Ann Arbor SPARK and Affiliate

Financial Statements

December 31, 2022
(With Summarized Comparative Information for 2021)

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BUSINESS SUCCESS PARTNERS

Table of Contents

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Independent Auditors' Report

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

Opinion
We have audited the accompanying consolidated financial statements of Ann Arbor SPARK and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ann Arbor SPARK and Affiliate as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ann Arbor SPARK and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Standards
As described in Note 2 to the consolidated financial statements, Ann Arbor SPARK and Affiliate changed its method of accounting for leases in 2022 as required by the provisions of FASB Accounting Standards Updates relating to FASB ASC 842, *Leases*. Our opinion is not modified with respect to that matter.

Prior Period Adjustments
As described in Note 17 to the consolidated financial statements, two purpose restricted contributions were incorrectly categorized as without donor restriction for the year ended December 31, 2021. Accordingly, an adjustment was made to properly categorize the referenced amounts on the statement of activities. Change in net assets was unaffected by this correction. A liability was improperly excluded from the statement of financial position and revenue was improperly included for the year ended December 31, 2021. Accordingly, net assets as of December 31, 2021 was restated to reflect the correction of this error. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ann Arbor SPARK and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors’ Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ann Arbor SPARK and Affiliate’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ann Arbor SPARK and Affiliate’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information
We have previously audited the Ann Arbor SPARK and Affiliate’s 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 12, 2022. In our opinion, with the exception of the matter discussed in Note 17, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The December 31, 2022 consolidating statement of financial position, consolidating statement of activities and consolidating statement of cash flows are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
May 18, 2023

Ann Arbor SPARK and Affiliate
Consolidated Statement of Financial Position
December 31, 2022
(With Summarized Comparative Information for December 31, 2021)

	2022	(Restated) 2021
Assets		
Current assets		
Cash	**$ 1,432,451**	$ 1,738,592
Restricted cash - capital funding	**5,693,792**	6,903,179
Investments - restricted	**732,558**	-
Accounts receivable, net	**986,153**	834,102
Prepaid expenses	**191,731**	183,836
Total current assets	**9,036,685**	9,659,709
Property and equipment, net	**169,372**	234,807
Right of use asset - operating lease, net	**1,395,032**	-
Investments		
Michigan Pre-Seed Capital Fund Portfolio Investments, net	**5,501,101**	5,295,376
Microloans, net	**412,440**	515,428
Total investments	**5,913,541**	5,810,804
Other assets		
Deposits	**108,517**	94,080
Total assets	**$ 16,623,147**	$ 15,799,400
Liabilities and Net Assets		
Current liabilities		
Accounts payable	**$ 307,832**	$ 266,734
Accrued liabilities	**357,755**	354,934
Operating lease obligation, current portion	**418,375**	-
Deferred revenue	**11,610**	16,557
Refundable advance	**513,860**	138,051
Total current liabilities	**1,609,432**	776,276
Long-term liabilities		
Operating lease obligation, net of current portion	**986,679**	-
Total liabilities	**2,596,111**	776,276
Net assets		
Without donor restrictions		
Undesignated	**13,181,216**	13,774,194
Board designated	**195,538**	200,000
Total without donor restrictions	**13,376,754**	13,974,194
With donor restrictions		
Purpose restrictions	**575,282**	1,048,930
Time restrictions	**75,000**	-
Total with donor restrictions	**650,282**	1,048,930
Total net assets	**14,027,036**	15,023,124
Total liabilities and net assets	**$ 16,623,147**	$ 15,799,400

See Accompanying Notes to the Consolidated Financial Statements

Ann Arbor SPARK and Affiliate
Consolidated Statement of Activities
For the Year Ended December 31, 2022
(With Summarized Comparative Information for December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total (Restated) 2021
Program Service Fee Revenue and Public Support				
Program service fee revenue				
Facility revenue	$ 577,402	$ -	**$ 577,402**	$ 449,236
Public support				
Contributions	1,097,714	150,000	**1,247,714**	1,277,148
Accelerator grants	2,427,690	-	**2,427,690**	6,591,660
Local Development Finance Authority revenue	4,448,926	-	**4,448,926**	3,782,189
Municipal service contracts	839,767	-	**839,767**	799,951
Contributions of nonfinancial assets	81,085	-	**81,085**	285,692
Net assets released from restriction	548,648	(548,648)	**-**	-
Total public support	9,443,830	(398,648)	**9,045,182**	12,736,640
Total program service fee revenue and public support	10,021,232	(398,648)	**9,622,584**	13,185,876
Expenses				
Program services	9,124,981	-	**9,124,981**	11,931,700
Supporting services				
Management and general	1,294,137	-	**1,294,137**	1,292,563
Fundraising	227,564	-	**227,564**	251,767
Total expenses	10,646,682	-	**10,646,682**	13,476,030
Other Income (Expense)				
Interest income	50,641	-	**50,641**	6,528
Interest earned on investments	194,914	-	**194,914**	210,611
Dividend income	2,250	-	**2,250**	11,887
Distribution from capital fund	-	-	**-**	(438,115)
Realized gain (loss) on investments	(30,016)	-	**(30,016)**	(1,307,140)
Realized loss on microloans	(237,813)	-	**(237,813)**	(209,416)
Unrealized gain on investments based on company performance	842,540	-	**842,540**	2,093,797
Valuation allowance on investments based on projected performance	(706,269)	-	**(706,269)**	(1,029,616)
Return on prior investments	1,158	-	**1,158**	147,585
Payment to MEDC	(24,931)	-	**(24,931)**	(28,990)
Return of funds	(64,464)	-	**(64,464)**	(36,003)
Total other income (expense)	28,010	-	**28,010**	(578,872)
Change in net assets	(597,440)	(398,648)	**(996,088)**	(869,026)
Net assets - beginning of year, as restated	13,974,194	1,048,930	**15,023,124**	15,892,150
Net assets - end of year	$ 13,376,754	$ 650,282	**$ 14,027,036**	$ 15,023,124

See Accompanying Notes to the Consolidated Financial Statements

Ann Arbor SPARK and Affiliate
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022
(With Summarized Comparative Information for December 31, 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	**$ (996,088)**	$ (869,026)
Items not requiring cash		
Depreciation	**108,135**	111,988
Unrealized and realized interest, gains on investments, net	**(769,625)**	(786,216)
Bad debt expense (recovery)	**(6,232)**	9,069
Valuation allowance	**706,269**	1,029,616
Changes in operating assets and liabilities		
Accounts receivable	**(145,819)**	(13,721)
Prepaid expenses	**(7,895)**	(124,818)
Deposits	**(14,437)**	(39,037)
Operating lease assets and liabilities	**10,022**	-
Accounts payable	**41,098**	(160,685)
Accrued liabilities	**2,821**	46,371
Deferred revenue	**(4,947)**	(6,664)
Refundable advance	**375,809**	138,051
Net cash used by operating activities	**(700,889)**	(665,072)
Cash flows from investing activities		
Redemption of preferred stock, common stock, and convertible promissory notes	**724,658**	322,268
Redemption of microloans	**15,961**	160,000
Purchase of preferred stock	**-**	(249,999)
Purchase of convertible promissory notes	**(780,000)**	(1,080,000)
Purchase of Treasury debt obligation	**(732,558)**	-
Purchase of property and equipment	**(42,700)**	(25,101)
Net cash used by investing activities	**(814,639)**	(872,832)
Change in cash and restricted cash	**(1,515,528)**	(1,537,904)
Cash and restricted cash - beginning of year	**8,641,771**	10,179,675
Cash and restricted cash - end of year	**$ 7,126,243**	$ 8,641,771
Cash and restricted cash		
Cash	**$ 1,432,451**	$ 1,738,592
Restricted cash - capital funding	**5,693,792**	6,903,179
Total cash and restricted cash	**$ 7,126,243**	$ 8,641,771
Supplemental information		
Building acquired through operating leases	**$ 621,652**	$ -

See Accompanying Notes to the Consolidated Financial Statements

Ann Arbor SPARK and Affiliate
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Summarized Comparative Information for December 31, 2021)

		Supporting Services			Total	
	Program Services	Management and General	Fund-Raising	Subtotal	**2022**	2021
Personnel expenses	$ 2,492,664	$ 734,838	$ 193,287	$ 928,125	**$ 3,420,789**	$ 3,407,769
Professional expenses	4,141,285	225,107	-	225,107	**4,366,392**	7,458,676
Operating expenses	1,474,949	30,404	29,722	60,126	**1,535,075**	1,284,804
Marketing expenses	950,157	261,579	4,555	266,134	**1,216,291**	1,212,793
Depreciation expense	65,926	42,209	-	42,209	**108,135**	111,988
	$ 9,124,981	$ 1,294,137	$ 227,564	$ 1,521,701	**$ 10,646,682**	$ 13,476,030

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 the 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.

SPARK and the Foundation (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 and Livingston 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 successfully commercialize innovations. Programs and services offered by the Organization are as follows:

- Business incubator services
- Business accelerator services
- Business development – local business expansion, retention & referrals
- Business attraction
- Talent connections
- Marketing the region

SPARK has both an economic interest and control that exist through a majority voting interest in the Foundation's board. As a result, SPARK is required to consolidate 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 on an ongoing basis.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Principles of Consolidation
The consolidated financial statements include the financial information of SPARK and the Foundation. 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 earned. Program service fees are deferred to the applicable period in which the performance obligations are met, that is, when the companies submit, in writing, that deliverables have been satisfactorily achieved. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and Goods
The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. The Organization’s policy is to utilize, rather than monetize, donated services and goods.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Cash and Restricted Cash
The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash. Restricted cash is Pre-Seed and Microloan cash that is required to be held in a separate account.

Accounts Receivable
Accounts receivable consist of amounts that have been expended for intended grant purposes and not yet reimbursed by the granting agency, business incubator rent payments due and donations not yet paid. Grant and other receivables are valued at what is believed to be collectable, an allowance of $34,912 and $43,370 has been recorded for the years ended December 31, 2022 and 2021, respectively.

Promises to Give
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.

Prepaid Expenses
Prepaid expenses consist of amounts paid in advance for future expenses. All amounts are expected to be utilized.

Investments

<u>Michigan Pre-Seed Capital Fund</u>
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, 2022, the Organization had received $8,000,000 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 was July 15, 2009 through June 30, 2012. As of December 31, 2022, the Organization had received $6,800,000 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 $10,170,000 for the same purpose. The term of this agreement was October 1, 2011 through December 31, 2014. The grant had an initial payment of $2,150,000 and additional payments were received upon the Organization achieving certain milestones and materially complying with requirements as defined in the agreement with the MSF. As of December 31, 2022, the Organization had received payments of $10,170,000 and made expenditures and investments in the same amount.

Microloans

The Michigan Microloan Fund Program currently includes three distinct microloan funds. Through the Michigan Microloan Fund Program, $264,000 is available to start-ups via the Eastern Washtenaw Microloan Fund and $1,050,000 is available for companies located in the City of Ann Arbor via funding from the Ann Arbor/Ypsilanti Local Development Financing Authority (LDFA). Included above in the Michigan Pre-Seed Capital Fund amounts $1,000,000 of the 2009 funds and $1,734,800 of the 2011 funds are designated for microloans.

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 microloans 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 on microloans originated by either program noted above was $431,760 and $482,448 at December 31, 2022 and 2021, respectively.

The valuation allowance on the microloans was $496,801 and $591,352 at December 31, 2022 and 2021, respectively. The allowance is based on historical collection rates of the microloans over the life of the program.

In the year ending 2017 the LDFA discontinued the microloan program. Any return of funds received relating to the LDFA microloans held by the Organization at year end, will be remitted back to the LDFA. Previously, any return of funds were reinvested back into the microloan program. This event does not change the value or operations of the microloans or their effect on the financial statements.

Valuation of Michigan Pre-Seed Capital Fund Investments and Microloans

Investments are recorded at fair value as determined in good faith by 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 management; and such other factors as 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 and performance of such companies vary dramatically over time and performance has a significant effect on valuation. 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 management based on the circumstances of each company to which the notes relate and a corresponding reserve established for estimated uncollectible amounts.

Accrued interest earned from convertible notes was $512,763 and $386,127 at December 31, 2022 and 2021, respectively.

The valuation allowance on the investments was $6,870,649 and $6,069,829 at December 31, 2022 and 2021, respectively. The allowance is based on historical collection rates of the investments over the life of the program.

Fair value measurement - definition and hierarchy

Fair value measurements define 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 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 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. 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 7 to the consolidated 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 10 years.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Leases

The Organization leases certain office spaces and equipment. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Finance leases are contracts that have characteristics that make them similar to the purchase of the underlying asset. Operating leases are contracts that allow for the use of the underlying asset but there is no ownership transfer at the end of the lease.

Right of use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Right of use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that option will be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the building and office equipment classes of assets.

Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Finance lease expense is allocated between the amortization of the right of use asset and interest expense.

The lease payments used to determine the lease liability and right of use assets include residual value guarantees that are probable of being paid at the termination of the lease term.

Deferred Revenue
Deferred revenue represents unearned rental income. These revenues are earned as the terms of the agreements are met.

Functional Expenses
The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include salaries and benefits, depreciation and amortization, occupancy and information technology. Salaries and benefits are allocated based on a time and cost study of where efforts are made, occupancy, depreciation and amortization are allocated based on a square footage basis, and information technology is allocated based on a cost study of specific technology utilized.

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, 2022 and 2021, were $1,216,291 and $1,212,793, 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, 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, 2021 in the accompanying consolidated financial statements are included to provide a basis for comparison with 2022 and present summarized totals only. Accordingly, the 2021 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 consolidated financial statements for the year ended December 31, 2021, 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.

Subsequent Events
Management has evaluated subsequent events through May 18, 2023, which is the date the financial statements were available to be issued.

Adoption of New Accounting Standards
The Organization adopted FASB Topic 842, *Leases,* as of the beginning of the year ended December 31, 2022. This has been adopted using the modified retrospective approach. The effect of the implementation did not change beginning net assets.

The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. In addition, the Organization elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases and the useful lives of corresponding leasehold improvements as certain options to renew were not reasonably certain.

The Organization adopted FASB Topic, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, as of the beginning of the year ended December 31, 2022.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Cash	$ 1,432,451	$ 1,738,592
Accounts receivable, net	986,153	834,102
Total financial assets - end of year	2,418,604	2,572,694
Less: Financial assets unavailable for general expenditures within one year, due to:		
Board designated for programs	(195,538)	(200,000)
Contractual or donor-imposed restrictions		
Restricted by donor with purpose restrictions	(575,282)	(1,048,930)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,647,784	$ 1,323,764

As part of the Organization’s liquidity management plan, management projects cash flow through the end of the fiscal year. The projection is approved by the finance committee annually and targets a reserve of approximately 4 months operating cash on hand. The Organization also has access to a line of credit of $400,000.

Note 4 - 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 per institution. At December 31, 2022, cash account balances that were in excess of the FDIC coverage limit were $6,268,784.

The Organization's investments are all in start-up companies located in the State of Michigan.

Note 5 - Conditional Promises to Give

During the fiscal year, the Organization received conditional promises to give related to local, state and federal grants. Payment of the grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements in accordance with 2 CFR 200. The conditional contributions consisted of the following as of December 31:

Condition/ Grant Purpose	Total Contract/ Grant Amount	Spent to Date	Conditional Contribution
MicroEnterprise grants	$ 200,000	$ 3,500	$ 196,500
MISTEP Internship Program	2,500,000	2,006,139	493,861
Provide economic development services	277,792	132,075	145,717
Support emerging minority and woman angel investors	39,000	4,627	34,373
Connect and collaborate with entities to foster the mobility ecosystem	20,000	-	20,000
Sustain and enhance regional incubator programs	100,000	90,000	10,000
Build inter-city broadband connection	2,400,000	4,462	2,395,538
	$ 5,536,792	$ 2,240,803	$ 3,295,989

Note 6 - 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 accrued 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, stated at fair value, consist of the following at December 31, 2022 and 2021, respectively:

	2022	2021
Preferred stock	$ 7,951,100	$ 7,404,829
Common stock	1,558,587	1,831,193
Convertible promissory notes and accrued interest	2,862,063	2,129,183
Valuation allowance on investments based on projected performance	(6,870,649)	(6,069,829)
	$ 5,501,101	$ 5,295,376

Portfolio investment income (loss) consists of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Interest earned, convertible promissory notes	$ 134,908	$ 124,123
Interest earned, microloans	60,006	86,488
Dividend income	2,250	11,887
Realized loss, microloans	(237,813)	(211,052)
Unrealized loss, microloans	(3,771)	-
Realized gain, microloans	-	1,636
Realized gain, preferred stock	267,623	68,817
Realized loss, preferred stock	-	(846,982)
Unrealized gain, preferred stock	927,099	2,119,497
Unrealized loss, preferred stock	(45,738)	(4,373)
Realized loss, common stock	(290,056)	-
Unrealized gain, common stock	63,700	-
Unrealized loss, common stock	(46,250)	(21,327)
Realized loss, convertible promissory notes	(7,583)	(528,975)
Unrealized loss, convertible promissory notes	(52,500)	-
Change in valuation allowance on investments based on projected performance	(706,269)	(1,029,616)
Total portfolio investment income (loss)	$ 65,606	$ (229,877)

Note 7 - 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, 2022 and 2021:

December 31, 2022	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, net	$ -	$ -	$ 5,501,101	$ 5,501,101
Microloans, net	-	-	412,440	412,440
Total	$ -	$ -	$ 5,913,541	$ 5,913,541

December 31, 2021	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, net	$ -	$ -	$ 5,295,376	$ 5,295,376
Microloans, net	-	-	515,428	515,428
Total	$ -	$ -	$ 5,810,804	$ 5,810,804

Total assets at fair value classified within level 3 were $5,913,541 and $5,810,804, as of December 31, 2022 and 2021, which consists of Michigan Pre-Seed Capital Fund Portfolio Investments and Microloans. Such amounts were approximately 36% and 37% of total assets on the Organization's consolidated statement of net position available as of December 31, 2022 and 2021, respectively. Michigan Pre-Seed Capital Fund Portfolio Investments and Microloans are recorded at fair value as determined in good faith by the investment committee. Initial 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 the investment committee; and such other factors as the committee 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. 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.

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at December 31, 2022	Valuation Technique	Unobservable Input	Range (weighted Average)
Michigan Pre-Seed Capital Fund Portfolio Investments, net and Micro loans, net	$ 5,913,541	Valuation Committee or SPARK Staff Assessments	Recent stock issuance by entity	50%
			Economic status of entity	50%

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at December 31, 2021	Valuation Technique	Unobservable Input	Range (weighted Average)
Michigan Pre-Seed Capital Fund Portfolio Investments, net and Micro loans, net	$ 5,810,804	Valuation Committee or SPARK Staff Assessments	Recent stock issuance by entity	50%
			Economic status of entity	50%

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, 2022 and 2021:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	2022	2021
Balance at January 1,	$ 5,810,804	$ 5,206,473
Invested in promissory notes	780,000	1,080,000
Invested in preferred stock	-	249,999
Net investment gain	769,625	786,216
Cash received	(740,619)	(482,268)
Valuation allowance	(706,269)	(1,029,616)
Balance at December 31,	$ 5,913,541	$ 5,810,804

Note 8 - Property and Equipment

The components of property and equipment are as follows at December 31, 2022 and 2021:

	2022	2021
Furniture and fixtures	$ 259,566	$ 259,566
Office equipment	234,066	215,265
Leasehold improvements	601,241	597,641
	1,094,873	1,072,472
Less accumulated depreciation	(925,501)	(837,665)
	$ 169,372	$ 234,807

Depreciation expense was $108,135 and $111,988 for the years ended December 31, 2022 and 2021, respectively.

Note 9 - Lines of Credit

SPARK had a revolving line of credit with a bank for up to $400,000 with a variable interest rate of 5.0% at December 31, 2022 and 2021. Interest accrued and was due monthly. The note was collateralized by substantially all assets of SPARK. This line of credit matures in May 2023. At December 31, 2022 and 2021, the line of credit outstanding was $0.

SPARK has various credit cards with a bank for employee use with a total credit limit of $129,000 and $135,000 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021 the credit amount used was $19,436 and $17,921, respectively.

Note 10 - Retirement Plan

The Organization has 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, 2022 and 2021, were $75,203 and $91,596, respectively.

The Organization made a contribution to a deferred compensation plan under an employment contract of $92,017 and $77,580 for the years ended December 31, 2022 and 2021, respectively. The funds are a prepaid asset to the Organization until the period of performance is complete.

Note 11 - Leases

The Organization leases certain office spaces and equipment at various terms under long-term non-cancelable operating lease and finance lease agreements. The leases expire at various dates through 2029 and one lease provides for a renewal option of five years. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement requires the Organization to pay real estate taxes, insurance, and repairs.

Total lease costs for the years ended December 31, 2022 are as follows:

Operating lease cost	$ 628,979

The following table summarizes the supplemental cash flow information for the years ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 618,956

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term in years:	
Operating leases	4.80
Weighted-average discount rate:	
Operating leases	2.81%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of December 31, 2022:

	Operating
2023	$ 451,443
2024	290,083
2025	232,778
2026	235,496
2027	96,916
Thereafter	193,832
Total lease payments	1,500,548
Less interest	(95,494)
Present value of lease liabilities	$ 1,405,054

The Organization subleases space in SPARK Central and SPARK East to various organizations. The subleases range from month-to-month to 3 years. The leases do not transfer ownership of the leased assets and do not provide an option for the lessees to purchase the assets.

The following table summarizes lease income for the year ended December 31, 2022:

Office space	$ 299,398

The following table summarizes the carrying amounts of the underlying assets related to operating leases:

Right of use asset, office space, net	$ 1,360,506

The following is an analysis of the maturity of the undiscounted operating lease payments:

2023	$ 38,550
2024	230
Total lease payments	$ 38,780

Note 12 - Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended December 31, 2022 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Household goods	$ 3,384	Table on first floor	None	Valued by third party at $282 and invoiced monthly at $0.
Services	10,000	Legal Services	None	Contributed services from attorneys are valued at the estimated fair value based on current rates for similar legal services.
Services	8,908	Russel Video services at Annual Meeting	None	Vendor invoices at 50% of portions of invoice reflecting expenses they are willing to offer SPARK as contributed nonfinancial assets.
Services	55,193	Marketing by Google AdWords	None	Technically $10k per month but the restrictions would never allow us to reach that max.
Software	3,600	Power of 10 software (Salesforce)	None	10 seat licenses for free as non-profit
Volunteer services	-	Volunteers who assisted with delivery of A2Tech360	None	Criteria for recording revenue are not met; approximately 22 hours were donated.
	$ 81,085			

Contributed nonfinancial assets for the year ended December 31, 2021 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Household goods	$ 3,384	Table on first floor	None	Valued by third party at $282 and invoiced monthly at $0.
Services	46,648	Russel Video services at Annual Meeting	None	Vendor invoices at 50% of portions of invoice reflecting expenses they are willing to offer SPARK as contributed nonfinancial assets.
Services	232,060	Marketing by Google AdWords	None	Technically $10k per month but the restrictions would never allow us to reach that max.
Software	3,600	Power of 10 software (Salesforce)	None	10 seat licenses for free as non-profit
Volunteer services	-	Volunteers who assisted with delivery of A2Tech360	None	Criteria for recording revenue are not met; approximately 8 hours were donated.
	$ 285,692			

Note 13 - Related Party Transactions

The Board of Directors and Finance Committee include management of various municipalities, public institutions, not for profits and for profit companies. The related organizations of these members contribute sponsorship and grant revenues to Ann Arbor SPARK. The total amounts received by Ann Arbor SPARK for the year ended December 31, 2022 and 2021 was $5,000 and $50,210 for sponsorships and $1,286,067 and $1,241,605 for donations, respectively.

A current officer of the Organization's Board of Directors is also a partner of the firm with which the Organization incurred approximately $11,138 and $21,310 of legal fees for the years ended December 31, 2022 and 2021, respectively.

Employees of the Organization provide services to the Michigan Angel Fund (1, 2 & 3), Limited Liability Companies. The Michigan Angel Fund’s managing member is an entity, MAF, of which the Organization has control. Revenues are derived from management fees paid to SPARK by the funds. Expenses related to administrative services performed for the Michigan Angel Fund were $15,320 and $44,182 for the years ended December 31, 2022 and 2021, respectively. Revenues related for these services were $83,000 and $40,000 for the years ended December 31, 2022 and 2021, respectively.

The Organization performs business development and accounting functions for the American Center for Mobility, of which the CEO of SPARK sits on the Board of Directors. For the years ended December 31, 2022 and 2021 approximately $105,000 and $73,289, respectively was generated in revenues for these services and $104,230 and $105,000 was generated in related expenses.

Note 14 - Board Designated Net Assets

The Board of Directors of the Organization has voluntarily designated $195,538 and $200,000 as of December 31, 2022 and 2021, respectively, whose purpose is to be held as the Organization’s match contribution for a upcoming program.

Note 15 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at December 31:

	2022	(Restated) 2021
Subject to the passage of time:	$ 75,000	$ -
Subject to expenditure for specified purpose:		
Ypsilanti business development	179,744	309,743
Site readiness	-	100,000
EDA grant partner payments	395,538	400,000
Mobility grant	-	239,187
	$ 650,282	$ 1,048,930

Net assets restricted for the passage of time will be spendable in fiscal year 2023.

Note 16 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2022	2021
Satisfaction of purpose restrictions:		
Ypsilanti business development	$ 130,000	$ 59,000
Site readiness	100,000	-
EDA grant partner agreements	4,462	-
Mobility grant	314,186	128,314
	$ 548,648	$ 187,314

Note 17 - Prior Period Adjustments

During the 2022 financial reporting process, it was determined that $172,296 of purpose restricted net assets were incorrectly categorized as without donor restriction for the year ended December 31, 2021. In order to correct this reporting error, a prior period adjustment has been made to increase net assets with donor restrictions from $876,634 to $1,048,930 and decrease net assets without donor restrictions from $14,284,541 to $14,112,245. Change in net assets is unaffected by this correction.

Additionally, it was determined that $138,051 in conditional contributions were incorrectly recorded as revenue without the necessary conditions being met for revenue recognition. To correct this reporting error, a prior period adjustment has been made to reduce revenue from $13,323,927 to $13,185,876 and increase refundable advance from $0 to $138,051. The effect of the prior period adjustment decreases net assets at December 31, 2021 by $138,051 to $13,974,194.

Supplementary Information

Ann Arbor SPARK and Affiliate
Consolidating Statement of Financial Position
December 31, 2022

	Ann Arbor SPARK - Operations	Ann Arbor SPARK - PreSeed Investment and Microloan Program	Ann Arbor SPARK Total	Ann Arbor SPARK Foundation	Eliminations	**Total**
Assets						
Current assets						
Cash	$ 1,267,215	$ -	$ 1,267,215	$ 165,236	$ -	**$ 1,432,451**
Restricted cash - capital funding	-	5,693,792	5,693,792	-	-	**5,693,792**
Investments - restricted	-	732,558	732,558	-	-	**732,558**
Accounts receivable, net	1,086,296	-	1,086,296	1,000	(101,143)	**986,153**
Prepaid expenses	191,731	-	191,731	-	-	**191,731**
Total current assets	2,545,242	6,426,350	8,971,592	166,236	(101,143)	**9,036,685**
Property and equipment, net	169,372	-	169,372	-	-	**169,372**
Right of use asset - operating lease, net	1,395,032	-	1,395,032	-	-	**1,395,032**
Investments						
Michigan Pre-Seed Capital Fund Portfolio Investments, net	-	5,501,101	5,501,101	-	-	**5,501,101**
Microloans, net	-	412,440	412,440	-	-	**412,440**
Total investments	-	5,913,541	5,913,541	-	-	**5,913,541**
Other assets						
Deposits	108,517	-	108,517	-	-	**108,517**
Total assets	$ 4,218,163	$ 12,339,891	$ 16,558,054	$ 166,236	$ (101,143)	**$ 16,623,147**
Liabilities and Net Assets						
Current liabilities						
Accounts payable	$ 282,901	$ 24,931	$ 307,832	$ 101,143	$ (101,143)	**$ 307,832**
Accrued liabilities	357,755	-	357,755	-	-	**357,755**
Operating lease obligation, current portion	418,375	-	418,375	-	-	**418,375**
Deferred revenue	11,610	-	11,610	-	-	**11,610**
Refundable advance	513,860	-	513,860	-	-	**513,860**
Total current liabilities	1,584,501	24,931	1,609,432	101,143	(101,143)	**1,609,432**
Long-term liabilities						
Operating lease obligation, net of current portion	986,679	-	986,679	-	-	**986,679**
Total liabilities	2,571,180	24,931	2,596,111	101,143	(101,143)	**2,596,111**
Net assets						
Without donor restrictions						
Undesignated	801,163	12,314,960	13,116,123	65,093	-	**13,181,216**
Board designated	195,538	-	195,538	-	-	**195,538**
Total without donor restrictions	996,701	12,314,960	13,311,661	65,093	-	**13,376,754**
With donor restrictions						
Purpose restrictions	575,282	-	575,282	-	-	**575,282**
Time restrictions	75,000	-	75,000	-	-	**75,000**
Total with donor restrictions	650,282	-	650,282	-	-	**650,282**
Total net assets	1,646,983	12,314,960	13,961,943	65,093	-	**14,027,036**
Total liabilities and net assets	$ 4,218,163	$ 12,339,891	$ 16,558,054	$ 166,236	$ (101,143)	**$ 16,623,147**

Ann Arbor SPARK and Affiliate
Consolidating Statement of Activities
For the Year Ended December 31, 2022

	Ann Arbor SPARK - Operations	Ann Arbor SPARK - PreSeed Investment and Microloan Program	Ann Arbor SPARK Total	Ann Arbor SPARK Foundation	Eliminations	Total
Program Service Fee Revenue and Public Support						
Program service fee revenue						
Facility revenue	$ 577,402	$ -	$ 577,402	$ -	$ -	**$ 577,402**
Public support						
Contributions	1,104,000	-	1,104,000	143,714	-	**1,247,714**
Accelerator grants	2,485,690	-	2,485,690	63,000	(121,000)	**2,427,690**
Local Development Finance Authority revenue	4,448,926	-	4,448,926	-	-	**4,448,926**
Municipal service contracts	839,767	-	839,767	-	-	**839,767**
Contributions of nonfinancial assets	81,085	-	81,085	-	-	**81,085**
Total public support	8,959,468	-	8,959,468	206,714	(121,000)	**9,045,182**
Total program service fee revenue and public support	9,536,870	-	9,536,870	206,714	(121,000)	**9,622,584**
Expenses						
Program services	8,548,555	422,217	8,970,772	275,209	(121,000)	**9,124,981**
Supporting services						
Management and general	1,294,137	-	1,294,137	-	-	**1,294,137**
Fundraising	227,564	-	227,564	-	-	**227,564**
Total expenses	10,070,256	422,217	10,492,473	275,209	(121,000)	**10,646,682**
Other Income (Expense)						
Interest income	1,911	48,730	50,641	-	-	**50,641**
Interest earned on investments	-	194,914	194,914	-	-	**194,914**
Dividend income	-	2,250	2,250	-	-	**2,250**
Realized gain (loss) on investments	-	(30,016)	(30,016)	-	-	**(30,016)**
Realized loss on microloans	-	(237,813)	(237,813)	-	-	**(237,813)**
Unrealized gain on investments based on company performance	-	842,540	842,540	-	-	**842,540**
Valuation allowance on investments based on projected performance	-	(706,269)	(706,269)	-	-	**(706,269)**
Return on prior investments	-	1,158	1,158	-	-	**1,158**
Payment to MEDC	-	(24,931)	(24,931)	-	-	**(24,931)**
Return of funds	-	(64,464)	(64,464)	-	-	**(64,464)**
Total other income	1,911	26,099	28,010	-	-	**28,010**
Change in net assets	(531,475)	(396,118)	(927,593)	(68,495)	-	**(996,088)**
Net assets - beginning of year, as restated	2,178,458	12,711,078	14,889,536	133,588	-	**15,023,124**
Net assets - end of year	$ 1,646,983	$ 12,314,960	$ 13,961,943	$ 65,093	$ -	**$ 14,027,036**

Ann Arbor SPARK and Affiliate
Consolidating Statement of Cash Flows
For the Year Ended December 31, 2022

	Ann Arbor SPARK - Operations	Ann Arbor SPARK - PreSeed Investment and Microloan Program	Ann Arbor SPARK - Total	Ann Arbor SPARK Foundation	Eliminations	Total
Cash flows from operating activities						
Change in net assets	$ (531,475)	$ (396,118)	$ (927,593)	$ (68,495)	$ -	**$ (996,088)**
Items not requiring cash						
Depreciation	108,135	-	108,135	-	-	**108,135**
Unrealized and realized interest, gains on investments, net	-	(769,625)	(769,625)	-	-	**(769,625)**
Bad debt expense (recovery)	(6,232)	-	(6,232)	-	-	**(6,232)**
Valuation allowance	-	706,269	706,269	-	-	**706,269**
Changes in operating assets and liabilities						
Accounts receivable	(278,844)	-	(278,844)	99,000	34,025	**(145,819)**
Prepaid expenses	(7,895)	-	(7,895)	-	-	**(7,895)**
Deposits	(14,437)	-	(14,437)	-	-	**(14,437)**
Operating lease assets and liabilities	10,022	-	10,022	-	-	**10,022**
Accounts payable	16,167	24,931	41,098	34,025	(34,025)	**41,098**
Accrued liabilities	2,821	-	2,821	-	-	**2,821**
Deferred revenue	(4,947)	-	(4,947)	-	-	**(4,947)**
Refundable advance	375,809	-	375,809	-	-	**375,809**
Net cash provided (used) by operating activities	(330,876)	(434,543)	(765,419)	64,530	-	**(700,889)**
Cash flows from investing activities						
Redemption of preferred stock, common stock, and convertible promissory notes	-	724,658	724,658	-	-	**724,658**
Redemption of microloans	-	15,961	15,961	-	-	**15,961**
Purchase of convertible promissory notes	-	(780,000)	(780,000)	-	-	**(780,000)**
Purchase of Treasury debt obligation	-	(732,558)	(732,558)	-	-	**(732,558)**
Purchase of property and equipment	(42,700)	-	(42,700)	-	-	**(42,700)**
Net cash used by investing activities	(42,700)	(771,939)	(814,639)	-	-	**(814,639)**
Change in cash and restricted cash	(373,576)	(1,206,482)	(1,580,058)	64,530	-	**(1,515,528)**
Cash and restricted cash - beginning of year	1,640,791	6,900,274	8,541,065	100,706	-	**8,641,771**
Cash and restricted cash - end of year	$ 1,267,215	$ 5,693,792	$ 6,961,007	$ 165,236	$ -	**$ 7,126,243**
Cash and restricted cash						
Cash	$ 1,267,215	$ -	$ 1,267,215	$ 165,236	$ -	**$ 1,432,451**
Restricted cash - capital funding	-	5,693,792	5,693,792	-	-	**5,693,792**
Total cash and restricted cash	$ 1,267,215	$ 5,693,792	$ 6,961,007	$ 165,236	$ -	**$ 7,126,243**
Supplemental information						
Building acquired through operating leases	$ 621,652	$ -	$ 621,652	$ -	$ -	**$ 621,652**