

Tax Provision Reconciliation to Financial Statements

Confidential Document - Nexus Intelligent Systems, Inc.

1. INTRODUCTION AND PURPOSE

1 This Tax Provision Reconciliation document ("Document") has been prepared by Nexus Intelligent Systems, Inc. (the "Company") to provide a comprehensive analysis of the company's tax provision methodology and its reconciliation to audited financial statements for the fiscal year ending December 31, 2023.

2 The purpose of this document is to:

- a) Provide a detailed explanation of the Company's tax provision calculation
- b) Reconcile effective tax rates between statutory rates and actual tax expenses
- c) Demonstrate compliance with applicable accounting standards and tax regulations

2. FINANCIAL AND TAX OVERVIEW

1 Company Financial Profile

- Fiscal Year: 2023
- Total Revenue: \$12,500,000
- Incorporation State: Delaware
- Industry Classification: Enterprise AI Services & Predictive Analytics

2 Effective Tax Rate Calculation

Statutory Federal Tax Rate: 21.0%

State Tax Rate (Weighted Average): 5.3%

Effective Tax Rate: 18.7%

3. TAX PROVISION METHODOLOGY

1 Accounting Standards

The Company's tax provision has been prepared in accordance with:

- Generally Accepted Accounting Principles (GAAP)
- Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740
- Applicable IRS regulations and guidelines

2 Key Calculation Principles

a) Current Tax Liability

- Calculated based on taxable income for the reporting period
- Includes federal, state, and local tax obligations
- Considers all applicable deductions and credits

b) Deferred Tax Assets and Liabilities

- Recognized for temporary differences between financial and tax reporting
- Measured using enacted tax rates expected to apply when assets are realized

4. RECONCILIATION DETAILS

1 Statutory Rate Reconciliation

Reconciliation Component	Amount (USD)	Percentage
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Statutory Federal Tax Rate	\$2,625,000	21.0%
State Tax Adjustment	(\$262,500)	(2.1%)
Research & Development Credits	(\$375,000)	(3.0%)
Permanent Differences	\$62,500	0.5%
Effective Tax Rate	\$2,050,000	18.7%

2 Significant Permanent Differences

a) Research and Development Tax Credits

- Total R&D Credits: \$375,000
- Relates to AI platform development investments
- Calculated in compliance with IRC Section 41

b) Stock-Based Compensation

- Deduction timing differences
- Impact on effective tax rate: Minimal

5. RISK FACTORS AND CONTINGENCIES

1 Potential Tax Examination Risks

- No ongoing federal or state tax examinations

- Maintained comprehensive documentation for all tax positions
- No material uncertain tax positions identified

2 Future Considerations

- Potential impact of evolving AI and technology sector tax regulations
- Continued monitoring of R&D credit qualification criteria

6. DOCUMENTATION AND SUPPORT

1 Supporting Documentation

- Detailed workpapers available upon request
- Prepared in conjunction with independent tax advisors
- Consistent with prior year methodologies

7. LIMITATIONS AND DISCLAIMERS

1 This document is provided for informational purposes and should not be considered definitive tax advice. Professional tax consultation is recommended for specific interpretations.

2 All financial information is based on the company's best available information as of the preparation date.

8. CERTIFICATION

We certify that the information contained herein is true, accurate, and complete to the best of our knowledge.

Executed this 22nd day of January, 2024.

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.

Michael Chen

Chief Financial Officer

Nexus Intelligent Systems, Inc.