



MCAmericas
HOLDINGS, INC.

Accelerating innovation,
improving health,
building prosperity.



annual report **2018**





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letter from the president



Esteemed Colleagues and Community,

I want to begin this letter by expressing my sincere appreciation for being selected as El Pasoan of the Year for 2017. The El Paso Inc. and the former El Pasoans of the Year graciously selected me amid a crowd of people who I admire dearly and who have contributed so much to our community. The recognition was really a tremendous acknowledgement of the years of hard work of everyone who contributes to the MCA, including our staff and contractors, the board of directors, our donors, our start-ups and innovators as well as our cheerleaders all across the region. The MCA should be a case study on flexible persistence, team work and collaboration – as it is the product of many minds and hearts visioning and working together through both wins and losses. It was an honor – especially coming from my home town – and I feel obligated to continue to perform at the highest of levels to making a transformative difference for the people of Southern New Mexico, El Paso and Juárez, México.

Despite the honors and awards, I must admit that I feel our work is just really getting started. Recently, I gave a presentation on the MCA to a group of intelligent and generous ladies in El Paso – the PEO Women's Group. I was struck by their fascination with what was occurring in the medical arena in our region. They didn't realize the enormous investment that our community has made to diversify its economy while improving its healthcare infrastructure. And as usual when I finish a presentation, I had one member tell me about their niece who is a "genius" and working at a high level for a major medical device company somewhere else in the country. My reaction to hearing that was (1) "El Paso produces lots of geniuses, too bad they have to leave to find great jobs," and (2) "perhaps we can bring her home one day soon to grow our medical industry and bring her closer to family."

This is a discussion I have often: El Paso produces amazing talent, but we lose so many of them to other communities. I interview many "geniuses" each year for college. We hire them as interns at the MCA. I encounter them daily at work and in my social community – often under-employed for their skill sets and abilities. But many, many of them leave because we are still lacking in high-level, high-paying, stimulating jobs – both in the start-up environment and in the corporate environment. I believe that we are on the tipping point of making the changes necessary to retain our home-grown talent. So many efforts in El Paso are working together to make this change, including Progress 321, Workforce Solutions Borderplex, the Borderplex Alliance, the City of El Paso and others. But we have a long way to go. And we invite you to join our efforts aimed at this result:

- ▶ Build real collaborations – working together we will move farther faster
- ▶ Keep improving – we must compete at national and global levels... no more small-town excuses
- ▶ Share our success stories – building our local self-confidence and promoting our capabilities to the world

There are no better ideas nor stronger talent coming out of big cities than come out of El Paso. The difference is how we nurture and support these ideas and this talent. Let's do all we can to harness and retain our natural talent resources by continuing to pursue the mission of the MCA and the other organizations in our region working hard towards this goal.

Warm Regards,

Emma W. Schwartz, MCA President



letter from the board chair

Dear Paso del Norte Community –

As I conclude my first year as chair of the MCA Foundation, I must reflect that 2018 was another remarkable year for the MCA. Each year seems to top the year before. The risk and hard work of prior years has paid off handsomely, and our successes are a result of the strong foundation that has been built by the MCA, the perseverance of implementing a long-term strategy, and the hard work and years of improving our game.

The hallmark events of 2018 included:

- ▶ **VA Wellness Center:** winning the bid, signing a 20-year lease, designing and breaking ground on the clinic building
- ▶ Securing **New Market Tax Credit Financing** for the VA Center
- ▶ Completing the 3rd version of the **MCA Master Plan**
- ▶ Graduating 8 start-ups from the MCA Innovation Center at our 1st **Demo Day**
- ▶ Recruiting a **new cohort of Innovation Center participants** including 8 start-ups and 26 innovators and entrepreneurs
- ▶ Winning the elusive **EDA i6 Challenge Grant Award** on the 5th try (\$750,000) to support the MCA's Innovation Center
- ▶ Receiving notice that a new director on our board would be **donating** \$100,000 to the MCA to support its Innovation Center in 2019
- ▶ Recruiting 3 non-local **Clinical Trials** companies to El Paso
- ▶ Formally launching **BIO El Paso-Juárez (BIO-EPJ)** in conjunction with the 1st Texas Healthcare and Bioscience Institute roundtable ever held in El Paso
- ▶ Winning a \$200,000 EDA grant in collaboration with Workforce Solutions Borderplex for the **medical device ecosystem mapping project**
- ▶ BIO-EPJ having its first Exhibit Booth at a national conference – **MedTech** in Philadelphia
- ▶ Winning a grant from Andeavor Foundation to plan for a stimulating **STEM camp** aimed at middle schoolers

It will be difficult to have another year with so many “wins” as 2018, but our resolve is to try. For example, we were fortunate to win two major EDA grants in 2018; now we must execute on the projects proposed. We launched BIO-EPJ in 2018; now we need to recruit members, create a strategic plan and begin implementing that plan. We recruited over 40+ Innovation Center participants in 2018; now we must ensure that we properly support them so that they succeed and contribute to our region’s prosperity. We broke ground on a VA clinic in 2018; now we must deliver a building on-time and on-budget for our valued veterans.

Much work lies ahead, and I am confident that the leadership that sits around the MCA’s board room table and the staff that dedicate their lives to the MCA will produce outstanding results that continue to move the needle for our great region. We welcome YOU as a partner in this effort too!

Sincerely,
Josh Hunt, MCA Board Chair

about us

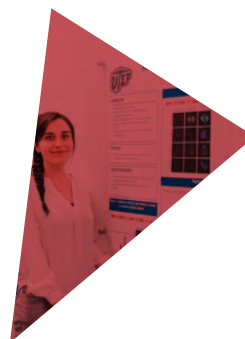


Our Mission

To develop and catalyze the life sciences ecosystem in the Paso del Norte region.

Our Vision

To cultivate a dynamic health industry and innovation/entrepreneurship ecosystem that competes globally.



PILLARS

The MCA's approach consists of 3 pillars on which it bases its strategic goals and operational activities. The MCA is organized into "business units" structured around these pillars.

Places

- ▶ MCA Campus Master Planning
- ▶ Land Acquisition
- ▶ Infrastructure Development
- ▶ Cardwell Collaborative
- ▶ VA Wellness Center

Programs

- ▶ Innovation Center
- ▶ Clinical Trials Consortium
- ▶ BIO El Paso-Juárez
- ▶ Workforce/STEM Camps
- ▶ Promotion

Platform

- ▶ Board
- ▶ Staff
- ▶ Partnerships
- ▶ Financial
- ▶ Fundraising

Pillar One: Places

Goal: Develop the "places" that foster the growth of the biosciences and healthcare industries where private industry or public institutions are not developing these places or where these entities need assistance, such as private research and technology commercialization centers (e.g., Cardwell Collaborative), multi-tenant medical office spaces, etc.

Pillar Two: Programs

Goal: Develop programs that enhance the regional biosciences and healthcare industries, promoting inter-institutional and inclusive collaborations, translational research and innovation, entrepreneurship, incubation/acceleration, product/process development, access to capital and advanced bio-manufacturing.

Pillar Three: Platform

Goal: Maintain an MCA organization with strong board leadership, staff and control processes to be able to effectively manage large grants and contracts, execute complex programmatic and infrastructure projects and preserve MCA's sound financial condition.



MEET THE MCA TEAM

Senior Management

Carlos Ortega, *Chief Financial Officer*

Emma W. Schwartz, *President*

Team

Nahum Apodaca, *Manager of Campus Planning*

Jackie Butler, *Director of People and Promotion*

Jesus Carrillo, *Director of Engineering Projects & EHS*

Jeff Fuchsberg, *Senior Director of Innovation Projects*

Martha Hood, *Director of Accounting*

Michael Linden-Johnson, *Director of Programs*

Marianne D. Mijares, *Office Manager & Event Coordinator*

Lily Moreno, *Staff Accountant*

Beverly Rebe, *Corporate Governance*

Vianey Romo, *Front Office Coordinator*

ORGANIZATION

Companies and Boards of Directors

MCA Foundation/ MCA Holdings, Inc. Directors:

Alan R. Abbott	Charles Miller III, PhD
Lisa D. Budtke	Marcela Navarrete
Sigfrido Delgado	Judy Robison
Edward C. "Ted" Houghton	Linda Troncoso
Josh Hunt	F. James "Jim" Volk
Patrick G. Landry	Mylena Walker
Meyer Marcus	Henry Yoshawirja



owned by members;
affiliate of MCAH



BMIA, Inc. Directors:

Rafael Adame
David Borkholder
Dirk Brown
Lane Gaddy
Kenneth McLeod
Holly Mindich Trubowitsch
Mylena Walker
Daniel Wolf
Henry Yoshawirja



MCAmericas Realty, Inc./MCA Tech Park, Inc./ MCA Revere Realty, Inc. Directors:

Lisa D. Budtke	Meyer Marcus
Edward Escudero	Rodolfo Mata
Brent Harris	Linda Troncoso
Gary Hedrick	Henry Yoshawirja

HONORARY AND INSTITUTIONAL DIRECTORS



City, County and State Officials

- ▶ Cesar Blanco, State of Texas,
Texas Representative, District #76
- ▶ Tommy Gonzalez, City of El Paso,
City Manager
- ▶ Jose Rodriguez, State of Texas,
Texas State Senator, District #29
- ▶ David Stout, El Paso County,
County Commissioner, Precinct #2



Education

- ▶ Luis Cifuentes, PhD – NMSU
- ▶ Beatriz Araceli Diaz-Torres, MPH, MD, PhD
– Universidad Autónoma de Ciudad Juárez
- ▶ Richard Lange, MD, MBA – TTUHSC El Paso
- ▶ Kristina Mena, PhD –
UT Houston School of Public Health
- ▶ George Mychaskiw II, DO –
Burrell College of Osteopathic Medicine
- ▶ Roberto Osegueda, PhD – UTEP
- ▶ Ing. Javier Taboada –
Tecnológico de Monterrey



Healthcare

- ▶ Michael Amaral, VA Health Care System
El Paso/Las Cruces
- ▶ R. Jacob Cintron, UMC El Paso
- ▶ Luis Gutierrez Gutierrez,
Hospital Angeles
- ▶ Don Karl, HCA Healthcare
(Las Palmas Medical Center)
- ▶ Denten Park, Mountain View Regional
Medical Center
- ▶ Col Erik G. Rude, U.S. Army - WBAMC
- ▶ Cindy A. Stout,
El Paso Children's Hospital
- ▶ Nicholas Tejeda,
The Hospitals of Providence



Community

- ▶ Jon Barela, Borderplex Alliance
- ▶ Alfredo Borrego, San Juan
Neighborhood Association

bio el paso-juárez

CROSS-BORDER COLLABORATION

On November 8, 2018, the MCA Foundation assisted in launching BIO El Paso-Juárez, a 501(c)(6) tax exempt organization representing the region's bi-national biomedical device manufacturing cluster. This new organization represents a one-of-a-kind bi-national collaboration between the MCA and the Cluster Biomedico de Juárez. As stipulated in a formal working agreement, BIO El Paso-Juárez has established a founding board which includes 2 representatives from Juárez, 2 from El Paso, and 1 jointly appointed seat.



BIO El Paso-Juárez Board Members:

- ▶ Julio Chiu, Seisa Medical (Chair)
- ▶ Mylena Walker, Cardinal Health (Vice Chair)
- ▶ Carlos Murguía, REXMED
- ▶ Holly Trubowitsch, Main Strike
- ▶ Rudy Piña, Dynatec Scientific Laboratories

MISSION & PURPOSE:

The mission of BIO El Paso-Juárez is to convene and provide a platform for industry, government, non-profit and educational institutions that have a passion to improve the region's global competitiveness and quality of healthcare with the aim of enhancing the El Paso-Juárez biomedical ecosystem and accelerate the formation, expansion/retention and attraction of biomedical enterprise.

The purpose of BIO El Paso-Juárez is to create a forum for members to support the growing biomedical enterprise in West Texas, Southern New Mexico, and Northern Chihuahua, México, leading to enhanced biomedical competencies and employment.

The El Paso-Juárez borderplex is a major hub of activity for major medical device manufacturers from across the globe. Our region boasts:

- ▶ 30+ Class I, II and III medical device manufacturers
- ▶ A robust bi-national supply chain
- ▶ Medical device product development/support
- ▶ Prime border & trade location providing cost savings and efficiency
- ▶ Highly automated and FDA compliant production lines

EVENTS

- ▶ BIO El Paso-Juárez hosted the first Texas Healthcare and Bioscience Institute (THBI)/Cancer Research Prevention Institute of Texas (CPRIT) roundtable in El Paso the same day as the formal BIO El Paso-Juárez launch.
- ▶ MCA and BIO-EPJ collaborated to exhibit at the BIO International Conference in the Texas Pavilion in Boston and as a stand-alone exhibit booth at the MedTech conference in Philadelphia.
- ▶ The MCA hosted the COFEPRIS Summit in Ciudad Juárez on Oct. 31, 2018.
- ▶ The MCA hosted FDA training courses for medical device professionals from Aug. to Dec. 2018.

PROJECTS

- ▶ Bi-national Medical Device Ecosystem Mapping:
 - ▷ EDA Grant Award to Workforce Solutions Borderplex and MCA
 - ▷ \$400,000 matching grant
 - ▷ Bi-national assessment of the regional medical device industry
 - ▷ Preparation of a strategic plan & site selection package
- ▶ BIO El Paso-Juárez Annual Summit:
 - ▷ Bring together leaders in medical device manufacturing to discuss trends, best practices and innovation
- ▶ Promotion:
 - ▷ Develop marketing materials to showcase the El Paso/Juárez medical device manufacturing industry and advantages to manufacturing on the border
 - ▷ Attend and exhibit at local, regional, national, and international trade shows and forums to represent the medical device manufacturing industry



innovation center

GOAL

The MCA Innovation Center connects technology startups and biomedical researchers with a high-value knowledge network and the resources needed to grow ideas quickly.

MISSION

To provide a robust MCA Innovation Center program that supports tech start-ups, entrepreneurs and innovators in healthcare and the life sciences. Launched in 2017 to spur life sciences venture creation, the MCA offers a 10-month long program that provides mentoring, access to laboratory space, business development assistance, intellectual property and regulatory support, proof-of-concept funding and access to potential investors.

CULTIVATING TECH ENTREPRENEURSHIP

EDA i6 CHALLENGE AWARD

The MCA Innovation Center was one of the 2018 Regional Innovation Strategies Program - i6 Challenge Awardees. The U.S. Department of Commerce's Economic Development Administration (EDA) awarded the MCA \$750,000 to create and expand cluster-focused entrepreneurship and technology transfer programs, and early-stage seed fund support under the EDA'S 2018 Regional Innovation Strategies (RIS) program competition.



This EDA investment assists the MCA with establishing the “MCA Innovation Center: Activating Tech Entrepreneurship,” expanding the program reach and impact and launching and scaling high-tech startups across the County of El Paso. This will impact the growth of new companies, living wage jobs, and technology-based industry development. The project will develop a broad-based culture of idea generation as a way to nurture the growth of commercializable ideas; support high-growth startups that have the potential to drive job and value creation in the region; and connect economic development strategies and technology commercialization resources within the County of El Paso.

2017-18 PROOF OF CONCEPT COMPETITION

Program Highlights:

- ▶ 9 of the 11 start-ups completed from the year-long program
- ▶ Sources of intellectual property: UTEP, TTUHSC, NASA, “garage inventors”
- ▶ Startups in the program launched companies, developed prototypes, raised investment, closed sales contracts, grew revenues, launched pilot sites, grew user bases, gained entrance into internationally known accelerator programs

- ▶ MCA provided over \$250,000 in POC funding to these companies
- ▶ 1 company was accepted into a nationally recognized accelerator
- ▶ 1 company raised \$150,000
- ▶ 1 company closed several contracts and reached 5-figure revenue
- ▶ 1 company is in active conversations with local manufacturing company

EVENTS AND PROGRAMS

DEMO DAYS

Demo Day and Demo Day 1.1 were evenings of innovation and emerging enterprise where the people of the region came to meet El Paso’s newest tech ventures and see their investor pitches as they competed for MCA prize money.

Winners:

- ▶ \$20,000 First Place: Atlas Regeneration Technologies
- ▶ \$15,000 Second Place: OTEN Medical
- ▶ \$10,000 Third Place: VemiDoc
- ▶ \$5,000 Fourth Place: Star Innovations



INNOVATOR PROGRAM

The Innovator Program is a 10-month program that serves innovators and entrepreneurs at the ideation stage of development and those looking to learn more about how to validate a market strategy and business model for the commercialization of an innovative product or service idea. With a curriculum centered around customer discovery and the business model canvas, participants can build a solid foundation of best practices for how to test a value proposition and deliver it the right way to the right market.

► **26 program participants admitted for 2018-2019**

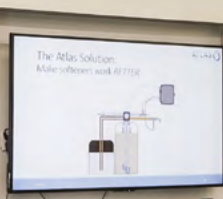
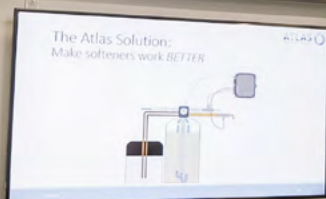
STARTUP DEVELOPMENT PROGRAM

The Startup Development Program is a 10-month program that serves technology based companies that have a validated product or service along with a comprehensive business model looking to further develop their product, test and refine their business models, and receive training and support in the areas of company creation, product development, intellectual property protection, regulatory compliance, legal issues, tax and accounting, marketing, and venture investment. The program concludes with a demo day and investor pitch, and companies completing the program will be eligible to apply for continued MCA Innovation Center support.

► **8 program participants admitted for 2018-2019**



Imagination is everything. It is the preview of life's coming attractions.
Albert Einstein



clinical trials

GOAL

Increase the number of clinical trials in the region by (1) helping to improve the regional infrastructure for supporting clinical trials and (2) educating and recruiting local providers to increase their participation in clinical trials.

MISSION

To expand and accelerate our region's infrastructure and competitiveness in clinical research and innovation.

CLINICAL TRIALS CONSORTIUM

The MCA Clinical Trials Consortium (CTC) is a forum comprised of over 30 key stakeholders from El Paso, Texas, Southern New Mexico and Ciudad Juárez, México including health systems, physicians, clinical research coordinators, imaging centers, and laboratories. The CTC provides the following resources:

- ▶ Patient education & recruiting
- ▶ Principal investigators recruiting
- ▶ Assistance strengthening local sites
- ▶ Outside clinical research organization recruiting
- ▶ Facilitation of stakeholder collaborations & partnerships
- ▶ Educational opportunities & community outreach

The MCA CTC also seeks to:

- ▶ Improve health of individuals in our region
- ▶ Improve regional access to healthcare innovators
- ▶ Help the region lead in the development of new medicine, medical device/diagnostics
- ▶ Expand the region's attractiveness for biomedical research
- ▶ Facilitate clinical trial innovation, operational excellence & collaboration
- ▶ Advance niche areas matching our region's core capabilities and health disparities

OUTCOMES

- ▶ MCA recruited 3 Clinical Research Companies to begin doing business in El Paso.
- ▶ MCA's CTC formed strategic alliances with 3 industry associations to increase regional visibility and access to industry talent, knowledge, resources and networking opportunities.

planning

MCA CAMPUS



Biomedical innovation is taking off in El Paso, driven by a major hub of activity at the Medical Center of the Americas (MCA). The 440-acre MCA campus is anchored by the MCA Foundation's Cardwell Collaborative biomedical incubator, Texas Tech University Health Sciences Center El Paso, University Medical Center of El Paso, El Paso Children's Hospital, El Paso Department of Public Health, and EPISD's Silva Medical Magnet High School and Jefferson High School.



MCA CAMPUS MASTER PLAN

In 2018, with the help of a \$180,000 EDA grant, the MCA Foundation completed the third version of the MCA Campus Master Plan in collaboration with urban planners from Perkins+Will. The extensive Master Planning process included:

- ▶ Development of an MCA Campus Steering Committee to include all MCA Campus partners and stakeholders.
- ▶ Meetings and public presentations were held throughout the year to gather data, develop major concepts and master plans, and present outcomes to stakeholders.
- ▶ Seven major areas of focus:
 - ▷ Increase Campus Accessibility
 - ▷ Economic Development
 - ▷ Upgrade Infrastructure
 - ▷ Increase Visibility
 - ▷ Workforce Development
 - ▷ Institutional Growth
 - ▷ Quality of Life



Recommendations and Next Steps

MCA will continue to lead the MCA campus master planning process and guide the implementation of the recommendations outlined in the final master plan document:

- ▶ Incorporate into City's Comprehensive Plan
- ▶ Update and Expand TIRZ #6
- ▶ Update MCA SmartCode Regulating Plan
- ▶ Update City and County Incentives Map
- ▶ Cooperate with TxDOT on future transportation planning that will affect the MCA campus in the near and long term



VA WELLNESS CENTER CONSTRUCTION

In January 2018, after a year-long submittal process, the MCA Foundation won the competitive bid for a 20-year lease with the U.S. Department of Veteran's Affairs for a 33,000 square foot VA Wellness Center to be built on the MCA Foundation's lower 10-acre parcel.

Project Description:

- ▶ MCA obtained an interim construction loan for over \$15.35 million from WestStar Bank
- ▶ MCA secured \$16 million in New Market Tax Credit (NMTC) Financing for building financing
- ▶ Ground Breaking Ceremony was held on August 15, 2018
- ▶ Site work began in October 2018
- ▶ Grading and sitework currently underway
- ▶ Anticipated completion: November 2019



workforce

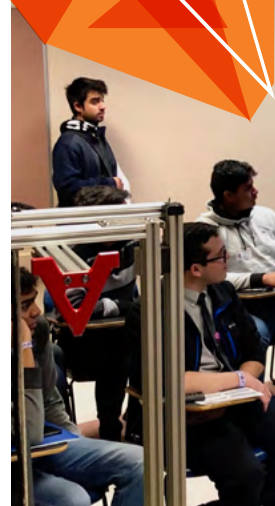
The MCA recognizes that human capital, including our talent base and workforce pipeline, are key components to developing a successful innovation ecosystem in any community. By sponsoring and attending career fairs, hosting educational tours and field trips, and hiring interns, the MCA has doubled down on efforts to introduce students to careers in healthcare, medtech and advanced manufacturing. MCA's workforce initiatives in these fields are also geared towards professional development, upskilling and mentoring.

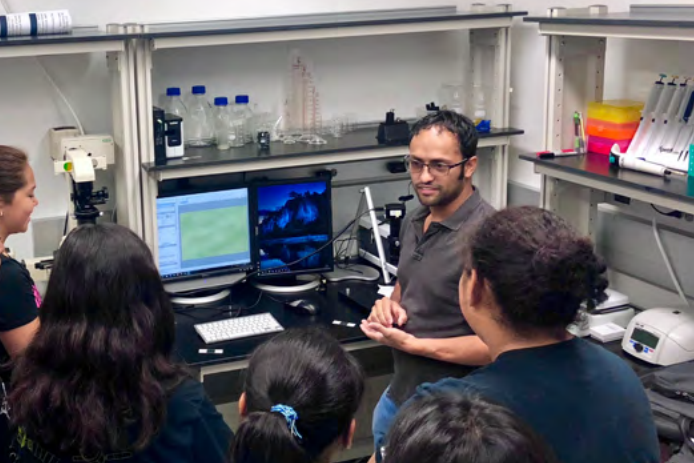
PROJECTS

In 2018, the MCA participated in, hosted and led various efforts to develop workforce initiatives with regional stakeholders that will grow a highly skilled workforce in the bioscience and healthcare industries and create an ecosystem that will attract and grow high-level professional talent. Projects included:

- ▶ In partnership with the JP Morgan Chase Foundation, hosted a group of teachers and administrators from Bravo Medical Magnet School in Los Angeles in El Paso for an exchange project with Silva Medical Magnet High School and Jefferson High School.
- ▶ Worked with EPISD and Jefferson/Silva High Schools on developing a healthcare-focused curriculum at Jefferson High School.
- ▶ Hosted a "Genes in Space" workshop with EPISD STEM and biotech teachers.

- ▶ Hosted the MCA Annual Poster Session with 15 regional researchers participating, representing all regional universities.
- ▶ Attended career fairs at Socorro ISD, El Paso ISD, JobCon, STEAM Fiesta, and Adventure for Your Future.
- ▶ Hosted field trips and tours for elementary, middle, and high school classes, as well as homeschool students, university students, and even a Girl Scout Troop.
- ▶ Hosted 2 Vision Symposia for eye industry professionals, innovators interested in ophthalmology and medical students.
- ▶ Awarded a \$25,000 planning grant from Andeavor Foundation/Marathon Oil to plan for a middle school STEM Camp.
- ▶ Hired 11 interns over the course of the year.

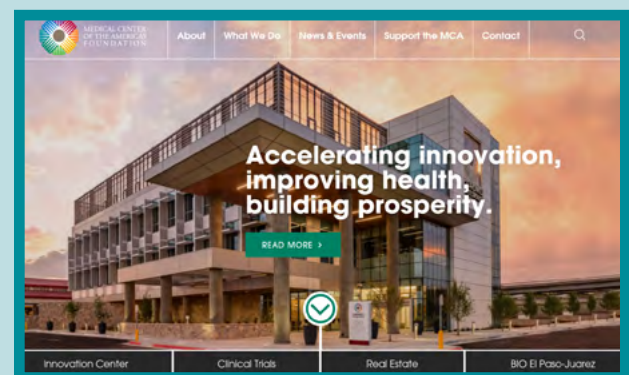


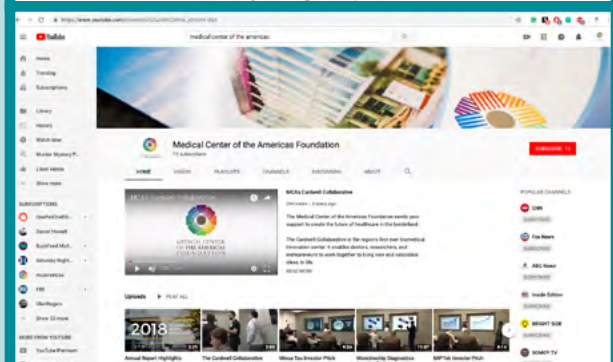


promotion

MARKETING EFFORTS

- ▶ BIO El Paso-Juárez website went live in May 2018.
- ▶ MCA website went live in August 15, 2018.
- ▶ MCA developed new brochures, fliers, and marketing materials such as letterheads and presentation templates.
- ▶ MCA produced over 10 videos to market the Cardwell Collaborative, annual progress, and Innovation Center startups and innovators.
- ▶ MCA increased social media presence:
 - ▷ Gained over 100 followers and page likes on Facebook
 - ▷ Gained nearly 100 new followers on LinkedIn
 - ▷ Increased impressions on Twitter from 1.2k to 9.1k





EVENTS AND MEETINGS

The MCA is happy to host members of the community, including non-profit organizations, partner organizations, and others, for meetings and events. In 2018, the MCA hosted over 80 such community events and meetings at the Cardwell Collaborative.

CONFERENCES ATTENDED

- ▶ **INBIA-** April 2018: Emma Schwartz Presentation: Regional Collaboration (Dallas)
- ▶ **THBI Summit-** May 2018 (Austin)
- ▶ **BIO International-** June 2018: MCA/BIO EPJ Exhibit in the Texas Pavilion (Boston)
- ▶ **Women in Life Sciences-** August 2018 (Austin)
- ▶ **MedTech-** September 2018: BIO EPJ Exhibit (Philadelphia)
- ▶ **International Economic Development Conference-** October 2018: Awarded 2018 IEDC Silver Award, presented to the City of El Paso Economic Development, in recognition of the MCA Foundation for Regionalism and Cross-Border Collaboration; Emma Schwartz Presentation: Economic Development Through Eds & Meds (Atlanta)
- ▶ **SXSW-** March 2018: MCA supported MCA Innovation Center Startups in attendance and promoted the Cardwell Collaborative (Austin)
- ▶ **Congreso Internacional de Empresarios IEM 2018-** December 2018 (Chihuahua)

MCA IN THE NEWS

El Paso Times
PART OF THE USA TODAY NETWORK

EL PASO TIMES | November 18, 2018

El Paso-Juárez medical-device manufacturers launch binational group

EL PASO TIMES | October 4, 2018

Medical Center of the Americas' plan seeks Downtown-like development in Central El Paso

EL DIARIO DE EL PASO | 11 de noviembre 2018

Arman clúster biomédico Jz-EP



EL PASO
HERALD-POST

March 7, 2018

City Looking to Expand Medical Center of the Americas TIRZ

August 24, 2018

MCA Foundation Launches Redesigned Website

October 16, 2018

IEDC Awards City 'Silver Award' for Regional Economic Development Strategy

October 22, 2018

MCA Foundation Awards \$50K in Prize Money to Innovation Center Startups

December 4, 2018

Henderson Middle Students Get Jump Start on Future Medical Career

EL PASO INC.

EL PASO INC. | August 20, 2018

Center will expand mental health care for veterans



Jul 9, 2018

1st startups graduate business 'boot camp'

Dec 12, 2018

MCA Foundation awarded \$750,000


Jun 8, 2018

MCA Foundation participates in biotech convention

MEXICO
INDUSTRY
NEWS

June 2018 Edition

BIO El Paso — Juarez improving regional biomedical industry



thank you to our 2018 donors

LEADERSHIP DONORS & FUNDERS

- ▶ City of El Paso
- ▶ Jack A. Cardwell
- ▶ U.S. Department of Commerce's Economic Development Administration
- ▶ Hunt Family Foundation
- ▶ WestStar Bank
- ▶ JP Morgan Chase Foundation

CONTRIBUTING DONORS & FUNDERS


- ▶ El Paso Electric Company
- ▶ EP Marcus Investments LP
- ▶ Nancy Alvidrez
- ▶ Margie & Ed Escudero
- ▶ Marathon Oil (Andeavor Foundation)
- ▶ Colleen Marusich
- ▶ Charles C. Miller III, PhD
- ▶ MIMCO
- ▶ Judy & Kirk Robison
- ▶ Joe Rosales (in memory of Rose Rosales)
- ▶ Transtelco
- ▶ Union Pacific Foundation
- ▶ James Volk
- ▶ WestStar Title

IN-KIND DONORS

- ▶ Scott Hulse PC
- ▶ Heidrick Consulting



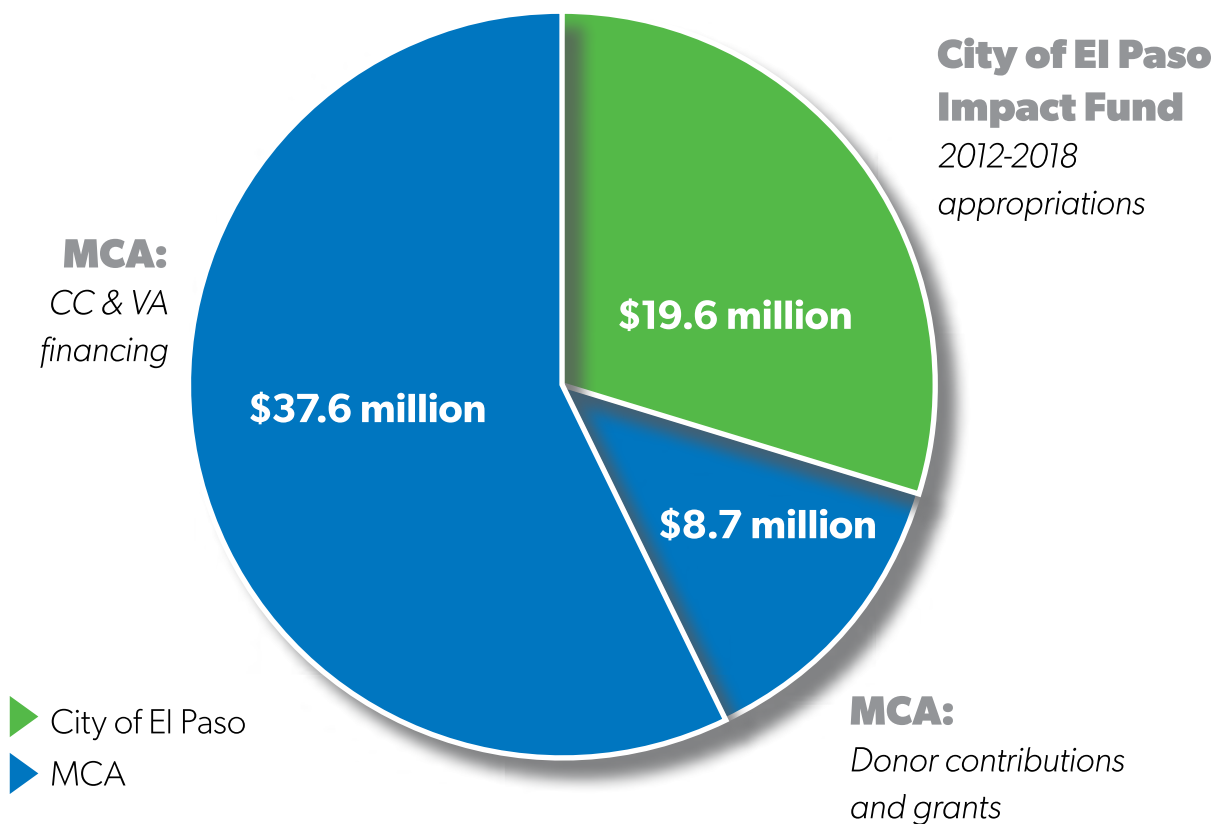
financial



By segregating art from science, physics from music, biology from art history,
we are seriously inhibiting the alchemy of wonder and invention.
Dustin Yellin, TED 2015

ECONOMIC DEVELOPMENT

MCA CUMULATIVE FINANCIAL
RESOURCE LEVERAGE
\$65.9 MILLION





MCAmericas HOLDINGS, INC.

**MCAmericas Holdings, Inc. and Subsidiaries
Management's Discussion and Analysis of
Financial Condition and Results of Activities
Year Ended December 31, 2018**

The following discussion should be read together with the consolidated financial statements and notes thereto included elsewhere in this annual report. This discussion contains certain forward-looking statements that are based on management's current expectations, estimates, and projections about its activities. Such statements are subject to risks, uncertainties and changes in circumstances. Actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of various factors. The cautionary statements made in this report should be read as applying to all related forward-looking statements wherever they appear in this report.

Organizational Overview and Corporate Structure

MCAmericas Holdings, Inc. ("Holdings") was formed as a Texas non-profit corporation in order to serve the best interests of Medical Center of the Americas Foundation and its subsidiaries by reorganizing all entities into a new structure in 2013 that would provide: (1) centralized management; (2) placement of distinct charitable functions of MCA in separate tax exempt entities; and (3) assignment of liability to the corresponding operating entity. Holdings is exempt from federal income tax under Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code ("IRC") and is the parent holding company and sole member of the following entities (collectively "MCA"):

- Medical Center of the Americas Foundation ("Foundation"), a tax exempt entity under IRC Sections 501(c)(3) and 170(b)(1)(A)(vi) and its wholly owned subsidiary, BMIA, Inc. (dba "RedSky"), an IRC Subchapter C corporation;
- MCAmericas Realty, Inc. ("MCAR"), a tax exempt entity under IRC Section 501(c)(2);
- MCA Tech Park, Inc. ("Tech Park"), a tax exempt entity under IRC Section 501(c)(3);
- MCA Revere Realty, Inc. ("Revere"), a tax exempt entity under IRC Section 501(c)(3).

The MCA's mission is to catalyze the life sciences ecosystem in the Paso del Norte region, and its vision is to cultivate a dynamic regional biomedical industry and innovation / entrepreneurship ecosystem that competes globally. The MCA also aims to create a world class medical center within the Medical Center of the Americas campus that will foster and accelerate biomedical and healthcare innovation, creating new employment opportunities and meeting health care needs of the region's current and future citizens. This biomedicine-driven economic growth mission will be accomplished through a series of strategic activities involving both physical infrastructure and programmatic initiatives focused on discovery, development and deployment building blocks to harness and grow regional assets consisting of biomedical and healthcare research, demographics providing for distinctive clinical trials capability, adaptive workforce and logistics and manufacturing capabilities that can accommodate biomedical business environments.

- **Foundation** was organized on November 6, 2006, and its activities include programs aimed at spurring innovation and entrepreneurship in the region and awarding certain proof-of-concept funding to biomedical and healthcare startup companies, grants for research and collaboration, including clinical research and trials, as well as serve as a regional resource to all institutions of higher education, entrepreneurs and others who wish to start a high tech company in the

biomedical space or any way that touches life sciences or healthcare. Foundation also provides management and financial/administrative support for Project activities of its subsidiary and affiliates as follows:

- **Revere** was organized on July 30, 2014 for the purpose of acquiring certain undeveloped land from the City of El Paso for future development.
- **BMIA, Inc.** was organized on May 4, 2012 to establish, launch and scale operations for discovery, development and deployment of biomedical innovation in the Paso del Norte region by providing a bridge for university research and intellectual property to the marketplace. During 2015, it was reorganized to facilitate future access to capital to MCA's innovation ecosystem and serve as an entity to conduct future potential for profit activities.
- **Tech Park** was organized on July 14, 2011 for the development and long-term growth of a vibrant, state-of-the-art research park for life sciences and healthcare, beginning with its 60,000 square-foot anchor building, the Cardwell Collaborative.
- **MCAR** was organized on December 14, 2009 for the exclusive purpose of investing in and acquiring certain income-producing real property currently leased to Texas Tech University Health Sciences Center El Paso ("TTUHSC").

In order to support MCA with this mission, the City of El Paso ("City") signed an Economic Development Program Grant Agreement ("Grant") with Foundation in February 2012 pursuant to Chapter 380 of the Texas Local Government Code for the purposes of promoting local economic development and stimulating business and commercial activity within the City. Foundation was awarded this Grant based upon its economic development plan consisting of biomedical cluster specific programs and infrastructure projects, as defined in the Grant ("Project"), that will, over time, be a significant economic generator for the City to attract and retain economic growth in the City's targeted industries.

The Grant provides for annually appropriated funds which are disbursed in quarterly payments through August 31, 2030 and which are estimated to total approximately \$60 million. Grant payments are to be used to pay Project costs and are subject to annual appropriation as well as performance indicators and infrastructure deadlines, as defined in the Grant.

The City's funding for the Grant is derived from its franchise agreement with El Paso Electric Company (NYSE:EE) to operate an electric utility for the transmission and distribution of electrical energy within the boundaries of the City. The City designates a portion of this funding for economic development through its Impact Fund. Seventy-five percent (75%) of such Impact Fund has been designated by the City for Foundation through August 31, 2030 by the Grant.

Project components consist of the following (references are to the Grant Agreement):

NON-INFRASTRUCTURE PROJECTS

- **A-Baseline Staffing**
- **B-Planning and Design**
- **C.1-Creation of MCA BioTech Commercialization Institute as a Subsidiary or Affiliate to the MCA**
- **C.2-Clinical Research Organization (CRO)**
- **C.3-Proof of Concept Fund**
- **D-Land Acquisition**

INFRASTRUCTURE PROJECTS

- **D.1**-Surface and/or Structured Parking for MCA area activities
- **E**-MCA Tech Building
- **F**-TTUHSC Gayle Greve Hunt School of Nursing Building

MCA believes to be in compliance with all Project performance obligations under the Grant Agreement.

Major Accomplishments

A summary of major accomplishments during 2018 are as follows:

Land Acquisition & Development

- MCA purchased 329 Euclid in November 2017 and 341 Euclid in November 2018. Both parcels are adjacent to the MCA's 13-acre parcel, enhancing the development potential.
- MCA worked with PSB to design and bid the re-routing and burying of the Coors Channel to optimize the use of the MCA land site. In addition, the PSB funded the design of a Park Pond that will service the North East quadrant of the MCA campus.

Cardwell Collaborative

- The building has 50% occupancy in 3rd floor incubator and 75% occupancy in the total building in 2018.
- Robust Lab Safety Program continued implementation and monitoring continues. Two MCA staff were trained and certified on Lab Safety.
- Over 80 events held at the Cardwell Collaborative during 2018.

VA Wellness Center

- In January 2018, Revere won the competitive bid for a 20-year lease with the VA for a 33,000 square foot VA mental health clinic to be built on the MCA's lower 10-acre parcel.
- MCA completed the design on the site and building, obtained permits and began construction.
- MCA obtained a construction loan for over \$15.35 million from WestStar Bank.
- MCA secured approximately \$16 million in New Market Tax Credit Financing for semi-permanent financing through 2025.

MCA 2018 Campus Master Plan

- MCA completed the 3rd version of the MCA campus master plan with Perkins+Will as the planner.
- A public meeting on the Master Plan was held on September 20, 2018.
- Implementation of the Master Plan recommendations is on-going, including the reformulation of TIRZ #6, MCA campus incentive map, MCA SmartCode Regulating Plan update.

MCA Innovation Center

- At least 3 young tech-professionals relocated to El Paso to participate in the MCA Innovation Center and launch their businesses in the Cardwell Collaborative.
- MCA won the Economic Development Administration (EDA) i6 Challenge grant award in the amount of \$750,000 over 3 years. The highly-competitive national award gives the MCA's program global recognition. The work will commence in 2019.
- Cohort #1 (October 2017 – June 2018)
 - 9 of the 11 start-ups graduated from the year-long program
 - Sources of intellectual property: UTEP, TTUHSC, NASA, "garage inventors"

- These start-ups: launched companies, developed prototypes, raised investment, closed sales contracts, grew revenues, launched pilot sites, grew user bases, gained entrance into internationally known accelerator programs
- MCA provided over \$250,000 in proof of concept funding to these companies
- 1 company was accepted into a nationally recognized accelerator
- 1 company raised \$150,000
- 1 company closed several contracts and reached 5-figure revenue
- 1 company is in active conversations with a local manufacturing company
- Cohort #2
 - Increase in number of courses given by MCA staff.
 - 8 start-up companies admitted.
 - 27 innovators/entrepreneurs admitted.
 - Increase in female participants from 1 in cohort #1 to 6 in cohort #2.
 - 4 participants are from Chihuahua City.
- MCA Innovation Center Resource Network has recruited over 30 professional service providers from the region, including law firm, accounting firms, web designers, marketing/PR agencies, etc. to support the start-ups

MCA Clinical Trials Consortium

- Consortium launched with over 30 stakeholders from the region participating, including health systems, physicians, clinical research coordinators, imaging centers, laboratories.
- MCA recruited 3 Clinical Research Companies to begin conducting business in El Paso:
 - HD Research (based in Houston) – in the process of closing 1 contract with an El Paso Hospital; interviewing CRC candidates in El Paso.
 - Elligo Health Research (based in Austin) – closed 3 contracts with medical providers in El Paso; interviewing an “El Paso CEO” and CRC candidates in El Paso.
 - Javara Research (based in South Carolina) – is in the process of closing 1-2 contracts with medical providers in El Paso; interviewing CRC candidates in El Paso, a longer or annual sales cycle to close these deals is anticipated since they are only targeting the larger health systems (e.g. UMC, THOP, HCA, etc.)
- MCA formed strategic alliances with 3 (1-local, 2-national) industry associations to facilitate access to industry talent, knowledge, resources and networking opportunities. These include:
 - Clinical Research As A Care Option (CRAACO)-invited to present at this national conference targeting pharmaceutical and healthcare executives in April 2019. Event organizers identified the MCA’s efforts to organize a regional Clinical Trial Consortium as unique and an effective community-based approach for growing clinical research in El Paso, Texas.
 - Association of Clinical Research Professionals (ACRP)—became a member for ACRP’s Workforce Innovation Steering Committee (WISC) in October 2018.

- El Paso Medical Society (EPMS)—Co-hosted a physician after-hour event in October 2018, drawing 15 EPMS members and Emma Schwartz to speak at EPMS’s Annual Event in February 2019.

BIO El Paso-Juarez

- MCA assisted in organizing BIO Institute El Paso Juarez, Inc. (dba BIO El Paso-Juarez or BIO-EPJ) in May 2018 (pending 501(c)(6) tax exemption), including formulating a founding board that includes 2 representatives from Juarez, 2 from El Paso and 1 jointly appointed by the other 4. BIO El Paso/Juarez is a bi-national, membership based organization, creating a forum for members to work together to enhance industry performance and growth of biomedical employment.
- Over 18 members were recruited by the end of 2018, including Johnson & Johnson, Cardinal Health, BD, Seisa Group, RxMED, IngenioRX, BEPC, Dynatec Labs, Ceutical Labs, UFP Technologies, Minerva Genetics, Tec de Monterrey Juarez Campus, RJL Properties, OKAY Industries, City of El Paso, El Paso County, Borderplex Alliance, Workforce Solutions Borderplex.
- MCA hosted the first Texas Healthcare and Bioscience Institute (THBI)/Cancer Research Prevention Institute of Texas (CPRIT) roundtable in El Paso on Nov. 8, 2018.
 - MCA presented the first regional life sciences legislative agenda to THBI for support during session.
 - Following the roundtable, MCA held a press conference officially introducing BIO-EPJ.
- MCA/BIO-EPJ exhibited at the BIO International in the Texas Pavilion in Boston and as a stand-alone exhibit booth at the MedTech conference in Philadelphia.
- In partnership with Workforce Solutions Borderplex, the MCA won a grant from the Economic Development Administration (EDA) in the amount of \$200,000 over to retain a consultant to map the medical device ecosystem in El Paso and Juarez, create a 10 year strategic plan and create materials that will help with site selection efforts aimed at growing the regional industry. The work will commence in 2019.

Workforce

- MCA won a \$25,000 grant from Andeavor Foundation to plan a middle school STEM Camp. The camp is planned to be piloted in Spring 2019 and rolled out in Fall 2019.
- MCA led the effort to convert the entire Silva/Jefferson High School campus to a health professions and occupations campus. EPISD confirmed in November 2018 that in 2.5 years, the campus will be a 6th – 12th grade school under 1 TEA number fully-focused on healthcare professions and occupations.

Promotion

- March 2018 – Emma Schwartz attended the International Business Incubation Conference in Dallas where she presented on “Regional Collaboration.”
- May 2018 – MCA launched the BIO El Paso-Juarez’s website: www.BIOelpasojuarez.org.
- May 2018 – MCA & BIO-EPJ exhibited at the BIO International conference in Boston as part of the Texas Pavilion.
- August 2018 – MCA launched its newly redesigned website: www.MCAmericas.org
- September 2018 – BIO-EPJ hosted its first exhibit booth at the MedTech medical device conference in Philadelphia.

- October 2018 – Emma Schwartz attended the International Economic Development Conference in Atlanta where:
 - Ms. Schwartz gave a presentation on the Economic Impact of Education & Medicine.
 - The City of El Paso and MCA were given the Silver Award for “Cross-Border and Regionalism Project”.
- MCA has developed several fliers and pamphlets to promote the MCA and regional life sciences industry at conferences and other events.
- Over 80 events were hosted at the Cardwell Collaborative during 2018.

Platform

- MCA converted its accounting system from QuickBooks to NetSuite enterprise system over the Summer and Fall of 2018 utilizing a social impact grant from Oracle America Inc. in the amount of approximately \$20,000 per year.
- MCA won \$60,000 in cash grant funding, and over \$200,000 of “in-kind” grants.
- MCA retained an HR consultant to review the MCA’s staffing and strategy, a project valued at \$175,000, but the work was donated to the MCA as in-kind.
- MCA received an unqualified opinion from the CPA firm Lauterbach & Borschow for its 2018 Consolidated Financial Statements.

Financial Highlights

Total MCA revenues and support increased approximately \$100,000 or 2.4% from 2017. Total MCA expenses for the year 2018 increased from approximately \$5.2 million in 2017 to approximately \$5.3 million. The net increase in expenses was primarily attributable to an increase in Program salaries and benefit expenses. Program expenses comprised approximately 90% of total expenses in 2018 and 2017. MCA net assets for the year 2018 decreased by approximately \$1.1 million as compared to a similar decrease in 2017.

Management and General expense decreased approximately \$15,000 or 3% from 2017. The decrease was primarily attributable to lower salaries and professional fees in 2018. Management and General expense comprised approximately 9% of total expenses in 2018 as compared to approximately 10% in 2017.

Liquidity and Financial Resources

The following sections discuss the effects of changes in MCA’s financial condition, its capital allocation strategy, contractual obligations and certain other commitments and activities on its liquidity and capital resources.

As more fully described in Note 3 to the Consolidated Financial Statements, MCA’s primary sources of liquidity are Grant payments received from the City of El Paso, philanthropic contributions from corporate and private donors, rental revenues and bank financing. See also Note 4 to the Consolidated Financial Statements for a detailed description of the City Grant Agreement.

As part of its liquidity management plan, MCA invests certain excess cash in money market funds with a high quality banking institution in El Paso, Texas.

As more fully described in Notes 8 and 11 to the Consolidated Financial Statements, MCA total liabilities at December 31, 2018 aggregate approximately \$40 million, an increase of approximately \$15.8 million in connection with the development and construction of a mental health clinic to be leased to the U.S. Government for the Department of Veterans Affairs. Annual debt service requirements through 2023 total approximately \$12.7 million, of which approximately \$11.2 million mature in August 2023. MCA was in compliance with financial covenants under its borrowing agreements at December 31, 2018.

The net increase in cash and cash equivalents of approximately \$12.9 million during 2018 as reflected in the Consolidated Statement of Cash Flows was primarily the result of cash provided by financing activities of approximately \$15 million, net of debt issuance costs. This source of cash was offset by approximately \$117,000 of cash used by operating activities and approximately \$1.8 million used by investing activities. The use of cash in operating activities was primarily attributable to the increase in expenses as previously described.

With cash, restricted cash and cash equivalents and grants, contributions and accounts receivable totaling approximately \$19.8 million at December 31, 2018, MCA believes its financial resources are sufficient to fund its operating, capital expenditures and debt service obligations during the year ending December 31, 2019. MCA plans for and assesses its liquidity and capital resources through an annual budgeting process. In addition, MCA forecasts its future cash flows and monitors its liquidity monthly.

MCA's principal contractual obligations and commitments at December 31, 2018 consist of its annual payments of \$612,000 through December 2029 pursuant to the TTUHSC Nursing School Facility Funding Agreement, its building commitments for the development and construction of the VA Clinic and its aggregate monthly debt service requirements averaging approximately \$200,000, as more fully described in Note 8 to the Consolidated Financial Statements.

Management's Report on the Consolidated Financial Statements

We have prepared the accompanying consolidated financial statements of MCAmericas Holdings, Inc. and subsidiaries (collectively, "MCA") for the years ended December 31, 2018 and 2017. We are responsible for the content and integrity of such financial statements as well as other financial information included in this annual report. The financial statements have been prepared in conformity with generally accepted accounting principles applicable to nonprofit organizations promulgated by the Financial Accounting Standards Board in its Codification of Financial Accounting Standards and reflect our best estimates and judgments. The supplementary financial information included in this annual report is consistent with the financial statements. We believe that such financial statements present fairly MCA's financial position; results of its activities and changes in net assets; and cash flows.

MCA's consolidated financial statements have been audited by Lauterbach, Borschow & Co., independent certified public accountants, whose report thereon appears herein. The Lauterbach firm was given unrestricted access to all financial records and related information, including minutes of meetings of the various Boards of Directors and committees. We believe that all representations made to the Lauterbach firm during its audit were valid, timely and appropriate.

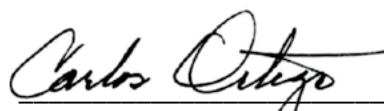
We recognize our responsibility for fostering a strong ethical climate so that MCA's affairs are conducted according to the highest standards of conduct. This responsibility is characterized and reflected in MCA's Code of Ethics and Conduct ("Code"). The Code addresses, among other things, the necessity of assuring open communication within MCA, potential conflicts of interest, compliance with all applicable domestic laws, and the confidentiality of proprietary information. We maintain a formal and systematic program to assess compliance with the Code, including a requirement that all employees and Board members must periodically affirm their compliance.

MCA management has established and maintains a system of internal controls that provides reasonable assurance as to the integrity and reliability of its financial statements, protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. This system of internal controls provides for appropriate division of responsibility and is documented by written policies and procedures that are communicated to employees with significant roles in the financial reporting process and are updated as necessary. Management regularly monitors the system of internal controls for compliance. In planning and performing its audit of MCA's financial statements, the Lauterbach firm considered MCA's internal controls relevant to MCA's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on such financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCA's internal control.

In addition, MCA has an Audit Committee that oversees the audit process. The Audit Committee, consists of members of the Board of Directors of MCA, provides an oversight role in achieving financial reporting quality as well as the hiring, replacing and supervision of MCA's independent accounting firm. The Audit Committee is chaired by Mr. James Volk. Other members of the Audit Committee are Ms. Lisa Budtke, Mr. Meyer Marcus and Mr. Gary Hedrick. Ms. Budtke is Director of Treasury Services and Investor Relations of El Paso Electric Company. Mr. Hedrick is currently clinical professor of Corporate Enterprise at the University of Texas at El Paso and former CEO and CFO of El Paso Electric Company. Mr. Volk is Chairman of the Board in New Mexico First Financial and Western Heritage Bank. Mr. Marcus is Chairman and owner in MIMCO Inc., a major developer of over 300 retail, office and warehouse properties in El Paso, Las Cruces, Austin, San Antonio, Dallas and the Rio Grande Valley.



Emma W. Schwartz, President



Carlos Ortega, Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
MCAmericas Holdings, Inc. and Subsidiaries
El Paso, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of MCAmericas Holdings, Inc. and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements collectively, the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MCAmericas Holdings, Inc. and subsidiaries as of December 31, 2018 and 2017, and statements of activities and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Lauterbach, Bozschow & Company

February 15, 2019
El Paso, Texas

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Financial Position

December 31, 2018 and 2017

Assets	2018	2017
Current assets:		
Cash and cash equivalents (Note 3)	\$ 1,816,362	1,400,222
Grants, contributions and accounts receivable, net (Notes 4 and 5)	2,921,735	3,058,732
Prepaid expenses and other current assets	81,661	32,526
Total current assets	4,819,758	4,491,480
Noncurrent assets:		
Restricted cash and cash equivalents (Note 4)	1,755,860	2,499,644
Contributions receivable restricted to investment in property and equipment, net (Note 5)	157,320	262,495
Cash restricted to investment in building project (Note 8)	13,213,573	—
Property and equipment, net (Notes 6 and 8)	30,070,741	27,977,856
Other	490	8,165
Total assets	\$ 50,017,742	35,239,640
Liabilities and Net Assets		
Current liabilities:		
Accounts payable (Note 6)	\$ 1,380,387	395,756
Accrued expenses and other liabilities	38,230	39,985
Contributions payable (Note 7)	612,000	612,000
Current portion of long-term debt (Note 8)	239,137	215,764
Total current liabilities	2,269,754	1,263,505
Long-term debt, net (Note 8)	37,713,113	22,854,387
Total liabilities	39,982,867	24,117,892
Net assets:		
Without donor restrictions	4,159,473	4,943,491
With donor restrictions (Note 13)	5,875,402	6,178,257
Total net assets	10,034,875	11,121,748
Commitments (Notes 4, 6, 7, 9, 11 and 16)		
Total liabilities and net assets	\$ 50,017,742	35,239,640

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Activities and Changes in Net Assets

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net assets without donor restrictions		
Changes in net assets without donor restrictions:		
Revenue and support:		
Contributions	\$ 34,199	28,017
In-kind (Note 10)	134,672	73,419
Rent (Note 11)	952,210	917,377
Interest	9,021	5,370
Total revenue and support without donor restrictions	<u>1,130,102</u>	<u>1,024,183</u>
Net assets released from donor restrictions	<u>3,374,091</u>	<u>3,604,623</u>
Total	<u>4,504,193</u>	<u>4,628,806</u>
Expenses:		
Programs:		
Biomedical Cluster	1,608,370	1,869,318
Infrastructure	2,836,741	2,727,127
Other	326,980	70,438
Management and general	506,931	521,594
Fundraising	9,188	5,286
Total expenses	<u>5,288,210</u>	<u>5,193,763</u>
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(784,017)</u>	<u>(564,957)</u>
Net assets with donor restrictions		
Changes in net assets with donor restrictions:		
Grants (Note 4)	3,071,235	3,077,112
Grants and contributions released from donor restrictions	<u>(3,374,091)</u>	<u>(3,604,623)</u>
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(302,856)</u>	<u>(527,511)</u>
TOTAL DECREASE IN NET ASSETS	<u>(1,086,873)</u>	<u>(1,092,468)</u>
NET ASSETS, Beginning of year	<u>11,121,748</u>	<u>12,214,216</u>
NET ASSETS, End of year	<u>\$ 10,034,875</u>	<u>11,121,748</u>

See accompanying notes to consolidated financial statements

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Functional Expenses
Years ended December 31, 2018 and 2017

	Programs			Supporting Activities			2018 Total	2017 Total
	Biomedical Cluster	Infrastructure	Other	Total Programs	Management and General	Fundraising		
\$	357,679	214,269	86,029	657,977	336,332	7,228	343,560	945,385
Salaries	36,606	24,863	9,071	70,540	36,077	383	36,460	86,622
Employee benefits	27,610	15,653	5,873	49,136	26,886	419	27,305	75,494
Payroll taxes	421,895	254,785	100,973	777,653	399,295	8,030	407,325	1,107,501
Total salaries and related expenses								
Personnel-related expenses	30,721	1,617	10,474	42,812	7,542	21	7,563	42,874
Professional and contract services	37,025	4,569	6,875	48,469	42,430	200	42,630	101,105
Marketing & PR	57,121	4,983	9,750	71,854	14,435	410	14,845	29,752
Office and other								
administrative expenses	38,724	21,002	7,001	66,727	34,682	520	35,202	71,836
Contributions expense	—	612,000	—	612,000	—	—	—	612,000
Innovation and proof of concept	79,905	—	—	79,905	—	—	—	251,305
Clinical research/clinical trials	3,688	—	—	3,688	—	—	—	—
Workforce	8,057	—	—	8,057	—	—	—	15,000
Cluster Group	404	—	—	404	—	—	—	8,655
Master Plan	—	—	191,820	191,820	—	—	—	42,835
Building expenses	—	499,361	—	499,361	—	—	—	475,001
Lab expenses	26,848	1,332	—	28,180	—	—	—	47,974
Depreciation	378,340	515,630	—	893,970	1,826	—	1,826	877,944
Insurance	1,851	5,795	87	7,733	5,692	7	5,699	13,692
Donated goods and services	52,854	394	—	53,248	1,029	—	1,029	153,814
Interest	470,937	915,273	—	1,386,210	—	—	—	1,342,475
Total expenses reported by function on the Statement of Activities	\$ 1,608,370	2,836,741	326,980	4,772,091	506,931	9,188	516,119	5,193,763

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows
Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (1,086,873)	(1,092,468)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	895,796	877,944
Amortization of debt issuance costs and note discount	192,315	140,358
Changes in operating assets and liabilities:		
Grants, contributions and accounts receivable	136,997	(243,596)
Prepaid expenses and other current assets	(41,460)	(12,619)
Accounts payable	(212,337)	57,995
Accrued expenses and other liabilities	(1,755)	(39,029)
Net cash used in operating activities	<u>(117,317)</u>	<u>(311,415)</u>
Cash flows from investing activities:		
Acquisition & construction of property & equipment	<u>(1,791,712)</u>	<u>(117,593)</u>
Net cash used in investing activities	<u>(1,791,712)</u>	<u>(117,593)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted to investment in property and equipment	105,174	121,687
Proceeds from long-term debt, net of debt issuance cost	14,966,113	—
Payments on long-term debt	<u>(276,329)</u>	<u>(145,531)</u>
Net cash provided by (used in) financing activities	<u>14,794,958</u>	<u>(23,844)</u>
Net increase (decrease) in cash and restricted cash and cash equivalents	12,885,929	(452,852)
Cash and restricted cash and cash equivalents, beginning of year	<u>3,899,866</u>	<u>4,352,718</u>
Cash and restricted cash and cash equivalents, end of year	<u><u>\$ 16,785,795</u></u>	<u><u>3,899,866</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 1,193,896</u></u>	<u><u>1,202,117</u></u>
Non-cash transactions:		
Construction in progress purchased through accounts payable	<u><u>\$ 1,196,969</u></u>	<u><u>—</u></u>

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

1. DESCRIPTION OF ORGANIZATION

MCAmericas Holdings, Inc. was formed and incorporated in the State of Texas as a non-profit supporting organization, exempt from federal income tax under Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code ("Code"). MCAmericas Holdings, Inc. is a holding company that operates through its subsidiary companies which consist of the following (collectively "MCA"):

- Medical Center of the Americas Foundation ("Foundation"), a Texas non-profit corporation exempt from federal income tax under sections 501(c)(3) and 170(b)(1)(A)(vi) of the Code. It is the sole member of BMIA, Inc. (dba "RedSky"), a Nevada corporation subject to federal income tax under Subchapter C of the Code;
- MCAmericas Realty, Inc. ("MCAR"), a Texas non-profit corporation exempt from federal income tax under Section 501(c)(2) of the Code;
- MCA Tech Park, Inc. ("Tech Park"), a Texas non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Code;
- MCA Revere Realty, Inc. ("Revere"), a Texas non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Code.

MCA's mission that was revised in 2017 is to catalyze the life sciences ecosystem in the Paso del Norte region, and its vision is to cultivate a dynamic regional biomedical industry and innovation/entrepreneurship ecosystem that competes globally. MCA also aims to create a world class medical center within the Medical Center of the Americas campus that will foster and accelerate biomedical and healthcare innovation, creating new employment opportunities and meeting health care needs of the region's current and future citizens. This biomedicine-driven economic development mission will be accomplished through a series of strategic activities involving both physical and programmatic initiatives focused on discovery, development and deployment building blocks to harness and grow regional assets consisting of biomedical and healthcare research, demographics providing for distinctive clinical trials capability, adaptive workforce and logistics and manufacturing capabilities that can accommodate biomedical business environments in the region. MCA is committed to creating a biomedical industry by accelerating all elements that make up a biomedical and innovation ecosystem from assisting with workforce development, facilitating access to capital, creating environments ripe for collaborative research and unlocking the region's entrepreneurial potential.

In order to support MCA with this mission, the City of El Paso ("City") signed an Economic Development Program Grant Agreement ("Grant") with Foundation on February 7, 2012 pursuant to Chapter 380 of the Texas Local Government Code for the purposes of promoting local economic development and stimulating business and commercial activity within the city of El Paso. Foundation was awarded this Grant based upon its economic development plan consisting of biomedical cluster specific programs and related infrastructure projects as defined in the Grant ("Project") that may, over time, be a significant economic generator for the City and attract and retain economic development in the City's targeted industries.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

1. DESCRIPTION OF ORGANIZATION (continued)

MCA's principal programs consist of the following:

- **Biomedical Cluster:** This program consists of activities designed to improve the translational research business model and spur regional economic growth by supporting new startup companies to advance commercially viable inventions from regionally-relevant intellectual property and providing a regional economic engine to position the region as a hub of excellence for global healthcare innovation as well as bringing solutions to the region's health challenges while elevating the quality of healthcare for its residents with potentially advanced life-saving or life-improving technology.
- **Infrastructure:** This program consists of activities directed to the development of the physical infrastructure needed to support the Biomedical Cluster by establishing the region's first biomedical and healthcare research park, beginning with its anchor building, the Cardwell Collaborative (Note 6), as well as providing funding for the construction of Texas Tech University Health Sciences Center Gayle Greve Hunt School of Nursing building (Note 7).

MCA's Project activities are conducted by its various subsidiaries as follows:

- Foundation was organized on November 27, 2006 and provides management and general activities necessary to provide support for the organization's program activities. Management and general activities include those that provide governance, oversight, board management, executive management, financial management, accounting, budgeting, legal support, tax exempt compliance, human resource management and other similar activities to MCA affiliates. Fundraising activities include publicizing and conducting fundraising campaigns, maintaining donor lists, and other activities involved with soliciting grants and philanthropic contributions from corporate and individual donors. Other activities include Biomed programs aimed at spurring innovation and entrepreneurship in the region by awarding grants and proof of concept funding for biomedical and healthcare startups, research and collaboration, including clinical research and trials, as well as serve as a regional resource to all institutions of higher education, entrepreneurs and others who wish to start a high tech company in the biomedical space or any way that touches life sciences or healthcare.
- RedSky was organized on May 4, 2012 to establish, launch and scale operations for the discovery, development and deployment of biomedical innovation in the Paso del Norte region by providing a bridge for university research and intellectual property to the marketplace. During 2015, it was reorganized to facilitate future access to capital to the MCA innovation ecosystem and serve as an entity to conduct future potential for-profit activities.
- Tech Park was organized on July 14, 2011 for the development and long-term growth of a vibrant, state-of-the-art research park for life sciences and healthcare, beginning with a 60,000 square foot anchor building, the Cardwell Collaborative (Note 6).

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

1. DESCRIPTION OF ORGANIZATION (continued)

- MCAR was organized on December 14, 2009 for the special purpose of investing, acquiring and managing income-producing real property (Note 11).
- Revere was organized on July 30, 2014 for the special purpose of acquiring a certain parcel of undeveloped land from the City of El Paso for future developments. During 2018, Revere began construction of a 33,500 square foot mental health clinic to be leased to the U.S. Government ("Government") for the Department of Veterans Affairs (Notes 6 and 11).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MCA prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies are described in the following sections to enhance usefulness and understandability of the financial statements.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of MCAmericas Holdings, Inc., which is the sole member of Medical Center of the Americas Foundation and its subsidiary (RedSky), MCAmericas Realty, Inc., MCA Tech Park, Inc. and MCA Revere Realty, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Adoption of New Accounting Pronouncements – For the year ended December 31, 2018, MCA adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

MCA elected to early adopt Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts described as restricted cash and restricted cash equivalents. Therefore, amounts described as restricted cash and restricted cash equivalents have been included with

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update amendments are an improvement because they provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows and reduce diversity in practice. The update amendments have been applied using a retrospective transition method to each period presented and resulted in the reclassification of restricted cash and cash equivalents of approximately \$673,000 in 2017.

Basis of Financial Statement Presentation – Net assets, revenues, gains, and losses are classified based upon 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 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. Gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition – Contributions are recognized when the donor makes a promise to give to MCA that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are 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. Gifts restricted to the acquisition or construction of long-lived assets are reported as revenue with donor restrictions and released to net assets without donor restrictions when long-lived assets are placed in service.

Contributions to be received after one year are recorded at fair value using present value techniques discounted at an appropriate discount rate commensurate with the risk involved, net of estimated uncollectible amounts. Amortization of the discount is recorded as additional contribution revenue.

Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents – Cash equivalents consist of a money market account with a high quality banking institution in El Paso, Texas.

Restricted Cash and Cash Equivalents – Represent amounts pledged as security for long-term financing arrangements as contractually required by an Account Pledge Agreement with the City of El Paso (Note 4). A substantial portion of such funds are held in a money market account with a high quality banking institution in El Paso, Texas and are reported at fair value.

Cash restricted to investment in building project – Represent proceeds from Qualified Loan Income Community Investment Loans (QLICI Loans) as more fully described in Note 8 which are restricted to the development and construction of a mental health clinic to be leased to the U.S. Department of Veterans Affairs.

Property and Equipment, net – Property and Equipment are stated at cost or at estimated fair market value at the date of the gift, if donated. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets.

When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operating activities. Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are charged to operating activities as incurred.

Concentrations of Risk – MCA maintains cash balances and money market funds at high quality financial institutions in El Paso, Texas. Cash accounts are insured by the FDIC for up to \$250,000. Although at times balances in bank deposit accounts with high quality banking institutions may exceed federally insured limits, management believes MCA is not exposed to significant credit risk on those amounts.

MCA receives a substantial amount of its support from public and private contributions primarily located in the El Paso, Texas borderplex region. In 2018 and 2017, approximately 69 percent and 73 percent, respectively, of MCA's total revenues and support is provided by the City of El Paso pursuant to the Grant with Foundation (Note 4). Therefore, MCA's ability to continue as a going concern is dependent on the level of support received from such contributions and the economic health of the region.

Credit risk with respect to contributions receivable is limited due to the number and creditworthiness of the donors who comprise the contributor base. The allowance for doubtful pledges is based upon historical experience, an assessment of economic conditions and a review of subsequent collections. Amounts are written off when deemed uncollectible.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management Estimates and Assumptions – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. On an ongoing basis, MCA's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. MCA's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Expense Recognition and Allocation – Significant expenses that relate to two or more programs or support activities are allocated to the respective programs and activities. These costs principally relate to occupancy and support costs and are allocated based upon estimated usage, time spent or square footage. The cost of providing MCA's programs and other activities is summarized on a functional basis in the Consolidated Statements of Functional Expenses.

Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

Management and general expenses include those costs that are not directly identifiable with any specific program but which provide for the overall support and direction of MCA.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. MCA generally does not conduct its fundraising activities in conjunction with its other activities.

Analysis for Impairment – Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based upon a comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based upon the fair value of impaired assets. In management's opinion, there is no impairment of MCA's long-lived assets at December 31, 2018 and 2017.

Donated Materials, Equipment, and Services – Donated materials and equipment are recorded as contributions at their estimated fair values at the date of receipt. In-kind services, which are defined as donations of services that would have to be purchased in order for MCA to operate if not donated, are recorded as revenue and expenses in the Statements of Activities for the fair market value of the services received. Volunteer services, which are not considered necessary for operations to continue, are not reflected in the financial statements, as no objective basis is available to measure the value of such services.

**MCAMERICAS HOLDINGS, INC.
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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Issuance Costs – Debt issuance costs are reported as a direct deduction from the face amount of the related debt and are amortized over the term of the respective debt using the straight line method which approximates the interest rate method. Amortization expense of approximately \$135,000 was recorded in 2018 and \$85,000 in 2017.

Income Tax Status – MCAmericas Holdings, Inc., Foundation, Tech Park and Revere are non-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Code. MCAR is a non-profit organization exempt from federal income taxes under Section 501(c)(2) of the Code. Accordingly, no liability or provision for federal income and state franchise taxes is included in the accompanying consolidated financial statements. However, income from activities not directly related to their tax-exempt purposes is subject to taxation as unrelated business income. There was no tax on unrelated business income in 2018 and 2017.

Contributions to MCA are tax deductible to donors under Section 170 of the Code. MCA is not classified as a private foundation within the meaning of Sections 170(b)(1)(A)(vi) and 509(a)(1) and (3) of the Code.

RedSky is a C corporation that is not a tax exempt entity for federal income tax purposes and does not meet the definitional requirements of Section 501(c)(3) of the Code. RedSky accounts for income taxes under the asset and liability method pursuant to FASB ASC 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets are evaluated as to their recoverability and a valuation allowance is established if necessary to reduce deferred tax assets to an amount that is more likely than not to be realized. Accrued interest and penalties, if any, related to unrecognized tax benefits are recorded as a component of income tax expense.

Under U.S. generally accepted accounting principles, a tax provision resulting from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date in order to be recognized. Management has analyzed the tax positions taken by MCA, and has concluded that as of December 31, 2018 and 2017, no uncertain tax positions have been taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Each MCA entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. Each MCA entity is subject to audit by taxing authorities; however, there are currently no audits for any tax periods in progress. The tax years ending after 2014 are still open to audit for both federal and state purposes.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related Party Transactions – MCA bylaws incorporate a conflict of interest policy. The purpose of this is to protect MCA's interests when it is contemplating a transaction or arrangement that might benefit the private interest of a member of its Board of Directors or officers. A person who has a financial interest may have a conflict of interest only if the Board of Directors decides that a conflict of interest exists. All members of the Board, officers and professional staff complete a conflict of interest document when joining MCA as well as annually, when changes occur, or when business interests change.

Prior Year Information – Certain prior year amounts have been reclassified to conform to the current year's financial statement presentation. The reclassifications had no impact on previously reported net assets.

Subsequent Events – Management has evaluated subsequent events through February 15, 2019 the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the consolidated financial statements. Events occurring after that date have not been evaluated to determine whether a change in the consolidated financial statements would be required.

3. LIQUIDITY AND AVAILABILITY

MCA is substantially supported by restricted contributions with a significant portion from the City of El Paso pursuant to a Grant Agreement as more fully described in Note 4. Because such contributions' restrictions require that financial assets be used in a particular manner or in a future period, MCA must maintain sufficient resources to meet those responsibilities to the City, donors and other grants for use in current programs which are ongoing, major and central to MCA's annual operations. Consequently, MCA's liquidity management policy is to structure its financial assets to be available as such expenditures, liabilities and other obligations come due in the normal course of its operations. In addition, MCA invests cash in excess of its daily requirements in money market funds with a high quality local banking institution.

MCA's financial assets due within one year of the balance sheet date available for its programs, operations, investment and debt service are as follows:

**MCAMERICAS HOLDINGS, INC.
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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

3. LIQUIDITY AND AVAILABILITY (continued)

Cash and cash equivalents	\$ 1,816,362
Restricted cash and cash equivalents	1,755,860
Cash restricted to investment in building project	<u>13,213,573</u>
 Total cash and restricted cash and cash equivalents shown in the Statement of Cash Flows	 16,785,795
 Grants, contributions and accounts receivable	 2,921,735
 Contributions receivable restricted to investment in buildings and equipment	 <u>157,320</u>
Total financial assets available	<u><u>\$ 19,864,850</u></u>

4. CITY GRANT

On February 7, 2012, El Paso City Council approved the City of El Paso ("City") to enter into a Grant Agreement ("Grant") with Foundation for the development of biomedical cluster specific programs and infrastructure projects. Except for the first year, the Grant provides for quarterly payments through August 31, 2030 which are equivalent to 75 percent of the City's Impact Fund and are projected to total approximately \$60 million. The Impact Fund is collected from the franchise fee that the City charges El Paso Electric Company. Grant payments, which are subject to annual appropriation by the City, are to be used to pay Project costs and are subject to Performance Indicators and building component deadlines, as defined in such Grant.

Grant revenue is recognized when the conditions to the Grant have been substantially met through the annual appropriation of such funds and an assessment that Performance Indicators are substantially met or considered remote that they would not be met. At December 31, 2018 and 2017, contributions receivable from the Grant were approximately \$2.9 million and \$3.0 million, respectively

On February 3, 2015, the Grant was amended to provide that in the event of default under the Loan Agreement with Citizens Bank ("Lender"), as more fully described in Note 8, the City will cure any of Tech Park's payment defaults under the Loan Agreement and will continue to make payments to Lender as required until all sums owing to Lender are paid in full.

On July 26, 2016 as part of Tech Park's New Markets Tax Credit financing as more fully described in Note 8, the Grant was further amended to specify that the City will redirect Impact Funds to continue to pay Citizens and CDE (Community Development Entities) loans in the event of default under either the Grant or any of the Citizens and CDE loans and may exercise its rights under a subordinated lien agreement. In order to facilitate such

**MCAMERICAS HOLDINGS, INC.
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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

4. CITY GRANT (continued)

amendment by the City, Foundation agreed to deposit and pledge approximately \$2.3 million into a money market account with a high quality local banking institution to secure the payment of Tech Park's obligations pursuant to an Account Pledge Agreement with the City. The parties agreed that the funds in such account may be used only to pay debt service on the Citizens and CDE loans.

5. GRANTS, CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Grants, contributions and accounts receivable consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Grants receivable (Note 4)	\$ 2,883,623	3,035,704
Unconditional promises to give	8,280	18,517
Other	<u>34,832</u>	<u>9,511</u>
	2,926,735	3,063,732
Less: Allowance for doubtful pledges	<u>(5,000)</u>	<u>(5,000)</u>
	<u><u>\$ 2,921,735</u></u>	<u><u>3,058,732</u></u>

Unconditional promises to give, net of discount to present value at rates ranging from 1.3% to 2.3%, consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Unconditional promises to give before unamortized discount	\$ 9,350	20,250
Less: Unamortized discount	<u>(1,070)</u>	<u>(1,733)</u>
	<u><u>\$ 8,280</u></u>	<u><u>18,517</u></u>

The discount will be recognized as contribution income in years 2019 to 2021 as the discount is amortized using an effective yield over the duration of the pledge.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

5. GRANTS, CONTRIBUTIONS AND ACCOUNTS RECEIVABLE (continued)

Contributions and grants receivable at December 31 are due as follows:

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 2,887,973	3,046,854
Through 2021	<u>5,000</u>	<u>9,100</u>
	<u>\$ 2,892,973</u>	<u>3,055,954</u>

Through December 31, 2018, MCA has raised approximately \$8 million in unconditional pledges and contributions for investment in property and equipment from a government grant and individual and corporate donors. At December 31, 2018 and 2017, contributions receivable restricted to investment in property and equipment in the accompanying Consolidated Statements of Financial Position are as follows:

	<u>2018</u>	<u>2017</u>
Unconditional promises to give before		
unamortized discount	\$ 177,650	289,750
Less: Unamortized discount	<u>(20,330)</u>	<u>(27,255)</u>
	<u>\$ 157,320</u>	<u>262,495</u>

These unconditional capital campaign contributions receivable are expected to be collected as follows:

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 82,650	116,850
Through 2021	<u>95,000</u>	<u>172,900</u>
	<u>\$ 177,650</u>	<u>289,750</u>

Amounts due in more than one year have been discounted to net present value using discount rates ranging from 1.3 percent to 2.3 percent. The discount will be recognized as contribution income in years 2019 through 2021 as the discount is amortized using an effective yield over the duration of the pledges. Individual contributions receivable are not considered a significant concentration of credit risk.

**MCAMERICAS HOLDINGS, INC.
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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	Estimated Useful Life (Years)	2018	2017
Land	-	\$ 1,588,157	1,522,414
Buildings & improvements	15 - 40	26,694,757	26,694,757
Furniture & fixtures	5 - 7	767,183	767,183
Lab equipment	3 - 5	308,195	303,611
Computer equipment	3	104,936	100,438
Office equipment	3 - 5	165,652	165,652
		<u>29,628,880</u>	<u>29,554,055</u>
Less: Accumulated depreciation		<u>(2,471,995)</u>	<u>(1,576,199)</u>
Construction-in-progress		<u>2,913,856</u>	<u>—</u>
		<u>\$ 30,070,741</u>	<u>27,977,856</u>

Amounts reflected in construction-in-progress at December 31, 2018 relate to capital expenditures, including capitalized interest of approximately \$45,000, incurred in connection with design and development of a Mental Health Clinic to be leased to the U.S. Department of Veterans Affairs (Note 11). Approximately \$1.2 million are included in accounts payable at December 31, 2018. Outstanding financial commitments related to the project aggregated approximately \$14 million at December 31.

In June 2016, Tech Park completed construction of an approximately 60,000-square foot life sciences research and technology building, the Cardwell Collaborative, as the anchor for the development of a 13-acre life sciences research and technology park in the Medical Center of the Americas campus. The Cardwell Collaborative houses office suites, researcher offices and core research space, incubator space, wet and dry laboratories and a high performance computing center. Texas Tech University Health Sciences Center El Paso is a major tenant for the Cardwell Collaborative (Note 11).

Depreciation expense for the years ended December 31, 2018 and 2017 was \$895,796 and \$877,944, respectively, and has been allocated to programs and supporting activities in the accompanying Consolidated Statements of Activities.

**MCAMERICAS HOLDINGS, INC.
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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

7. CONTRIBUTIONS PAYABLE

In June 2012, Foundation entered into the Nursing School Facility Funding Agreement ("Funding Agreement") with Texas Tech University Health Sciences Center (TTUHSC) to facilitate the development and construction of a new building within the MCA campus to house the Gayle Greve Hunt School of Nursing as one of the projects contemplated under Foundation's Grant with the City of El Paso (Note 4). Amounts under the Funding Agreement are payable in eighteen annual installments of \$612,000 each through December 31, 2029, totaling \$11,016,000. The annual payments are subject to annual appropriation of funds under the Grant Agreement and satisfaction of the conditions of the Funding Agreement, as specified therein. It is Foundation's intent that amounts reflected as contributions payable in the accompanying Consolidated Statements of Financial Position will be fulfilled.

8. LONG-TERM DEBT

As of December 31, 2018 and 2017, long-term debt consisted of the following:

	<u>2018</u>	<u>2017</u>
NMTC 2018 program issue notes payable to a Community Development Entity, net of unamortized debt issuance costs of \$873,887 in 2018	\$ 14,966,113	—
NMTC 2016 program issue notes payable to Community Development Entities, net of unamortized debt issuance costs of \$341,868 in 2018 and \$419,184 in 2017	10,888,132	10,810,816
Citizens Term Loan, net of unamortized debt issuance costs of \$117,528 in 2018 and \$125,470 in 2017	10,388,092	10,581,730
Non-interest bearing note payable to City of El Paso, net of unamortized discount of \$625,574 in 2018 and \$683,374 in 2017	1,274,426	1,216,626
Mortgage note payable to bank	435,487	460,979
Less: Current portion	<u>(239,137)</u>	<u>(215,764)</u>
Noncurrent portion	\$ <u><u>37,713,113</u></u>	<u><u>22,854,387</u></u>

On December 21, 2018, Revere, as a qualified active low income community business ("QALICB"), secured from a community development entity ("CDE") \$15,840,000 in qualified loans eligible to receive the benefits of the federal new markets tax credit program

**MCAMERICAS HOLDINGS, INC.
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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

8. LONG-TERM DEBT (continued)

("NMTC") under Section 45D of the federal tax code to finance the development and construction of a mental health clinic ("Clinic") for lease to the Government for the Department of Veterans Affairs (Note 11). The property is located within a US population census tract found to be characterized by high economic distress and inadequate access to capital. The loans, which qualify as a "qualified low-income community investment" within the meaning of Section 45D of the tax code, are comprised of a Series A Promissory Note in the principal amount of \$10,883,216 and a Series B Promissory Note in the principal amount of \$4,956,784 (collectively "NMTC Notes"). The NMTC Notes which bear interest at a fixed rate of 4.12% are interest only through 2025 ("Compliance Period") with Series A maturing on December 21, 2025 and Series B maturing on December 1, 2052 with monthly principal and interest payments totaling \$41,107 beginning on January 1, 2040. The Series B Note is assignable to Holdings at the end of the Compliance Period.

The NMTC Notes are secured by mortgage and may not be prepaid at any time during the Compliance Period. The NMTC Notes include various covenants to comply with the program requirements of Section 45D of the tax code as well as financial reporting, additional debt, construction and other representations, warranties, covenants and indemnities customary for loans of this type. As of December 31, 2018, Revere was in compliance with all of the NMTC Note covenants.

Loan proceeds, net of debt issuance costs of \$873,887, are held in a controlled disbursement account with a local bank for the purposes of disbursing proceeds during construction pursuant to a Construction Monitoring and Disbursement Agreement.

Also, in connection with the development and construction of the Clinic, Revere secured a credit facility from a local bank in the amount of \$2,299,647, bearing interest at the rate of 6% and maturing on October 21, 2020. The unsecured credit facility is expected to be paid from the lump sum proceeds stipulated in the Government lease agreement upon Government acceptance and occupancy of the Clinic. No amounts were outstanding on the credit facility as of December 31, 2018.

In February 2015, Tech Park as borrower and Holdings and Foundation as guarantors entered into a loan agreement with Citizens Bank of Las Cruces ("Citizens Loan") for an \$18.6 million loan to finance construction of the Cardwell Collaborative building. The Citizens Loan provides for a 27-month, interest only, construction loan followed by a 180-month permanent loan at the end of which the entire balance of unpaid principal and accrued unpaid interest will be due and payable in one lump sum. The construction loan, which matured on May 6, 2017, bore interest at a daily floating rate equal to 1% above the Prime Rate, as defined, but not less than 4.25% per annum. The permanent loan bears interest equal to the then 7-year Balloon, 20-year Standard Amortizing Rate quoted by the Federal Home Loan Bank of Dallas ("FHLB-Dallas") plus 325 basis points or 5.877%, fixed for the first 7 years of the 15 year term of the loan. At the end of the first 7 years, the rate

**MCAMERICAS HOLDINGS, INC.
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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

8. LONG-TERM DEBT (continued)

of interest will be adjusted to the then 7-year Balloon, 15-year Standard Amortizing Rate quoted by FHLB-Dallas, plus 325 basis points, fixed for the final 8 years of the 15 year term of the loan, but not less than 5.45%. Beginning in June 2017, Tech Park began paying the first of 180 monthly installments of principal and accrued interest in the amount of \$69,507 based upon 25 year amortization. The borrowings, bearing interest of 5.877%, are collateralized by a first priority Deed of Trust lien on the property and improvements. The Citizens Loan includes financial covenants requiring a fixed charge coverage ratio, annual audited financial statements, assignment of rents and other customary requirements of similar loan agreements. As of December 31, 2018 and 2017, Tech Park was in compliance with all of the Citizens Loan covenants.

In August 2016, Tech Park, as a QALICB, restructured approximately \$7.7 million of the Citizens Loan in connection with the New Markets Tax Credit ("NMTC") program pursuant to Section 45D of the Internal Revenue Code. As a result, Tech Park entered into loan agreements totaling \$11,230,000 (Series A and Series B) with two Community Development Entities ("CDE Loans"). These CDE Loans, which bear interest at the rate of 4.42% per annum, are payable in monthly interest-only payments aggregating approximately \$42,000 through 2023 ("NMTC Compliance Period") at which time the balance of all outstanding principal and interest is due and payable for Series A loans totaling approximately \$7.8 million. In 2023, Series B loans totaling approximately \$3.5 million are assignable to Foundation and provide for interest only payments through 2031 at which time the first monthly amortizing payments begin through 2052. The CDE Loans are collateralized by a second priority Deed of Trust lien upon the property and improvements and the guaranty of Holdings and Foundation. The CDE Loans include covenants to comply with the program requirements of New Markets Tax Credits under Section 45D of the Internal Revenue Code as well as financial reporting, debt service coverage ratio, prepayment and other representations, warranties, covenants and indemnities customary for loans of this type. As of December 31, 2018 and 2017, Tech Park was in compliance with all of the CDE loan covenants.

In November 2014, Tech Park and Revere ("Buyer") entered into a Purchase Agreement with the City of El Paso for the purchase of two parcels of undeveloped land aggregating approximately 13 acres in the Medical Center of the Americas campus. The purchase price for the properties was \$2 million, of which \$100,000 was paid at closing and the remainder of which is evidenced by a promissory note in the amount of \$1,900,000 ("Note"). The Note is unsecured and non-interest bearing with a maturity date of August 31, 2030. Annual payments on the Note are only due when annual Grant payments (Note 4) exceed \$3 million and continuing each year thereafter in the amount of such excess until the Note is paid in full or matures on August 31, 2030. The Purchase Agreement also provides for certain covenants and restrictions regarding use and future transfers.

**MCAMERICAS HOLDINGS, INC.
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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

8. LONG-TERM DEBT (continued)

The interest-free Note has been recorded at fair value by discounting an estimate of future annual Grant payments in excess of \$3 million using an imputed interest rate of 4.75% which approximates Buyer's bank borrowing rate. Amortization of the discount was approximately \$58,000 for 2018 and \$55,000 for 2017.

Mortgage note payable to bank bears interest at 6.13 percent per annum with monthly payments of \$4,465 through April 2030, collateralized by a building (Note 6). The interest is adjustable to the Federal Home Bank rate plus 2 percent in April 2020.

Maturities of long-term debt, exclusive of debt issuance costs of \$1,333,283, are as follows:

Year ending December 31,

2019	\$ 239,137
2020	254,078
2021	271,540
2022	326,785
2023	11,632,259
Thereafter	<u>27,187,308</u>
	<u>\$ 39,911,107</u>

9. EMPLOYEE BENEFIT PLAN

MCA sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code ("Plan"). Employees who are 21 years of age and have completed 3 months of service, as defined, are eligible to participate in the salary reduction contributions of the Plan up to Internal Revenue Code limits. Under the Plan, MCA contributes a matching contribution of 100% of the first 3% of the participant's qualifying contributed pay plus 50% of the next 2% of the participant's qualifying contributed pay. MCA's contributions to the Plan, which are included in employee benefits in Consolidated Statements of Functional Expenses, were \$30,506 in 2018 and \$29,585 in 2017.

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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

10. DONATED MATERIALS, EQUIPMENT AND SERVICES

As part of its Biomedical Cluster Program, MCA provides in-kind office and lab space to its Innovation Center program participants for each cohort term which it reports as in-kind revenues at the estimated fair value of similar space for rent at the date of the award and in-kind expense over the term of use.

MCA received in-kind revenue during 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Marketing and other	\$ 1,029	35
Legal and professional	394	—
Lab/office space	<u>133,249</u>	<u>73,384</u>
	<u>\$ 134,672</u>	<u>73,419</u>

11. RENTAL REVENUE

On February 15, 2018, the Government signed an agreement to lease a 33,500 square foot facility to be used by the Department of Veterans Affairs ("VA") for a mental health clinic ("VA Clinic"). The lease agreement provides for a 20-year firm term beginning on the date that the premises are completed and accepted by the VA which is expected to occur by November 2019. The lease agreement provides for fully serviced annual rent, as defined, of \$1,265,166, including specified annual operating expenses of \$266,248, subject to annual adjustment. Rent is to be paid monthly in arrears. In addition, the lease agreement provides for a lump sum payment to Revere in the amount of \$2,299,647 upon completion of construction and acceptance of the premises by the VA.

In February 2015, Tech Park and Texas Tech University Health Sciences Center El Paso ("Tenant"), a state agency, entered into an agreement to lease the second floor of the Cardwell Collaborative building for a ten year term ("Lease Agreement") which began in June 2016. The Lease Agreement provides for annual rentals of \$585,600 payable in monthly installments plus Tenant's proportionate share of operating costs of the leased premises and common areas as additional rent. Tenant, at its option, may extend and renew the Lease Agreement for four additional periods of 5 years each with written notice.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

11. RENTAL REVENUE (continued)

Minimum rentals under the lease agreements at December 31, 2018 are as follows:

Year ending December 31,	
2019	\$ 691,030
2020	1,850,766
2021	1,850,766
2022	1,850,766
2023	1,850,766
Thereafter	<u>21,552,420</u>
	<u>\$ 29,646,514</u>

MCAR entered into an agreement in 2010 whereby it leases a building to Tenant for 48 months at \$8,415 per month. Pursuant to such lease agreement, Tenant exercised a renewal option in 2014. In March 2016, the lease agreement was amended to provide for a change in the lease term to the later of 30 days after Tech Park delivers possession of certain leased premises in the Cardwell Collaborative or 180 days following the date that Tenant gives written notice of termination to MCAR. No termination notice has been issued by Tenant.

12. FUNCTIONALIZED EXPENSES

The Consolidated Statement of Functional Expenses reports certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include depreciation, salaries and wages, benefits, payroll taxes, professional and contract services, marketing and PR, office and other administrative expenses and insurance.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Operating purposes	\$ 3,962,221	3,416,118
Investment in property and equipment	<u>1,913,181</u>	<u>2,762,139</u>
	<u>\$ 5,875,402</u>	<u>6,178,257</u>

**MCAMERICAS HOLDINGS, INC.
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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

14. INCOME TAXES

At December 31, 2018 and 2017, RedSky has available net operating loss carry-forwards of approximately \$4.1 million for federal income tax purposes which expire from 2020 to 2024. The federal tax carry-forwards resulted from cumulative operating losses generated through December 31, 2018. A valuation allowance for the full amount of the deferred tax assets relating to such tax loss carryforwards has been recorded.

Generally, for tax years which produce net operating losses, the statute of limitations does not close, to the extent of these tax attributes, until the expiration of the statute of limitations for the tax year in which they are fully utilized.

15. RELATED PARTY TRANSACTIONS

During 2018 and 2017, contributions from certain officers, members of the Board and entities with common board members totaled approximately \$12,500 in 2018 and 2017, respectively. Undiscounted pledges and contributions receivable from such related parties were approximately \$182,000 and \$268,000 as of December 31, 2018 and 2017, respectively.

During 2018 and 2017, MCA maintained deposits in a local banking institution where certain directors and officers are also directors and shareholders of such banking institution.

16. COMMITMENTS AND CONTINGENCIES

At December 31, 2018, Revere has outstanding commitments for construction and other related capital contracts totaling approximately \$14 million in connection with the VA Mental Health Clinic (Notes 6, 8 and 11). There were no commitments outstanding at December 31, 2017.

SUPPLEMENTARY INFORMATION

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidating Statement of Financial Position
December 31, 2018

	Medical Center of the Americas Foundation	MCAmericas Holdings, Inc.	MCAmericas Realty, Inc.	BMIA, Inc.	MCA Tech Park, Inc.	MCA Revere Realty, Inc.	Eliminations	Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 1,445,391	1,000	135,056	27,581	151,413	55,921	—	1,816,362
Grants, contributions and accounts receivable	4,095,230	19,536	—	—	3,259,421	19,829	(4,472,281)	2,921,735
Prepaid expenses and other current assets	42,968	—	601	—	16,800	21,292	—	81,661
Total current assets	5,583,589	20,536	135,657	27,581	3,427,634	97,042	(4,472,281)	4,819,758
Non-current assets:								
Restricted cash and cash equivalents	1,409,403	—	—	—	346,457	—	—	1,755,860
Contributions receivable restricted to investment in property and equipment	157,320	—	—	—	—	—	—	157,320
Cash restricted to investment in building project	—	—	—	—	—	13,213,573	—	13,213,573
Property and equipment, net	4,420	—	509,554	—	26,068,077	3,488,690	—	30,070,741
Investment in BMIA	3,665,999	—	—	—	—	—	(3,665,999)	—
Other	—	—	—	—	490	—	—	490
Total assets	\$ 10,820,731	20,536	645,211	27,581	29,842,658	16,799,305	(8,138,280)	50,017,742
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 3,302,675	2,250	—	361,321	622,768	1,563,654	(4,472,281)	1,380,387
Accrued expenses and other liabilities	14,806	18,286	1,284	1,285	1,284	1,285	—	38,230
Contributions payable	612,000	—	—	—	—	—	—	612,000
Current portion of long-term debt	—	—	27,049	—	212,088	—	—	239,137
Total current liabilities	3,929,481	20,536	28,333	362,606	836,140	1,564,939	(4,472,281)	2,269,754
Long-term debt, net	—	—	408,438	—	21,956,234	15,348,441	—	37,713,113
Total liabilities	3,929,481	20,536	436,771	362,606	22,792,374	16,913,380	(4,472,281)	39,982,867
Net assets:								
Common stock	—	—	—	1,000	—	—	(1,000)	—
Additional paid in capital	—	—	—	3,664,999	—	—	(3,664,999)	—
Without donor restrictions	1,362,305	—	208,440	(4,001,024)	6,703,827	(114,075)	—	4,159,473
With donor restrictions	5,528,945	—	—	—	346,457	—	—	5,875,402
Total net assets	6,891,250	—	208,440	(335,025)	7,050,284	(114,075)	(3,665,999)	10,034,875
Total liabilities and net assets	\$ 10,820,731	20,536	645,211	27,581	29,842,658	16,799,305	(8,138,280)	50,017,742

See accompanying notes to consolidated financial statements.

**MCAmericas Holdings, Inc.
AND SUBSIDIARIES**

Consolidating Statement of Financial Position
December 31, 2017

	Medical Center of the Americas Foundation	MCAmericas Holdings, Inc.	MCAmericas Realty, Inc.	BMIA, Inc.	MCA Tech Park, Inc.	MCA Reverse Realty, Inc.	Eliminations	Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 1,139,342	1,000	102,019	28,668	128,193	1,000	—	1,400,222
Grants, contributions and accounts receivable	5,009,012	19,534	—	—	3,215,043	1,283	(5,186,140)	3,058,732
Prepaid expenses and other current assets	12,767	—	753	—	15,201	3,805	—	32,526
Total current assets	6,161,121	20,534	102,772	28,668	3,358,437	6,088	(5,186,140)	4,491,480
Non-current assets:								
Restricted cash and cash equivalents	2,153,187	—	—	—	346,457	—	—	2,499,644
Contributions receivable restricted to investment in property and equipment	262,495	—	—	—	—	—	—	262,495
Property and equipment, net	4,338	—	539,214	—	26,925,213	509,091	—	27,977,856
Investment in BMIA	3,662,334	—	—	—	—	—	(3,662,334)	—
Other	—	—	—	—	8,165	—	—	8,165
Total assets	\$ 12,243,475	20,534	641,986	28,668	30,638,272	515,179	(8,848,474)	35,239,640
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 3,465,846	2,250	3,960	343,352	1,570,150	196,338	(5,186,140)	395,756
Accrued expenses and other liabilities	16,569	18,284	1,283	1,283	1,283	1,283	—	39,985
Contributions payable	612,000	—	—	—	—	—	—	612,000
Current portion of long-term debt	—	—	25,239	—	190,525	—	—	215,764
Total current liabilities	4,094,415	20,534	30,482	344,635	1,761,958	197,621	(5,186,140)	1,263,505
Long-term debt, net	—	—	435,740	—	22,053,659	364,988	—	22,854,387
Total liabilities	4,094,415	20,534	466,222	344,635	23,815,617	562,609	(5,186,140)	24,117,892
Net assets:								
Common stock	—	—	—	1,000	—	—	(1,000)	—
Additional paid in capital	—	—	—	3,661,334	—	—	(3,661,334)	—
Without donor restrictions	2,317,260	—	175,764	(3,978,301)	6,476,198	(47,430)	—	4,943,491
With donor restrictions	5,831,800	—	—	—	346,457	—	—	6,178,257
Total net assets	8,149,060	—	175,764	(315,967)	6,822,655	(47,430)	(3,662,334)	11,121,748
Total liabilities and net assets	\$ 12,243,475	20,534	641,986	28,668	30,638,272	515,179	(8,848,474)	35,239,640

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

	Medical Center of the Americas Foundation	MCAmericas Holdings, Inc.	MCAmericas Realty, Inc.	BMIA, Inc.	MCA Tech Park, Inc.	MCA Revere Realty, Inc.	Eliminations	Consolidated
Net assets without donor restrictions								
Changes in net assets without donor restrictions:								
Revenue and support:								
Contributions	\$ 34,199	—	—	—	—	—	—	34,199
Grant	—	56,474	—	—	1,808	31,832	(90,114)	—
In-kind	134,278	—	—	—	—	394	—	134,672
Management fees	218,400	—	—	—	—	—	(218,400)	—
Rent	64,112	—	100,980	—	1,916,442	—	(1,129,324)	952,210
Interest	26,962	—	—	—	29	—	(17,970)	9,021
Total revenue and support	477,951	56,474	100,980	—	1,918,279	32,226	(1,455,808)	1,130,102
Net assets released from donor restrictions	3,374,091	—	—	—	—	—	—	3,374,091
Total	3,852,042	56,474	100,980	—	1,918,279	32,226	(1,455,808)	4,504,193
Expenses:								
Programs:								
Biomedical Cluster	1,449,890	—	—	21,456	848,423	—	(711,399)	1,608,370
Infrastructure	1,320,341	—	67,038	—	1,940,961	97,603	(589,202)	2,836,741
Other	342,716	—	—	—	—	—	(15,736)	326,980
Management and general	583,483	56,474	1,266	1,267	1,267	1,266	(138,092)	506,931
Fundraising	10,567	—	—	—	—	—	(1,379)	9,188
Total expenses	3,706,997	56,474	68,304	22,723	2,790,651	98,869	(1,455,808)	5,288,210
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	145,045	—	32,676	(22,723)	(872,372)	(66,643)	—	(784,017)
Net assets with donor restrictions								
Changes in net assets with donor restrictions:								
Grants	3,071,235	—	—	—	—	—	—	3,071,235
Grants and contributions released from donor restrictions	(3,374,091)	—	—	—	—	—	—	(3,374,091)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(302,856)	—	—	—	—	—	—	(302,856)
TOTAL (DECREASE) INCREASE IN NET ASSETS	(157,811)	—	32,676	(22,723)	(872,372)	(66,643)	—	(1,086,873)
NET ASSETS, Beginning of year	8,149,060	—	175,764	(3,978,301)	6,822,655	(47,430)	—	11,121,748
Intercompany reclassifications	(1,100,000)	—	—	—	1,100,000	—	—	—
NET ASSETS, End of year	\$ 6,891,249	—	208,440	(4,001,024)	7,050,283	(114,073)	—	10,034,875

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	Medical Center of the Americas Foundation	MCAmericas Holdings, Inc.	MCAmericas Realty, Inc.	BMIA, Inc.	MCA Tech Park, Inc.	MCA Revere Realty, Inc.	Eliminations	Consolidated
Net assets without donor restrictions								
Changes in net assets without donor restrictions:								
Revenue and support:								
Contributions	\$ 28,017	—	—	—	—	—	—	28,017
Grant	—	68,425	—	—	2,633	24,743	(95,801)	—
In-kind	73,419	—	—	—	—	—	—	73,419
Management fees	386,400	—	—	—	—	—	(386,400)	—
Rent	40,320	—	100,980	—	1,886,878	—	(1,110,801)	917,377
Interest	21,091	—	—	—	144	—	(15,865)	5,370
Total revenue and support	549,247	68,425	100,980	—	1,889,655	24,743	(1,608,867)	1,024,183
Net assets released from donor restrictions	3,604,623	—	—	—	—	—	—	3,604,623
Total	4,153,870	68,425	100,980	—	1,889,655	24,743	(1,608,867)	4,628,806
Expenses:								
Programs:								
Biomedical Cluster	1,144,378	—	—	(1,961)	832,555	—	(105,654)	1,869,318
Infrastructure	1,932,649	—	59,313	—	2,038,247	41,273	(1,344,355)	2,727,127
Other	73,264	—	—	—	—	—	(2,826)	70,438
Management and general	608,588	68,425	—	—	—	—	(155,419)	521,594
Fundraising	5,899	—	—	—	—	—	(613)	5,286
Total expenses	3,764,778	68,425	59,313	(1,961)	2,870,802	41,273	(1,608,867)	5,193,763
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	389,092	—	41,667	1,961	(981,147)	(16,530)	—	(564,957)
Net assets with donor restrictions								
Changes in net assets with donor restrictions:								
Grants	3,077,112	—	—	—	—	—	—	3,077,112
Grants and contributions released from donor restrictions	(3,604,623)	—	—	—	—	—	—	(3,604,623)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(527,511)	—	—	—	—	—	—	(527,511)
TOTAL (DECREASE) INCREASE IN NET ASSETS	(138,419)	—	41,667	1,961	(981,147)	(16,530)	—	(1,092,468)
NET ASSETS, Beginning of year	9,387,479	—	134,097	(3,980,262)	6,703,802	(30,900)	—	12,214,216
Intercompany reclassifications	(1,100,000)	—	—	—	1,100,000	—	—	—
NET ASSETS, End of year	\$ 8,149,060	—	175,764	(3,978,301)	6,822,655	(47,430)	—	11,121,748

See accompanying notes to consolidated financial statements.





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