Revenue Recognition Policy for AI Consulting Services

Nexus Intelligent Systems, Inc.

1. Purpose and Scope

1 This Revenue Recognition Policy ("Policy") establishes the comprehensive framework for recognizing revenue from AI consulting services provided by Nexus Intelligent Systems, Inc. (the "Company") in compliance with generally accepted accounting principles (GAAP) and Accounting Standards Codification (ASC) 606.

2 This Policy applies to all revenue generated through enterprise AI consulting engagements, predictive analytics services, and digital transformation projects.

2. Definitions

1 "Performance Obligation" shall mean a distinct service or series of services committed to a client that can be separately identified and measured.

2 "Transaction Price" refers to the total contractual value expected to be received in exchange for performing specified consulting services.

3 "Standalone Selling Price" means the price at which the Company would sell a promised service separately to a client.

3. Revenue Recognition Principles

1 Contract Identification

- All revenue recognition shall commence upon execution of a valid client contract
- Contracts must demonstrate:

a) Mutual agreement on service terms

b) Identifiable payment terms

c) Commercial substance

d) Probable collection of consideration

2 Performance Obligations

The Company shall disaggregate consulting services into distinct performance obligations, which may include:

- Initial diagnostic and requirements assessment

- Custom AI model development

- Implementation and integration services

- Ongoing technical support and maintenance

- Training and knowledge transfer

3 Transaction Price Allocation

- Transaction prices shall be allocated to individual performance obligations based on their respective standalone selling prices

- Estimated selling prices will be determined using:

a) Observable standalone prices when available

b) Expected cost plus reasonable margin approach

c) Adjusted market assessment method

4. Revenue Recognition Methods

1 Time-Based Services

For consulting engagements billed on a time and materials basis:

- Revenue recognized proportionally as services are performed

- Measured by direct labor hours expended

- Recognized in the period services are rendered

2 Fixed-Price Contracts

For predetermined scope consulting projects:

- Revenue recognized using percentage-of-completion method

- Progress measured through:

a) Milestone completion

b) Proportion of total estimated contract costs incurred

c) Input method based on labor hours or direct costs

3 Recurring Subscription Services

For ongoing AI platform and maintenance agreements:

- Revenue recognized ratably over contract term

- Straight-line recognition across service period

-      Adjusted for any material upfront implementation costs

5. Significant Judgments and Estimates

1 Management shall exercise professional judgment in:

-      Determining standalone selling prices

-      Estimating total contract costs

-      Assessing probability of contract performance

-      Identifying distinct performance obligations

2 Periodic review and adjustment of estimates shall occur to reflect current contract circumstances.

6. Disclosure Requirements

1 Financial statements shall include:

-      Disaggregation of revenue by service type

-      Contract asset and liability balances

-      Performance obligations not yet satisfied

-      Significant payment terms and conditions

7. Compliance and Internal Controls

1 The Company's finance team shall maintain robust documentation supporting revenue recognition decisions.

2 Annual review and validation of this Policy shall be conducted by the Chief Financial Officer.

8. Policy Modifications

1 This Policy may be amended by majority approval of the Company's executive leadership team.

9. Effective Date

1 This Policy becomes effective immediately upon approval and supersedes all prior revenue recognition guidelines.

Approved By:

Dr. Elena Rodriguez, Chief Executive Officer

Date: January 22, 2024

Michael Chen, Chief Technology Officer

Date: January 22, 2024