

AUDIT PREPARATION CHECKLIST 2023

Polar Dynamics Robotics, Inc.

For Fiscal Year Ending December 31, 2023

1. DOCUMENT PURPOSE AND SCOPE

1. This Audit Preparation Checklist ("Checklist") has been prepared for Polar Dynamics Robotics, Inc. ("Company") to ensure comprehensive preparation for the annual financial audit for fiscal year 2023.

2. This Checklist shall be used by the Company's finance department, under the direction of Katherine Wells, Chief Financial Officer, in coordination with external auditors.

2. FINANCIAL STATEMENTS AND GENERAL LEDGER

1. Required Documentation

- Complete trial balance as of December 31, 2023
- Detailed general ledger for all accounts
- Bank reconciliations for all accounts
- Year-end adjusting journal entries with supporting documentation
- Consolidated financial statements (if applicable)
- Interim financial statements for each quarter of 2023

2. Revenue Recognition Documentation

- Complete revenue recognition schedule for AMR unit sales
- Service contract revenue amortization schedules
- Documentation supporting IceNav(TM) licensing revenue
- Customer contracts for material transactions (>\$500,000)
- Deferred revenue calculations and supporting schedules

3. INVENTORY AND COST OF GOODS SOLD

1. Physical Inventory

- Complete physical inventory count sheets as of December 31, 2023
- Reconciliation of physical inventory to perpetual records

- Documentation of inventory obsolescence assessment
- Inventory valuation methodology documentation
- Bill of materials for all AMR models

2. Manufacturing Costs

- Production cost allocation schedules
- Direct labor cost analysis
- Manufacturing overhead calculations
- Variance analysis reports
- Work in progress schedules

4. FIXED ASSETS AND CAPITAL EXPENDITURES

1. Fixed Asset Records

- Detailed fixed asset register
- Capital expenditure authorizations
- Depreciation schedules
- Asset disposal records
- Construction in progress documentation

2. Research & Development

- R&D project cost tracking
- Capitalization policy documentation
- Patent and intellectual property records
- Development cost allocation methodology

5. ACCOUNTS RECEIVABLE AND REVENUE

1. Accounts Receivable

- Detailed aged A/R subsidiary ledger
- Customer credit files
- Bad debt analysis and allowance calculations
- Collection history reports
- Credit memo documentation

2. Sales Documentation

- Sales order documentation
- Shipping records
- Customer acceptance documentation
- Price lists and discount schedules
- Commission calculations

6. ACCOUNTS PAYABLE AND EXPENSES

1. Accounts Payable

- Detailed aged A/P subsidiary ledger
- Vendor statements
- Purchase order documentation
- Receiving reports
- Accrued liability calculations

2. Operating Expenses

- Expense analysis by category
- Support for significant or unusual items
- Prepaid expense schedules
- Allocation methodologies
- Travel and entertainment documentation

7. DEBT AND EQUITY

1. Debt Documentation

- Loan agreements and amendments
- Debt covenant compliance calculations
- Interest calculations and payments
- Debt maturity schedule
- Security agreements

2. Equity Records

- Capitalization table

- Stock option records
- Warrant agreements
- Shareholder agreements
- Board meeting minutes related to equity transactions

8. EMPLOYEE COMPENSATION AND BENEFITS

1. Payroll Records

- Payroll registers
- Employee benefit calculations
- 401(k) contribution records
- Stock-based compensation calculations
- Bonus accrual documentation

2. Employee Benefits

- Health insurance invoices and payments
- Workers compensation insurance documentation
- Employee handbook
- Benefit plan documents
- Related party compensation agreements

9. TAX DOCUMENTATION

1. Income Tax

- Tax provision calculations
- Deferred tax asset/liability analysis
- State tax returns and supporting schedules
- Federal tax return preparation materials
- Transfer pricing documentation

2. Other Taxes

- Sales tax returns and supporting documentation
- Property tax assessments and payments
- Payroll tax returns

- Use tax documentation
- Foreign tax compliance records

10. REGULATORY COMPLIANCE

1. Industry-Specific Requirements

- FDA compliance documentation (if applicable)
- Safety certification records
- Environmental compliance documentation
- Export control compliance records
- Quality control documentation

2. Corporate Governance

- Board meeting minutes
- Committee meeting minutes
- Corporate policies and procedures
- Regulatory filings
- Insurance policies and claims

11. SPECIAL CONSIDERATIONS

1. COVID-19 Impact Analysis

- Documentation of any government assistance received
- Impact on operations and financial performance
- Modified working arrangements
- Supply chain disruption analysis
- Customer credit risk assessment

2. Significant Transactions

- Documentation for acquisitions or dispositions
- New facility lease agreements
- Major customer contracts
- Significant vendor agreements
- Joint venture documentation

12. AUDIT COORDINATION

1. External Auditor Requirements

- Engagement letter
- Independence confirmations
- Prior year audit findings and resolution
- Management representation letter
- Attorney letter responses

2. Internal Preparation

- Audit schedule and timeline
- Staff assignments and responsibilities
- Document retention procedures
- Remote audit procedures (if applicable)
- Information technology access requirements

APPROVAL AND IMPLEMENTATION

This Audit Preparation Checklist has been reviewed and approved by:

Katherine Wells

Chief Financial Officer

Date: _

Elena Frost, Ph.D.

Chief Executive Officer

Date: _

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