

# **FINANCIAL COMPLIANCE AUDIT REPORT 2023**

## **FINANCIAL COMPLIANCE AUDIT REPORT**

**NaviFloor Robotics, Inc.**

For the Fiscal Year Ended December 31, 2023

Prepared by Ernst Wilson & Associates, LLP

Report Date: January 15, 2024

### **1. EXECUTIVE SUMMARY**

This Financial Compliance Audit Report presents the findings of our comprehensive review of NaviFloor Robotics, Inc.'s ("Company") financial

compliance practices, internal controls, and regulatory adherence for the fiscal year ended December 31, 2023. Our examination was conducted in accordance with the Generally Accepted Auditing Standards (GAAS) and applicable regulatory requirements.

### **1.1 Audit Scope**

-

Financial statements and reporting procedures

-

Internal control systems and processes

-

Revenue recognition practices

-

Regulatory compliance frameworks

-

Tax compliance and reporting

-

Contract compliance and revenue arrangements

-

Corporate governance structures

## **1.2 Key Findings Summary**

The Company maintains effective internal controls and demonstrates substantial compliance with applicable regulations. Minor deficiencies were identified in certain areas, as detailed in Section 4, none of which constitute material weaknesses.

## **2. COMPANY OVERVIEW**

NaviFloor Robotics, Inc. is a Delaware corporation specializing in autonomous

mobile robots (AMRs) and fleet management systems. Primary revenue streams include:

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Hardware sales (AMR units)

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Software licensing and subscriptions

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Maintenance and support services

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Professional services and implementation

FY2023 Revenue: \$32.5M

Employee Count: 187

Primary Operations: United States

Key Markets: Manufacturing, Distribution, Warehousing

### 3. FINANCIAL REPORTING ASSESSMENT

#### 3.1 Revenue Recognition

The Company appropriately implements ASC 606 guidelines for revenue recognition. Multi-element arrangements are properly segregated and recognized according to performance obligations.

##### Findings:

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Compliant implementation of revenue recognition policies

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Appropriate treatment of multi-year contracts

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Adequate documentation of performance obligations

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Proper timing of revenue recognition for hardware vs. software components

### **3.2 Financial Statement Preparation**

Financial statements are prepared in accordance with GAAP, with appropriate controls and review procedures in place.

#### **Key Observations:**

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Timely monthly close process

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Adequate segregation of duties

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Appropriate review and approval workflows

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Consistent application of accounting policies

## **4. IDENTIFIED DEFICIENCIES AND RECOMMENDATIONS**

### **4.1 Contract Management**

**Finding:** Minor inconsistencies in contract documentation storage and retrieval.

**Recommendation:** Implement centralized contract management system.

### **4.2 Revenue Recognition Documentation**

**Finding:** Occasional delays in documenting performance obligation completion.

**Recommendation:** Establish automated workflow for real-time performance tracking.

### **4.3 Expense Allocation**

**Finding:** Manual processes for R&D expense allocation create potential for error.

**Recommendation:** Implement automated cost allocation system with proper controls.

## **5. REGULATORY COMPLIANCE**

### **5.1 Tax Compliance**

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Federal and state tax filings are current and accurate

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R&D tax credit documentation is adequate

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Sales tax compliance procedures are effective

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International tax obligations are properly managed

### **5.2 Industry-Specific Regulations**

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Compliance with robotics industry standards maintained

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Export control regulations properly observed

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Safety certification requirements met

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Data privacy regulations adhered to

## **6. INTERNAL CONTROLS**

### **6.1 Control Environment**

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Board oversight is effective

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Management demonstrates commitment to integrity

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Organizational structure supports control objectives

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Policies and procedures are well-documented

## **6.2 Risk Assessment**

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Regular risk assessment procedures in place

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Appropriate risk mitigation strategies implemented

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Technology risks adequately addressed

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Business continuity plans maintained

## **7. CORPORATE GOVERNANCE**

### **7.1 Board Structure and Operations**

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Regular board meetings conducted

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Appropriate committee structure maintained

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Documentation of decisions adequate

-

Independence requirements met

### **7.2 Management Oversight**

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Regular management reviews conducted

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KPI monitoring effective

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Performance metrics properly tracked

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Decision-making processes well-documented

## **8. CONCLUSIONS AND ATTESTATION**

Based on our examination, we conclude that NaviFloor Robotics, Inc. maintains effective internal controls and demonstrates substantial compliance with applicable regulations. The identified deficiencies do not constitute material weaknesses and appropriate remediation plans have been developed.

This report is intended solely for the information and use of the Board of Directors, management, and other authorized parties. It is not intended to be and should not be used by anyone other than these specified parties.

## **9. SIGNATURES AND CERTIFICATIONS**

ERNST WILSON & ASSOCIATES, LLP

/s/ Margaret Wilson, CPA

Lead Audit Partner

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/s/ Robert Chang, CPA

Quality Review Partner

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Date: January 15, 2024

San Francisco, California

**APPENDIX A: AUDIT METHODOLOGY**

**A.1 Audit Approach**

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Risk-based assessment methodology

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Sampling procedures

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Testing protocols

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Documentation standards

## **A.2 Key Personnel Interviewed**

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Chief Financial Officer

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Controller

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Director of Financial Planning

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Internal Audit Manager

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Key department heads

## **APPENDIX B: SUPPORTING DOCUMENTATION**

## **B.1 Control Testing Results**

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Internal control testing summaries

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Process walkthroughs

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Sample testing results

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Exception analyses

## **B.2 Compliance Testing Documentation**

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Regulatory compliance checklists

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Policy review summaries



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Procedure testing results

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Risk assessment matrices

[END OF REPORT]

