

# **Detailed Accounting Policy Manual - AI Services Division**

## **Nexus Intelligent Systems, Inc.**

### **1. Purpose and Scope**

1 This Accounting Policy Manual ("Manual") establishes the comprehensive financial reporting and accounting standards for the AI Services Division of Nexus Intelligent Systems, Inc. (the "Company"), effective January 22, 2024.

2 The purpose of this Manual is to:

- a) Provide a standardized framework for financial reporting
- b) Ensure compliance with Generally Accepted Accounting Principles (GAAP)
- c) Establish internal controls for financial documentation and reporting
- d) Guide consistent accounting practices across the AI Services Division

### **2. Accounting Principles and Fundamental Policies**

#### **1 Fundamental Accounting Principles**

- Consistency: Uniform application of accounting methods
- Materiality: Recognition of financially significant transactions
- Conservatism: Prudent recognition of potential financial risks
- Accrual Basis: Recording of financial events when they occur, not when cash exchanges

#### **2 Revenue Recognition Policy**

##### **2.1 Service Contract Revenue**

- Recognized upon successful completion of performance obligations
- Measured at fair value of consideration expected to be received
- Prorated across contract duration for multi-stage service agreements

##### **2.2 Software License and Subscription Revenue**

- Recognized ratably over contract term
- Initial setup fees amortized across expected customer relationship period
- Deferred revenue recognized when performance obligations are met

#### **3 Expense Classification and Management**

- Direct Costs: Expenses directly attributable to service delivery
- Indirect Costs: Overhead and administrative expenses
- Research and Development: Capitalization of qualifying development expenses
- Allocation methodology based on verifiable cost drivers and usage metrics

### **3. Financial Reporting Procedures**

#### **1 Monthly Reporting Requirements**

- Comprehensive financial statement preparation
- Reconciliation of all financial accounts
- Variance analysis for budgeted vs. actual expenses
- Preparation of management financial dashboards

#### **2 Quarterly Financial Review Process**

- Detailed review of divisional financial performance
- Assessment of key performance indicators
- Identification of potential financial risks or opportunities
- Preparation of quarterly financial reports for executive leadership

### **4. Internal Control Mechanisms**

#### **1 Segregation of Financial Duties**

- Clear delineation of financial responsibilities
- Multiple approval levels for financial transactions
- Regular rotation of financial review responsibilities
- Mandatory dual-signature requirements for significant transactions

#### **2 Financial Authorization Matrix**

- Defined spending limits for different organizational levels
- Mandatory documentation for transactions exceeding predefined thresholds
- Regular audit of financial authorization compliance

### **5. Technology and Financial Systems**

#### **1 Accounting Software and Tools**

- Standardized enterprise resource planning (ERP) system

- Integrated financial management platforms
- Automated reconciliation and reporting tools
- Secure cloud-based financial documentation systems

## 2 Data Security and Integrity

- Encryption of financial data
- Regular system backups
- Access controls and multi-factor authentication
- Comprehensive audit trail maintenance

## **6. Compliance and Regulatory Adherence**

### 1 Regulatory Compliance

- Full compliance with SEC reporting requirements
- Adherence to FASB accounting standards
- Regular external audit participation
- Transparent financial reporting practices

### 2 Audit and Review Procedures

- Annual comprehensive financial audit
- Quarterly internal financial reviews
- External independent financial verification
- Continuous improvement of accounting practices

## **7. Disclaimer and Modification**

1 This Manual represents the current accounting policies of the AI Services Division and may be modified at the discretion of the Chief Financial Officer.

2 All employees are required to familiarize themselves with and adhere to the policies outlined in this Manual.

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Approved By:

Sarah Williamson

Chief Strategy Officer

Nexus Intelligent Systems, Inc.

Date: January 22, 2024