

BioBAT, Inc.
Financial Close Policy

ARTICLE I

Purpose

The purpose of the Financial Close Policy is to ensure that an internal control environment exists that allows for:

- 1) the accurate and timely recording of transactions into the General Ledger of BioBAT, Inc. (BioBAT); and
- 2) the production of accurate financial reporting

ARTICLE II

Statement of Policy

Month-End Close

To ensure that all accounting activity has been recorded accurately and in the appropriate period, BioBAT Financial Management developed a checklist of procedures to be performed each month by the BioBAT Finance Staff. This checklist (hereinafter referred to as the “Month-End Close Procedures”) details all procedures to be followed, the responsible staff, and the target date for completion of these tasks to ensure that all financial activity for the previous month was properly recorded in accordance with generally accepted accounting principles.

Please see Appendix A for the Month-End Close Procedures.

Fiscal Year-End Close

To ensure that the completeness and accuracy of the books and records of BioBAT for the entire fiscal year, BioBAT Finance will close the books for the June 30 Fiscal Year-End in three phases:

- Phase I (Preliminary Close) – The preliminary close will take place in accordance with the procedures and deadlines stated in the Month-End Close Procedures stated in Appendix A. This will allow BioBAT Finance to provide Senior Management with a preliminary view of the fiscal year results.
- Phase II (2nd Close – “Audit Ready” Books) – In this phase, BioBAT Finance Staff adjusts the results from the preliminary close to include any additional invoices relating to the fiscal year just ended that were received during the period beginning the week after the preliminary close was completed and ending two weeks before the annual financial audit is scheduled to begin. Upon posting these adjustments, a Trial Balance and General Ledger reflecting these adjustments is forwarded to the external auditors for use during the audit.
- Phase III (Final Close – Audited Results) – The final close represents the financial records initially presented to the audits plus any adjustments proposed by the auditors [as a result of the audit] that were agreed to by BioBAT Financial Management. This close represents the final audited results, and agrees to the audited financial statements.

ARTICLE III

Monthly and Annual Analysis and Review

Monthly Analysis and Review

Upon completion of the Month-End Close, the BioBAT Accountant will update a cumulative annual spreadsheet comparing the YTD actual (unaudited) P&L results to the Board-approved annual Budget. The BioBAT Accountant forwards this spreadsheet to the BioBAT Treasurer and Executive Director for review and discussion. If additional adjustments to the spreadsheet are not deemed necessary, the spreadsheet will be presented to BioBAT's President for review.

Annual Analysis and Review

In addition to the monthly Actual vs Budget analysis described above, the BioBAT Accountant will prepare an analytic review at fiscal year-end comparing the unaudited current year Income Statement and Balance Sheet results to the audited results of the prior year. The report will provide explanations of material changes, and will be forwarded to BioBAT's Treasurer and Executive Director for review and discussion. Upon determining that the explanations provided are adequate, the BioBAT Treasurer will present the report to the President for review.

ARTICLE IV

Producing Financial Statements

To complete the month-end close process, the BioBAT Accountant will generate a Balance Sheet and Income Statement from the Quickbooks System in the format provided in the annual audit report. In addition, a Fiscal Year-to-Date Statement of Cash Flows will also be prepared. These statements will be prepared and reviewed with the BioBAT Treasurer by the 16th business day of each month. If no additional adjustments are deemed necessary, the three financial reports will be forwarded to BioBAT's President and Executive Director. In addition, these unaudited financials will be forwarded to the Head of BioBAT's Audit Committee on a quarterly basis.

End of Document

Document Revision History

Revision: 0

Approval Date: September 30, 2020

APPENDIX A - MONTH-END CLOSE PROCEDURES

BioBAT, Inc.

MONTH-END CLOSE SCHEDULE

PERIOD: _____

Monthly Reporting Processes		(Business Day)
Produce final Cash Disbursements Journal(s) for the Month	BioBAT Accounting Manager	1st Business Day
Check the Monthly Cash Disbursements Journal(s) for any payments to vendors included in Accrued Expenses as of the beginning of that month. Review the support for such payments to verify that amounts expensed in the currently period where not accrued in prior periods. Post any necessary adjustments.	BioBAT Accounting Manager	1st Business Day
Review Cash Disbursements Journal(s) for Insurance, Utility, or Rent payments. Review the documentation supporting these payments to determine whether or not a portion of the payment should be classified as Prepaid.	BioBAT Accounting Manager	2nd Business Day
Determine required Payroll-related accruals and post to the General Ledger	BioBAT Accounting Manager	3rd Business Day
Record monthly Depreciation and Amortization Expense	BioBAT Accounting Manager	4th Business Day
Post Revenue accruals, if applicable	BioBAT Accounting Manager	4th Business Day
Produce final Cash Receipts Report for the Month	BioBAT Accounting Manager	4th Business Day
Prepare monthly Bank Reconciliations (including posting any adjustments based on the reconciliation), and ensure that the General Ledger Cash Account balances agree to the reconciled balances. Forward to BioBAT Treasurer for review and approval.	BioBAT Accounting Manager	6th Business Day
Review to ensure that bank and book balances reconcile, and ensure that the General Ledger Cash Account balances agree to the reconciled balances. Approve monthly bank reconciliations.	BioBAT Treasurer	7th Business Day
Post all non-Payroll related Expense accruals	BioBAT Accounting Manager	9th Business Day
Reconcile Receivables from and Payables to Affiliates (if any) with the applicable Affiliate's Finance Group. Post any necessary adjustments.	BioBAT Accounting Manager	9th Business Day
Run preliminary Trial Balance, and review account balances for unusual items - e.g., Asset and Expense accounts with Credit balances, Liabilities and Revenues with Debit balances, balances in Transfer accounts. Post additional adjustments where necessary.	BioBAT Accounting Manager	10th Business Day
Run second Trial Balance for final review.	BioBAT Accounting Manager	12th Business Day
Produce Balance Sheet and Income Statement from Quickbooks System, and download to Excel.	BioBAT Accounting Manager	12th Business Day
Prepare YTD Statement of Cash Flows	BioBAT Accounting Manager	13th Business Day
Prepare Monthly Financial Package, including Balance Sheet, Income Statement, and Statement of Cash Flows. (On a quarterly basis, include a Management Summary giving an Analytic Review of all significant variances versus the prior fiscal year end (for the Balance Sheet) and the similar period for the prior year (for the Income Statement))	BioBAT Accounting Manager	15th Business Day (monthly); 16th Business Day (quarterly)
Forward the Monthly Financial Package to BioBAT's Director of Operations, President, and Treasurer. (Include the Head of BioBAT's Audit Committee in the distribution of the Quarterly Report that includes the Management Summary).	BioBAT Accounting Manager	16th Business Day (monthly); 17th Business Day (quarterly)
Save the Monthly Financial Package in Excel.	BioBAT Accounting Manager	17th Business Day