



MCAmericas
HOLDINGS, INC.

*Accelerating Innovation.
Improving Health.
Building Prosperity.*

2016

ANNUAL REPORT





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Dear Colleagues, Partners and Friends –

Reflection and strategy. After a year of tremendous accomplishments in 2016, most notably the completion and opening of the Cardwell Collaborative, the MCA Foundation board and staff took time out of the always busy December schedule to participate in a strategic planning session for the organization. As a group, we reflected on the past 11 years of the MCA's history, reviewed the region's life sciences resources and capabilities, analyzed models of biomedical metroplexes around the country and compared these models to the MCA organization and strategy. Collectively, we then developed a three-year strategic plan for the MCA Foundation. Both the vigorous preparation for the strategic planning session as well as the robust session itself, were fruitful exercises that revealed several important things....

REFLECTION:

- Eighteen years ago, the Paso Del Norte region's leaders honed in on the targeted vision of developing a medical industry to pull the region out of a low-skill low-wage rut, and began investing significant amounts of time, effort and funding toward that vision.
- Over the last 15 years, more than \$2.5 billion of bricks-and-mortar capital investments have been made in the PDN region in healthcare service delivery, research and education.
- In less than 10 years, the PDN region has seen two new medical schools, a graduate school of biomedical sciences, a nursing school and a pharmacy school open.
- Annual research expenditures in the life sciences at all regional universities have grown significantly.
- Over the last 10 years, five new acute care hospitals have opened in the region, including two private hospitals in Juarez, an independent non-profit children's hospital, the region's first private academic teaching hospital and a community hospital to serve the far east-side of town. Furthermore, the William Beaumont Army Medical Center replacement hospital complex is now deep into construction.
- Over the last 15 years, the MCA campus has developed as a major employment center for the region, going from an estimated 3,500 daily campus users in 2000 to over 8,000 in 2016.
- Despite an extended period of unrest in Mexico over the last 10 years, the biomedical device manufacturing industry in Juarez has grown significantly in terms of size and sophistication and will become a major differentiator of the entire region's biomedical industry.
- In 2016, the region's first private biomedical incubator building, the Cardwell Collaborative, opened.
- Five years after contracting with the City of El Paso for the Impact Fund grant, the MCA Foundation completed all of its obligations to the City for Infrastructure Projects, and has either completed or has projects well in-progress for the Non-Infrastructure Projects.

This reflection confirmed that the advancements that the MCA (as well as the region) has made are not only justified, but have garnered sufficient momentum to be considered a solid strategy for the future of the region's economic development as well as quality of life.

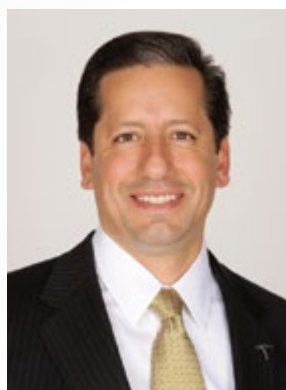
STRATEGY:

- Based on the investments and successes of the last 18 years, the MCA is on the right path, and must remain focused on its core mission of biomedical innovation and healthcare industry development.
- The MCA Foundation should:
 - Continue its planning efforts – both for the MCA Campus and Biomedical Industry development – to ensure successful adoption and funding of projects and programs.
 - Continue to develop the infrastructure, buildings and technology needed to support robust life sciences, healthcare and biomedical industries.
 - Continue to develop the biomedical, clinical and translational research, and technology commercialization programs that will leverage the regional investment in healthcare research, education and service delivery into a biomedical industry with strong growth in jobs as varied as entrepreneurial to advanced manufacturing.
 - Partner with other organizations to strengthen the regional workforce – essential to expansion and attraction of life sciences companies.
 - Expand efforts to tell the story of the growth of our region's life sciences industry over the last 18 years both to our community as well as to the rest of Texas, the U.S., Mexico and beyond.
 - Continue to manage an MCA organizational platform that is capable of executing all of the above, including strong finances, staff, board, and partnerships with regional organizations.
- The MCA Foundation and region should remain agile and opportunistic to take advantage of cutting-edge ideas and mechanisms to grow the regional life sciences industry in order to take a leadership role in an era of rapid evolution of industries and technologies.

Taking the time out to collectively reflect on our history, accomplishments and the best practice models gave the MCA Foundation board and staff renewed confidence that the team has been on the right path and allowed us to hone our strategy for more effective execution. We are confident that the MCA Foundation is being a good steward of city and donor resources that are being leveraged into new revenue sources and opportunities. We are astounded by the almost daily presentation of new opportunities and new relationships that are being sought based on our successes and the capabilities that we now bring to the table, including exciting advancements in the MCA Proof-of-Concept Center within the Cardwell Collaborative, the growth of Clinical Trials in the region, the potential to develop a VA clinic on MCA property, and many others coming in the near future. But mostly, we are excited to see where the momentum created over the last decade in the regional life sciences industry will catapult our region – not only as a robust industry in itself, but also as a quality of life attribute to support the growth of other regional industries and job attraction.

Your continued support and participation are greatly appreciated.

Respectfully,



Edward Escudero

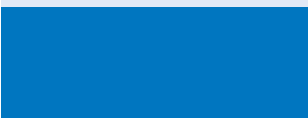
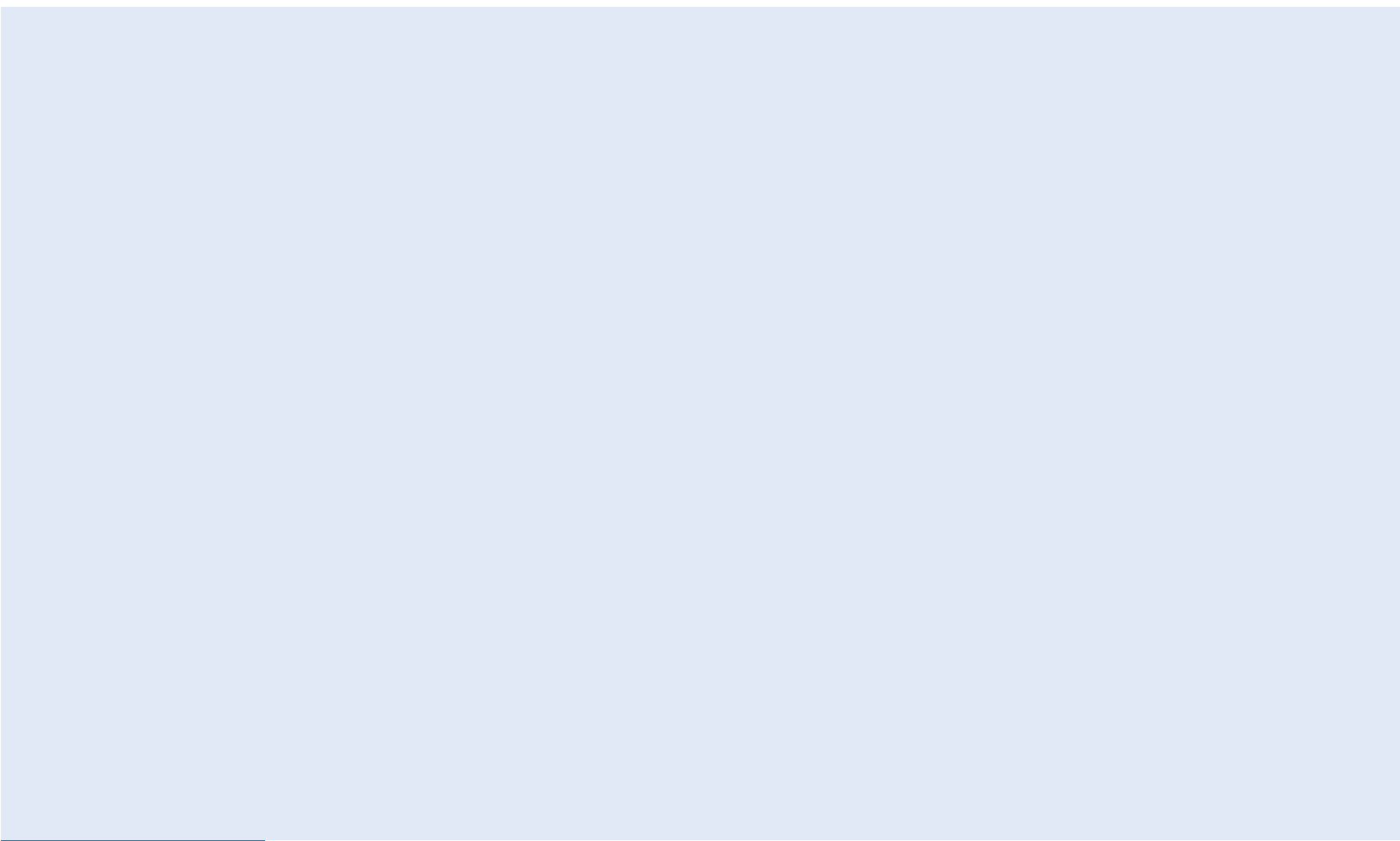
*Chair, MCA Foundation
April 2013 – December 2016*



Emma W. Schwartz

*President, MCA Foundation
September 2006 – Present*





MCA PLAN

OUR SIX
PILLARS
FOR
SUCCESS

Planning

Places

Programs

People

Promotion

Platform

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.

- G1: Coordinate the planning for and funding of the MCA "connectors" (Revere Spur & Durazno Extension).
- G2: Convert TIRZ #6 to a mandatory, involuntary TIRZ that covers the 440-acre campus.
- G3: Update the MCA Campus Master Plan and related documents to include updates to TTUHSC El Paso, UMC El Paso, MCA Tech Park and MCA connectors.

PILLAR TWO: **PLACES**

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

- G1: Ensure proper operations and maintenance of the Cardwell Collaborative.
- G2: Lease incubator space to life sciences and healthcare companies/organizations that are grown in the region or attracted from outside the region.
- G3: Develop the program for building #2 on the MCA Tech Park.

PILLAR THREE: PROGRAMS

Develop programs to enhance regional bioscience, healthcare and advanced bio-manufacturing industries, promoting the following:

1. Inter-institutional and inclusive collaboration,
 2. Translational research and innovation,
 3. Entrepreneurship,
 4. Incubation/acceleration,
 5. Product/process development, and
 6. Access to capital.
- G1: Establish an MCA proof-of-concept center that (1) launches an MCA-entity with a biomedical innovation, (2) provides incubation and product development services to local and/or attracted biomedical start-up companies, and (3) creates educational opportunities that enhance biomedical innovation and commercialization ecosystem.
 - G2: Increase the number of clinical trials in the region by improving the clinical trial regional infrastructure, and educating/recruiting local providers to increase their participation.

PILLAR FOUR: PEOPLE

Develop workforce initiatives with regional partners 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.

- G1: Participate in the Workforce Solutions Borderplex, MCA, Borderplex Alliance healthcare and biomedical industry workforce skills assessment through leadership team participation, funding, and implementation.
- G2: Partner with EPISD on the development of a concept for the Jefferson/Silva high school campuses as a "life sciences magnet high school."

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.

- G1: Increase regional knowledge of the Cardwell Collaborative offerings and MCA programs to foster engagement by university personnel, entrepreneurs, schools and the greater community.
- G2: Build the PDN and MCA reputation throughout Texas, the Southwest, and greater biomedical and life sciences industries through outreach at conferences and targeted meetings.

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.

- G1: Finances: Ensure strong financial management of MCA resources, a solid financial planning, budgeting and fundraising process that ensures to effectively implement strategies and responsibilities, while maintaining long-term stability and sustainability.
- G2: Board: Acquire new board leadership with strong skill sets and educate them on the MCA history and programs for effective engagement.
- G3: Partnerships: Form and maintain strong healthy partnership with regional stakeholders to ensure proper campus development and growth of the medical and biomedical industries.
- G4: Staff: Identify staff skill sets to execute the evolution of MCA programs and project, while creating tools and a working environment that is engaging and promotes efficiency and effectiveness.



2012



- Feb – MCA contracts with the City of El Paso for Impact Funds
- MCA Business Planning continues with Hammes, E-Cubed Ventures and Perkins + Will
- MCA signs Grant Agreement with TTUHSC to provide \$11 million for Gayle Greve Hunt School of Nursing building

\$5 MILLION TOTAL ASSETS

2013



- Cardwell Collaborative development
 - MCA re-bids and re-designs building to 100% construction documents for 60,000 square foot building
 - MCA lines up financing for the building from a consortium of local banks
 - MCA purchases 13-acres of land on the MCA campus from City of El Paso
 - City waives all permit fees for the MCA projects developed on the 13-acre parcel up to \$370,000
 - MCA demolishes 4 structures on 13-acre parcel
- BMIA board recruited
- MCA hosts second regional biomedical symposium: Dynamica

\$14 MILLION TOTAL ASSETS

2014



2015



- Cardwell Collaborative development
 - June 2016 ribbon cutting & move-in
 - MCA completes commissioning, punch list, operations
 - MCA secures \$11.5 million in New Market Tax Credit financing, resulting in \$3.2 million of the project equity
 - 6 tenants secured
- Space Race
 - 40 teams recruited (18 local)
 - 11 winners + 1 finalist announced (5 local)
 - Local winners and finalists assisted to start-up companies
- MCA hosts 1st Regional Clinical Research Symposium

\$38 MILLION TOTAL ASSETS

2016



- MCA launches BioMedical Institute of the Americas, recruiting and hiring staff
- Cardwell Collaborative begins to take shape
 - MCA obtains Letter of Intent from City for public health lab space
 - MCA raises \$8 million for capital campaign, including a major donation from Jack Cardwell and \$1 million EDA grant
 - MCA selects and contracts with Cardwell Collaborative project team
- MCA hosts first regional biomedical symposium: BIOMED
- MCA hosts State of Healthcare with Greater El Paso Chamber of Commerce
- Construction of the GGHSON begins

\$13 MILLION TOTAL ASSETS

- Cardwell Collaborative development
 - \$18.6 million construction loan closed with Citizen's Bank of Las Cruces with participation from Bank of Texas and First National Bank
 - Letter of Credit obtained with Citizen's bank to advance Jack Cardwell's donation
 - TTUHSC El Paso lease for 20,000 square feet signed
 - General Contractor agreement signed with Jordan Foster for \$20.3 million
 - Construction commences in February 2015
 - 82% Construction completed by end of year
- MCA contracts with Center for Advancing Innovation for the Space Race
- Ribbon Cutting Ceremony for GGHSON

\$28 MILLION TOTAL ASSETS

DIRECTORS

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Henry Yshawirja, Vice Chair
Rafael Adame
Lisa D. Budtke
Miguel Fernandez, Jr.
L. Frederick Francis
Ted Houghton

Josh Hunt
Meyer Marcus
Rodolfo Mata
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Linda Troncoso
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MCAmericas HOLDINGS, INC.



MEDICAL CENTER
OF THE AMERICAS
FOUNDATION

Management, Finance, Fund
Development, Outreach,
Biomedical Cluster Programs



MCAmericas
REALTY, INC.

Real Property Holdings -
440 Raynolds



BMIA, Inc.
dba
REDSKY

Innovation +
Professional Services

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Rafael Adame
David Borkholder, PhD

Dirk Brown, PhD, Secretary
Lane Gaddy
Robert E. Skov
Henry Yshawirja

ORGANIZATION:



MCA TECH PARK, INC.

Cardwell Collaborative
Development & Real Property
– upper 3 acre tech park site



MCA REVERE REALTY, INC.

Real Property Holdings
– lower 10 acre tech park site

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Meyer Marcus, Vice Chair
Lisa D. Budtke
Edward Escudero
Brent Harris
Gary Hedrick
Rodolfo Mata
Robert E. Skov
Henry Yoshawirja

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Denten Park

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David Stout

Nicholas Tejeda

MCA CAMPUS PLANNING ACTIVITIES

MCA MASTER PLANS

In 2008 and 2011, the MCA led master planning efforts for the MCA Campus, with participation by all campus stakeholders.

440-Acre Expanded MCA Campus Master Plan & SmartCode Zoning – 2011

140-Acre MCA Campus Master Plan – 2008



MCA TECH PARK MASTER PLAN

In 2013, MCA Tech Park, Inc. completed a 13-acre master plan to create the most efficient development plan for the 13 acre parcel the MCA purchased from the City of El Paso for the development of a research park. The Plan identified the best location to build the first building, the Cardwell Collaborative, showed utility capacity and needs, and planned for medium and long term development.



TIRZ #6

In January 2013, the El Paso City Council approved a Tax Increment Reinvestment Zone (TIRZ #6) for the MCA Campus. The goal of the TIRZ is to stimulate private investment in the MCA Campus resulting in increased taxes collected in the area that can be directly used for infrastructure improvements to the MCA Campus, such as lighting, sidewalks, landscaping, and utility work in addition to other improvements and projects authorized by the TIRZ board of directors. In 2016, the MCA began working with the city to convert TIRZ #6 from a voluntary non-congruous TIRZ to a mandatory TIRZ over all 440 acres.

MCA MULTI-MODAL ACCESS PLAN

In 2014, TxDOT engaged Huitt-Zollars to create a multi-modal access plan for the MCA campus that considered a vehicular,



mass transit, bicycle and pedestrian plan. In 2016, the MCA began the process for gaining approval of and funding for the implementation of the extension of Durazno street from Raynolds to Paisano and the extension of Revere Street from Rosa to El Paso Street and Alameda.

CITY INCENTIVE MAP & PROGRAM

In 2016, the City of El Paso adopted an incentive policy that will provide additional



incentives for developments in key areas around town including the MCA area. The MCA worked with the City of El Paso to determine the proper locations of the incentives to ensure that areas that key stakeholders plan to acquire are not incentivized for private development.





CARDWELL COLLABORATIVE

The Cardwell Collaborative, completed on-time and under budget, opened its doors to the community at the Ribbon Cutting on June 17, 2016. Celebrating the opening of the first building of its kind in the region were over 250 attendees—city officials, researchers, educators, community members, and business and community leaders. The 60,000 square foot biomedical research and technology commercialization building now stands as an icon, symbolizing the region's proliferating biomedical community and serves as a reminder of the achievements that can be attained through public-private collaboration. The three-story, LEED Silver Certified building features 20,000 square feet of biomedical incubator space in a building that

brings private start-up companies and university personnel together under one roof to collaborate. Since the opening, the Cardwell Collaborative has received over 2,500 visitors, has had more than 60 tours, and has hosted over 40 events in the building.

On August 8, 2016, MCA Tech Park, Inc. successfully closed on \$11.5 million of New Markets Tax Credits (NMTC) financing for the Cardwell Collaborative. Capital One Community Renewal Fund provided \$2.5 million in NMTC allocation while Border Communities Capital Company provided \$9 million, along with loans from participating lender Citizens Bank of Las Cruces for the \$29 million project.

FEATURES:

- 60,000 square foot building, glass curtain wall on North exterior, contemporary interiors, LEED Silver certification
- Extraordinary foundation: 36 piers, 42 inches in diameter, drilled 75 feet deep, ensuring the stability of the building and ability to run sensitive laboratory equipment with very low levels of vibration
- High-tech building: first building in El Paso that has fiber pulled to every desktop and laboratory
- High Performance Computing Room / Data Center (separate fluid cooling, APC power, external power generator)
- Wet laboratory incubator (fully-furnished with flexible casework, shared lab equipment and tissue repository)
- Dry laboratory incubator (fully-furnished with flexible electrostatic casework, all power and data on movable ceiling arms)
- Office incubator with shared services (fully-furnished)
- Shared spaces (conference center, collaboration spaces, café)



Beaker Café



Third Floor Collaboration Area



Private wet lab - Chemical Prep Room.
Other specialized wet-labs include Tissue Culture Room, Radioisotope Fume Hood Room, Flex Room and more



Gayle & Woody Hunt Conference Center -
includes large configurable conference room and two small conference rooms



Glass Curtain Wall

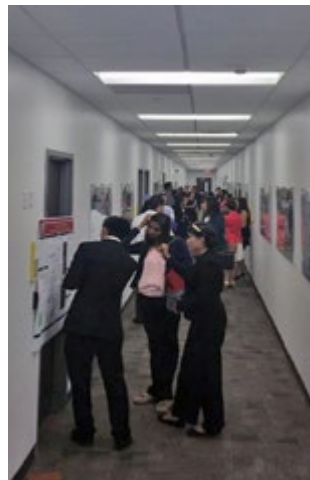


One of six dry labs

SAMPLE OF EVENTS HELD AT CARDWELL COLLABORATIVE:

■ Ribbon cutting

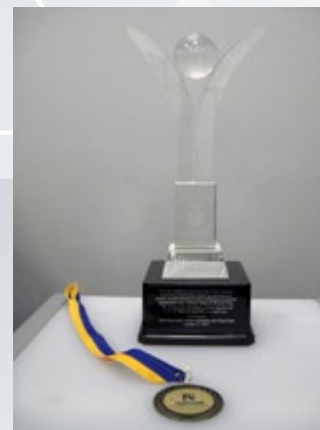
atg Slu Aas Eri Rava E Economics, Character, and the Cultivation of El Paso's Emerging Startup-





MCA FOUNDATION & CARDWELL COLLABORATIVE AWARDS

- LEED Silver Certification, Cardwell Collaborative
- Americas Institute of Architects:
El Paso Design Award, Cardwell Collaborative
- Texas Tech University Alumni Design Award,
Cardwell Collaborative
- Junior Achievement: El Paso Business Hall of Fame,
Emma Schwartz
- OneStar Foundation: Governor's Community
Leadership Award for Health, MCA Foundation
- Hispanic Chamber of Commerce: Vision of
Excellence Award, MCA Foundation
- Incite Consultancy: Incite Impact Award,
MCA Foundation



SPACE RACE

A PDN INNOVATION CHALLENGE

The MCA partnered with the Center for Advancing Innovation (CAI), a non-profit organization based in Washington, D.C., to launch the Space Race to address the lack of commercially viable deal flow and limited trained entrepreneurs in the Paso del Norte (PDN) region. The teams went through five months of comprehensive entrepreneurship training and in November, the winners and finalists were announced based on 10-page business plans, financial models, and live pitches to a panel of expert judges. The winning teams and finalists, including 5 from the PDN region, are currently forming companies, negotiating licenses to their inventions from NASA, and pursuing seed funding, aided in part by prize money from the MCA.

The winning teams (university and team name) and their chosen NASA inventions are:

- Texas Tech University Health Sciences Center El Paso – Minus Tau (Co-Winner)
University of Texas at El Paso – Sun City SmartWire (Co-Winner)
NASA Invention KSC-TOPS-6: A Device for Wire Fault Detection and Rerouting



- Carnegie Mellon University – Tellus Aerospace
NASA Invention LEW-TOPS-61: Lightweight Acoustic Liner to Reduce Noise in Aircraft Engines
- University of Guelph – Stratodynamics
NASA Invention LAR-TOPS-33: Lightweight UAV Sensing and Control System
(Finalist: Northern Illinois University – Maverick Drones)

- Johns Hopkins University – Genetoo
NASA Invention LAR-TOPS-97 / LAR-TOPS-183: Surface Particle Contamination Mitigation Methods
- University of Texas at El Paso – Native Coatings
NASA Invention KSC-TOPS-24 / KSC-TOPS-25: Liquid Coating for Corrosion Prevention in Rebar
- University of Rochester – RA Tech
NASA Invention MFS-TOPS-33: Electrochemically Enhanced Mechanical Polishing (EEMP)
- Instituto Tecnológico de Ciudad Juárez – EDroneS
NASA Invention GSC-TOPS-34: High-resolution, real-time three-dimensional imaging
- Massachusetts Institute of Technology – ElectroKite
NASA Invention LAR-TOPS-40: Kite-like Wind Power Generation Control System
(Finalists: University of Guelph – Skyfish, University of Texas at El Paso – Windfinity)
- New Mexico Institute of Mining and Technology – Free Electron Designs
NASA Invention GRC-QL-0016: High-Power Density Solid Oxide Fuel Cell and Fabrication Process
- University of California Los Angeles – Joule
NASA Invention TOP2-231: Compliant Electrode and Composite Materials for Piezoelectric Wind and Mechanical Energy Conversions
(Finalist: University of Chicago Booth School of Business – Jakuta)

58	TEAMS APPLIED TO SPACE RACE
40	MULTI-DISCIPLINARY TEAMS ACCEPTED
18	TEAMS FROM THE REGION
34	TEAMS WENT ON TO SEMIFINALS
14	SEMIFINALISTS FROM THE REGION
11	TEAMS WIN THE COMPETITION
5	WINNING TEAMS FROM THE REGION



CLINICAL TRIALS NETWORK SYMPOSIUM

On Wednesday December 7, 2016, the MCA hosted its first Clinical Trial Network (CTN) Symposium at the Cardwell Collaborative to discuss the Paso del Norte (PDN) region's readiness to accommodate clinical trial capabilities. Presentations covered topics such as competitive business models for engaging in clinical trials and expanding clinical trial enrollment and recruitment.

Keynote speaker: Fred Poordad, MD, Texas Liver Institute

Speakers and Panelists: Krystyna Kowalczyk, Optimal Research, Jose Burgos, MD, El Paso Medical Research Institute, Kimberly Kot, MiMedx Group, George Mychaskiw, MD, Burrell College of Osteopathic Medicine, Peter Rotwein, MD, TTUHSC El Paso, Nicholas Tejada, The Hospitals of Providence

Attendees: 35 participants from El Paso, New Mexico and Juarez regions including representatives from medical, academic and community based research institutions



■ EL PASO IS AN ATTRACTIVE REGION.

The combination of a large, predominantly Hispanic population, and a growing healthcare market makes the PDN Region an appealing region for expanded clinical-research opportunities.

■ PATIENT RECRUITMENT IS THE NUMBER ONE CHALLENGE FOR SPONSORS.

Recruitment difficulties account for up to 45% of study delays and 80% of trials fail to meet enrollment timelines.

■ PARADIGM SHIFT.

Due to patient recruitment challenges, sponsors are shifting from a traditional model, where patient recruitment isn't considered until after sites and investigators are identified, to a patient-centric model which essentially broadens the access of clinical trials to all qualified investigators and patients.

BECKER SCHOLARSHIPS

The Becker Scholarship fund was established to provide financial assistance to high school seniors in their pursuit of higher education. Kay Becker, retired El Paso Independent School District (EPISD) teacher, and her husband Jed, are funding the scholarships and requested that the MCA Foundation assist with managing the scholarship process. In 2016, the scholarships were focused on Silva Magnet graduates and three 2016 graduates of Silva High School were awarded a \$1,000 scholarship based on their academic performance and dedication to their school.



SYNAPSE RELAUNCH

In 2016, the MCA Foundation released the inaugural reissue of Synapse, the life sciences digest of the Medical Center of the Americas. The newsletter focuses on sharing research, health care, real estate, education and tech/tech transfer activities from around the region, as well as event dates, grant information and MCA Foundation updates. Synapse has seen over 500 new subscribers since the re-release and sends newsletters and MCA event flyers out to more than 2,000 subscribers.

INTERN HIGHLIGHTS

Scott Spivey, former MCA Foundation summer 2016 intern received the prestigious Larry Temple Scholarship from The University of Texas at Austin. Temple Scholarships are awarded to students in the College of Liberal Arts with superior academic merit. The scholarship awards two recipients \$11,000 per year for up to \$33,000, as a way to help them enjoy and learn from university life and experiences. Scott is a native El Pasoan and a sophomore at UT Austin pursuing majors in Neuroscience and Plan II honors, a Liberal Arts degree, along with a minor in Spanish.

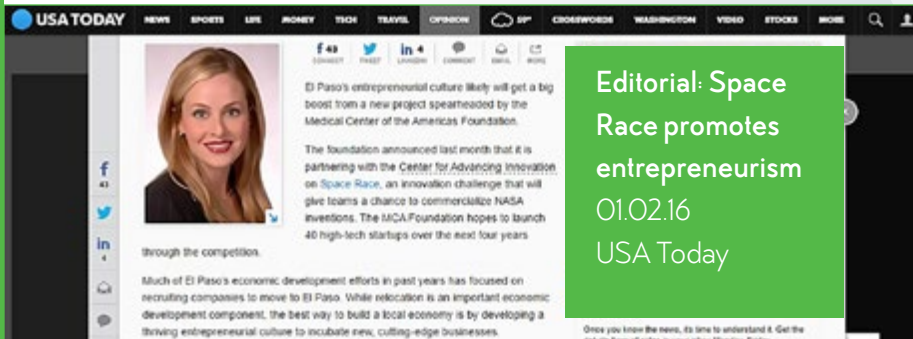


Summer 2016 Interns

Nahum Apodaca
Erica Dominguez
Scott Spivey

Fall 2016 Intern

London Alarilla
Nahum Apodaca



\$29 million biomedical research building opens

Vic Kolenc, El Paso Times Published 8:43 p.m. MT June 17, 2016 | Updated 4:52 p.m. MT June 20, 2016



Seven years ago, Emma Schwartz dreamed of a building to house research labs and a biomedical-companies incubator to help El Paso grow a high-tech industry.

On Friday, Schwartz and more than 200 people, including many of El Paso's movers and shakers, celebrated the opening of the \$29 million, three-story, 60,000-square-foot Cardwell Collaborative building, which houses the labs and incubator she envisioned. It also houses offices for the Medical Center of the Americas Foundation and Texas Tech University Health Sciences Center El Paso.

"This is our region's admission ticket to the club of high-tech metroplexes," Schwartz told the crowd jammed

Space Race Challenge winners announced

Startups compete to commercialize NASA tech

Story Comments

Print Font Size: - +

Recommend 3 Share Tweet G+1 0 Pin It 0 Share 1



Posted: Tuesday, November 15, 2016

By Robert Gray El Paso Times

Eleven startup companies won the first phase of the Space Race Challenge, announced their new startups, licenses, and pursuing seed funding.

The Medical Center of the Americas Foundation Tuesday announced the winners of the Space Race Challenge. Eleven startups were selected from more than 100 across the globe. The winners will receive \$2,500.

EL PASO INC.

June 19, 2016
Cardwell Collaborative
opens with ribbon cutting

Rodríguez: Cardwell Collaborative important addition

José Rodríguez, Guest columnist Published 7:08 p.m. MT July 9, 2016 | Updated 9:55 p.m. MT July 9, 2016



f 25 CONNECT TWEET LINKEDIN COMMENT EMAIL MORE

The Cardwell Collaborative officially opened with a ribbon-cutting ceremony last month. With 60,000 square feet of cutting-edge technology, the building is a testament to our community's vision, persistence, and potential.

The Cardwell Collaborative – an office, research, and tech hub – occupies a spot alongside Interstate 10 just east of Reynolds, as part of the Medical Center of the Americas campus. In essence, it's a dream factory for 21st century entrepreneurs, and something every El Pasoan should be familiar with and speak of often.

EL PASO TIMES

September 21, 2016
MCAF El Paso to be
honored at Governor's
Volunteer Awards



LEADERSHIP DONORS

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

CONTRIBUTING DONORS

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Guy Fields and Cindy Lyons
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Luigi Pereira
Judy and Kirk Robison
Joe Rosales, Sr.
(In memory of Rose Rosales)
W.D. (Bill) Skov
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Martin Morgrades
Beverly Rebe
Kelley Rebe
Ryan Rebe
Josephine L. Vissering

**We would also like to acknowledge
the donors who have made significant
contributions to the MCA in previous years—**

Tom and Deena Bohannon
Castro Enterprises
El Paso Electric Company
Harold and Beth Hahn
Hoy Fox Automotive Partners
Scott Hulse, P.C.
United Bank of El Paso Del Norte
Western Refining







MCAmericas HOLDINGS, INC.

MCAmericas Holdings, Inc. and Subsidiaries
Management's Discussion and Analysis of
Financial Condition and Results of Activities
Year Ended December 31, 2016

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

Organizational Overview and Corporate Structure

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

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

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 growth mission will be accomplished through a series of strategic activities involving both physical infrastructure and programmatic initiatives focused on discovery, development and deployment building blocks to harness and grow regional assets consisting of biomedical research, demographics providing for distinctive clinical trials capability, adaptive workforce and logistics and manufacturing capabilities that can accommodate biomedical business environments.

In order to assist MCA with this mission, the City of El Paso ("City") signed an the 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 project 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):

- A-Baseline Staffing
- B-Planning and Design
- C.1-Creation of MCA BioTech Commercialization Institute as a Subsidiary or Affiliate to the MCA
- C.2-Clinical Research Organization (CRO)
- C.3-Proof of Concept Fund
- D-Land Acquisition
- D.1-Surface and/or Structured Parking for MCA area activities
- E-MCA Tech Building
- F-TTUHSC Gayle Greve Hunt School of Nursing Building

Foundation activities include programs aimed at spurring innovation and entrepreneurship in the region and awarding certain grants for biomedical and healthcare research and collaboration. 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.
- RedSky 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 access to early-stage capital to MCA's innovation ecosystem and 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.
- 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").

Major Accomplishments

A summary of major accomplishments during 2016 are as follows:

- On January 25, 2016, the MCA held a press conference to formally announce the Space Race Challenge and introduce the 10 NASA technologies that were selected for the first Challenge. The MCA held over 15 workshops around the region promoting the Space Race to potential team members, mentors, advisors and judges. In addition, the MCA met with various regional companies who are interested in supporting the start-up companies created in the region from the Space Race. Space Race received extensive coverage in print, television and social media press, as well as some national coverage.
- On March 18, 2016, the MCA organized a Laser Welding Symposium held at Jefferson High School, led by Simon L. Engel, President of HDE Technologies, Inc., Vice Chair AWSC7.4 Laser Welding Standard Committee. Beginning with FY 2014 and continuing to the present, MCA has coordinated a workforce development program aimed at improving biomedical training programs and educational tracks in the region through various outreach efforts to EPISD, hiring of summer interns, participation in GEPCC Education and Workforce Conference and various funding opportunities. The MCA Foundation has organized a committee comprised of 15-20 local community partners committed to developing a rigorous STEM curriculum focused on advanced and bio-manufacturing. The committee consists of representatives from Jefferson High School, Maxine Silva Health Magnet School, El Paso Community College and representatives from local workforce development organizations.
- In April 2016, the Space Race moved from the enrollment phase and into five months of online entrepreneurship training. A total of fifty-five (55) teams of eight to ten persons entered to compete to form a company and license one of ten inventions developed by NASA. Of the fifty-five (55) teams, (22) twenty-two were from the universities in the Paso del Norte region. Other institutions competing included teams from Harvard University, Johns Hopkins University, and Massachusetts Institute of Technology.
- On May 31, 2016, the Cardwell Collaborative was substantially completed at a total project cost of approximately \$27.5 million, or approximately \$1.4 million under budget.
- On June 8, 2016, the Certificate of Occupancy was issued for the Cardwell Collaborative.
- On June 9, 2016, Texas Tech University Health Sciences Center El Paso moved in to Cardwell Collaborative second floor space.
- On June 13, 2016, MCA Foundation moved in to Cardwell Collaborative first floor space.
- On June 17, 2016, MCA held the ribbon cutting ceremony for the Cardwell Collaborative. Over 250 people attended the high-energy event. Michelle Dipp, MD, PhD, CEO of OvaScience, was the keynote speaker at the event, speaking on innovation and transformation. MCA received great media coverage for the event in the El Paso Times and El Paso, Inc.
- On June 21, 2016, the first incubator tenant, Minerva Genetics, moved into the Cardwell Collaborative third floor space.
- During July 2016, MCA hosted Ryan Casey, MD, a medical resident at Yuma Regional Medical Center, in an elective pro-bono rotation. During the summer, Dr. Casey met with the healthcare leadership in El Paso and Juarez, gained a deeper understanding of border health issues, and proposed several programs to the MCA to improve border health in El Paso and Juarez as well as increase international biomedical collaborations. Upon completing his residency in Arizona, Dr. Casey and his family may relocate to El Paso to work with a regional healthcare provider.
- On August 2, 2016, the MCA successfully closed on \$11.5 million of New Markets Tax Credit (NMT) financing for its Cardwell Collaborative project. Capital One Community Renewal Fund

provided \$2.5 million in NMTC allocation while Border Communities Capital Company (BCCC) provided \$9 million, along with loans from participating lender Citizens Bank of Las Cruces.

- On August 3, 2016, the MCA held its first board meeting at the Cardwell Collaborative.
- On August 6, 2016, the MCA hosted the First Lady of Texas, Cecilia Abbott, and her staff at the Cardwell Collaborative as part of her trip to El Paso for the Non-Profit Business Summit.
- On August 30, 2016, Tuesday Tech Talks at the Cardwell Collaborative began. These events cover a variety of topics essential to developing a biomedical ecosystem (e.g., entrepreneurship, venture capital, bio-manufacturing, workforce development, science and research, healthcare delivery, etc.). Erik Pavia, an El Paso ex-pat entrepreneur working for a New York start-up, who graduated from UTEP with a degree in Engineering and subsequently went to Law School at Stanford University, gave the first talk titled “Economics, Character, and the Cultivation of El Paso's Emerging Startup-Ecosystem.”
- In September 2016, MCA formed a Scientific Advisory Committee (SAC) to assist with Cardwell Collaborative matters, company recruiting and other scientific questions. Initial SAC members include:
 - Charles Miller, PhD, Professor and Associate Dean, UT Medical School at Houston
 - Michelle Dipp, MD, PhD, past-CEO, current board chair, OvaScience
 - Bradley Fuhrman, MD, Chief of Medicine, El Paso Children’s Hospital and Chair of Pediatrics, TTUHSC El Paso
 - Kristina Mena, PhD, Interim Dean, UT Houston School of Public Health, El Paso
- On October 7, 2016, the American Institute of Architects presented its El Paso Design Award to the Cardwell Collaborative.
- On October 10, 2016, the Governor’s Community Leadership Award for Health was presented to the MCA Foundation by the OneStar Foundation in Austin, Texas.
- **On October 18, 2016**, the first scientific poster session was held at the Cardwell Collaborative. Students, researchers, professors, inventors, expats and others from the Paso del Norte region are invited to submit abstracts to be considered for poster display in the MCA’s Cardwell Collaborative building twice a year. Selected posters are put 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. In addition, k-12 teachers from the region bus their classes to the Cardwell Collaborative to discuss the posters and their science. The “poster sessions” launch with a networking event where the top 5-10 posters are orally presented, then all posters are displayed on the incubator walls where each scientist stands with their poster to discuss the science with other guests. The posters remain on the walls for 4 month periods. Over 30 posters were submitted from El Paso, Las Cruces and Juarez universities for the first poster session.
- On October 27, 2016, Junior Achievement inducted Emma Schwartz into the El Paso Business Hall of Fame.
- On November 1, 2016, the winning Space Race teams were announced with four of the winning teams and one finalist coming from the PDN region. These winners and finalist will advance to Phase 3 of the competition: starting up their business. Proof of concept funds will be provided to the winning teams of the Space Race Challenge and the winners of the clinical research grants.
- In November 2016, the Texas Tech University Alumni Design Award was awarded to the Cardwell Collaborative.
- On December 1, 2016, the Incite Impact Award was presented to the MCA Foundation.

- On December 7, 2016, MCA Foundation hosted a Clinical Research Symposium on our regional ecosystem's readiness for clinical trials. The keynote speaker and meeting leader was Fred Poordad, MD, VP of Academic and Clinical Affairs at the Texas Liver Institute. Dr. Poordad shared lessons learned from his vast clinical trials experiences and facilitated a productive discussion among our clinical research community on how to increase the volume and effectiveness of quality clinical trials in the region. The symposium included local speakers currently involved in clinical trials, as well as representatives of national Clinical Research Organizations and Medical Device companies. MCA is also planning to award grants during 2017 to regional organizations that either commit to bringing more clinical trials to El Paso or that implement plans to improve the regional clinical trial ecosystem.
- On December 13, 2016, The MCA Foundation board and staff participated in a robust four-hour strategic planning session to reflect on the organization's 11-year history, analyze other biomedical communities and similar organizations and prepare a 3-year strategic plan.
- December 31, 2016, The Cardwell Collaborative's third floor incubator concluded the year with five tenants.

Financial Highlights

Although MCA revenues and support decreased only slightly from 2015, MCA net assets for the year 2016 decreased by approximately \$520,000 as compared to an increase of approximately \$781,000 in 2015. The decrease over the prior year was primarily attributable to an increase in expenses from the prior year of approximately \$1.2 million. Total MCA expenses for the year 2016 increased from approximately \$2.7 million in 2015 to approximately \$3.9 million. The net increase in expenses was primarily attributable to the following:

- Salaries, wages, benefits and personnel expenses decreased approximately \$181,000 due primarily to fewer employees and realignment of certain Biomedical Cluster activities from the prior year.
- Marketing expenses decreased approximately \$80,000 primarily due to no marketing and promotional expenses incurred for RedSky.
- Professional and contract services decreased approximately \$75,000 primarily due to decreased legal fees.
- Approximately \$271,000 was incurred in connection with the PDN Innovation Challenge, an increase of approximately \$227,000 due to a full year run for the program.
- With occupancy of the Cardwell Collaborative in June 2016, depreciation expense increased approximately \$431,000 while building operating expenses represented an increase of approximately \$310,000.
- Interest expense increased approximately \$773,000 primarily due to the Cardwell Collaborative financing arrangements as more fully described in Note 7 to the Consolidated Financial Statements.

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 total assets at December 31 increased from approximately \$28 million in 2015 to approximately \$36 million in 2016. The net increase in assets was primarily attributable to the completion of the Cardwell Collaborative at a total cost of approximately \$27.5 million, including furniture, fixtures and equipment totaling approximately \$1 million. The Cardwell Collaborative project was completed approximately \$1.4 million less than budget.

As more fully described in Note 7 to the Consolidated Financial Statements, MCA total liabilities at December 31 increased from approximately \$15.2 million in 2015 to approximately \$24.1 million in 2016 as a result of long term financing of the Cardwell Collaborative through a secured construction loan credit facility with Citizens Bank in the amount of approximately \$10.8 million and New Markets Tax Credit financing in the amount of approximately \$11.2 million. MCA was in compliance with the financial covenants under its borrowing agreements.

MCA net assets at December 31 decreased from approximately \$12.7 million in 2015 to approximately \$12.2 million in 2016 as reflected in the Statement of Activities for the year ended 2016.

The net decrease in cash and cash equivalents of approximately \$745,000 during 2016 was primarily the result of cash provided by operations of approximately \$327,000 and the net increase in long term debt of approximately \$11.7 million. These sources of cash were offset by approximately \$12.9 million for construction of the Cardwell Collaborative and associated restricted cash requirements.

MCA operating activities provided cash of approximately \$327,000 as compared to cash provided by operating activities of approximately \$1.1 million in 2015. The decrease was primarily attributable to the increase in expenses as previously described.

MCA's primary sources of liquidity are Grant payments received from the City, philanthropic contributions from corporate and private donors, rental revenues and bank financing. With cash, restricted cash, restricted short term investments and contributions and accounts receivable totaling approximately \$7.2 million at December 31, 2016, MCA believes its financial resources are sufficient to fund its operating and debt service obligations during the year ending December 31, 2017. MCA plans for and assesses its liquidity and capital resources through an annual budgeting process.

MCA's principal contractual obligations and commitments at December 31, 2016 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 commitments averaging approximately \$98,000, 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, 2016 and 2015. 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.

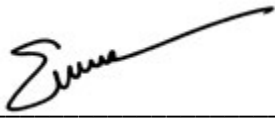
MCA's consolidated financial statements have been audited by Lauterbach, Borschow & Co., independent certified public accountants, whose report thereon appears herein. The Lauterbach firm was given unrestricted access to all financial records and related information, including minutes of meetings of 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.

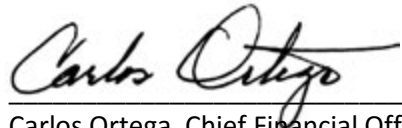
MCA management has established and maintains a system of internal controls that provides reasonable assurance as to the integrity and reliability of its financial statements, protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. 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, Mr. Gary Hedrick and Mr. Edward Escudero, as ex officio. Ms. Budtke is Director of Treasury Services and Investor Relations of El Paso Electric Company. Mr. Escudero is President and CEO of Sierra Finance and is also former Executive Vice President and CFO of C&R Distributing. 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 a former senior executive of various regional financial institutions. 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

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2016 and 2015

With Independent Auditor's Report

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, 2016 and 2015, and the related consolidated statements of activities, and consolidated cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MCAmericas Holdings, Inc. and subsidiaries as of December 31, 2016 and 2015, 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.

Lauterbach, Bozschow & Company

February 21, 2017
El Paso, Texas

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Financial Position

December 31, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 1,179,736	1,925,488
Contributions and accounts receivable, net (Notes 3 and 4)	2,815,136	2,763,271
Prepaid expenses	19,907	11,491
Total current assets	4,014,779	4,700,250
Noncurrent assets:		
Restricted cash and short-term investments (Note 3)	3,172,982	—
Contributions receivable restricted to investment in property and equipment, net (Note 4)	384,182	548,483
Property and equipment, net (Notes 5 and 7)	28,738,207	22,709,682
Other	8,165	—
Total assets	\$ 36,318,315	27,958,415
Liabilities and Net Assets		
Current liabilities:		
Accounts payable (Note 5)	\$ 337,761	3,350,244
Accrued expenses and other liabilities	79,014	69,655
Contributions payable (Note 6)	612,000	612,000
Current portion of long-term debt (Note 7)	23,758	22,207
Total current liabilities	1,052,533	4,054,106
Long-term debt, net (Note 7)	23,051,566	11,169,509
Total liabilities	24,104,099	15,223,615
Net assets:		
Unrestricted	5,508,448	1,237,195
Temporarily restricted (Note 13)	6,705,768	11,497,605
Total net assets	12,214,216	12,734,800
Commitments (Notes 3, 6, 8 and 12)		
Total liabilities and net assets	\$ 36,318,315	27,958,415

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Activities
Years ended December 31, 2016 and 2015

	2016	2015
Unrestricted net assets		
Changes in unrestricted net assets:		
Revenue and support:		
Contributions	\$ 52,755	30,785
In-kind donations (Note 10)	13,069	86,274
Rent (Note 11)	569,618	100,980
Interest	2,592	1,847
Other	—	106,000
Total unrestricted revenue and support	<u>638,034</u>	<u>325,886</u>
Net assets released from restriction	<u>7,629,911</u>	<u>2,697,133</u>
Total	<u>8,267,945</u>	<u>3,023,019</u>
Expenses (Note 9):		
Programs:		
Biomedical Cluster	736,656	1,368,648
Infrastructure	2,548,447	912,724
Other	4,828	10,401
Management and general	691,217	390,757
Fundraising	<u>15,544</u>	<u>46,515</u>
Total expenses	<u>3,996,692</u>	<u>2,729,045</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>4,271,253</u>	<u>293,974</u>
Temporarily restricted net assets		
Changes in temporarily restricted net assets:		
Grants (Note 3)	2,838,074	2,739,203
Contributions restricted to investment in property and equipment, net of reclassifications (Note 4)	—	445,356
Grants and contributions released from restrictions	<u>(7,629,911)</u>	<u>(2,697,133)</u>
(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(4,791,837)</u>	<u>487,426</u>
TOTAL (DECREASE) INCREASE IN NET ASSETS	<u>(520,584)</u>	<u>781,400</u>
NET ASSETS, Beginning of year	<u>12,734,800</u>	<u>11,953,400</u>
NET ASSETS, End of year	<u>\$ 12,214,216</u>	<u>12,734,800</u>

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows
Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (520,584)	781,400
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	509,182	78,553
Amortization of debt issuance costs and note discount	143,349	7,944
Contributions restricted to investment in property and equipment	—	(445,356)
Changes in operating assets and liabilities:		
Short-term investments	—	509,432
Contributions and accounts receivable	(51,865)	235,805
Prepaid expenses and other assets	(16,581)	28,443
Accounts payable	254,610	(23,311)
Accrued expenses and other liabilities	9,359	(83,115)
Net cash provided by operating activities	<u>327,470</u>	<u>1,089,795</u>
Cash flows from investing activities:		
Acquisition & construction of property & equipment	(9,804,799)	(23,787)
Additions to construction in progress	—	(14,657,705)
Restricted cash and short-term investments	(3,172,982)	—
Net cash used in investing activities	<u>(12,977,781)</u>	<u>(14,681,492)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted to investment in property and equipment	164,301	4,447,012
Proceeds from long-term debt, net of debt issuance cost	11,762,837	9,617,502
Payments on long-term debt	(22,579)	(23,947)
Net cash provided by financing activities	<u>11,904,559</u>	<u>14,040,567</u>
Net (decrease) increase in cash and cash equivalents	(745,752)	448,870
Cash and cash equivalents, beginning of year	<u>1,925,488</u>	<u>1,476,618</u>
Cash and cash equivalents, end of year	\$ <u><u>1,179,736</u></u>	<u><u>1,925,488</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ <u><u>667,934</u></u>	<u><u>30,644</u></u>
Non-cash activities:		
Property & equipment purchased through accounts payable	\$ <u><u>29,380</u></u>	<u><u>3,296,471</u></u>

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

1. DESCRIPTION OF ORGANIZATION

MCAmericas Holdings, Inc. was formed and incorporated in the State of Texas as a non-profit and 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 Texas 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 project 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 to attract and retain economic development in the City's targeted industries.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

1. DESCRIPTION OF ORGANIZATION (continued)

Pursuant to such Project activities, 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 and 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 Project 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 and awarding grants for biomedical and healthcare research and collaboration, including clinical research and trials.
- 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 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.

**MCAMERICAS HOLDINGS, INC.
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December 31, 2016 and 2015

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 11).
- 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.
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Notes to Consolidated Financial Statements

December 31, 2016 and 2015

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, 2016 and 2015.

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.

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 short-term, interest bearing certificates of deposit with high quality banking institutions in El Paso, Texas having original maturities of three months or less.

Restricted Cash and Restricted Short Term Investments – 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.

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Notes to Consolidated Financial Statements

December 31, 2016 and 2015

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. When incurred, costs associated with the construction of new facilities are shown as construction in progress until such projects are completed. 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 2016 and 2015, approximately 80 percent and 78 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.

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.
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Notes to Consolidated Financial Statements

December 31, 2016 and 2015

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 Statement of Activities and by natural classification in Note 9.

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, 2016 and 2015.

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. During the years ended December 31, 2016 and 2015, issuance costs of approximately \$529,000 and \$149,000, respectively, were recorded. Amortization expense of approximately \$40,000 was recorded in 2016 and \$8,000 in 2015.

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

December 31, 2016 and 2015

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 2016 and 2015.

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) 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, 2016 and 2015, 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.

MCA is subject to audit by taxing authorities; however, there are currently no audits for any tax periods in progress. The tax years ending after 2012 are still open to audit for both federal and state purposes.

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

December 31, 2016 and 2015

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.

Subsequent Events – Management has evaluated subsequent events through February 21, 2017 the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the consolidated financial statements. Events occurring after that date have not been evaluated to determine whether a change in the consolidated financial statements would be required.

3. GRANTS

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, 2016 and 2015, contributions receivable from the Grant were approximately \$2.8 million and \$2.7 million, respectively.

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Notes to Consolidated Financial Statements

December 31, 2016 and 2015

3. GRANTS (continued)

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 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.

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Notes to Consolidated Financial Statements

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4. CONTRIBUTIONS AND ACCOUNTS RECEIVABLE (continued)

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unconditional promises to give before unamortized discount	\$ 27,050	43,013
Less: Unamortized discount	<u>(2,128)</u>	<u>(3,045)</u>
	<u><u>\$ 24,922</u></u>	<u><u>39,968</u></u>

The discount will be recognized as contribution income in years 2017 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>2016</u>	<u>2015</u>
Amounts due in:		
Less than one year	\$ 2,808,264	2,743,716
One to five years	14,000	25,100
More than five years	<u>—</u>	<u>2,500</u>
	<u><u>\$ 2,822,264</u></u>	<u><u>2,771,316</u></u>

Through December 31, 2016, 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, 2016 and 2015, contributions receivable restricted to investment in property and equipment in the accompanying Consolidated Statements of Financial Condition are as follows:

	<u>2016</u>	<u>2015</u>
Unconditional promises to give before unamortized discount	\$ 418,950	589,238
Less: Unamortized discount	<u>(34,768)</u>	<u>(40,755)</u>
	<u><u>\$ 384,182</u></u>	<u><u>548,483</u></u>

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

December 31, 2016 and 2015

4. CONTRIBUTIONS AND ACCOUNTS RECEIVABLE (continued)

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

	<u>2016</u>	<u>2015</u>
Amounts due in:		
Less than one year	\$ 152,950	169,338
One to five years	266,000	372,400
More than five years	<u>—</u>	<u>47,500</u>
	<u>\$ 418,950</u>	<u>589,238</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 2017 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.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	Estimated Useful Life (Years)	<u>2016</u>	<u>2015</u>
Land	-	\$ 1,443,616	1,443,616
Buildings & improvements	15 - 40	26,697,875	470,245
Furniture & fixtures	5 - 7	763,239	7,539
Lab equipment	5	298,816	—
Computer equipment	3	104,121	111,379
Office equipment	3 - 5	<u>134,100</u>	<u>68,367</u>
		29,441,767	2,101,146
Less: Accumulated depreciation		<u>(703,560)</u>	<u>(207,859)</u>
		28,738,207	1,893,287
Construction-in-progress		<u>—</u>	<u>20,816,395</u>
		<u>\$ 28,738,207</u>	<u>22,709,682</u>

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

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5. PROPERTY AND EQUIPMENT (continued)

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

At December 31, 2015, amounts related to the Cardwell Collaborative are reflected in construction-in-progress, including capitalized interest of approximately \$115,000. Capitalized interest of approximately \$374,000 is included in buildings and improvements costs at December 31, 2016. Approximately \$29,000 and \$3.3 million related to the Cardwell Collaborative are included in accounts payable at December 31, 2016 and 2015, respectively.

Depreciation expense for the years ended December 31, 2016 and 2015 was \$509,182 and \$78,553, 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. 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.

7. LONG-TERM DEBT

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 the construction of the Cardwell Collaborative building. The Citizens Loan provides for a 27-month construction loan followed by a 180-month permanent loan. The construction loan bears interest at a daily floating rate equal to 1%

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Notes to Consolidated Financial Statements

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7. LONG-TERM DEBT (continued)

above the Prime Rate, as defined, but not less than 4.25% per annum and matures on May 6, 2017. 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, fixed for the first 7 years of the 15 year term of the loan, but not less than 5.45%. 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%. Tech Park will pay interest only monthly as it accrues for the 27-month term. Beginning on the 28th month, Tech Park will pay the first of 180 monthly installments of principal and accrued interest based upon a 25 year amortization 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 borrowings 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, 2016 and 2015, Tech Park was in compliance with all of the Citizens Loan covenants.

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 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; for Series B loans interest only payments are payable 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, 2016, Tech Park was in compliance with all of the community development entities loan covenants.

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7. LONG-TERM DEBT (continued)

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 \$103,000 at December 31, 2016.

As of December 31, 2016 and 2015, long-term debt consisted of the following:

	<u>2016</u>	<u>2015</u>
NMTC program issue notes payable to Community Development Entities, net of unamortized debt issuance costs of \$496,500	\$ 10,733,500	—
Citizens Construction Loan, net of unamortized debt issuance costs of \$133,412 in 2016 and \$141,546 in 2015	10,695,132	9,625,445
Non-interest bearing note payable to City of El Paso, net of unamortized discount of \$738,474 in 2016 and \$841,474 in 2015	1,161,526	1,058,526
Mortgage note payable to bank	485,166	507,745
Less: Current portion	<u>(23,758)</u>	<u>(22,207)</u>
Noncurrent portion	<u>\$ 23,051,566</u>	<u>11,169,509</u>

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7. LONG-TERM DEBT (continued)

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.

Maturities of long-term debt, exclusive of debt issuance costs of \$629,912, are as follows:

Year ending December 31,

2017 \$	141,561
2018	239,774
2019	253,549
2020	266,432
2021	283,430
Thereafter	22,520,489
	<u>\$ 23,705,235</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 Note 9, were \$29,580 in 2016 and \$35,034 in 2015.

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

December 31, 2016 and 2015

9. NATURAL CLASSIFICATION OF EXPENSES

MCA operating expenses are reported in the Consolidated Statements of Activities by functional classification. Operating expenses by their natural classification were as follows for the years ended December 31, 2016 and 2015:

		Programs			Supporting Activities		2016 Total	2015 Total
		Biomedical Cluster	Infrastructure	Other	Management and General	Fundraising		
Salaries	\$	294,844	250,096	4,198	472,817	6,020	1,027,975	1,092,227
Employee benefits		21,820	20,142	119	31,598	433	74,112	87,117
Payroll taxes		21,214	17,587	234	34,413	489	73,937	78,755
Total salaries and related expenses		337,878	287,825	4,551	538,828	6,942	1,176,024	1,258,099
Personnel-related expenses		(3,531)	3,919	18	5,786	79	6,271	104,831
Professional and contract services		22,789	6,101	—	64,786	—	93,676	168,274
Marketing & PR		8,887	7,041	—	18,177	8,053	42,158	122,901
Office expense		40,050	4,416	22	9,345	149	53,982	95,353
Other administrative expense		17,888	18,111	234	34,365	320	70,918	103,621
Contributions expense		—	612,000	—	—	—	612,000	612,000
Building expense		—	310,651	—	—	—	310,651	350
Grant expense		13,037	—	—	—	—	13,037	—
PDN Challenge expenses		270,818	—	—	—	—	270,818	43,330
Depreciation		25,678	471,368	—	12,136	—	509,182	78,553
Insurance		1,774	6,422	3	5,423	1	13,623	16,871
Donated goods and services		1,388	9,310	—	2,371	—	13,069	86,274
Interest		—	811,283	—	—	—	811,283	38,588
Total expenses reported by function on the Statement of Activities	\$	<u>736,656</u>	<u>2,548,447</u>	<u>4,828</u>	<u>691,217</u>	<u>15,544</u>	<u>3,996,692</u>	<u>2,729,045</u>

10. DONATED MATERIALS, EQUIPMENT AND SERVICES

MCA received in-kind revenue during 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Marketing	\$ 7,413	14,702
Internet costs & IT services	1,521	3,620
Legal and professional	4,135	9,225
Consulting	—	58,427
Supplies and other	—	300
	<u>\$ 13,069</u>	<u>86,274</u>

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Notes to Consolidated Financial Statements

December 31, 2016 and 2015

11. RENTAL REVENUE

In February 2015, Tech Park and Texas Tech University Health Sciences Center El Paso ("Tenant"), a state agency, entered into an agreement to lease the second floor of the Cardwell Collaborative building for a ten year term ("Lease Agreement") which began in June 2016. The Lease Agreement provides for annual rentals of \$585,600 payable in monthly installments plus Tenant's proportionate share of operating costs of the leased premises and common areas as additional rent. Tenant, at its option, may extend and renew the Lease Agreement for four additional periods of 5 years each with written notice. Minimum rentals under the lease agreement at December 31, 2016 are as follows:

Year ending December 31,		
2017	\$	585,600
2018		585,600
2019		585,600
2020		585,600
2021		585,600
Thereafter		<u>2,537,600</u>
	\$	<u><u>5,465,600</u></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.

12. COMMITMENTS

□ At

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Operating purposes	\$ 3,148,604	3,774,317
Investment in property and equipment	<u>3,557,164</u>	<u>7,723,288</u>
	<u>\$ 6,705,768</u>	<u>11,497,605</u>

14. INCOME TAXES

At December 31, 2016 and 2015, 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 losses generated through December 31, 2016. A valuation allowance for the full amount of the deferred tax assets relating to such tax loss carryforwards has been recorded.

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

15. RELATED PARTY TRANSACTIONS

During 2016 and 2015, contributions from certain officers, members of the Board and entities with common board members totaled approximately \$12,500 and \$150,000, respectively. Undiscounted pledges and contributions receivable from such related parties were approximately \$397,000 and \$298,000 as of December 31, 2016 and 2015, respectively.

SUPPLEMENTARY INFORMATION

**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
Contributions and accounts receivable	7,310,986	20,685	32	—	92,067	—	(4,608,634)	2,815,136
Prepaid expenses	4,053	—	—	—	15,854	—	—	19,907
Total current assets	8,204,649	21,625	67,301	30,832	298,006	1,000	(4,608,634)	4,014,779
Non-current assets:								
Restricted cash and short-term investments	2,338,375	—	—	—	834,607	—	—	3,172,982
Contributions 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	\$ 14,592,766	21,625	620,528	30,832	28,881,574	431,293	(8,260,303)	36,318,315
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 53,225	3,350	—	358,161	4,419,189	112,470	(4,608,634)	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	4,420,454	113,735	(4,608,634)	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	26,662,154	462,193	(4,608,634)	24,104,099
Net assets:								
Common stock	—	—	—	1,000	—	—	(1,000)	—
Additional paid in capital	—	—	—	3,650,669	—	—	(3,650,669)	—
Unrestricted	7,166,094	—	134,097	(3,980,263)	2,219,420	(30,900)	—	5,508,448
Temporarily restricted	6,705,768	—	—	—	—	—	—	6,705,768
Total net assets	13,871,862	—	134,097	(328,594)	2,219,420	(30,900)	(3,651,669)	12,214,216
Total liabilities and net assets	\$ 14,592,766	21,625	620,528	30,832	28,881,574	431,293	(8,260,303)	36,318,315

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidating Statement of Financial Position
December 31, 2015

	Medical Center of the Americas Foundation	MCAmericas Holdings, Inc.	MCAmericas Realty, Inc.	RedSky	MCA Tech Park, Inc.	MCA Reverse Realty, Inc.	Eliminations	Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 1,581,923	1,000	47,941	36,839	256,785	1,000	—	1,925,488
Contributions receivable	8,922,533	10,628	—	—	—	—	(6,169,890)	2,763,271
Prepaid expenses	3,134	7,172	948	237	—	—	—	11,491
Total current assets	10,507,590	18,800	48,889	37,076	256,785	1,000	(6,169,890)	4,700,250
Non-current assets:								
Contributions restricted to investment in property and equipment	548,483	—	—	—	—	—	—	548,483
Property and equipment, net	8,807	—	567,240	43,623	21,659,719	430,293	—	22,709,682
Investment in RedSky	3,583,269	—	—	—	—	—	(3,583,269)	—
Total assets	\$ 14,648,149	18,800	616,129	80,699	21,916,504	431,293	(9,753,159)	27,958,415
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ —	2,000	—	357,571	9,048,078	112,485	(6,169,890)	3,350,244
Accrued expenses and other liabilities	46,604	16,800	1,300	2,200	1,500	1,251	—	69,655
Contributions payable	612,000	—	—	—	—	—	—	612,000
Current portion of long-term debt	—	—	22,207	—	—	—	—	22,207
Total current liabilities	658,604	18,800	23,507	359,771	9,049,578	113,736	(6,169,890)	4,054,106
Long-term debt, net	—	—	485,538	—	10,366,414	317,557	—	11,169,509
Total liabilities	658,604	18,800	509,045	359,771	19,415,992	431,293	(6,169,890)	15,223,615
Net assets:								
Common stock	—	—	—	1,000	—	—	(1,000)	—
Additional paid in capital	—	—	—	3,582,269	—	—	(3,582,269)	—
Unrestricted	2,491,940	—	107,084	(3,862,341)	2,500,512	—	—	1,237,195
Temporarily restricted	11,497,605	—	—	—	—	—	—	11,497,605
Total net assets	13,989,545	—	107,084	(279,072)	2,500,512	—	(3,583,269)	12,734,800
Total liabilities and net assets	\$ 14,648,149	18,800	616,129	80,699	21,916,504	431,293	(9,753,159)	27,958,415

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidating Statement of Activities
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 donations	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 other 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	13,989,544	—	107,085	(3,862,341)	2,500,512	—	—	12,734,800
NET ASSETS, End of year	\$ 13,871,862	—	134,097	(3,980,262)	2,219,419	(30,900)	—	12,214,216

See accompanying notes to consolidated financial statements.

**MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES**

Consolidating Statement of Activities
For the Year Ended December 31, 2015

	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	\$ 30,785	—	—	—	—	—	—	30,785
Grant	—	43,329	—	—	246,013	23,679	(313,021)	—
In-kind donations	77,622	180	—	—	7,522	950	—	86,274
Management fees	355,200	—	—	—	—	—	(355,200)	—
Rent	—	—	100,980	—	—	—	—	100,980
Interest	16,923	—	—	—	876	—	(15,952)	1,847
Other	—	—	—	106,000	—	—	—	106,000
Total revenue and other support	480,530	43,509	100,980	106,000	254,411	24,629	(684,173)	325,886
Net assets released from restriction	2,697,133	—	—	—	—	—	—	2,697,133
Total	3,177,663	43,509	100,980	106,000	254,411	24,629	(684,173)	3,023,019
Expenses:								
Programs:								
Biomedical Cluster	309,257	—	—	1,216,943	—	—	(157,552)	1,368,648
Infrastructure	1,083,884	—	66,217	—	207,566	24,629	(469,572)	912,724
Other	10,401	—	—	—	—	—	—	10,401
Management and general	404,297	43,509	—	—	—	—	(57,049)	390,757
Fundraising	46,515	—	—	—	—	—	—	46,515
Total expenses	1,854,354	43,509	66,217	1,216,943	207,566	24,629	(684,173)	2,729,045
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	1,323,309	—	34,763	(1,110,943)	46,845	—	—	293,974
Temporarily restricted net assets								
Changes in temporarily restricted net assets:								
Grants	2,739,203	—	—	—	—	—	—	2,739,203
Contributions	—	—	—	—	—	—	—	—
Contributions restricted to investment in property and equipment, net of reclassification	445,356	—	—	—	—	—	—	445,356
Grants and contributions released from restrictions	(2,697,133)	—	—	—	—	—	—	(2,697,133)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	487,426	—	—	—	—	—	—	487,426
TOTAL INCREASE (DECREASE) IN NET ASSETS	1,810,735	—	34,763	(1,110,943)	46,845	—	—	781,400
NET ASSETS, Beginning of year	12,178,809	—	72,322	(2,751,398)	2,453,667	—	—	11,953,400
NET ASSETS, End of year	\$ 13,989,544	—	107,085	(3,862,341)	2,500,512	—	—	12,734,800

See accompanying notes to consolidated financial statements.





MCAmericas
HOLDINGS, INC.

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Improving Health.
Building Prosperity.*

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