Ann Arbor SPARK and Affiliates

Annual Financial Statements and Auditors' Report

December 31, 2009

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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, 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)

		Supporting Services				
	Program	Management and General	Fund-Raising	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	$ -

	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
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	$ 891,775	$ 3,044,741	$ -	$ 3,044,741	$ -	$ 14,505,150	$ 28,296	$ 14,533,446