

# FINANCIAL CONTROLS DOCUMENTATION

**Polar Dynamics Robotics, Inc.**

*Last Updated: December 31, 2023*

*Document Reference: FIN-CTRL-2023-12*

## 1. PURPOSE AND SCOPE

1. This Financial Controls Documentation ("Documentation") establishes the comprehensive framework for financial controls, procedures, and oversight mechanisms implemented by Polar Dynamics Robotics, Inc. (the "Company") to ensure accurate financial reporting, safeguard assets, and maintain compliance with applicable laws and regulations.
2. This Documentation applies to all financial operations, accounting procedures, and internal controls across all Company divisions and subsidiaries.

## 2. FINANCIAL AUTHORITY MATRIX

### 1. \*\*Board of Directors Approval Required\*\*

- Capital expenditures exceeding \$1,000,000
- Debt instruments or financing arrangements exceeding \$2,500,000
- Annual operating budget and strategic plan
- Material changes to accounting policies
- Equity issuances or stock-based compensation plans

### 2. \*\*Executive Management Approval Required\*\*

- Capital expenditures between \$250,000 and \$1,000,000
- Customer contracts exceeding \$5,000,000 in annual value
- Vendor agreements exceeding \$500,000
- Hiring decisions for positions with total compensation above \$200,000

### 3. \*\*Departmental Authority Limits\*\*

- Department heads: Up to \$50,000
- Project managers: Up to \$25,000
- Engineering leads: Up to \$15,000

### **3. ACCOUNTING AND FINANCIAL REPORTING CONTROLS**

#### **1. \*\*Revenue Recognition\*\***

- Implementation of ASC 606 standards for robotics sales and service contracts
- Documented revenue recognition criteria for:
  - Hardware sales
  - Software licensing
  - Maintenance contracts
  - Professional services

#### **2. \*\*Cost Accounting\*\***

- Project-based cost tracking for R&D initiatives
- Standard cost accounting for production units
- Quarterly variance analysis and reporting
- Integration with ERP system for real-time cost tracking

#### **3. \*\*Financial Close Process\*\***

- Monthly close completed within 10 business days
- Quarterly reviews by independent auditors
- Reconciliation procedures for all balance sheet accounts
- Documentation requirements for journal entries

### **4. CASH MANAGEMENT AND TREASURY CONTROLS**

#### **1. \*\*Bank Account Management\*\***

- Dual signature requirement for transactions over \$100,000
- Weekly cash position reporting
- Monthly bank reconciliations
- Segregation of duties between payment initiation and approval

#### **2. \*\*Investment Controls\*\***

- Treasury investment policy limiting instruments to:
  - U.S. Treasury securities
  - Money market funds

- Commercial paper rated A-1/P-1
- Maximum maturity of 18 months for any investment
- Quarterly investment committee review

## **5. PROCUREMENT AND VENDOR MANAGEMENT**

### **1. \*\*Purchase Order Requirements\*\***

- Competitive bidding for purchases over \$50,000
- Minimum of three vendor quotes for purchases over \$25,000
- Vendor due diligence documentation
- Conflict of interest declarations

### **2. \*\*Payment Controls\*\***

- Three-way matching requirement (PO, receipt, invoice)
- Payment approval hierarchy
- ACH/wire transfer controls
- Vendor master file management procedures

## **6. INVENTORY AND ASSET MANAGEMENT**

### **1. \*\*Physical Inventory Controls\*\***

- Quarterly cycle counts for high-value components
- Annual full physical inventory
- Serialized tracking of finished robots
- Segregation of duties in inventory management

### **2. \*\*Fixed Asset Controls\*\***

- Asset tagging and tracking procedures
- Annual physical verification
- Depreciation policy compliance
- Disposal authorization requirements

## **7. COMPLIANCE AND MONITORING**

### **1. \*\*Internal Audit Program\*\***

- Quarterly control testing schedule
- Documentation of test results
- Remediation tracking
- Annual control effectiveness assessment

2. **\*\*External Compliance\*\***

- SOX compliance procedures
- Export control compliance
- GAAP/IFRS compliance monitoring
- Regulatory reporting controls

## **8. TECHNOLOGY AND SYSTEM CONTROLS**

1. **\*\*Financial Systems Access\*\***

- Role-based access controls
- Quarterly access reviews
- Change management procedures
- Segregation of duties matrix

2. **\*\*Data Security\*\***

- Financial data backup procedures
- Disaster recovery protocols
- Encryption requirements
- Audit logging and monitoring

## **9. AMENDMENTS AND UPDATES**

This Documentation shall be reviewed annually by the Audit Committee and updated as necessary to reflect changes in business operations, regulatory requirements, or control environment. All amendments must be approved by the Board of Directors.

## **APPROVAL AND ADOPTION**

APPROVED AND ADOPTED by the Board of Directors of Polar Dynamics Robotics, Inc. on December 31, 2023.

**By:**

Dr. Elena Frost

Chief Executive Officer

**By:**

Katherine Wells

Chief Financial Officer

**By:**

[Name]

Audit Committee Chair