

Revenue Recognition Accounting Policy

Nexus Intelligent Systems, Inc.

1. Purpose and Scope

1 This Revenue Recognition Accounting Policy ("Policy") establishes the comprehensive framework for recognizing, measuring, and reporting revenue for Nexus Intelligent Systems, Inc. (the "Company") in accordance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards Codification (ASC) Topic 606.

2 This Policy applies to all revenue-generating activities, including but not limited to:

- a) Enterprise AI services
- b) Predictive maintenance platform subscriptions
- c) Digital transformation consulting engagements
- d) Machine learning diagnostic tool licensing
- e) Professional services and implementation support

2. Fundamental Principles

1 Revenue Recognition Framework

The Company shall recognize revenue based on the following core principles:

- a) Identification of customer contracts
- b) Determination of performance obligations
- c) Establishment of transaction price
- d) Allocation of price to performance obligations
- e) Recognition of revenue upon satisfaction of performance obligations

2 Core Criteria for Revenue Recognition

Revenue shall be recognized when:

- a) A valid customer contract exists
- b) Performance obligations are explicitly defined
- c) Transaction price is determinable
- d) Collection is reasonably assured
- e) Performance obligations are substantially completed

3. Revenue Types and Recognition Methodologies

1 Subscription-Based Services

For AI platform and predictive maintenance subscriptions:

- a) Revenue recognized ratably over contract term
- b) Typically monthly or annual subscription periods
- c) Recognized on a straight-line basis consistent with service delivery

2 Professional Services and Consulting

For implementation and consulting engagements:

- a) Fixed-price contracts recognized using percentage-of-completion method
- b) Time and materials contracts recognized as services are performed
- c) Milestone-based contracts recognized upon achievement of specified deliverables

3 Software Licensing

For machine learning diagnostic tool licensing:

- a) Perpetual licenses recognized at point of delivery
- b) Term-based licenses recognized ratably over license period
- c) Distinct performance obligations separately identified and priced

4. Contract Modification and Variable Consideration

1 Contract Modifications

- a) Prospective accounting for material contract changes
- b) Separate contract if new distinct goods/services added
- c) Cumulative catch-up adjustment for modifications affecting existing contracts

2 Variable Consideration

- a) Estimated using expected value or most likely amount method
- b) Constrained to amount not susceptible to significant reversal
- c) Updated at each reporting date with corresponding adjustment

5. Disclosure and Reporting Requirements

1 Financial Statement Disclosures

The Company shall provide comprehensive disclosures including:

- a) Disaggregation of revenue by service type
- b) Contract asset and liability balances
- c) Performance obligations and transaction price allocation
- d) Significant judgments in revenue recognition

2 Internal Controls

Robust internal controls shall be maintained to ensure:

- a) Accurate contract documentation
- b) Consistent application of revenue recognition principles
- c) Periodic review and validation of revenue recognition processes

6. Compliance and Enforcement

1 This Policy shall be reviewed annually and updated to reflect changes in accounting standards, business model, or regulatory requirements.

2 Violations of this Policy may result in disciplinary action, potential restatement of financial results, and legal consequences.

7. Effective Date and Authorization

1 Effective Date: January 1, 2024

2 Approved By: Board of Directors, Nexus Intelligent Systems, Inc.

Executed this 22nd day of January, 2024

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.