

# CUSTOMER CONTRACT REVENUE RECOGNITION GUIDELINES

## CUSTOMER CONTRACT REVENUE RECOGNITION

**NaviFloor Robotics, Inc.**

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### 1. PURPOSE AND SCOPE

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1. These Revenue Recognition Guidelines (the "Guidelines") establish the po

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2. These Guidelines apply to all revenue-generating contracts, including:

- a) Sales of autonomous mobile robots (AMRs)
- b) Fleet management platform licensing
- c) Maintenance and support services
- d) Implementation and integration services
- e) Extended warranties and service level agreements

## **2. DEFINITIONS**

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1. "Performance Obligation" means a promise in a contract to transfer a disti

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2. "Transaction Price" means the amount of consideration to which the Comp

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3. "Contract Term" means the period during which the Company and custom

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4. "Standalone Selling Price" means the price at which the Company would s

### **3. FIVE-STEP REVENUE RECOGNITION PROCESS**

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1. Step 1: Identify the Contract

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Contracts must be approved and committed to by both parties

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Collection of consideration must be probable

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Rights regarding goods/services are identifiable

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Payment terms are identified

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Contract has commercial substance

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2. Step 2: Identify Performance Obligations

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Hardware delivery and installation

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Software licensing and implementation

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Training services

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Maintenance and support

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Extended warranties

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Professional services

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3. Step 3: Determine Transaction Price

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Fixed consideration

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Variable consideration (volume discounts, performance bonuses)

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Significant financing components

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Non-cash consideration

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Consideration payable to customers

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4. Step 4: Allocate Transaction Price

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Based on relative standalone selling prices

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Residual approach when applicable

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Allocation of discounts and variable consideration

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5. Step 5: Recognize Revenue

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Recognition occurs when (or as) performance obligations are satisfied

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Transfer of control determines timing

#### **4. SPECIFIC REVENUE RECOGNITION CRITERIA**

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##### **1. Hardware Sales**

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Revenue recognized upon installation and customer acceptance

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Installation must be completed and documented

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Customer acceptance must be obtained in writing

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## 2. Software Licensing

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Perpetual licenses: recognized upon delivery

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Subscription licenses: recognized ratably over subscription period

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Implementation services: recognized as performed

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## 3. Maintenance and Support

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Recognized ratably over service period

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Separate performance obligation from hardware/software



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Standalone selling price determined by renewal rates

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#### 4. Professional Services

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Recognized over time as services are performed

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Progress measured using input or output methods

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Milestone-based recognition when appropriate

### **5. CONTRACT MODIFICATIONS**

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## 1. Evaluation Criteria

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Assessment of distinct goods/services

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Impact on transaction price

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Determination of modification type

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## 2. Types of Modifications

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Separate contract treatment

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Prospective treatment

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Cumulative catch-up adjustment

## **6. DOCUMENTATION REQUIREMENTS**

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### **1. Required Documentation**

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Signed customer contracts

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Performance obligation identification analysis

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Transaction price calculations

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Allocation worksheets

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Revenue recognition schedules

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Customer acceptance certificates

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Installation completion records

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## 2. Retention Period

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All documentation must be retained for 7 years

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Electronic copies maintained in designated system

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Physical copies archived according to retention policy

## 7. SPECIAL CONSIDERATIONS

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### 1. Multi-Element Arrangements

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Evaluation of interdependencies

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Determination of distinct performance obligations

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Allocation methodology

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### 2. Extended Payment Terms

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Assessment of significant financing component

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Adjustment of transaction price when necessary

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Documentation of interest rate used

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### 3. Contract Costs

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Capitalization criteria

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Amortization period

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Impairment assessment

## **8. REVIEW AND APPROVAL PROCESS**

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## 1. Revenue Recognition Review

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Monthly review by Revenue Recognition Committee

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Quarterly review by Finance leadership

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Annual review by external auditors

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## 2. Required Approvals

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Contract modifications exceeding \$100,000

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Non-standard payment terms

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Custom performance obligations

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Revenue recognition methodology changes

## **9. COMPLIANCE AND MONITORING**

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1. Internal Controls

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Regular testing of revenue recognition controls

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Documentation of control effectiveness

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Remediation of control deficiencies



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## 2. Reporting Requirements

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Monthly revenue recognition reports

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Quarterly compliance certifications

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Annual disclosure reviews

## 10. AMENDMENTS AND UPDATES

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1. These Guidelines shall be reviewed annually and updated as necessary to

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Accounting standards

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Business practices

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Regulatory requirements

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Internal policies

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2. All amendments must be approved by:

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Chief Financial Officer

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Corporate Controller

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Revenue Recognition Committee

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**Approved by:**

James Wilson

Chief Financial Officer

NaviFloor Robotics, Inc.

**Date:** \_

[Corporate Controller Name]

Corporate Controller

NaviFloor Robotics, Inc.

**Date:** \_19 -

