ANN ARBOR SPARK and
ANN ARBOR SPARK FOUNDATION

FINANCIAL REPORT

For the Year Ended December 31, 2006

ANN ARBOR SPARK and
ANN ARBOR SPARK FOUNDATION

CONTENTS

WGD
Wright Griffin Davis and Co.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

January 16, 2008

Board of Directors
Ann Arbor SPARK and Ann Arbor SPARK Foundation
Ann Arbor, Michigan

We have audited the accompanying combined statement of financial position of Ann Arbor SPARK and Ann Arbor SPARK Foundation (collectively, "SPARK") as of December 31, 2006, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of SPARK's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the statements of activities and cash flows present the combined activity of entities merging under the pooling of interests method beginning from the merger date rather than from the beginning of the period presented. The effect of this departure from accounting principles generally accepted in the United States of America on the accompanying combined financial statements has not been determined.

In our opinion, except for the effects of the presentation discussed in the preceding paragraph, the combined financial statements referred to above present fairly, in all material respects, the financial position of Ann Arbor SPARK and Ann Arbor SPARK Foundation as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Wright Griffin Davis and Co.

WRIGHT GRIFFIN DAVIS AND CO., PLLC

ANN ARBOR SPARK AND ANN ARBOR SPARK FOUNDATION
COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2006

CURRENT ASSETS		
Cash	$	419,245
Accounts receivable		
Municipal service contracts		23,075
Other, net of allowance		95,415
Unconditional promises to give, current, net of allowance		311,500
Total current assets		849,235
PROPERTY AND EQUIPMENT, less accumulated depreciation		1,077,488
OTHER ASSETS		
Unconditional promises to give, non-current		68,220
TOTAL ASSETS	$	1,994,943
CURRENT LIABILITIES		
Accounts payable	$	39,337
Accrued liabilities		157,819
Deferred revenue		8,333
Total current liabilities		205,489
NET ASSETS		
Unrestricted		1,545,954
Temporarily restricted		243,500
		1,789,454
TOTAL LIABILITIES AND NET ASSETS	$	1,994,943

The accompanying notes are an integral part of the combined financial statements.

ANN ARBOR SPARK AND ANN ARBOR SPARK FOUNDATION
COMBINED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Revenue			
Accelerator grants and revenue	$ 412,354		$ 412,354
Municipal service contracts	199,200		199,200
Facility revenue	28,948		28,948
Interest income	5,189		5,189
Total revenue	645,691		645,691
Support			
Contributions	376,388	$ 8,743	385,131
Donated property and equipment	1,074,625	-	1,074,625
Net assets released from restriction	278,918	(278,918)	-
Total support	1,729,931	(270,175)	1,459,756
Total revenue and support	2,375,622	(270,175)	2,105,447
OPERATING EXPENSES			
Program services	1,023,063	-	1,023,063
Supporting services			
Management and general	387,112	-	387,112
Fund-raising	60,915	-	60,915
Total supporting services	448,027	-	448,027
Total operating expenses	1,471,090	-	1,471,090
CHANGE IN NET ASSETS	904,532	(270,175)	634,357
NET ASSETS, beginning of period	343,075	129,198	472,273
ADJUSTMENT FOR NET ASSETS OF NEWLY-MERGED ENTITY AS OF AUGUST 8, 2006 (Note 1)	298,347	384,477	682,824
NET ASSETS, end of period	$ 1,545,954	$ 243,500	$ 1,789,454

The accompanying notes are an integral part of the combined financial statements.

ANN ARBOR SPARK AND ANN ARBOR SPARK FOUNDATION
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2006

	Program	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Subtotal	Total
FUNCTIONAL EXPENSES					
Personnel expenses	$ 476,571	$ 190,476	$ 60,915	$ 251,391	$ 727,962
Professional services	184,849	44,531	-	44,531	229,380
Marketing	133,635	2,878	-	2,878	136,513
Operating expenses	104,171	129,592	-	129,592	233,763
Depreciation expense	123,837	19,635	-	19,635	143,472
	$ 1,023,063	$ 387,112	$ 60,915	$ 448,027	$ 1,471,090

The accompanying notes are an integral part of the combined financial statements.

ANN ARBOR SPARK AND ANN ARBOR SPARK FOUNDATION
COMBINED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 634,357
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	143,472
Donated property and equipment	(1,074,625)
Decrease in accounts receivable	71,068
Decrease in pledges receivable	133,955
Decrease in other current assets	8,479
Decrease in accounts payable	(16,478)
Increase in other liabilities	122,296
Increase in deferred revenue	8,333
Net cash provided by operating activities	30,857
CASH FLOWS FROM INVESTING ACTIVITIES	
Beginning balance of cash of newly-merged entity	130,941
Purchase of property and equipment	(3,035)
Net cash provided by investing activities	127,906
CASH FLOWS FROM FINANCING ACTIVITIES	
Net activity on line of credit	(40,836)
Net cash used in financing activities	(40,836)
NET INCREASE IN CASH	117,927
CASH, beginning of year	301,318
CASH, end of year	$ 419,245
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES	
Donated property and equipment	$ 1,074,625
Net non-cash assets of newly-merged entity	$ 551,883

The accompanying notes are an integral part of the combined financial statements.

1. Summary of Significant Accounting Policies

a) Reporting Entity

Ann Arbor SPARK was formerly known as the Washtenaw Development Council. Effective August 8, 2006, the Washtenaw Development Council merged with another nonprofit corporation, Ann Arbor SPARK. The former Washtenaw Development Council is the surviving corporation and assumed all assets, liabilities, contracts and programs of Ann Arbor SPARK. The name of the surviving corporation was changed to Ann Arbor SPARK. The Washtenaw Development Council Foundation is combined with the Washtenaw Development Council. The name of the Washtenaw Development Council Foundation was changed to the Ann Arbor SPARK Foundation ("AASF").

The merger of Ann Arbor SPARK into the Washtenaw Development Council has been accounted for as a pooling of interests. Accordingly, the merged entity has recognized assets and liabilities in conformity with generally accepted accounting principles by the separate entities at the date the merger was consummated and the net assets of the merged entity have been credited to the net assets of the surviving entity. No consideration was exchanged in the merger.

The combined statements of activities, functional expenses and cash flows present the combined activity of the merged entities beginning with the merger date of August 8, 2006. Under accounting principles generally accepted in the United States of America, a pooling of interests requires that results of operations for the period in which the combination occurs should be reported as though the combining entities had been combined since the beginning of the period presented.

Ann Arbor SPARK and the Ann Arbor SPARK Foundation (collectively, "SPARK") are Michigan nonprofit corporations organized to operate a centralized cooperative, publicly and privately supported economic development program that attracts, expands and retains jobs within Washtenaw County, Michigan. SPARK also provides an ongoing communication mechanism between leaders of government and the private sector to address the economic development needs of the Washtenaw County area.

Ann Arbor SPARK is the operating entity and is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. AASF primarily provides support to SPARK and its board of directors consists entirely of the members of SPARK's executive committee. The AASF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

b) Basis of Presentation

The basic combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with the Audit and Accounting Guide for Not-for-Profit Organizations issued by the American Institute of Certified Public Accountants.

1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

SPARK's net assets are categorized and reported as follows:

- **Unrestricted Net Assets**

  These net assets are available for general operations and are not subject to donor-imposed restrictions.

- **Temporarily Restricted**

  These net assets are limited to uses specified by donor-imposed restrictions. When donor restrictions expire or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

- **Permanently Restricted**

  These net assets would include the principal amount accepted by SPARK and the AASF with the donor's stipulation that the principal be maintained in perpetuity. SPARK and the AASF do not have any permanently restricted funds as of December 31, 2006.

c) Principles of Combination

The 2006 combined financial statements include the financial information of Ann Arbor SPARK and the Ann Arbor SPARK Foundation.

d) Cash and Cash Equivalents

For the purpose of the combined statement of cash flows, SPARK considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

1. Summary of Significant Accounting Policies (continued)

e) Revenue and Support Recognition

Under its Business Accelerator program, SPARK provides funding for consulting services and other development-stage costs to start-up companies in the greater Ann Arbor region. Revenue is recognized when the companies submit in writing that deliverables have been satisfactorily achieved. SPARK provides its funding under agreements which typically stipulate that the companies will repay SPARK the amount of funding within 12 months from the date of agreement and that repayment will include simple interest at prime as reported in the Wall Street Journal on the date of agreement. If a company is unable to raise funds or generate adequate cash flow to repay their obligation within 12 months, SPARK will negotiate a revised payment plan or waive the loan obligation. If a company raises a round of funding and the investors, the company and SPARK agree, the outstanding obligation and any accrued interest will convert to equity on substantially the same terms as the investors in the new round of financing.

Support

Contributions are recognized when the donor makes a promise to give to SPARK that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the restrictions. When a restriction expires, generally with the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets. SPARK accounts for unconditional promises to give at fair value based on the present value of the future cash flows SPARK expects to collect.

SPARK reports gifts and pledges of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, SPARK reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

f) Accounts Receivable

Accounts receivable consist of amounts that have been expended for intended grant purposes and not yet reimbursed by the granting agency and amounts owed under the Business Accelerator program. Business Accelerator accounts receivable are recorded at the time the client company submits in writing that contracted deliverables have been achieved. Because the repayment of Business Accelerator funding is contingent on future events, a reserve for 100% of the unpaid balance of these amounts has been recorded in the allowance account. The amount of this allowance was $238,246 at December 31, 2006.

1. Summary of Significant Accounting Policies (continued)

g) Property and Equipment

Property and equipment are recorded at cost when purchased, or at fair market value when received as a donation. Depreciation of property placed in service is calculated on a straight-line basis over the estimated useful lives of the assets. Property and equipment are capitalized when the cost exceeds $500. Property and equipment not meeting these criteria are expensed in the period of acquisition.

SPARK estimates the useful life of office equipment and furniture is between three to seven years, depending on the asset, and the useful life of leasehold improvements is between two to four years, depending on the years remaining in the term of the lease at the time leasehold improvements are placed in service.

h) Donated Materials and Services

Donated materials which have an objective measurable basis for determining fair market value have been recorded. Donated services for which the value is clearly measurable and that SPARK would otherwise need to purchase have been recorded in the combined financial statements. There were no such services recorded for the year ended December 31, 2006.

i) Expense Allocation

Direct identifiable expenses are charged to programs and supporting services accordingly. Occupancy costs are allocated among program and supporting service activities on the basis of square footage of the facilities and other common costs are allocated among program and supporting service activities on the basis of planned resource usage established by management.

j) Advertising Costs

SPARK expenses advertising production costs as they are incurred and advertising communication costs for programs the first time the advertising takes place. Advertising costs for the year ended December 31, 2006 were $136,513.

k) Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Unconditional Promises to Give

Promises to give consist mainly of multi-year pledges received from universities, corporate donors, and local governments. The following is a schedule of promises to give as of December 31, 2006.

2007	$ 375,525
2008	25,000
2009	25,000
2010	25,000
2011	-
Gross unconditional promises to give	450,525
Less: discounts for the time-value of money	(6,780)
allowance for uncollectible amounts	(64,025)
Unconditional promises to give, net	379,720
Less: current portion	(311,500)
Unconditional promises to give, non-current	$ 68,220

SPARK recognizes promises to give that are expected to be collected within one year at their net realizable value. Promises that are expected to be collected in future years are recognized at their estimated fair value. Fair value is determined by calculating the present value of the estimated future cash flows. The discount rate used in determining the net present value of multi-year promises to give was 3.22% at December 31, 2006.

3. Property and Equipment

The components of property and equipment are as follows:

Furniture & Fixtures	$ 73,107
Office Equipment	88,485
Leasehold Improvements	42,546
Donated Equipment (MIED Program)	1,074,625
	1,278,763
Less accumulated depreciation	(201,275)
	$ 1,077,488

Donated equipment for the MIED (Michigan Innovation Equipment Depot) Program consists of previously used laboratory equipment which SPARK leases to life science start-up companies throughout Michigan at significantly below-market rates as part of its mission to encourage the development of new businesses in Michigan. Lease arrangements vary by lessee and are typically for an average term of three years. Revenue under lease agreements for the year ended December 31, 2006 was $5,021.

4. Line of Credit

SPARK has a revolving line of credit with a bank and may borrow up to $100,000 with interest at the bank's prime rate plus 1/2%. The bank's prime rate was 8.25% at December 31, 2006. Payments of accrued interest are due and payable monthly. The note is collateralized by substantially all assets of SPARK. At December 31, 2006, no amounts were outstanding against the line of credit.

5. Net Assets

Temporarily restricted net assets at December 31, 2006 consist of:

Promises to give, restricted for periods after December 31, 2006:	$ 243,500

6. Defined Contribution Plans

SPARK has established a 457(b) deferred compensation plan for eligible employees of SPARK. Employees may elect to defer a certain percentage of qualified compensation through voluntary contributions to the 457(b) plan. SPARK may make discretionary contributions to the 457(b) plan as determined by the Board of Directors. SPARK contributions for the year ended December 31, 2006 were $7,000.

SPARK has also established a 401(k) defined contribution plan for eligible employees who have attained the age of 21 and completed three months of service. Employees may elect to defer a certain percentage of qualified compensation through voluntary contributions to the 401(k) plan. SPARK may make discretionary contributions to the 401(k) plan as determined by the Board of Directors. Employees eligible for employer contributions must have completed 12 months of service. SPARK contributions for the year ended December 31, 2006 were $10,668.

7. Commitments

Total rent paid during the year ending December 31, 2006 was $91,948. SPARK leases two office facilities, and an equipment warehouse. The SPARK Central facility has a lease expiring December 31, 2008. The MITC office facility has a lease expiring November 30, 2007, with options to renew for two additional three-year terms at market rates. The equipment warehouse lease expires May 31, 2007. At December 31, future minimum rentals under these leases are as follows:

Year Ending	Amount
December 31, 2007	$ 123,407
December 31, 2008	75,012
	$ 198,419

8. Rental Income

SPARK subleases space in its office facilities to three other organizations. Rental income included in revenue for the year ending December 31, 2006 is $28,947. Currently, the subleases are on a month to month basis and call for monthly payments of $1,500 and $2,500 for two of the leases, respectively. The third organization pays $25,000 annually.

9. Concentration of Credit Risk

SPARK has cash accounts at two banks. Accounts at these financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. At December 31, 2006, cash account balances were in excess of the Federal Deposit Insurance Corporation (FDIC) coverage limit by $132,431.

10. Subsequent Events

a) 21st Century Jobs Fund

In October 2006, Ann Arbor SPARK was notified that it had been selected by the State of Michigan to receive $8,000,000 from the State's 21st Century Jobs Fund Initiative to establish a Michigan pre-seed capital fund. An initial payment of $2,482,000 was received in January 2007.

b) Wet Lab Incubator

In November 2006, SPARK received a grant of $1,000,000 from the Michigan Department of Treasury to support the expenses associated with leasing existing space to run a life sciences wet lab incubator. The terms of the grant call for an initial payment of $375,000 followed by additional payments of $125,000 twice a year through June 2009. Initial payment of $375,000 was received in May 2007.

c) Office facility lease

In June 2007, SPARK entered into a five-year lease agreement for an office facility. Monthly rent payments are $3,793 for the first year of the lease and will increase by 3% each year thereafter.

ANN ARBOR SPARK and
ANN ARBOR SPARK FOUNDATION

FINANCIAL REPORT

For the Years Ended December 31, 2007 and 2006

ANN ARBOR SPARK and
ANN ARBOR SPARK FOUNDATION

CONTENTS

WGD
Wright Griffin Davis and Co.
CERTIFIED PUBLIC ACCOUNTANTS

Rodney W. Byrne
Cynthia L. Cattran
Richard D. Hendricks
Michael F. McCarthy
Scott W. Price
Frederick I. Davis
Christopher C. Vaughan
V. Keith Ludwig

INDEPENDENT AUDITORS' REPORT

September 22, 2008

Board of Directors
Ann Arbor SPARK and Ann Arbor SPARK Foundation
Ann Arbor, Michigan

We have audited the accompanying consolidated statements of financial position of Ann Arbor SPARK and Ann Arbor SPARK Foundation (collectively, "SPARK") as of December 31, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of SPARK's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the statements of activities and cash flows for the year ended December 31, 2006 present the combined activity of entities merging under the pooling of interests method beginning from the merger date rather than from the beginning of the period presented. The effect of this departure from accounting principles generally accepted in the United States of America on the accompanying consolidated financial statements has not been determined.

In our opinion, except for the effects of the presentation discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ann Arbor SPARK and Ann Arbor SPARK Foundation as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wright Griffin Davis and Co.

WRIGHT GRIFFIN DAVIS AND CO., PLLC

ANN ARBOR SPARK AND ANN ARBOR SPARK FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	2007	2006
CURRENT ASSETS		
Cash	$ 1,926,408	$ 419,245
Accounts receivable		
Municipal service contracts	17,888	23,075
Other, net of allowance	255,386	95,415
Deposits	22,000	-
Prepaid expenses	11,585	-
Unconditional promises to give, current, net of allowance	37,900	311,500
Total current assets	2,271,167	849,235
PROPERTY AND EQUIPMENT, less accumulated depreciation	745,814	1,077,488
OTHER ASSETS		
Michigan Pre-Seed Capital Fund portfolio investments:		
Preferred stock	1,414,380	-
Convertible promissory notes	3,285,329	-
Unconditional promises to give, non-current	19,756	68,220
Total other assets	4,719,465	68,220
TOTAL ASSETS	$ 7,736,446	$ 1,994,943
CURRENT LIABILITIES		
Line of credit	$ 50,923	$ -
Accounts payable	67,822	39,337
Accrued liabilities	261,556	157,819
Note payable in less than one year, non-interest bearing	64,286	-
Deferred revenue	1,688,750	8,333
Total current liabilities	2,133,337	205,489
NET ASSETS		
Unrestricted	5,558,353	1,545,954
Temporarily restricted	44,756	243,500
Total net assets	5,603,109	1,789,454
TOTAL LIABILITIES AND NET ASSETS	$ 7,736,446	$ 1,994,943

The accompanying notes are an integral part of the combined financial statements.

ANN ARBOR SPARK AND ANN ARBOR SPARK FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2007 and 2006

	Unrestricted	Temporarily Restricted	2007 Total
REVENUE AND SUPPORT			
Revenue			
Accelerator grants and revenue	$ 6,056,232		$ 6,056,232
Municipal service contracts	364,938		364,938
Facility revenue	265,618		265,618
Interest income	53,475		53,475
Total revenue	6,740,263		6,740,263
Support			
Contributions	492,066	$ 1,536	493,602
Donated property and equipment	-	-	-
Net assets released from restriction	200,280	(200,280)	-
Total support	692,346	(198,744)	493,602
Total revenue and support	7,432,609	(198,744)	7,233,865
OPERATING EXPENSES			
Program services	2,780,397	-	2,780,397
Supporting services			
Management and general	937,974	-	937,974
Fund-raising	94,548	-	94,548
Total supporting services	1,032,522	-	1,032,522
Total operating expenses	3,812,919	-	3,812,919
EXCESS (DEFICIT) OF REVENUE AND SUPPORT OVER OPERATING EXPENSES	3,619,690	(198,744)	3,420,946
PORTFOLIO INVESTMENT INCOME	392,709	-	392,709
CHANGE IN NET ASSETS	4,012,399	(198,744)	3,813,655
NET ASSETS, beginning of period	1,545,954	243,500	1,789,454
ADJUSTMENT FOR NET ASSETS OF NEWLY-MERGED ENTITY AS OF AUGUST 8, 2006 (Note 1)	-	-	-
NET ASSETS, end of period	$ 5,558,353	$ 44,756	$ 5,603,109

The accompanying notes are an integral part of the combined financial statements.

Unrestricted	Temporarily Restricted	2006 Total
$ 412,354		$ 412,354
199,200		199,200
28,948		28,948
5,189		5,189
645,691		645,691
376,388	$ 8,743	385,131
1,074,625	-	1,074,625
278,918	(278,918)	-
1,729,931	(270,175)	1,459,756
2,375,622	(270,175)	2,105,447
1,023,063	-	1,023,063
387,112	-	387,112
60,915	-	60,915
448,027	-	448,027
1,471,090	-	1,471,090
904,532	(270,175)	634,357
-	-	-
904,532	(270,175)	634,357
343,075	129,198	472,273
298,347	384,477	682,824
$ 1,545,954	$ 243,500	$ 1,789,454

ANN ARBOR SPARK AND ANN ARBOR SPARK FOUNDATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2007 and 2006

	2007				
		Supporting Services			
	Program	Management and General	Fund Raising	Subtotal	Total
FUNCTIONAL EXPENSES					
Personnel expenses	$ 846,221	$ 311,828	$ 94,548	$ 406,376	$ 1,252,597
Professional services	999,952	224,119	-	224,119	1,224,071
Marketing	292,809	6,523	-	6,523	299,332
Operating expenses	283,207	347,907	-	347,907	631,114
Depreciation expense	358,208	47,597	-	47,597	405,805
	$ 2,780,397	$ 937,974	$ 94,548	$ 1,032,522	$ 3,812,919

The accompanying notes are an integral part of the combined financial statements.

2006									
		Supporting Services							
Program		Management and General		Fund Raising		Subtotal		Total	
$	476,571	$	190,476	$	60,915	$	251,391	$	727,962
	184,849		44,531		-		44,531		229,380
	133,635		2,878		-		2,878		136,513
	104,171		129,592		-		129,592		233,763
	123,837		19,635		-		19,635		143,472
$	1,023,063	$	387,112	$	60,915	$	448,027	$	1,471,090

ANN ARBOR SPARK AND ANN ARBOR SPARK FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,813,655	$ 634,357
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on portfolio investments	(376,954)	-
Accrued interest converted to preferred stock	(15,755)	-
Depreciation	405,805	143,472
Donated property and equipment	-	(1,074,625)
(Increase) decrease in accounts receivable	(154,784)	71,068
Decrease in unconditional promises to give	322,064	133,955
(Increase) decrease in other current assets	(33,586)	8,479
Increase (decrease) in accounts payable	28,485	(16,478)
Increase in other current liabilities	103,738	122,296
Increase in deferred revenue	1,680,417	8,333
Net cash provided by operating activities	5,773,085	30,857
CASH FLOWS FROM INVESTING ACTIVITIES		
Beginning balance of cash of newly-merged entity	-	130,941
Purchase of preferred stock	(750,000)	-
Purchase of convertible promissory notes	(3,557,000)	-
Purchase of property and equipment	(74,131)	(3,035)
Net cash (used in) provided by investing activities	(4,381,131)	127,906
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	75,000	-
Payments on note payable	(10,714)	-
Net activity on line of credit	50,923	(40,836)
Net cash provided by (used in) financing activities	115,209	(40,836)
NET INCREASE IN CASH	1,507,163	117,927
CASH, beginning of year	419,245	301,318
CASH, end of year	$ 1,926,408	$ 419,245
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 674	$ -
Cash interest received during the year	$ 37,720	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES		
Donated property and equipment	$ -	$ 1,074,625
Net non-cash assets of newly-merged entity	$ -	$ 551,883
Conversion of promissory note and accrued interest into preferred stock in portfolio company	$ 393,695	$ -

The accompanying notes are an integral part of the combined financial statements.

1. Summary of Significant Accounting Policies

a) Reporting Entity

Ann Arbor SPARK was formerly known as the Washtenaw Development Council. Effective August 8, 2006, the Washtenaw Development Council merged with another nonprofit corporation, Ann Arbor SPARK. The former Washtenaw Development Council is the surviving corporation and assumed all assets, liabilities, contracts and programs of Ann Arbor SPARK. The name of the surviving corporation was changed to Ann Arbor SPARK. The Washtenaw Development Council Foundation is consolidated with the Washtenaw Development Council. The name of the Washtenaw Development Council Foundation was changed to the Ann Arbor SPARK Foundation ("AASF").

The merger of Ann Arbor SPARK into the Washtenaw Development Council was accounted for as a pooling of interests. Accordingly, the merged entity was created by combining the assets and liabilities of the separate entities at the date the merger was consummated and the net assets of the merged entity were credited to the net assets of the surviving entity. No consideration was exchanged in the merger.

The consolidated statements of activities, functional expenses and cash flows present the combined activity of the merged entities beginning with the merger date of August 8, 2006. Under accounting principles generally accepted in the United States of America, a pooling of interests requires that results of operations for the period in which the combination occurs should be reported as though the combining entities had been combined since the beginning of the period presented.

Ann Arbor SPARK and the Ann Arbor SPARK Foundation (collectively, "SPARK") are Michigan nonprofit corporations organized to operate a centralized cooperative, publicly and privately supported economic development program that attracts, expands and retains jobs within Washtenaw County, Michigan. SPARK also provides an ongoing communication mechanism between leaders of government and the private sector to address the economic development needs of the Washtenaw County area.

Ann Arbor SPARK is the operating entity and is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. AASF primarily provides support to SPARK and its board of directors consists entirely of the members of SPARK's executive committee. The AASF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

b) Basis of Presentation

The basic consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with the Audit and Accounting Guide for Not-for-Profit Organizations issued by the American Institute of Certified Public Accountants.

1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

SPARK's net assets are categorized and reported as follows:

- **Unrestricted Net Assets**

  These net assets are available for general operations and are not subject to donor-imposed restrictions.

- **Temporarily Restricted**

  These net assets are limited to uses specified by donor-imposed restrictions. When donor restrictions expire or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

- **Permanently Restricted**

  These net assets would include the principal amount accepted by Ann Arbor SPARK and the AASF with the donor's stipulation that the principal be maintained in perpetuity. Ann Arbor SPARK and the AASF do not have any permanently restricted funds as of December 31, 2007 and 2006.

c) Principles of Combination

The 2007 and 2006 consolidated financial statements include the financial information of Ann Arbor SPARK and the Ann Arbor SPARK Foundation.

d) Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, SPARK considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

e) Revenue and Support Recognition

Under its Business Accelerator program, SPARK provides funding for consulting services and other development-stage costs to start-up companies in the greater Ann Arbor region. Revenue is recognized when the companies submit in writing that deliverables have been satisfactorily achieved. SPARK provides its funding under agreements which typically stipulate that the companies will repay SPARK the amount of funding within 12 months from the date of agreement and that repayment will include simple interest at prime as reported in the Wall Street Journal on the date of agreement. If a company is unable to raise funds or generate adequate cash flow to repay their obligation within 12 months, SPARK will negotiate a revised payment plan or waive the loan obligation. If a company raises a round of funding and the investors, the company and SPARK agree, the outstanding obligation and any accrued interest will convert to equity on substantially the same terms as the investors in the new round of financing.

1. Summary of Significant Accounting Policies (continued)

e) Revenue and Support Recognition (continued)

Support

Contributions are recognized when the donor makes a promise to give to SPARK that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the restrictions. When a restriction expires, generally with the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets. SPARK accounts for unconditional promises to give at fair value based on the present value of the future cash flows SPARK expects to collect.

SPARK reports gifts and pledges of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, SPARK reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

f) Accounts Receivable

Accounts receivable consist of amounts that have been expended for intended grant purposes and not yet reimbursed by the granting agency and amounts due under the Business Accelerator program. Business Accelerator accounts receivable are recorded at the time the client company submits in writing that contracted deliverables have been achieved. Because the repayment of Business Accelerator funding is contingent on future events, a reserve for 100% of the unpaid balance of these amounts which have not begun repayment as of year-end has been recorded in the allowance account. The amount of this allowance was $221,617 and $238,246 at December 31, 2007 and 2006, respectively.

g) Property and Equipment

Property and equipment are recorded at cost when purchased, or at fair market value when received as a donation. Depreciation of property placed in service is calculated on a straight-line basis over the estimated useful lives of the assets. Property and equipment are capitalized when the cost exceeds $500. Property and equipment not meeting these criteria are expensed in the period of acquisition.

SPARK estimates the useful life of office equipment and furniture is between three to seven years, depending on the asset, and the useful life of leasehold improvements is between two to four years, depending on the years remaining in the term of the lease at the time leasehold improvements are placed in service.

1. Summary of Significant Accounting Policies (continued)

h) Investments

Michigan Pre-Seed Capital Fund

In January 2007, as part of the State of Michigan's 21st Century Jobs Fund Initiative, SPARK was provided a grant in the amount of $8,000,000 by The Strategic Economic Investment and Commercialization Board ("SEIC Board") in order to establish and manage a Michigan Pre-Seed Capital Fund (the "Fund"). The purpose of the Fund is to provide funding to high-tech start-up companies within the State of Michigan at their earliest stages. The grant is payable in five installments through December 31, 2008. Payment of each installment is contingent upon SPARK achieving certain milestones and materially complying with requirements as defined in the agreement with the SEIC Board. As of December 31, 2007, SPARK had received $6,398,000 in payments under the grant and made expenditures and investments in the amount of $5,032,000.

Valuation of Michigan Pre-Seed Capital Fund investments

Fund investments are recorded at fair value as determined in good faith by Fund management. Initial transaction cost is used as the best estimate of fair value at inception. Fair value is subsequently adjusted as changes in economic and other performance indicators provide. Since no public market exists for the securities, fair value is determined by taking into consideration factors such as: the cost of the securities; prices of recent significant placements of securities of the same issuer with sophisticated, unrelated new investors; subsequent developments concerning the companies to which the securities relate; any financial data and projections of such companies provided to Fund management; and such other factors as the Fund management may deem relevant. The values determined for these investments are based on available information at the time the good faith valuations are made and may not necessarily represent the amounts that might ultimately be realized, which could be higher or lower than the reported values. These investments are in high-tech start-up companies where the capital market and business environment is highly volatile. The valuation of these investments can be subject to rapid change due to business and market conditions and the valuation is therefore inherently uncertain. Because of this inherent uncertainty, the estimated fair values of the investments may differ significantly from the values that would have been used had a ready market for the investments existed. Any appreciation or depreciation of an investment's value is reported as an unrealized gain or loss in the financial statements.

Warrants of private companies are not valued due to the inherent uncertainty of such valuation.

Interest on convertible promissory notes is recognized when earned. Collectability is evaluated periodically by Fund management based on the circumstances of each company to which the notes relate and a corresponding reserve established for estimated uncollectible amounts.

Fair value measurement - definition and hierarchy

SPARK adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157") for its Fund investments, effective January 1, 2007. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

1. **Summary of Significant Accounting Policies (continued)**

h) Investments (continued)

In determining fair value, SPARK uses various valuation approaches, including market, income and/or cost approaches. SFAS 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs include the Fund management's efforts to best reflect the perceptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Fund management has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from business to business and is affected by a wide variety of factors, including, for example, the type of business, whether the business is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Fund management in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. Fund management uses prices and inputs that are current as of the measurement date, including during periods of market dislocation In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or Level 2 to Level 3. See Note 5 to the consolidated financial statements for further information about SPARK's Fund investments that are accounted for at fair value.

1. Summary of Significant Accounting Policies (continued)

i) Donated Materials and Services

Donated materials which have an objective measurable basis for determining fair market value have been recorded. Donated services for which the value is clearly measurable and that SPARK would otherwise need to purchase have been recorded in the consolidated financial statements. There were no such services recorded for the years ended December 31, 2007 and 2006.

j) Expense Allocation

Direct identifiable expenses are charged to programs and supporting services accordingly. Occupancy costs are allocated among program and supporting service activities on the basis of square footage of the facilities and other common costs are allocated among program and supporting service activities on the basis of planned resource usage established by management.

k) Advertising Costs

SPARK expenses advertising production costs as they are incurred and advertising communication costs for programs the first time the advertising takes place. Advertising costs for the years ended December 31, 2007 and 2006 were $299,332 and $136,513, respectively.

l) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

As further discussed above under Investments, there are no readily ascertainable fair values for portfolio investments. In these instances, Fund management estimates fair value using its investment valuation policy as described above. Because of this inherent uncertainty, the estimated fair values of the investments may differ significantly from the values that would have been used had a ready market for the investments existed.

2. Unconditional Promises to Give

Promises to give consist of multi-year pledges received from corporate donors. The following is a schedule of promises to give as of December 31, 2007.

2008	$ 43,400
2009	25,000
Gross unconditional promises to give	68,400
Less: discounts for the time-value of money	(5,244)
allowance for uncollectible amounts	(5,500)
Unconditional promises to give, net	57,656
Less: current portion	(37,900)
Unconditional promises to give, non-current	$ 19,756

2. Unconditional Promises to Give (continued)

The following is a schedule of promises to give as of December 31, 2006.

2007	$ 375,525
2008	25,000
2009	25,000
2010	25,000
2011	-
Gross unconditional promises to give	450,525
Less: discounts for the time-value of money	(6,780)
allowance for uncollectible amounts	(64,025)
Unconditional promises to give, net	379,720
Less: current portion	(311,500)
Unconditional promises to give, non-current	$ 68,220

SPARK recognizes promises to give that are expected to be collected within one year at their net realizable value. Promises that are expected to be collected in future years are recognized at their estimated fair value. Fair value is determined by calculating the present value of the estimated future cash flows. The discount rate used in determining the net present value of multi-year promises to give was 3.22% at December 31, 2007 and 2006.

3. Property and Equipment

The components of property and equipment are as follows:

	2007	2006
Furniture & Fixtures	$ 108,458	$ 73,107
Office Equipment	122,764	88,485
Leasehold Improvements	47,046	42,546
Donated Equipment (MIED Program)	1,074,625	1,074,625
	1,352,893	1,278,763
Less accumulated depreciation	(607,079)	(201,275)
	$ 745,814	$ 1,077,488

Donated equipment for the MIED (Michigan Innovation Equipment Depot) Program consists of previously used laboratory equipment which SPARK leases to life science start-up companies throughout Michigan at significantly below-market rates as part of its mission to encourage the development of new businesses in Michigan. Lease arrangements vary by lessee and are typically for an average term of three years. Revenue under lease agreements for the years ended December 31, 2007 and 2006 was $1,700 and $5,021, respectively.

4. Michigan Pre-Seed Capital Fund Portfolio Investments

As of December 31, 2007, SPARK had Fund investments as follows:

	Cost	Valuation
Preferred Stock:		
Pixel Velocity, Inc.	$ 250,000	$ 664,380
Avidimer Therapeutics, Inc.	250,000	250,000
VENOMIX, Inc.	250,000	250,000
Functional Brands Company	250,000	250,000
	$1,000,000	$1,414,380

	Interest Rate	Cost	Valuation
Convertible Promissory Notes			
Parking Carma	8%	$ 250,000	$ 250,000
OTO Medicine	8.5%	107,000	107,000
SensiGen LLC	10%	250,000	250,000
EADevices, Inc.	9%	250,000	228,329
Danotek Motion Technologies, LLC	6%	100,000	100,000
MedElute	8%	250,000	250,000
Phrixus Pharmaceuticals	8%	100,000	100,000
XG Sciences, Inc.	8%	250,000	250,000
Hybra-Drive Systems, LLC	8%	250,000	250,000
Saleztrack	8%	250,000	250,000
RazorThreat	8%	250,000	250,000
Compendia Bioscience, Inc.	10%	250,000	250,000
Cielo MedSolutions	12%	250,000	250,000
Accord Biomaterial	8%	250,000	250,000
JADI, Inc.	8%	250,000	250,000
		3,307,000	3,285,329
Accrued unpaid interest earned		90,329	-
		$3,397,329	$3,285,329

SPARK received convertible promissory notes (the "notes") in exchange for its investments in portfolio companies. Unless earlier converted or converted upon maturity, principal and interest are due upon the earlier of (a) two to five years after the date of the note, (b) a change in control, or (c) an event of default. The notes will be converted into shares of the portfolio company's preferred stock upon the closing of a qualified financing. A qualified financing is defined as a minimum of $1 million or $2 million in new gross proceeds from investors that occurs on or before the maturity date.

Portfolio investment income consists of the following for the year ended December 31, 2007:

Interest earned, convertible promissory notes	$ 106,084
Unrealized gain, preferred stock	398,625
Unrealized loss, convertible promissory notes	(112,000)
	$ 392,709

5. Fair Value Disclosures

SPARK's Fund investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with SFAS 157. See Note 1 for a discussion of SPARK's policies regarding this hierarchy. The Fund investments of SPARK are all included in Level 3 of the fair value hierarchy because they trade infrequently or not at all, and therefore, the fair value is unobservable.

The following fair value hierarchy tables present information about SPARK's Fund investments measured at fair value on a recurring basis as of December 31, 2007:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Portfolio investments in preferred stock and convertible promissory notes	$ -	$ -	$ 4,699,709	$ 4,699,709

The following table presents changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2007:

	Beginning Balance	Principal Transactions: Investments	Interest Income and Unrealized Gains	Ending Balance
Portfolio investments in preferred stock and convertible promissory notes	$ -	$ 4,307,000	$ 392,709	$ 4,699,709

6. Line of Credit

SPARK has a revolving line of credit with a bank and may borrow up to $100,000 with interest at the bank's prime rate plus 1/2%. The bank's prime rate was 7.50% and 8.25% at December 31, 2007 and 2006, respectively. Payments of accrued interest are due and payable monthly. The note is collateralized by substantially all assets of SPARK. At December 31, 2007, the line of credit had an outstanding balance of $50,923. At December 31, 2006, no amounts were outstanding against the line of credit.

7. Net Assets

Temporarily restricted net assets at December 31, 2007 and 2006 consist of:

Promises to give, restricted for periods after December 31, 2007:	\$ 44,756
Promises to give, restricted for periods after December 31, 2006:	\$243,500

8. Defined Contribution Plans

SPARK has established a 457(b) deferred compensation plan for eligible employees of SPARK. Employees may elect to defer a certain percentage of qualified compensation through voluntary contributions to the 457(b) plan. SPARK may make discretionary contributions to the 457(b) plan as determined by the Board of Directors. SPARK did not make a contribution to the plan for the year ended December 31, 2007. SPARK contributions for the year ended December 31, 2006 were approximately \$7,000.

SPARK has also established a 401(k) defined contribution plan for eligible employees who have attained the age of 21 and completed three months of service. Employees may elect to defer a certain percentage of qualified compensation through voluntary contributions to the 401(k) plan. SPARK may make discretionary contributions to the 401(k) plan as determined by the Board of Directors. Employees eligible for employer contributions must have completed 12 months of service. SPARK contributions for the years ended December 31, 2007 and 2006 were \$34,203 and \$10,668, respectively.

9. Commitments

Total rent paid during the years ended December 31, 2007 and 2006 was \$333,412 and \$91,948, respectively. SPARK leases three office facilities (referred to as "SPARK HQ", "SPARK Central", and "MITC") , an equipment warehouse, and a wet lab incubator space. The SPARK HQ facility has a lease expiring September 30, 2012 with monthly payments of \$3,985 through October 1, 2008, increasing by approximately 3% each year thereafter. The SPARK Central facility has a lease expiring December 31, 2008. The MITC facility lease expired November 30, 2007, but was extended on a month-to-month basis through December 31, 2007, after which it was not renewed. The equipment warehouse lease expired May 31, 2007, but has continued on a month-to-month basis with monthly payments of \$1,667.

In November 2006, SPARK received a grant of \$1,000,000 from the Michigan Department of Treasury to support the expenses associated with leasing existing space to run a life sciences wet lab incubator. The terms of the grant call for an initial payment of \$375,000 followed by additional payments of \$125,000 twice a year through June 2009. Total payments of \$500,000 were received during the year ended December 31, 2007. The wet lab incubator space has a lease expiring December 30, 2010. Under this lease, SPARK receives an in-kind contribution of donated space which amounted to \$173,655 for the year ended December 31, 2007.

9. Commitments (continued)

At December 31, future minimum rentals under these leases are as follows:

Year Ending	Amount
December 31, 2008	$123,176
December 31, 2009	49,537
December 31, 2010	50,951
December 31, 2011	52,422
December 31, 2012	40,158
	$316,244

10. Rental Income

SPARK subleased space in its office facilities to three organizations during 2007. Two of the leases expired in 2007 and the third expired in April 2008.

SPARK subleases space in its wet lab incubator facility to various organizations. Currently, the subleases are for one year and call for monthly payments ranging from $1,175 to $6,318.

Total rental income under all subleases included in revenue for the years ended December 31, 2007 and 2006 was $93,224 and $28,947, respectively.

11. Concentration of Credit Risk

SPARK has cash accounts at two banks. Accounts at these financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. At December 31, 2007, cash account balances were in excess of the Federal Deposit Insurance Corporation (FDIC) coverage limit by $1,592,468.

12. Subsequent Events

a) Small Business Administration Grant

In 2008, Ann Arbor SPARK was notified that it had been approved by the Small Business Administration to receive $282,000 to support a program for economic development in Washtenaw County. The funds are earmarked to support the SPARK East business incubator, established in 2008 in Ypsilanti, Michigan.

b) Donated Property & Equipment

In 2008, Ann Arbor SPARK is receiving additional used laboratory equipment for the benefit of the Michigan Innovation Equipment Depot (MIED) Program. The total estimated value of donated equipment is expected to be approximately $2.500,000.

12. Subsequent Events (continued)

c) Contingencies

In September 2008, a funding agency conducted an audit of SPARK's compliance with the terms of SPARK's contract with the funding agency from June 2007 through June 2008. The audit identified potential timing issues involving certain match billings, which SPARK management is working to resolve. Management believes that the effects of this audit, if any, would be immaterial to the financial statements at December 31, 2007.

WGD
Wright Griffin Davis and Co.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

September 22, 2008

Board of Directors
Ann Arbor SPARK and Ann Arbor SPARK Foundation
Ann Arbor, Michigan

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Wright Griffin Davis and Co.

WRIGHT GRIFFIN DAVIS AND CO., PLLC

ANN ARBOR SPARK AND ANN ARBOR SPARK FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2007

	Ann Arbor SPARK	Ann Arbor SPARK Foundation	Eliminations	Total
CURRENT ASSETS				
Cash	$ 1,861,197	$ 65,211		$ 1,926,408
Accounts receivable				
Municipal service contracts	17,888	-		17,888
Other, net	255,386	-		255,386
Deposits	22,000	-		22,000
Prepaid expenses	11,585	-		11,585
Unconditional promises to give, current, net	35,400	2,500		37,900
Total current assets	2,203,456	67,711		2,271,167
PROPERTY AND EQUIPMENT, less accumulated depreciation	148,800	597,014		745,814
OTHER ASSETS				
Michigan Pre-Seed Capital Fund portfolio investments:				
Preferred stock	1,414,380	-		1,414,380
Convertible promissory notes	3,285,329	-		3,285,329
Unconditional promises to give, non-current	19,756	-		19,756
Total other assets	4,719,465	-		4,719,465
TOTAL ASSETS	$ 7,071,721	$ 664,725		$ 7,736,446
CURRENT LIABILITIES				
Line of credit	$ 50,923			$ 50,923
Accounts payable	62,819	$ 5,003		67,822
Accrued liabilities	260,306	1,250		261,556
Note payable in less than one year	64,286	-		64,286
Deferred revenue	1,688,750	-		1,688,750
Total current liabilities	2,127,084	6,253		2,133,337
NET ASSETS				
Unrestricted	4,899,881	658,472		5,558,353
Temporarily restricted	44,756	-		44,756
	4,944,637	658,472		5,603,109
TOTAL LIABILITIES AND NET ASSETS	$ 7,071,721	$ 664,725		$ 7,736,446

See Independent Auditors' Report on the Supplementary Information.

ANN ARBOR SPARK AND ANN ARBOR SPARK FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

	Ann Arbor SPARK			Ann Arbor SPARK Foundation				Total		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Eliminations	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT										
Revenue										
Accelerator grants and revenue	$ 6,056,232		$ 6,056,232					$ 6,056,232		$ 6,056,232
Municipal service contracts	364,938		364,938					364,938		364,938
Facility revenue	265,618		265,618					265,618		265,618
Interest income	53,291		53,291	$ 184		$ 184		53,475		53,475
Total revenue	6,740,079		6,740,079	184		184		6,740,263		6,740,263
Support										
Contributions	704,887	$ 1,536	706,423	57,179		57,179	$ (270,000)	492,066	$ 1,536	493,602
Net assets released from restriction	280	(280)	-	200,000	$ (200,000)	-	-	200,280	(200,280)	-
Total support	705,167	1,256	706,423	257,179	(200,000)	57,179	(270,000)	692,346	(198,744)	493,602
Total revenue and support	7,445,246	1,256	7,446,502	257,363	(200,000)	57,363	(270,000)	7,432,609	(198,744)	7,233,865
OPERATING EXPENSES										
Program services	2,407,180	-	2,407,180	643,217	-	643,217	(270,000)	2,780,397	-	2,780,397
Supporting services										
Management and general	934,091	-	934,091	3,883	-	3,883	-	937,974	-	937,974
Fund-raising	94,548	-	94,548	-	-	-	-	94,548	-	94,548
Total supporting services	1,028,639	-	1,028,639	3,883	-	3,883	-	1,032,522	-	1,032,522
Total operating expenses	3,435,819	-	3,435,819	647,100	-	647,100	(270,000)	3,812,919	-	3,812,919
EXCESS (DEFICIT) OF REVENUE AND SUPPORT OVER OPERATING EXPENSES	4,009,427	1,256	4,010,683	(389,737)	(200,000)	(589,737)	-	3,619,690	(198,744)	3,420,946
PORTFOLIO INVESTMENT INCOME	392,709	-	392,709	-	-	-	-	392,709	-	392,709
CHANGE IN NET ASSETS	4,402,136	1,256	4,403,392	(389,737)	(200,000)	(589,737)	-	4,012,399	(198,744)	3,813,655
NET ASSETS, beginning of period	497,745	43,500	541,245	1,048,209	200,000	1,248,209	-	1,545,954	243,500	1,789,454
NET ASSETS, end of period	$ 4,899,881	$ 44,756	$ 4,944,637	$ 658,472	$ -	$ 658,472	$ -	$ 5,558,353	$ 44,756	$ 5,603,109

See Independent Auditors' Report on the Supplementary Information.

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Charitable Trust Section
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Ann Arbor SPARK and Affiliates

Annual Financial Statements
and Auditors' Report

December 31, 2008

Table of Contents

YEO & YEO
CPAs & Business Consultants

455 E. Eisenhower Pkwy., Suite 102
Ann Arbor, MI 48108
(734) 769-1331
Fax (734) 996-3777

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Independent Auditors' Report

Management and Board of Directors
Ann Arbor SPARK and Affiliates
Ann Arbor, Michigan

We have audited the combined statement of financial position of Ann Arbor SPARK and Affiliates, (the "Organization") as of December 31, 2008 and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 combined financial statements, which were audited by other auditors, whose report thereon, dated September 22, 2008, expressed an unqualified opinion for the year ended December 31, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of December 31, 2008 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplementary information presented on pages 18 through 20 is for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Yeo & Yeo, P.C.
Ann Arbor, Michigan
May 20, 2009

Ann Arbor SPARK and Affiliates
Combined Statement of Financial Position
December 31, 2008 and 2007

	2008	2007
Current Assets		
Cash	$ 1,759,683	$ 1,926,408
Accounts receivable		
Municipal service contracts - net	20,883	17,888
Other - net	298,664	255,386
Prepaid expenses	8,493	11,585
Unconditional promises to give, current portion, net	27,500	37,900
Total current assets	2,115,223	2,249,167
Property and equipment - net	6,008,777	745,814
Other Assets		
Michigan Pre-Seed Capital Fund Portfolio Investments		
Preferred stock	1,479,694	1,414,380
Convertible promissory notes	4,396,000	3,285,329
Deposits	27,000	22,000
Prepaid insurance	74,485	-
Unconditional promises to give, net	-	19,756
Total other assets	5,977,179	4,741,465
Total assets	$ 14,101,179	$ 7,736,446
Current Liabilities and Net Assets		
Line of credit	$ 50,923	$ 50,923
Accounts payable	271,362	67,822
Accrued liabilities	163,496	261,556
Contract advance	-	64,286
Note payable	250,000	-
Deferred revenue	1,800,126	1,688,750
Total current liabilities	2,535,907	2,133,337
Net assets		
Unrestricted	11,537,772	5,558,353
Temporarily restricted	27,500	44,756
Total net assets	11,565,272	5,603,109
Total liabilities and net assets	$ 14,101,179	$ 7,736,446

See Accompanying Notes to the Financial Statements

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Ann Arbor SPARK and Affiliates
Combined Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2008
(With Comparative Totals for December 31, 2007)

	Unrestricted	Temporarily Restricted	Total 2008	Total 2007
Revenues and Support				
Revenue				
Accelerator grants and revenue	$ 5,325,740	$ -	**$ 5,325,740**	$ 6,056,232
Municipal service contracts	75,538	-	**75,538**	364,938
Facility revenue	1,041,952	-	**1,041,952**	91,963
Portfolio income (loss)	(486,810)	-	**(486,810)**	392,709
Interest income	28,986	-	**28,986**	53,475
Total revenue	5,985,406	-	**5,985,406**	6,959,317
Support				
Contributions	2,497,554	-	**2,497,554**	493,602
In-kind rent	233,004	-	**233,004**	173,655
Donated property and equipment	2,925,474	-	**2,925,474**	-
Net assets released from restriction	17,256	(17,256)	**-**	-
Total support	5,673,288	(17,256)	**5,656,032**	667,257
Total revenues and support	11,658,694	(17,256)	**11,641,438**	7,626,574
Expenses				
Program services	4,907,953	-	**4,907,953**	2,780,397
Supporting services				
Management and general	661,283	-	**661,283**	937,974
Fundraising	110,039	-	**110,039**	94,548
Total supporting services	771,322	-	**771,322**	1,032,522
Total expenses	5,679,275	-	**5,679,275**	3,812,919
Change in net assets	5,979,419	(17,256)	**5,962,163**	3,813,655
Net assets - beginning of year	5,558,353	44,756	**5,603,109**	1,789,454
Net assets - end of year	$ 11,537,772	$ 27,500	**$ 11,565,272**	$ 5,603,109

See Accompanying Notes to the Financial Statements

Ann Arbor SPARK and Affiliates
Combined Statement of Cash Flows
For the Years Ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Change in net assets	$ 5,962,163	$ 3,813,655
Items not requiring cash		
Depreciation	1,333,902	405,805
Unrealized and realized losses (gains) on investments	486,810	(376,954)
Accrued interest converted to preferred stock	-	(15,755)
Donated property and equipment	(2,925,474)	-
Changes in operating assets and liabilities		
Accounts receivable	(46,273)	(154,784)
Prepaid expenses	(71,393)	(33,586)
Unconditional promises to give	30,156	322,064
Deposits	(5,000)	-
Accounts payable	203,540	28,485
Accrued liabilities	(98,060)	103,738
Contract advance	(64,286)	(10,714)
Deferred revenue	111,376	1,680,417
Net cash provided by operating activities	4,917,461	5,762,371
Cash flows from investing activities		
Purchase of preferred stock	(292,499)	(750,000)
Redemption of convertible promissory notes	105,704	-
Purchase of common stock	(200,000)	-
Purchase of convertible promissory notes	(1,276,000)	(3,557,000)
Purchase of property and equipment	(3,671,391)	(74,131)
Net cash used in investing activities	(5,334,186)	(4,381,131)
Cash flows from financing activities		
Proceeds from note payable	250,000	75,000
Net activity on line of credit	-	50,923
Net cash provided by financing activities	250,000	125,923
Net change in cash	(166,725)	1,507,163
Cash - beginning of year	1,926,408	419,245
Cash - end of year	$ 1,759,683	$ 1,926,408
Supplemental information		
Cash paid during the year for interest	$ 3,237	$ 674
Cash interest received during the year	$ 5,704	$ 37,720
Supplemental disclosure of non-cash investing activities		
Donated property and equipment	$ 2,925,474	$ -
Conversion of promissory note and accrued interest into preferred stock in portfolio company	$ -	$ 414,380
Preferred stock received in exchange for cash	$ 95,704	$ -

See Accompanying Notes to the Financial Statements

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Ann Arbor SPARK and Affiliates
Combined Statement of Functional Expenses
For the Year Ended December 31, 2008
(With Comparative Totals for December 31, 2007)

		Supporting Services				
	Program	Management and General	Fund-Raising	Subtotal	**2008**	2007
Functional Expenses						
Personnel expenses	$ 1,283,286	$ 313,166	$ 110,039	$ 423,205	**$ 1,706,491**	$ 1,252,597
Professional services	495,212	138,256	-	138,256	**633,468**	1,224,071
Marketing	295,228	5,566	-	5,566	**300,794**	299,332
Operating expenses	1,551,919	152,701	-	152,701	**1,704,620**	631,114
Depreciation expense	1,282,308	51,594	-	51,594	**1,333,902**	405,805
	$ 4,907,953	$ 661,283	$ 110,039	$ 771,322	**$ 5,679,275**	$ 3,812,919

See Accompanying Notes to the Financial Statements

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Note 1 - Organization

Ann Arbor SPARK was formerly known as the Washtenaw Development Council. Effective August 8, 2006, Ann Arbor SPARK merged with Washtenaw Development Council. The former Washtenaw Development Council is the surviving corporation and assumed all assets, liabilities, contracts and programs of Ann Arbor Spark. The name of the surviving corporation was changed to Ann Arbor SPARK ("SPARK"). SPARK is the operating entity and is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

The Ann Arbor SPARK Foundation (the "Foundation") was formerly known as the Washtenaw Development Council Foundation. The Foundation is an affiliated 501(c)(3) nonprofit organization designed to solicit contributions and promote charitable purposes of SPARK. The Foundation is a special purpose entity formed by SPARK. The Foundation primarily provides support to SPARK, and its board of directors consists entirely of the members of SPARK's executive committee.

In October 2008, the Foundation set up an limited liability corporation called Michigan Life Science and Innovation Center (the "MLSIC") and became its sole member. The MLSIC was formed to purchase and operate a research facility in Plymouth, Michigan. This facility will house entrepreneur start up companies and wet lab facilities.

SPARK, the Foundation, and the MLSIC (collectively the "Organization") are organized to operate a centralized cooperative, publicly and privately supported economic development program that attracts, expands and retains jobs within Washtenaw County, Michigan. The Organization also provides an ongoing communication mechanism between leaders of government and the private sector to address the economic development needs of the Washtenaw County area.

Both economic interest and control exist through a majority voting interest in the Foundation's board, as defined in Statement of Position 94-3, Reporting of Related Entities by Not-for-Profit Organizations. As a result, SPARK is required to combine the results of the Foundation for its financial statements.

Contributions to the Foundation qualify as deductible charitable contributions as provided in Section 170(b) (1) (A) (VI) of the Internal Revenue Code. SPARK provides administrative support including staff time, use of facilities and other indirect expenses related to the activities of the Foundation and the MLSIC on an ongoing basis without charge.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The basic combined financials statements have been prepared in accordance with accounting principles generally accepted in the United Sates of America and in accordance with the Audit and Accounting Guide for Not-for-Profit Organizations issued by the American Institute of Certified Public Accountants.

The Organization's net assets are categorized and reported as follows:

Unrestricted Net Assets
These net assets are available for general operations and are not subject to donor-imposed restrictions.

Temporarily Restricted
These net assets are limited to uses specified by donor-imposed restrictions. When donor restrictions expire or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Permanently Restricted
These net assets would include the principal amount accepted by the Organization with the donor's stipulation that the principal be maintained in perpetuity. The Organization does not have any permanently restricted net assets as of December 31, 2008 and 2007.

Principles of Combination
The 2008 combined financial statements include the financial information of SPARK, the Foundation, and the MLSIC. The MLSIC was formed in 2008. All inter-entity balances and transactions have been eliminated.

Revenue Recognition
Under its business accelerator program, SPARK provides funding for consulting services and other development-stage costs to start-up companies in the greater Ann Arbor region. Revenue is recognized when the companies submit in writing that deliverables have been satisfactorily achieved. SPARK provides its funding under agreements which typically stipulate that the companies will repay SPARK the amount of funding within twelve months from the date of agreement and that repayment will include simple interest at prime as reported in the Wall Street Journal on the date of agreement. If a company is unable to raise funds or generate adequate cash flow to repay their obligation within twelve months, SPARK will negotiate a revised payment plan or waive the loan obligation. If a company raises a round of funding and the investors, the company and SPARK agree, the outstanding obligation and any accrued interest will convert to equity on substantially the same terms as the investors in the new round of financing.

Support Revenue
Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the restrictions. When a restriction expires, generally with the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization accounts for unconditional promises to give at fair value based on the present value of the future cash flows the Organization expects to collect.

The Organization reports gifts and pledges of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Deferred Revenue
Deferred revenue represents unearned revenues generated from the advance payments received for the Michigan Pre-Seed Capital Fund, Michigan Economic Development Corporation (MEDC), Michigan Department of Treasury, and the Michigan Strategic Fund (MSF). These revenues are earned as the terms of the grants are met.

Cash
The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash.

Accounts Receivable
Accounts receivable consist of amounts that have been expended for intended grant purposes and not yet reimbursed by the granting agency, and amounts due under the business accelerator program. Business accelerator accounts receivable are recorded at the time the client company submits in writing that contracted deliverables have been achieved. Because the repayment of business accelerator funding is contingent on future events, a reserve for 100% of the unpaid balance of these amounts, which have not begun repayment as of year-end, has been recorded in the allowance account. The amount of this allowance was $163,550 and $221,617 at December 31, 2008 and 2007, respectively.

Investments

Michigan Pre-Seed Capital Fund

In January 2007, as part of the State of Michigan's 21st Century Jobs Fund Initiative. The Organization was provided a grant in the amount of $8,000,000 by The Strategic Economic Investment and Commercialization Board (the "SEIC Board") in order to establish and manage a Michigan Pre-Seed Capital Fund (the "Fund"). The purpose of the Fund is to provide funding to high-tech start-up companies within the State of Michigan at their earliest stages. The grant is payable in five installments through December 31, 2008. Payment of each installment is contingent upon the Organization achieving certain milestones and materially complying with requirements as defined in the agreement with the SEIC Board. As of December 31, 2008, the Organization had received $7,925,000 in payments under the grant and made expenditures and investments in the amount of $7,382,533.

In October 2008, as part of the State of Michigan's 21st Century Jobs Fund Initiative, the Organization was provided an additional grant in the amount of $1,500,000 by The Michigan Economic Development Corporation ("MEDC") in order to continue to manage the Michigan Pre-Seed Capital Fund (the "Fund"). The grant has an initial payment of $500,000 and additional payments may be received upon the Organization achieving certain milestones and materially complying with requirements as defined in the agreement with the MEDC. As of December 31, 2008, the Organization had received $500,000 in payments under the grant and made expenditures and investments in the amount of $0.

Valuation of Michigan Pre-Seed Capital Fund Investments

Fund investments are recorded at fair value as determined in good faith by Fund management. Initial transaction cost is used as the best estimate of fair value at inception. Fair value is subsequently adjusted as changes in economic and other performance indicators provide. Since no public market exists for the securities, fair value is determined by taking into consideration factors such as: the cost of the securities; prices of recent significant placements of securities of the same issuer with sophisticated, unrelated new investors; subsequent developments concerning the companies to which the securities relate; any financial data and projections of such companies provided to Fund management; and such other factors as the Fund management may deem relevant. The values determined for these investments are based on available information at the time the good faith valuations are made and may not necessarily represent the amounts that might ultimately be realized, which could be higher or lower than the reported values. These investments are in high-tech start-up companies where the capital market and business environment is highly volatile. The valuation of these investments can be subject to rapid change due to business and market conditions and the valuation is therefore inherently uncertain. Because of this inherent uncertainty, the estimated fair values of the investments may differ significantly from the values that would have been used had a ready market for the investments existed. Any appreciation or depreciation of an investment's value is reported as an unrealized gain or loss in the financial statements.

Warrants of private companies are not valued due to the inherent uncertainty of such valuation.

Interest on convertible promissory notes is recognized when earned. Collectability is evaluated periodically by Fund management based on the circumstances of each company to which the notes relate and a corresponding reserve established for estimated uncollectible amounts. Accrued interest was $405,000 and $90,239 at December 31, 2008 and 2007, respectively. The allowance against the accrued interest was $135,000 and $90,239 at December 31, 2008 and 2007, respectively.

Fair value measurement - definition and hierarchy

The Organization adopted the provisions of Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS 157") for its Fund investments, effective January 1, 2007. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. SFAS 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs include the Fund management's efforts to best reflect the perceptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1

Valuations based on quoted prices in active markets for identical assets or liabilities that the Fund management has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2

Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3

Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from business to business and is affected by a wide variety of factors, including, for example, the type of business, whether the business is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Fund management in determining fair value is greatest for instruments categorized in level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy.

In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value is market-based measure liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. Fund management uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from level 1 to level 2 or Level 2 to Level 3. See Note 6 to the combined financial statements for further information about the Organization's Fund investments that are accounted for at fair value.

Property and Equipment
Property and equipment are recorded at cost when purchased, or at fair market value when received as a donation. Depreciation of property placed in service is calculated on a straight-line basis over the estimated useful lives of the assets. Property and equipment are capitalized when the cost exceeds $500. Property and equipment not meeting these criteria are expensed in the period of acquisition. The Organization estimates the useful life of its property and equipment between 3 and 40 years.

Planned Major Maintenance
The Organization uses the direct expensing method to account for planned major maintenance activities.

Long-Lived Assets
The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the Unites States of America.

Donated Materials and Services
Donated materials which have an objective measurable basis for determining fair market value have been recorded. Donated services for which the value is clearly measurable and that the Organization would otherwise need to purchase have been recorded in the combined financial statements. As discussed in Note 7, the Organization received donated equipment which amounted to $2,925,474 and $0 for the years ended December 31, 2008 and 2007, respectively. As discussed in Note 11, the Organization receives an in-kind contribution of donated space for it's wet lab facility which amounted to $233,004 and $173,655 for the years ended December 31, 2008 and 2007, respectively.

Functional Expenses
Direct identifiable expenses are charged to programs and supporting services accordingly. Occupancy costs are allocated among program and supporting service activities on the basis of square footage of the facilities and other common costs are allocated among program and supporting service activities on the basis of planned resource usage established by management.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

As further discussed above under Investments, there are no readily ascertainable fair values for portfolio investments. In these instances, Fund management estimates fair value using its investment valuation policy as described above. Because of this inherent uncertainty, the estimated air values of the investments may differ significantly from the values that would have been used had a ready market for the investments existed.

Reclassifications
Certain amounts in the prior year financial statements have been reclassified for comparative purposes to confirm to the presentation in the current year financial statements.

Comparative Financial Statements
The amounts shown for the year ended December 31, 2007 in the accompanying financial statements are included to provide a basis for comparison with 2008 and present summarized totals only. Accordingly, the 2007 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's combined financial statements for the year ended December 31, 2007, from which the summarized information was derived. MLSIC was not included in the 2007 presentation as it was not formed until October 2008.

Advertising Costs
The Organization expenses advertising production costs as they are incurred and advertising communication costs for programs the first time the advertising takes place. Advertising costs for the years ended December 31, 2008 and 2007 were $300,794 and $299,332, respectively.

Recent Accounting Pronouncements
FASB Interpretation No. FIN 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements based on the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns and whether those tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. FASB Staff Position No. FIN 48-3 permits nonpublic enterprises to, and management has elected to, defer the effective date of Interpretation 48 until fiscal years beginning after December 15, 2008.

The Organization presently recognizes income tax positions based on management's estimate of whether it is reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies.*

Note 3 - Concentrations and Credit Risks

The Organization has cash accounts at two banks. Accounts at these financial institutions are insure by the FDIC up to $250,000. At December 31, 2008, cash account balances were in excess of the FDIC coverage limit by $1,457,907.

Note 4 - Unconditional Promises to Give

Unconditional promises to give are summarized as follows at December 31:

	2008	2007
Pledges due in less than one year	$ 34,000	$ 43,400
Pledges due in one to five years	-	25,000
Total unconditional promises to give	34,000	68,400
Less: unmortized discount for present value	-	(5,244)
Less: allowance for doubtful pledges	(6,500)	(5,500)
Net unconditional promises to give	27,500	57,656
Less: current portion	(27,500)	(37,900)
Unconditional promises to give - non current	$ -	$ 19,756

The Organization recognizes promises to give that are expected to be collected within one year at their net realizable value. Promises that are expected to be collected in the future years are recognized at their estimated fair value. Fair value is determined by calculating the present value of the estimated future cash flows. The discount rate used in determining the net present value of multi-year promises to give was 0% and 3.22% at December 31, 2008 and 2007, respectively.

Note 5 - Investments

The Organization received convertible promissory notes, preferred stock or common stock in exchange for its investments in portfolio companies. Unless earlier converted or converted upon maturity, principal and interest from the promissory notes are due upon the earlier of (a) two to five years after the date of the note, (b) a change in control, or (c) an event of default. The notes will be converted into shares of the portfolio company's preferred stock upon the closing of a qualified financing. A qualified financing is defined as a minimum of $1 million or $2 million in new gross proceeds from investors that occurs on or before the maturity date.

Portfolio investment income consists of the following for the year ended December 31:

	2008	2007
Interest earned, convertible promissory notes	$ 314,671	$ 90,329
Unrealized gain, preferred stock	115,314	414,380
Realized loss, preferred stock	(250,000)	-
Realized loss, common stock	(292,499)	-
Realized gain, convertible promissory notes	5,704	-
Realized loss, convertible promissory notes	(357,000)	-
Unrealized loss, convertible promissory notes	(23,000)	(112,000)
	$ (486,810)	$ 392,709

Note 6 - Fair Value Disclosures

The Organization's Fund investments recorded at fair market value have been categorized based upon a fair value hierarchy in accordance with SFAS 157. See Note 2 for a discussion of the Organization's policies regarding this hierarchy. The Fund investments of the Organization are all included in the Level 3 of the fair value hierarchy because they trade infrequently or not at all, and therefore, the fair value is unobservable.

The following fair value hierarchy tables present information about the Organization's Fund investments measured at fair value on a recurring basis as of December 31, 2008 and 2007, respectively:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
December 31, 2008				
Portfolio investments in preferred stock, convertible promissory notes and accrued unpaid interest	$ -	$ -	$ 5,875,694	$ 5,875,694
December 31, 2007				
Portfolio investments in preferred stock and convertible promissory notes and accrued unpaid interest	$ -	$ -	$ 4,699,709	$ 4,699,709

The following table presents changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2008 and 2007, respectively:

	Beginning Balance	Principal Transactions Investments	Income and Realized and Unrealized Gains (losses)	Ending Balance
December 31, 2008				
Portfolio investments in preferred stock, convertible promissory notes and accrued unpaid interest	$ 4,699,709	$ 1,662,795	$ (486,810)	$ 5,875,694
December 31, 2007				
Portfolio investments in preferred stock and convertible promissory notes	$ -	$ 4,307,000	$ 392,709	$ 4,699,709

Note 7 - Property and Equipment

The components of property and equipment are as follows at December 31:

	2008	2007
Furniture and fixtures	$ 114,018	$ 108,458
Office equipment	172,058	122,764
Leasehold improvements	139,133	47,046
Land	1,600,000	-
Building	1,886,785	-
Donated equipment (MIED Program)	4,000,099	1,074,625
	7,912,093	1,352,893
Less accumulated depreciation	(1,903,316)	(607,079)
	$ 6,008,777	$ 745,814

Donated equipment for the MIED (Michigan Innovation Equipment Depot) Program consists of previously used laboratory equipment which the Organization leases to life science start-up companies throughout Michigan at significantly below-market rates as part of its mission to encourage the development of new businesses in Michigan. Lease agreements vary by lessee and are typically for an average term of three years. Revenue under lease agreements for the years ended December 31, 2008 and 2007 was $17,304 and $1,700, respectively.

Note 8 - Line of Credit

The Organization has a revolving line of credit with a bank and may borrow up to $100,000 with interest at the bank's prime rate plus 1/2% (3.75% at December 31, 2008). Interest accrues and is due monthly. The note is collateralized by substantially all assets of the SPARK. At December 31, 2008 and 2007, the line of credit outstanding was $50,923.

Note 9 - Note Payable

In September 2008, the Organization received a $250,000 loan from the Michigan Economic Development Corporation. This loan is at 0% interest and is due one year from the date of issuance. This loan is unsecured.

Note 10 - Retirement Plan

The Organization has established a 457(b) deferred compensation plan for eligible employees. Employees may elect to defer a certain percentage of qualified compensation through voluntary contributions to the 457(b) plan. The Organization may make discretionary contributions to the 457(b) plan as determined by the Board of Directors. The Organization did not make a contribution to the plan for the years ended December 31, 2008 and December 31, 2007, respectively.

The Organization has also established a 401(k) defined contribution plan for eligible employees who have attained the age of 21 and completed three months of service. Employees may elect to defer a certain percentage of qualified compensation through voluntary contributions to the 401(k) plan. The Organization may make discretionary contributions to the 401(k) plan as determined by the Board of Directors. Employees eligible for employer contributions must have completed 12 months of service. The Organization contributions for the years ended December 31, 2008 and 2007, were $43,942 and $34,203, respectively.

Note 11 - Commitments

Total rent paid during the years ended December 31, 2008 and 2007 was $402,344 and $306,910, respectively. The Organization leases three office facilities (referred to as "SPARK HQ", "SPARK Central", and "SPARK East"), and an equipment warehouse. The SPARK HQ facility has a lease expiring September 30, 2012, with monthly payments of $4,099 in the first year, increasing by approximately 3% each year thereafter. The SPARK Central facility has a lease expiring December 31, 2011, with payments of $6,407 in the first year, increasing by approximately 3% each year thereafter. The SPARK East facility has a 5 year lease expiring November 30, 2013, with payments of $6,225 in the first year, increasing to $6,917 for years 2-5. The equipment warehouse lease expired May 31, 2007, but has continued on a month-to-month basis with monthly payments of $1,667.

In November 2006, the Organization received a grant of $1,000,000 from the Michigan Department of Treasury to support the expenses associated with leasing existing space to run a life sciences wet lab incubator. Total payments of $500,000 were received during the years ended December 31, 2008 and December 31, 2007, respectively. The wet lab incubator space has a lease expiring December 30, 2010. Under this lease, the Organization receives an in-kind contribution of donated space which amounted to $233,004 and $173,655 for the years ended December 31, 2008 and 2007.

At December 31, future minimum rentals under these leases are as follows:

For the years ending		
2009	$	201,813
2010		212,755
2011		216,194
2012		123,158
2013		76,083
	$	830,003

Note 12 - Rental Income

The Organization subleases space in its wet lab incubator facility, SPARK Central and MLSIC to various organizations. Currently, the subleases range from month to month to 5 years. Monthly payments range from $95 to $6,371.

Total rental income under all subleases included in revenue for the years ended December 31, 2008 and 2007 was $294,793 and $91,962, respectively.

Note 13 - Related Party Transactions

The Organization received a multi-year pledge from a company who's president is also a member of the Board of Directors. The contribution was $25,000 for 2008 and 2007. The related pledge receivable outstanding as of December 31, 2008 and 2007 was $25,000 and $50,000, respectively.

The Organization incurred legal fees of $115,204 and $95,900 for the years ended December 31, 2008 and 2007, respectively. A current member of the Organization's Board of Directors is also partner of the firm which the Organization incurred the expense.

Supplementary Information

Ann Arbor SPARK and Affiliates
Schedule of Michigan Pre-Seed Capital Fund Portfolio Investments
December 31, 2008 and 2007

	2008		2007	
	Cost	Valuation	Cost	Valuation
Preferred Stock:				
Pixel Velocity Inc.	$ 250,000	$ 664,380	$ 250,000	$ 664,380
Avidimer Therapeutics Inc.	-	-	250,000	250,000
VENOMIX Inc.	250,000	269,610	250,000	250,000
Functional Brands Company	250,000	250,000	250,000	250,000
Fulcrum Composites	200,000	200,000	-	-
Ultrasound Medical Devices	-	95,704	-	-
	$ 950,000	$ 1,479,694	$ 1,000,000	$ 1,414,380

	Interest Rate	Cost	Valuation	Interest Rate	Cost	Valuation
Convertible Promissory Notes:						
Parking Carma	8%	$ 250,000	$ 250,000	8%	$ 250,000	$ 250,000
OTO Medicine	-	-	-	8.5%	107,000	107,000
SensiGen LLC	10%	250,000	250,000	10%	250,000	250,000
EADevices Inc.	-	-	-	9%	250,000	228,329
Danotek Motion Technologies LLC	-	-	-	6%	100,000	100,000
MedElute	8%	250,000	250,000	8%	250,000	250,000
Phrixus Pharmaceuticals	8%	100,000	100,000	8%	100,000	100,000
XG Sciences Inc.	8%	250,000	250,000	8%	250,000	250,000
Hybra-Drive Systems LLC	8%	250,000	250,000	8%	250,000	250,000
Saleztrack	8%	250,000	250,000	8%	250,000	250,000
RazorThreat	8%	250,000	250,000	8%	250,000	250,000
Compendia Bioscience Inc.	10%	250,000	250,000	10%	250,000	250,000
Cielo MedSolutions	12%	250,000	250,000	12%	250,000	250,000
Accord Biomaterial	8%	250,000	250,000	8%	250,000	250,000
JADI Inc.	8%	250,000	250,000	8%	250,000	250,000
ERT Systems	15%	126,000	126,000	-	-	-
Emiliem	10%	250,000	250,000	-	-	-
Global Energy	8%	250,000	250,000	-	-	-
Afid Therapeutics	8.25%	200,000	200,000	-	-	-
Armune Bioscience	8%	200,000	200,000	-	-	-
Arbor Photonics	9%	250,000	250,000	-	-	-
		4,126,000	4,126,000		3,307,000	3,285,329
Accrued unpaid interest earned		405,000	270,000		90,329	-
		$ 4,531,000	$ 4,396,000		$ 3,397,329	$ 3,285,329

Ann Arbor SPARK and Affiliates
Combining Statement of Financial Position
December 31, 2008

	Ann Arbor Spark	Ann Arbor SPARK Foundation	Michigan Life Science and Innovation Center	Eliminations	2008 Total
Current Assets					
Cash	$ 1,681,488	$ 78,195	$ -	$ -	$ 1,759,683
Accounts receivable					
Municipal service contracts - net	20,883	-	-	-	20,883
Other - net	298,664	-	-	-	298,664
Prepaid expenses	8,493	-	-	-	8,493
Unconditional promises to give, current portion, net	25,000	2,500	-	-	27,500
Total current assets	2,034,528	80,695	-	-	2,115,223
Property and equipment - net	172,939	2,348,291	3,487,547	-	6,008,777
Due from (to)	274,063	23,932	(297,995)	-	-
Other Assets					
Michigan Pre-Seed Capital Fund Portfolio Investments					
Preferred stock	1,479,694	-	-	-	1,479,694
Convertible promissory notes	4,396,000	-	-	-	4,396,000
Deposits	27,000	-	-	-	27,000
Prepaid insurance	-	-	74,485	-	74,485
Total other assets	5,902,694	-	74,485	-	5,977,179
Total assets	$ 8,384,224	$ 2,452,918	$ 3,264,037	$ -	$ 14,101,179
Current Liabilities and Net Assets					
Line of credit	$ 50,923	$ -	$ -	$ -	$ 50,923
Accounts payable	270,212	1,150	-	-	271,362
Accrued liabilities	162,246	1,250	-	-	163,496
Note payable	-	250,000	-	-	250,000
Deferred revenue	1,800,126	-	-	-	1,800,126
Total current liabilities	2,283,507	252,400	-	-	2,535,907
Net assets					
Unrestricted	6,073,217	2,200,518	3,264,037	-	11,537,772
Temporarily restricted	27,500	-	-	-	27,500
Total net assets	6,100,717	2,200,518	3,264,037	-	11,565,272
Total liabilities and net assets	$ 8,384,224	$ 2,452,918	$ 3,264,037	$ -	$ 14,101,179

Ann Arbor SPARK and Affiliates
Combining Statement of Activities
For the Year Ended December 31, 2008

	Ann Arbor SPARK			Ann Arbor SPARK Foundation	Michigan Life Science & Innovation Center		Total		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Unrestricted	Eliminations	Unrestricted	Temporarily Restricted	Total
Revenues and Support									
Revenue									
Accelerator grants and revenue	$ 5,325,740	$ -	$ 5,325,740	$ -	$ -	$ -	$ 5,325,740	$ -	$ 5,325,740
Municipal service contracts	75,538	-	75,538	-	-	-	75,538	-	75,538
Facility revenue	954,587	-	954,587	-	87,365	-	1,041,952	-	1,041,952
Portfolio income (loss)	(486,810)	-	(486,810)	-	-	-	(486,810)	-	(486,810)
Interest income	28,325	-	28,325	382	279	-	28,986	-	28,986
Total revenue	5,897,380	-	5,897,380	382	87,644	-	5,985,406	-	5,985,406
Support									
Contributions	824,554	-	824,554	1,801,000	-	(128,000)	2,497,554	-	2,497,554
In-kind rent	233,004	-	233,004	-	-	-	233,004	-	233,004
Donated property and equipment	-	-	-	2,925,474	-	-	2,925,474	-	2,925,474
Net assets released from restriction	17,256	(17,256)	-	-	-	-	17,256	(17,256)	-
Total support	1,074,814	(17,256)	1,057,558	4,726,474	-	(128,000)	5,673,288	(17,256)	5,656,032
Total revenue and support	6,972,194	(17,256)	6,954,938	4,726,856	87,644	(128,000)	11,658,694	(17,256)	11,641,438
Expenses									
Program services	3,403,536	-	3,403,536	1,308,810	323,607	(128,000)	4,907,953	-	4,907,953
Supporting services									
Management and general	661,283	-	661,283	-	-	-	661,283	-	661,283
Fundraising	110,039	-	110,039	-	-	-	110,039	-	110,039
Total supporting services	771,322	-	771,322	-	-	-	771,322	-	771,322
Total expenses	4,174,858	-	4,174,858	1,308,810	323,607	(128,000)	5,679,275	-	5,679,275
Change in net assets	2,797,336	(17,256)	2,780,080	3,418,046	(235,963)	-	5,979,419	(17,256)	5,962,163
Net assets - beginning of year	4,899,881	44,756	4,944,637	658,472	-	-	5,558,353	44,756	5,603,109
Intercompany transfers	(1,624,000)	-	(1,624,000)	(1,876,000)	3,500,000	-	-	-	-
Net assets - end of year	$ 6,073,217	$ 27,500	$ 6,100,717	$ 2,200,518	$ 3,264,037	$ -	$ 11,537,772	$ 27,500	$ 11,565,272

Ann Arbor SPARK and Affiliates

Annual Financial Statements
and Auditors' Report

December 31, 2009

Table of Contents

YEO & YEO
CPAs & Business Consultants

455 E. Eisenhower Pkwy., Suite 102
Ann Arbor, MI 48108
(734) 769-1331
Fax (734) 996-3777

Independent Auditors' Report

Management and Board of Directors
Ann Arbor SPARK and Affiliates
Ann Arbor, Michigan

We have audited the combined statement of financial position of Ann Arbor SPARK and Affiliates, (the "Organization") as of December 31, 2009 and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements, and in our report dated May 21, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of December 31, 2009, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the 2009 basic combined financial statements taken as a whole. The supplementary information as identified in the table of contents is for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
May 2, 2010

Ann Arbor SPARK and Affiliates
Combined Statement of Financial Position
December 31, 2009 and 2008

	2009	2008 As Restated
Assets		
Current Assets		
Cash	$ 1,472,539	$ 1,759,683
Accounts receivable, net	1,902,926	319,547
Prepaid expenses	3,161	8,493
Unconditional promises to give, net	6,480	777,500
Total current assets	3,385,106	2,865,223
Property and equipment, net	4,904,905	6,008,777
Investments		
Michigan Pre-Seed Capital Fund Portfolio Investments	9,099,232	5,875,694
Micro Loans	668,343	-
Total investments	9,767,575	5,875,694
Other Assets		
Deposits	37,000	27,000
Prepaid insurance	59,077	74,485
Total other assets	96,077	101,485
Total assets	$ 18,153,663	$ 14,851,179
Liabilities and Net Assets		
Current Liabilities		
Lines of credit	$ 430,000	$ 50,923
Accounts payable	340,482	271,362
Accrued liabilities	179,869	163,496
Escrow liabilities	109,914	-
Notes payable	47,991	250,000
Deferred revenue	2,306,295	1,800,126
Total current liabilities	3,414,551	2,535,907
Note payable, net of current portion	205,666	-
Net assets		
Unrestricted	14,505,150	11,537,772
Temporarily restricted	28,296	777,500
Total net assets	14,533,446	12,315,272
Total liabilities and net assets	$ 18,153,663	$ 14,851,179

See Accompanying Notes to the Financial Statements

Ann Arbor SPARK and Affiliates

Combined Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2009
(With Comparative Totals for December 31, 2008)

	Unrestricted	Temporarily Restricted	Total 2009	Total 2008 As Restated
Revenues and Support				
Program service fee revenue				
Accelerator grants and revenue	$ 4,763,852	$ -	**$ 4,763,852**	$ 4,651,963
LDFA revenue	1,056,165	-	**1,056,165**	896,794
Municipal service contracts	527,094	-	**527,094**	353,388
Facility revenue	1,123,009	-	**1,123,009**	513,745
Portfolio income (loss)	665,656	-	**665,656**	(486,810)
Gain on sale of assets	164,197	-	**164,197**	-
Interest income	8,738	-	**8,738**	28,986
Total revenue	8,308,711	-	**8,308,711**	5,958,066
Public support				
Contributions	711,915	50,000	**761,915**	3,274,894
In-kind	283,004	-	**283,004**	233,004
Donated property and equipment	-	-	-	2,925,474
Net assets released from restriction	799,204	(799,204)	-	-
Total support	1,794,123	(749,204)	**1,044,919**	6,433,372
Total revenues and support	10,102,834	(749,204)	**9,353,630**	12,391,438
Expenses				
Program services	6,368,088	-	**6,368,088**	4,907,953
Supporting services				
Management and general	655,559	-	**655,559**	661,283
Fundraising	111,809	-	**111,809**	110,039
Total supporting services	767,368	-	**767,368**	771,322
Total expenses	7,135,456	-	**7,135,456**	5,679,275
Change in net assets	2,967,378	(749,204)	**2,218,174**	6,712,163
Net assets - beginning of year	11,537,772	777,500	**12,315,272**	5,603,109
Net assets - end of year	$ 14,505,150	$ 28,296	**$ 14,533,446**	$ 12,315,272

See Accompanying Notes to the Financial Statements

Ann Arbor SPARK and Affiliates
Combined Statement of Cash Flows
For the Years Ended December 31, 2009 and 2008

	2009	2008 As Restated
Cash flows from operating activities		
Change in net assets	$ 2,218,174	$ 6,712,163
Items not requiring cash		
Depreciation	1,394,231	1,331,334
Unrealized and realized losses (gains) on investments	(665,656)	486,810
Donated property and equipment	-	(2,925,474)
Bad debt expense	24,019	-
Gain on sale of asset	(164,197)	-
Changes in operating assets and liabilities		
Accounts receivable	(1,607,398)	(46,273)
Prepaid expenses	20,740	(68,825)
Unconditional promises to give	771,020	(719,844)
Deposits	(10,000)	(5,000)
Accounts payable	69,120	203,540
Accrued liabilities	32,002	(98,060)
Escrow liabilities	109,914	-
Contract advance	-	(64,286)
Deferred revenue	506,169	111,376
Net cash provided by operating activities	2,698,138	4,917,461
Cash flows from investing activities		
Purchase of preferred stock	(550,000)	(292,499)
Redemption of convertible promissory notes	456,275	105,704
Purchase of common stock	(500,000)	(200,000)
Purchase of micro loans	(661,500)	-
Purchase of convertible promissory notes	(1,971,000)	(1,276,000)
Proceeds of sale of property and equipment	164,197	-
Purchase of property and equipment	(290,359)	(3,671,391)
Net cash used in investing activities	(3,352,387)	(5,334,186)
Cash flows from financing activities		
Proceeds from note payable	-	250,000
Payments on note payable	(11,972)	-
Net activity on line of credit	379,077	-
Net cash provided by financing activities	367,105	250,000
Net change in cash	(287,144)	(166,725)
Cash - beginning of year	1,759,683	1,926,408
Cash - end of year	$ 1,472,539	$ 1,759,683
Supplemental information		
Cash paid during the year for interest	$ 5,452	$ 3,237
Cash interest received during the year	$ 62,731	$ 5,704
Supplemental disclosure of non-cash investing activities		
Donated property and equipment	$ -	$ 2,925,474
Preferred stock received in exchange for cash	$ -	$ 95,704

See Accompanying Notes to the Financial Statements

Ann Arbor SPARK and Affiliates
Combined Statement of Functional Expenses
For the Year Ended December 31, 2009
(With Comparative Totals for December 31, 2008)

	Program	Supporting Services: Management and General	Supporting Services: Fund-Raising	Supporting Services: Subtotal	**2009**	2008
Functional Expenses						
Personnel expenses	$ 895,745	$ 355,741	$ 111,809	$ 467,550	**$ 1,363,295**	$ 1,706,491
Professional services	890,553	109,935	-	109,935	**1,000,488**	633,468
Marketing	349,089	973	-	973	**350,062**	300,794
Operating expenses	2,882,449	144,931	-	144,931	**3,027,380**	1,707,188
Depreciation expense	1,350,252	43,979	-	43,979	**1,394,231**	1,331,334
	$ 6,368,088	$ 655,559	$ 111,809	$ 767,368	**$ 7,135,456**	$ 5,679,275

See Accompanying Notes to the Financial Statements

Note 1 - Organization

Ann Arbor SPARK was formerly known as the Washtenaw Development Council. Effective August 8, 2006, Ann Arbor SPARK merged with Washtenaw Development Council. The former Washtenaw Development Council is the surviving corporation and assumed all assets, liabilities, contracts and programs of Ann Arbor Spark. The name of the surviving corporation was changed to Ann Arbor SPARK ("SPARK"). SPARK is the operating entity and is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

The Ann Arbor SPARK Foundation (the "Foundation") was formerly known as the Washtenaw Development Council Foundation, which was incorporated on June 3, 1998. The Foundation is an affiliated 501(c)(3) nonprofit organization designed to solicit contributions and promote charitable purposes of SPARK. The Foundation is a special purpose entity formed by SPARK. The Foundation primarily provides support to SPARK, and its board of directors consists entirely of the members of SPARK's executive committee.

On July 25, 2008, the Foundation incorporated a limited liability corporation called the Michigan Life Science and Innovation Center LLC ("MLSIC") and became its sole member. The MLSIC was formed to purchase and operate a research facility in Plymouth, Michigan. This facility will house entrepreneur start up companies and wet lab facilities.

SPARK, the Foundation, and the MLSIC (collectively the "Organization") are organized to operate a centralized cooperative, publicly and privately supported economic development program that attracts, expands and retains jobs within Washtenaw County, Michigan. The Organization's mission is to advance the economic development of innovation-based businesses in the Ann Arbor region by offering programs, resources, and proactive support to business at every stage, from start-ups to large organizations looking for expansion opportunities. Programs and services offered by the Organization are as follows:

- Business incubator services
- Wet lab facilities
- Entrepreneur Boot Camp Program
- Online Business Planning or Cantillon services
- Financing

Both economic interest and control exist through a majority voting interest in the Foundation's board. As a result, SPARK is required to combine the results of the Foundation for its financial statements. Contributions to the Foundation qualify as deductible charitable contributions as provided in Section 170(b) (1) (A) (VI) of the Internal Revenue Code. SPARK provides administrative support including staff time, use of facilities and other indirect expenses related to the activities of the Foundation and the MLSIC on an ongoing basis without charge.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The basic combined financials statements have been prepared in accordance with accounting principles generally accepted in the United Sates of America and in accordance with the Audit and Accounting Guide for Not-for-Profit Organizations issued by the American Institute of Certified Public Accountants.

The Organization's net assets are categorized and reported as follows:

Unrestricted Net Assets
These net assets are available for general operations and are not subject to donor-imposed restrictions.

Temporarily Restricted
These net assets are limited to uses specified by donor-imposed restrictions. When donor restrictions expire or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Permanently Restricted
These net assets would include the principal amount accepted by the Organization with the donor's stipulation that the principal be maintained in perpetuity.

Principles of Combination
The 2009 combined financial statements include the financial information of SPARK, the Foundation, and the MLSIC. All inter-entity balances and transactions have been eliminated.

Revenue Recognition
Under its business accelerator program, the Organization provides funding for consulting services and other development-stage costs to start-up companies in the greater Ann Arbor region. Revenue is recognized when the companies submit, in writing, that deliverables have been satisfactorily achieved.

The Organization provides its funding under agreements which typically stipulate that the companies will repay the Organization the amount of funding within twelve months from the date of agreement and that repayment will include simple interest at prime as reported in the Wall Street Journal on the date of agreement. If a company is unable to raise funds or generate adequate cash flow to repay their obligation within twelve months, the Organization will negotiate a revised payment plan or waive the loan obligation. If a company raises a round of funding and the investors, the company and the Organization agree, the outstanding obligation and any accrued interest will convert to equity on substantially the same terms as the investors in the new round of financing.

Support Revenue
Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the restrictions. When a restriction expires, generally with the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization accounts for unconditional promises to give at fair value based on the present value of the future cash flows the Organization expects to collect.

The Organization reports gifts and pledges of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Deferred Revenue
Deferred revenue represents unearned program service revenues generated from the advance payments received for the Michigan Pre-Seed Capital Fund, Michigan Economic Development Corporation (MEDC), Michigan Department of Treasury, and the Michigan Strategic Fund (MSF), Eastern Micro Loan Program and the LDFA Micro Loan Program. These revenues are earned as the terms of the agreements are met.

Cash
The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash.

Accounts Receivable
Accounts receivable consist of amounts that have been expended for intended grant purposes and not yet reimbursed by the granting agency, and amounts due under the business accelerator program. Business accelerator accounts receivable are recorded at the time the client company submits in writing that contracted deliverables have been achieved. Because the repayment of business accelerator funding is contingent on future events, a reserve for 100% of the unpaid balance of these amounts, which have not begun repayment as of year-end, has been recorded in the allowance account. The amount of this allowance was $187,569 and $163,550 at December 31, 2009 and 2008, respectively.

Investments

Michigan Pre-Seed Capital Fund
In January 2007, as part of the State of Michigan's 21st Century Jobs Fund Initiative. The Organization was provided a grant in the amount of $8,000,000 by The Strategic Economic Investment and Commercialization Board (the "SEIC Board") in order to establish and manage a Michigan Pre-Seed Capital Fund (the "Fund"). The purpose of the Fund is to provide funding to high-tech start-up companies within the State of Michigan at their earliest stages. The grant is payable in five installments through December 31, 2008. Payment of each installment is contingent upon the Organization achieving certain milestones and materially complying with requirements as defined in the agreement with the SEIC Board. As of December 31, 2009, the Organization had received $8,000,000 in payments under the grant and made expenditures and investments in the amount of $8,000,000.

In October 2008, as part of the State of Michigan's 21st Century Jobs Fund Initiative, the Organization was provided an additional grant in the amount of $1,500,000 by The Michigan Economic Development Corporation ("MEDC") in order to continue to manage the Fund. The grant has an initial payment of $500,000 and additional payments may be received upon the Organization achieving certain milestones and materially complying with requirements as defined in the agreement with the MEDC. As of December 31, 2009, the Organization had received $1,500,000 in payments under the grant and made expenditures and investments in the amount of $1,060,000.

In July 2009, as part of the State of Michigan's 21st Century Jobs Fund Initiative, the Organization was provided an additional grant in the amount of $6,800,000 by The Michigan Strategic Fund ("MSF") in order to continue to manage the Michigan Pre-Seed Capital Fund. The term of this grant agreement began on July 15, 2009 and end of June 30, 2012. The grant has an initial payment of $1,700,000 and additional payments may be received upon the Organization achieving certain milestones and materially complying with requirements as defined in the agreement with the MSF. As of December 31, 2009, the Organization had received $1,700,000 in payments under the grant and made expenditures and investments in the amount of $2,468,566.

Micro Loans
The $1.5 million Michigan Microloan Fund Program currently includes three distinct microloan funds. Through the Michigan Microloan Fund Program, $200,000 is available to start-ups via the Eastern Washtenaw Microloan Fund, $1 million is available through the Michigan Pre-Seed Capital Fund and $275,000 is available for companies located in the City of Ann Arbor via funding from the Ann Arbor/Ypsilanti Local Development Financing Authority (LDFA).

Microloans available through the Michigan Microloan Fund Program range from $10,000 to $50,000. To qualify, companies must be a small business located in Michigan, have the rights (ownership or license) to innovative technology, and be privately held.

Michigan Pre-Seed Capital Fund micro loans range from $10,000 to $50,000. To qualify for the micro loan program, companies must be a small business located in Michigan, have the rights (ownership or license) to innovative technology, and be privately held. Funding is to be used for the development of a business that is focused on the commercialization of technology of interest to the 21st Century Jobs Fund.

Accrued interest was $13,687 and $0 at December 31, 2009 and 2008, respectively. The allowance against the accrued interest was $6,844 and $0 at December 31, 2009 and 2008, respectively.

Valuation of Michigan Pre-Seed Capital Fund Investments and Micro Loans

Fund investments are recorded at fair value as determined in good faith by Fund management. Initial transaction cost is used as the best estimate of fair value at inception. Fair value is subsequently adjusted as changes in economic and other performance indicators provide. Since no public market exists for the securities, fair value is determined by taking into consideration factors such as: the cost of the securities; prices of recent significant placements of securities of the same issuer with sophisticated, unrelated new investors; subsequent developments concerning the companies to which the securities relate; any financial data and projections of such companies provided to Fund management; and such other factors as the Fund management may deem relevant. The values determined for these investments are based on available information at the time the good faith valuations are made and may not necessarily represent the amounts that might ultimately be realized, which could be higher or lower than the reported values. These investments are in high-tech start-up companies where the capital market and business environment is highly volatile. The valuation of these investments can be subject to rapid change due to business and market conditions and the valuation is therefore inherently uncertain. Because of this inherent uncertainty, the estimated fair values of the investments may differ significantly from the values that would have been used had a ready market for the investments existed. Any appreciation or depreciation of an investment's value is reported as an unrealized gain or loss in the financial statements.

Warrants of private companies are not valued due to the inherent uncertainty of such valuation. Interest on convertible promissory notes is recognized when earned. Collectability is evaluated periodically by Fund management based on the circumstances of each company to which the notes relate and a corresponding reserve established for estimated uncollectible amounts. Accrued interest was $596,781 and $238,712 at December 31, 2009 and 2008, respectively. The allowance against the accrued interest was $228,760 and $135,000 at December 31, 2009 and 2008, respectively.

Fair value measurement - definition and hierarchy

The Organization adopted the provisions of *Fair Value Measurements* for its Fund investments, effective January 1, 2007. Fair Value Measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. Fair Value Measurements establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs include the Fund management's efforts to best reflect the perceptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1
Valuations based on quoted prices in active markets for identical assets or liabilities that the Fund management has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2
Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3
Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from business to business and is affected by a wide variety of factors, including, for example, the type of business, whether the business is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Fund management in determining fair value is greatest for instruments categorized in level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy.

In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value is market-based measure liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. Fund management uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from level 1 to level 2 or Level 2 to Level 3. See Note 6 to the combined financial statements for further information about the Organization's Fund investments that are accounted for at fair value.

Property and Equipment
Property and equipment are recorded at cost when purchased, or at fair market value when received as a donation. Depreciation of property placed in service is calculated on a straight-line basis over the estimated useful lives of the assets. Property and equipment are capitalized when the cost exceeds $1,000. Property and equipment not meeting these criteria are expensed in the period of acquisition. The Organization estimates the useful life of its property and equipment between 3 and 40 years.

Planned Major Maintenance
The Organization uses the direct expensing method to account for planned major maintenance activities.

Long-Lived Assets
The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the Unites States of America.

Functional Expenses
Direct identifiable expenses are charged to programs and supporting services accordingly. Occupancy costs are allocated among program and supporting service activities on the basis of square footage of the facilities and other common costs are allocated among program and supporting service activities on the basis of planned resource usage established by management.

Donated Materials and Services
Donated materials which have an objective measurable basis for determining fair market value have been recorded. Donated services for which the value is clearly measurable and that the Organization would otherwise need to purchase have been recorded in the combined financial statements. As discussed in Note 7, the Organization received donated equipment which amounted to $0 and $2,925,474 for the years ended December 31, 2009 and 2008, respectively. As discussed in Note 11, the Organization receives an in-kind contribution of donated space for its wet lab facility and other services which amounted to $283,004 and $233,004 for the years ended December 31, 2009 and 2008, respectively.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

As further discussed above under Investments, there are no readily ascertainable fair values for portfolio investments. In these instances, Fund management estimates fair value using its investment valuation policy as described above. Because of this inherent uncertainty, the estimated air values of the investments may differ significantly from the values that would have been used had a ready market for the investments existed.

Comparative Financial Statements
The amounts shown for the year ended December 31, 2008, in the accompanying financial statements are included to provide a basis for comparison with 2009 and present summarized totals only. Accordingly, the 2008 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's combined financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Marketing Costs
The Organization expenses marketing production costs as they are incurred and marketing communication costs for programs the first time the marketing takes place. Marketing costs for the years ended December 31, 2009 and 2008, were $350,062 and $300,794, respectively.

Income tax status
SPARK, is classified as a Section 501(c)(6) organization under the Federal Internal Revenue Code, and is exempt from federal and state income taxes. The Foundation, is classified as a Section 501(c)(3) organization under the Federal Internal Revenue Code, and is exempt from federal and state income taxes. MLSIC is incorporated as a limited liability corporation whose sole member is the Foundation. Under the Federal Internal Revenue Code, MLSIC is treated as a disregarded entity and is exempt from federal and state income taxes.

The Organization files informational returns in the U.S. federal jurisdiction. The statute of limitations is generally three years for federal returns.

Subsequent Events
Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Reclassifications
Certain amounts in the prior year financial statements have been reclassified for comparative purposes to confirm to the presentation in the current year financial statements.

Note 3 - Concentrations and Credit Risks

The Organization has cash accounts at various local banks. Accounts at these financial institutions are insured by the FDIC up to $250,000. At December 31, 2009, cash account balances were in excess of the FDIC coverage limit by $954,353.

Note 4 - Unconditional Promises to Give

Unconditional promises to give are summarized as follows at December 31:

	2009	2008 As Restated
Unconditional promises to give	$ 6,480	$ 784,000
Less allowance for doubtful accounts	-	(6,500)
Unconditional promises to give, net	$ 6,480	$ 777,500

The Organization recognizes promises to give that are expected to be collected within one year at their net realizable value. Promises that are expected to be collected in the future years are recognized at their estimated fair value. All of the Organization's promises to give as of December 31, 2009 and 2008 are due within one year.

Note 5 - Investments

The Organization received convertible promissory notes, preferred stock or common stock in exchange for its investments in portfolio companies. Unless earlier converted, or converted upon maturity, principal and interest from the promissory notes are due upon the earlier of (a) two to five years after the date of the note, (b) a change in control, or (c) an event of default. The notes will be converted into shares of the portfolio company's preferred stock upon the closing of a qualified financing. A qualified financing is defined as a minimum of $1 million or $2 million in new gross proceeds from investors that occurs on or before the maturity date.

Investments consist of the following at December 31, 2009 and 2008, respectively:

	2009	2008
Preferred stock	$ 2,304,762	$ 1,479,694
Common stock	1,320,541	-
Convertible promissory notes	5,473,929	4,396,000
	$ 9,099,232	$ 5,875,694

Portfolio investment income (loss) consists of the following for the years ended December 31:

	2009	2008
Interest earned, convertible promissory notes	$ 108,578	$ 314,671
Interest earned, micro loans	6,843	-
Unrealized gain, preferred stock	25,068	115,314
Realized loss, preferred stock	-	(250,000)
Unrealized gain, common stock	320,541	-
Realized loss, common stock	-	(292,499)
Realized gain, convertible promissory notes	42,222	5,704
Realized loss, convertible promissory notes	-	(357,000)
Unrealized gain, convertible promissory notes	162,404	-
Unrealized loss, convertible promissory notes	-	(23,000)
	$ 665,656	$ (486,810)

Note 6 - Fair Value Disclosures

The Organization's Fund investments recorded at fair market value have been categorized based upon a fair value hierarchy. See Note 2 for a discussion of the Organization's policies regarding this hierarchy. The Fund investments of the Organization are all included in the Level 3 of the fair value hierarchy because they trade infrequently or not at all, and therefore, the fair value is unobservable.

The following fair value hierarchy tables present information about the Organization's Fund investments measured at fair value on a recurring basis as of December 31, 2009 and 2008:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
December 31, 2009				
Michigan Pre-Seed Capital Fund Portfolio Investments	$ -	$ -	$ 9,099,232	$ 9,099,232
Micro loans	-	-	668,343	668,343
Total	$ -	$ -	$ 9,767,575	$ 9,767,575

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
December 31, 2008				
Michigan Pre-Seed Capital Fund Portfolio Investments	$ -	$ -	$ 5,875,694	$ 5,875,694

Total assets at fair value classified within level 3 were $9,767,575 and $5,875,694, as of December 31, 2009 and 2008, which consists of Michigan Pre-Seed Capital Fund Portfolio Investments and Micro Loans. Such amounts were approximately 54% and 40% of total assets on the Organization's statement of net assets available as of December 31, 2009 and 2008, respectively.

Level 3 Gains and Losses

The following table presents changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2009 and 2008:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	2009	2008
Balance at January 1,	$ 5,875,694	$ 4,699,709
Purchase of preferred stock	550,000	200,000
Purchase of common stock	500,000	292,499
Purchase of promissory notes	1,971,000	1,276,000
Purchase of micro loans	661,500	-
Net investment gain or (loss)	665,656	(486,810)
Cash received	(456,275)	(105,704)
Balance at December 31,	$ 9,767,575	$ 5,875,694

Note 7 - Property and Equipment

The components of property and equipment are as follows at December 31:

	2009	2008
Furniture and fixtures	**$ 135,134**	$ 114,018
Office equipment	**416,632**	172,058
Leasehold improvements	**163,804**	139,133
Land	**1,600,000**	1,600,000
Building	**1,886,785**	1,886,785
Donated equipment (MIED Program)	**3,835,901**	4,000,099
	8,038,256	7,912,093
Less accumulated depreciation	**(3,133,351)**	(1,903,316)
	$ 4,904,905	$ 6,008,777

Depreciation expense was $1,394,231 and $1,331,334 for the years ended December 31, 2009 and 2008, respectively.

Donated equipment for the MIED (Michigan Innovation Equipment Depot) Program consists of previously used laboratory equipment which the Organization leases to life science start-up companies throughout Michigan at significantly below-market rates as part of its mission to encourage the development of new businesses in Michigan. Lease agreements vary by lessee and are typically for an average term of three years. Revenue under lease agreements for the years ended December 31, 2009 and 2008 was $1,321 and $17,304, respectively.

Note 8 - Lines of Credit

SPARK has a revolving line of credit with a bank and may borrow up to $200,000 with interest at the bank's prime rate (4.25% at December 31, 2009). Interest accrues and is due monthly. The note is collateralized by substantially all assets of SPARK. At December 31, 2009 and 2008, the line of credit outstanding was $0 and $50,923, respectively.

MLSIC has a revolving line of credit with a bank and may borrow up to $550,000 with interest at the bank's prime rate (4.25% at December 31, 2009). Interest accrues and is due monthly. The note is collateralized by substantially all assets of MLSIC. This line of credit expires June 25, 2011. At December 31, 2009 and 2008, the line of credit outstanding was $430,000 and $0, respectively.

Note 9 - Note Payable

Note payable consisted of the following at December 31:

	2009	2008
Note payable, unsecured, requiring monthly installments of $4,954, including interest at 5%, through September 2014.	$ 253,657	$ 250,000
Less current portion	47,991	-
Long term portion	$ 205,666	$ 250,000

The terms of the note payable stipulated that if not paid back within one year, accrued interest of 5% would be added to the face of the note. As of September 1, 2009, the face value of the note payable increased to $262,500.

Maturities of the note payable are as follows:

Year ending December 31	
2010	$ 47,991
2011	50,446
2012	53,027
2013	55,740
2014	46,453
	$ 253,657

Interest expense was $22,270 and $3,237 for the years ended December 31, 2009 and 2008, respectively.

Note 10 - Retirement Plan

The Organization has established a 457(b) deferred compensation plan for eligible employees. Employees may elect to defer a certain percentage of qualified compensation through voluntary contributions to the 457(b) plan. The Organization may make discretionary contributions to the 457(b) plan as determined by the Board of Directors. The Organization did not make a contribution to the plan for the years ended December 31, 2009 and December 31, 2008, respectively.

The Organization has also established a 401(k) defined contribution plan for eligible employees who have attained the age of 21 and completed three months of service. Employees may elect to defer a certain percentage of qualified compensation through voluntary contributions to the 401(k) plan. The Organization may make discretionary contributions to the 401(k) plan as determined by the Board of Directors. In order to be eligible for matching contributions, employees must be making contributions to the Plan. The Organization contributions for the years ended December 31, 2009 and 2008, were $38,174 and $43,942, respectively.

Note 11 - Commitments

Total rent paid during the years ended December 31, 2009 and 2008 was $462,428 and $402,344, respectively. The Organization leases three office facilities (referred to as "SPARK HQ", "SPARK Central", and "SPARK East"), and an equipment warehouse. The SPARK HQ facility has a lease expiring September 30, 2012, with monthly payments of $4,099 in the first year, increasing by approximately 3% each year thereafter. The SPARK Central facility has a lease expiring December 31, 2011, with payments of $6,407 in the first year, increasing by approximately 3% each year thereafter. The SPARK East facility has a 5 year lease expiring November 30, 2013, with payments of $6,225 in the first year, increasing to $6,917 for years 2-5. The equipment warehouse lease expired May 31, 2007, but has continued on a month-to-month basis with monthly payments of $1,667.

In November 2006 the Organization received a grant associated with leasing existing space to run a life sciences wet lab incubator. The wet lab incubator space has a lease expiring December 30, 2010. Under this lease, the Organization receives an in-kind contribution of donated space, which amounted to $233,004 for the years ended December 31, 2009 and 2008.

At December 31, future minimum rentals under these leases are as follows:

For the years ending		
2010	$	212,755
2011		216,194
2012		123,158
2013		76,083
	$	628,190

Note 12 - Rental Income

The Organization subleases space in its wet lab incubator facility, SPARK Central, SPARK East and MLSIC to various organizations. Currently, the subleases range from month to month to 4 years. Monthly payments range from $95 to $6,371. The following is a schedule by years of future minimum rental income under the leases at December 31, 2009.

For the years ending	
2010	$ 460,982
2011	152,207
2012	112,019
2013	92,636
2014	42,428
	$ 860,272

Total rental income under all subleases included in revenue for the years ended December 31, 2009 and 2008 was $824,636 and $294,793, respectively.

Note 13 - Temporary Restricted Net Assets

	2009	2008 As Restated
New Economy Initiative Grant	$ -	$ 750,000
Ann Arbor Community Foundation Grant	**21,816**	-
Other	**6,480**	27,500
	$ 28,296	$ 777,500

Note 14 - Related Party Transactions

The Organization received a multi-year pledge from a company who's president is also a member of the Organization's Administrative Committee. The related pledge receivable outstanding as of December 31, 2009 and 2008 was $0 and $25,000, respectively.

The Organization incurred legal fees of $70,524 and $115,204 for the years ended December 31, 2009 and 2008, respectively. A current member of the Organization's Administrative Committee is also a partner of the firm with which the Organization incurred the expense.

Note 15 - Conditional Promises to Give

The Organization is aware of certain local entities who have indicated they would provide support in future years, but dependent on their own financial resources. This determination will be made each year by the donor. Since these pledges do not meet the criteria for revenue recognition under accounting principles generally accepted in the United States of America, they are not reflected as contributions in the statement of activities until the pledges are collected. Total conditional intentions to give as of December 31, 2009, totaled $564,500.

Note 16 - Prior Period Adjustment

In 2009, the Organization determined that an unconditional promise to give of $750,000 by a foundation existed at December 31, 2008, and therefore should have been recorded as a pledge. This prior period adjustment has increased unconditional promises to give and contribution revenue by $750,000 for fiscal year 2008.

	December 31, 2008	
	As previously reported	Restated
Unconditional promises to give, net	$ 27,500	$ 777,500
Contributions	2,524,894	3,274,894
Total net assets - end of year	11,565,272	12,315,272
Change in net assets	5,962,163	6,712,163

Supplementary Information

Ann Arbor SPARK and Affiliates
Schedule of Michigan Pre-Seed Capital Fund Portfolio Investments
December 31, 2009 and 2008

	2009 Cost	2009 Valuation	2008 Cost	2008 Valuation
Preferred Stock:				
Pixel Velocity Inc.	$ 250,000	$ 664,380	$ 250,000	$ 664,380
Arbor Photonics	250,000	275,068	-	-
Vestaron Inc.	250,000	269,610	250,000	269,610
Functional Brands Company	250,000	250,000	250,000	250,000
Fulcrum Composites	200,000	200,000	200,000	200,000
Michelle's Miracle, Inc.	250,000	250,000	-	-
Nymirum	250,000	250,000	-	-
Epsilon/Ultrasound Medical Devices	50,000	145,704	-	95,704
	$ 1,750,000	$ 2,304,762	$ 950,000	$ 1,479,694

	2009 Cost	2009 Valuation	2008 Cost	2008 Valuation
Common Stock:				
Sequenom	$ 250,000	$ 237,984	$ -	$ -
XG Sciences Inc.	250,000	290,058	-	-
3IS	92,499	92,499	92,499	-
Aursos	200,000	200,000	200,000	-
SenSounds, LLC	250,000	250,000	-	-
Biotectix, LLC	250,000	250,000	-	-
	$ 1,292,499	$ 1,320,541	$ 292,499	$ -

	2009 Interest Rate	2009 Cost	2009 Valuation	2008 Interest Rate	2008 Cost	2008 Valuation
Convertible Promissory Notes:						
Parking Carma	8.00%	$ 250,000	$ 250,000	8.00%	$ 250,000	$ 250,000
XG Sciences Inc.	-	-	-	8.00%	250,000	250,000
OTO Medicine	8.50%	107,000	116,404	8.50%	107,000	-
SensiGen LLC	-	-	-	10.00%	250,000	250,000
Phrixus Pharmaceuticals	8.00%	100,000	100,000	8.00%	100,000	100,000
MedElute	8.00%	250,000	250,000	8.00%	250,000	250,000
Hybra-Drive Systems LLC	-	-	-	8.00%	250,000	250,000
Saleztrack	8.00%	250,000	250,000	8.00%	250,000	250,000
Arbor Photonics	-	-	-	9.00%	250,000	250,000
RazorThreat	8.00%	250,000	250,000	8.00%	250,000	250,000
Compendia Bioscience Inc.	10.00%	106,456	106,456	10.00%	250,000	250,000
Cielo MedSolutions	12.00%	250,000	296,000	12.00%	250,000	250,000
Accord Biomaterial	8.00%	250,000	250,000	8.00%	250,000	250,000
JADI Inc.	8.00%	250,000	250,000	8.00%	250,000	250,000
ERT Systems	15.00%	126,000	126,000	15.00%	126,000	126,000
Emiliem	10.00%	250,000	250,000	10.00%	250,000	250,000
Global Energy	8.00%	250,000	250,000	8.00%	250,000	250,000
Afid Therapeutics	8.25%	200,000	200,000	8.25%	200,000	200,000
Armune Bioscience	8.00%	200,000	200,000	8.00%	200,000	200,000
Creative Byline	7.00%	180,000	180,000	-	-	-
White Pine Systems	6.25%	225,000	225,000	-	-	-
RealKidz, Inc.	10.00%	142,000	142,000	-	-	-
OcuSciences, Inc.	10.00%	250,000	250,000	-	-	-
3D Biomatrix	8.00%	250,000	250,000	-	-	-
Mandy & Pandy	10.00%	244,000	244,000	-	-	-
Axenic Dental	8.00%	250,000	250,000	-	-	-
Algal Scientific	8.00%	180,000	180,000	-	-	-
RealBio Technology	10.00%	250,000	250,000	-	-	-
		5,060,456	5,115,860		4,233,000	4,126,000
Accrued unpaid interest earned		596,781	358,069		405,000	270,000
		$ 5,657,237	$ 5,473,929		$ 4,638,000	$ 4,396,000
Total		$ 8,699,736	$ 9,099,232		$ 5,880,499	$ 5,875,694

Ann Arbor SPARK and Affiliates
Schedule of Micro Loans
December 31, 2009

	Interest Rate	2009 Cost	2009 Valuation
Micro Loans:			
Allinova	12%	$ 10,000	$ 10,000
MemCatch	12%	25,000	25,000
Procuit, Inc.	12%	30,000	30,000
The Whole Bain Group	12%	50,000	50,000
New Eagle	12%	39,000	39,000
RealKidz	12%	50,000	50,000
Advanced Battery Concepts	12%	50,000	50,000
Behoztech, Inc.	12%	40,000	40,000
CTC Holdings	12%	45,000	45,000
Diesel Reformer	12%	50,000	50,000
Motor City Wipers	12%	50,000	50,000
RealBio Technology, Inc.	12%	37,500	37,500
Research Essential Services	12%	50,000	50,000
Solarflex	12%	35,000	35,000
FreeStride Therapeutics, Inc.	12%	50,000	50,000
		$ 611,500	$ 611,500
Accrued unpaid interest earned		13,687	6,843
		$ 625,187	$ 618,343

Ann Arbor SPARK and Affiliates
Combining Statement of Financial Position
December 31, 2009

	Ann Arbor Spark	Ann Arbor SPARK Foundation	Michigan Life Science and Innovation Center LLC	Eliminations	2009 Total
Assets					
Current Assets					
Cash	$ 1,389,069	$ 8,128	$ 75,342	$ -	$ 1,472,539
Accounts receivable, net	1,604,106	-	298,820	-	1,902,926
Prepaid expenses	3,161	-	-	-	3,161
Unconditional promises to give, net	6,480	-	-	-	6,480
Total current assets	3,002,816	8,128	374,162	-	3,385,106
Property and equipment, net	157,474	1,134,328	3,613,103	-	4,904,905
Due from (to)	187,689	105,376	(293,065)	-	-
Investments					
Michigan Pre-Seed Capital Fund Portfolio Investments	9,099,232	-	-	-	9,099,232
Micro loans	668,343	-	-		668,343
Total investments	9,767,575	-	-	-	9,767,575
Other Assets					
Deposits	37,000	-	-	-	37,000
Prepaid insurance	-	-	59,077	-	59,077
Total other assets	37,000	-	59,077	-	96,077
Total assets	$ 13,152,554	$ 1,247,832	$ 3,753,277	$ -	$ 18,153,663
Liabilities and Net Assets					
Current Liabilities					
Lines of credit	$ -	$ -	$ 430,000	$ -	$ 430,000
Accounts payable	110,556	1,150	228,776	-	340,482
Accrued liabilities	128,859	1,250	49,760	-	179,869
Escrow liabilities	109,914	-	-	-	109,914
Note payable	-	47,991	-	-	47,991
Deferred revenue	2,306,295	-	-	-	2,306,295
Total current liabilities	2,655,624	50,391	708,536	-	3,414,551
Note payable, net of current portion	-	205,666	-	-	205,666
Net assets					
Unrestricted	10,468,634	991,775	3,044,741	-	14,505,150
Temporarily restricted	28,296	-	-	-	28,296
Total net assets	10,496,930	991,775	3,044,741	-	14,533,446
Total liabilities and net assets	$ 13,152,554	$ 1,247,832	$ 3,753,277	$ -	$ 18,153,663

Ann Arbor SPARK and Affiliates
Combining Statement of Activities
For the Year Ended December 31, 2009

	Ann Arbor SPARK			Ann Arbor SPARK Foundation	Michigan Life Science & Innovation Center LLC				Total		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Unrestricted	Temporarily Restricted	Total	Eliminations	Unrestricted	Temporarily Restricted	Total
Revenues and Support											
Program service fee revenue											
Accelerator grants and revenue	$ 4,516,657	$ -	$ 4,516,657	$ -	$ 247,195	$ -	$ 247,195	$ -	$ 4,763,852	$ -	$ 4,763,852
LDFA revenue	1,056,165	-	1,056,165	-	-	-	-	-	1,056,165	-	1,056,165
Municipal service contracts	527,094	-	527,094	-	-	-	-	-	527,094	-	527,094
Facility revenue	502,407	-	502,407	-	697,602	-	697,602	(77,000)	1,123,009	-	1,123,009
Portfolio income (loss)	665,656	-	665,656		-	-	-	-	665,656	-	665,656
Gain on sale of assets	-	-	-	164,197	-	-	-	-	164,197	-	164,197
Interest income	8,687	-	8,687	51	-	-	-	-	8,738	-	8,738
Total revenue	7,276,666	-	7,276,666	164,248	944,797	-	944,797	(77,000)	8,308,711	-	8,308,711
Public Support											
Contributions	721,700	50,000	771,700	173,000	19,215	-	19,215	(202,000)	711,915	50,000	761,915
In-kind	283,004	-	283,004	-	-	-	-	-	283,004	-	283,004
Donated property and equipment	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restriction	49,204	(49,204)	-	-	750,000	(750,000)	-	-	799,204	(799,204)	-
Total support	1,053,908	796	1,054,704	173,000	769,215	(750,000)	19,215	(202,000)	1,794,123	(749,204)	1,044,919
Total revenue and support	8,330,574	796	8,331,370	337,248	1,714,012	(750,000)	964,012	(279,000)	10,102,834	(749,204)	9,353,630
Expenses											
Program services	3,167,789	-	3,167,789	1,545,991	1,933,308	-	1,933,308	(279,000)	6,368,088	-	6,368,088
Supporting services											
Management and general	655,559	-	655,559	-	-	-	-	-	655,559	-	655,559
Fundraising	111,809	-	111,809	-	-	-	-	-	111,809	-	111,809
Total supporting services	767,368	-	767,368	-	-	-	-	-	767,368	-	767,368
Total expenses	3,935,157	-	3,935,157	1,545,991	1,933,308	-	1,933,308	(279,000)	7,135,456	-	7,135,456
Change in net assets	4,395,417	796	4,396,213	(1,208,743)	(219,296)	(750,000)	(969,296)	-	2,967,378	(749,204)	2,218,174
Net assets - beginning of year	6,073,217	27,500	6,100,717	2,200,518	3,264,037	750,000	4,014,037	-	11,537,772	777,500	12,315,272
Intercompany transfers	-	-	-	-	-	-	-	-	-	-	-
Net assets - end of year	$ 10,468,634	$ 28,296	$ 10,496,930	$ 991,775	$ 3,044,741	$ -	$ 3,044,741	$ -	$ 14,505,150	$ 28,296	$ 14,533,446

Ann Arbor SPARK and Affiliates

Annual Financial Statements
and Auditors' Report

December 31, 2010

Table of Contents

YEO & YEO
CPAs & Business Consultants

455 E. Eisenhower Pkwy., Suite 102
Ann Arbor, MI 48108
(734) 769-1331
Fax (734) 996-3777

Independent Auditors' Report

Management and Board of Directors
Ann Arbor SPARK and Affiliates
Ann Arbor, Michigan

We have audited the combined statement of financial position of Ann Arbor SPARK and Affiliates, (the "Organization") as of December 31, 2010 and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements, and in our report dated May 2, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of December 31, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the 2010 basic combined financial statements taken as a whole. The supplementary information as identified in the table of contents is for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Yeo & Yeo, P.C.
Ann Arbor, Michigan
April 22, 2011

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Ann Arbor SPARK and Affiliates
Combined Statement of Financial Position
December 31, 2010 and 2009

	2010	2009
Assets		
Current Assets		
Cash	$ 551,228	$ 487,436
Restricted Cash	773,564	985,103
Accounts receivable, net	1,579,535	1,902,926
Prepaid expenses	21,919	3,161
Unconditional promises to give, net	42,739	6,480
Total current assets	2,968,985	3,385,106
Property and equipment, net	3,733,585	4,904,905
Investments		
Michigan Pre-Seed Capital Fund Portfolio Investments	11,106,643	9,099,232
Micro Loans	1,771,850	668,343
Total investments	12,878,493	9,767,575
Other Assets		
Deposits	37,000	37,000
Prepaid insurance	43,665	59,077
Total other assets	80,665	96,077
Total assets	$ 19,661,728	$ 18,153,663
Liabilities and Net Assets		
Current Liabilities		
Lines of credit	$ 510,000	$ 430,000
Accounts payable	403,149	340,482
Accrued liabilities	207,404	179,869
Escrow liabilities	-	109,914
Notes payable	40,020	47,991
Deferred revenue	501,846	2,306,295
Total current liabilities	1,662,419	3,414,551
Note payable, net of current portion	202,186	205,666
Net assets		
Unrestricted	17,797,123	14,505,150
Temporarily restricted	-	28,296
Total net assets	17,797,123	14,533,446
Total liabilities and net assets	$ 19,661,728	$ 18,153,663

See Accompanying Notes to the Financial Statements

Ann Arbor SPARK and Affiliates
Combined Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2010
(With Comparative Totals for December 31, 2009)

	Unrestricted	Temporarily Restricted	Total 2010	Total 2009
Revenues and Support				
Program service fee revenue				
Accelerator grants and revenue	$ 4,694,043	$ -	$ **4,694,043**	$ 4,763,852
LDFA revenue	1,284,319	-	**1,284,319**	1,056,165
Municipal service contracts	549,388	-	**549,388**	527,094
Facility revenue	1,455,905	-	**1,455,905**	1,123,009
Portfolio income (loss)	(59,251)	-	**(59,251)**	665,656
Gain (loss) on sale of fixed assets	-	-	-	164,197
Interest income	10,233	-	**10,233**	8,738
Total revenue	7,934,637	-	**7,934,637**	8,308,711
Public support				
Contributions	2,184,466	-	**2,184,466**	761,915
In-kind	304,254	-	**304,254**	283,004
Net assets released from restriction	28,296	(28,296)	-	-
Total support	2,517,016	(28,296)	**2,488,720**	1,044,919
Total revenues and support	10,451,653	(28,296)	**10,423,357**	9,353,630
Expenses				
Program services	6,488,349	-	**6,488,349**	6,368,088
Supporting services				
Management and general	621,787	-	**621,787**	655,559
Fundraising	49,544	-	**49,544**	111,809
Total supporting services	671,331	-	**671,331**	767,368
Total expenses	7,159,680	-	**7,159,680**	7,135,456
Change in net assets	3,291,973	(28,296)	**3,263,677**	2,218,174
Net assets - beginning of year	14,505,150	28,296	**14,533,446**	12,315,272
Net assets - end of year	$ 17,797,123	$ -	$ **17,797,123**	$ 14,533,446

Ann Arbor SPARK and Affiliates
Combined Statement of Cash Flows
For the Years Ended December 31, 2010 and 2009

		2010		2009
Cash flows from operating activities				
Change in net assets	$	3,263,677	$	2,218,174
Items not requiring cash				
Depreciation		1,171,320		1,394,231
Losses (gains) on investments		91,609		(665,656)
Bad debt expense		6,496		24,019
Loss (gain) on sale of fixed asset		-		(164,197)
Changes in operating assets and liabilities				
Accounts receivable		316,895		(1,607,398)
Prepaid expenses		(18,758)		20,740
Unconditional promises to give		(36,259)		771,020
Deposits		-		(10,000)
Prepaid insurance		15,412		-
Accounts payable		62,667		69,120
Accrued liabilities		27,535		32,002
Escrow liabilities		(109,914)		109,914
Deferred revenue		(1,804,449)		506,169
Net cash provided by operating activities		2,986,231		2,698,138
Cash flows from investing activities				
Redemption of convertible promissory notes		507,173		456,275
Redemption of micro loans		17,300		-
Purchase of preferred stock		(250,000)		(550,000)
Purchase of common stock		(500,000)		(500,000)
Purchase of micro loans		(1,102,000)		(661,500)
Purchase of convertible promissory notes		(1,875,000)		(1,971,000)
Proceeds of sale of property and equipment		-		164,197
Purchase of property and equipment		-		(290,359)
Net cash used in investing activities		(3,202,527)		(3,352,387)
Cash flows from financing activities				
Payments on note payable		(11,451)		(11,972)
Net activity on line of credit		80,000		379,077
Net cash provided by financing activities		68,549		367,105
Net change in cash		(147,747)		(287,144)
Cash - beginning of year		1,472,539		1,759,683
Cash - end of year	$	1,324,792	$	1,472,539
Supplemental information				
Cash paid during the year for interest	$	36,723	$	5,452
Cash interest received during the year	$	56,278	$	62,731

See Accompanying Notes to the Financial Statements

Ann Arbor SPARK and Affiliates
Combined Statement of Functional Expenses
For the Year Ended December 31, 2010
(With Comparative Totals for December 31, 2009)

		Supporting Services				
	Program	Management and General	Fund-Raising	Subtotal	**2010**	2009
Functional Expenses						
Personnel expenses	$ 1,381,409	$ 331,544	$ 49,544	$ 381,088	**$ 1,762,497**	$ 1,642,295
Professional services	617,198	85,219	-	85,219	**702,417**	1,000,488
Marketing	354,565	7,436	-	7,436	**362,001**	350,062
Operating expenses	3,000,608	160,837	-	160,837	**3,161,445**	2,748,380
Depreciation expense	1,134,569	36,751	-	36,751	**1,171,320**	1,394,231
	$ 6,488,349	$ 621,787	$ 49,544	$ 671,331	**$ 7,159,680**	$ 7,135,456

See Accompanying Notes to the Financial Statements

Note 1 - Organization

Ann Arbor SPARK was formerly known as the Washtenaw Development Council. Effective August 8, 2006, Ann Arbor SPARK merged with Washtenaw Development Council. The former Washtenaw Development Council is the surviving corporation and assumed all assets, liabilities, contracts and programs of Ann Arbor Spark. The name of the surviving corporation was changed to Ann Arbor SPARK ("SPARK"). SPARK is the operating entity and is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

The Ann Arbor SPARK Foundation (the "Foundation") was formerly known as the Washtenaw Development Council Foundation, which was incorporated on June 3, 1998. The Foundation is an affiliated 501(c)(3) nonprofit organization designed to solicit contributions and promote charitable purposes of SPARK. The Foundation is a special purpose entity formed by SPARK. The Foundation primarily provides support to SPARK, and its board of directors consists entirely of the members of SPARK's executive committee.

On July 25, 2008, the Foundation incorporated a limited liability corporation called the Michigan Life Science and Innovation Center LLC ("MLSIC") and became its sole member. The MLSIC was formed to purchase and operate a research facility in Plymouth, Michigan. This facility will house entrepreneur start-up companies and wet lab facilities.

SPARK, the Foundation, and the MLSIC (collectively the "Organization") are organized to operate a centralized cooperative, publicly and privately supported economic development program that attracts, expands and retains jobs within Washtenaw County, Michigan. The Organization's mission is to advance the economic development of innovation-based businesses in the Ann Arbor region by offering programs, resources, and proactive support to business at every stage, from start-ups to large organizations looking for expansion opportunities. Programs and services offered by the Organization are as follows:

- Business incubator services
- Wet lab facilities
- Entrepreneur Boot Camp Program
- Online Business Planning or Cantillon services
- Financing

Both economic interest and control exist through a majority voting interest in the Foundation's board. As a result, SPARK is required to combine the results of the Foundation for its financial statements. Contributions to the Foundation qualify as deductible charitable contributions as provided in Section 170(b) (1) (A) (VI) of the Internal Revenue Code. SPARK provides administrative support including staff time, use of facilities and other indirect expenses related to the activities of the Foundation and the MLSIC on an ongoing basis without charge.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The basic combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with the Audit and Accounting Guide for Not-for-Profit Organizations issued by the American Institute of Certified Public Accountants.

The Organization's net assets are categorized and reported as follows:

Unrestricted Net Assets
These net assets are available for general operations and are not subject to donor-imposed restrictions.

Temporarily Restricted
These net assets are limited to uses specified by donor-imposed restrictions. When donor restrictions expire or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Permanently Restricted
These net assets would include the principal amount accepted by the Organization with the donor's stipulation that the principal be maintained in perpetuity.

Principles of Combination
The 2010 combined financial statements include the financial information of SPARK, the Foundation, and the MLSIC. All inter-entity balances and transactions have been eliminated.

Revenue Recognition
Under its business accelerator program, the Organization provides funding for consulting services and other development-stage costs to start-up companies in the greater Ann Arbor region. Revenue is recognized when the companies submit, in writing, that deliverables have been satisfactorily achieved.

The Organization provides its funding under agreements which typically stipulate that the companies will repay the Organization the amount of funding within twelve months from the date of agreement and that repayment will include simple interest at prime as reported in the Wall Street Journal on the date of agreement. If a company is unable to raise funds or generate adequate cash flow to repay their obligation within twelve months, the Organization will negotiate a revised payment plan or waive the loan obligation. If a company raises a round of funding and the investors, the company and the Organization agree, the outstanding obligation and any accrued interest will convert to equity on substantially the same terms as the investors in the new round of financing.

Support Revenue
Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the restrictions. When a restriction expires, generally with the passage of time, temporarily restricted net assets are

reclassified to unrestricted net assets. The Organization accounts for unconditional promises to give at fair value based on the present value of the future cash flows the Organization expects to collect.

The Organization reports gifts and pledges of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Materials and Services

Donated services for which the value is clearly measurable and that the Organization would otherwise need to purchase have been recorded in the combined financial statements. As discussed in Note 11, the Organization receives an in-kind contribution of donated space for its wet lab facility and other services which amounted to $304,254 and $283,004 for the years ended December 31, 2010 and 2009.

Cash

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash.

Accounts Receivable

Accounts receivable consist of amounts that have been expended for intended grant purposes and not yet reimbursed by the granting agency, and amounts due under the business accelerator program. Business accelerator accounts receivable are recorded at the time the client company submits in writing that contracted deliverables have been achieved. Because the repayment of business accelerator funding is contingent on future events, a reserve for 100% of the unpaid balance of these amounts, which have not begun repayment as of year-end, has been recorded in the allowance account. The amount of this allowance was $187,569 at December 31, 2010 and 2009. Grant and other receivables are deemed fully collectible, therefore no allowance has been recorded at December 31, 2010 and 2009.

Investments

Michigan Pre-Seed Capital Fund

In July 2009, as part of the State of Michigan's 21st Century Jobs Fund Initiative, the Organization was provided an additional grant in the amount of $6,800,000 by The Michigan Strategic Fund ("MSF") in order to continue to manage the Michigan Pre-Seed Capital Fund. The term of this grant agreement is July 15, 2009 through June 30, 2012. The grant has an initial payment of $1,700,000 and additional payments may be received upon the Organization achieving certain milestones and materially complying with requirements as defined in the agreement with the MSF. As of December 31, 2010, the Organization had received $3,200,000 in payments under the grant and made expenditures and investments in the amount of $2,777,401.

Micro Loans

The $1.5 million Michigan Microloan Fund Program currently includes three distinct microloan funds. Through the Michigan Microloan Fund Program, $200,000 is available to start-ups via the Eastern Washtenaw Microloan Fund, $1 million is available through the Michigan Pre-Seed Capital Fund and $275,000 is available for companies located in the City of Ann Arbor via funding from the Ann Arbor/Ypsilanti Local Development Financing Authority (LDFA).

Microloans available through the Michigan Microloan Fund Program range from $10,000 to $50,000. To qualify, companies must be a small business located in Michigan, have the rights (ownership or license) to innovative technology, and be privately held.

Michigan Pre-Seed Capital Fund micro loans have the same requirements as the Michigan Microloan Fund Program, however funding is to be used for the development of a business that is focused on the commercialization of technology of interest to the 21st Century Jobs Fund.

Accrued interest was $166,702 and $13,687 at December 31, 2010 and 2009, respectively. The allowance against the accrued interest was $83,352 and $6,844 at December 31, 2010 and 2009, respectively.

Valuation of Michigan Pre-Seed Capital Fund Investments and Micro Loans

Fund investments are recorded at fair value as determined in good faith by Fund management. Initial transaction cost is used as the best estimate of fair value at inception. Fair value is subsequently adjusted as changes in economic and other performance indicators provide. Since no public market exists for the securities, fair value is determined by taking into consideration factors such as: the cost of the securities; prices of recent significant placements of securities of the same issuer with sophisticated, unrelated new investors; subsequent developments concerning the companies to which the securities relate; any financial data and projections of such companies provided to Fund management; and such other factors as the Fund management may deem relevant. The values determined for these investments are based on available information at the time the good faith valuations are made and may not necessarily represent the amounts that might ultimately be realized, which could be higher or lower than the reported values. These investments are in high-tech start-up companies where the capital market and business environment is highly volatile. The valuation of these investments can be subject to rapid change due to business and market conditions and the valuation is therefore inherently uncertain. Because of this inherent uncertainty, the estimated fair values of the investments may differ significantly from the values that would have been used had a ready market for the investments existed. Any appreciation or depreciation of an investment's value is reported as an unrealized gain or loss in the financial statements.

Warrants of private companies are not valued due to the inherent uncertainty of such valuation. Interest on convertible promissory notes is recognized when earned. Collectability is evaluated periodically by Fund management based on the circumstances of each company to which the notes relate and a corresponding reserve established for estimated uncollectible amounts. Accrued interest was $735,615 and $596,781 at December 31, 2010 and 2009, respectively. The allowance against the accrued interest was $294,247 and $238,712 at December 31, 2010 and 2009, respectively.

Fair value measurement - definition and hierarchy

Fair Value Measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. Fair Value Measurements establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs include the Fund management's efforts to best reflect the perceptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1

Valuations based on quoted prices in active markets for identical assets or liabilities that the Fund management has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2

Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3

Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from business to business and is affected by a wide variety of factors, including, for example, the type of business, whether the business is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Fund management in determining fair value is greatest for instruments categorized in level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy.

In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value is market-based measure liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. Fund management uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from level 1 to level 2 or Level 2 to Level 3. See Note 6 to the combined financial statements for further information about the Organization's fund investments that are accounted for at fair value.

Property and Equipment
Property and equipment are recorded at cost when purchased, or at fair market value when received as a donation. Depreciation of property placed in service is calculated on a straight-line basis over the estimated useful lives of the assets. Property and equipment are capitalized when the cost exceeds $1,000. Property and equipment not meeting these criteria are expensed in the period of acquisition. The Organization estimates the useful life of its property and equipment between 3 and 40 years.

Planned Major Maintenance
The Organization uses the direct expensing method to account for planned major maintenance activities.

Long-Lived Assets
The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the Unites States of America.

Deferred Revenue
Deferred revenue represents unearned program service revenues generated from the advance payments received for the Michigan Pre-Seed Capital Fund, Michigan Economic Development Corporation (MEDC), Michigan Department of Treasury, and the Michigan Strategic Fund (MSF), Eastern Micro Loan Program and the LDFA Micro Loan Program. These revenues are earned as the terms of the agreements are met.

Functional Expenses
Direct identifiable expenses are charged to programs and supporting services accordingly. Occupancy costs are allocated among program and supporting service activities on the basis of square footage of the facilities and other common costs are allocated among program and supporting service activities on the basis of planned resource usage established by management.

Marketing Costs
The Organization expenses marketing production costs as they are incurred and marketing communication costs for programs the first time the marketing takes place. Marketing costs for the years ended December 31, 2010 and 2009, were $362,001 and $350,062, respectively.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

As further discussed above under Investments, there are no readily ascertainable fair values for portfolio investments. In these instances, Fund management estimates fair value using its investment valuation policy as described above. Because of this inherent uncertainty, the estimated fair values of the investments may differ significantly from the values that would have been used had a ready market for the investments existed.

Comparative Financial Statements
The amounts shown for the year ended December 31, 2009, in the accompanying financial statements are included to provide a basis for comparison with 2010 and present summarized totals only. Accordingly, the 2009 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's combined financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Income tax status
SPARK, is classified as a Section 501(c)(6) organization under the Federal Internal Revenue Code, and is exempt from federal and state income taxes. The Foundation, is classified as a Section 501(c)(3) organization under the Federal Internal Revenue Code, and is exempt from federal and state income taxes. MLSIC is incorporated as a limited liability corporation whose sole member is the Foundation. Under the Federal Internal Revenue Code, MLSIC is treated as a disregarded entity and is exempt from federal and state income taxes.

The Organization files informational returns in the U.S. federal jurisdiction. The statute of limitations is generally three years for federal returns.

Reclassifications
Certain amounts in the prior year financial statements have been reclassified for comparative purposes to confirm to the presentation in the current year financial statements.

Subsequent Events
Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Note 3 - Concentrations and Credit Risks

The Organization has cash accounts at various local banks. Accounts at these financial institutions are insured by the FDIC up to $250,000. At December 31, 2010, cash account balances were in excess of the FDIC coverage limit by $156,426.

Note 4 - Unconditional Promises to Give

Unconditional promises to give are summarized as follows at December 31:

	2010	2009
Unconditional promises to give	$ 42,739	$ 6,480
Less allowance for doubtful accounts	-	-
Unconditional promises to give, net	$ 42,739	$ 6,480

The Organization recognizes promises to give that are expected to be collected within one year at their net realizable value. Promises that are expected to be collected in the future years are recognized at their estimated fair value. All of the Organization's promises to give as of December 31, 2010 and 2009 are due within one year.

Note 5 - Investments

The Organization received convertible promissory notes, preferred stock or common stock in exchange for its investments in portfolio companies under the Michigan Pre-Seed Capital Fund Program. Unless earlier converted, or converted upon maturity, principal and interest from the promissory notes are due upon the earlier of (a) two to five years after the date of the note, (b) a change in control, or (c) an event of default. The notes will be converted into shares of the portfolio company's preferred stock upon the closing of a qualified financing. A qualified financing is defined as a minimum of $1 million or $2 million in new gross proceeds from investors that occurs on or before the maturity date.

Michigan Pre-Seed Capital Fund Portfolio Investments consist of the following at December 31, 2010 and 2009, respectively:

	2010	2009
Preferred stock	$ 2,709,860	$ 2,554,762
Common stock	2,017,639	1,320,541
Convertible promissory notes	6,379,144	5,223,929
	$ 11,106,643	$ 9,099,232

Portfolio investment income (loss) consists of the following for the years ended December 31:

	2010	2009
Interest earned, convertible promissory notes	$ 202,464	$ 108,578
Interest earned, micro loans	108,865	6,843
Realized loss, micro loans	(57,700)	-
Realized loss, preferred stock	(250,000)	-
Unrealized gain, preferred stock	242,319	25,068
Unrealized loss, preferred stock	(144,610)	
Realized gain, common stock	156,725	
Unrealized gain, common stock	435,082	320,541
Realized gain, convertible promissory notes	-	42,222
Realized loss, convertible promissory notes	(752,396)	-
Unrealized gain, convertible promissory notes	-	162,404
	$ (59,251)	$ 665,656

Note 6 - Fair Value Disclosures

The Organization's Fund investments recorded at fair market value have been categorized based upon a fair value hierarchy. See Note 2 for a discussion of the Organization's policies regarding this hierarchy. The Fund investments of the Organization are all included in the Level 3 of the fair value hierarchy because they trade infrequently or not at all, and therefore, the fair value is unobservable.

The following fair value hierarchy tables present information about the Organization's Fund investments measured at fair value on a recurring basis as of December 31, 2010 and 2009:

December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Michigan Pre-Seed Capital Fund Portfolio Investments	$ -	$ -	$ 11,106,643	$ 11,106,643
Micro loans	-	-	1,771,850	1,771,850
Total	$ -	$ -	$ 12,878,493	$ 12,878,493

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
December 31, 2009				
Michigan Pre-Seed Capital Fund Portfolio Investments	$ -	$ -	$ 9,099,232	$ 9,099,232
Micro loans	-	-	668,343	668,343
Total	$ -	$ -	$ 9,767,575	$ 9,767,575

Total assets at fair value classified within level 3 were $12,878,493 and $9,797,575, as of December 31, 2010 and 2009, which consists of Michigan Pre-Seed Capital Fund Portfolio Investments and Micro Loans. Such amounts were approximately 65% and 54% of total assets on the Organization's statement of net assets available as of December 31, 2010 and 2009, respectively. Inputs used to value the Level 3 investments include the economic status of each entity and a yearend review of each entities financial position.

Level 3 Gains and Losses

The following table presents changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2010 and 2009:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	2010	2009
Balance at January 1,	$ 9,767,575	$ 5,875,694
Invested in preferred stock	250,000	550,000
Invested in common stock	500,000	500,000
Invested in promissory notes	1,875,000	1,971,000
Invested in micro loans	1,102,000	661,500
Net investment gain or (loss)	(123,967)	665,656
Cash received	(492,115)	(456,275)
Balance at December 31,	$ 12,878,493	$ 9,767,575

Note 7 - Property and Equipment

The components of property and equipment are as follows at December 31:

	2010	2009
Furniture and fixtures	$ 135,134	$ 135,134
Office equipment	416,632	416,632
Leasehold improvements	163,804	163,804
Land	1,600,000	1,600,000
Building	1,886,785	1,886,785
Donated equipment (MIED Program)	3,835,901	3,835,901
	8,038,256	8,038,256
Less accumulated depreciation	(4,304,671)	(3,133,351)
	$ 3,733,585	$ 4,904,905

Depreciation expense was $1,171,320 and $1,394,231 for the years ended December 31, 2010 and 2009, respectively.

Donated equipment for the MIED (Michigan Innovation Equipment Depot) Program consists of previously used laboratory equipment which the Organization leases to life science start-up companies throughout Michigan at significantly below-market rates as part of its mission to encourage the development of new businesses in Michigan. Lease agreements vary by lessee and are typically for an average term of three years. Revenue under lease agreements for the years ended December 31, 2010 and 2009 was $0 and $1,321, respectively.

Note 8 - Lines of Credit

SPARK has a revolving line of credit with a bank and may borrow up to $200,000 with interest at the bank's prime rate (4.25% at December 31, 2010). Interest accrues and is due monthly. The note is collateralized by substantially all assets of SPARK. At December 31, 2010 and 2009, the line of credit outstanding was $0.

MLSIC has a revolving line of credit with a bank and may borrow up to $550,000 with interest at the bank's prime rate (4.25% at December 31, 2010). Interest accrues and is due monthly. The note is collateralized by substantially all assets of MLSIC. This line of credit expires June 25, 2011. At December 31, 2010 and 2009, the line of credit outstanding was $510,000 and $430,000, respectively.

Note 9 - Note Payable

Note payable consisted of the following at December 31:

	2010	2009
Note payable, unsecured, requiring monthly installments of $4,954, including interest at 5%, through September 2014.	$ 242,206	$ 253,657
Less current portion	40,020	47,991
Long term portion	$ 202,186	$ 205,666

The terms of the note payable stipulated that if not paid back within one year, accrued interest of 5% would be added to the face of the note. As of September 1, 2009, the face value of the note payable increased to $262,500.

Maturities of the note payable are as follows:

Year ending December 31	
2011	$ 40,020
2012	50,273
2013	52,845
2014	55,549
2015	43,519
	$ 242,206

Interest expense was $21,094 and $22,270 for the years ended December 31, 2010 and 2009, respectively.

Note 10 - Retirement Plan

The Organization has established a 457(b) deferred compensation plan for eligible employees. Employees may elect to defer a certain percentage of qualified compensation through voluntary contributions to the 457(b) plan. The Organization may make discretionary contributions to the 457(b) plan as determined by the Board of Directors. The Organization did not make a contribution to the plan for the years ended December 31, 2010 and 2009, respectively.

The Organization has also established a 401(k) defined contribution plan for eligible employees who have attained the age of 21 and completed three months of service. Employees may elect to defer a certain percentage of qualified compensation through voluntary contributions to the 401(k) plan. The Organization may make discretionary contributions to the 401(k) plan as determined by the Board of Directors. In order to be eligible for matching contributions, employees must be making contributions to the Plan. The Organization contributions for the years ended December 31, 2010 and 2009, were $60,613 and $38,174, respectively.

Note 11 - Commitments

Total rent paid during the years ended December 31, 2010 and 2009 was $499,742 and $462,428, respectively. The Organization leases three office facilities (referred to as "SPARK HQ", "SPARK Central", and "SPARK East"), and an equipment warehouse. The SPARK HQ facility has a lease expiring September 30, 2012, with monthly payments of $4,099 in the first year, increasing by approximately 3% each year thereafter. The SPARK Central facility has a lease expiring December 31, 2011, with payments of $6,407 in the first year, increasing by approximately 3% each year thereafter. The SPARK East facility has a 5 year lease expiring November 30, 2013, with payments of $6,225 in the first year, increasing to $6,917 for years 2-5. The equipment warehouse lease expired May 31, 2007, but has continued on a month-to-month basis with monthly payments of $1,667.

In November 2006 the Organization received a grant associated with leasing existing space to run a life sciences wet lab incubator. The wet lab incubator space has a lease expiring December 30, 2010. Under this lease, the Organization receives an in-kind contribution of donated space, which amounted to $233,004 for the years ended December 31, 2010 and 2009.

At December 31, future minimum rentals under these leases are as follows:

For the years ending		
2011	$	216,194
2012		123,158
2013		76,083
	$	415,435

Note 12 - Rental Income

The Organization subleases space in its wet lab incubator facility, SPARK Central, SPARK East and MLSIC to various organizations. Currently, the subleases range from month to month to 5 years. Monthly payments range from $95 to $6,371. The following is a schedule by years of future minimum rental income under the leases at December 31, 2010.

For the years ending		
2011	$	232,933
2012		192,672
2013		176,033
2014		129,141
2015		51,031
	$	781,810

Total rental income under all subleases included in revenue for the years ended December 31, 2010 and 2009 was $1,198,143 and $824,636, respectively.

Note 13 - Temporary Restricted Net Assets

	2010	2009
Ann Arbor Community Foundation Grant	$ -	$ 21,816
Other	-	6,480
	$ -	$ 28,296

Note 14 - Related Party Transactions

A current member of the Organization's Administrative Committee is also a partner of the firm with which the Organization incurred approximately $21,000 and $70,500 of legal fees for the years ended December 31, 2010 and 2009, respectively.

Note 15 - Conditional Promises to Give

The Organization is aware of certain local entities who have indicated they would provide support in future years, but dependent on their own financial resources. This determination will be made each year by the donor. Since these pledges do not meet the criteria for revenue recognition under accounting principles generally accepted in the United States of America, they are not reflected as contributions in the statement of activities until the pledges are collected. Total conditional intentions to give as of December 31, 2010, totaled $379,500.

Supplementary Information

Ann Arbor SPARK and Affiliates
Schedule of Michigan Pre-Seed Capital Fund Portfolio Investments
December 31, 2010 and 2009

	2010 Cost	2010 Valuation	2009 Cost	2009 Valuation
Preferred Stock:				
Pixel Velocity Inc.	$ 250,000	$ 664,380	$ 250,000	$ 664,380
Arbor Photonics	250,000	275,068	250,000	275,068
Vestaron Inc.	250,000	125,000	250,000	269,610
Functional Brands Company	-	-	250,000	250,000
Accord Biomaterial	250,000	307,389	250,000	250,000
Fulcrum Composites	200,000	200,000	200,000	200,000
Michelle's Miracle, Inc.	250,000	250,000	250,000	250,000
Nymirum	250,000	250,000	250,000	250,000
Epsilon/Ultrasound Medical Devices	50,000	382,190	50,000	145,704
Intervention Insights	250,000	255,833	-	-
	$ 2,000,000	$ 2,709,860	$ 2,000,000	$ 2,554,762

	2010 Cost	2010 Valuation	2009 Cost	2009 Valuation
Common Stock:				
Sequenom	$ -	$ -	$ 250,000	$ 237,984
XG Sciences Inc.	250,000	725,140	250,000	290,058
3IS	92,499	92,499	92,499	92,499
Aursos	200,000	200,000	200,000	200,000
SenSounds, LLC	250,000	250,000	250,000	250,000
Biotectix, LLC	250,000	250,000	250,000	250,000
Innovative Surgical Solutions, LLC	250,000	250,000	-	-
Inventure Enterprises, Inc	250,000	250,000	-	-
	$ 1,542,499	$ 2,017,639	$ 1,292,499	$ 1,320,541

	Interest Rate	Cost	Valuation	Interest Rate	Cost	Valuation
Convertible Promissory Notes:						
Parking Carma	8.00%	$ 250,000	$ 250,000	8.00%	$ 250,000	$ 250,000
OTO Medicine	-	-	-	8.50%	107,000	116,404
Phrixus Pharmaceuticals	8.00%	100,000	100,000	8.00%	100,000	100,000
MedElute	-	-	-	8.00%	250,000	250,000
Saleztrack	-	-	-	8.00%	250,000	250,000
RazorThreat	8.00%	250,000	292,499	8.00%	250,000	250,000
Compendia Bioscience Inc.	-	-	-	10.00%	106,456	106,456
Cielo MedSolutions	12.00%	250,000	296,000	12.00%	250,000	296,000
JADI Inc.	8.00%	250,000	250,000	8.00%	250,000	250,000
ERT Systems	15.00%	126,000	126,000	15.00%	126,000	126,000
Emiliem	10.00%	250,000	250,000	10.00%	250,000	250,000
Global Energy	8.00%	250,000	250,000	8.00%	250,000	250,000
Afid Therapeutics	8.25%	200,000	200,000	8.25%	200,000	200,000
Armune Bioscience	8.00%	200,000	200,000	8.00%	200,000	200,000
Creative Byline	7.00%	180,000	180,000	7.00%	180,000	180,000
White Pine Systems	6.25%	225,000	225,000	6.25%	225,000	225,000
RealKidz, Inc.	-	-	-	10.00%	142,000	142,000
OcuSciences, Inc.	10.00%	250,000	250,000	10.00%	250,000	250,000
3D Biomatrix	8.00%	250,000	250,000	8.00%	250,000	250,000
Mandy & Pandy	10.00%	244,000	244,000	10.00%	244,000	244,000
Axenic Dental	8.00%	250,000	269,277	8.00%	250,000	250,000
Algal Scientific	8.00%	180,000	180,000	8.00%	180,000	180,000
RealBio Technology	10.00%	250,000	250,000	10.00%	250,000	250,000
NextCAT, Inc.	8.00%	300,000	300,000	-	-	-
Info Ready Corporation	8.00%	250,000	250,000	-	-	-
InPore Technologies, Inc.	8.00%	100,000	100,000	-	-	-
Downstreem, LLC	8.00%	100,000	75,000	-	-	-
Tangent Medical Tech	12.00%	250,000	250,000	-	-	-
InPore Technologies, Inc.	8.00%	150,000	150,000	-	-	-
Curemt Motor Co, LLC	6.00%	250,000	250,000	-	-	-
Armune BioScience	8.00%	250,000	250,000	-	-	-
Advanced Battery Concepts, LLC	6.00%	250,000	250,000	-	-	-
		5,855,000	5,937,776		4,810,456	4,865,860
Accrued unpaid interest earned		735,615	441,368		596,781	358,069
		$ 6,590,615	$ 6,379,144		$ 5,407,237	$ 5,223,929
Total		$ 10,133,114	$ 11,106,643		$ 8,699,736	$ 9,099,232

Ann Arbor SPARK and Affiliates
Schedule of Micro Loans
December 31, 2010

	Interest Rate	2010 Cost	2010 Valuation
Micro Loans:			
Allinova	12%	$ 10,000	$ 10,000
MemCatch	12%	25,000	25,000
Procuit, Inc.	12%	30,000	30,000
The Whole Brain Group	12%	50,000	50,000
New Eagle	12%	39,000	39,000
Advanced Battery Concepts	12%	50,000	50,000
BeholzTech, Inc.	12%	40,000	40,000
CTC Holdings	12%	45,000	45,000
Diesel Reformer	12%	50,000	50,000
Motor City Wipers	12%	50,000	50,000
RealBio Technology, Inc.	12%	37,500	37,500
Research Essential Services	12%	50,000	50,000
Solarflex	12%	35,000	35,000
FreeStride Therapeutics, Inc.	12%	50,000	50,000
Energy Management Devices	12%	50,000	50,000
Local Orbit	12%	10,000	10,000
Buycentives	12%	35,000	35,000
AviCenna Medical	12%	20,000	20,000
Cimple Integrations	12%	50,000	50,000
Shepherd Intelligent Systems	12%	35,000	35,000
Ix Innovations	12%	35,000	35,000
Current Motor	12%	50,000	50,000
CYJ Enterprises	12%	30,000	30,000
TRIG Tires & Wheels	12%	50,000	50,000
LED Optical Solutions	12%	50,000	50,000
Inventure Enterprises	12%	46,000	46,000
Procuit, Inc.	12%	20,000	20,000
Waste Waterheat Transfer	12%	25,000	25,000
Blaze Medical Devices	12%	42,000	42,000
Ellison Corporation	12%	40,000	40,000
Akervall Technologies	12%	15,000	15,000
Terra-Telesis	12%	50,000	50,000
Digital Knowledge Corporation	12%	29,000	29,000
Road to Road, LLC	12%	25,000	25,000
Local Orbit, LLC	12%	40,000	40,000
Detroit Electric	12%	50,000	50,000
Ergun Technologies	12%	50,000	50,000
MyBandStock Corporation	12%	45,000	45,000
GreenSand Corporation	12%	50,000	50,000
Applied Computer Technologies	12%	15,000	15,000
Family Mint, Inc.	12%	50,000	50,000
Shepherd Intelligent Systems	12%	45,000	45,000
Fusion Coolant Systems	12%	50,000	50,000
Auto Harvest Foundation	12%	25,000	25,000
		$ 1,688,500	$ 1,688,500
Accrued unpaid interest earned		166,702	83,350
		$ 1,855,202	$ 1,771,850

Ann Arbor SPARK and Affiliates
Combining Statement of Financial Position
December 31, 2010

	Ann Arbor Spark	Ann Arbor SPARK Foundation	Michigan Life Science and Innovation Center LLC	Eliminations	Total
Assets					
Current Assets					
Cash	$ 185,682	$ 330,726	$ 34,820	$ -	$ 551,228
Restricted Cash	773,564	-	-	-	773,564
Accounts receivable, net	1,481,246	1,500	153,039	(56,250)	1,579,535
Prepaid expenses	21,919	-	-	-	21,919
Unconditional promises to give, net	6,000	36,739	-	-	42,739
Total current assets	2,468,411	368,965	187,859	(56,250)	2,968,985
Property and equipment, net	69,718	159,170	3,504,697	-	3,733,585
Due from (to)	179,579	90,267	(269,846)	-	-
Investments					
Michigan Pre-Seed Capital Fund Portfolio Investments	11,106,643	-	-	-	11,106,643
Micro loans	1,771,850	-	-		1,771,850
Total investments	12,878,493	-	-	-	12,878,493
Other Assets					
Deposits	37,000	-	-	-	37,000
Prepaid insurance	-	-	43,665	-	43,665
Total other assets	37,000	-	43,665	-	80,665
Total assets	$ 15,633,201	$ 618,402	$ 3,466,375	$ (56,250)	$ 19,661,728
Liabilities and Net Assets					
Current Liabilities					
Lines of credit	$ -	$ -	$ 510,000	$ -	$ 510,000
Accounts payable	105,980	186,073	167,346	(56,250)	403,149
Accrued liabilities	158,474	-	48,930	-	207,404
Escrow liabilities	-	-	-	-	-
Note payable	-	40,020	-	-	40,020
Deferred revenue	501,846	-	-	-	501,846
Total current liabilities	766,300	226,093	726,276	(56,250)	1,662,419
Note payable, net of current portion	-	202,186	-	-	202,186
Net assets					
Unrestricted	14,866,901	190,123	2,740,099	-	17,797,123
Total liabilities and net assets	$ 15,633,201	$ 618,402	$ 3,466,375	$ (56,250)	$ 19,661,728

Ann Arbor SPARK and Affiliates
Combining Statement of Activities
For the Year Ended December 31, 2010

	Ann Arbor SPARK			Ann Arbor SPARK Foundation	Michigan Life Science & Innovation Center LLC				Total		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Unrestricted	Temporarily Restricted	Total	Eliminations	Unrestricted	Temporarily Restricted	Total
Revenues and Support											
Program service fee revenue											
Accelerator grants and revenue	$ 4,691,238	$ -	$ 4,691,238	$ -	$ 2,805	$ -	$ 2,805	$ -	$ 4,694,043	$ -	$ 4,694,043
LDFA revenue	1,284,319	-	1,284,319	-	-		-	-	1,284,319	-	1,284,319
Municipal service contracts	549,388	-	549,388	-	-	-	-	-	549,388	-	549,388
Facility revenue	362,043	-	362,043	85,519	1,087,651	-	1,087,651	(79,308)	1,455,905	-	1,455,905
Portfolio income (loss)	(59,251)	-	(59,251)	-	-	-	-	-	(59,251)	-	(59,251)
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-	-
Interest income	6,935	-	6,935	55	3,243	-	3,243	-	10,233	-	10,233
Total revenue	6,834,672	-	6,834,672	85,574	1,093,699	-	1,093,699	(79,308)	7,934,637	-	7,934,637
Public Support											
Contributions	1,028,500	-	1,028,500	1,245,750	122,716	-	122,716	(212,500)	2,184,466	-	2,184,466
In-kind	304,254	-	304,254	-	-	-	-	-	304,254	-	304,254
Net assets released from restriction	28,296	(28,296)	-	-	-	-	-	-	28,296	(28,296)	-
Total support	1,361,050	(28,296)	1,332,754	1,245,750	122,716	-	122,716	(212,500)	2,517,016	(28,296)	2,488,720
Total revenue and support	8,195,722	(28,296)	8,167,426	1,331,324	1,216,415	-	1,216,415	(291,808)	10,451,653	(28,296)	10,423,357
Expenses											
Program services	3,126,124	-	3,126,124	2,132,976	1,521,057	-	1,521,057	(291,808)	6,488,349	-	6,488,349
Supporting services											
Management and general	621,787	-	621,787	-	-	-	-	-	621,787	-	621,787
Fundraising	49,544	-	49,544	-	-	-	-	-	49,544	-	49,544
Total supporting services	671,331	-	671,331	-	-	-	-	-	671,331	-	671,331
Total expenses	3,797,455	-	3,797,455	2,132,976	1,521,057	-	1,521,057	(291,808)	7,159,680	-	7,159,680
Change in net assets	4,398,267	(28,296)	4,369,971	(801,652)	(304,642)	-	(304,642)	-	3,291,973	(28,296)	3,263,677
Net assets - beginning of year	10,468,634	28,296	10,496,930	991,775	3,044,741	-	3,044,741	-	14,505,150	28,296	14,533,446
Net assets - end of year	$ 14,866,901	$ -	$ 14,866,901	$ 190,123	$ 2,740,099	$ -	$ 2,740,099	$ -	$ 17,797,123	$ -	$ 17,797,123

Ann Arbor SPARK and Affiliates

Annual Financial Statements
and Auditors' Report

December 31, 2011

Table of Contents

YEO & YEO
CPAs & Business Consultants

455 E. Eisenhower Pkwy., Suite 102
Ann Arbor, MI 48108
(734) 769-1331
Fax (734) 996-3777

Independent Auditors' Report

Management and Board of Directors
Ann Arbor SPARK and Affiliates
Ann Arbor, Michigan

We have audited the combined statement of financial position of Ann Arbor SPARK and Affiliates, (the "Organization") as of December 31, 2011 and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements, and in our report dated April 22, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of December 31, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
April 18, 2012

Ann Arbor SPARK and Affiliates
Combined Statement of Financial Position
December 31, 2011 and 2010

	2011	2010
Assets		
Current Assets		
Cash	$ 955,559	$ 551,228
Restricted cash	2,508,675	773,564
Accounts receivable, net	354,748	1,579,535
Prepaid expenses	18,180	21,919
Unconditional promises to give, net	9,000	42,739
Total current assets	3,846,162	2,968,985
Property and equipment, net	3,465,172	3,733,585
Investments		
Michigan Pre-Seed Capital Fund Portfolio Investments	13,417,844	11,106,643
Micro loans	1,881,446	1,771,850
Total investments	15,299,290	12,878,493
Other Assets		
Deposits	17,000	37,000
Prepaid insurance	28,255	43,665
Total other assets	45,255	80,665
Total assets	$ 22,655,879	$ 19,661,728
Liabilities and Net Assets		
Current Liabilities		
Lines of credit	$ 550,000	$ 510,000
Accounts payable	823,865	403,149
Accrued liabilities	136,061	207,404
Notes payable	51,769	40,020
Deferred revenue	2,048,482	501,846
Total current liabilities	3,610,177	1,662,419
Note payable, net of current portion	151,912	202,186
Unrestricted net assets	18,893,790	17,797,123
Total liabilities and net assets	$ 22,655,879	$ 19,661,728

See Accompanying Notes to the Financial Statements

Ann Arbor SPARK and Affiliates
Combined Statement of Activities and Changes in Net Assets
For the Years Ended December 31, 2011 and 2010

	2011	2010
Revenues and Support		
Program service fee revenue		
Accelerator grants and revenue	$ 2,508,632	$ 4,694,043
LDFA revenue	1,164,082	1,284,319
Municipal service contracts	387,888	549,388
Facility revenue	1,218,117	1,455,905
Portfolio income (loss)	286,955	(59,251)
Interest income	4,200	10,233
Total revenue	5,569,874	7,934,637
Public support		
Contributions	1,349,507	2,184,466
In-kind	40,000	304,254
Total support	1,389,507	2,488,720
Total revenues and support	6,959,381	10,423,357
Expenses		
Program services	5,300,515	6,488,349
Supporting services		
Management and general	513,453	621,787
Fundraising	48,746	49,544
Total supporting services	562,199	671,331
Total expenses	5,862,714	7,159,680
Change in net assets	1,096,667	3,263,677
Net assets - beginning of year	17,797,123	14,533,446
Net assets - end of year	$ 18,893,790	$ 17,797,123

See Accompanying Notes to the Financial Statements

Ann Arbor SPARK and Affiliates
Combined Statement of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	$ 1,096,667	$ 3,263,677
Items not requiring cash		
Depreciation	315,973	1,171,320
Losses (gains) on investments	(286,962)	91,609
Bad debt expense	27,860	6,496
Changes in operating assets and liabilities		
Accounts receivable	1,196,927	316,895
Prepaid expenses	3,739	(18,758)
Unconditional promises to give	33,739	(36,259)
Deposits	20,000	-
Prepaid insurance	15,410	15,412
Accounts payable	420,716	62,667
Accrued liabilities	(71,343)	27,535
Escrow liabilities	-	(109,914)
Deferred revenue	1,546,636	(1,804,449)
Net cash provided by operating activities	4,319,362	2,986,231
Cash flows from investing activities		
Redemption of convertible promissory notes	421,440	507,173
Redemption of micro loans	89,185	17,300
Purchase of preferred stock	-	(250,000)
Purchase of common stock	(1,075,000)	(500,000)
Purchase of micro loans	(259,460)	(1,102,000)
Purchase of convertible promissory notes	(1,310,000)	(1,875,000)
Purchase of property and equipment	(47,560)	-
Net cash used in investing activities	(2,181,395)	(3,202,527)
Cash flows from financing activities		
Payments on note payable	(38,525)	(11,451)
Net activity on line of credit	40,000	80,000
Net cash provided by financing activities	1,475	68,549
Net change in cash	2,139,442	(147,747)
Cash - beginning of year	1,324,792	1,472,539
Cash - end of year	$ 3,464,234	$ 1,324,792
Supplemental information		
Cash paid during the year for interest	$ 32,048	$ 36,723

See Accompanying Notes to the Financial Statements

Ann Arbor SPARK and Affiliates
Combined Statement of Functional Expenses
For the Year Ended December 31, 2011
(With Comparative Totals for December 31, 2010)

		Supporting Services				
	Program	Management and General	Fund-Raising	Subtotal	**2011**	2010
Functional Expenses						
Personnel expenses	$ 1,321,330	$ 326,206	$ 48,746	$ 374,952	**$ 1,696,282**	$ 1,762,497
Professional services	574,895	62,980	-	62,980	**637,875**	702,417
Marketing	344,013	7,386	-	7,386	**351,399**	362,001
Operating expenses	2,747,845	113,340	-	113,340	**2,861,185**	3,161,445
Depreciation expense	279,222	36,751	-	36,751	**315,973**	1,171,320
	$ 5,267,305	$ 546,663	$ 48,746	$ 595,409	**$ 5,862,714**	$ 7,159,680

See Accompanying Notes to the Financial Statements

Note 1 - Organization

Ann Arbor SPARK ("SPARK") is the operating entity and is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

The Ann Arbor SPARK Foundation (the "Foundation") is an affiliated 501(c)(3) nonprofit organization designed to solicit contributions and promote charitable purposes of SPARK. The Foundation is a special purpose entity formed by SPARK. The Foundation primarily provides support to SPARK, and its board of directors consists entirely of the members of SPARK's executive committee.

The Foundation incorporated a limited liability corporation called the Michigan Life Science and Innovation Center LLC ("MLSIC") and became its sole member. The MLSIC was formed to purchase and operate a research facility in Plymouth, Michigan. This facility will house entrepreneur start-up companies and wet lab facilities.

SPARK, the Foundation, and the MLSIC (collectively the "Organization") are organized to operate a centralized cooperative, publicly and privately supported economic development program that attracts, expands and retains jobs within Washtenaw County, Michigan. The Organization's mission is to advance the economy of the Ann Arbor Region by establishing that area as a desired place for business expansion and location, by identifying and meeting the needs of business at every stage, from those that are established to those working to succe3ssfully commercialize innovations. Programs and services offered by the Organization are as follows:

Business incubator services
Wet lab facilities
Entrepreneurial services
Business financing

Both economic interest and control exist through a majority voting interest in the Foundation's board. As a result, SPARK is required to combine the results of the Foundation for its financial statements. Contributions to the Foundation qualify as deductible charitable contributions as provided in Section 170(b) (1) (A) (VI) of the Internal Revenue Code. SPARK provides administrative support including staff time, use of facilities and other indirect expenses related to the activities of the Foundation and the MLSIC on an ongoing basis without charge.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The basic combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with the Audit and Accounting Guide for Not-for-Profit Organizations issued by the American Institute of Certified Public Accountants.

The Organization's net assets are categorized and reported as follows:

Unrestricted Net Assets
These net assets are available for general operations and are not subject to donor-imposed restrictions.

Temporarily Restricted
These net assets are limited to uses specified by donor-imposed restrictions. When donor restrictions expire or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Permanently Restricted
These net assets would include the principal amount accepted by the Organization with the donor's stipulation that the principal be maintained in perpetuity.

Principles of Combination

The 2011 combined financial statements include the financial information of SPARK, the Foundation, and the MLSIC. All inter-entity balances and transactions have been eliminated.

Revenue Recognition

Under its business accelerator program, the Organization provides funding for consulting services and other development-stage costs to start-up companies in the greater Ann Arbor region. Revenue is recognized when the companies submit, in writing, that deliverables have been satisfactorily achieved.

The Organization provides its funding under agreements which typically stipulate that the companies will repay the Organization the amount of funding within twelve months from the date of agreement and that repayment will include simple interest at prime as reported in the Wall Street Journal on the date of agreement. If a company is unable to raise funds or generate adequate cash flow to repay their obligation within twelve months, the Organization will negotiate a revised payment plan or waive the loan obligation. If a company raises a round of funding and the investors, the company and the Organization agree, the outstanding obligation and any accrued interest will convert to equity on substantially the same terms as the investors in the new round of financing.

Support Revenue

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the restrictions. When a restriction expires, generally with the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization accounts for unconditional promises to give at fair value based on the present value of the future cash flows the Organization expects to collect.

The Organization reports gifts and pledges of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Materials and Services

Donated services for which the value is clearly measurable and that the Organization would otherwise need to purchase have been recorded in the combined financial statements. As discussed in Note 11, the Organization receives an in-kind contribution of donated space for its wet lab facility and other services which amounted to $40,000 and $304,254 for the years ended December 31, 2011 and 2010.

Cash

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash.

Accounts Receivable

Accounts receivable consist of amounts that have been expended for intended grant purposes and not yet reimbursed by the granting agency, and amounts due under the business accelerator program. Business accelerator accounts receivable are recorded at the time the client company submits in writing that contracted deliverables have been achieved. Because the repayment of business accelerator funding is contingent on future events, a reserve for 100% of the unpaid balance of these amounts, which have not begun repayment as of year-end, has been recorded in the allowance account. The amount of this allowance was $159,709 and $187,569 at December 31, 2011 and 2010, respectively. Grant and other receivables are deemed fully collectible, therefore no allowance has been recorded at December 31, 2011 and 2010.

Investments

Michigan Pre-Seed Capital Fund

In January 2007, as part of the State of Michigan's 21st Century Jobs Fund Initiative, the Organization was provided a grant in the amount of $8,000,000 by The Michigan Strategic Fund ("MSF") in order to start and manage the Michigan Pre-Seed Capital Fund. The term of this grant agreement was January 15, 2007 through December 31, 2009. As of December 31, 2011, the Organization had received $7,953,000 in payments under the grant and made expenditures and investments in the same amount.

In July 2009, the Organization was provided an additional grant in the amount of $6,800,000 by the MSF in order to continue to manage the Michigan Pre-Seed Capital Fund. The term of this grant agreement is July 15, 2009 through June 30, 2012. As of December 31, 2011, the Organization had received $6,500,000 in payments under the grant and made expenditures and investments in the same amount.

In October 2011, the MSF provided another grant in the amount of $9,170,000 for the same purpose. The term of this agreement is October 1, 2011 through December 31, 2014. The grant has an initial payment of $2,150,000 and additional payments may be received upon the Organization achieving certain milestones and materially complying with requirements as defined in the agreement with the MSF. As of December 31, 2011, the Organization had received initial payment of $2,150,000 and made expenditures and investments in the amount of $291,268.

Micro Loans

The $1.5 million Michigan Microloan Fund Program currently includes three distinct microloan funds. Through the Michigan Microloan Fund Program, $200,000 is available to start-ups via the Eastern Washtenaw Microloan Fund, $1 million is available through the Michigan Pre-Seed Capital Fund and $275,000 is available for companies located in the City of Ann Arbor via funding from the Ann Arbor/Ypsilanti Local Development Financing Authority (LDFA).

Microloans available through the Michigan Microloan Fund Program range from $10,000 to $50,000. To qualify, companies must be a small business located in Michigan, have the rights (ownership or license) to innovative technology, and be privately held.

Michigan Pre-Seed Capital Fund micro loans have the same requirements as the Michigan Microloan Fund Program, however funding is to be used for the development of a business that is focused on the commercialization of technology of interest to the 21st Century Jobs Fund.

Accrued interest was $336,970 and $166,702 at December 31, 2011 and 2010, respectively. The allowance against the accrued interest was $168,485 and $83,352 at December 31, 2011 and 2010, respectively.

Valuation of Michigan Pre-Seed Capital Fund Investments and Micro Loans

Fund investments are recorded at fair value as determined in good faith by Fund management. Initial transaction cost is used as the best estimate of fair value at inception. Fair value is subsequently adjusted as changes in economic and other performance indicators provide. Since no public market exists for the securities, fair value is determined by taking into consideration factors such as: the cost of the securities; prices of recent significant placements of securities of the same issuer with sophisticated, unrelated new investors; subsequent developments concerning the companies to which the securities relate; any financial data and projections of such companies provided to Fund management; and such other factors as the Fund management may deem relevant. The values determined for these investments are based on available information at the time the good faith valuations are made and may not necessarily represent the amounts that might ultimately be realized, which could be higher or lower than the reported values. These investments are in high-tech start-up companies where the capital market and business environment is highly volatile. The valuation of these investments can be subject to rapid change due to business and market conditions and the valuation is therefore inherently uncertain. Because of this inherent uncertainty, the estimated fair values of the investments may differ significantly from the values that would have been used had a ready market for the investments existed. Any appreciation or depreciation of an investment's value is reported as an unrealized gain or loss in the financial statements.

Warrants of private companies are not valued due to the inherent uncertainty of such valuation. Interest on convertible promissory notes is recognized when earned. Collectability is evaluated periodically by Fund management based on the circumstances of each company to which the notes relate and a corresponding reserve established for estimated uncollectible amounts. Accrued interest was $1,078,536 and $735,615 at December 31, 2011 and 2010, respectively. The allowance against the accrued interest was $431,414 and $294,247 at December 31, 2011 and 2010, respectively.

Fair value measurement - definition and hierarchy

Fair Value Measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. Fair Value Measurements establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs include the Fund management's efforts to best reflect the perceptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1

Valuations based on quoted prices in active markets for identical assets or liabilities that the Fund management has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2

Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3

Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from business to business and is affected by a wide variety of factors, including, for example, the type of business, whether the business is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Fund management in determining fair value is greatest for instruments categorized in level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy.

In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value is market-based measure liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. Fund management uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from level 1 to level 2 or Level 2 to Level 3. See Note 6 to the combined financial statements for further information about the Organization's fund investments that are accounted for at fair value.

Property and Equipment
Property and equipment are recorded at cost when purchased, or at fair market value when received as a donation. Depreciation of property placed in service is calculated on a straight-line basis over the estimated useful lives of the assets. Property and equipment are capitalized when the cost exceeds $1,000. Property and equipment not meeting these criteria are expensed in the period of acquisition. The Organization estimates the useful life of its property and equipment between 3 and 40 years.

Planned Major Maintenance
The Organization uses the direct expensing method to account for planned major maintenance activities.

Long-Lived Assets
The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the Unites States of America.

Deferred Revenue
Deferred revenue represents unearned program service revenues generated from the advance payments received for the Michigan Pre-Seed Capital Fund, Michigan Economic Development Corporation (MEDC), Michigan Department of Treasury, and the Michigan Strategic Fund (MSF), Eastern Micro Loan Program and the LDFA Micro Loan Program. These revenues are earned as the terms of the agreements are met.

Functional Expenses
Direct identifiable expenses are charged to programs and supporting services accordingly. Occupancy costs are allocated among program and supporting service activities on the basis of square footage of the facilities and other common costs are allocated among program and supporting service activities on the basis of planned resource usage established by management.

Marketing Costs
The Organization expenses marketing production costs as they are incurred and marketing communication costs for programs the first time the marketing takes place. Marketing costs for the years ended December 31, 2011 and 2010, were $351,399 and $362,001, respectively.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

As further discussed above under Investments, there are no readily ascertainable fair values for portfolio investments. In these instances, Fund management estimates fair value using its investment valuation policy as described above. Because of this inherent uncertainty, the estimated fair values of the investments may differ significantly from the values that would have been used had a ready market for the investments existed.

Comparative Financial Statements
The amounts shown for the year ended December 31, 2010, in the accompanying financial statements are included to provide a basis for comparison with 2011 and present summarized totals only. Accordingly, the 2010 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's combined financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Income tax status
SPARK, is classified as a Section 501(c)(6) organization under the Federal Internal Revenue Code, and is exempt from federal and state income taxes. The Foundation, is classified as a Section 501(c)(3) organization under the Federal Internal Revenue Code, and is exempt from federal and state income taxes. MLSIC is incorporated as a limited liability corporation whose sole member is the Foundation. Under the Federal Internal Revenue Code, MLSIC is treated as a disregarded entity and is exempt from federal and state income taxes.

The Organization files informational returns in the U.S. federal jurisdiction. The statute of limitations is generally three years for federal returns.

Reclassifications
Certain amounts in the prior year financial statements have been reclassified for comparative purposes to confirm to the presentation in the current year financial statements.

Subsequent Events
Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Note 3 - Concentrations and Credit Risks

The Organization has cash accounts at various local banks. Accounts at these financial institutions are insured by the FDIC up to $250,000. At December 31, 2011, cash account balances were not in excess of the FDIC coverage limit.

Note 4 - Unconditional Promises to Give

Unconditional promises to give are summarized as follows at December 31:

	2011	2010
Unconditional promises to give	$ 9,000	$ 42,739
Less allowance for doubtful accounts	-	-
Unconditional promises to give, net	$ 9,000	$ 42,739

The Organization recognizes promises to give that are expected to be collected within one year at their net realizable value. Promises that are expected to be collected in the future years are recognized at their estimated fair value. All of the Organization's promises to give as of December 31, 2011 and 2010 are due within one year.

Note 5 - Investments

The Organization received convertible promissory notes, preferred stock or common stock in exchange for its investments in portfolio companies under the Michigan Pre-Seed Capital Fund Program. Unless earlier converted, or converted upon maturity, principal and interest from the promissory notes are due upon the earlier of (a) two to five years after the date of the note, (b) a change in control, or (c) an event of default. The notes will be converted into shares of the portfolio company's preferred stock upon the closing of a qualified financing. A qualified financing is defined as a minimum of $1 million or $2 million in new gross proceeds from investors that occurs on or before the maturity date.

Michigan Pre-Seed Capital Fund Portfolio Investments consist of the following at December 31, 2011 and 2010, respectively:

	2011	2010
Preferred stock	$ 3,513,884	$ 2,979,137
Common stock	3,092,639	2,017,639
Convertible promissory notes	6,811,321	6,109,867
	$ 13,417,844	$ 11,106,643

Portfolio investment income (loss) consists of the following for the years ended December 31:

	2011	2010
Interest earned, convertible promissory notes	$ 261,994	$ 202,464
Interest earned, micro loans	85,136	108,865
Realized loss, micro loans	(145,815)	(57,700)
Realized loss, preferred stock	-	(250,000)
Unrealized gain, preferred stock	-	242,319
Unrealized loss, preferred stock	(2,450)	(144,610)
Realized gain, common stock	-	156,725
Unrealized gain, common stock	-	435,082
Realized gain, convertible promissory notes	69,200	-
Realized loss, convertible promissory notes	(75,000)	(752,396)
Unrealized gain, convertible promissory notes	93,890	-
	$ 286,955	$ (59,251)

Note 6 - Fair Value Disclosures

The Organization's Fund investments recorded at fair market value have been categorized based upon a fair value hierarchy. See Note 2 for a discussion of the Organization's policies regarding this hierarchy. The Fund investments of the Organization are all included in the Level 3 of the fair value hierarchy because they trade infrequently or not at all, and therefore, the fair value is unobservable.

The following fair value hierarchy table presents information about the Organization's Fund investments measured at fair value on a recurring basis as of December 31, 2011 and 2010:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
December 31, 2011				
Michigan Pre-Seed Capital Fund Portfolio Investments	$ -	$ -	$ 13,417,844	$ 13,417,844
Micro loans	-	-	1,881,446	1,881,446
Total	$ -	$ -	$ 15,299,290	$ 15,299,290

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
December 31, 2010				
Michigan Pre-Seed Capital Fund Portfolio Investments	$ -	$ -	$ 11,106,643	$ 11,106,643
Micro loans	-	-	1,771,850	1,771,850
Total	$ -	$ -	$ 12,878,493	$ 12,878,493

Total assets at fair value classified within level 3 were $15,299,290 and $12,878,493, as of December 31, 2011 and 2010, which consists of Michigan Pre-Seed Capital Fund Portfolio Investments and Micro Loans. Such amounts were approximately 68% and 65% of total assets on the Organization's statement of net assets available as of December 31, 2011 and 2010, respectively. Inputs used to value the Level 3 investments include the economic status of each entity and a yearend review of each entities financial position.

Level 3 Gains and Losses

The following table presents changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2011 and 2010:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	2011	2010
Balance at January 1,	$ 12,878,493	$ 9,767,575
Invested in preferred stock	-	250,000
Invested in common stock	1,075,000	500,000
Invested in promissory notes	1,310,000	1,875,000
Invested in micro loans	259,460	1,102,000
Net investment gain or (loss)	286,962	(123,967)
Cash received	(510,625)	(492,115)
Balance at December 31,	$ 15,299,290	$ 12,878,493

Note 7 - Property and Equipment

The components of property and equipment are as follows at December 31:

	2011	2010
Furniture and fixtures	$ 147,270	$ 135,134
Office equipment	452,058	416,632
Leasehold improvements	163,804	163,804
Land	1,600,000	1,600,000
Building	1,886,785	1,886,785
Donated equipment (MIED Program)	3,835,901	3,835,901
	8,085,818	8,038,256
Less accumulated depreciation	(4,620,646)	(4,304,671)
	$ 3,465,172	$ 3,733,585

Depreciation expense was $315,973 and $1,171,320 for the years ended December 31, 2011 and 2010, respectively.

Donated equipment for the MIED (Michigan Innovation Equipment Depot) Program consists of previously used laboratory equipment which the Organization leases to life science start-up companies throughout Michigan at significantly below-market rates as part of its mission to encourage the development of new businesses in Michigan. Lease agreements vary by lessee and are typically for an average term of three years.

Note 8 - Lines of Credit

SPARK has a revolving line of credit with a bank and may borrow up to $200,000 with interest at the bank's prime rate (4.25% at December 31, 2011). Interest accrues and is due monthly. The note is collateralized by substantially all assets of SPARK. This line of credit expires August 25, 2012. At December 31, 2011 and 2010, the line of credit outstanding was $0.

MLSIC has a revolving line of credit with a bank and may borrow up to $550,000 with interest at the bank's prime rate (4.25% at December 31, 2011). Interest accrues and is due monthly. The note is collateralized by substantially all assets of MLSIC. This line of credit expires August 25, 2012. At December 31, 2011 and 2010, the line of credit outstanding was $550,000 and $510,000, respectively.

SPARK has various credit cards with a bank for employee use with a total credit limit of $90,000 and $70,150 for the years ended December 31, 2011 and 2010, respectively. As of December 31, 2011 and 2010 the credit amount used was $5,745 and $6,235, respectively.

Note 9 - Note Payable

Note payable consisted of the following at December 31:

	2011	2010
Note payable, unsecured, requiring monthly installments of $4,954, including interest at 5%, through September 2014.	$ 203,681	$ 242,206
Less current portion	51,769	40,020
Long term portion	$ 151,912	$ 202,186

The terms of the note payable stipulated that if not paid back within one year, accrued interest of 5% would be added to the face of the note. As of September 1, 2009, the face value of the note payable increased to $262,500.

Maturities of the note payable are as follows:

Year ending December 31	
2012	$ 51,769
2013	52,845
2014	55,549
2015	43,519
	$ 203,681

Interest expense was $9,921 and $21,094 for the years ended December 31, 2011 and 2010, respectively.

Note 10 - Retirement Plan

The Organization has established a 457(b) deferred compensation plan for eligible employees. Employees may elect to defer a certain percentage of qualified compensation through voluntary contributions to the 457(b) plan. The Organization may make discretionary contributions to the 457(b) plan as determined by the Board of Directors. The Organization did not make a contribution to the plan for the years ended December 31, 2011 and 2010, respectively.

The Organization has also established a 401(k) defined contribution plan for eligible employees who have attained the age of 21 and completed three months of service. Employees may elect to defer a certain percentage of qualified compensation through voluntary contributions to the 401(k) plan. The Organization may make discretionary contributions to the 401(k) plan as determined by the Board of Directors. In order to be eligible for matching contributions, employees must be making contributions to the Plan. The Organization contributions for the years ended December 31, 2011 and 2010, were $47,255 and $60,613, respectively.

Note 11 - Commitments

Total rent paid during the years ended December 31, 2011 and 2010 was $239,359 and $499,742, respectively. The Organization leases three office facilities (referred to as "SPARK HQ", "SPARK Central", and "SPARK East"), and an equipment warehouse. The SPARK HQ facility has a lease expiring October 31, 2021, with monthly payments of $9,222 in the first year, increasing by approximately 3% each year thereafter. The SPARK Central facility has a five year lease expiring December 31, 2016, with monthly payments of $6,866 in the first year, increasing by approximately 2% each year thereafter. The SPARK East facility has a 5 year lease expiring November 30, 2013, with payments of $6,225 in the first year, increasing to $6,917 for years 2-5. The equipment warehouse lease expired May 31, 2007, but has continued on a month-to-month basis with monthly payments of $1,667.

In November 2006 the Organization received a grant associated with leasing existing space to run a life sciences wet lab incubator. The wet lab incubator space had a lease that expired December 31, 2010. Under this lease, the Organization received an in-kind contribution of donated space, which amounted to $0 and $233,004 for the years ended December 31, 2011 and 2010.

At December 31, future minimum rentals under these leases are as follows:

For the years ending	
2012	$ 276,611
2013	274,676
2014	203,709
2015	208,965
2016	214,363
2017 and thereafter	659,742
	$ 1,838,066

Note 12 - Rental Income

The Organization subleases space in its wet lab incubator facility, SPARK Central, SPARK East and MLSIC to various organizations. Currently, the subleases range from month to month to 5 years. Monthly payments range from $95 to $6,371. The following is a schedule by years of future minimum rental income under the leases at December 31, 2011.

For the years ending	
2012	$ 193,242
2013	176,033
2014	129,141
2015	51,031
	$ 549,447

Total rental income under all subleases included in revenue for the years ended December 31, 2011 and 2010 was $1,041,004 and $1,198,143, respectively.

Note 13 - Related Party Transactions

A current member of the Organization's Administrative Committee is also a partner of the firm with which the Organization incurred approximately $21,327 and $21,000 of legal fees for the years ended December 31, 2011 and 2010, respectively.

Note 14 - Conditional Promises to Give

The Organization is aware of certain local entities who have indicated they would provide support in future years, but dependent on their own financial resources. This determination will be made each year by the donor. Since these pledges do not meet the criteria for revenue recognition under accounting principles generally accepted in the United States of America, they are not reflected as contributions in the statement of activities until the pledges are collected. Total conditional intentions to give as of December 31, 2011, totaled $181,500.

Supplementary Information

Ann Arbor SPARK and Affiliates

Schedule of Michigan Pre-Seed Capital Fund Portfolio Investments

December 31, 2011 and 2010

	2011 Cost	2011 Valuation	2010 Cost	2010 Valuation
Preferred Stock:				
Pixel Velocity Inc.	$ 250,000	$ 664,380	$ 250,000	$ 664,380
Arbor Photonics	250,000	275,068	250,000	275,068
Vestaron Inc.	250,000	122,550	250,000	125,000
Accord Biomaterial	250,000	307,389	250,000	307,389
Fulcrum Composites	200,000	200,000	200,000	200,000
Michelle's Miracle, Inc.	250,000	250,000	250,000	250,000
Nymirum	250,000	250,000	250,000	250,000
Axenic Dental	250,000	269,277	250,000	269,277
Epsilon/Ultrasound Medical Devices	50,000	382,190	50,000	382,190
Intervention Insights	250,000	255,833	250,000	255,833
Current Motor Co. LLC	250,000	256,430	-	-
Tangent Medical Tech	250,000	280,767	-	-
	$ 2,750,000	$ 3,513,884	$ 2,250,000	$ 2,979,137

	2011 Cost	2011 Valuation	2010 Cost	2010 Valuation
Common Stock:				
XG Sciences Inc.	$ 250,000	$ 725,140	$ 250,000	$ 725,140
3IS	92,499	92,499	92,499	92,499
Aursos	200,000	200,000	200,000	200,000
SenSounds, LLC	250,000	250,000	250,000	250,000
Biotectix, LLC	250,000	250,000	250,000	250,000
Innovative Surgical Solutions, LLC	250,000	250,000	250,000	250,000
Inventure Enterprises, Inc	250,000	250,000	250,000	250,000
Arbor Plastics	250,000	250,000	-	-
Xtrapickup Corp	200,000	200,000	-	-
Law Enforcement	250,000	250,000	-	-
Estrakon, Inc	250,000	250,000	-	-
Ix Innovations, LLC	125,000	125,000	-	-
	$ 2,617,499	$ 3,092,639	$ 1,542,499	$ 2,017,639

	2011 Interest Rate	2011 Cost	2011 Valuation	2010 Interest Rate	2010 Cost	2010 Valuation
Convertible Promissory Notes:						
Parking Carma	8.00%	$ 250,000	$ 250,000	8.00%	$ 250,000	$ 250,000
Phrixus Pharmaceuticals	8.00%	100,000	100,000	8.00%	100,000	100,000
RazorThreat	8.00%	250,000	292,499	8.00%	250,000	292,499
Cielo MedSolutions	-	-	-	12.00%	250,000	296,000
JADI Inc.	8.00%	250,000	250,000	8.00%	250,000	250,000
ERT Systems	15.00%	126,000	182,700	15.00%	126,000	126,000
Emiliem	10.00%	250,000	250,000	10.00%	250,000	250,000
Global Energy	8.00%	250,000	250,000	8.00%	250,000	250,000
Afid Therapeutics	8.25%	200,000	200,000	8.25%	200,000	200,000
Armune Bioscience	8.00%	200,000	200,000	8.00%	200,000	200,000
Creative Byline	7.00%	180,000	180,000	7.00%	180,000	180,000
White Pine Systems	6.25%	225,000	225,000	6.25%	225,000	225,000
OcuSciences, Inc.	10.00%	250,000	250,000	10.00%	250,000	250,000
3D Biomatrix	8.00%	250,000	250,000	8.00%	250,000	250,000
Mandy & Pandy	10.00%	244,000	244,000	10.00%	244,000	244,000
Algal Scientific	8.00%	180,000	180,000	8.00%	180,000	180,000
RealBio Technology	10.00%	250,000	250,000	10.00%	250,000	250,000
NextCAT, Inc.	8.00%	300,000	300,000	8.00%	300,000	300,000
Info Ready Corporation	8.00%	250,000	250,000	8.00%	250,000	250,000
InPore Technologies, Inc.	8.00%	100,000	100,000	8.00%	100,000	100,000
Downstream, LLC	-	-	-	8.00%	100,000	75,000
Tangent Medical Tech	-	-	-	12.00%	250,000	250,000
InPore Technologies, Inc.	8.00%	150,000	150,000	8.00%	150,000	150,000
Current Motor Co, LLC	-	-	-	6.00%	250,000	250,000
Armune BioScience	8.00%	250,000	250,000	8.00%	250,000	250,000
Advanced Battery Concepts, LLC	6.00%	250,000	250,000	6.00%	250,000	250,000
Retrosense Therapy	8.00%	250,000	250,000	-	-	-
Reveal Design	10.00%	250,000	250,000	-	-	-
ArborWind, LLC	8.00%	250,000	250,000	-	-	-
Practical EHR Solutions	8.00%	250,000	250,000	-	-	-
Seedus LLC aka Syzygy	8.00%	100,000	100,000	-	-	-
Clean Emission	7.00%	210,000	210,000	-	-	-
		6,065,000	6,164,199		5,605,000	5,668,499
Accrued unpaid interest earned		1,078,536	647,122		735,615	441,368
		$ 7,143,536	$ 6,811,321		$ 6,340,615	$ 6,109,867
Total		$ 12,511,035	$ 13,417,844		$ 10,133,114	$ 11,106,643

Ann Arbor SPARK and Affiliates
Schedule of Micro Loans
December 31, 2011 and 2010

	2011			2010		
	Interest Rate	Cost	Valuation	Interest Rate	Cost	Valuation
Micro Loans:						
Allinova	12%	$ 10,000	$ 10,000	12%	$ 10,000	$ 10,000
MemCatch	-	-	-	12%	25,000	25,000
Procuit, Inc.	12%	30,000	30,000	12%	30,000	30,000
The Whole Brain Group	12%	25,000	25,000	12%	50,000	50,000
New Eagle	12%	39,000	39,000	12%	39,000	39,000
Advanced Battery Concepts	12%	50,000	50,000	12%	50,000	50,000
BeholzTech, Inc.	12%	40,000	40,000	12%	40,000	40,000
CTC Holdings	12%	45,000	45,000	12%	45,000	45,000
Diesel Reformer	12%	50,000	50,000	12%	50,000	50,000
Motor City Wipers	12%	50,000	50,000	12%	50,000	50,000
RealBio Technology, Inc.	12%	37,500	37,500	12%	37,500	37,500
Research Essential Services	-	-	-	12%	50,000	50,000
Solarflex	12%	35,000	35,000	12%	35,000	35,000
FreeStride Therapeutics, Inc.	12%	50,000	50,000	12%	50,000	50,000
Energy Management Devices	12%	50,000	50,000	12%	50,000	50,000
Local Orbit	12%	10,000	10,000	12%	10,000	10,000
Buycentives	12%	35,000	35,000	12%	35,000	35,000
AviCenna Medical	12%	20,000	20,000	12%	20,000	20,000
Cimple Integrations	12%	50,000	50,000	12%	50,000	50,000
Shepherd Intelligent Systems	12%	35,000	35,000	12%	35,000	35,000
Ix Innovations	12%	35,000	35,000	12%	35,000	35,000
Current Motor	12%	50,000	50,000	12%	50,000	50,000
CYJ Enterprises	12%	30,000	30,000	12%	30,000	30,000
TRIG Tires & Wheels	-	-	-	12%	50,000	50,000
LED Optical Solutions	12%	50,000	50,000	12%	50,000	50,000
Inventure Enterprises	12%	46,000	46,000	12%	46,000	46,000
Procuit, Inc.	12%	20,000	20,000	12%	20,000	20,000
Waste Waterheat Transfer	12%	25,000	25,000	12%	25,000	25,000
Blaze Medical Devices	12%	42,000	42,000	12%	42,000	42,000
Ellison Corporation	12%	40,000	40,000	12%	40,000	40,000
Akervall Technollogies	-	-	-	12%	15,000	15,000
Terra-Telesis	12%	50,000	50,000	12%	50,000	50,000
Digital Knowledge Corporation	12%	29,000	29,000	12%	29,000	29,000
Road to Road, LLC	12%	25,000	25,000	12%	25,000	25,000
Local Orbit, LLC	12%	40,000	40,000	12%	40,000	40,000
Detroit Electric	12%	50,000	50,000	12%	50,000	50,000
Ergun Technologies	12%	50,000	50,000	12%	50,000	50,000
MyBandStock Corporation	-	-	-	12%	45,000	45,000
GreenSand Corporation	12%	50,000	50,000	12%	50,000	50,000
Applied Computer Technologies	12%	15,000	15,000	12%	15,000	15,000
Family Mint, Inc.	12%	50,000	50,000	12%	50,000	50,000
Shepherd Intelligent Systems	12%	45,000	45,000	12%	45,000	45,000
Fusion Coolant Systems	12%	50,000	50,000	12%	50,000	50,000
Auto Harvest Foundation	12%	25,000	25,000	12%	25,000	25,000
Ix Innovations	12%	15,000	15,000	-	-	-
Therapy Charts	12%	47,000	47,000	-	-	-
BuyCentives	12%	25,000	25,000	-	-	-
OpenWorld Energy	12%	25,000	25,000	-	-	-
Free Stride Therapeutics	12%	28,000	28,000	-	-	-
CareCheq	12%	10,237	10,237	-	-	-
Reveal Design Automation	12%	45,000	45,000	-	-	-
My Repair Facts	12%	15,000	15,000	-	-	-
CareCheq #2	12%	9,224	9,224	-	-	-
GeLo	12%	15,000	15,000	-	-	-
		1,712,961	1,712,961		1,688,500	1,688,500
Accrued unpaid interest earned		336,970	168,485		166,702	83,350
		$ 2,049,931	$ 1,881,446		$ 1,855,202	$ 1,771,850

Ann Arbor SPARK and Affiliates
Combining Statement of Financial Position
December 31, 2011

	Ann Arbor Spark	Ann Arbor SPARK Foundation	Michigan Life Science and Innovation Center LLC	Eliminations	Total
Assets					
Current Assets					
Cash	$ 416,020	$ 528,054	$ 11,485	$ -	$ 955,559
Restricted Cash	2,508,675	-	-	-	2,508,675
Accounts receivable, net	238,611	19,895	153,907	(57,665)	354,748
Prepaid expenses	18,180	-	-	-	18,180
Unconditional promises to give, net	-	9,000	-	-	9,000
Total current assets	3,181,486	556,949	165,392	(57,665)	3,846,162
Property and equipment, net	67,325	-	3,397,847	-	3,465,172
Due from (to)	195,000	37,664	(232,664)	-	-
Investments					
Michigan Pre-Seed Capital Fund Portfolio Investments	13,417,844	-	-	-	13,417,844
Micro loans	1,881,446	-	-		1,881,446
Total investments	15,299,290	-	-	-	15,299,290
Other Assets					
Deposits	17,000	-	-	-	17,000
Prepaid insurance	-	-	28,255	-	28,255
Total other assets	17,000	-	28,255	-	45,255
Total assets	$ 18,760,101	$ 594,613	$ 3,358,830	$ (57,665)	$ 22,655,879
Liabilities and Net Assets					
Current Liabilities					
Lines of credit	$ -	$ -	$ 550,000	$ -	$ 550,000
Accounts payable	146,809	344,779	389,942	(57,665)	823,865
Accrued liabilities	103,641	-	32,420	-	136,061
Note payable	-	51,769	-	-	51,769
Deferred revenue	2,048,482	-	-	-	2,048,482
Total current liabilities	2,298,932	396,548	972,362	(57,665)	3,610,177
Note payable, net of current portion	-	151,912	-	-	151,912
Net assets					
Unrestricted	16,461,169	46,153	2,386,468	-	18,893,790
Total liabilities and net assets	$ 18,760,101	$ 594,613	$ 3,358,830	$ (57,665)	$ 22,655,879

Ann Arbor SPARK and Affiliates
Combining Statement of Activities
For the Year Ended December 31, 2011

	Ann Arbor SPARK	Ann Arbor SPARK Foundation	Michigan Life Science and Innovation Center LLC	Eliminations	Total
Revenues and Support					
Program service fee revenue					
Accelerator grants and revenue	$ 2,037,632	$ 600,000	$ 100,000	$ (229,000)	$ **2,508,632**
LDFA revenue	1,164,082	-	-	-	**1,164,082**
Municipal service contracts	387,888	-	-	-	**387,888**
Facility revenue	273,167	37,013	994,434	(86,497)	**1,218,117**
Portfolio income (loss)	286,955	-	-	-	**286,955**
Interest income	4,200	-	-	-	**4,200**
Total revenue	4,153,924	637,013	1,094,434	(315,497)	**5,569,874**
Public Support					
Contributions	669,800	676,150	3,557	-	**1,349,507**
In-kind	40,000	-	-	-	**40,000**
Total support	709,800	676,150	3,557	-	**1,389,507**
Total revenue and support	4,863,724	1,313,163	1,097,991	(315,497)	**6,959,381**
Expenses					
Program services	2,707,257	1,457,133	1,451,622	(315,497)	**5,300,515**
Supporting services					
Management and general	513,453	-	-	-	**513,453**
Fundraising	48,746	-	-	-	**48,746**
Total supporting services	562,199	-	-	-	**562,199**
Total expenses	3,269,456	1,457,133	1,451,622	(315,497)	**5,862,714**
Change in net assets	1,594,268	(143,970)	(353,631)	-	**1,096,667**
Net assets - beginning of year	14,866,901	190,123	2,740,099	-	**17,797,123**
Net assets - end of year	$ 16,461,169	$ 46,153	$ 2,386,468	$ -	$ **18,893,790**

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