



MCAmericas
HOLDINGS, INC.

2017 ANNUAL REPORT

Prosperity



Table of Contents

Letter from the Board Chair and the President	2
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About Us

Mission/Vision/Strategic Pillars	4
Meet the MCA Team	5
Organization:	
Companies and Boards of Directors	6

Innovation Center

Proof of Concept Challenge	8
Programming & Events	10
Cardwell Collaborative.....	11

Planning & Places

EDA Grant/Master Planning.....	12
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Programs

Clinical Trials	13
BIO El Paso-Juarez	14

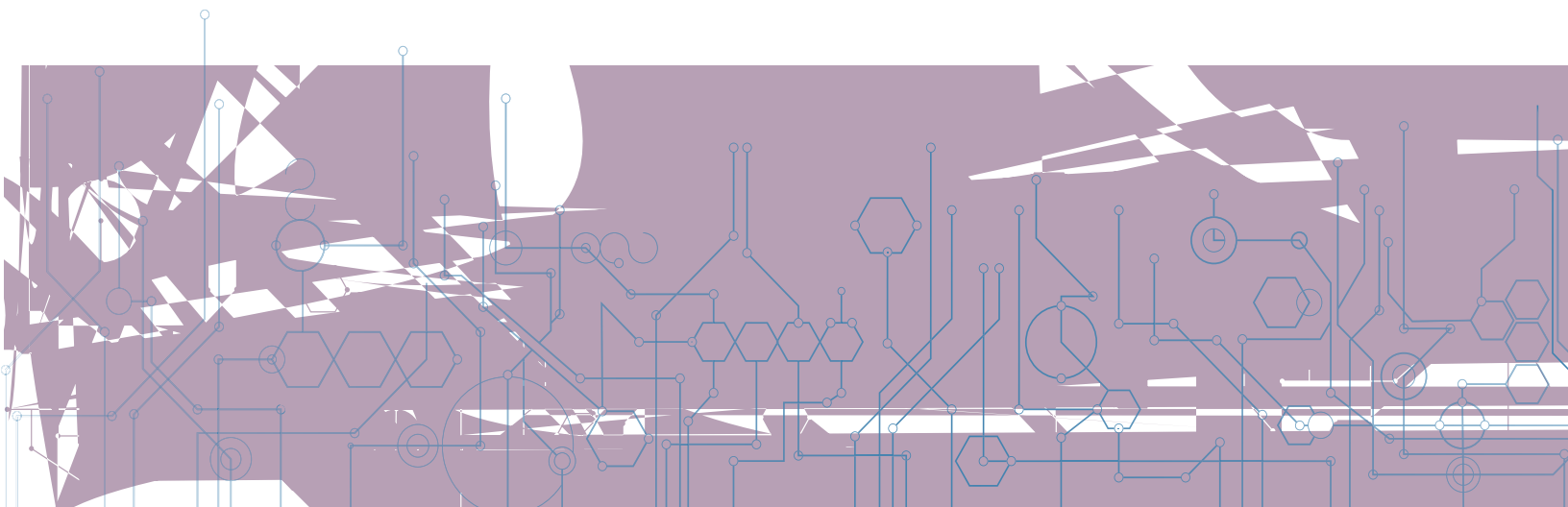
People

Participation in Education Programs.....	15
Jefferson / Silva Project.....	16
Life Sciences and Advanced Manufacturing Skills Gap Analysis.....	16

MCA in the News.....	17
-----------------------------	-----------

Donors	18
---------------------	-----------

Financials.....	19
------------------------	-----------



Joint Letter from the Board Chair and the President

Dear Colleagues, Partners and Friends –

A culture of innovation. That is what we are trying to create in the Paso del Norte region. It is what will keep and attract young talented professionals and attract new and significant investment into the region. It is not just a trend, it is a requirement for the communities of the future that will be growing and not shrinking. However, this is not an easy culture to create, and communities all around the world are trying to do this – not many successfully. It is also risky for entrepreneurs, which is why entrepreneurship has waned since the Great Recession. We must create a culture in El Paso in which people feel comfortable and supported launching risky new ventures to achieve a culture of innovation. We have come a very long way in achieving this, but we have a long way still to go.

For decades, our region was plagued with droughts that created our innovation desert. We lagged greatly in new tech business creation. We ranked low for workforce density and suffered from tremendous brain-drain. Our whole-hearted first attempt at an Angel Fund was met with significant challenges and it disbanded. And state Emerging Technology Funding created to promote high-tech start-ups in Texas was ended.

Yet, our community's leaders knew that we had to invest in innovation to compete globally. Thus, the Medical Center of the Americas (MCA) Foundation was created in 2006 with the goal of growing a biomedical innovation ecosystem in the Paso del Norte innovation desert. The MCA and its partners have had a tough landscape to tend to, so to catalyze the ecosystem from this dry state, the MCA reached a broad base of stakeholders by aligning goals and leading efforts to achieve them. The MCA has focused not only on innovation and entrepreneurship, but also on the medical campus development, clinical trials, public health, workforce, and industry cluster groups. To fertilize this robust innovation ecosystem, the MCA has forged collaborations with strong community partners:

- **Elected officials, economic development and civic leaders** to develop a medical campus with hospitals, medical and nursing schools, public health and innovation centers in a blighted neighborhood. The high-quality healthcare and research jobs created address workforce, physician shortage and innovation pipeline issues.
- **Educators** to align our workforce training programs with industry needs, filling our talent pipeline with the right skill sets.
- **Researchers and entrepreneurs** to understand their needs, harvest these needs – whether sources of innovations, entrepreneurship training, mentorship or funding – and provide the high-quality resources required for them to succeed.
- **Regional service providers**, such as lawyers, accountants, bankers, web-designers, marketers, etc., to connect them with tech start-ups – keeping more dollars along the entrepreneurial supply chain in our region and growing our professionals' service offerings into technology.
- **Physicians** to grow clinical trials. Trials increase physician income, knowledge and innovation, and bring cutting-edge medicine to patients in the region in an affordable manner.
- **Medical device manufacturers** to market their cluster group services and capabilities globally. Connecting to innovators brings business development and product development opportunities.
- **Donors and funders** seeking high quality regional investment opportunities.



Fortunately, when desert plants bloom, they do so fast and are resilient. Because of this engagement and plowing the innovation ecosystem, the MCA moved the state of our innovation ecosystem from challenged to successfully budding. An example of this success is the MCA Innovation Center, which began with a seed accelerator program that failed due to a lack of innovations and entrepreneurs interested in starting up tech companies, leading to an inspiring tech business plan competition using NASA innovations, followed by a robust proof-of-concept challenge providing over \$250,000 in financial support, world-class labs, mentors and support services to 11 technology companies developing innovations born in regional universities, hospitals and garages. The desert has finally bloomed.

Even with all the effort we have put forward, we have a significant amount of work to do to become a leader in high-tech startups, and more importantly, job creation. El Paso's innovation ecosystem will not continue to bloom organically. We need the entire community to support the efforts needed to create a fertile culture of innovation. Therefore, this work continues with five key principles:

- We must **create a highly skilled and relevant workforce**, all along our educational pipeline.
- We must **address the low wages paid** in this region.
- We must **support tech start-ups and entrepreneurship** through applied research and education, incubation and acceleration, product development and manufacturing, and funding.
- We must **remind elected officials, community leaders, donors, educators, funders and others of the long-term vision** and associated long-term investment required to pull us up to nationally and globally competitive levels.
- We must **celebrate and promote the exciting advancements our community has made** to ensure that the momentum we have started continues, and help us bring back and retain more young professionals and external investments.

Hard work never stopped anyone I know in El Paso. So, let's all get to work – together!

Respectfully,



Rafael Adame

*Chair, MCA Foundation
January 2017 - January 2018*



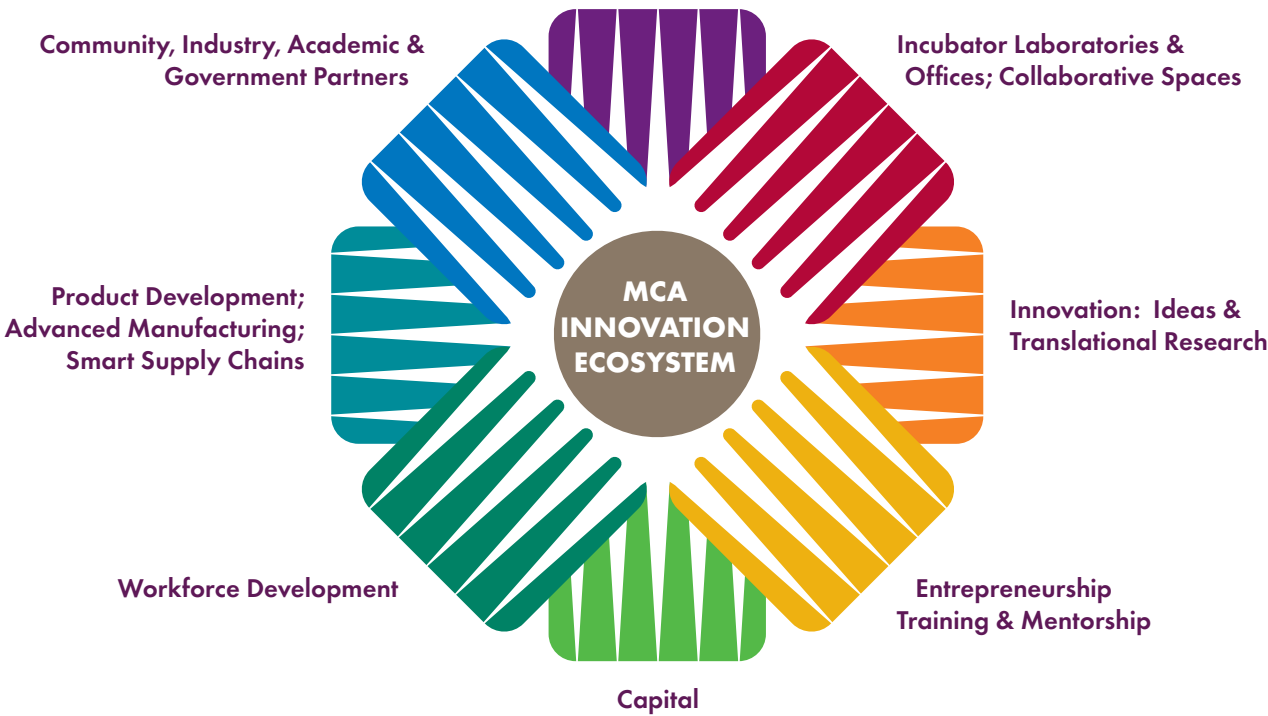
Emma W. Schwartz

*President, MCA Foundation
September 2006 - Present*

About Us

Our **Mission** is to develop and catalyze the life sciences ecosystem in the Paso del Norte Region.

Medical Center of the Americas Campus Planning



Our **Vision** is to cultivate a dynamic health industry and innovation/entrepreneurship ecosystem that competes globally.

MCA Strategic Plan Snapshot

6 Strategic Pillars for Success:





Pillar One: Planning

Coordinate planning for major infrastructure growth across campus stakeholders for short- and long-term visions in medical education, research, and service delivery.

Pillar Two: Places

Fill the gap of private research, technology commercialization centers, and multi-tenant spaces to foster growth in the biosciences and healthcare industries.

Pillar Three: Programs

Develop programs to enhance regional bioscience, healthcare and advance biomanufacturing industries, promoting the following:

- Inter-institutional and inclusive collaboration
- Translational research and innovation
- Entrepreneurship
- Incubation/acceleration
- Product/process development
- Access to capital.

Pillar Four: People


Develop workforce initiatives with regional stakeholders to grow a highly skilled workforce that will support bioscience and healthcare industries. Create an ecosystem that will attract and grow high-level professional talent.

Pillar Five: Promotion

Promote the region's biosciences and healthcare industries regionally and beyond to cultivate the creation of and attract life sciences companies in the region.

Pillar Six: Platform

Maintain an MCA organization with strong board leadership, staff, and processes to be able to effectively manage large grants and contracts, and execute complex programmatic and infrastructure projects.



Meet the **MCA Team**

Senior Management

Carlos Ortega, *Chief Financial Officer*

Emma W. Schwartz, *President*

Staff

Nahum Apodaca, *Manager of Campus Planning*

Jackie Butler, *Director of Promotion & People*

Jesus Carrillo, *Director of Engineering Projects & EHS*

Alexa Escapita, *Front Office Coordinator*

Jeff Fuchsberg, *Senior Director of Innovation Projects*

Martha Hood, *Director of Accounting*

Michaele Linden-Johnson, *Director of Programs*

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

Lily Moreno, *Staff Accountant*

Beverly Rebe, *Corporate Governance*



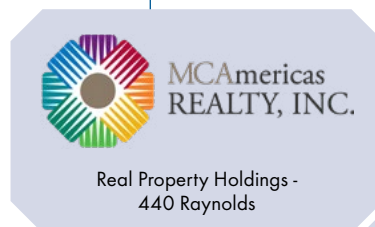
MCA Foundation/MCA Holdings, Inc.

Directors:

Ralph Adame, <i>Chair</i>	Rodolfo Mata
Lisa Budtke	Charles Miller, PhD
Sigfrido Delgado	Judy Robison
Edward Escudero	Linda Troncoso
Ted Houghton	James Volk
Josh Hunt, <i>Vice Chair</i>	Henry Yoshawirja
Meyer Marcus	



Organization: Companies and Boards of Directors



BMIA, Inc. Directors:

Rafael Adame
David Borkholder, PhD
Dirk Brown, PhD, *Secretary*
Lane Gaddy
Kenneth McLeod, PhD
Daniel Wolf, *Chair*
Henry Yoshawirja

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

Lisa Budtke, <i>Vice Chair</i>	Meyer Marcus, <i>Chair</i>
Edward Escudero	Rodolfo Mata
Brent Harris	Linda Troncoso
Gary Hedrick	Henry Yoshawirja



Honorary and Institutional Directors

City, County, and State Officials:

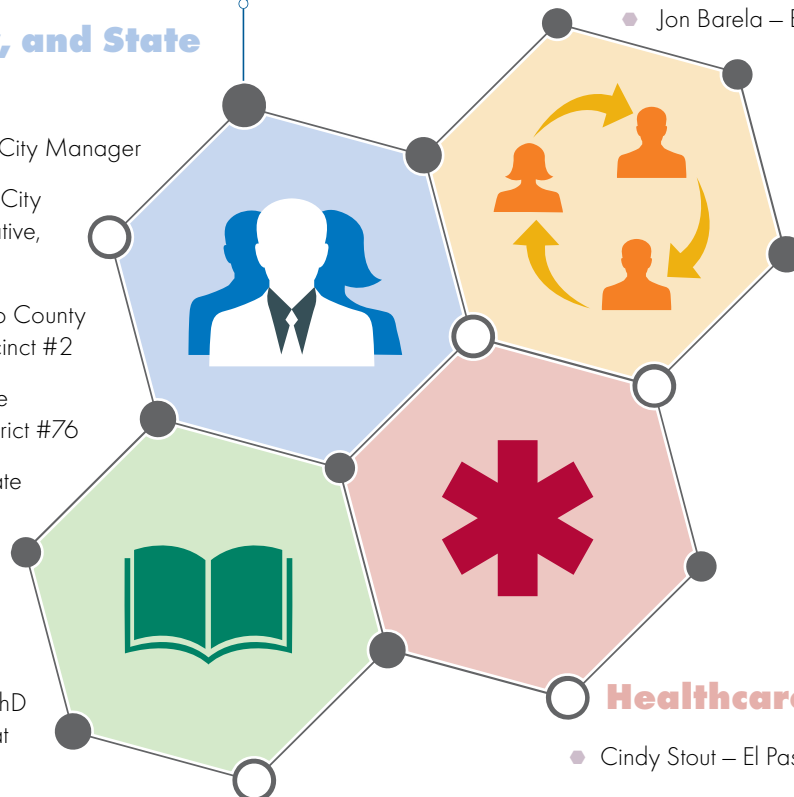
- Tommy Gonzalez, City Manager
- Cassandra Brown, City Council Representative, District #3
- David Stout, El Paso County Commissioner, Precinct #2
- Cesar Blanco, State Representative, District #76
- Jose Rodriguez, State Senator

Education:

- Roberto Osegueda, PhD – University of Texas at El Paso
- Luis Vasquez, PhD – New Mexico State University
- Richard Lange, MD – Texas Tech University Health Sciences Center El Paso
- George Mychaskiw II, DO – Burrell College of Osteopathic Medicine
- Beatriz A. Díaz-Apodaca, MD, MPH, PhD – Universidad Autónoma de Ciudad Juárez
- Carlos Bejos Acebo – Tecnológico de Monterrey
- Kristina Mena, PhD – UT Houston School of Public Health

Community:

- Alfredo Borrego – San Juan Neighborhood Association
- Jon Barela – Borderplex Alliance



Healthcare:

- Cindy Stout – El Paso Children's Hospital
- Luis Mario Gutierrez – Hospital Angeles
- Don Karl – Las Palmas/Del Sol
- Denten Park – Mountain View Regional Medical Center
- Nicholas Tejeda – The Hospitals of Providence
- Jacob Cintron – University Medical Center of El Paso
- Michael Amaral – Veteran's Administration
- Col. Erik Rude – William Beaumont Army Medical Center

Mission:

To foster a culture of innovation in the PDN region reflective of its capabilities and potential, and to provide technology start-up companies with the support they need to launch, scale, and grow in the PDN region.

Program Description: The MCA Innovation Center, located on the 3rd floor of the Cardwell Collaborative, is a program designed to provide early-stage technology entrepreneurs with the resources needed to launch successful technology startups, as well as later stage technology companies a platform to engage in the region. With world-class wet and dry laboratory facilities, modern offices with amenities, and professional conference rooms, the Cardwell Collaborative is the ideal place for new companies to start and grow in El Paso.

The MCA Innovation Center also provides programming to help tech start-up companies develop their technology, refine business plans and investor pitches, expand their professional network, and pursue grant and investment opportunities. Entrepreneurship training and hands-on assistance provided by MCA staff, experienced mentors, and local partners will provide these companies with the tools needed to realize their full potential and transform the Paso del Norte region into a robust innovation ecosystem.

Proof-of-Concept Competition

MCA Proof-of-Concept (POC) Competitions encourage tech start-up companies to apply for an opportunity to receive:

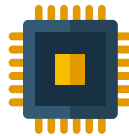
- Between \$5,000 - \$50,000 in **proof-of-concept funding** to commercialize their technologies
- 6 months of **free lab and office space** in the Cardwell Collaborative incubator
- **Accelerator training** to provide the tools necessary to launch a technology-based startup company, featuring content from MCA Innovation Center staff, local business professionals, and guest speakers on topics including:
 - Customer Discovery, Product/Market Fit, and Minimum Viable Product
 - Product Development and Marketing
 - Business Operations
 - Business Model Canvas Development
 - Business Planning and Financial Forecasting
 - Venture Capital and Pitching to Investors
- **Mentorship** from regional and national mentors
- Access to the MCA **Investor in Residence, Entrepreneur in Residence and Executive in Residence**
- Access to the **MCA Resource Network**, a listing of highly reputable regional professional firms and individuals, who agree to provide discounted or a certain number of pro-bono hours, or in-kind services to these tech start-up companies, leading to the development of a longer-term client relationship.

The MCA believes that an important part of the Economic Development opportunity of starting up these companies in El Paso is to feed work to our local professional providers.

- Professional areas of interest include: Marketing, Finance, Banking, Business Planning, Customer Acquisition and Sales, Procurement, Patent Law, Corporate Espionage, Regulatory, Technology Transfer, Technology, Manufacturing, Supply Chain, and Product Development.



In the 2017 POC Competition, **over 25 applications were received, and 11 new startup companies have started the program at the MCA Innovation Center at the Cardwell Collaborative.** Our first cohort of companies come to the MCA from UTEP, TTUHSC, the MCA's Space Race contest winners, and community inventors. Companies and technologies include:



Basemate

Web-based software to provide genetic counselors with continuously updated information from peer-reviewed research on the significance of genomic data, with individual genomic analysis presented in a simple format understandable by patients.

Oten Medical

Device to dry bodies, particularly feet, of diabetic patients to prevent or mitigate complications related to non-healing diabetic ulcers, and provide clinical-quality images to a treating physician.

Star Innovations

Novel biocompatible piezoelectric material that can be 3D printed and is suitable for energy harvesting from human body contact, and medical sensor development powered by this material.



Bethany Wilburn
and Luis Chavez -
Star Innovations

MIPTek

Molecularly-imprinted-polymer based sensor platform for disease diagnostics, functioning as glass-like antibodies, allowing only one substance to bind to a stable bead, and utilizing infrared transmission detection of binding activity.

Active Company

Activity tracking integration into a device-agnostic corporate wellness platform, delivering personalized goals and encouragement tailored to each individual user.

Minus Tau

Impact sensor system with location-of-impact and long-term exposure tracking information for helmets that improves upon the clinically relevant information currently provided by "smart helmets".

Vemi Doc

Telemedicine app that facilitates reimbursable patient interaction with remote specialists through a provider-managed interface.

Atlas Regeneration Technologies

Water hardness sensor that can reduce water and energy consumption by commercial and residential water softeners by providing reliable information on hardness and controlling recharge cycles, improving on current arbitrary calendar-based recharges.

MicroBioChip

Paper/polymer hybrid microfluidic lab-on-chip for delivering low cost means of diagnosing disease at the point-of-care that requires minimal additional instrumentation making it suitable for low resource settings.

SunCity SmartTech

Monitoring system for wire fault detection capable of rerouting a circuit to decrease downtime for military vehicles and increase reliability of passenger vehicles.

Superhero Therapy

Animation-based software to support child therapy in a field that is growing in clinical use, where children can visualize themselves confronting and overcoming obstacles.



Events

MCA Innovation Center Open House

Over 100 people attended the MCA Innovation Center Open House on November 16 in celebration of Global Entrepreneurship Week. Attendees were invited to meet the POC Challenge participants, see technology demonstrations, and learn about their innovations and businesses.

Scientific Poster Sessions

Students, researchers, professors, inventors, expats and others from the Paso del Norte region were invited to submit abstracts to be considered for poster display in the MCA's Cardwell Collaborative building in Spring and Fall 2017. Selected posters are on display along the incubator floor hallways and on the avatar in the lobby to encourage inter-regional, inter-institutional and public-to-private familiarization with life sciences research efforts and researchers. Keynote speakers at the poster sessions were Dr. Bradley P. Fuhrman, TTHUHSC El Paso (Spring 2017), and Jeff Fuchsberg, MCA Foundation Director of Innovation Projects (Fall 2017).

The MCA Innovation Center staff also supports entrepreneurship and innovation throughout the PdN region, having participated at One Million Cups hosted by the Hub of Human Innovation, LAUNCH at NMSU Arrowhead Center, UTEP College Entrepreneur Organization's 3 Day Startup, UTEP Mike Loya Center for Innovation and Commerce's Startup Weekend and Paso del Norte Venture Competition and Expo, the National Science Foundation's Regional I-Corps, and the Borderplex Alliance Entrepreneurship Task Force.



Cardwell Collaborative

The MCA Innovation Center is housed in the Cardwell Collaborative, a three-story building featuring 20,000 square feet of biomedical incubator space in a building that brings private start-up companies and university personal together under one roof to collaborate.

The Cardwell Collaborative offers tenants, members, and Proof-of-Concept Program companies a variety of benefits:

- Meeting rooms & collaboration spaces
- Enhanced Wi-Fi
- Break rooms
- 24/7 Keycard access
- Mailbox access
- Private and open offices
- Reserved workspaces
- Fiber optics to every desktop
- Flexible leasing (month-to-month)
- Media Lab
- Educational programs
- Wet & dry lab equipment

Cardwell Collaborative lab tenants are also provided free lab safety training and centralized hazardous and biological waste removal.

Group purchasing discounts are available to tenant companies through MCA Foundation's membership in the Texas Bioscience and Healthcare Institute.

Business support services are available to tenant companies from MCA Innovation Center staff, including Jeff Fuchsberg, an accredited Business Incubator Manager by the International Business Innovation Association (InBIA, formerly National Business Incubation Association).

Wet and Dry Lab facilities at the Cardwell Collaborative offer shared equipment to reduce upfront capital investment for research and development, including:

- Chemical fume hoods
- Radioisotope fume hood
- Biosafety cabinets
- Incubators
- Freezers
- Cryogenic storage freezer
- Dishwasher & autoclave
- Ultra-pure water
- FDM and SLA 3D printers
- Muffle furnace
- Digital oscilloscope
- Digital multimeter



Lab Safety

MCA Tech Park, Inc. continues to maintain the Cardwell Collaborative Building to the highest standards, striving to save on energy and operating expenses wherever possible. In March 2017, the MCA reached its one-year warranty milestone and converted all building and equipment preventive maintenance to direct contracts with the MCA, in addition to completing one-year warranty inspections.



In Fall 2017, the MCA launched a thorough Laboratory Safety Program with the help of Inspirion Biosciences, a consultant from Maryland who specializes in multi-tenant lab buildings. The lab safety program includes:

- Naming an Environmental Health and Safety Officer (Jesus Carrillo)
- Forming a Lab Safety Committee
- Developing a Lab Safety Manual
- Initial and on-going training
- Auditing and monitoring plan
- Methods of communicating problems & non-retaliation policy

Awards

The Cardwell Collaborative project won another award in 2017: CMAA

Project Achievement Award – **Medical**

Center of the Americas Foundation (MCA) Cardwell Collaborative Building, winner in the category of **Healthcare: Construction value less than \$50 Million.**



Planning

The MCA has continued its planning efforts for major infrastructure growth across the MCA campus, coordinating efforts with campus stakeholders and preparing for short- and long-term visions in medical education, research, and service delivery.

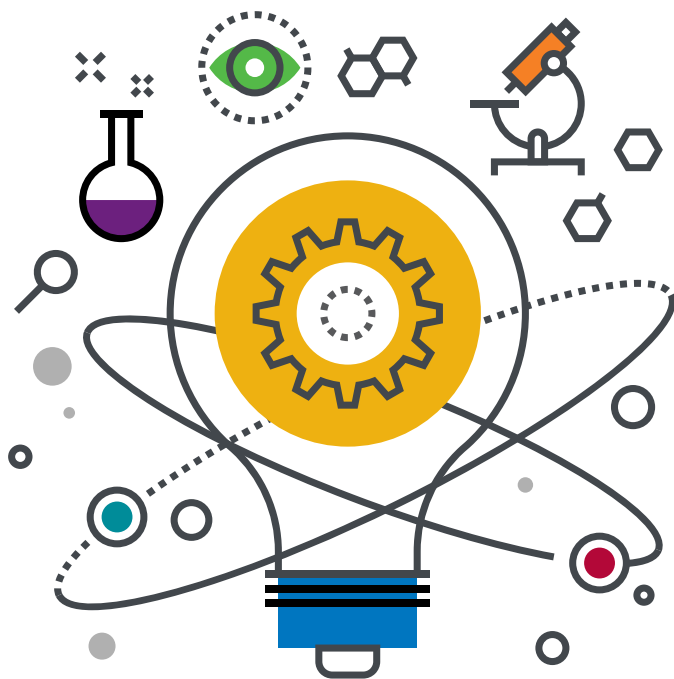


In July 2017, the MCA was awarded a \$180,000 grant from the US Department of Commerce's Economic Development Administration to update the MCA Campus Master Plan to additionally incorporate a utility and traffic analysis. Following an RFP for the master plan work, Perkins + Will was selected to deliver a critical planning component for growth on the MCA campus.

The MCA Campus Master Plan was formally kicked-off in November 2017. The plan is expected to be completed in August 2018.



MCA Foundation's Clinical Trial Site & Network



The MCA is committed to increasing regional clinical trial activity, seen as a critical step toward helping the MCA fulfill its mission to cultivate a dynamic health and biomedical industry and innovation / entrepreneurship ecosystem that competes globally.

Mission

To improve local access to high-quality clinical research opportunities and to provide El Paso physicians with the support services they need to engage in high-quality research in a sustainable, efficient and competitive manner.

In 2017, the

BIO El Paso-Juarez

The MCA hosted a one-day symposium called “The Future of the Medical Device Industry in El Paso & Juarez”, on Wednesday, November 8, 2017, and had almost 200 attendees. The purpose of this event was to share information about the little-known growth of the PDN regional medical device industry and discuss how the industry ecosystem functions. Symposium topics and discussions considered the future of the medical device industry, the role our region can take on the global scale if it positions itself properly, and matters of medical device quality, industry innovations, and workforce/ talent development needs.

Key take-aways from this event:

- An industry cluster group focused on medical devices is welcomed in our region.
- Attendees signaled overwhelming support for the formation of BIO El Paso-Juarez and future industry cluster events.

- Our region has a strong foundation of medical device manufacturers, suppliers, and service providers.
- We must work together to promote the medical device industry and supply chain already thriving in our region.
- FDA/Regulatory Compliance is the #1 skills/knowledge gap in our region.
- Medical device manufacturers experience a lack of talent with knowledge in the areas of regulatory and compliance.

Following the Symposium, the MCA has continued its efforts to launch a binational biomedical cluster group in the region focusing on biomedical device manufacturing. The MCA has been given the authority by the Texas Healthcare and Bioscience Institute (as the Texas affiliate of BIO International) to use the “BIO” term to market our region. Below is a description of the cluster group that will be launched jointly by the MCA and Cluster Biomedico Regional in Juarez:



BIO El Paso/Juarez is a binational, membership-based organization, whose **purpose** is to create a forum for members to support and accelerate the formation, expansion and attraction of biomedical enterprise in West Texas and Northern Chihuahua, Mexico, leading to enhanced industry performance and the growth of local biomedical competencies and employment.

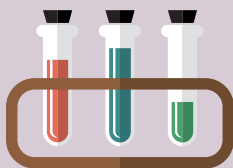
Our **mission** is to convene and provide a platform for industry, government, non-profit and education institutions that have a passion to improve the region's global competitiveness and quality of healthcare with the aim of enhancing the El Paso-Juarez biomedical ecosystem and accelerating the formation, expansion/retention and attraction of biomedical enterprise in the region.



People

Between hosting poster sessions, participating in education and career fairs, working with El Paso Independent School District to improve MCA campus support of EPISD programs and schools, researching industry needs, and providing internships, the MCA has continued to support and develop workforce initiatives with regional stakeholders that will ultimately help to grow a highly skilled workforce in the bioscience and healthcare industries.

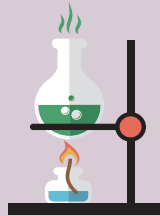
2017 Participation in Education Programs



- Adventure for Your Future, hosted by the Greater El Paso Chamber of Commerce and TTUHSC El Paso
- STEAM Fiesta, hosted by Workforce Solutions Borderplex
- JobCon, hosted by Workforce Solutions Borderplex
- Spring and Fall Poster Sessions at the Cardwell Collaborative
- Silva Health Magnet High School - community health class presentation and tours
- Riverside Middle School class tours
- Spring, Summer and Fall Internships



Transforming the Jefferson/Silva Campus



With approximately \$36 million allocated to Jefferson High School from the November 2016 bond election, the MCA began actively advocating for EPISD to transform the Jefferson – Silva campus into an integrated medical professionals/occupations high school. After conducting research on model magnet programs throughout the country, the MCA teamed up with EPISD to conduct visit, learn from, and tour the highly-regarded Francisco Bravo Medical Magnet High School in Los Angeles.

The goal of the site visit was to learn best practices from a high performing medical magnet program, whose enrollment is non-merit based. MCA will continue to move this concept forward with EPISD, Jefferson/Silva, local education-related non-profits (e.g., CREEED), community leaders, MCA campus partners, Bravo Medical Magnet High School, students, parents, teachers, and others.

Life Sciences and Advanced Manufacturing Skills Gap Analysis



In 2017, the MCA partnered with Workforce Solutions Borderplex (WSB) and the Borderplex Alliance to launch a skills gap analysis for the advanced manufacturing and life sciences industries with a focus on the medical device cluster, which is a combination of advanced manufacturing and healthcare.

The purpose of this assessment was to identify skills gaps and talent needs in El Paso's high growth industries. Together, the manufacturing and life sciences sectors employ more than 56,000 workers, making up nearly 15 percent of total employment in El Paso County. Although both industries are expected to continue growing, employers are having difficulty hiring and finding talent to fill critical positions.

The skills gap report addresses these workforce challenges by providing industry snapshots and the following strategic recommendations for improving our talent pool and workforce:

- Addressing wages
- Transitioning the workforce
- Leveraging assets for growth
- Connecting residents to in-demand jobs

The full report is available online at www.borderplexjobs.com



ASSESSMENT OF MIDDLE AND ADVANCED SKILLS
LIFE SCIENCES AND ADVANCED MANUFACTURING
EL PASO, TX

Medical Center of the Americas Foundation's Innovation Center launches 11 tech startups

Vic Kolenc, El Paso Times Published 6:00 a.m. MT Nov. 27, 2017 | Updated 9:39 a.m. MT Nov. 27, 2017

Glass-like antibodies for blood tests, 3-D-printed electric cells to power weight monitors in shoes are among El Paso technologies



(Photo: RUDY GUTIERREZ/EL PASO TIMES)

El Paso researcher Julio Rincon hopes to turn glasslike antibodies for disease detection into a thriving venture.

University of Texas at El Paso mechanical engineering professors Yirong Lin and Norman Love plan to use paper-thin, 3-D-printed electric cells and 3-D printed plastic sensors to make unique products to build a company they hope will produce jobs for their engineering students.

The three researchers are owners of two of 11 startups selected this year to be housed and supported at the Medical Center of the Americas Foundation's new innovation Center inside the Caldwell Collaborative biomedical research building. The \$29 million building opened 18 months ago at 5130 Gateway East Blvd., in Central El Paso.

EL PASO INC.

EDITOR'S PICK

MCA grooms 11 startups

Can one become the next big thing?

By Aaron Montes / El Paso Inc. reporter Oct 30, 2017

El Paso-based technology startup companies will call the Caldwell Collaborative in Central El Paso home for the next six months as they sharpen their business plans and prepare their products to sell on the market.

The Medical Center of the Americas Foundation selected 11 teams out of 25 applicants to participate in a new technology "proof-of-concept" competition. It is part of a broader effort by city leaders to create more high-skill, high-wage jobs in the region by cultivating innovative growth companies.

The competition's objectives are "to create new high-tech businesses focused on developing technologies born in our region and to help the technologies born in the labs in our region get out of the labs and into the marketplace," said Jeff Fuchsberg, director of intellectual property and innovation projects at the MCA Foundation.

EL PASO INC.

EDITOR'S PICK

The future of the medical device industry

By Aaron Montes / El Paso Inc. staff writer Nov 13, 2017



Julio Chiu, who founded Seisa Group in Juárez in 1983, speaks at a symposium hosted by the Medical Center of the Americas Foundation and Cluster Biomedico de Juárez on Nov. 8.

El Pasoan of the Year: Emma Schwartz

By David Crowder / El Paso Inc. staff writer Dec 31, 2017



Emma Schwartz is the only president and executive director the Medical Center of the Americas Foundation has had since it was established in 2009.

In that time, she and the foundation's board have overseen the design, construction and operation of the \$27 million Caldwell Collaborative building on what is now a 440-acre medical campus first envisioned 20 years ago.

Thank you to our **2017 Donors**

Leadership Donors

- Jack Cardwell
- Hunt Family Foundation
- Douglas and Emma Schwartz
- Robert E. and Jacqueline B. Skov
- WestStar Bank and First National Bank
- Henry Yoshawirja, Po Hu and Simon Hu Families

Contributing Donors

- Alan and Elizabeth Abbott
- Dalton and Kimberlea Caldwell
- EP Marcus Investments LP
- Margie and Edward Escudero
- Gary and Leeann Hedrick
- Charles C. Miller III, PhD
- MIMCO
- Luigi Pereia
- Judy and Kirk Robison
- Joe Rosales, Sr. (In memory of Rose Rosales)
- Transtelco
- TRE & Associates
- James Volk

We would also like to acknowledge funders who have provided support to MCA programs in 2017!

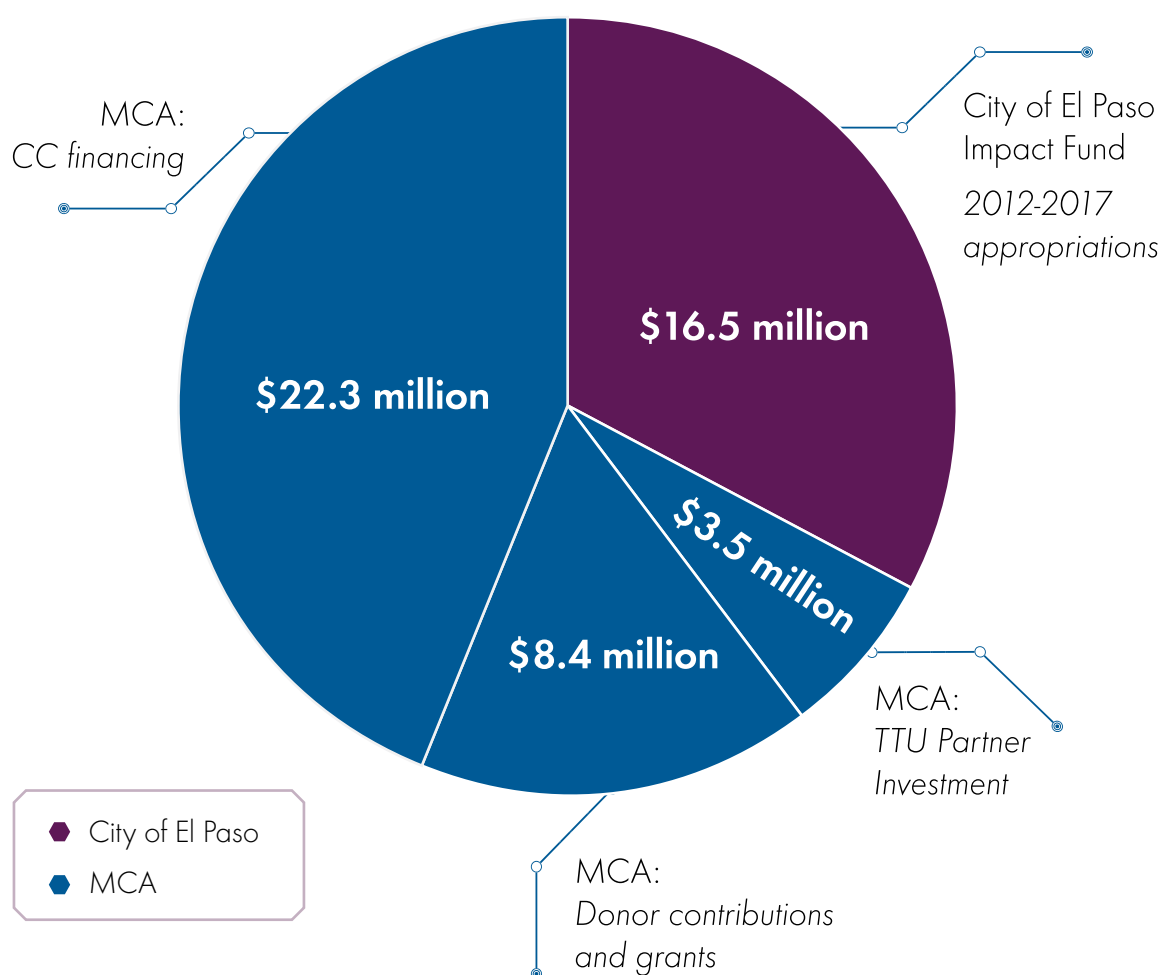
- City of El Paso
- El Paso Electric Company
- JP Morgan Chase Foundation
- Texas Mutual Insurance Company
- Union Pacific Foundation
- U.S. Economic Development Administration

2017 **Financials**

The background of the page is a dark blue gradient. It features several horizontal bars of varying colors (teal, dark blue, purple, and black) and a complex circuit-like pattern of white lines and dots at the bottom.

Economic Development

Resource Leverage



...of higher education,
...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.
- **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 assist 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.

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

NON-INFRASTRUCTURE PROJECTS

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

INFRASTRUCTURE PROJECTS

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

Major Accomplishments

A summary of major accomplishments during 2017 are as follows:

- **In January 2017**, Emma Schwartz and Jeff Fuchsberg attended the Texas Healthcare and Bioscience Institute (THBI) Summit in Austin, TX. Ms. Schwartz gave a presentation on the West Texas bio-innovation community as part of a panel that included representatives of BIO Houston, BIO Austin, Bio North Texas and BIO San Antonio.
- **In February 2017**, Ms. Schwartz attended El Paso Days in Austin, advocating for the PDN regional life sciences industry and higher education community.
- **In March 2017**, Ms. Schwartz and Mr. Fuchsberg attended the INBIA International Conference on Business Incubation in Seattle, Washington. The MCA acquired various tools and resources at this highly regarded conference, in addition to making valuable connections to other business incubators and entrepreneurship professionals. Mr. Fuchsberg has now completed the INBIA Business Incubation Management Certificate program that lays the foundation for learning how to build and sustain a high growth entrepreneurship program.
- **On April 20, 2017**, the MCA hosted Mr. Mike Lang, head of Product Development at the Cancer Prevention Research Institute of Texas (CPRIT), in El Paso and Juarez. Jorge Ayala, with the City's Economic Development Department, joined the group that toured Seisa Group and J&J's Ethicon Plant in Juarez – both biomedical device manufacturing plants. Mr. Lang also toured the MCA's Cardwell Collaborative. CPRIT and MCA are developing a strategy to make El Paso more competitive in its CPRIT grant applications and a key part of the cancer industry ecosystem in Texas.
- **On May 1, 2017**, Jackie Butler joined the MCA team as the Director of People and Promotions. Ms. Butler most recently served as the Vice President of Government Relations at the Greater El Paso Chamber of Commerce.
- **On May 12, 2017**, the MCA announced the formal launch of its Innovation Center through the issuance of a Proof-of-Concept Competition, in which regional university faculty and students, healthcare providers, and technology entrepreneurs applied for pre-seed funding from \$5,000 to \$50,000, and six months of Cardwell Collaborative facilities access, entrepreneurship training, and innovation programs to support the commercialization of technology with high potential for market impact and job creation through the MCA Innovation Center at the Cardwell Collaborative. Eleven (11) winning startups were selected and are now eligible to receive over



\$200,000 in grant support from the MCA, to be disbursed upon successful completion of milestones related to their commercial development. The startups selected for MCA Innovation Center support represent talent and technologies from UTEP, TTUHSC El Paso, the regional healthcare provider community, and winning teams from the Space Race (MCA's previous regional innovation program). Winners will have access to the MCA Innovation Center, which provides programming to help companies develop their technology, refine business plans and investor pitches, expand professional networks, and pursue grant and investment opportunities. Entrepreneurship training and hands-on assistance is provided by MCA staff, experienced mentors, and local partners to give companies the tools they need to realize their company's full potential and transform the Paso del Norte region into a robust innovation ecosystem.

Race contest winners and community inventors include:

1. Genomic analysis web-based software
 2. Device for diabetes care
 3. Biocompatible piezoelectric energy harvesting for medical applications
 4. Molecular-imprint based analyte detection platform Employer wellness software
 5. Brain impact sensor system with impact location for helmets
 6. Live attenuated viral vaccine production platform
 7. Water hardness sensor
 8. Paper/polymer hybrid microfluidic lab-on-chip for disease diagnosis
 9. Wire fault detection and rerouting for military vehicles
 10. Software and animation to support child therapy
 11. Telehealth application development.
- **In May 2017**, Michael Linden-Johnson attended the T3: Trials, Tech and Transformation conference held in Orlando, Florida. Attending the conference were leading representatives from clinical trial sites, Site Management Organizations, Clinical Research Organizations and clinical trial sponsors who provided great insights as to how best to proceed and/or potentially collaborate with partners. Ms. Johnson met several experts and consultants who can assist the MCA to advance efforts going forward.
 - **In June 2017**, Ms. Schwartz and Mr. Fuchsberg attended the BIO International Conference in San Diego, California. BIO represents more than 1,100 biotechnology companies, academic institutions, state biotechnology centers and related organizations across the US and more than 30 other organizations. The MCA was prominently showcased at the BIO Texas Pavilion, and is continually being recognized by BIO and THBI.
 - **In July 2017**, MCA was awarded a grant in the amount of \$180,000 from the US Department of Commerce's Economic Development Administration to update the MCA Campus Master Plan to additionally incorporate a utility and traffic analysis. The MCA issued an RFP for the master plan work and received competitive proposals from highly qualified firms. Perkins + Will was selected and a contract has been signed. Work on the project formally began in **November 2017**. Upon completion of this work, the MCA will request that City Council incorporate the updated MCA Master Plan into the City's Comprehensive Plan.



- **During 2017** Students, researchers, professors, inventors, expats and others from the Paso del Norte region were invited to submit abstracts to be considered for poster display in the MCA's Cardwell Collaborative (CC) building twice a year – **Spring and Fall 2017**. Selected posters were displayed along the incubator floor hallways and on the avatar in the lobby to encourage inter-regional, inter-institutional and public-to-private familiarization with life sciences research efforts and researchers. In addition, K-12 teachers from the region bus their classes to the CC to discuss the posters and their science. The “poster sessions” launched with a networking event where the top 4 posters are orally presented, then all posters were displayed on the incubator walls where each scientist stands with their poster to discuss the science with other guests. The posters remained on the walls for 4 month periods. Posters were submitted from El Paso, Las Cruces and Juarez universities.
- **In October 2017**, the MCA purchased a parcel of land adjacent to its other property at 329 Euclid – essentially making whole the southern block of land designated as “MCA Tech Park” and allowing for contiguous development of the technology park as needed.
- **On October 27, 2017**, a committee of the MCA board led by Dr. Charles Miller, explored various strategies for continued growth of clinical trials in the region by MCA – from merely enhancing education to providers on clinical research to partnering with a local or non-local clinical trials site to develop an MCA multi-specialty clinical research site open to all regional providers. The board committee recommended to the full MCA board to further partnership discussions with a local clinical trial provider and a national clinical trial provider. In addition, the MCA is to perform “customer discovery” with local providers to determine the level of interest by local providers with which to collaborate. The board agreed to these actions and taking more formal action on investment in an MCA clinical trial site at the April 2018 board meeting.
- **In October 2017**, MCA completed the majority of the work required for its Laboratory Safety Program. This program implementation is led by MCA staff – Nahum Apodaca and Jesus Carillo – and Inspirion Biosciences, a consultant from Maryland who specializes in multi-tenant lab buildings. Program elements include naming an Environmental Health and Safety Officer; forming a lab safety committee; creating a lab Compliance Manual (Program description; Standard Operating Procedures; Chemical Hygiene Plans; Resource Materials); initial and on-going training (MCA provided 2-four-hour biosafety and chemical safety training sessions in October 2017 to all MCA staff and Cardwell Collaborative tenants.); an auditing and monitoring plan; methods of communicating problems & non-retaliation policy; disciplinary measures for violations; corrective action planning and implementation.
- **In December 2017**, the Cardwell Collaborative building won the Construction Management Association of America's (CMAA) Project Achievement Award – winner in the category of Healthcare: Construction value less than \$50 Million.
- **In 2017**, MCA obtained authority from THBI (as the Texas affiliate of BIO International) to use the “BIO” term to market this region. Below is a description of that cluster group that is being launched jointly by the MCA and Cluster Biomedico de Juarez:



BIO El Paso/Juarez is a bi-national, membership based organization, creating a forum for members to work together for enhanced industry performance and growth of biomedical employment.

The first major event held by BIO El Paso Juarez was a one-day symposium called “*The Future of the Medical Device Industry in El Paso & Juarez*”, which took place on Wednesday, **November 8, 2017** from 9:00 am – 5:00 pm at the Doubletree Hotel in Downtown El Paso, and had almost 200 attendees. The purpose of this event was to share information about the little-known growth of the PDN regional medical device industry and how the industry ecosystem functions. Symposium topics and discussions considered the future of the medical device industry, the role the region can take on the global scale if it positions itself properly, and matters of medical device quality, industry innovations, and workforce/talent development needs. This event had an engaging line-up of speakers from industry giants including, but not limited to, Johnson & Johnson, Cardinal Health and the Texas Healthcare and Biosciences Institute. The symposium also provided an opportunity for leaders from El Paso and Juarez to network and commit to working together to grow a bi-national industry that has enormous potential for the region.

Financial Highlights

Although total MCA revenues and support increased approximately \$625,000 or 18% from 2016, MCA net assets for the year 2017 decreased by approximately \$1.1 million as compared to a decrease of approximately \$521,000 in 2016. The decrease in net assets was primarily attributable to an increase in expenses from the prior year of approximately \$1.2 million. Total MCA expenses for the year 2017 increased from approximately \$4 million in 2016 to approximately \$5.2 million. The net increase in expenses was attributable to an increase in Program expenses of approximately \$1.3 million of which approximately \$1 million was primarily attributable to a full year of building operating expenses, depreciation and interest expense related to the Cardwell Collaborative which was placed in service in mid-2016 and approximately \$300,000 was primarily attributable to expenses associated with the Innovation Center and Proof of Concept Competition awards and startup company support services.

Management and General expense decreased approximately \$170,000 or 25% from 2016. The decrease was primarily attributable to lower salaries and professional fees 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.

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. MCA’s financial assets due within one year of the balance sheet date available for its Programs, operating expenses and debt service are as follows (thousands):

Cash and cash equivalents	\$1,400
Grants, contributions and accounts receivable	3,058
Restricted cash and short-term investments	2,500
Contributions receivable restricted to investment	<u>117</u>
	\$7,075

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.

See also Note 3 to the Consolidated Financial Statements for a detailed description of the City Grant Agreement.

As more fully described in Note 7 to the Consolidated Financial Statements, MCA total liabilities at December 31 aggregate approximately \$24.1 million in 2017. Annual debt service requirements through 2023 total approximately \$1.3 million. MCA was in compliance with financial covenants under its borrowing agreements at December 31, 2017.

The net increase in cash and cash equivalents of approximately \$220,000 during 2017 as reflected in the Consolidated Statement of Cash Flows was primarily the result of cash provided by investing activities of approximately \$556,000. This source of cash was offset by approximately \$311,000 of cash used by operating activities and approximately \$24,000 used by financing activities. The use of cash in operating activities was primarily attributable to the increase in expenses as previously described.

With cash, restricted cash and short term investments and grants, contributions and accounts receivable totaling approximately \$7.1 million at December 31, 2017, MCA believes its financial resources are sufficient to fund its operating and debt service obligations during the year ending December 31, 2018. 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, 2017 consist of its annual payments of \$612,000 through December 2029 pursuant to the TTUHSC Nursing School Facility Funding Agreement and its aggregate monthly debt service requirements averaging approximately \$115,000, as more fully described in Note 7 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, 2017 and 2016. 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 other 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.

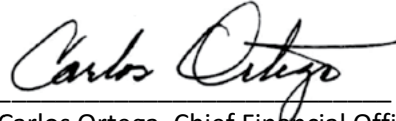
MCA management has established and maintains a system of internal controls that provides reasonable assurance as to the integrity and reliability of its financial statements, protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. 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, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements 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, 2017 and 2016, and the changes in its 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.

Lautubach, Borschew, & Company

February 15, 2018
El Paso, Texas



MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Activities and Changes in Net Assets

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted net assets		
Changes in unrestricted net assets:		
Revenue and support:		
Contributions	\$ 28,017	52,755
In-kind (Note 9)	73,419	13,069
Rent (Note 10)	917,377	569,618
Interest	5,370	2,592
Total unrestricted revenue and support	<u>1,024,183</u>	<u>638,034</u>
Net assets released from restriction	<u>3,604,623</u>	<u>7,629,911</u>
Total	<u>4,628,806</u>	<u>8,267,945</u>
Expenses:		
Programs:		
Biomedical Cluster	1,869,318	736,656
Infrastructure	2,727,127	2,548,447
Other	70,438	4,828
Management and general	521,594	691,217
Fundraising	5,286	15,544
Total expenses	<u>5,193,763</u>	<u>3,996,692</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	<u>(564,957)</u>	<u>4,271,253</u>
Temporarily restricted net assets		
Changes in temporarily restricted net assets:		
Grants (Note 3)	3,077,112	2,838,074
Grants and contributions released from restrictions	<u>(3,604,623)</u>	<u>(7,629,911)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(527,511)</u>	<u>(4,791,837)</u>
TOTAL DECREASE IN NET ASSETS	<u>(1,092,468)</u>	<u>(520,584)</u>
NET ASSETS, Beginning of year	<u>12,214,216</u>	<u>12,734,800</u>
NET ASSETS, End of year	<u>\$ 11,121,748</u>	<u>12,214,216</u>

See accompanying notes to consolidated financial statements





**MCAmericas Holdings, Inc.
AND SUBSIDIARIES**

Consolidated Statements of Functional Expenses
Years ended December 31, 2017 and 2016

	Programs				Supporting Activities			2017 Total	2016 Total
	Biomedical Cluster	Infrastructure	Other	Total Programs	Management and General	Fundraising	Total Supporting		
Salaries	\$ 383,258	182,545	19,338	585,141	356,065	4,179	360,244	945,385	1,027,975
Employee benefits	33,882	17,911	2,692	54,485	31,755	382	32,137	86,622	74,112
Payroll taxes	29,089	15,209	1,220	45,518	29,640	336	29,976	75,494	73,937
Total salaries and related expenses	446,229	215,665	23,250	685,144	417,460	4,897	422,357	1,107,501	1,176,024
Personnel-related expenses	30,131	3,566	96	33,793	9,031	50	9,081	42,874	6,271
Professional and contract services	39,957	7,472	2,925	50,354	50,751	—	50,751	101,105	93,676
Marketing & PR	13,242	9,312	—	22,554	7,198	—	7,198	29,752	42,158
Office and other	27,276	14,403	1,309	42,988	28,513	335	28,848	71,836	124,900
administrative expenses	—	—	—	—	—	—	—	612,000	612,000
Contributions expense	251,305	612,000	—	251,305	—	—	—	251,305	270,818
Innovation and proof of concept	—	—	—	—	—	—	—	—	4,127
Clinical research/clinical trials	—	—	—	—	—	—	—	15,000	8,910
Workforce	15,000	—	—	15,000	—	—	—	8,655	—
Cluster Group	8,655	—	—	8,655	—	—	—	42,835	—
Master Plan	—	42,835	—	42,835	—	—	—	475,001	310,651
Building expenses	—	475,001	—	475,001	—	—	—	47,974	—
Lab expenses	45,326	2,648	—	47,974	—	—	—	877,944	509,182
Depreciation	379,030	496,061	—	875,091	2,853	—	2,853	13,692	13,623
Insurance	1,913	5,999	23	7,935	5,753	4	5,757	153,814	13,069
Donated goods and services	153,779	—	—	153,779	35	—	35	1,342,475	811,283
Interest	457,475	885,000	—	1,342,475	—	—	—	—	—
Total expenses reported by function on the Statement of Activities	\$ 1,869,318	2,727,127	70,438	4,666,883	521,594	5,286	526,880	5,193,763	3,996,692

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows
Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (1,092,468)	(520,584)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	877,944	509,182
Amortization of debt issuance costs and note discount	140,358	143,349
Changes in operating assets and liabilities:		
Grants, contributions and accounts receivable	(243,596)	(51,865)
Prepaid expenses and other assets	(12,619)	(16,581)
Accounts payable	57,995	254,610
Accrued expenses and other liabilities	(39,029)	9,359
Net cash (used in) provided by operating activities	<u>(311,415)</u>	<u>327,470</u>
Cash flows from investing activities:		
Acquisition & construction of property & equipment	(117,593)	(9,804,799)
Restricted cash and cash equivalents	673,338	(3,172,982)
Net cash provided by (used in) investing activities	<u>555,745</u>	<u>(12,977,781)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted to investment in property and equipment	121,687	164,301
Proceeds from long-term debt, net of debt issuance cost	—	11,762,837
Payments on long-term debt	(145,531)	(22,579)
Net cash (used in) provided by financing activities	<u>(23,844)</u>	<u>11,904,559</u>
Net increase (decrease) in cash and cash equivalents	220,486	(745,752)
Cash and cash equivalents, beginning of year	1,179,736	1,925,488
Cash and cash equivalents, end of year	<u>\$ 1,400,222</u>	<u>1,179,736</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 1,202,117</u>	<u>667,934</u>

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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 is 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, providing access to capital, creating environments ripe for collaborative research and unlocking the region's entrepreneurial potential.

In order to assist 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, 2017 and 2016

1. DESCRIPTION OF ORGANIZATION (continued)

MCA's main 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 launching 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 5), as well as providing funding for the construction of Texas Tech University Health Sciences Center Gayle Greve Hunt School of Nursing building (Note 6).

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 that ensure an adequate working environment and equitable employment. Fundraising activities include publicizing and conducting fundraising campaigns, maintaining donor lists, and other activities involved with soliciting grants and 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.



**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

1. DESCRIPTION OF ORGANIZATION (continued)

- 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 5).
- MCAR was organized on December 14, 2009 for the exclusive purpose of investing, acquiring and managing income-producing real property (Note 10).
- Revere was organized on July 30, 2014 for the exclusive purpose of acquiring a certain parcel of undeveloped land from the City of El Paso for future developments.

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.

Basis of Financial Statement Presentation – Under the Financial Accounting Standards Board Codification of Financial Accounting Standards (the Codification), net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of MCA and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** – Unrestricted net assets represent resources that are not subject to donor-imposed stipulations and over which the Board of Directors has discretionary control. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, the restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restriction. Net assets received and expended within the reporting period are reported in the Statements of Activities as unrestricted support or revenue.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Temporarily Restricted Net Assets** – Temporarily restricted net assets represent resources resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to the stipulations.
- **Permanently Restricted Net Assets** – Permanently restricted net assets represent resources whose use by the organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. There are no permanently restricted net assets as of December 31, 2017 and 2016.

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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Gifts restricted to the acquisition or construction of long-lived assets are reported as temporarily restricted revenue and released to unrestricted net assets 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 contributions revenue.

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

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 3). 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.



**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, money market funds and certificates of deposit 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 2017 and 2016, approximately 73 percent and 80 percent, respectively, of MCA's total revenues and support is provided by the City of El Paso pursuant to the Grant with Foundation (Note 3). 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.

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.



**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017 and 2016.

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.

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 \$85,000 was recorded in 2017 and \$40,000 in 2016.



**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2017 and 2016.

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, 2017 and 2016, 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 2013 are still open to audit for both federal and state purposes.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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, 2018 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 except as disclosed in Note 15. Events occurring after that date have not been evaluated to determine whether a change in the consolidated financial statements would be required.

3. 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, 2017 and 2016, contributions receivable from the Grant were approximately \$3.0 million and \$2.8 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 7, the

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

3. GRANT (continued)

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 under Section 45D of the Internal Revenue Code as more fully described in Note 7, 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 amendment by the City, Foundation agreed to deposit and pledge not less than \$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.

4. GRANTS, CONTRIBUTIONS AND ACCOUNTS RECEIVABLE

Grants, contributions and accounts receivable consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Grant receivable (Note 3)	\$ 3,035,704	2,768,974
Unconditional promises to give	18,517	24,922
Other	9,511	26,240
	<u>3,063,732</u>	<u>2,820,136</u>
Less: Allowance for doubtful pledges	(5,000)	(5,000)
	<u>\$ 3,058,732</u>	<u>2,815,136</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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unconditional promises to give before unamortized discount	\$ 20,250	27,050
Less: Unamortized discount	(1,733)	(2,128)
	<u>\$ 18,517</u>	<u>24,922</u>

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

4. GRANTS, CONTRIBUTIONS AND ACCOUNTS RECEIVABLE (continued)

The discount will be recognized as contribution income in years 2018 to 2021 as the discount is amortized using an effective yield over the duration of the pledge.

Contributions receivable at December 31 are due as follows:

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 3,056,365	2,808,264
Through 2021	<u>9,100</u>	<u>14,000</u>
	<u>\$ 3,065,465</u>	<u>2,822,264</u>

Through December 31, 2017, MCA has raised approximately \$8 million in unconditional pledges and contributions toward its capital campaign goal from a government grant and individual and corporate donors. At December 31, 2017 and 2016, contributions receivable restricted to investment in property and equipment in the accompanying Consolidated Statements of Financial Position are as follows:

	<u>2017</u>	<u>2016</u>
Unconditional promises to give before unamortized discount	\$ 289,750	418,950
Less: Unamortized discount	<u>(27,255)</u>	<u>(34,768)</u>
	<u>\$ 262,495</u>	<u>384,182</u>

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

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 116,850	152,950
Through 2021	<u>172,900</u>	<u>266,000</u>
	<u>\$ 289,750</u>	<u>418,950</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 2018 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.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	Estimated Useful Life (Years)		<u>2017</u>	<u>2016</u>
Land	-	\$	1,522,414	1,443,616
Buildings & improvements	15 - 40		26,694,757	26,697,875
Furniture & fixtures	5 - 7		767,183	763,239
Lab equipment	5		303,611	298,816
Computer equipment	3		100,438	104,121
Office equipment	3 - 5		165,652	134,100
			<u>29,554,055</u>	<u>29,441,767</u>
Less: Accumulated depreciation			<u>(1,576,199)</u>	<u>(703,560)</u>
		\$	<u><u>27,977,856</u></u>	<u><u>28,738,207</u></u>

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 10).

Depreciation expense for the years ended December 31, 2017 and 2016 was \$877,944 and \$509,182, respectively, and has been allocated to programs and supporting activities in the accompanying Consolidated Statements of Activities.

6. CONTRIBUTIONS PAYABLE

In June 2012, the 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 3). 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.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

7. LONG-TERM DEBT

As of December 31, 2017, and 2016, long-term debt consisted of the following:

	<u>2017</u>	<u>2016</u>
NMTC program issue notes payable to Community Development Entities, net of unamortized debt issuance costs of \$419,184 in 2017 and \$496,500 in 2016	\$ 10,810,816	10,733,500
Citizens Term Loan, net of unamortized debt issuance costs of \$125,470 in 2017 and \$133,412 in 2016	10,581,730	10,695,132
Non-interest bearing note payable to City of El Paso, net of unamortized discount of \$683,374 in 2017 and \$738,474 in 2016	1,216,626	1,161,526
Mortgage note payable to bank	460,979	485,166
Less: Current portion	<u>(215,764)</u>	<u>(23,758)</u>
Noncurrent portion	<u>\$ 22,854,387</u>	<u>23,051,566</u>

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, bears 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 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, a leverage ratio, annual audited financial statements, assignment of rents and other customary requirements of similar loan agreements. As of December 31, 2017 and 2016, Tech Park was in compliance with all of the Citizens Loan covenants.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

7. LONG-TERM DEBT (continued)

In August 2016, Tech Park, as a Qualified Low-Income Community Business, 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, 2017 and 2016, 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 3) 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.

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 \$55,000 at December 31, 2017 and \$103,000 through December 31, 2016.

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 5). The interest is adjustable to the Federal Home Bank rate plus 2 percent in April 2020.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

7. LONG-TERM DEBT (continued)

Maturities of long-term debt, exclusive of debt issuance costs of \$544,654, are as follows:

Year ending December 31,		
2018	\$	215,764
2019		249,554
2020		254,023
2021		271,482
2022		326,724
Thereafter		<u>22,297,258</u>
	\$	<u><u>23,614,805</u></u>

8. 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 \$29,585 in 2017 and \$29,580 in 2016.

9. DONATED MATERIALS, EQUIPMENT AND SERVICES

MCA received in-kind revenue during 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Marketing	\$ 35	7,413
Internet costs & IT services	—	1,521
Legal and professional	—	4,135
Lab/office space	<u>73,384</u>	<u>—</u>
	\$ <u><u>73,419</u></u>	<u><u>13,069</u></u>

10. RENTAL REVENUE

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**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

10. RENTAL REVENUE (continued)

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. Minimum rentals under the lease agreement at December 31, 2017 are as follows:

Year ending December 31,	
2018	\$ 585,600
2019	585,600
2020	585,600
2021	585,600
2022	585,600
Thereafter	<u>2,000,800</u>
	<u>\$ 4,928,800</u>

MCAR entered into an agreement in 2010 whereby it leases a building to TTUHSC for 48 months at \$8,415 per month. Pursuant to such lease agreement, TTUHSC 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 TTUHSC gives written notice of termination to MCAR. No termination notice has been issued by TTUHSC.

11. 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.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Operating purposes	\$ 3,416,118	3,148,604
Investment in property and equipment	<u>2,762,139</u>	<u>3,557,164</u>
	<u>\$ 6,178,257</u>	<u>6,705,768</u>

13. INCOME TAXES

At December 31, 2017 and 2016, 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, 2017. 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.

14. RELATED PARTY TRANSACTIONS

During 2017 and 2016, contributions from certain officers, members of the Board and entities with common board members totaled approximately \$12,500 in 2017 and 2016, respectively. Undiscounted pledges and contributions receivable from such related parties were approximately \$268,000 and \$397,000 as of December 31, 2017 and 2016, respectively.

During 2017 and 2016, MCA maintained its deposits in a banking institution where certain directors and officers are also directors and shareholders of such banking institution.

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, The U.S. Department of Veterans Affairs ("VA") notified Revere of its intent to lease space pursuant to a 20-year firm term for a Community Based Outpatient Clinic (CBOC). The single-story building containing approximately 33,500 square feet will be located on the MCA campus. The lease term is estimated to begin on May 29, 2019 after construction and acceptance of the premises by the VA. Construction of the CBOC is expected to begin in May 2018 at an estimated cost of approximately \$16 million. Pursuant to the lease agreement, occupancy of the building must occur no later than 2 years following the date of the lease.

SUPPLEMENTARY INFORMATION

**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.	RedSky	MCA Tech Park, Inc.	MCA Revere 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	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 RedSky	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)	—
Unrestricted	2,317,260	—	175,764	(3,978,301)	6,476,198	(47,430)	—	4,943,491
Temporarily restricted	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 Financial Position
December 31, 2016

	Medical Center of the Americas Foundation	MCAmericas Holdings, Inc.	MCAmericas Realty, Inc.	RedSky	MCA Tech Park, Inc.	MCA Revere Realty, Inc.	Eliminations	Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 889,610	940	67,269	30,832	190,085	1,000	—	1,179,736
Grants, contributions and accounts receivable	2,826,603	20,685	32	—	157,261	—	(189,445)	2,815,136
Prepaid expenses	4,053	—	—	—	15,854	—	—	19,907
Total current assets	3,720,266	21,625	67,301	30,832	363,200	1,000	(189,445)	4,014,779
Non-current assets:								
Restricted cash and cash equivalents	2,338,375	—	—	—	834,607	—	—	3,172,982
Contributions receivable restricted to investment in property and equipment	384,182	—	—	—	—	—	—	384,182
Property and equipment, net	13,891	—	553,227	—	27,740,796	430,293	—	28,738,207
Investment in RedSky	3,651,669	—	—	—	—	—	(3,651,669)	—
Other	—	—	—	—	8,165	—	—	8,165
Total assets	\$ 10,108,383	21,625	620,528	30,832	28,946,768	431,293	(3,841,114)	36,318,315
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 53,225	3,350	—	358,161	—	112,470	(189,445)	337,761
Accrued expenses and other liabilities	55,679	18,275	1,265	1,265	1,265	1,265	—	79,014
Contributions payable	612,000	—	—	—	—	—	—	612,000
Current portion of long-term debt	—	—	23,758	—	—	—	—	23,758
Total current liabilities	720,904	21,625	25,023	359,426	1,265	113,735	(189,445)	1,052,533
Long-term debt, net	—	—	461,408	—	22,241,700	348,458	—	23,051,566
Total liabilities	720,904	21,625	486,431	359,426	22,242,965	462,193	(189,445)	24,104,099
Net assets:								
Common stock	—	—	—	1,000	—	—	(1,000)	—
Additional paid in capital	—	—	—	3,650,669	—	—	(3,650,669)	—
Unrestricted	3,516,318	—	134,097	(3,980,263)	5,869,196	(30,900)	—	5,508,448
Temporarily restricted	5,871,161	—	—	—	834,607	—	—	6,705,768
Total net assets	9,387,479	—	134,097	(328,594)	6,703,803	(30,900)	(3,651,669)	12,214,216
Total liabilities and net assets	\$ 10,108,383	21,625	620,528	30,832	28,946,768	431,293	(3,841,114)	36,318,315

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.	RedSky	MCA Tech Park, Inc.	MCA Revere Realty, Inc.	Eliminations	Consolidated
Unrestricted net assets								
Changes in unrestricted net assets:								
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 restriction	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 UNRESTRICTED NET ASSETS	389,092	—	41,667	1,961	(981,147)	(16,530)	—	(564,957)
Tempor	I			è			%	D

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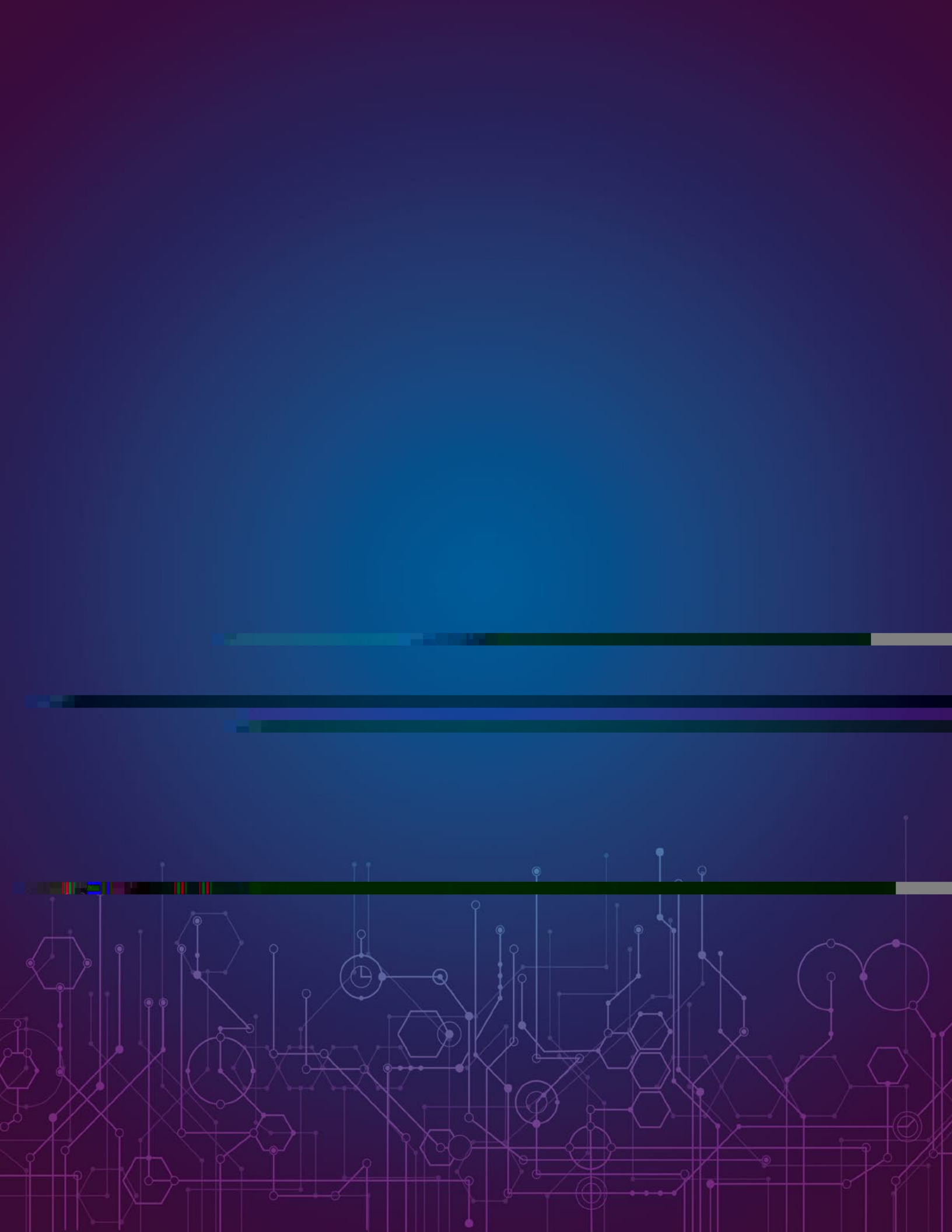




**MCAmericas HOLDINGS, INC.
AND SUBSIDIARIES**
Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016

	Medical Center of the Americas Foundation	MCAmericas Holdings Inc.	MCAmericas Realty, Inc.	RedSky	MCA Tech Park, Inc.	MCA Reverse Realty, Inc.	Eliminations	Consolidated
Unrestricted net assets								
Changes in unrestricted net assets:								
Revenue and support:								
Contributions	\$ 52,755	—	—	—	—	—	—	52,755
Grant	—	63,604	—	—	259,110	10,438	(333,152)	—
In-kind	3,759	—	125	—	9,123	62	—	13,069
Management fees	361,200	—	—	—	—	—	(361,200)	—
Rent	9,585	—	100,980	—	1,121,256	—	(662,203)	569,618
Interest	16,892	—	—	—	200	—	(14,500)	2,592
Total revenue and support	444,191	63,604	101,105	—	1,389,689	10,500	(1,371,055)	638,034
Net assets released from restriction	7,629,911	—	—	—	—	—	—	7,629,911
Total	8,074,102	63,604	101,105	—	1,389,689	10,500	(1,371,055)	8,267,945
Expenses:								
Programs:								
Biomedical Cluster	785,527	—	—	117,921	—	—	(166,792)	736,656
Infrastructure	1,606,930	—	74,093	—	1,670,782	41,400	(844,758)	2,548,447
Other	5,755	—	—	—	—	—	(927)	4,828
Management and general	983,021	63,604	—	—	—	—	(355,408)	691,217
Fundraising	18,714	—	—	—	—	—	(3,170)	15,544
Total expenses	3,399,947	63,604	74,093	117,921	1,670,782	41,400	(1,371,055)	3,996,692
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	4,674,155	—	27,012	(117,921)	(281,093)	(30,900)	—	4,271,253
Temporarily restricted net assets								
Changes in temporarily restricted net assets:								
Grants	2,838,074	—	—	—	—	—	—	2,838,074
Grants and contributions released from restrictions	(7,629,911)	—	—	—	—	—	—	(7,629,911)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(4,791,837)	—	—	—	—	—	—	(4,791,837)
TOTAL (DECREASE) INCREASE IN NET ASSETS	(117,682)	—	27,012	(117,921)	(281,093)	(30,900)	—	(520,584)
NET ASSETS, Beginning of year	10,818,997	—	107,085	(3,862,341)	5,671,059	—	—	12,734,800
Intercompany reclassifications	(1,313,836)	—	—	—	1,313,836	—	—	—
NET ASSETS, End of year	\$ 9,387,479	—	134,097	(3,980,262)	6,703,802	(30,900)	—	12,214,216

See accompanying notes to consolidated financial statements.





MCAmericas
HOLDINGS, INC.

*Accelerating Innovation.
Improving Health.
Building Prosperity.*

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