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May 12, 2022

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

We have completed our audit of the financial statements of Ann Arbor SPARK and Affiliate as of and for the year ended December 31, 2021, and have issued our report dated May 12, 2022. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II Matters for Management's Consideration

We discussed these matters with various personnel in the Organization during the audit and we would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Directors, and others within the Organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Ann Arbor, Michigan

Appendix I
Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated December 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Ann Arbor SPARK and Affiliate's financial statements were:

- Valuation of PreSeed investments which are based on the valuation committee's interpretation of current company financial health and progress.
- The allowance of uncollectible MicroLoans which management derived the estimates based on historical trends and current year facts.
- The functional expense allocation which is based on management's estimate of staff time worked on each function and actual costs.
- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

- Management override of controls
- Improper revenue recognition

Accounting Standards and Regulatory Updates

- *Cybersecurity*
  Cybersecurity concerns are more prevalent than ever as organizations continue to face the risks of third parties compromising data security and breaching sensitive information. Cyber-attacks cost thousands of dollars and put a strain on IT resources while remediation efforts are underway.

Risk assessment is a first step in mitigating cybersecurity risks and improving your Organization's overall cybersecurity posture. The National Institute of Standards and Technology published Framework for Improving Critical Infrastructure Cybersecurity, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Insurance policies are also available to cover losses from breaches, including notifying individuals when data has been compromised, to costs of business interruption and content repair.

Placing significant emphasis on evaluating your Organization's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat, and help lessen the impact of a breach.

- *Leases*
  There is a new Accounting Standards Update which will significantly change accounting for leases by both lessors and lessees. The new guidance requires the right of use model in accounting for all leases, with limited exceptions. As a result, lessees will be required to recognize assets and liabilities arising from operating leases. Lessees will recognize interest expense on the liability and amortization of the right-to-use asset in their results of operations. Capital lease accounting will also change due to changes in guidance related to options and contingent rentals. Rules may be simplified for leases with terms of twelve months or less, but will be applied to all existing leases upon adoption. The guidance could have implications, not only for the Organization's financial statements, but also for any applicable debt covenants. This Standard will be applicable for the fiscal year ending December 31, 2022.

- *Contributed Nonfinancial Assets*
  The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for nonprofit organizations. Examples of contributed nonfinancial assets include fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities; materials and supplies, such as food, clothing, or pharmaceuticals; intangible assets; and recognized contributed services. The ASU requires nonprofit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires footnote disclosures related to the nonfinancial assets. This Standard will be applicable for the fiscal year ending December 31, 2022.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no known misstatements detected as a result of audit procedures that were more than trivial.

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Report on Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II
Matters for Management's Consideration

In planning and performing our audit of the financial statements of Ann Arbor SPARK and Affiliate as of and for the year ended December 31, 2021, we considered Ann Arbor SPARK and Affiliate's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of a matter for management's consideration that is an opportunity for strengthening internal controls. This letter does not affect our report dated May 12, 2022, on the financial statements of Ann Arbor SPARK and Affiliate. Our comment and recommendation regarding that matter is:

Financial Statement Close
Accounting standards require management to identify the accounting treatment for contracts it enters into with donors and customers. The type of accounting treatment will affect how management records the revenue until it is spent by the Organization - typically as deferred revenue or donor-restricted. For certain contracts, management is recording deposits received before spending as deferred revenue when they should be recorded as with donor-restriction. Although recording these transactions as deferred revenue could be helpful for management's internal monitoring of the contracts, accounting standards for external reporting require management to make journal entries and record the revenue as with donor-restriction. Management provides workpapers and amounts for these adjustments but we recommend management post these entries before presenting a trial balance for audit to eliminate confusion and reduce the possibility of error in its financial reporting.