



MC Americas HOLDINGS, INC.

ANNUAL 2015

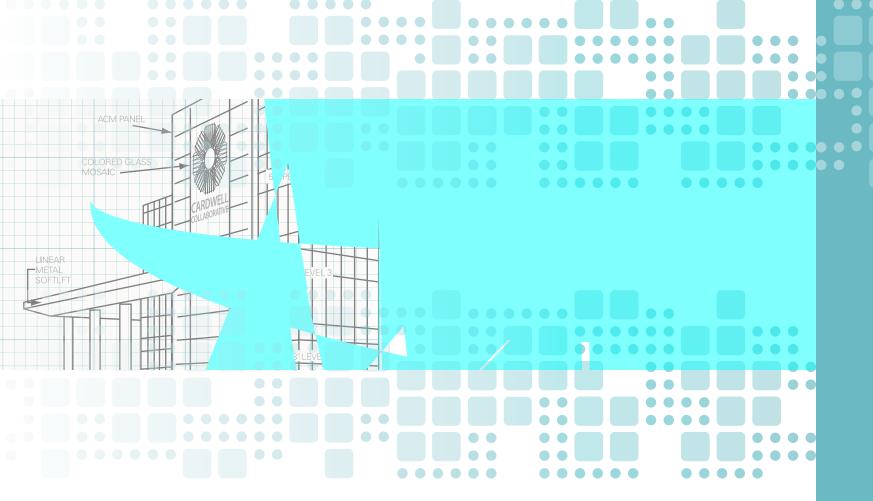


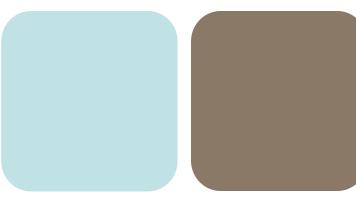
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Reflection on 2015







From concept to reality! On December 31, 2015, construction on the Cardwell Collaborative was 82% complete. On-time and on-budget. It is amazing to think that the groundbreaking ceremony for this project was held in February 2015, less than a year before. Significant and exciting progress...

This 60,000 square foot building is more than just a real estate development. It is more than office space. It is more than wet and dry lab space. It is more than a data bank and computing center. It is more than a "collaboratory." It is more than the entrance to the Medical Center of the Americas campus. It is the symbol to our community that the game has changed in the Paso del Norte region. We have proven that we can come together as a community to strive for something that will better us, create more quality opportunities and honor our true potential. It is a force changing the way that our community sees itself and the way that other communities see us. It is a unifier. It is the future of our region.

I am proud of so many people and partners for supporting this project: the City of El Paso, Jack Cardwell, TTUHSC El Paso, Citizens Bank of Las Cruces, the Economic Development Administration, our generous donors, all the MCA board of directors, the MCA staff and many others. The teamwork demonstrated to get this project accomplished is commendable, and the entire MCA team is grateful to the community for its support, guidance and trust.

While work on this amazing building was ongoing, the MCA also created a program that will help to catapult our region's high-tech entrepreneurial spirit out of this world. In December 2015, the MCA announced the SPACE RACE, a PDN innovation challenge. This innovative business plan competition identifies riskreduced, regionally relevant NASA technologies, and forms multi-disciplinary teams that will develop business plans through a robust accelerator training and competition. Winning teams will be assisted in forming start-up companies that may be funded by local angel, seed and venture investors. The exposure that this program will bring to the region is significant. Not only will it bring quality, high-tech deal flow, entrepreneurial training and media attention to our region, it will also familiarize non-local teams, mentors, judges and funders with our region's assets and capabilities.

The process that the region is going through to execute the SPACE RACE will also create a lasting change in how we collaborate and how we succeed. The program was designed to be truly regionally inclusive and to offer incentives for all to participate. We are hoping to create a regional event that introduces advanced technologies in a new and accessible way, wakes up the entrepreneurial spirit and constructs a strong innovation ecosystem that will drive economic prosperity.

If you haven't joined us already, please join us now. There is a place for you and for everyone!

Edward Escudero

Before I write about what I think is in store for 2016, I must take a moment to acknowledge the amazing staff, contractors and board directors that are the heart, mind and muscle of the MCA. Each is unique and talented, committed to the mission of the MCA, unbounded by their imaginations as they dream up ways to bring success, hard-working and dedicated to accountability and accomplishment, and loyal to the greater good of the community. We have become a family, relying on each other, helping each other grow, and watching each other succeed. It is a privilege to work with, learn from and be friends with each of them. I am proud to be a part of this organization, and I am grateful that they are part of the MCA!

Now, on to 2016.... 2016 is the year I have been waiting for since 2006 – 10 years ago when we started this journey. Not only do we complete construction on the Cardwell Collaborative and move into this amazing building, but we also launch the SPACE RACE, a PDN Innovation Challenge. This is where the real estate side of the MCA literally blends with the programmatic side of the MCA. Through the Cardwell Collaborative we provide biomedical innovation and collaborative spaces, and through the SPACE RACE we provide amazing deal flow through NASA inventions, intensive entrepreneurial training, team building, mentoring and start-up support. Both officially open and launch in 2016, and the SPACE RACE will fill the Cardwell Collaborative with life.

As you know, the Cardwell Collaborative has become the icon for our region's proliferating biomedical industry. This year it becomes a reality. I can't wait to see the ideas that are inspired, the discoveries that are made, the partnerships that are created, and the companies that are formed there.... The spaces being created in the Cardwell Collaborative were designed with the community in mind. This is your place. I urge you to come learn more about it, and be a part of the innovation and creation that will take place there.

The SPACE RACE is aimed at waking up the sleeping high-tech entrepreneurial giant that I know is in our region. Over the past 15 years, our region has done all the right things to prepare it for the coming of a high-tech industry. It has invested in elevating our K-12 and higher education, it has advanced its manufacturing capabilities, it has created visionary and strategy organizations to support economic development efforts, it has improved its infrastructure and quality of life projects, it has recruited amazing people, and it has started to break down silos so that more collaboration is possible. This is the right time in the Paso del Norte region to launch an ambitious and unique program like the SPACE RACE.... with a goal of launching several high-tech start-up companies using NASA technologies. I know we can do it with the continued support of the entire community.

In the words of Edith Widder, "Exploration is the engine that drives innovation. Innovation drives economic growth. So let's all go exploring." I could not have said it better. We hope that through the MCA, the community finds a platform to explore, innovate and grow. We will now have the facility to support such efforts, we have NASA technologies to create our deal flow, and now we need you to put the effort and mind power into creating strong high-tech start-ups that will lead to economic prosperity.

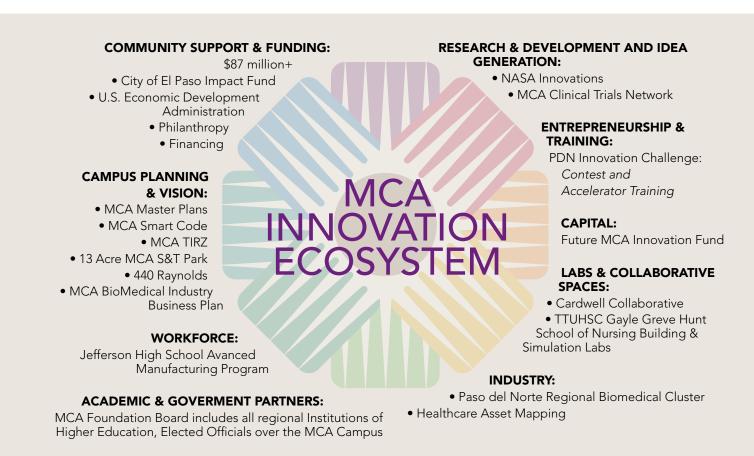


About Us

MISSION

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The MCA Foundation works to improve access to quality healthcare in the Paso del Norte region by building a better healthcare infrastructure, providing superior healthcare and educational opportunities, and attracting researchers and healthcare providers to the region.



TEAM

SENIOR MANAGEMENT

Carlos Ortega, Chief Financial Officer

Emma W. Schwartz, President

STAFF

Jesus Carrillo, Manager of Engineering Projects

Jeff Fuchsberg, Director of Intellectual Property and Innovation Projects

Martha Hood, Director of Accounting

Humberto Lara-Guerra, Director of Clinical and Translational Research

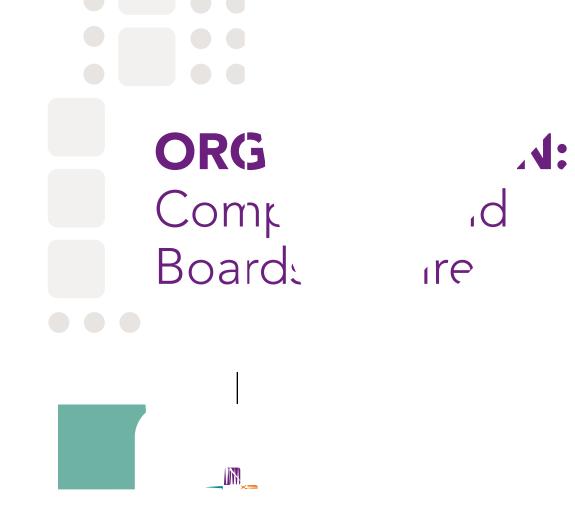
Marianne D. Mijares, Executive Assistant

Priscila Olaque, Intern

Beverly Rebe, Corporate Governance

Angelica Rosales, Operations Manager

Stephen Voglewede, Assistant Director of Laboratory Projects



Thank You 2015 Donors

CARDWELL COLLABORATIVE

Leadership Donors

Jack Cardwell **Hunt Family Foundation** Douglas and Emma Schwartz Robert E. and Jacqueline B. Skov Henry Yoshawirja, Po Hu and Simon Hu Families

Contributing Donors

Alan and Elizabeth Abbott Richard Aguilar Tom and Deena Bohannon David and Flo Buchmueller Lisa Budtke Dalton and Kimberlea Caldwell EP Marcus Investments LP Margie and Edward Escudero Guy Fields and Cindy Lyons

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MIMCO Luigi Pereira

Beverly Rebe

Rio Bravo Title LLC

Joe Rosales, Sr. (In memory of Rose Rosales)

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James Volk

Steve and Tracy Yellen

BLUE SKY SPONSOR

El Paso Electric Company

SUN SPONSORS

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See CROWDFUNDING DONORS on page 14

Programs

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CARDWELLCollaborative

In 2015, the Cardwell Collaborative went from vision to reality. A tremendous amount of community support went into successfully breaking ground on the region's first biomedical technology commercialization center. On February 3, 2015, El Paso City Council unanimously approved the 3rd Amendment to the Economic Development Program Grant Agreement with the MCA to assist the MCA with the building's financing requirements. On February 6, 2015, MCA Tech Park, Inc. closed on an \$18.6 million construction loan from Citizens Bank of Las Cruces, with participation by First National Bank and Bank of Texas - a local community banking consortium. On February 9, 2015, Jordan Foster Construction began construction of the Cardwell Collaborative, and 10 days later, a groundbreaking ceremony was held with over 200 people in attendance. By December 31, 2015, construction of the Cardwell Collaborative was 82 percent complete, on-schedule and on-budget. Occupancy is expected in June 2016.

FEATURES:

- 60,000 square foot building, glass curtain wall on north exterior, contemporary interiors, expected 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)
- Fully-furnished office incubator with shared services
- Shared spaces (conference center, collaboration spaces, café)

ANCHOR TENANTS:

- MCA Foundation
- TTUHSC El Paso

KEY PROJECT COLLABORATORS:

- City of El Paso
- Citizens Bank of Las Cruces, First National Bank, Bank of Texas
- Donors
- MCA Board of Directors

PROJECT TEAM:

- Owner: MCA Tech Park, Inc.
- Project Managers: Broaddus & Associates and ECM International
- Architects: Philo Wilke Partnership
- General Contractor: Jordan Foster Construction
- Commissioning: Bath Commissioning Corporation
- Test Adjust Balance: Campos Engineering
- Security: SD Technologies
- Construction Material Testing: Professional Service Industries, Inc.
- Cabling / IT / AV: Comco, Inc.



SMALL BUSINESS ADMINISTRATION GROWTH ACCELERATOR FUND

In 2015, RedSky was announced as one of fifty national winners of the Small Business Administration Growth Accelerator Fund. The fund is being used to help prepare regional entrepreneurs for success in the area of healthcare innovation and commercialization. The winning grant proposal was developed to build out and integrate RedSky's work in healthcare innovation, entrepreneurship and scale start-ups into the small business and workforce ecosystems for the region. Partners for the initiative include Workforce Solutions Borderplex, The Small

Business Development Center at El Paso Community College and the Women's Business Border Center at the El Paso Hispanic Chamber of Commerce.

CLINICAL TRIALS NETWORK

In January 2015, Humberto Lara-Guerra, MD, PhD joined RedSky as Director of Clinical and Translational Research. Under Dr. Lara-Guerra's leadership, the clinical research team has identified liver diseases, and liver cancer in particular, as both disproportionately impacting the region's population and as an understudied problem. In the fall of 2015, RedSky began its Liver Diseases Research Consortium. The consortium brings together regional academic institutions, hospitals, federally qualified health centers, patient advocates and patients to pursue liver disease research and recruit clinical trials as one major collaborative unit.

Gayle Greve Hunt School of Nursing

The Texas Tech University Health Sciences Center El Paso Gayle Greve Hunt School of Nursing (GGHSON) Building officially opened on February 3, 2015 with a ribbon cutting ceremony at its new location on the corner of Concepcion Street and Alberta Avenue in El Paso.

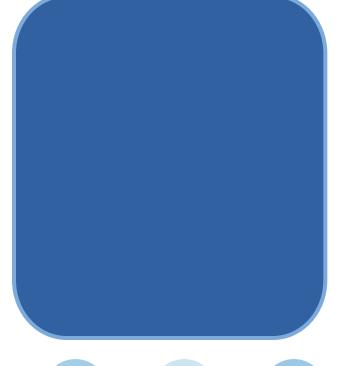
The new 34,000-square-foot facility, which is located directly across from the Paul L. Foster School of Medicine Medical Education Building on the MCA campus, includes a high-tech environment for faculty and students; a 12,000-square-foot simulation lab; four classrooms; and collaborative learning spaces. The GGHSON offers an accelerated Bachelor of Science in Nursing (BSN) Program as well as a new RN to BSN program.

The MCA Foundation provided an \$11 million grant to TTUHSC for the development of this facility to further the MCA campus development and eductional opportunities.

SPACE RACE, A PDN INNOVATION CHALLENGE

The MCA Foundation collaborated with the Center for Advancing Innovation (CAI), a non-profit organization based in Washington, D.C., to launch the Space Race, a Paso del Norte (PDN) Innovation Challenge designed to spur regional economic growth by launching new start-ups to advance and commercialize NASA's commercially viable inventions. This Challenge will help address the PDN region's biggest challenges to growing the entrepreneurial ecosystem: lack of commercially-viable deal flow and limited trained entrepreneurs. Multi-disciplinary teams will enter the business plan competition based on the NASA technologies selected by the MCA Foundation. Teams will engage in a robust accelerator training that will help to build their business plans, elevator pitches and pitch decks, then pitch to a panel of judges on demo day. Winning teams will be given a monetary prize and encouraged to pursue a start-up company, licensing technology from NASA. Winning teams that form start-ups will be eligible to apply for regional seed funding.





PASO DEL NORTE REGIONAL BIOMEDICAL CLUSTER: HEALTHCARE ASSET MAPPING

In November 2015, the Healthcare Asset Mapping project was launched with focus on obtaining and organizing information from the healthcare and technology industry in the Paso del Norte region. Within these healthcare industries, 26 different business sectors have been identified for data collection. Working with students from the Medical Professionals Organization at the University of Texas at El Paso, data will be gathered and used for a variety of uses, including strategic planning, biomedical cluster tracking, and asset map creation for the region.

Campaign

In October 2015, the MCA Foundation launched a crowdfunding campaign to raise \$150,000 from the community at-large to go towards a \$10 million capital campaign for the Cardwell Collaborative. In addition to raising funds from members of the community, the crowdfunding campaign has also served as an outreach opportunity to engage the greater Paso del Norte community – providing information about the Cardwell Collaborative and the activities that will go on inside. Participants who donate \$100 or more to the crowdfunding campaign will have the opportunity to get a sneak-peak of the Cardwell Collaborative on a private tour before the official opening scheduled for June 2016. To accompany the crowdfunding campaign, the MCA produced a short video on the Cardwell Collaborative to introduce the facility and highlight the possible innovations that could be developed within its walls. To date the MCA Foundation has raised close to \$60,000. We would like to thank and acknowledge all the captains and donors who have participated in our crowdfunding campaign.

Alan Abbott Leah Abresch Ron Acton Ralph Adame Richard Aguilar Jerry Akin Richard Amstater **Edmund Archuleta** Marshall Barclay
Cynthia Bilbe
Earl B. Blacksher Rep. Cesar Blanco **Bea Briones** Adin Brown J. Keith Butler Alex Cabrera Dalton Caldwell Joe Cardenas Tom Cardenas Cynthia Cardona Nancy Carlson Jesus Carrillo Alyssa Cervantes Benavides Cindy Cooper John Cullers J. C. Currey Priscilla De Lucio

J. C. Currey
Priscilla De Lucio
Steve DeGroat
Jan Engels
Judge Veronica Escobar
Edward Escudero
Rafael Espinoza
Johnny Faulkner
Michelle Fenton
Luis Fernandez
Miguel A. Fernandez
Miguel Fernandez, Jr.
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Rick Francis
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Harold Hahn
Harvey Hilley
Martha Hood
Ted Houghton
Terry Hudson
Chris Hunt
Arturo Iglesias

Will Jewell

Renard Johnson Daniel Kelly Mary E. Kipp Andy Krafsur

Brad Kuykendall

Steve Lauterbach

Judith Lopez William Lovelady Rodrigo Lugo Neal Luther

Cindy Lyons Melissa Maciaws Meyer Marcus D. R. Margo John Martin
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Marianne Mijares
Michael Miles
Ceci Miles Mulvihill
A.R. Miller III
Rocky Miracle
Agustin Montes II
Ron Munden
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Dan Olivas
Raul Ordaz
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Michelle Ortega
Steve Ortega
Sylvia Ortega
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William Patton
Kathleen Peyton
Gary Paul Porras
Larry Porras
Nadia Powell
Cesar Ramos
Beverly Rebe
Rennie Rebe

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DJreRonCal G. Shapiero RichardShephder TomShRocleyTJTSonaaSilvgaTjTobbyaSkovlTjTRs

RichardThorpeo ocosoTJTusswele VundebuergTJTStphdne V4ol

oes T Henry

MCA in the News





MCAmericas Holdings, Inc. and Subsidiaries Management's Discussion and Analysis of Financial Condition and Results of Activities Year Ended December 31, 2015

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. On August 29, 2013, the Internal Revenue Service recognized Holdings as exempt from federal income tax under Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code ("IRC") and subsequently became 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 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

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Major Accomplishments

A summary of major accomplishments during 2015 are as follows:

- In February of 2015, Dr. Humberto Lara-Guerra joined MCA to lead the Clinical Trials Network effort. He has quickly established himself within the community and has been actively building collaborations in the community. As a result, the creation of MCA Foundation's clinical research network began moving forward during 2015. The network's initial focus will be liver cancer, a malignancy that is under-investigated but of high importance for the region with strong potential funding opportunities. The Liver Diseases Research Consortium is a collaborative effort with partners in El Paso, Las Cruces and potentially Ciudad Juarez, and strong academic partners both inside and outside Texas. Within the PDN community, potential partners at all levels have been approached: hospitals, clinics, community centers, universities, non-for-profit organizations, the Health Information Exchange and insurance companies. This initiative will tackle liver disease from prevention and early detection up to treatment and follow-up in order to reduce its immense burden on our region while also strengthening health research collaborations in the community. For this effort, MCA Foundation is pursuing different grants and partnerships with pharmaceutical companies as well as the Cancer Prevention Research Institute of Texas (CPRIT) to organize relevant clinical trials.
- On February 3, 2015, El Paso City Council unanimously approved the 3rd Amendment to the Economic Development Program Grant Agreement with Foundation to assist Tech Park with the building's financing requirements.
- On February 3, 2015, TTUHSC El Paso had the Ribbon Cutting ceremony for the Gayle Greve Hunt School of Nursing building. With that, MCA affirmed that the building had been fully completed and that nursing school operations had moved into the building.
- On February 6, 2015, Tech Park and TTUHSC El Paso entered into a ten year Lease Agreement for approximately 20,000 square feet of space in the Cardwell Collaborative.
- On February 6, 2015, Tech Park and Jordan Foster Construction entered into a General Contractor Agreement for the construction of the Cardwell Collaborative in the amount of approximately \$20.4 million.
- On February 6, 2015, Tech Park closed on an \$18.6 million Construction Loan from Citizen's Bank of Las Cruces, with participation by First National Bank and Bank of Texas a local community bank consortium.
- On February 9, 2015, Jordan Foster Construction began construction of the Cardwell Collaborative building.
- From February 9-11, 2015, MCA attended El Paso Days in Austin to educate elected officials on MCA projects and its request for \$4 million for the equipment to create a High Performance Computing Center that would be located in the Cardwell Collaborative.
- On February 19, 2015, MCA held a Ground Breaking Ceremony for the Cardwell Collaborative Building. Approximately 200 people attended the event.
- At the end of 2015, construction on the Cardwell Collaborative was 82% complete. Construction milestones during 2015 include:
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- Mechanical Penthouse steel framing completed
- Interior and exterior steel framing
- Mechanical, Electrical and Plumbing installation
- Gyp-board installation on exteriors
- Steel framing and waterproofing on exteriors
- Window installation
- Shade installation
- North facing curtain wall installation
- Aluminum siding installation
- Roofing
- o Initial clean-up of the Brentwood Channel completed by the Public Service Board
- Improvement to the Brentwood Channel guardrail and pedestrian walkway
- Furniture, lab casework and lab equipment final selections made, purchase orders issued, shop drawings completed and approved, fabrication commenced on lab casework.
- In August 2015, Foundation completed a two-minute promotional video of the Cardwell
 Collaborative to lead a crowdfunding campaign effort aimed at raising \$150,000 in smaller
 donations from a wider group of donors over a two year period. The video has been very
 positively received by the community, as it provides insight into the exciting projects that may
 be housed in the Cardwell Collaborative.
- On August 19, 2015 and August 20, 2015, respectively, the RedSky Board and management team
 evaluated RedSky resource allocation as well as different and exciting new seed accelerator
 models that would help to address some of the long-standing obstacles to innovation and
 commercialization in the Paso del Norte region, including a lack of deal flow and few technology
 entrepreneurs.
- On August 20, 2015, RedSky was notified that it was one of 50 winners out of a pool of 800 applicants to the Small Business Administration's 2015 Growth Accelerator Fund competition.
 The purpose of this grant is to better integrate RedSky's seed accelerator into the El Paso community through partnerships with Workforce Solutions Borderplex, the Hispanic Chamber of Commerce and El Paso Community College. The grant funds will go towards efforts with these groups to educate and better prepare potential applicants to the seed accelerator, and hopefully, make the accelerator more successful through a larger, better pool of more prepared applicants.
- On October 20, 2015, Foundation was awarded a \$30,000 JPMorgan Chase Foundation Grant for
 the planning and project management of an advanced manufacturing workforce development
 project at Jefferson High School in conjunction with El Paso Independent School District,
 Workforce Borderplex, and several industry partners. The goals of the program are to convert a
 poor-performing school in the footprint of the MCA campus into an early college high school
 focused on advanced manufacturing skills essential to a biomedical industry and to develop an
 advanced manufacturing training facility on the Jefferson campus.
- On October 30, 2015, the RedSky Board agreed on new strategy and direction for the seed accelerator model, described as the "PDN Innovation Challenge." Foundation and Holdings Boards also approved the new Challenge model for immediate implementation on November 4, 2015.
- Subsequent to November 4, Foundation signed an Agreement with the Center for Advancing Innovation (a 501(c)(3) non-profit based in Washington, DC) to develop a forthcoming startup challenge, the "PDN Innovation Challenge, A Space Race – powered by the MCA Foundation," focused on launching high tech start-up companies in El Paso based on technologies developed

by NASA. The Challenge will follow a similar format of successful contests previously developed and managed by the Center for Advancing Innovation for the National Institutes of Health ("NIH") with the support of the Avon Foundation and the Heritage Foundation. The PDN Innovation Challenge will follow a similar model for technologies developed by both NIH and NASA (whose technologies have not previously been included in any challenges), with the goal of attracting 50% of the program participants from the Paso del Norte region's best and brightest. Work is underway for program development, invention selection, and access to local investment funding to provide early stage funding for the most promising companies to ensure lasting local impact.

The program will run for up to four years, should the Foundation provide Notice to Proceed to a subsequent Challenge, each year with a different technology focus that is aligned with the Region's Strategic Plan:

- Year 1 = Advanced Manufacturing
- Year 2 = Life Sciences (with a cluster-specific focus to be determined)
- Year 3 = Clean Energy and Water Technologies
- Year 4 = Border Trade and Cyber Security

The program will provide a 4 to 6 month robust mandatory web-based accelerator training to participating teams that will help the teams develop business plans, pitch decks and elevator pitches that will be presented to a panel of distinguished judges. Up to 10 winning teams selected each year (one team for each NASA technology included in the Challenge) will be given a prize as well as the right to launch the start-up company with an initial equity ownership in the company ranging from 45% to 51%. Over 4 years, up to 40 start-ups are expected to be launched. The "intangible goals" of the Challenge include:

- Providing national and international exposure to the PDN region's resources (e.g., universities, incubators, professional resources, City of El Paso incentives and programs, regional manufacturing industry).
- Bringing high-level tech executives to the region on multiple occasions for demo days, etc. for networking and familiarization.
- Providing national and international exposure to the PDN region's quality of life offerings.
- Creating incentives for regional stakeholders to collaborate.
- Providing training to various organizations not directly participating in Challenge team through the accelerator training (e.g., Hispanic Chamber staff, Workforce Borderplex staff, EPISD teachers, administrators and students, etc.).
- Creating a key event in the region that will unlock its underlying entrepreneurial potential.
- Beginning in November 2015, MCA began leading a major data collection project in El Paso, Las
 Cruces and Juarez to capture the size, capacity and capabilities of the regional biomedical cluster, as
 well as to track changes.

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ANNUAL REPORT 2015

Financial Highlights

MCA net assets for the year 2015 increased by approximately \$781,000 as compared to approximately \$743,000 in 2014. The slight increase over the prior year was primarily attributable to the decrease in expenses from the prior year of approximately \$390,000 which was partially offset by lower revenues from 2014 of approximately \$350,000. The lower revenues in 2015 were primarily attributable to a grant awarded in 2014 by the U.S. Department of Commerce Economic Development Administration ("EDA") to support design and engineering for the Cardwell Collaborative.

MCA expenses for the year 2015 decreased from approximately \$3.1 million in 2014 to approximately \$2.7 million. The net decrease in expenses was primarily attributable to the following:

- Salaries, wages and benefits decreased approximately \$463,000 due primarily to certain changes in strategic direction and reallocation of resources for Biomedical Cluster Programs.
- Marketing expenses increased approximately \$60,000 due to certain marketing and promotional expenses incurred by RedSky as well as various crowdfunding, social media and web content expenses for MCA.
- Professional and contract services increased approximately \$59,000 due to certain RedSky grant writing activities outsourced as well as increased legal fees related to RedSky operations.
- Approximately \$43,000 was incurred in connection with the PDN Innovation Challenge which
 was approximately \$73,000 less than amounts incurred in connection with proof of concept
 awards and the Dynamica regional symposium held in November 2014.

Liquidity and Financial Resources

MCA total assets at December 31 increased from approximately \$14.5 million in 2014 to approximately \$28 million in 2015. The net increase in assets was primarily attributable to the increase in construction-in-progress for the Cardwell Collaborative of approximately \$17.8 million which was partially funded by early collection of contributions receivable restricted to the Cardwell Collaborative from a certain donor in the amount of approximately \$3 million.

MCA total liabilities at December 31 increased from approximately \$2.5 million in 2014 to approximately \$15.2 million in 2015 primarily due to the secured construction loan credit facility with Citizens Bank and the increase in accounts payable related to construction of the Cardwell Collaborative.

MCA net assets at December 31 increased from approximately \$11.9 million in 2014 to approximately \$12.7 million in 2015.

During 2015, MCA operating activities provided cash of approximately \$1.1 million as compared to cash provided by operating activities of approximately \$11,000 in 2014. The increase was primarily attributable to the maturity of certain short term investments and the collection of various contributions receivable.

MCA investing activities used cash of approximately \$14.7 million in 2015 primarily for construction of the Cardwell Collaborative. Construction-in-progress amounts through 2015 have been funded by Cardwell Collaborative contributions received, EDA grant proceeds, construction loan proceeds and MCA's cash balances.

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MCA financing activities provided cash of approximately \$14 million in 2015 primarily due to construction loan proceeds and Cardwell Collaborative contributions received in 2015.

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 and contributions receivable totaling approximately \$4.7 million at December 31, 2015, MCA believes its financial resources are sufficient to fund its operating obligations during the year ending December 31, 2016.

Funding for the Cardwell Collaborative development is expected to be provided primarily from a combination of bank loans, EDA government grant proceeds and capital campaign contributions from private donors. MCA intends to raise an additional \$2 million over the next two years, bringing total Cardwell Collaborative campaign contributions to approximately \$10 million. In February 2015, Tech Park secured a credit facility from a consortium of local banks totaling \$18.6 million. As more fully described in Note 8 to the Consolidated Financial Statements, the credit facility provides for a construction loan with an interest-only 27 month term which is then convertible into a 15 year permanent loan secured by the property. In addition, Tech Park is also pursuing potential New Market Tax Credit funding for the Cardwell Collaborative from various Community Development Entities in 2016; however, no assurances can be provided at this time.

MCA's principal contractual obligations and commitments at December 31, 2015 consist of its annual payments of \$612,000 through December 2029 pursuant to the TTUHSC Nursing School Facility Funding Agreement, monthly consulting fees pursuant to its Services Agreement with the Center for Advancing Innovation in the amount of approximately \$28,000 through December 2016 and its monthly debt service commitments beginning in May 2016 of approximately \$77,000 through May 2017 at which time the construction loan is convertible into a 15-year permanent loan secured by the property. In addition, as of December 31, Tech Park has commitments outstanding in the amount of approximately \$7.8 million for the Cardwell Collaborative development. The Cardwell Collaborative is expected to be substantially complete by the end of April 2016 and occupancy is expected at the beginning of June 2016.

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, 2015 and 2014. 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 the MCA's independent accounting firm. The Audit Committee is chaired by Ms. Lisa Budtke. Other members of the Audit Committee are Mr. James Volk, 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 executive of various regional financial institutions.

Emma W. Schwartz, President

Carlos Ortega, Chief Financial Officer

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2015 and 2014

With Independent Auditor's Report

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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, 2015 and 2014, 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.

Landenbork, Borschow & Company

February 23, 2016 El Paso, Texas

Consolidated Statements of Financial Position

December 31, 2015 and 2014

Assets	_	2015	2014
Current assets: Cash and cash equivalents Short term investments Contributions receivable, net (Notes 3 and 4) Prepaid expenses and other current assets	\$	1,925,488 2,763,271 11,491	1,476,618 509,432 2,999,076 39,934
Total current assets		4,700,250	5,025,060
Noncurrent assets: Contributions receivable restricted to investment in property and equipment, net (Note 5) Property and equipment, net (Notes 5 and 6) Total assets	- \$ <u>-</u>	548,483 22,709,682 27,958,415	4,550,139 4,907,450 14,482,649
Liabilities and Net Assets			
Current liabilities: Accounts payable (Note 6) Accrued expenses and other liabilities Contributions payable (Note 7) Current portion of long-term debt (Note 8)	\$	3,350,244 69,655 612,000 22,207	175,273 152,770 612,000 21,196
Total current liabilities		4,054,106	961,239
Long-term debt, net (Note 8)	_	11,169,509	1,568,010
Total liabilities		15,223,615	2,529,249
Net assets: Unrestricted Temporarily restricted (Note 14) Total net assets	_	1,237,195 11,497,605 12,734,800	943,221 11,010,179 11,953,400
Commitments (Notes 3, 5, 7, 9 and 13)			
Total liabilities and net assets	\$ _	27,958,415	14,482,649

See accompanying notes to consolidated financial statements.

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MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

Years ended December 31, 2015 and 2014

\$	30,785 86,274 100,980	36,388 67,236
\$	86,274	
\$	86,274	
		67.236
	100,980	,
		100,980
	1,847	3,621
	106,000	83,884
	325,886	292,109
	2,697,133	3,204,903
	3,023,019	3,497,012
	1,368,648	1,791,481
	912,724	953,000
	10,401	35,814
	390,757	325,973
_	46,515	14,476
_	2,729,045	3,120,744
	293,974	376,268
	2,739,203	3,216,720
	445.356	354.629
4		
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		-
		3,023,019 1,368,648 912,724 10,401 390,757 46,515 2,729,045

Consolidated Statements of Cash Flows

Years ended December 31, 2015 and 2014

Cash flows from operating activities: Increase in net assets Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: Depreciation and amortization Contributions restricted to investment in property and equipment Changes in operating assets and liabilities: Short term investments Contributions receivable Prepaid expenses and other current assets Accounts payable Accrued expenses and other liabilities Cash flows from investing activities: Purchase of property and equipment Additions to construction in progress Additions to construction in progress Proceeds from contributions restricted to investment in property and equipment Additions to construction in progress Purchase of property and equipment Additions to construction in progress Proceeds from contributions restricted to investment in property and equipment Proceeds from contributions restricted to investment in property and equipment Proceeds from contributions restricted to investment in property and equipment Payments on long-term debt Payments on long-term debt Acash restricted to investment in property and equipment Payments on long-term debt Acash restricted to investment in property and equipment Payments on long-term debt Supplemental disclosure of cash flow information: Cash and cash equivalents, beginning of year Supplemental disclosure of cash flow information: Cash paid during the year for interest Cash restricted to investment in property and equipment At 1,476,618 At 1,937,716 As 1,925,488 At 3,024 At 3,025 At 3,025 At 3,024 At 3,025 At 3		_	2015	2014
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: Depreciation and amortization	Cash flows from operating activities:			
Depreciation and amortization 86,497 63,540		\$	781,400	742,714
Depreciation and amortization 86,497 63,540				
Contributions restricted to investment in property and equipment Changes in operating assets and liabilities: Short term investments Short term investment assets Accounts payable Accounts payable Accounts payable Accounts payable Accounts payable Accounts payable Net cash provided by operating activities Purchase of property and equipment Additions from investing activities: Purchase of property and equipment Net cash used in investing activities Proceeds from construction in progress Additions to construction in progress Net cash used in investing activities Proceeds from contributions restricted to investment in property and equipment Proceeds from contributions restricted to investment in property and equipment Proceeds from note payable to bank, net of debt issuance cost Additions from financing activities Proceeds from note payable to bank, net of debt issuance cost Additions from financing activities Proceeds from note payable to payable to gently and equipment Additions Property and equipment Additions Additions Additions Proceeds from note payable to bank, net of debt issuance cost Additions A				40 7 40
property and equipment Changes in operating assets and liabilities: Short term investments Contributions receivable Accounts payable Accounts payable Accrued expenses and other liabilities Net cash provided by operating activities Purchase of property and equipment Additions to construction in progress Net cash used in investing activities Cash flows from contributions restricted to investment in property and equipment Proceeds from note payable to bank, net of debt issuance cost Proceeds from note payable to bank, net of debt issuance cost Payments on long-term debt Net cash provided by financing activities Payments on long-term debt Activited to investment in property and equipment Payments on long-term debt Cash and cash equivalents, beginning of year Supplemental disclosure of cash flow information: Cash paid during the year for interest Supplemental disclosure of cash flow information: Cash paid during the year for interest Cash paid during the year for interest Cash paid during the year for interest Supplemental disclosure of cash flow information: Cash paid during the year for interest Construction in progress purchased through accounts payable Supplemental disclosure of cash flow information: Cash paid during the year for interest Construction in progress purchased through accounts payable Supplemental disclosure of cash flow information: Cash paid during the year for interest Construction in progress purchased through accounts payable Supplemental disclosure of cash flow information: Cash paid during the year for interest Supplemental disclosure of cash flow information: Cash paid during the year for interest Supplemental disclosure of cash flow information: Cash paid during the year for interest Supplemental disclosure of cash flow information: Cash paid during the year for interest Supplemental disclosure of cash flow information: Cash paid during the year for interest Supplemental disclosure of cash flow information: Cash paid during the year for interest Supplemental during the year for inte	,		86,497	63,540
Changes in operating assets and liabilities: Short term investments Short term investment in progress Short cash provided by operating activities Purchase of property and equipment Short cash used in investing activities Purchase of property and equipment Short cash used in investing activities Short cash used in investing activities Proceeds from contributions restricted to investment in property and equipment Short cash used in investing activities Proceeds from note payable to bank, net of debt issuance cost Cash restricted to investment in property and equipment Proceeds from note payable to bank, net of debt issuance cost Short cash used to investment in property and equipment Short cash provided by financing activities Net cash provided by financing activities Net cash provided by financing activities Short cash and cash equivalents Supplemental disclosure of cash flow information: Cash paid during the year for interest Short construction in progress purchased through accounts payable			(445 356)	(354 629)
Short term investments 509,432 (2,286) Contributions receivable 235,805 (504,028) Prepaid expenses and other current assets 28,443 (20,253) Accounts payable (23,311) 13,304 Accrued expenses and other liabilities (83,115) 73,034 Net cash provided by operating activities (83,115) 73,034 Net cash provided by operating activities (23,787) (253,376) Purchase of property and equipment (23,787) (253,376) Additions to construction in progress (14,657,705) (1,532,480) Net cash used in investing activities (14,681,492) (1,785,856) Cash flows from financing activities: (14,681,492) (1,785,856) Cash flows from more payable to bank, net of debt issuance cost 9,617,502 — Proceeds from note payable to bank, net of debt issuance cost 9,617,502 — Cash restricted to investment in property and equipment — 74,812 Payments on long-term debt (23,947) (19,990) Net cash provided by financing activities 14,040,567 1,313,362			(443,330)	(334,023)
Contributions receivable Prepaid expenses and other current assets Prepaid expenses and other current assets 28,443 (20,253) (23,311) 13,304 Accounts payable Accrued expenses and other liabilities (83,115) (33,311) 13,304 Net cash provided by operating activities Net cash provided by operating activities (83,115) 1,089,795 11,396 Cash flows from investing activities: Purchase of property and equipment Additions to construction in progress (14,657,705) (23,787) (253,376) (14,681,492) (1,785,856) Cash flows from financing activities: Proceeds from contributions restricted to investment in property and equipment property and equipment proceeds from note payable to bank, net of debt issuance cost P,617,502 — 74,812 1,258,540 Proceeds from note payable to bank, net of debt issuance cost Cash restricted to investment in property and equipment Payments on long-term debt (23,947) (19,990) 74,812 Payments on long-term debt Payments on long-term debt (23,947) (19,990) 14,040,567 1,313,362 Net increase (decrease) in cash and cash equivalents 448,870 (461,098) Cash and cash equivalents, beginning of year 1,476,618 1,937,716 Cash and cash equivalents, end of year \$1,925,488 1,476,618 Supplemental disclosure of cash flow information: Cash paid during the year for interest \$3,0644 34,897 Non-cash activities: Construction in progress purchased throu			509,432	(2,286)
Accounts payable Accrued expenses and other liabilities Net cash provided by operating activities Purchase of property and equipment Additions to construction in progress Net cash used in investing activities Proceeds from contributions restricted to investment in property and equipment Proceeds from note payable to bank, net of debt issuance cost Payments on long-term debt Net cash provided by financing activities Net cash provided by financing activities Proceeds from cothable to bank and cash equivalents Net cash provided by financing activities Net cash and cash equivalents, beginning of year Cash and cash equivalents, beginning of year Cash and cash equivalents, end of year Cash paid during the year for interest Supplemental disclosure of cash flow information: Cash paid during the year for interest Construction in progress purchased through accounts payable \$ 3,296,471 97,179	Contributions receivable		235,805	(504,028)
Accrued expenses and other liabilities (83,115) 73,034 Net cash provided by operating activities 1,089,795 11,396 Cash flows from investing activities: Purchase of property and equipment (23,787) (253,376) Additions to construction in progress (14,657,705) (1,532,480) Net cash used in investing activities (14,681,492) (1,785,856) Cash flows from financing activities: Proceeds from contributions restricted to investment in property and equipment 4,447,012 1,258,540 Proceeds from note payable to bank, net of debt issuance cost 9,617,502 — Cash restricted to investment in property and equipment 2,3947) (19,990) Net cash provided by financing activities 14,040,567 1,313,362 Net increase (decrease) in cash and cash equivalents 448,870 (461,098) Cash and cash equivalents, beginning of year 1,476,618 1,937,716 Cash and cash equivalents, end of year \$1,925,488 1,476,618 Supplemental disclosure of cash flow information: Cash paid during the year for interest \$3,0,644 34,897 Non-cash activities: Construction in progress purchased through accounts payable \$3,296,471 97,179			·	
Net cash provided by operating activities Cash flows from investing activities: Purchase of property and equipment Additions to construction in progress Net cash used in investing activities Cash flows from financing activities: Proceeds from contributions restricted to investment in property and equipment Proceeds from note payable to bank, net of debt issuance cost Cash restricted to investment in property and equipment Payments on long-term debt Net cash provided by financing activities Net cash provided by financing activities Net cash equivalents, beginning of year Cash and cash equivalents, end of year Supplemental disclosure of cash flow information: Cash paid during the year for interest Construction in progress purchased through accounts payable \$ 3,296,471 97,179				
Cash flows from investing activities: Purchase of property and equipment Additions to construction in progress Net cash used in investing activities Cash flows from financing activities: Proceeds from contributions restricted to investment in property and equipment Proceeds from note payable to bank, net of debt issuance cost Cash restricted to investment in property and equipment Payments on long-term debt Net cash provided by financing activities Net increase (decrease) in cash and cash equivalents Cash and cash equivalents, beginning of year Cash paid during the year for interest Construction in progress purchased through accounts payable \$ 3,296,471 97,179	Accrued expenses and other liabilities	_	(83,115)	73,034
Purchase of property and equipment Additions to construction in progress Net cash used in investing activities Cash flows from financing activities: Proceeds from contributions restricted to investment in property and equipment Proceeds from note payable to bank, net of debt issuance cost Cash restricted to investment in property and equipment Payments on long-term debt Net cash provided by financing activities Net increase (decrease) in cash and cash equivalents Cash and cash equivalents, beginning of year Cash paid during the year for interest Construction in progress purchased through accounts payable (23,787) (14,687,705) (14,681,492) (1,785,856) (14,681,492) (1,781,891) (1,990)	Net cash provided by operating activities	_	1,089,795	11,396
Additions to construction in progress (14,657,705) (1,532,480) Net cash used in investing activities (14,681,492) (1,785,856) Cash flows from financing activities: Proceeds from contributions restricted to investment in property and equipment (1,258,540) Proceeds from note payable to bank, net of debt issuance cost (23,947) (19,990) Cash restricted to investment in property and equipment (23,947) (19,990) Net cash provided by financing activities (23,947) (19,990) Net increase (decrease) in cash and cash equivalents (448,870) (461,098) Cash and cash equivalents, beginning of year (461,098) Cash and cash equivalents, end of year (1,476,618) (1,925,488) (1,476,618) Supplemental disclosure of cash flow information: Cash paid during the year for interest (1,476,618) (1,925,488) (1,937,716) Non-cash activities: Construction in progress purchased through accounts payable (1,481,492) (1,785,856) (1,681,492) (1,785,856) (1,681,492) (1,785,856) (1,681,492) (1,785,856) (1,681,492) (1,785,856) (1,681,492) (1,785,856) (1,681,492) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,785,856) (1,681,492) (1,785,856) (1,785,856) (1,785,856) (1,681,492) (1,785,856) (1,785,856) (1,785,856) (1,4681,492) (1,785,856) (1,4681,492) (1,785,856) (1,4681,492) (1,785,856) (1,4681,492) (1,785,856) (1,4681,492) (1,785,856) (1,4681,492) (1,785,856) (1,4681,492) (1,785,856) (1,4681,492) (1,785,856) (1,4681,492) (1,486,86) (1,4681,492) (1,486,86) (1,785,856) (1,4681,492) (1,785,86) (1,4447,012 (1,447,012 (1,486)) (1,785,856) (1,4447,012 (1,447,012 (1,486)) (1,4447,012 (1,447,012 (1,486)) (1,785,856) (1,461,618,490) (1,461,618,490) (1,785,856) (1,461,618,490) (1,461,618,490) (1,461,618,490) (1,461,618,490) (1,461,618,490) (1,461,618,490) (1,461,618,490) (1,461,618,490) (1,461,618,490) (1,461,618,490) (1,461,618,490) (1,461,618,490) (1,461,618,	Cash flows from investing activities:			
Net cash used in investing activities (14,681,492) (1,785,856) Cash flows from financing activities: Proceeds from contributions restricted to investment in property and equipment 4,447,012 1,258,540 Proceeds from note payable to bank, net of debt issuance cost 9,617,502 — 74,812 Cash restricted to investment in property and equipment — 74,812 Payments on long-term debt (23,947) (19,990) Net cash provided by financing activities 14,040,567 1,313,362 Net increase (decrease) in cash and cash equivalents 448,870 (461,098) Cash and cash equivalents, beginning of year 1,476,618 1,937,716 Cash and cash equivalents, end of year \$ 1,925,488 1,476,618 Supplemental disclosure of cash flow information: Cash paid during the year for interest \$ 30,644 34,897 Non-cash activities: Construction in progress purchased through accounts payable \$ 3,296,471 97,179			(23,787)	(253,376)
Cash flows from financing activities: Proceeds from contributions restricted to investment in property and equipment Proceeds from note payable to bank, net of debt issuance cost Cash restricted to investment in property and equipment Payments on long-term debt Net cash provided by financing activities Net increase (decrease) in cash and cash equivalents Cash and cash equivalents, beginning of year Cash and cash equivalents, end of year Supplemental disclosure of cash flow information: Cash paid during the year for interest Non-cash activities: Construction in progress purchased through accounts payable \$ 3,296,471 97,179	Additions to construction in progress	_	(14,657,705)	(1,532,480)
Proceeds from contributions restricted to investment in property and equipment Proceeds from note payable to bank, net of debt issuance cost Cash restricted to investment in property and equipment Payments on long-term debt Net cash provided by financing activities Net increase (decrease) in cash and cash equivalents Cash and cash equivalents, beginning of year Cash and cash equivalents, end of year Supplemental disclosure of cash flow information: Cash paid during the year for interest Non-cash activities: Construction in progress purchased through accounts payable \$ 3,296,471 97,179	Net cash used in investing activities	_	(14,681,492)	(1,785,856)
property and equipment Proceeds from note payable to bank, net of debt issuance cost Cash restricted to investment in property and equipment Payments on long-term debt Net cash provided by financing activities Net increase (decrease) in cash and cash equivalents Cash and cash equivalents, beginning of year Cash and cash equivalents, end of year Supplemental disclosure of cash flow information: Cash paid during the year for interest Suport Supplemental disclosure of cash flow information: Cash activities: Construction in progress purchased through accounts payable 4,447,012 9,617,502 9,617,502 74,812 (23,947) (19,990) 14,040,567 1,313,362 14,040,567 1,313,362 14,76,618 1,937,716 1,476,618 1,937,716 1,476,618 1,925,488 1,476,618 1,925,488 1,476,618				
Proceeds from note payable to bank, net of debt issuance cost Cash restricted to investment in property and equipment Payments on long-term debt Net cash provided by financing activities Net increase (decrease) in cash and cash equivalents Cash and cash equivalents, beginning of year Cash and cash equivalents, end of year Supplemental disclosure of cash flow information: Cash paid during the year for interest Non-cash activities: Construction in progress purchased through accounts payable \$ 3,296,471 97,179				
Cash restricted to investment in property and equipment Payments on long-term debt (23,947) (19,990) Net cash provided by financing activities 14,040,567 1,313,362 Net increase (decrease) in cash and cash equivalents 448,870 (461,098) Cash and cash equivalents, beginning of year 1,476,618 1,937,716 Cash and cash equivalents, end of year \$ 1,925,488 1,476,618 Supplemental disclosure of cash flow information: Cash paid during the year for interest \$ 30,644 34,897 Non-cash activities: Construction in progress purchased through accounts payable \$ 3,296,471 97,179				1,258,540
Payments on long-term debt (23,947) (19,990) Net cash provided by financing activities 14,040,567 1,313,362 Net increase (decrease) in cash and cash equivalents 448,870 (461,098) Cash and cash equivalents, beginning of year 1,476,618 1,937,716 Cash and cash equivalents, end of year \$ 1,925,488 1,476,618 Supplemental disclosure of cash flow information: Cash paid during the year for interest \$ 30,644 34,897 Non-cash activities: Construction in progress purchased through accounts payable \$ 3,296,471 97,179			9,617,502	 74 812
Net cash provided by financing activities 14,040,567 1,313,362 Net increase (decrease) in cash and cash equivalents 448,870 (461,098) Cash and cash equivalents, beginning of year 1,476,618 1,937,716 Cash and cash equivalents, end of year \$ 1,925,488 1,476,618 Supplemental disclosure of cash flow information: Cash paid during the year for interest \$ 30,644 34,897 Non-cash activities: Construction in progress purchased through accounts payable \$ 3,296,471 97,179			(23.947)	•
Net increase (decrease) in cash and cash equivalents Cash and cash equivalents, beginning of year Cash and cash equivalents, end of year Supplemental disclosure of cash flow information: Cash paid during the year for interest Non-cash activities: Construction in progress purchased through accounts payable 448,870 1,476,618 1,937,716 1,476,618 1,925,488 1,476,618 34,897 30,644 34,897	•	-		
Cash and cash equivalents, beginning of year 1,476,618 1,937,716 Cash and cash equivalents, end of year \$ 1,925,488 1,476,618 Supplemental disclosure of cash flow information: Cash paid during the year for interest \$ 30,644 34,897 Non-cash activities: Construction in progress purchased through accounts payable \$ 3,296,471 97,179		-		
Cash and cash equivalents, end of year \$ 1,925,488 1,476,618 Supplemental disclosure of cash flow information: Cash paid during the year for interest \$ 30,644 34,897 Non-cash activities: Construction in progress purchased through accounts payable \$ 3,296,471 97,179	Net increase (decrease) in cash and cash equivalents		448,870	(461,098)
Supplemental disclosure of cash flow information: Cash paid during the year for interest \$ 30,644 34,897 Non-cash activities: Construction in progress purchased through accounts payable \$ 3,296,471 97,179	Cash and cash equivalents, beginning of year	_	1,476,618	1,937,716
Cash paid during the year for interest \$ 30,644 34,897 Non-cash activities: Construction in progress purchased through accounts payable \$ 3,296,471 97,179	Cash and cash equivalents, end of year	\$ _	1,925,488	1,476,618
Non-cash activities: Construction in progress purchased through accounts payable \$ 3,296,471 97,179				
Construction in progress purchased through accounts payable \$ 3,296,471 97,179	Cash paid during the year for interest	\$ =	30,644	34,897
Exchange of promissory note for land \$ 1,058,526	Construction in progress purchased through accounts payable	\$ =	3,296,471	97,179
	Exchange of promissory note for land	\$_		1,058,526

See accompanying notes to consolidated financial statements.

30 MCAmericas Holdings, Inc.

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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 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 and all elements that make up a biomedical and innovation ecosystem from assisting with workforce development, providing access to capital, and creating environments ripe for collaborative research and unlocking the region's entrepreneurial potential.

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Notes to Consolidated Financial Statements

December 31, 2015 and 2014

1. DESCRIPTION OF ORGANIZATION (continued)

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 7).

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

- Foundation was organized on November 27, 2006 and provides management and general activities necessary to provide support for the organization's 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; conducting special fundraising events; and other activities involved with soliciting grants and contributions from corporate and individual donors. Other activities include programs aimed at spurring innovation and entrepreneurship in the region and awarding grants for biomedical and healthcare research and collaboration.
- 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 provide 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.
- 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 (Notes 5 and 13).
- MCAR was organized on December 14, 2009 for the exclusive purpose of investing, acquiring and managing income-producing real property (Note 12).
- 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.

32 MCAmericas Holdings, Inc.

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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 Financial Accounting Standards Board in its 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.
- 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, 2015 and 2014.

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

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Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Grant revenue from federal agencies is recognized when the qualifying costs are incurred for cost-reimbursement grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget Circular A-133 and review by grantor agencies. These audits and reviews could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. MCA management believes that any costs ultimately disallowed would not materially affect the consolidated financial statements.

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.

Short Term Investments – MCA invests cash in excess of its immediate needs in certificates of deposit with high quality banking institutions in El Paso, Texas having original maturities greater than three months but not more than one year. The carrying amount reported for such short investments approximates fair value.

The investment policy specific to these investments is monitored by the Investment Committee of MCA's Board of Directors. The policy requires that such investments be insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000.

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.

34 MCAmericas Holdings, Inc.

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Risk – MCA maintains cash balances 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 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 2015 and 2014, approximately 78 percent and 70 percent, respectively, of MCA's total revenues and support is provided by the City of El Paso pursuant to the Grant with Foundation. 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.

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 10.

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.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2015 and 2014.

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 year ended

December 31, 2015, issuance costs of approximately \$149,000 were recorded. Amortization expense of approximately \$8,000 was recorded in 2015. No debt issuance costs were incurred in 2014.

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 2015 and 2014.

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)(l)(A)(vi) and 509(a)(l) 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

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MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2015 and 2014, 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 2011 are still open to audit for both federal and state purposes.

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 23, 2016 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, 2015 and 2014, contributions receivable from the Grant were approximately \$2.7 million, respectively.

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

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

3. GRANTS (conti

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On June 24, 2013, the Department of Commerce's Economic Development Administration ("EDA") approved a Financial Assistance Award for \$1,000,000 to Foundation in order to support the design and engineering efforts for Tech Park's biomedical research and technology commercialization center in El Paso, Texas ("Cardwell Collaborative") (Note 5). The Award is subject to certain conditions, including a non-federal cash contribution match of approximately 25% by Foundation which has been met. Revenue is recognized on a reimbursement basis only to the extent of eligible costs incurred. As of December 31, 2014, all \$1,000,000 had been

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MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

4. CONTRIBUTIONS RECEIVABLE (continued)

Contributions receivable at December 31 are due as follows:

	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year	\$ 2,743,716	2,826,813
One to five years	25,100	195,450
More than five years	 2,500	5,000
	\$ 2,771,316	3,027,263

5. CARDWELL COLLABORATIVE

In February 2015, Tech Park began 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 building size was reduced from approximately 80,000 to 60,000 square feet during 2014 due to changes in a certain tenant's occupancy of the building. The Cardwell Collaborative will house office suites, researcher offices and core research space, incubator space, wet and dry laboratories and a high performance computing center. Major tenants for the Cardwell Collaborative are currently Texas Tech University Health Sciences Center El Paso (Note 12) and MCA.

Project cost for the Cardwell Collaborative is estimated at approximately \$27.5 million, exclusive of furniture and equipment of approximately \$1.1 million. Substantial completion is projected for April 2016. At December 31, 2015 and 2014, approximately \$20.8 million and \$3.0 million, respectively, is reflected in construction in progress (Note 6). Funding for the Cardwell Collaborative will be provided primarily through a combination of a bank loan (Note 8), government grant (Note 3), capital campaign contributions from private donors and MCA funds.

Through December 31, 2015, MCA has raised approximately \$7.9 million in unconditional pledges and contributions toward its capital campaign goal from a government grant and individual and corporate donors. At December 31, 2015 and 2014, contributions receivable restricted to investment in property and equipment in the accompanying Consolidated Statements of Financial Condition are as follows:

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

5. CARDWELL COLLABORATIVE (continued)

	<u>2015</u>	<u>2014</u>
Unconditional promises to give before		
unamortized discount	\$ 589,238	4,794,650
Less: Unamortized discount	 (40,755)	(244,511)
	\$ 548,483	4,550,139

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

	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year	\$ 169,338	1,176,100
One to five years	372,400	3,523,550
More than five years	 47,500	95,000
	\$ 589,238	4,794,650

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 2015 through 2021 as the discount is amortized using an effective yield over the duration of the pledges. During 2015, one major donor agreed to accelerate payment from the original duration of the pledge which amounts totaling approximately \$3 million were fully collected in 2015. Contributions receivable are individually less than 10 percent of total contributions receivable at December 31, 2015 and 2014 and are not considered a significant concentration of credit risk.

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MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	Estimated Useful Life	•		
	(Years)		<u>2015</u>	<u>2014</u>
Land	-	\$	1,443,616	1,429,798
Building & improvements	15 - 40		470,245	470,245
Furniture & fixtures	3 - 5		7,539	7,539
Computer equipment	3		111,379	105,010
Other office equipment	5		68,367	68,367
			2,101,146	2,080,959
Less: Accumulated depreciation			(207,859)	(132,906)
			1,893,287	1,948,053
Construction-in-progress			20,816,395	2,959,397
		\$	22,709,682	4,907,450

Amounts related to the Cardwell Collaborative (Note 5) are reflected in construction-in-progress at December 31, 2015 and 2014, including capitalized interest of approximately \$115,000 in 2015. No interest was capitalized in 2014. In conjunction with the construction of the Cardwell Collaborative project, Tech Park expects to incur additional construction-related capital costs of approximately \$6.7 million through April 2016 (Note 13). Approximately \$3.3 million and \$97,000 are included in accounts payable at December 31, 2015 and 2014, respectively.

Depreciation expense for the years ended December 31, 2015 and 2014 was \$78,553 and \$63,540, respectively, and has been allocated to programs and supporting activities in the accompanying Consolidated Statements of Activities.

7. 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

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

7. CONTRIBUTIONS PAYABLE (continued)

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 grants payable in the accompanying Consolidated Statements of Financial Position will be fulfilled.

8. 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 for an \$18.6 million loan to finance the construction of the Cardwell Collaborative building. The Loan Agreement 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% 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

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of Dallas ("FHLB-Dallas") plus 325 basis points, fixed for the first 7 years of the 15 year term of the

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MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

8. LONG-TERM DEBT (continued)

As of December 31, 2015 and 2014, long-term debt consisted of the following:

		<u>2015</u>	<u>2014</u>	
Secured Construction Loan Agreement,				
net of unamortized debt issuance				
casts of <u>\$1,41,546</u>	\$	9.625.446		
Non-interest bearing note payable to City of El Paso, net of unamortized	y			
discount of \$841,474		1,058,525	1,058,525	
Note payable to bank		507,745	530,681	
Less: Current portion	_	(22,207)	(21,196)	
	\$	11,169,509	1,568,010	

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

Maturities of long-term debt, exclusive of debt issuance costs of \$141,536, are as follows:

Year ending December 31,

2016	.\$	22.207	
2017		241,487	
2018		371,558	
2019		394,474	
2020		415,713	
Thereafter		9,887,823	
	\$	11.333.262	

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

9. EMPLOYEE BENEFIT PLAN

During 2014, MCA sponsored 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 10, were \$35,034 in 2015 and \$37,223 in 2014.

10. 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, 2015 and 2014:

		Programs					
	Biomedical			Management		2015	2014
	Cluster	Infrastructure	Other	and General	Fundraising	Total	Total
Salaries	\$ 714,771	151,908	7,294	191,621	26,633	1,092,227	1,549,671
Employee benefits	55,877	12,123	753	16,190	2,174	87,117	93,056
Payroll taxes	54,572	9,426	517	12,848	1,392	78,755	77,987
Total salaries and related expenses	825,220	173,457	8,564	220,659	30,199	1,258,099	1,720,714
Personnel-related expenses	78,590	4,845	165	20,721	510	104,831	122,720
Professional and contract services	92,153	31,076	_	45,045		168,274	108,609
Marketing & PR	57,049	4,959	_	47,901	12,992	122,901	63,471
Office expense	74,146	8,546	415	10,732	1,514	95,353	98,775
Other administrative expense	74,970	8,315	1,185	17,851	1,300	103,621	99,517
Contributions expense		612,000	_	_	_	612,000	612,000
Building expense	_	350		_	_	350	350
Proof of concept			_		_	_	25,000
PDN Challenge expenses	43,330	_		_	_	43,330	_
Special event expense		_	_			_	91,572
Depreciation	59,625	14,013	72	. 4,843	_	78,553	63,540
Insurance	5,138	8,103	_	3,630	_	16,871	12,343
Donated goods and services	58,427	8,472	_	19,375	_	86,274	67,236
Interest		38,588	_	_	****	38,588	34,897
Total expenses reported by function on the							
Statement of Activities	\$ 1,368,648	912,724	10,401	390,757	46,515	2,729,045	3,120,744

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MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

1. DONATED MATERIALS, EQUIPMENT AND SERVICES

MCA received in-kind revenue during 2015 and 2014 as follows:

		<u>2015</u>	<u>2014</u>
Marketing	\$	14,702	
Internet costs & IT services		3,620	4,514
Legal and professional		9,225	15,860
Consulting		58,427	46,862
Supplies and other		300	
	-		
	\$	86,274	67,236

12. RENTAL REVENUE

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 May 2015, the lease agreement was amended to provide for a change in the lease term to the earlier of April 30, 2017 or 30 days after Tech Park delivers possession of certain leased premises in the Cardwell Collaborative. Minimum rentals under the lease agreement at December 31, 2015 are \$33,660.

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"). The Lease Agreement provides for annual rentals of \$585,600 payable in monthly installments beginning in May 2016 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, 2015 are as follows:

Year ending December 31

rear enamy becember 31,	
2016	\$ 390,400
2017	585,600
2018	585,600
2019	585,600
2020	585,600
Thereafter	 3,123,200
	\$ 5,856,000

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

13. COMMITMENTS AND CONTINGENCIES

At December 31, 2015 and 2014, Tech Park has outstanding commitments for construction and other related capital contracts of approximately \$7.8 million and \$4 million, respectively, in connection with the Cardwell Collaborative (Notes 5 and 6).

On December 16, 2015, Foundation entered into a Services Agreement with a nonprofit organization, The Center for Advancing Innovation, Inc., to provide consulting services for the development and execution of one or more innovation-based startup challenges to create a regional program that will leverage streamlined access to a large portfolio of higher quality, lower risk inventions from National Institutes of Health and National Aeronautics and Space Administration using a "Startup Challenge Accelerator" model to rapidly launch new companies and grow jobs in the region as a center for technology commercialization. Consulting fees for the first program, which runs through October 2016, aggregate approximately \$332,000.

Foundation and RedSky lease office space under operating leases aggregating \$7,679 per month that expire May 2016. Rental expense was \$92,831 and \$94,538 for the years ended December 31, 2015 and 2014, respectively.

14. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015 and 2014:

		<u>2015</u>	<u>2014</u>
Operating purposes	\$	3,774,317	4,031,654
Investment in property and equipment	_	7,723,288	6,978,525
	\$	11,497,605	11,010,179

15. INCOME TAXES

At December 31, 2015 and 2014, RedSky has available net operating loss carry-forwards of approximately \$4.1 million and \$3 million, respectively, for federal income tax purposes which expire from 2020 to 2023. The federal tax carry-forwards resulted from cumulative losses generated through December 31, 2015. 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.

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MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

L6. 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.

A member of the Board of Directors is also a shareholder in one of the participating banks that provides financing for the Cardwell Collaborative (Note 8).

During 2015 and 2014, contributions from certain officers, members of the Board and entities with common board members totaled approximately \$150,000 and \$48,000, respectively. Undiscounted pledges and contributions receivable from such related parties were approximately \$298,000 and \$278,000 as of December 31, 2015 and 2014, respectively.

SUPPLEMENTARY INFORMATION

		Σ	MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES	dGS, INC. IES				
		Consolic	Consolidating Statement of Financial Position December 31, 2015	nancial Position 15				
	Medical Center of the							
	Americas Foundation	MCAmericas Holdings, Inc.	MCAmericas Realty, Inc.	RedSky	MCA Tech Park, Inc.	MCA Revere Realty, Inc.	Eliminations	Consolidated
Assets Current assets:								
Cash and cash equivalents	\$ 1,581,923	1,000	47,941	36,839	256,785	1,000	I	1,925,488
Contributions receivable Prepaid expenses and other current assets	8,922,533	10,628	1 948	237	1 1	1 1	(6,169,890)	2,763,271
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	I	I	I	1	I	l	548,483
Property and equipment, net	8,807	I	567,240	43,623	21,659,719	430,293	l	22,709,682
Investment in RedSky	3,583,269	!	I	1		l	(3,583,269)	I
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	1	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	I	1	I	I	1	ı	612,000
Current portion of long-term debt		1	22,207	1	1	1	1	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	1	1	485,538	1	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	I	ı	I	1,000	I	1	(1,000)	I
Additional paid in capital	1	I	1	3,582,269	I	l	(3,582,269)	١
Unrestricted	2,491,940	I	107,084	(3,862,341)	2,500,512	I	I	1,237,195
Temporarily restricted	11,497,605		1	1	1			11,497,605
Total net assets	13,989,545		107,084	(279,072)	2,500,512	1	(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

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See accompanying notes to consolidated financial stateme

48 MCAmericas Holdings, Inc.

MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES
Consolidating Statement of Financial Position
December 31, 2014

	Medical Center of the Americas Foundation	MCAmericas Holdings, Inc.	MCAmericas Realty, Inc.	RedSky	MCA Tech Park, Inc.	MCA Revere Realty, Inc.	Eliminations	Consolidated
Assets								
Current assets: Cash and cash equivalents	\$ 1,190,123	1,000	20,699	1,000	262,796	1,000	l	1,476,618
Short term investments	254,483	I	i	I	254,949	*******	l	509,432
Contributions receivable	4,449,753	I	I	I	67,861	ı	(1,518,538)	2,999,076
Prepaid expenses and other current assets	10,832	7,171	1,050	20,881	1		ļ	39,934
Total current assets	5,905,191	8,171	21,749	21,881	585,606	1,000	(1,518,538)	5,025,060
Non-current assets:								
investment in property and equipment	4,550,139	1	I	1	ļ	I	i	4,550,139
Property and equipment, net	7,353	l	581,253	99,648	3,799,747	419,449	1	4,907,450
Investment in RedSky	2,380,625	1	1		1	1	(2,380,625)	l
Total assets	\$ 12,843,308	8,171	603,002	121,529	4,385,353	420,449	(3,899,163)	14,482,649
Liabilities and Net Assets								
Accounts payable	\$ 21,926	8,171	I	370,106	1,190,717	102,891	(1,518,538)	175,273
Accrued expenses and other liabilities	30,574	ı	I	122,196	1	1	I	152,770
Contributions payable	612,000	1	I	I	-	I	l	612,000
Current portion of long-term debt	1		21,196					21,196
Total current liabilities	664,500	8,171	21,196	492,302	1,190,717	102,891	(1,518,538)	961,239
Long-term debt, net	1	1	509,484	1	740,968	317,558	į	1,568,010
Total liabilities	664,500	8,171	530,680	492,302	1,931,685	420,449	(1,518,538)	2,529,249
Net assets:				*			800	
Common stock	I	l	I	1,000	I	I	(T,000)	l
Additional paid in capital	!	I	1	2,379,625	1	ŀ	(5,3/9,625)	1
Unrestricted	1,168,629	I	72,322	(2,751,398)	2,453,668	I	I	943,221
Temporarily restricted	11,010,179		I]	1		11,010,179
Total net assets	12,178,808		72,322	(370,773)	2,453,668	1	(2,380,625)	11,953,400
Total liabilities and net assets	\$ 12,843,308	8,171	603,002	121,529	4,385,353	420,449	(3,899,163)	14,482,649

And Substitutes Consolidating Statement of Activities For the Year Ended December 31, 2015 Medical Center of the Americas MCAmericas MCAmericas MCAmericas MCAnericas MCAnericas Park, Inc. Eliminations Consolidated Foundation Holdings, Inc. Realty, Inc. Eliminations Consolidated	
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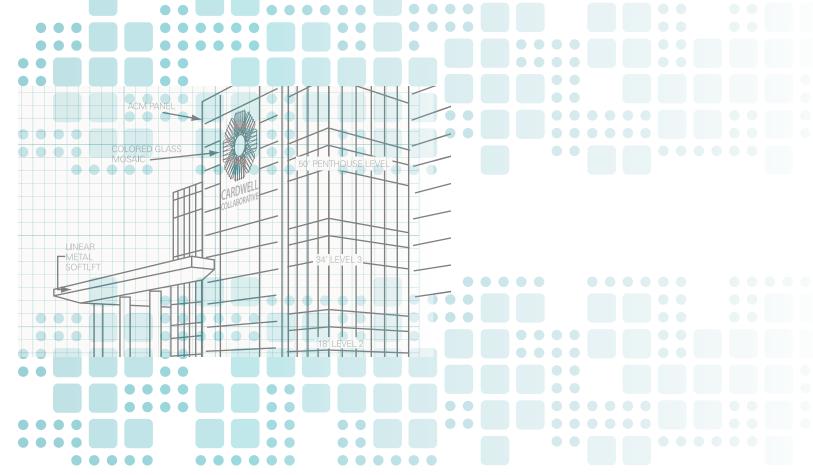
30,785 86,274 100,980 1,847 106,000 325,886 2,697,133 1,368,648 912,724 10,401 390,757 46,515 2,729,045 2,739,203 (157,552) (469,572) — (57,049) (313,021) (355,200) (15,952) (684,173) (684,173) 1 - 123,679 24,629 — — 24.629 24,629 ----24,629 1 [246,013 7,522 - 876 - 876 - 254,411 207,566 1 1 (1,110,943) 1106,000 1,216,943 \perp 100,980 66,217 1 1 43,509 43,509 + 180 180 --1 1 30,785 77,622 355,200 16,923 480,530 2,697,133 3,177,663 309,257 1,083,884 10,401 404,297 46,515 1,854,354 1,323,309 2,739,203 Temporarily restricted net assets
Changes in temporarily restricted net assets:
Grants
Contributions restricted to investment in
property and equipment, net of reclassifi NCREASE (DECREASE) IN UNRESTRICTED NET ASSETS Revenue and support:
Contributions
Grant
In-kind donations
Management fees
Rent
Interest
Other

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MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES
Consolidating Statement of Activities
For the Year Ended December 31, 2014

	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									
Linanges in unrestricted net assets: Revenue and support:									
Contributions	\$ 36,388	I	ı	ı	I	ı	I	36,388	
Grant	1	43,851	ı	ı	2,678,440	8,060	(2,730,351)	ı	
In-kind donations	11,136	1	1,346	I	53,212	1,542	1	67,236	
Management fees	313,649	1	1 3	I	I	I	(313,649)	1	
Kent	1 000	I	100,980	l	- 1471	I	1 000 317	100,980	
Other	78,032	1	! !	5,852	1,4/1	I 1	(F005)	3,821 83,884	
Total revenue and other support	457,244	43,851	102,326	5,852	2,733,123	9,602	(3,059,889)	292,109	
Net assets released from restriction	3,204,903	ı	I	ı	ı	1	I	3,204,903	
Total	3,662,147	43,851	102,326	5,852	2,733,123	9,602	(3,059,889)	3,497,012	
Expenses:									
Programs:									
Biomedical Cluster	262,746	I	1	1,611,073	1	1	(82,338)	1,791,481	
Infrastructure	3,489,352	1	89,316	1	285,230	6,602	(2,920,500)	953,000	
Other	35,814	Ι	ı	ı	1	I	I	35,814	
Management and general	339,173	43,851	I	I	I	I	(57,051)	325,973	
Fundraising	14,4/6	1		ļ	-	1	1	14,476	
Total expenses	4,141,561	43,851	89,316	1,611,073	285,230	9,602	(3,059,889)	3,120,744	
INCREASE (DECREASE) IN JINRESTRICTED NET ASSETS	(479,414)	I	010.51	(1.605.221)	2.447.893	1	I	376,268	
					I				
Temporarily restricted net assets									
Changes in temporarily restricted net assets:	3.216.720	ı	1	l	ı	i	1	3.216.720	
•									
Contributions restricted to investment in property and equipment, net of reclassification	354,629	I	ı	ı	1	ł	ı	354,629	
Grants and contributions released from restrictions	(3,204,903)	ı	1	1	1	١		(3,204,903)	
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	366,446	1	ļ ¹	١	1	I	1	366,446	
TOTAL INCREASE (DECREASE) IN NET ASSETS	(112,968)	1	13,010	(1,605,221)	2,447,893	1	I	742,714	
NET ASSETS, Beginning of year	12,291,777	1	59,312	(1,146,177)	5,774	1	1	11,210,686	
NET ASSETS, End of year	\$ 12,178,809	1	72,322	(2,751,398)	2,453,667	I	1	11,953,400	

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