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:	
2024	$ 266,387
2025	244,734
2026	238,616
2027	224,539
2028	4,245
Total lease payments	978,521
Less imputed interest	(77,257)
Total present value of lease liabilities	$ 901,264

4. PROFIT SHARING 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. The Company's profit-sharing contribution is determined annually by the Board of Directors. The Company will match the employee's salary reduction contribution to the plan up to 4% of the employee's annual compensation. Company contributions to the plan were $1,505,751 and $1,569,487 for the years ended December 31, 2023 and 2022, 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 ($3,505,604 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 $170,622 and $512,633 at December 31, 2023 and 2022, 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 $170,113 at December 31, 2023.

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, 2023, the Company has authorized 1,170 units.

Units remaining, as of December 31, 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

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 qualified for refundable payroll tax credits totaling $4,898,398, net of fees, which was filed for and recorded as income during 2023. As of December 31, 2023, $1,616,510 of this income is included as a receivable in the Company's balance sheet.