



ANNUAL 2014
REPORT 2014



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LETTER FROM THE CHAIRMAN

I have been on the Medical Center of the Americas (MCA) Foundation Board of Directors since the first time it met, nine years ago. In 2014, I was honored to begin serving as Chairman of the Board for the MCA Foundation and MCAmericas Holdings, Inc. We have achieved much in the MCA's nine years of operations. The first years of the MCA were startup years spent building its reputation, establishing its operations and team, gaining the confidence of the community, gaining profound knowledge of the region's life science industry, advocating for the MCA campus and biomedical community, and winning some big grants and contracts. These planning, learning and building efforts led us to the incredible advancements we have begun now.

The MCA is now big business with very real commitments. During 2014, the MCA and its subsidiaries employed 13 professional-level individuals - many recruited from outside the region with remarkable capabilities and experience. It had millions of dollars on its balance sheet. It designed an almost \$30 million biomedical research building. It purchased a 13 acre parcel of land from the City of El Paso on the MCA Campus for the development of a research park. It saw the completion of the \$14 million Texas Tech University Health Sciences Center El Paso Nursing School building construction, which it partially funded

through the City Impact Fund grant. The MCA is now a real regional asset and a beacon for a prosperous regional future.

It goes without saying that truly amazing big projects - like the MCA - don't happen without a lot of challenges. Some of the challenges that the MCA overcame this year include the potential relocation of the project site for the Cardwell Collaborative building, redesigning the building to remove the 4th floor, and having to find a new financial institution to fund the construction loan due to an overabundance of caution around conflicts of interest. Working through these issues resulted in the MCA's land purchase, obtaining permit fee waivers for developments on the property up to \$370,000, a new partnership with El Paso Independent School District, and one of the first loans provided by a regional consortium of community banks that reach from Las Cruces, New Mexico to Fabens, Texas.

The MCA staff, board and consultants, city elected officials and staff, stakeholder leaders, community bankers, donors and many others have worked together to craft a set of concepts, projects, arrangements, relationships and documents that resulted in these achievements. This is what I admire about our community today and its commitment to a bright future.

I look forward to the MCA's plans in 2015 to launch a public relations campaign that will highlight the resources and capabilities our region has amassed. This PR campaign will go hand-in-hand with our continued fundraising efforts. Building a biomedical industry is no small task and will require a substantial amount of additional funding to create a globally competitive program. It is time for our community to shine. I invite you to become more involved in this exciting endeavor!

This is my El Paso. The El Paso of Collaboration.

Edward Escudero

LETTER FROM THE **PRESIDENT**

Each year brings a new set of issues and a new set of opportunities, and 2014 was the ultimate expression of this. Throughout 2014, the MCA found itself challenged from internal and external sources, and emerged by the end of the year somewhat transformed, but certainly better and stronger.

The Cardwell Collaborative building, although reduced in size, was enhanced in program and team. The RedSky team was strengthened, and their message and work is resonating. I believe that the leadership of our board of directors, the commitment of our staff and the community's belief in our efforts carried us through the year. In 2015, we expect to give back to all of these groups by building on our vision of creating a world-class biomedical industry in the Paso del Norte region.

The Cardwell Collaborative team and program was further defined and enhanced over the course of 2014. We are proud to announce that 95.5% of the work on the building will be done by local contractors and subcontractors. Jordan Foster Construction will lead the construction effort, while Philo Wilke Partnership, our architects, continue to build a "high-tech" architecture industry in our region. The partnership between Broaddus & Associates and ECM International has given us strong project management through their combination of experience and local knowledge. A unique consortium of community banks came together to finance the building, led by Citizen's Bank of Las Cruces with participation by First National Bank and Bank of Texas. Furthermore, the Cardwell Collaborative's dry lab uses were better defined (augmented reality, m-health/e-health, medical bionics, physician's office of the future), and the need for a high performance computing center- a resource not currently in our community - was defined and validated. The skyline of El Paso will begin to be transformed in 2015 as the region's first private biomedical research and technology commercialization building emerges along I-10 in one of the poorest zip codes in the country, becoming a key building block for this neighborhood's



transformation into a model hub for economic opportunity and medical advancement.

During 2014, the RedSky team was able to spend their first full year developing their robust strategy, installing an elite board of directors, identifying strong and profitable service lines and creating a unique marketing package. Their world-class team continues to integrate into our community and enhance our region's offerings to the rest of the state, country and world. They are immersing themselves into our three regional universities, strengthening these institutions' innovation portfolios and entrepreneurship capabilities. We are excited that the innovative resource that the MCA has developed through RedSky is being recognized and utilized locally and nationally. Next year will truly be a showcase year for RedSky, especially as it brings on its first scientific addition to the team.... I can't wait to see what happens.

In 2015, our community will really begin to feel the effects of the foundation that has been laid by the MCA Foundation team and funded by our community in so many ways. We still have a formidable fundraising goal facing us in 2015, but we strongly believe that the people and businesses in our region deserve the opportunities that our efforts are bringing and will help to fund our efforts. We look forward to delivering on our vision as our biomedical industry continues to take root and grow!

This is my El Paso. The El Paso of Opportunity.

Emma W. Schwartz





ABOUT

MCAmericas Holdings, Inc. and its subsidiaries work to advance the development of the MCA campus and the region's biomedical industry.

MISSION

To improve access to quality health care in the Paso del Norte region by building a better healthcare infrastructure, providing superior educational opportunities and attracting researchers and providers to the region.

VISION

To position the Paso del Norte region as the premier center of health delivery, education and research concentrating on issues unique to military, border and Hispanic populations.

TEAM

MCA

Martha Hood, Director of Accounting

Marianne Mijares, Executive Assistant

Carlos Ortega, Chief Financial Officer & Director of Impact Funds

Beverly Rebe, Corporate Governance

Emma W. Schwartz, President

Angelica Talavera, Operations Manager

REDSKY

Albert Di Rienzo. President

Alexander Di Rienzo, Media & Creative Content Manager

Mark Frazer, Senior Director, Business Development

Jeff Fuchsberg, Director, Intellectual Property & Competitive Analysis

Humberto Lara-Guerra MD, MSc, PhD, Director, Clinical & Translational Research

Neyha Sehgal, Assistant Director, Market Analysis

Stephen Voglewede, Assistant Director, Business Development





ORGANIZATION: COMPANIES AND BOARDS OF DIRECTORS

DIRECTORS

Edward Escudero, Chair Henry Yoshawirja, Vice Chair Rafael Adame Lisa D. Budtke Miguel Fernandez, Jr. L. Frederick Francis Ted Houghton Rodolfo Mata Judy Robison Robert E. Skov Linda Troncoso James Volk



Management, Finance, Fund Development, Outreach



Real Property Holdings -440 Raynolds



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



Real Property Holdings - lower 10 acre tech park site

DIRECTORS

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



Innovation +
Professional Services

DIRECTORS

Daniel Wolf, Chair
Kenneth McLeod, PhD, Vice Chair
Rafael Adame
David Borkholder, PhD
Dirk Brown, PhD

Emma Schwartz Robert E. Skov Rosemarie Truman Henry Yoshawirja

MCA FOUNDATION HONORARY & INSTITUTIONAL DIRECTORS

Richard Adauto, III - University of Texas at El Paso

César Blanco - Texas House Representative

Alfredo Borrego - San Juan Neighborhood Association

Vimal Chaitanya, PhD - New Mexico State University

Jacob Cintron - Las Palmas Del Sol Healthcare

CEO - El Paso Children's Hospital

Eric Evans - Sierra Providence Health Network

Tommy Gonzalez - City of El Paso

Luis Mario Gutierrez Gutierrez - Hospital Ángeles

Col. Michael Heimall, MD - William Beaumont Army Medical Center

Richard Lange, MD - Texas Tech University Health Sciences Center El Paso

Phillip Rivera - Memorial Medical Center of Las Cruces

Hon. José Rodriguez - Texas Senator

David Stout - El Paso County Commissioner

James N. Valenti - University Medical Center of El Paso

Thank you 2014 DON'S **CARDWELL COLLABORATIVE** LEADERSHIP DONORS

Jack Cardwell

Economic Development Administration, U.S. Department of Commerce Hunt Family Foundation

Douglas & Emma Schwartz Robert E. & Jacqueline B. Skov

Henry Yoshawirja family, Po Hu family, Simon Hu family

CONTRIBUTING DONORS

Anonymous Donor Isha Rogers Babel Kimmie & Dalton Caldwell Margie & Edward Escudero Guy Fields & Cindy Lyons Gary & Leanne Hedrick Will Jewell & Martha Hood Adair & Dee Margo

Charles C. Miller III, PhD MIMCO

Lina Ortega Luigi Pereira Rio Bravo Title John Rogers, Jr.

Joe Rosales, Sr. (In memory of Rose Rosales) Sierra Machinery, Inc. Transtelco, Inc.

> TRE & Associates, LLC James Volk

SYNAPSE SPONSORS

Dekker/Perich/Sabatini Kindred Hospital Sierra Providence Health Network

BLUE SKY SPONSOR

El Paso Electric Company

SUN SPONSORS

Richard Aguilar Castro Enterprises First National Bank Harold & Beth Hahn

Hoy Fox Automotive Group United Bank of El Paso del Norte ScottHulse, PC WestStar Bank

MOUNTAIN SPONSORS

Gary & Leanne Hedrick Inter National Bank John Rogers, Jr.

RIO GRANDE SPONSORS

David & Diane Bernard Transtelco, Inc.

VIVA SPONSOR

Blanco Ordoñez Mata & Wallace PC

DYNAMICA EXPO 2014 SUPPORTERS

TITLE SUPPORTER

Sierra Providence Health Network

SILVER SUPPORTERS

The City of El Paso Texas Tech University Health Sciences Center El Paso

CONTRIBUTING SUPPORTERS

C.D. Lee/Britton

Chase

El Paso Orthopaedic Surgery Group

El Paso Specialty Hospital

Guerra Investment Advisors

HUB International

Lauterbach, Borschow & Co., P.C.

Mentis Neuro Rehabilitation

Texas Gas Service

Texas Tech Technology Transfer

Union Pacific

ACG, LLP (White + Samaniego + Campbell)

IN-KIND CONTRIBUTORS

BPSI/Herman Miller

EmbroidMe

Currey Adkins

Margarita Cabrera

Huntleigh Technology Group

Makios IT Services

Sanders\Wingo

ScottHulse, PC

Table Occasions





The Cardwell Collaborative is a biomedical research and technology commercialization building being developed by MCA Tech Park, Inc., under the flagship of the Medical **Center of the Americas** (MCA) Foundation. The building, named after Mr. Jack Cardwell, is a threestory, highly sophisticated facility to be located at the entrance of the MCA Campus (5130 Gateway Blvd East). It will stand as an icon, symbolizing the region's proliferating biomedical community. Construction began in February 2015 and occupancy is expected in May 2016.



- Avatar (in lobby area)
 Virtual receptionist
- High Tech Conference Center
- Tier 2 High Performance Computing Center
- Intern Open Office Suite
- Beaker Café
- Shower room and lockers
- Collaboration spaces
- ■Incubator Space Wet/Dry labs
- LEED Silver building
- Redundant fiber to building
- Secure wireless throughout the building
- Security tenant key card access + video surveillance



ANCHOR TENANTS:

- MCA Foundation
- RedSky
- TTUHSC El Paso

KEY PROJECT COLLABORATORS:

- City of El Paso
- Citizen's Bank of Las Cruces, First National Bank, Bank of Texas
- Donors
- MCA Board of Directors
- RedSky

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.





PRESIDENT

It's my pleasure to provide a year-end letter for RedSky – a wholly-owned, for-profit subsidiary of the Medical Center of the Americas Foundation (MCA) - that has been in operation for approximately 18 months. As with most early stage companies, RedSky had its share of challenges, moving from launch in the 3rd Quarter of 2013, to fully operational in 2014. Consequently, the year was a very busy, exciting and rewarding one for the RedSky team as we continued to grow the Company, institutionalize processes, and offer diverse, yet comprehensive capabilities that directly support RedSky's economic development and translational research mission. With time, it is my belief that RedSky will be recognized as the entrepreneur's one-stop-shop for innovations that have healthcare and wellness applications.

To facilitate the realization of the aforementioned, the RedSky team continued developing regional. national and global relationships in order to promote and strengthen its brand within the healthcare and wellness innovation ecosystem, with the Company's primary focus being the Paso del Norte region. For those of us that reside in the region, we are very fortunate since it possesses a unique combination of academic, healthcare, research, manufacturing, and service assets that can form the basis of a robust healthcare and wellness innovation hub, and RedSky is excited to be a champion in this endeavor along with the MCA. Once again, RedSky partnered with the MCA to host Dynamica Expo 2014, which was a two day event designed to foster collaboration among academia, industry, government and others to bring about healthcare innovations.

Some 2014 highlights demonstrate that RedSky is moving closer to being a one-stop-shop. RedSky developed the region's first seed-accelerator. which will immediately have an economic impact by realizing the start-up of several companies that will hopefully remain within the region since they will be started, mentored, and supported here. With time and success, we expect that the RedSky seedaccelerator will attract applicants from outside the region, increasing its economic impact. Further highlighting the value that the team can bring to its collaborators and customers, the region, and seed-accelerator, are the newly received positions of RedSky as Johns Hopkins University Mentor in Residence, Texas Tech University System Investor in Residence, and University of Texas at El Paso Innovator in Residence as part of the Mike Loya Center for Innovation and Commerce. In addition, two RedSky employees received appointments as Affiliate Professors in the College of Business Administration at the University of Texas at El Paso.

In 2014, RedSky continued to grow the team, increasing its capabilities by selecting a Director of Clinical & Translational Research to form the foundation of the Company's Science & Technology team, and spearhead the Clinical Trials Network. In order to create original branding, communications, and marketing content, RedSky added a Media & Creative Content Manager. Finally, RedSky continued to assist in the design of the Cardwell Collaborative: labs, High Performance Computing Center, information technology infrastructure, media room, and collaboration space.

As always, the RedSky team and I look forward to bringing great value to the Paso del Norte region in terms of sustainable economic growth, and we're pleased to be part of the exceptional and impactful MCA endeavor. We're truly humbled by the trust and opportunity given to RedSky.

This is my El Paso. The El Paso of Innovation.

about f. Di Remo

Albert J. Di Rienzo

REDSKY

ABOUT

RedSky is a comprehensive concept to commercialization organization, designed to rapidly bring breakthrough healthcare innovation to the marketplace through enabling those with a creative spirit and passion for improving human and animal health to achieve results in a timely, creative, and costeffective manner.

MISSION AND VISION

To be the preeminent collaborative resource for translational research, positioning the Paso del Norte region as a hub of excellence for global healthcare innovation.

REDSKY NOW SERVES AS:

- Johns Hopkins University Mentor in Residence
- Texas Tech University System Investor in Residence
- University of Texas at El Paso Innovator in Residence as part of the Mike Loya Center for Innovation and Commerce

PROGRAMS

RedSky Seed Accelerator

The RedSky seed accelerator was developed to provide seed capital, office space, business services, mentorship and advisory assistance to new ventures in healthcare and wellness from the Paso del Norte region. The 12week program selects multiple teams developing technologybased businesses through a competitive application process that culminates in a demo day in front of an audience of potential investors. 2014 saw the development of the programmatic elements, curriculum, application, and evaluation criteria. The seed accelerator is poised to launch in April 2015, following final team selections. By providing necessary resources to startup businesses with compelling solutions, low barriers to entry and short times-to-market in high-growth industries with active venture investment, we expect the RedSky seed accelerator to return immediate and sustainable benefit to the region and become a fixture alongside our commercialization endeavors for technologies with longer pathways.

Dynamica Expo 2014

RedSky worked alongside the MCA Foundation to bring Dynamica Expo 2014 to El Paso, encouraging active discussion between researchers and physicians to promote biomedical innovation. RedSky helped with all aspects of marketing, logistics and coordination, recruited speakers from the region and beyond, promoted the event to exhibitors and vendors, developed and moderated roundtable discussions, and judged research posters for the prize competition.

Clinical Trials Network

Humberto Lara-Guerra, MD, PhD, was recruited by the RedSky team in 2014 and joined RedSky in January 2015 to take the lead on forming a regional clinical trials network (CTN) by bringing our local healthcare and research institutions together with commercial and research entities outside of the area to promote clinical trials in the Paso del Norte region. The CTN will have a particular emphasis on issues with high impact on Hispanic and military populations.

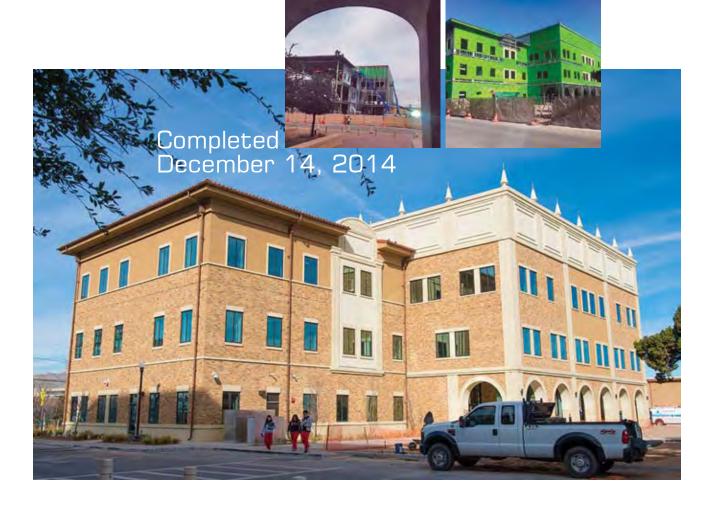
TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

GAYLE GREVE HUNT

SCHOOL OF NURSING







OUTREACH

S—y—n—a—p—s—e

BY THE NUMBERS

- New Synapse sponsors
- Total monthly email campaigns sent
- 18 Interviews conducted and aired on 88.5 FM (Synapse media partner)
- Number of people outside of El Paso who viewed the Synapse Job Board
- Number of new subscribers
- Dollars earned in advertising

HEALTHCARE RISING

On September 4, the Greater El Paso Chamber of Commerce joined with the MCA Foundation to organize a State of Healthcare address titled "Healthcare Rising." The program featured a rare assembly of high profile industry leaders who gave forward-looking talks to an audience of 200 at the Plaza Theatre. Panelists included:

- Eric Evans, Market CEO, Sierra Providence Health Network
- James N. Valenti, CEO, University Medical Center of Fl Paso
- Jacob Cintron, CEO, Del Sol Medical Center
- Phillip Rivera, President, Las Cruces Physician Services at Memorial Medical Center
- Richard Lange, MD, Founding President, Texas Tech University Health Sciences Center El Paso
- Col. Michael Heimall, MD, Commander of William Beaumont Army Medical Center
- Syed Yusoof, MD, President, El Paso County Medical Society
- Oscar Cantú, Periódico Norte in Juárez
- Kristi Daugherty, CEO, Emergence Health Network

The event put a spotlight on how far the region's health-care industry has come over the last 10 years, its strong economic value and the potential healthcare holds to lead our region's economy.

DYNAMICA EXPO 2014

On November 14 and 15, the MCA Foundation organized Dynamica Expo 2014 (last year known as BIOMED) to showcase the region's ideas, research, inventions and technologies to further healthcare innovation. This year's event featured an incredible exhibit hall that included robotics demonstrations and gastronomic food creations, as well as "the physician's office of the future" registration area. The dynamic slate of international speakers provided audience members opportunities for one-on-one discussions with healthcare and innovation thought leaders. The event keynote speakers were:

- Paul L. Domanico, PhD, Senior Director of Research & Development, Clinton Health Access Initiative
- Bruce E. Bloom, JD, DDS, Ashoka Fellow / President & Chief Science Officer, Cures Within Reach
- Joseph M. Smith, MD, PhD, FACC, Chief Medical Officer & Chief Science Officer, West Health Institute
- Rosemarie Truman, MBA, Founder & CEO, The Center for Advancing Innovation Inc.; CEO & President, RHT Consulting

VIP SHOWCASES

Several times throughout the year, the MCA is asked to coordinate VIP Showcases for elected officials and other high-level individuals or organizations. The purpose of these events is to showcase the life sciences assets that have been developed in the last 15 years in the region. Presentations are given by the MCA and RedSky as well as TTUHSC El Paso, UMC of El Paso, El Paso Children's Hospital, Sierra Providence Health Network, and others, followed by tours of the medical school and MCA campus. 2014's line-up included:

- John Boehner, Speaker of the United States House of Representatives
- City of El Paso Site Selection Consultants (Spring & Fall visits)
- Borderplex Alliance and Angelous Economics





MCAmericas Holdings, Inc. and Subsidiaries Management's Discussion and Analysis of Financial Condition and Results of Activities Year Ended December 31, 2014

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.

<u>Organizational Overview and Corporate Structure</u>

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, BioMedical Institute of the Americas, 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).

On July 30, 2014, Holdings formed MCA Revere Realty, Inc. ("Revere") as a Texas non-profit corporation to acquire a certain parcel of undeveloped land from the City of El Paso. Revere is in process of filing its tax exempt application with the Internal Revenue Service.

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 innovation, creating new employment opportunities and meeting health care needs of the region's current and future citizens. This biomedicine-driven economic development and growth mission will be accomplished through a series of strategic activities involving both physical infrastructure and programmatic initiatives. Strategic activities for discovery, development and deployment will 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 operating environments.

In February 2012, the City of El Paso ("City") entered into an the Economic Development Program Grant Agreement ("Grant") with Foundation pursuant to Chapter 380 of the Texas Local Government Code for the purposes of promoting local economic development and stimulating business and commercial activity within the City. Foundation was awarded this Grant based upon its economic development project consisting of biomedical cluster specific programs and infrastructure projects, as defined in the

Grant ("Project"), that will, over time, be a significant economic generator for the City to attract and retain economic development in the City's targeted industries.

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

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

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

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

Foundation provides management and financial/administrative support for Project activities of its subsidiary and affiliates as follows:

- RedSky was organized on May 4, 2012 to establish, launch and scale operations for discovery, development and deployment of biomedical innovation in the Paso del Norte region by providing a bridge for university research and intellectual property to the marketplace.
- Tech Park was organized on July 14, 2011 for the development and long-term growth of a vibrant, state-of-the-art research park for life sciences and healthcare, beginning with its 60,000 square-foot anchor building, the Cardwell Collaborative.
- MCAR was organized on December 14, 2009 for the exclusive purpose of investing in and acquiring income-producing real property.
- Revere was organized on July 30, 2014 for the purpose of acquiring certain undeveloped land from the City of El Paso.

Major Accomplishments

A summary of major accomplishments during 2014 are as follows:

- In March 2014, planning for the clinical research organization began with a kickoff meeting on the setup and operation of clinical trial networks with a common approach, methodology and processes. A Clinical Trials Director was subsequently identified, accepted employment with RedSky in 2014 and began work in January 2015.
- In March 2014, after a rigorous application process, a proof of concept collaboration grant in the amount of \$25,000 was awarded for the refinement and testing of a novel PTSD pharmaceutical to UTEP's Dr. Mahesh Narayan, Northern Arizona University's Dr. Suman Sirimulla and William

- Beaumont Army Medical Center's Department of Clinical Investigations. All funds are required to go directly to product development with no overhead expense allowed to any university.
- On April 10 and 11, 2014, the Cardwell Collaborative Building was featured at the Tradeline Biocontainment Facilities Conference in Phoenix, Arizona.
- On April 21, 2014, Tech Park informs Cardwell Collaborative project manager, architect, commissioning agent and construction manager of a substantive revision to the building due to changes in a certain tenant's occupancy of the building and requests revised fee schedules due to these changes in scope of work and timing of the project.
- On May 5, 2014, the Whitehead Institute for Biomedical Research awarded its annual Future of Health Technology Award to Albert Di Rienzo, RedSky's President, for his "pioneering work promoting entrepreneurship in the medical and scientific fields." The Future of Health Technology Award is given annually to breakthrough thinkers whose work can help reduce suffering, maximize the potential for self-realization, and extend human potential through technology.
- In June 2014, RedSky hired its Media & Content Creation Manager who will market RedSky activities and distinguish the company by creating novel educational and promotional materials as well as social media and web content.
- On July 23, 2014, the Cardwell Collaborative Building was featured in an article published in Tradeline Inc. publication.
- On July 24, 2014, a prestigious and distinguished Board of Directors met to convene its first RedSky Board meeting in order to review and approve its strategy as well as ensure leadership and governance for its future success.
- On August 29, 2014, construction documents and bid packages were issued by Philo Wilke architects to three contractors who had previously bid the project.
- In September 2014, MCA began feasibility development of an Angel Fund to provide investment capital, strategic advice and mentoring to early-stage companies engaged in the healthcare space, or having a healthcare touch-point to help them achieve high growth, business stability and market leadership with innovation from entrepreneurs in the Paso del Norte region. MCA Angel Capital Partners is expected to begin in 2015 and consist of entrepreneurs, CEOs, business community leaders and other high net worth individuals from the Paso del Norte region who have built world-class organizations.
- On October 8, 2014, the Tech Park board met to review the general contractor bids and make its selection. Jordan Foster Construction was selected for the contracting process.
- On November 11, 2014, El Paso City Council approved MCA Tech Park, Inc. and MCA Revere
 Realty, Inc. entering into a Purchase Agreement with the City of El Paso for the purchase of two
 parcels of undeveloped land aggregating approximately 13 acres for the construction and
 operation of a medical life sciences research and technology commercialization campus, and
 uses ancillary and/or complementary thereto, including parking facilities for the campus.
- On November 11, 2014, El Paso City Council approved the Second Amendment to the Grant Agreement, which provides for up to \$370,000 in building permit fee waivers for developments on the 13 acres of land purchased from the City to facilitate development.
- On November 11, 2014, MCA presents its second Annual Report to City Council pursuant to the Grant Agreement.
- On November 14 and 15, 2014, MCA hosted its second annual regional Biomed symposium ("Dynamica Expo 2014"), featuring four nationally recognized speakers and scientific poster presentations from NMSU, UTEP, TTUHSC, Ft. Bliss, UT School of Public Health as well as private researchers.

• On December 15, 2014, Foundation delivers its third annual payment in the amount of \$612,000 to Texas Tech University Health Sciences Center for the construction of the Hunt School of Nursing ("GGHSON") building. GGHSON Building is substantially completed by the end of 2014.

Financial Highlights

MCA net assets for the year 2014 increased by approximately \$743,000 as compared to approximately \$7 million in 2013. The difference was primarily attributable to prior year contributions for the Cardwell Collaborative as well as a U.S. Department of Commerce Economic Development Administration ("EDA") grant to support design and engineering for the Cardwell Collaborative.

MCA expenses for the year 2014 increased from approximately \$2.1 million in 2013 to approximately \$3.1 million. The net increase in expenses was primarily attributable to the following:

- Salaries, wages and benefits increased approximately \$731,000 due primarily to the hiring of one additional member of the RedSky team as well as a full year of such expenses for the foundational RedSky team.
- Marketing expenses increased approximately \$55,000 due to certain marketing and promotional expenses for RedSky to create novel educational and promotional materials as well as social media and web content.
- Office and administrative expenses increased by approximately \$78,000 due to a full year of expense for additional office space and support infrastructure for the RedSky organization.
- Approximately \$92,000 was incurred in connection with the Dynamica regional symposium held on November 14 and 15, 2014 at the El Paso Convention and Performing Arts Center, an increase of approximately \$33,000 from the prior year.
- A proof of concept collaboration grant in the amount of \$25,000 was awarded by RedSky for the refinement and testing of a novel PTSD pharmaceutical to UTEP's Dr. Mahesh Narayan, Northern Arizona University's Dr. Suman Sirimulla and William Beaumont Army Medical Center's Department of Clinical Investigations.

Liquidity and Financial Resources

MCA total assets at December 31 increased from approximately \$12.8 million in 2013 to approximately \$14.5 million in 2014. The increase in assets was primarily attributable to:

- An increase in contributions receivable of approximately \$500,000, primarily due to the timing in collection of the quarterly Grant payment;
- Increase in construction-in-progress for the Cardwell Collaborative of approximately \$1.3 million.

MCA total liabilities at December 31 increased from approximately \$1.6 million in 2013 to approximately \$2.5 million in 2014 primarily due to the purchase of two parcels of undeveloped land from the City of El Paso in exchange for a promissory note.

MCA net assets at December 31 increased from approximately \$11.2 million in 2013 to approximately \$12 million in 2014.

During 2014, MCA operating activities used cash of approximately \$76,000 as compared to cash provided by operating activities of approximately \$1.8 million in 2013. The decrease was primarily attributable to an increase in operating expenses and various contributions receivable.

MCA investing activities used cash of approximately \$1.8 million in 2014 for Cardwell Collaborative construction-in-progress and for the purchase of computer and office equipment. Construction-in-progress amounts through 2014 have been funded by Cardwell Collaborative contributions received, EDA grant proceeds and MCA's cash balances.

MCA financing activities provided cash of approximately \$1.4 million in 2014 primarily due to Cardwell Collaborative contributions received in 2014.

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, short term investments and contributions receivable totaling approximately \$5.0 million at December 31, 2014, MCA believes its financial resources are sufficient to fund its operating obligations during the year ending December 31, 2015.

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 \$3 million over the next two years, bringing total Cardwell Collaborative campaign contributions to approximately \$10 million. Subsequent to December 31, 2014, Tech Park secured a credit facility from a consortium of local banks totaling \$18.6 million. As more fully described in Note 17 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 Credits for the Cardwell Collaborative from various Community Development Entities in 2015; however, no assurances can be provided at this time.

MCA's principal contractual obligations and commitments at December 31, 2014 consist of its annual payments of \$612,000 through December 2029 pursuant to the TTUHSC Nursing School Facility Funding Agreement and its monthly office lease commitments of approximately \$7,000 through August 2015. In addition, as of December 31, Tech Park has commitments outstanding in the amount of approximately \$4 million for the Cardwell Collaborative development. Subsequent to December 31, 2014, Tech Park entered into a contract for the construction of the Cardwell Collaborative in the amount of approximately \$20.4 million. The Cardwell Collaborative is expected to be substantially completed by April 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, 2014 and 2013. 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 annually 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 Assistant Treasurer 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, 2014 and 2013

With Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of MCAmericas Holdings, Inc., which comprise the consolidated statement of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MCAmericas Holdings, Inc. as of December 31, 2014 and 2013, 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.

February 24, 2015 El Paso, Texas

Lautenbach, Berochow & Company

Consolidated Statements of Financial Position

December 31, 2014 and 2013

Assets		2014	2013
Current assets: Cash and cash equivalents Short term investments Contributions receivable, net (Notes 3 and 4) Prepaid expenses and other current assets	\$	1,476,618 509,432 2,999,076 39,934	1,937,716 507,146 2,495,048 19,681
Total current assets		5,025,060	4,959,591
Noncurrent assets: Cash restricted to investment in property and equipment (Note 5) Contributions receivable restricted to investment in property and equipment, net (Note 5)		— 4,550,139	74,812 5,454,050
Property and equipment, net (Notes 5, 6 and 13)		4,907,450	2,310,179
Total assets	\$ <u>_</u>	14,482,649	12,798,632
Current liabilities: Accounts payable Accrued expenses and other liabilities	\$	175,273 152,770 612,000	346,846 79,736 612,000
Contributions payable (Note 7) Current portion of long-term debt (Note 8)		21,196	19,890
Total current liabilities		961,239	1,058,472
Long-term debt, net (Note 8)		1,568,010	529,474
Total liabilities	_	2,529,249	1,587,946
Net assets: Unrestricted Temporarily restricted (Note 14)		943,221 11,010,179	566,953 10,643,733
Total net assets	_	11,953,400	11,210,686
Commitments (Notes 3, 5, 7, 9, 13 and 17)	_		
Total liabilities and net assets	\$_	14,482,649	12,798,632

See accompanying notes to consolidated financial statements.

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

Years ended December 31, 2014 and 2013

		2014	2013
Unrestricted net assets	-		
Changes in unrestricted net assets:			
Revenue and support:			
Contributions	\$	36,388	34,954
In-kind donations (Note 11)		67,236	31,054
Rent (Note 12)		100,980	100,980
Interest		3,621	4,968
Other	_	83,884	43,955
Total unrestricted revenue and support		292,109	215,911
Net assets released from restriction	_	3,204,903	2,340,034
Total	_	3,497,012	2,555,945
Expenses (Note 10):			
Programs:			
Biomedical Cluster		1,791,481	858,078
Infrastructure		953,000	925,421
Other		35,814	32,292
Management and general		325,973	288,189
Fundraising	_	14,476	30,578
Total expenses	_	3,120,744	2,134,558
INCREASE IN UNRESTRICTED NET ASSETS		376,268	421,387
Temporarily restricted net assets			
Changes in temporarily restricted net assets:			
Grants (Note 3)		3,216,720	3,110,544
Contributions			311,303
Contributions restricted to investment in property		354,629	5,528,863
and equipment, net of reclassifications (Note 5) Grants and contributions released from restrictions		(3,204,903)	(2,340,034)
Grants and Contributions released nontrestrictions	-	(3,20 1,303)	(2/3/0/03/)
INCREASE IN TEMPORARILY RESTRICTED			
NET ASSETS	_	366,446	6,610,676
TOTAL INCREASE IN NET ASSETS	_	742,714	7,032,063
NET ASSETS, Beginning of year		11,210,686	4,178,623
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See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

	_	2014	2013
Cash flows from operating activities:			
Increase in net assets	\$	742,714	7,032,063
Adjustments to reconcile change in net assets to net cash provided			
by (used in) operating activities:			20.504
Depreciation		63,540	30,504
Contributions restricted to investment in		(441,776)	(5,987,618)
property and equipment Changes in operating assets and liabilities:		(441,770)	(3,987,018)
Short term investments		(2,286)	(4,006)
Contributions receivable		(504,028)	639,354
Prepaid expenses and other current assets		(20,253)	(16,685)
Accounts payable		13,304	50,221
Accrued expenses and other liabilities	_	73,034	62,941
Net cash (used in) provided by operating activities		(75,751)	1,806,774
Cash flows from investing activities:			
Purchase of property and equipment		(253,376)	(111,846)
Additions to construction in progress	_	(1,532,480)	(1,329,739)
Net cash used in investing activities	_	(1,785,856)	(1,441,585)
Cash flows from financing activities:			
Proceeds from contributions restricted to investment in			
property and equipment		1,345,687	533,568
Cash restricted to investment in property and equipment		74,812	(74,812)
Payments on long-term debt		(19,990)	(19,782)
Net cash provided by financing activities	_	1,400,509	438,974
Net (decrease) increase in cash and cash equivalents		(461,098)	804,163
Cash and cash equivalents, beginning of year		1,937,716	1,133,553
Cash and cash equivalents, end of year	\$ _	1,476,618	1,937,716
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	\$ _	34,897	34,895
Non-cash activities:			000 ===
Construction in progress purchased through accounts payable	\$ =	97,179	280,750
Exchange of promissory note for land	\$ _	1,058,526	

See accompanying notes to consolidated financial statements.

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

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 BioMedical Institute of the Americas, 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 pending exemption from federal income tax.

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 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 research, demographics providing for distinctive clinical trials capability, adaptive workforce and logistics and manufacturing capabilities that can accommodate biomedical business environments in the region.

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

Pursuant to such Project activities, MCA's main programs consist of the following:

- Biomedical Cluster: This program consists of activities directed to bridging university intellectual property to the marketplace and accelerating the flow of the region's biomedical science from laboratory bench to the patient's bedside, providing a regional economic engine to position the region as a hub of excellence for global healthcare innovation as well as bringing solutions to the region's health challenges and elevating the quality of healthcare for its residents.
- Infrastructure: This program consists of activities directed to the development of the

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Notes to Consolidated Financial Statements

December 31, 2014 and 2013

1. DESCRIPTION OF ORGANIZATION (continued)

physical infrastructure needed to support the Biomedical Cluster by establishing the region's first biomedical 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 publishing of Synapse™, a web and print publication that aggregates the region's life sciences news; organizing the annual biomedical symposium; and awarding grants for biomedical 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.
- 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, 13 and 17).
- 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.

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.

Change in Reporting Entity – MCAmericas Holdings, Inc. was formed in order to serve the best interests of MCA by reorganizing all MCA entities into a new structure that provides: (1) centralized management; (2) compartmentalization of liability; and (3) placement of distinct charitable functions of MCA in separate entities. During 2013, MCAmericas Holdings, Inc. obtained its tax exempt status and became the parent holding company and sole member of the MCA entities. Accordingly, the financial statement presentation of MCA was changed in 2013 to include the accounts of MCAmericas Holdings, Inc.

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2014 and 2013.

Revenue Recognition – Contributions are recognized when the donor makes a promise to give to MCA that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Gifts restricted to the acquisition or construction of long-lived assets are reported as temporarily restricted revenue and released to unrestricted net assets when long-lived assets are placed in service.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MCA receives a substantial amount of its support from public and private contributions primarily located in the El Paso, Texas borderplex region. In 2014 and 2013, approximately 70 percent and 29 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.

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, 2014 and 2013.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Income Tax Status – MCAmericas Holdings, Inc., Foundation and Tech Park 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. Revere is in the process of filing its tax exempt application with the Internal Revenue Service. 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 2014 and 2013.

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 any, related to unrecognized tax benefits are recorded as a component of income tax expense.

Under U.S. generally accepted accounting principles, a tax provision resulting from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date in order to be recognized. Management has analyzed the tax positions taken by MCA, and has concluded that as of December 31, 2014 and 2013, 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 2010 are still open to audit for both federal and state purposes.

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 24, 2015, the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the consolidated financial statements except as disclosed in Note 17. 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 to enter into a Grant Agreement 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, 2014 and 2013, contributions receivable from the Grant were approximately \$2.7 million and \$2.0 million, respectively.

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 reimbursed by the EDA.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31, 2014 and 2013:

	<u>2014</u>	2013
Grant receivable	\$ 2,709,913	1,963,013
Unconditional promises to give	294,163	537,035
	 3,004,076	2,500,048
Less: Allowance for doubtful pledges	 (5,000)	(5,000)
	\$ 2,999,076	2,495,048

Unconditional promises to give, net of discount to present value at rates ranging from 1.3% to 6.15%, consisted of the following at December 31, 2014 and 2013:

	<u>2014</u>	2013
Unconditional promises to give before unamortized discount Less: Unamortized discount	\$ 317,350 (23,187)	601,725 (64,690)
	\$ 294,163	537,035

The discount will be recognized as contribution income in years 2015 to 2021 as the discount is amortized using an effective yield over the duration of the pledge.

Contributions receivable at December 31 are due as follows:

	<u>2014</u>	<u>2013</u>
Amounts due in:		
Less than one year	\$ 2,826,813	2,157,288
One to five years	195,450	406,950
More than five years	 5,000	500
	\$ 3,027,263	2,564,738

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

5. CARDWELL COLLABORATIVE

During 2014, Tech Park completed the planning and design 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 80,000 to 60,000 square feet during the year due to changes in a certain tenant's occupancy of the building. The Cardwell Collaborative will now 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 Texas Tech University Health Sciences Center El Paso and Foundation.

Project cost for the Cardwell Collaborative is estimated at approximately \$27.5 million, exclusive of furniture and equipment of approximately \$1.5 million. Construction to begin in February 2015 and substantial completion estimated for April 2016. At December 31, 2014 and 2013, approximately \$3.0 million and \$1.6 million, respectively, is reflected in construction in progress (Note 6). Funding for the Cardwell Collaborative will be provided primarily through a combination of bank loans (Note 17), government grant (Note 3) and capital campaign contributions from private donors.

Through December 31, 2014, MCA has raised approximately \$7.0 million in unconditional pledges and contributions toward such capital campaign goal from a government grant and seventeen individual and corporate donors. At December 31, 2014 and 2013, contributions receivable restricted to investment in property and equipment in the accompanying Consolidated Statements of Financial Condition are as follows:

<u>2014</u>	<u>2013</u>
\$ 4,794,650	5,685,275
 (244,511)	(231,225)
\$ 4,550,139	5,454,050
\$ \$	\$ 4,794,650 (244,511)

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

5. CARDWELL COLLABORATIVE (continued)

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

	<u>2014</u>	<u>2013</u>
Amounts due in:		
Less than one year	\$ 1,176,100	1,154,725
One to five years	3,523,550	4,521,050
More than five years	 95,000	9,500
	\$ 4,794,650	5,685,275

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. Except for one individual pledge, contributions receivable are individually less than 10 percent of total contributions receivable at December 31, 2014 and 2013 and are not considered a significant concentration of credit risk.

Subsequent to December 31, 2014, Tech Park secured a credit facility from a lending group of local banks to provide up to \$18.6 million in financing for the Cardwell Collaborative in the form of interim construction and mini-permanent financing loans (Note 17).

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	Estimated Useful Life				
	<u>(Years)</u>		<u>2014</u>		<u>2013</u>
Land	-	\$	1,429,798	\$	170,000
Building & improvements	15 - 40		470,245		462,545
Furniture & fixtures	3 - 5		7,539		6,695
Computer equipment	3		105,010		94,794
Other office equipment	5		68,367		36,421
		•	2,080,959	•	770,455
Less: Accumulated depreciation		_	(132,906)		(70,765)
			1,948,053	•	699,690
Construction-in-progress			2,959,397		1,610,489
		\$	4,907,450	\$	2,310,179
		:		:	

Amounts related to the Cardwell Collaborative (Note 5) are reflected in construction-in-progress at December 31, 2014 and 2013. In conjunction with the construction of the Cardwell Collaborative project, Tech Park expects to incur additional construction-related capital costs of approximately \$24 million through April 2016 (Note 17).

Depreciation expense for the years ended December 31, 2014 and 2013 was \$63,540 and \$30,504, 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 area to house the Gayle Greve Hunt School of Nursing as one of the projects contemplated under Foundation's Grant with the City of El Paso. Amounts under the Funding Agreement are payable in eighteen annual installments of \$612,000 each through December 31, 2029, totaling \$11,016,000. The annual payments are subject to annual appropriation of funds under the Grant Agreement and satisfaction of the conditions of the Funding Agreement, as specified therein. It is Foundation's intent that amounts reflected as grants payable in the accompanying Consolidated Statements of Financial Position will be fulfilled in 2015.

ANNUAL REPORT 2014

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

8. LONG-TERM DEBT

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

The interest-free Note has been recorded at fair value by discounting an estimate of future annual Grant payments in excess of \$3 million using an imputed interest rate of 4.75% which approximates Buyer's bank borrowing rate.

As of December 31, 2014 and 2013, long-term debt consisted of the following:

		<u>2014</u>	2013
Non-interest bearing note payable t	to City		
of El Paso, net of unamortized			
discount of \$841,474	\$	1,058,525	
Note payable to bank		530,681	549,364
Less: Current portion		(21,196)	(19,890)
Noncurrent portion	\$	1,568,010	529,474

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 are as follows:

Year ending December 3	Y	'ear	endina	December	31
------------------------	---	------	--------	----------	----

amg December 51,	
2015	\$ 21,196
2016	22,457
2017	23,983
2018	25,517
2019	27,149
Thereafter	 1,447,708
	**
	\$ 1,568,010

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

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 \$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, 2014 and 2013:

		Programs					
	Biomedical			Management		2014	2013
	Cluster	Infrastructure	Other	and General	Fundraising	Total	Total
Salaries	\$ 1,181,324	142,489	24,321	189,823	11,714	1,549,671	888,129
Employee benefits	61,247	10,083	2,758	18,201	767	93,056	40,810
Payroll taxes	55,301	8,379	1,697	12,002	608	77,987	60,713
Total salaries and related expenses	1,297,872	160,951	28,776	220,026	13,089	1,720,714	989,652
Personnel-related expenses	106,917	5,127	748	9,782	146	122,720	121,244
Professional and contract services	79,781	47,324	959	43,961	55	172,080	129,922
Office expense	75,908	8,822	1,474	11,859	712	98,775	53,881
Other administrative expense	68,838	6,377	2,912	20,916	474	99,517	62,464
Contributions expense	_	612,000	_	_	_	612,000	612,000
Building expense		350	_	_	_	350	78 9
Proof of concept	25,000	_	_	_		25,000	_
Special event expense	91,572	_	_	_	_	91,572	58,699
Depreciation	42,733	13,671	945	6,191		63,540	30,504
Insurance	2,350	6,800	_	3,193	_	12,343	9,454
Donated goods and services	510	56,681		10,045		67,236	31,054
Interest	_	34,897	_	· -	_	34,897	34,895
Total expenses reported by function on the							
Statement of Activities	\$ 1,791,481	953,000	35,814	325,973	14,476	3,120,744	2,134,558

11. DONATED MATERIALS, EQUIPMENT AND SERVICES

MCA received in-kind revenue during 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Marketing	\$ 	5,840
Internet costs & IT services	4,514	6,921
Legal and professional	15,860	16,182
Consulting	46,862	_
Supplies and other	 	2,111
	\$ 67,236	31,054

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

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. The lease contains four renewal options. TTUHSC exercised its first renewal option in 2014. Minimum rentals under the lease agreement at December 31, 2014 are as follows:

Year ending	g Decem	ber 31,
-------------	---------	---------

2015	\$ 100,980
2016	100,980
2017	 33,660
	\$ 235,620

13. COMMITMENTS AND CONTINGENCIES

Foundation and RedSky lease office space under operating leases aggregating \$7,679 per month that expire July 2015 and August 2015, respectively. Rental expense was \$94,538 and \$53,692 for the years ended December 31, 2014 and 2013, respectively.

The minimum rentals under the lease agreements are as follows:

Year ending December 31,

2015 \$ 59,048

RedSky has an employment agreement with its President through June 2, 2017. The agreement provides for an annual base salary of \$300,000 payable in equal semi-monthly installments and a performance bonus of up to 40% of the annual base salary subject to accomplishment of objective milestones and Board approval. Approximately \$405,000 was paid in 2014 and \$175,000 in 2013 under the Agreement.

At December 31, 2014 and 2013, Tech Park has outstanding commitments for construction and other related capital contracts of approximately \$4 million in connection with the Cardwell Collaborative (Notes 5, 6 and 17).

MCAMERICAS HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

14. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2014 and 2013:

		<u> 2014</u>	<u>2013</u>
Operating purposes	\$	4,031,654	4,621,677
Investment in property and equipment	_	6,978,525	6,022,056
	\$	11,010,179	10,643,733

15. INCOME TAXES

At December 31, 2014 and 2013, RedSky has available net operating loss carry-forwards of approximately \$3,000,000 and \$1,400,000, respectively, for federal income tax purposes which expire from 2020 to 2022. The federal tax carry-forwards resulted from cumulative losses generated through December 31, 2014. 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.

16. 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 will provide financing for the Cardwell Collaborative (Notes 5 and 17).

During 2014 and 2013, contributions from certain officers, members of the Board and entities with common board members totaled approximately \$48,000 and \$375,000, respectively. Undiscounted pledges and contributions receivable from such related parties were approximately \$278,000 and \$547,500 as of December 31, 2014 and 2013, respectively.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

17. **SUBSEQUENT EVENTS**

MCA evaluated its December 31, 2014 consolidated financial statements for subsequent events through February 24, 2015, the date the consolidated financial statements were available to be issued. Except as disclosed in the following paragraphs, MCA is not aware of any subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.

Subsequent to December 31, 2014, Tech Park entered into an agreement with Jordan Foster Construction, LLC for the construction of the Cardwell Collaborative building ("Agreement"). The Agreement provides for the cost of work plus a fee with a guaranteed maximum price in the amount of approximately \$20.4 million. Construction of the project began in February 2015 with substantial completion of the project scheduled for April 2016.

Subsequent to December 31, 2014, 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 the then 7-year Balloon, 20-year Standard Amortizing Rate quoted by the Federal Home Loan Bank of Dallas ("FHLB-Dallas") plus 325 basis points, fixed for the first 7 years of the 15 year term of the loan, but not less than 5.45%. At the end of the first 7 years, the rate of interest will be adjusted to the then 7-year Balloon, 15-year Standard Amortizing Rate quoted by FHLB-Dallas, plus 325 basis points, fixed for the final 8 years of the 15 year term of the loan, but not less than 5.45%. Tech Park will pay interest only monthly as it accrues for the 27-month term. Beginning on the 28th month, Tech Park will pay the first of 180 monthly installments of principal and accrued interest based upon a 25 year amortization at the end of which the entire balance of unpaid principal and accrued unpaid interest will be due and payable in one lump sum. The borrowings are secured by a first priority Deed of Trust lien on the property and improvements. The Loan Agreement includes financial covenants requiring a fixed charge coverage ratio, a leverage ratio, annual audited financial statements, assignment of rents and other customary requirements of similar loan agreements.

Subsequent to December 31, 2014, 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 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. Tech Park agreed to deliver possession of the leased premises on or before May 1, 2016.

	Medical Center							
	or the Americas	MCAmericas	MCAmericas		MCA Tech	MCA Revere		
	Foundation	Holdings, Inc.	Realty, Inc.	RedSky	Park, Inc.	Realty, Inc.	Eliminations	Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 1,190,123	1,000	20,699	1,000	262,796	1,000	I	1,476,618
Short term investments	254,483	ł	1	I	254,949	ı	ı	509,432
Contributions receivable	4,449,753	1	1	1	67,861	I	(1,518,538)	2,999,076
Prepaid expenses and other current assets	10,832	7,171	1,050	20,881	1	I	` I	39,934
Total current assets	5,905,191	8,171	21,749	21,881	285,606	1,000	(1,518,538)	5,025,060
Non-current assets:								
Contributions restricted to								
investment in property and equipment	4,550,139	I	I	1	I	ı	ļ	4,550,139
Property and equipment, net	7,353	!	581,253	99,648	3,799,747	419,449		4,907,450
Investment in RedSky	2,380,625	1	1	-	-	ı	(2,380,625)	I
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								
Current liabilities:								
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	l	1	122,196	l	ı	1	152,770
Contributions payable	612,000	1	I	I	I	1	1	612,000
Current portion of long-term debt	1		21,196]	1	I	•	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]	509,484		740,968	317,558	I	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:								
Common stock	I	1	1	1,000	1	1	(1,000)	ı
Additional paid in capital	1	ı	l	2,379,625	ŀ	l	(2,379,625)	1
Unrestricted	1,168,629	I	72,322	(2,751,398)	2,453,668	ľ	I	943,221
Temporarily restricted	11,010,179					•		11,010,179
Total net assets	12,178,808	ı	72,322	(370,773)	2,453,668	I	(2,380,625)	11,953,400

MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES
Consolidating Statement of Financial Position
December 31, 2013

	Medical Center of the Americas Foundation	MCAmericas Holdings, Inc.	MCAmericas Realty, Inc.	RedSky	MCA Tech Park, Inc.	Eliminations	Consolidated
Assets Current assets: Cash and cash equivalents Short term investments Contributions receivable Prepaid expenses and other current assets	\$ 1,656,983 253,215 5,478,509 11,239	1,000	25,890	1,000	252,843 253,931 3,889 294	(2,988,000)	1,937,716 507,146 2,495,048 19,681
Total current assets Non-current assets: Cash restricted to investment in property and equipment	7,399,946	1,650	26,747	8,291	510,957	(2,988,000)	4,959,591
Contributions receivable restricted to investment in property and equipment. Property and equipment, net Total assets	5,454,050 112,466 13,041,274	1,650	587,224 613,971	8291	1,610,489	(2,988,000)	5,454,050 2,310,179 12,798,632
Liabilities and Net Assets Current liabilities: Accounts payable Accrued expenses and other liabilities Contributions payable Current portion of long-term debt	\$ 50,670 74,014 612,000	1,650	5,295	1,161,559 5,722 5,722 — — — — — — — — — — — — — — — — — —	2,115,672	(2,988,000)	346,846 79,736 612,000 19,890
Total current liabilities Long-term debt Total liabilities	736,684	1,650	25,185 529,474 554,659	1,167,281	2,115,672	(2,988,000)	1,058,472 529,474 1,587,946
Net assets: Unrestricted Temporarily restricted Total net assets Total liabilities and net assets	1,660,857 10,643,733 12,304,590 \$ 13,041,274	1,650	59,312 — 59,312 613,971	(1,158,990) ———————————————————————————————————	5,774 5,774 2,121,446	(2,988,000)	566,953 10,643,733 11,210,686 12,798,632

See accompanying notes to consolidated financial statements.

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

	Medical Center of the Americas	MCAmericae	MCAmericae		MCA Toth Body	MY B		
	Foundation	Holdings, Inc.	Realty, Inc.	RedSky	Inc.	Realty, Inc.	Eliminations	Consolidated
Unrestricted net assets Changes in unrestricted net assets:								
Revenue and support:								
Contributions	\$ 36,388	1	1	I		I	1	36,388
Grant	1	43,851	1	!	2,678,440	8,060	(2,730,351)	1
In-kind donations	11,136	1	1,346	I	53,212	1,542	1	67,236
Management fees	313,649	1	i	1	ı	ı	(313,649)	1
Rent	1	1	100,980	I	ŀ	I	I	100,980
Interest	18,039	I	1	ł	1,471	l	(15,889)	3,621
Other	78,032			5,852	١			83,884
Total revenue and other support	457,244	43,851	102,326	5,852	2,733,123	6,602	(3,059,889)	292,109
Net assets released from restriction	3,204,903		1	1	ı	ı	l	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	1	I	1,611,073	1	ı	(82,338)	1,791,481
Infrastructure	3,489,352	1	89,316	1	285,230	9,602	(2,920,500)	953,000
Other	35,814	i	1	1	i	1	1	35,814
Management and general	339,173	43,851	ţ	1	I	ı	(57,051)	325,973
Fundraising	14,476			1	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 UNRESTRICTED NET ASSETS	(479,414)	THE	13,010	(1,605,221)	2,447,893	1	1	376,268
Temporarily restricted net assets								
Changes in temporarily restricted net assets:	3,216,720	I	ļ	I	1	1	I	3,216,720
property and equipment, net of reclassification	354,629	I	1	1	l	l	I	354,629
Grants and contributions released from restrictions	(3,204,903)		1	1				(3,204,903)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	366,446	1	1		1			366,446
TOTAL INCREASE (DECREASE) IN NET ASSETS	(112,968)	1	13,010	(1,605,221)	2,447,893		1	742,714
NET ASSETS, Beginning of year	12,291,777	1	59,312	(1,146,177)	5,774	1	I	11,210,686
NET ASSETS, End of year	\$ 12,178,809		72,322	(2,751,398)	2,453,667	1		11,953,400

MCAMERICAS HOLDINGS, INC.
AND SUBSIDIARIES
Consolidating Statement of Activities
For the Year Ended December 31, 2013

858,078 925,421 32,292 288,189 30,578 2,134,558 (2,340,034) 7,032,063 3,110,544 311,303 5,528,863 109,068

(327,000)

(22,121) 101,726 (331,420) — (10,359) (240,053) (240,053) MCA Tech Park, Inc. 183,221 8,853 8,853 2,634 __ 192,074 __ 192,074 3,140 (1,146,177) 844,929 2,690 100,980 83,110 38,752 83,110 — 103,670 20,560 59,312 10,611 10,358 253 253 — — — — — — 11 1 MCAmericas Holdings, Inc. Medical Center of the Americas Foundation 4,136,731 (2,340,034) 34,954 — 17,859 327,000 — 24,455 43,955 448,223 2,340,034 2,788,257 (88,577) 981,657 32,292 287,937 30,578 1,243,887 6,610,676 8,155,046 1,544,370 3,110,544 311,303 5,528,863 12,291,777 Temporarily restricted net assets
Changes in temporarily restricted net assets:
Grants
Contributions
Contributions restricted to investment in
property and equipment
Grants and contributions released
from restrictions INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS NET ASSETS, Beginning of year NET ASSETS, End of year Expenses:
Programs:
Biomedical Cluster
Infrastructure
Other
Management and gene
Fundraising
Total expenses INCREASE IN TEMPORARILY RESTRICTED NET ASSETS TOTAL INCREASE IN NET ASSETS



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