

2012
ANNUAL REPORT

THE POWER OF COLLABORATION



MEDICAL CENTER
OF THE AMERICAS
FOUNDATION



THINK REGIONALLY TO COMPETE GLOBALLY

FOCUS ON CLUSTERS TO GROW

BUILD ADVANTAGES TO GROW CLUSTERS

COLLABORATE TO COMPETE



MEDICAL CENTER OF THE AMERICAS FOUNDATION

The Medical Center of the Americas (MCA) Foundation works to advance the development of the MCA campus and advance the Paso del Norte region's biomedical innovation pipeline. Established in 2006 as the keeper of the vision, the MCA Foundation today is the driving force behind the vision — **to position the Paso del Norte region as the global leader in health delivery, education and biomedical research concentrating on issues unique to the Hispanic, border and military populations.**

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

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Chairman's Message

During my tenure as a member of the Board of Directors for the Medical Center of the Americas Foundation, I have seen many accomplishments realized. These successes have allowed us a glimpse into the auspicious future of the region's health care and life sciences community. The vision we have as a biomedical community, and the fortitude that the MCA Foundation has in pursuit of that vision, makes me proud to be part of this community effort.

I believe it was Henry Ford who said, "Coming together is a beginning, staying together is progress, and working together is success." I would like to take this opportunity to acknowledge and express my gratitude for the people who have helped us attain our successes.

Thank you to the MCA Foundation, and particularly to Emma W. Schwartz, president of the MCA Foundation, and her staff. Ms. Schwartz's ability to think big-picture and long-term, to gain consensus among the many, and to act with integrity and diplomacy is a testament to her leadership. Because of her, together with her staff and the board of directors, the MCA Foundation enjoys tremendous community confidence. The most recent demonstration of the community's trust is El Paso City Council's historic allocation of 75 percent of its Economic Development Impact Fund – amounting to approximately \$60 million over 18 years – to the MCA Foundation. This decision by our city's leaders is already working to spur growth in the region's long-envisioned biomedical hub, the Medical Center of the Americas (MCA).

Thank you, too, to my fellow board directors who volunteer their expertise and time to ensure that the Foundation is well-managed and that its actions are transparent. At times, the work they undertake requires a great level of sacrifice out of their professional and personal lives. I know they would not devote their precious resources, though, if they did not believe in the MCA's mission, as well as in the capability of the Foundation's staff.

And thank you as well to the community – especially the Foundation's Institutional Directors, Honorary Directors, partners and stakeholders. None of our work and achievements would have been possible without their participation and contributions. Because of the tremendous collaborative spirit, we are witnessing a renaissance in the region and the rise of our vision to position the Paso del Norte region as the premier center of health care delivery, education and research. In addition, to the neighbors around the MCA campus and throughout the region, including Cd. Juárez, Cd. Chihuahua, and Las Cruces, and to our civic leaders, the MCA Foundation thanks you for believing and advancing the work. Finally, to the MCA Foundation's donors and in-kind supporters, we thank you for your generosity and investment.

I hope you find this inaugural annual report informative and inspiring, as it describes our successes as well as our goals for the future.

Rodolfo Mata, MCA Foundation Board of Directors, Chairman



President's Message

It is my pleasure to present the first-ever annual report for the Medical Center of the Americas (MCA) Foundation. Without a doubt, it has been a year of amazing growth, and seven years of steady planning by a committed group of leaders. With this planning, the growth we have experienced is now the bedrock on which will emerge an international stronghold of health care delivery, education, and biomedical research and innovation. As you read about the milestones achieved in this report, here is a glimpse at the ripple effect going into 2013 and beyond: the transformation of a vibrant campus; the launch of a game-changing institute; and unprecedented regional collaboration.

During 2013, the MCA campus will be home to several major developments. First, Texas Tech University Health Sciences Center (TTUHSC) will break ground on the building that will house the Gayle Greve Hunt School of Nursing. In fact, in January 2013, the MCA Foundation issued the first of 18 checks to TTUHSC that will fund this new facility. In addition, the City of El Paso will break ground on the new MCA campus fire station with Haz Mat. The campus's research quadrant at Gateway East and Revere will undergo prep work, as the region's first biomedical research park takes shape beginning with the construction of the MCA Biomedical Research and Technology Center in 2014.

Just as important as developing buildings, if not more important, is developing the talent and programs that will sustain the region's biomedical industry. The MCA is channeling these efforts through the development of the BioMedical Institute of the Americas and hiring a world-class and globally competitive team to foster regional research collaboration, develop biomedical products and cultivate the region's innovation ecosystem. Already, the Institute is staffed by an assistant director who is propping up the competitiveness branch of the Institute and formulating a region-wide clinical trials network. We value the diverse human capital that exists in the region today and hope to pair that talent with new resources that complement and amplify our capabilities.

While team building is underway, we already have some projects rolling! In the fall of 2013, the Institute will host the region's first-ever biomedical research symposium. It will convene the region's biomedical scientists, researchers, clinicians, graduate students and others for the purpose of identifying opportunities for inter-disciplinary and inter-institutional collaborations that can lead to biomedical innovations and solutions. To spur collaborations from the symposium, the Institute will award collaboration grants. Separate from the symposium, proof-of-concept grants will also be awarded beginning this fall to qualified applicants that contribute to our biomedical community. These are efforts aimed at enhancing regional research collaboration.

Continuing with the theme of collaboration, the MCA Foundation is coordinating the creation of a unified identity for the region's life sciences community. This work is being tackled by a newly formed coalition, the MCA Life Sciences Communicators, made up of industry and education stakeholders. Their goal is to define and promote our biomedical assets and distinguish our international bioplex from other biomedical hubs around the world.

The MCA Foundation is committed to helping the region stake its claim on being a world-class biomedical hub, where quality health care is accessible to everyone, where new biomedical innovations are born, and where a robust bioeconomy thrives. It is within our reach – together... we are emerging.

Emma W. Schwartz, MCA Foundation, President



BOARD OF DIRECTORS

Directors

Rodolfo Mata, chairman
Edward Escudero, vice chairman
Rafael Adame, secretary
Lisa D. Budtke, treasurer
Miguel Fernandez, Jr.
Guy N. Fields III
L. Frederick Francis
Hector Gutierrez, Jr.
Woody Hunt
Ike Monty
Raymond Palacios
Robert E. Skov
Linda Troncoso

Directors Emeritus

J. Robert Brown
Maria Elena A. Flood

MCA Foundation Institutional Board Directors

J. Manuel de la Rosa, MD, Vice President for Health Affairs Texas Tech
University Health Sciences Center El Paso and Founding Dean
Paul L. Foster School of Medicine
James N. Valenti, President and Chief Executive Officer,
University Medical Center of El Paso
Richard Adatao III, Executive Vice President, University of Texas
at El Paso
Col. Bruce Adams, MD, Deputy Commander for Clinical Services,
William Beaumont Army Medical Center, Fort Bliss
Larry Duncan, Chief Executive Officer, El Paso Children's Hospital
Vimal Chaitanya, PhD, Vice President for Research, New Mexico
State University

MCA Foundation Honorary Board Directors

Sergio Lewis, El Paso County Commissioner
José Rodriguez, Texas Senator
Naomi Gonzalez, Texas Representative
Alfredo Borrego, President, San Juan Neighborhood Association
Joyce Wilson, El Paso City Manager

TEAM

Emma W. Schwartz, President
Carlos Ortega, Chief Financial Officer and Director of Impact Funds
Beverly Rebe, Corporate Governance Secretary
Noemi Herrera Rojas, Director of Communications and Founding Editor of Synapse
Martha Hood, Director of Accounting
Stephen Voglewede, Assistant Director, Competitiveness Group, BioMedical Institute of the Americas
Marianne Mijares, Administrative Assistant
Angelica Talavera, Grants and Development

ORGANIZATIONAL CHART

December 2012



MEDICAL CENTER
OF THE AMERICAS
FOUNDATION

170b (A)(1)(iv)
501(c)(3)

Management Company



MCAmericas REALTY, INC.

(MCAR)
501(c)(2)

Real Property



MCA TECH PARK, INC.

(MCA-TP)
501(c)(3)
509(a)(3)

Research & Technology
Park Development



BIOMEDICAL
INSTITUTE OF
THE AMERICAS

(BMIA)
501(c)(3)

"Bridge" from university
to market

COMMUNITY CONFIDENCE & INVESTMENT

GRANT

In February 2012, the City of El Paso entered into an Economic Development Program Grant Agreement with the MCA Foundation that will result in an estimated \$60 million grant over 18 years (Impact Fund). The MCA Foundation has committed the funds toward the following:

Infrastructure

1. Construct the TTUHSC Gayle Greve Hunt School of Nursing building on the MCA campus
2. Construct the MCA Biomedical Research & Technology Center
3. Acquire land on the MCA campus for future life sciences developments
4. Construct parking accommodations on the MCA campus

Programs

1. Launch the BioMedical Institute of the Americas
2. Develop a regional clinical trials structure
3. Establish a proof-of-concept fund to help support biomedical development

PROPERTY

In addition to the Impact Fund grant, the City of El Paso has committed approximately 13 acres of vacant city-owned land to the MCA Foundation at a nominal rate for a term of up to 100 years. The land is located within the MCA campus at the intersection of Gateway East and Revere. The MCA Foundation will develop this land into the region's first-ever research park. It is here that the aforementioned MCA Biomedical Research & Technology Center will be built.

The city also committed to the MCA Foundation an existing 24,900-square-foot vacant warehouse owned by the city at a favorable rate. Located in the research park, the warehouse will likely be used as a research support facility.

"I can sense that most of the members are excited about the development taking place. We are proud to partner and work with the MCA as they develop the medical complex."

– Alfredo Borrego, President, San Juan Neighborhood Improvement Association

MCA Research Park



MCA CAMPUS

El Paso's emerging world-class biomedical campus known as the Medical Center of the Americas spans 440 acres. It straddles the history-rich San Juan and Lincoln neighborhoods. Within the 440 acres is 140-acre nucleus that is developing at a rapid clip.

2001

Stewart family donates about 10 acres for construction of a medical school.

2006

Texas Tech University Health Sciences Center (TTUHSC) unveils \$40M Medical Sciences Building.

2007

TTUHSC unveils \$45M Medical Education Building.

2008

- Thomason Hospital breaks ground for \$154M expansion and renovations.
- El Paso City Council approves 140-acre MCA Master Plan.

2009

- Thomason Hospital is renamed University Medical Center of El Paso (UMC).
- Construction begins on \$120M El Paso Children's Hospital.

2010

City Council allocates \$60M Impact Fund to MCA Foundation for accelerated biomedical economic development.

2011

140-acre MCA Master Plan is expanded to 440 acres and re-zoned into SmartCode.

2012

El Paso Children's Hospital opens.

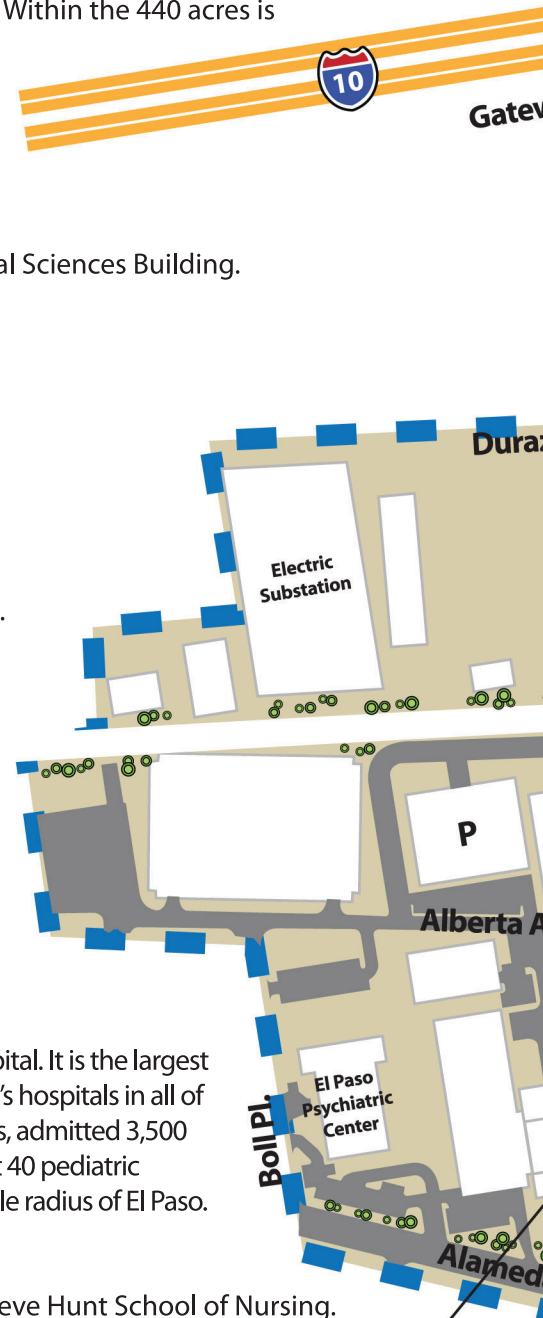
On Feb. 14, 2012, the campus witnessed the opening of El Paso Children's Hospital. It is the largest expansion of pediatric medical services in West Texas and one of eight children's hospitals in all of Texas. In its first year, the hospital received 19,000 emergency department visits, admitted 3,500 patients, and conducted 1,700 surgeries and procedures. It has recruited about 40 pediatric specialists. The hospital is the only dedicated pediatric hospital within a 200-mile radius of El Paso.

2013

TTUHSC will break ground on its campus on a new building for the Gayle Greve Hunt School of Nursing.

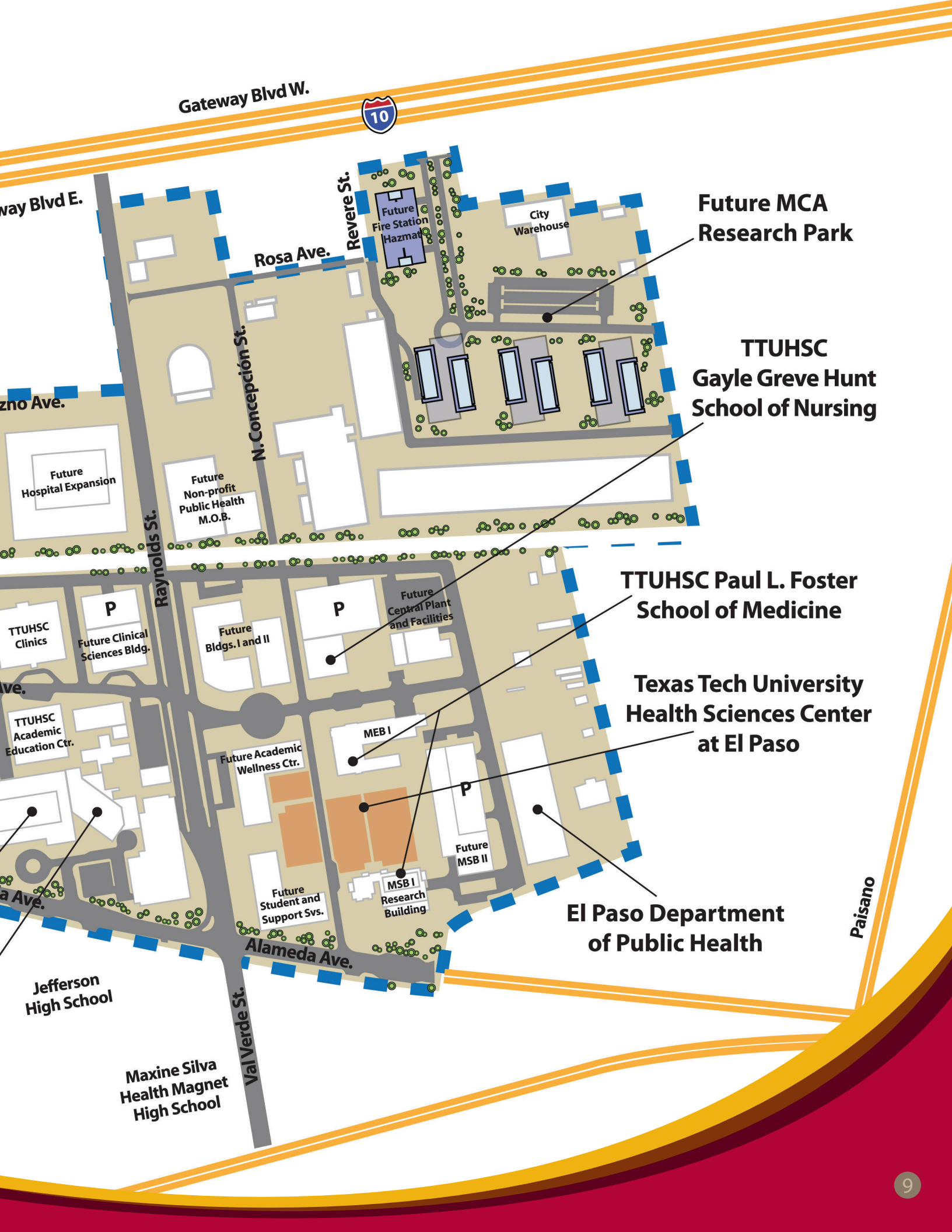
2014

- MCA Foundation will break ground on the first building inside the research quadrant of the MCA campus.
- New fire station with hazmat is expected to break ground.



University Medical Center of El Paso

El Paso Children's Hospital



Gateway Blvd W.



Gateway Blvd E.

Rosa Ave.

Revere St.

Future MCA
Research Park

TTUHSC
Gayle Greve Hunt
School of Nursing

Alameda Ave.

N. Concepción St.

Raynolds St.

Future
Hospital Expansion

Future
Non-profit
Public Health
M.O.B.

Future
Fire Station
Hazmat

City
Warehouse

TTUHSC
Clinics

P

Future Clinical
Sciences Bldg.

Future
Bldgs. I and II

P

Future
Central Plant
and Facilities

TTUHSC Paul L. Foster
School of Medicine

Texas Tech University
Health Sciences Center
at El Paso

Alameda Ave.

TTUHSC
Academic
Education Ctr.

Future Academic
Wellness Ctr.

MEB I

P

Future
MSB II

El Paso Department
of Public Health

Alameda Ave.

Jefferson
High School

Maxine Silva
Health Magnet
High School

Val Verde St.

Alameda Ave.

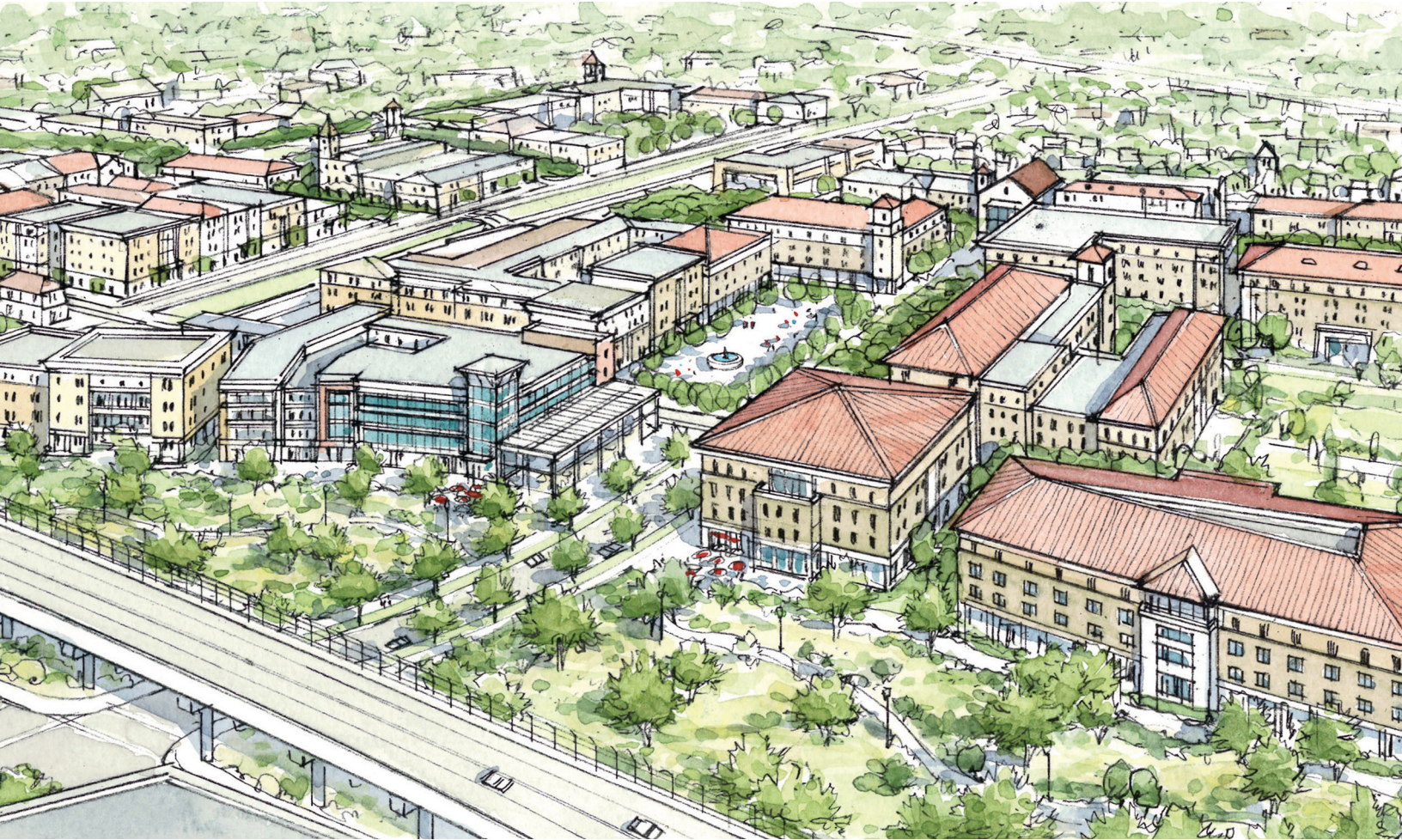
Future Student and
Support Svs.

MSB I
Research
Building

Paisano

"What's happening on the MCA campus is astounding."

– Stephen B. Coulston, Broaddus Planning, consultants for the MCA research park.



From atop El Paso Children's Hospital looking east, this is a bird's-eye view of the MCA campus as it may look at full build-out in compliance with MCA's SmartCode. Texas Tech facilities are in the right foreground. Raynolds Street is in the left foreground.

"There are many pieces to the economic development puzzle in El Paso, the biomedical industry efforts by the MCA is a huge part of that."

– Richard E. Dayoub, President and CEO, Greater El Paso Chamber of Commerce



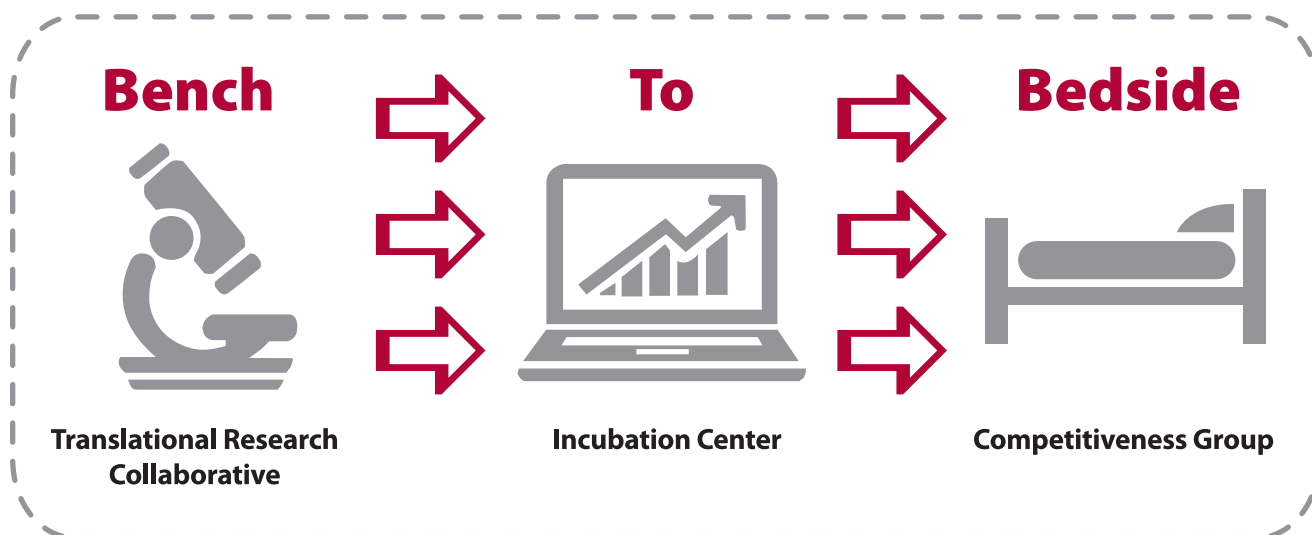
Conceptual rendition of the future TTUHSC Gayle Greve Hunt School of Nursing on the MCA campus, near Concepción Street and Alberta Avenue.



BIOMEDICAL INSTITUTE OF THE AMERICAS

As part of its advancement of the MCA campus and the region's biomedical industry, the MCA Foundation in 2012 launched the BioMedical Institute of the Americas. The Institute is intended to be the life blood of the MCA Biomedical Research & Technology Center, a four-story building expected to break ground in 2014.

The BioMedical Institute of the Americas is dedicated to accelerating the flow of the region's biomedical science from the laboratory bench to the bedside of patients. This "bench to bedside" concept is known as translational research. Based on a three-phase innovation process, the Institute is comprised of three operating divisions:



Stakeholders agree that the BioMedical Institute of the Americas will be the genesis of a next-generation "economic engine" for the region. For the MCA Foundation, the Institute strategically leverages its mission by bringing solutions to the region's health challenges and elevating the quality of health care for all.

Other high notes

- The Institute is legally formed.
- The Institute's Board of Directors convenes its first meeting.
- Stephen Voglewede, the first employee of the Institute, is hired to oversee the Competitiveness Group.
- The Board of Directors launches its search for the Institute's executive director.
- Institute's logo is selected from a pool of logo contest submissions.

BioMedical Institute of the Americas, Board of Directors

Miguel Fernandez Jr. (chair)
Robert E. Skov

Woody Hunt
Rafael Adame

Raymond Palacios
Henry Yoshawirja



MCA TECH PARK, INC.

Concurrently, with creation of the BioMedical Institute of the Americas, the MCA Foundation is focused on developing the region's first-ever biomedical research park. The park's proper name is the MCA Biomedical Research & Technology Park. It is where research and innovation related to the region's niche healthcare needs will take place. Key to establishing the park is the development of the MCA Biomedical Research & Technology Center (MCA Tech Center).

This 80,000-sq.-ft. facility will house office suites, principal investigator offices, incubator space, wet and dry laboratories, core research elements, prototyping laboratories and/or machine shop facilities, and flex space that can be built out for specific tenants' needs. Tenants may include public, private, for-profit and nonprofit researchers who will be poised to collaborate with regional institutions to discover medical breakthroughs and to move them from "bench to bedside." If successful, the MCA Tech Center could attract private investors to build up to two more similar facilities in the research park.



Conceptual drawing of the MCA Biomedical Research & Technology Center.

Naming rights for the building will be available to donors.

MCA Tech Park, Board of Directors

Edward Escudero (chair)
Rodolfo Mata (vice chair)
Lisa D. Budtke (treasurer)
Ike Monty (secretary)
Linda Troncoso
Guy N. Fields III
Meyer Marcus

Medical Center of the Americas Foundation and Subsidiaries
Management's Discussion and Analysis of
Financial Condition and Results of Activities
Year Ended December 31, 2012

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 non-profit activities. The cautionary statements made in this report should be read as applying to all related forward-looking statements wherever they appear in this report. Actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors.

Organizational Overview

Medical Center of the Americas Foundation is a Texas non-profit corporation that was incorporated on November 27, 2006 and received its tax exemption from federal income tax under sections 501(c)(3) and 170(b)(1)(A)(vi) of the Internal Revenue Code (Code) on December 27, 2007. It is the sole member of the following tax exempt subsidiaries (collectively, "MCA"):

- | | |
|---|---------------------|
| • MCAmericas Realty, Inc. ("MCAR") | 501(c)(2) |
| • MCA Tech Park, Inc. ("Tech Park") | 501(c)(3) (pending) |
| • BioMedical Institute of the Americas, Inc. ("BMIA") | 501(c)(3) (pending) |

MCA is focused on creating 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. The strategic activities comprising of 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 the region.

The year 2012 was a significant and transitional one for the Medical Center of the Americas Foundation ("MCAF"). The year began with the signing of the Economic Development Program Grant Agreement ("Grant") with the City of El Paso 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 ("City"). MCAF was awarded this Grant based upon its economic development project consisting of biomedical cluster specific programs and infrastructure projects that will, over time, be a significant economic generator for the City to attract and retain economic development in the City's targeted industries ("Project").

The Grant provides for annually appropriated funds which are disbursed quarterly approximating \$3 million per year through 2030 and totaling approximately \$60 million. 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 MCAF from September 1, 2011 through August 31, 2030.

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.

Major Accomplishments

A summary of major accomplishments during 2012 are as follows:

- On February 7, 2012, El Paso City Council approved the City of El Paso to execute an Economic Development Program Grant Agreement (Grant) with MCAF for the development of biomedical cluster specific programs and infrastructure projects. The Grant provides for payments through August 31, 2030 which are estimated to total over \$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.
- In anticipation of the Grant, Baseline Staffing was completed with the hiring of MCA's CFO and administrative assistant (Project A) in January 2012.
- During 2012, Business Plans for Tech Park and BMIA were completed and implementation begun upon approval by MCAF Board of Directors as well as respective subsidiary Boards (Project B).
- On April 5, 2012, MCAmericas Holdings, Inc. was formed as a Texas non-profit corporation in order to serve the best interests of MCA by reorganizing all entities into a new structure that would provide: (1) centralized management; (2) placement of distinct charitable functions of MCA in separate tax exempt entities; and (3) compartmentalization of liability. Accordingly, on July 30, 2012, MCAmericas Holdings, Inc. filed Form 1023 with the Internal Revenue Service seeking classification as an organization exempt from federal income tax under Sections 501(c)(3) and 509(a)(3) of the Code for the proposed restructuring and supporting organization. The tax exemption application and plan of reorganization is currently pending IRS determination.
- On May 4, 2012, BMIA was formed as a Texas non-profit corporation with MCAF as its sole member (Project C.1).

- In June 2012, MCAF executed the Nursing School Facility Funding Agreement with Texas Tech Health Sciences Center and Texas Tech University System to provide a grant to be paid from the City Grant received by MCAF to fund and/or help finance the construction of the Gayle Greve Hunt School of Nursing (Project F). The grant is payable in eighteen annual installments of \$612,000 each through 2029, totaling approximately \$11 million, subject to annual appropriation of the Grant and specified conditions as provided in the agreement.
- In August 2012, MCAF expands its offices to accommodate the increased staff as well as future staffing needs.
- In August 2012, MCAF engaged the executive recruiting services of Korn/Ferry International for the recruitment of the Executive Director for BMIA (Project C.1).
- In September 2012, Tech Park filed Form 1023 with the Internal Revenue Service seeking classification as an organization exempt from federal income tax under Section 501(c)(3) of the Code. The application is currently pending IRS determination.
- In September 2012, BMIA made its first hire with the employment of Stephen Voglewede for the position of Associate Director, Competitiveness (Project C.1).
- In October 2012, Tech Park issued Lender Solicitations to six banks for \$25-\$28 million financing of its Biomedical Research and Technology Building ("BRTB") (Project E).
- In October 2012, Tech Park issued its RFP for professional consulting services for program management of the 80,000 square foot BRTB (Project E).
- In November 2012, Broaddus & Associates, Inc., in collaboration with ECM International, is selected for program management of the BRTB (Project E).
- With the organization of the MCA TIRZ Board, Tech Park begins final negotiations in December 2012 to lease approximately 13 acres of land from the City of El Paso at a below market rate for the purposes of developing a life sciences research and technology park for an initial term of 50 years with renewal options for an additional 50 years (Projects E and D.1).
- On December 31, 2012, MCAF's Synapse, the region's only publication dedicated exclusively to aggregating the region's life science news, reached a subscribership of 1,225.

Financial Highlights

MCA revenues and other support for the year 2012 increased from approximately \$933,000 in 2011 to approximately \$5.9 million. The increase was attributable to the Grant, as previously described, which included the City appropriation of Impact Funds for its fiscal years 2011/2012 and 2013. Grant payments are made in quarterly installments each September 30, December 31, March 31 and June 30, except for the first two payments of the Grant which were made in April 2012 and August 2012.

MCA expenses for the year 2012 increased from approximately \$670,000 in 2011 to approximately \$2.4 million. The increase in expenses was primarily attributable to the following:

- Contributions expense in the amount of approximately \$1.2 million for the Nursing School Facility Funding Agreement with TTUHSC in accordance with the City's annual appropriations for 2011/2012 and 2013 fiscal years.
- Salaries, wages and benefits increased approximately \$343,000 due to the hiring of CFO, administrative assistant (Grant Baseline Staffing), a full-time accountant as well as inclusion of the President's salary. In addition, a group medical plan was established for employees.
- Professional and contract services increased approximately \$131,000 due to completion of business plans for Tech Park and BMIA by Hammes Company, Perkins and Will, and E-Cubed Ventures as well as the engagement of Korn/Ferry International for executive recruitment of the BMIA executive director. In addition, legal and professional fees decreased approximately \$4,000.

Liquidity and Financial Resources

MCA total assets at December 31 increased from approximately \$1.2 million in 2011 to approximately \$5.4 million in 2012. The increase in assets was primarily attributable to cash and cash equivalents and short term investments as well as the increase in contributions receivable due to the Grant Agreement.

MCA total liabilities at December 31 increased from approximately \$600,000 in 2011 to approximately \$1.2 million in 2012. The increase in liabilities was primarily attributable to the TTUHSC Nursing School Facility Funding Agreement obligations.

MCA net assets at December 31 increased from approximately \$600,000 in 2011 to approximately \$4.2 million in 2012.

MCA cash flows provided by operating activities increased from approximately \$13,000 in 2011 to approximately \$1.1 million in 2012. The increase was primarily attributable to the Grant payments received.

MCA cash flows used in investing activities decreased from approximately \$36,000 in 2011 to approximately \$17,000 in 2012 for the purchase of computer and office equipment (capital expenditures).

MCA cash flows used in financing activities increased from approximately \$16,000 in 2011 to approximately \$18,000 in 2012 pursuant to MCAR's term loan for a building leased to a third party.

MCA's primary sources of liquidity are Grant payments received from the City, philanthropic contributions from corporate and private donors, rental revenues and debt financing. With cash, short term investments and contributions receivable totaling approximately \$4.8 million at December 31, 2012, MCA believes its financial resources are sufficient to fund its obligations during the year ending December 31, 2013. In addition, during 2013, Tech Park expects to secure sufficient financing for the planning, design, construction and management of its BRTB in the amount of approximately \$25 million; however, no assurances can be provided.

MCA's principal contractual obligations and commitments at December 31, 2012 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 commitment of approximately \$2,400 through August 2015.

Management's Responsibilities

The financial statements on the accompanying pages 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 (the Codification) FASB ASC 958. The management of MCA is responsible for the integrity and objectivity of these financial statements.

MCA's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined as a process designed by, or under the supervision of, the organization's principal executive and principal financial officers and effected by the organization's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records in reasonable detail accurately and fairly reflecting the transactions and dispositions of assets of the MCA;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and the receipts and expenditures of MCA are made only in accordance with authorizations of management and directors of MCA; and
- Provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of MCA's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

MCA's management believes that, as of December 31, 2012, its internal control over financial reporting is effective.



Emma Schwartz, President



Carlos Ortega, Chief Financial Officer

Audit Committee

Although MCA management is responsible for the content of the organization's financial information, the Audit Committee, consisting of members of the Board of Directors of MCAF, 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. Edward Escudero, Mr. Guy Fields III and Mr. Rudy Mata, 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 Executive Vice President and CFO of C&R Distributing. Mr. Fields and Mr. Mata are practicing attorneys in private law practice. Mr. Fields resigned from the Board of Directors and Audit Committee in February 2013.

Conflict of Interest Policy

It is the policy of MCA that all officers, directors and committee members shall avoid any conflict between their own individual interests and the interests of MCA. MCA has a conflict of interest policy whereby board and committee members and officers must advise the board of any direct or indirect interest in any transaction or relationship with MCA and not participate in discussions and decisions regarding any action affecting their individual or business interests.

**MEDICAL CENTER OF THE
AMERICAS FOUNDATION
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2012 and 2011

With Independent Auditors' Report



LAUTERBACH, BORSCHOW & COMPANY

A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS & PERSONAL CONSULTANTS

4130 RIO BRAVO DR., SUITE B

EL PASO, TEXAS 79902

(915) 544-6950

FAX (915) 544-1303

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Medical Center of the Americas Foundation and Subsidiaries
El Paso, Texas

Report on the Financial Statements

We have audited the accompanying consolidated balance sheet of the Medical Center of the Americas Foundation and subsidiaries ("MCA") as of December 31, 2012, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 financial position of the Medical Center of the Americas Foundation and subsidiaries as of December 31, 2012, and the results of their activities and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The consolidated financial statements for the year ended December 31, 2011 were audited by other auditors who expressed an unqualified opinion on those financial statements in their report dated February 20, 2012.

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

Lauterbach, Borschew & Company

February 28, 2013
El Paso, Texas

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
AND SUBSIDIARIES**

Consolidated Statements of Financial Position

December 31, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 1,133,553	69,547
Short term investments	503,140	—
Contributions receivable, net (Note 4)	3,134,462	511,314
Prepaid expenses and other current assets	2,936	1,592
Total current assets	4,774,091	582,453
Property and equipment, net (Note 5)	618,348	619,139
Total assets	\$ 5,392,439	1,201,592
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 16,972	13,953
Accrued expenses and other liabilities	16,795	2,092
Contributions payable (Note 6)	612,000	—
Current portion of long-term debt (Note 7)	18,793	17,805
Total current liabilities	664,560	33,850
Long-term debt (Note 7)	549,256	567,706
Total liabilities	1,213,816	601,556
Net assets:		
Unrestricted	145,566	93,775
Temporarily restricted (Note 11)	4,033,057	506,261
Total net assets	4,178,623	600,036
Total liabilities and net assets	\$ 5,392,439	1,201,592

See accompanying notes to consolidated financial statements.

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
AND SUBSIDIARIES**

Consolidated Statements of Activities
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted net assets		
Changes in unrestricted net assets:		
Revenue and support:		
Contributions	\$ 42,673	194,359
Grants	—	200,000
In-kind donations (Note 8)	42,329	28,140
Rent (Note 9)	100,980	100,980
Interest	6,710	239
Other	477	—
Total unrestricted revenue and support	193,169	523,718
Net assets released from restriction	2,246,074	34,000
Total	<u>2,439,243</u>	<u>557,718</u>
Expenses:		
Programs:		
Biomedical Cluster	382,673	66,034
Infrastructure	1,556,116	417,779
Other	43,843	86,096
Management and general	399,321	92,121
Fundraising	5,499	8,031
Total expenses	<u>2,387,452</u>	<u>670,061</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>51,791</u>	<u>(112,343)</u>
Temporarily restricted net assets		
Changes in temporarily restricted net assets:		
Grant (Note 3)	5,772,870	—
Contributions	—	408,852
Grant and contributions released from restrictions	<u>(2,246,074)</u>	<u>(34,000)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>3,526,796</u>	<u>374,852</u>
TOTAL INCREASE IN NET ASSETS	3,578,587	262,509
NET ASSETS, Beginning of year	<u>600,036</u>	<u>337,527</u>
NET ASSETS, End of year	<u>\$ 4,178,623</u>	<u>600,036</u>

See accompanying notes to consolidated financial statements.

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
AND SUBSIDIARIES**

Consolidated Statements of Functional Expenses

For the Year Ended December 31, 2012

	Programs					
	Biomedical Cluster	Infrastructure	Other	Management and General	Fundraising	Total
Salaries	\$ 77,667	69,781	31,711	173,564	4,875	357,598
Employee benefits	2,458	1,661	2,113	7,015	14	13,261
Payroll taxes	5,880	5,081	2,469	12,895	385	26,710
Total salaries and related expenses	86,005	76,523	36,293	193,474	5,274	397,569
Personnel-related expenses	14,587	1,408	678	5,115	22	21,810
Professional and contract services	269,279	183,008	2,519	126,415	42	581,263
Office expense	4,639	4,313	1,808	11,109	63	21,932
Other administrative expense	5,094	5,585	2,320	19,528	73	32,600
Contributions expense	—	1,224,000	—	—	—	1,224,000
Building expense	—	350	—	—	—	350
Depreciation	980	13,220	48	5,182	—	19,430
Insurance	1,251	7,076	177	1,522	25	10,051
Donated goods and services	838	4,515	—	36,976	—	42,329
Interest	—	36,118	—	—	—	36,118
Total expenses reported by function on the Statement of Activities	\$ 382,673	1,556,116	43,843	399,321	5,499	2,387,452

For the Year Ended December 31, 2011

	Programs					
	Biomedical Cluster	Infrastructure	Other	Management and General	Fundraising	Total
Salaries	\$ 1,125	2,925	31,900	14,050	—	50,000
Employee benefits	25	66	710	213	—	1,014
Payroll taxes	96	248	2,677	803	—	3,824
Total salaries and related expenses	1,246	3,239	35,287	15,066	—	54,838
Personnel-related expenses	811	4,631	1,062	1,249	487	8,240
Professional and contract services	61,854	295,066	35,067	51,728	6,270	449,985
Office expense	1,495	8,525	1,795	2,243	896	14,954
Other administrative expense	462	27,921	618	8,041	278	37,320
Building expense	—	16,570	—	—	—	16,570
Depreciation	166	12,839	199	249	100	13,553
Insurance	—	6,936	—	2,451	—	9,387
Donated goods and services	—	4,978	12,068	11,094	—	28,140
Interest	—	37,074	—	—	—	37,074
Total expenses reported by function on the Statement of Activities	\$ 66,034	417,779	86,096	92,121	8,031	670,061

See accompanying notes to consolidated financial statements.

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase in net assets	\$ 3,578,587	262,509
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	19,430	13,553
Uncollectible pledges	—	25,000
Other	(1,585)	—
Changes in assets and liabilities:		
Short term investments	(503,140)	—
Contributions receivable	(2,623,148)	(297,405)
Prepaid expenses and other current assets	(1,344)	613
Accounts payable	4,007	9,646
Contributions payable	612,000	—
Accrued expenses and other liabilities	14,703	(1,166)
Net cash provided by operating activities	<u>1,099,510</u>	<u>12,750</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(17,054)</u>	<u>(35,757)</u>
Net cash used in investing activities	<u>(17,054)</u>	<u>(35,757)</u>
Cash flows from financing activities:		
Payments on long-term debt	<u>(18,450)</u>	<u>(16,507)</u>
Net cash used in financing activities	<u>(18,450)</u>	<u>(16,507)</u>
Net increase (decrease) in cash and cash equivalents	1,064,006	(39,514)
Cash and cash equivalents, beginning of year	69,547	109,061
Cash and cash equivalents, end of year	<u>\$ 1,133,553</u>	<u>69,547</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 36,118</u>	<u>37,074</u>

See accompanying notes to consolidated financial statements.

MEDICAL CENTER OF THE AMERICAS FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

1. DESCRIPTION OF ORGANIZATION

Medical Center of the Americas Foundation is a Texas non-profit corporation that was incorporated on November 27, 2006 and received its tax exemption from federal income tax under sections 501(c)(3) and 170(b)(1)(A)(vi) of the Internal Revenue Code (“Code”) on December 27, 2007. It is the sole member of the following tax exempt subsidiaries (collectively, “MCA”):

- MCAmericas Realty, Inc. (“MCAR”)
- MCA Tech Park, Inc. (“Tech Park”)
- BioMedical Institute of the Americas, Inc. (“BMIA”)

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. The strategic activities comprising of 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 the region.

In February 2012, the Medical Center of the Americas Foundation (“Foundation”) signed an Economic Development Program Grant Agreement (“Grant”) with the City of El Paso 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 (“City”). Foundation was awarded this Grant based upon its economic development project consisting of biomedical cluster specific programs and infrastructure projects that may, over time, be a significant economic generator for the City to attract and retain economic development in the City’s targeted industries (“Project”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of Medical Center of the Americas Foundation, the accounts of MCAmericas Realty, Inc., MCA Tech Park, Inc. and BioMedical Institute of the Americas, Inc. The sole member of MCAmericas Realty, Inc., MCA Tech Park, Inc. and BioMedical Institute of the Americas, Inc. is the Medical Center of the Americas Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Financial Statement Presentation – MCA prepares its consolidated financial statements in accordance with generally accepted accounting principles for nonprofit organizations promulgated by the Financial Accounting Standards Board in its Codification of Financial Accounting Standards (the Codification) FASB ASC 958. The significant accounting and reporting policies used by the MCA are described subsequently to enhance the usefulness and understandability of the financial statements.

Under FASB ASC 958, net assets, revenues, and expenses, and gains and losses are classified based

MEDICAL CENTER OF THE AMERICAS FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

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 are those net assets 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.

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.

Federal Income Tax Status – Foundation is a not-for-profit organization exempt from federal income taxes under section 501(c)(3) of the Code. Accordingly, no liability or provision for federal income taxes is included in the accompanying consolidated financial statements.

MCAR is a not-for-profit organization exempt from federal income taxes under section 501(c)(2) of the Code. Accordingly, no liability or provision for federal income taxes is included in the accompanying financial statements.

Tech Park and BMIA are not-for-profit organizations which are expected to receive exemption from federal income taxes under section 501(c)(3) of the Code but have not received final determination.

Contributions to MCA are tax deductible to donors under Section 170 of the Internal Revenue Code.

MCA is not classified as a private foundation.

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, 2012, no uncertain 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.

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

The tax years ending 2011, 2010 and 2009 are still open to audit for federal purposes.

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. Contributions to be received after one year are discounted to fair value at an appropriate discount rate commensurate with the risk involved.

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

Contributions are recorded at fair value, which is net of estimated uncollectible amounts.

Cash and Cash Equivalents – Cash equivalents consist of short-term, interest bearing certificates of deposit with 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 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. 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 operations. Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are charged to operations as incurred.

Concentrations of Risk – MCA maintains cash balances and certificates of deposit at financial institutions in El Paso, Texas. Cash accounts are insured by the FDIC for up to \$250,000. Management believes MCA is not exposed to significant credit risk on those amounts.

MCA receives a substantial amount of its support from public and private contributions primarily located in the El Paso, Texas borderplex region. Approximately 98 percent of MCA's total revenues and support in 2012 is provided by the City of El Paso pursuant to the Grant with Foundation. Therefore, the 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.

MEDICAL CENTER OF THE AMERICAS FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

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 period. 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 – The cost of providing MCA's programs and other activities is summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs in common to multiple functions have been allocated among the various functions benefited.

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 the MCA's long-lived assets at December 31, 2012 and 2011.

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 28, 2013, 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 12.

3. GRANT

On February 7, 2012, El Paso City Council approved the City of El Paso entering into a Grant Agreement with the Foundation for the development of biomedical cluster specific programs and infrastructure projects. The Grant provides for quarterly payments, except for the first year, through August 31, 2030 which are equivalent to 75% 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

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

Indicators and building deadlines, as defined in such Grant.

Grant revenue is recognized when the conditions to the Grant have been substantially met through annual appropriation of such funds and an assessment that Performance Indicators are substantially met or it is considered remote that they would not be met. At December 31, 2012, contributions receivable from the Grant was approximately \$2.8 million.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Grants receivable	\$ 2,772,870	—
Unconditional promises to give	365,215	506,261
Other receivables	1,377	5,053
	<u>3,139,462</u>	<u>511,314</u>
Less: Allowance for doubtful pledges	(5,000)	—
	<u>\$ 3,134,462</u>	<u>511,314</u>

Unconditional promises to give, net of discount to fair value at rate of 6.15%, consisted of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Unconditional promises to give before unamortized discount	\$ 435,000	587,500
Less: Unamortized discount	<u>(69,785)</u>	<u>(81,239)</u>
	<u>\$ 365,215</u>	<u>506,261</u>

The discount will be recognized as contribution income in years 2013 to 2017 as the discount is amortized using an effective yield over the duration of the pledge.

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Amounts due in:		
Less than one year	\$ 157,500	162,500
One to two years	128,500	147,500
Two to three years	99,000	128,500
Three to four years	50,000	99,000
Four to five years	—	50,000
	<u>\$ 435,000</u>	<u>587,500</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	Estimated Useful Life (Years)	<u>2012</u>	<u>2011</u>
Land	-	\$ 170,000	170,000
Building & improvements	15 - 40	458,345	458,345
Furniture & fixtures	3 - 5	6,695	459
Computer equipment	3	21,715	11,293
Other office equipment	5	1,854	623
		<u>658,609</u>	<u>640,720</u>
Less: accumulated depreciation		<u>(40,261)</u>	<u>(21,581)</u>
		<u>\$ 618,348</u>	<u>619,139</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$19,430 and \$13,553, respectively.

6. CONTRIBUTIONS PAYABLE

In June 2012, the Foundation entered into the Nursing School Facility Funding Agreement ("Funding Agreement") with Texas Tech University Health Sciences Center (TTUHSC) to facilitate the development and construction of a new building within the MCA area to house the Gayle Grieve Hunt School of Nursing as one of the projects contemplated under the 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.

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

7. LONG-TERM DEBT

As of December 31, 2012 and 2011, long-term debt consisted of the following:

	<u>2012</u>	<u>2011</u>
Note payable to bank	\$ 568,049	585,511
Less: Current portion	<u>(18,793)</u>	<u>(17,805)</u>
Noncurrent portion	\$ <u>549,256</u>	<u>567,706</u>

Note payable to bank bears interest at 6.15% per annum with monthly payments of \$4,465 through April 2030, collateralized by a building (Note 5). The interest is adjustable to the Federal Home Bank rate plus 2% in April 2020.

Maturities of long-term debt are as follows:

Year ending December 31,	
2013	\$ 18,793
2014	19,989
2015	21,268
2016	22,453
2017	23,984
Thereafter	<u>461,562</u>
	\$ <u>568,049</u>

8. DONATED MATERIALS, EQUIPMENT AND SERVICES

MCA received in-kind revenue during 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Marketing	\$ 10,845	12,083
Internet costs & IT services	4,308	2,283
Legal and professional	24,688	13,272
Supplies and other	<u>2,488</u>	<u>502</u>
	\$ <u>42,329</u>	<u>28,140</u>

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

9. RENTAL REVENUE

During 2010, MCAR entered into a lease whereby it leases a building to TTUHSC for 48 months at \$8,415 per month. The lease contains four, 48-month renewal options. The minimum rentals under the lease agreement are as follows:

Year ending December 31,	
2013	\$ 100,980
2014	<u>25,245</u>
	\$ <u>126,225</u>

10. COMMITMENTS AND CONTINGENCIES

The Foundation leases office space under an operating lease for \$2,344 per month that expires July 2015. Rental expense was \$21,689 and \$14,954 for the years ended December 31, 2012 and 2011, respectively.

The minimum rentals under the lease agreement are as follows:

Year ending December 31,	
2013	\$ 28,327
2014	28,605
2015	<u>16,686</u>
	\$ <u>73,618</u>

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Promises to give-time restrictions	\$ 365,215	506,261
Grant-purpose restrictions	<u>3,667,842</u>	<u>—</u>
	\$ <u>4,033,057</u>	<u>506,261</u>

12. SUBSEQUENT EVENT

On October 18, 2011, El Paso City Council approved a land lease between the City of El Paso and

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

Tech Park for approximately 13 acres for the purposes of developing a life sciences research and technology campus. The lease agreement is subject to the requirement of Tech Park to construct an 80,000 square foot life sciences research and technology building (“BRTB”) in accordance with building deadlines defined in the lease agreement. Tech Park will pay the City of El Paso a rental fee of the greater of \$1,000 or 10% of Tech Park’s cumulative net profits per year, as defined. The lease agreement will become effective on the date that the Medical Center of the Americas Tax Increment Reinvestment Zone (TIRZ) becomes effective, and the leased area is finalized, estimated to be March 2013. The lease agreement provides for an initial term of fifty years with five, ten-year automatic renewal options.

In February 2013, Tech Park entered into an Agreement with Broaddus & Associates, Inc. for program management services for a 30-month period in connection with the planning, design, construction and start-up of the BRTB. Total fees under the Agreement are not to exceed approximately \$1 million.

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
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Consolidating Statement of Financial Position

December 31, 2012

	Medical Center of the Americas Foundation	MCAmericas Realty, Inc.	BioMedical Institute of the Americas, Inc.	MCA Tech Park, Inc.	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ 1,113,411	15,747	1,000	3,395	—	1,133,553
Short term investments	—	—	—	503,140	—	503,140
Contributions receivable	3,645,527	—	6,697	—	(517,762)	3,134,462
Prepaid expenses and other current assets	1,996	940	—	—	—	2,936
Total current assets	4,760,934	16,687	7,697	506,535	(517,762)	4,774,091
Property and equipment, net	21,987	596,361	—	—	—	618,348
Total assets	\$ 4,782,921	613,048	7,697	506,535	(517,762)	5,392,439
Liabilities and Net Assets						
Current liabilities:						
Accounts payable	\$ 17,392	6,250	7,697	503,395	(517,762)	16,972
Accrued expenses and other liabilities	16,795	—	—	—	—	16,795
Contributions payable	612,000	—	—	—	—	612,000
Current portion of long-term debt	—	18,793	—	—	—	18,793
Total current liabilities	646,187	25,043	7,697	503,395	(517,762)	664,560
Long-term debt	—	549,256	—	—	—	549,256
Total liabilities	646,187	574,299	7,697	503,395	(517,762)	1,213,816
Net assets:						
Unrestricted	103,677	38,749	—	3,140	—	145,566
Temporarily restricted	4,033,057	—	—	—	—	4,033,057
Total net assets	4,136,734	38,749	—	3,140	—	4,178,623
Total liabilities and net assets	\$ 4,782,921	613,048	7,697	506,535	(517,762)	5,392,439

See accompanying notes to consolidated financial statements.

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
AND SUBSIDIARIES**

Consolidating Statement of Financial Position

December 31, 2011

	Medical Center of the Americas Foundation	MCAmericas Realty, Inc.	MCA Tech Park, Inc.	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 61,155	8,392	—	—	69,547
Contributions receivable	556,165	—	—	(44,851)	511,314
Prepaid expenses and other current assets	539	1,053	—	—	1,592
Total current assets	617,859	9,445	—	(44,851)	582,453
Property and equipment, net	9,558	609,581	—	—	619,139
Total assets	\$ 627,417	619,026	—	(44,851)	1,201,592
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 13,653	300	—	—	13,953
Accrued expenses and other liabilities	2,092	22,396	22,455	(44,851)	2,092
Current portion of long-term debt	—	17,805	—	—	17,805
Total current liabilities	15,745	40,501	22,455	(44,851)	33,850
Long-term debt	—	567,706	—	—	567,706
Total liabilities	15,745	608,207	22,455	(44,851)	601,556
Net assets:					
Unrestricted	105,411	10,819	(22,455)	—	93,775
Temporarily restricted	506,261	—	—	—	506,261
Total net assets	611,672	10,819	(22,455)	—	600,036
Total liabilities and net assets	\$ 627,417	619,026	—	(44,851)	1,201,592

See accompanying notes to consolidated financial statements.

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
AND SUBSIDIARIES**

Consolidating Statement of Activities
For the Year Ended December 31, 2012

	Medical Center of the Americas Foundation	MCAmericas Realty, Inc.	BioMedical Institute of the Americas, Inc.	MCA Tech Park, Inc.	Eliminations	Consolidated
Unrestricted net assets						
Changes in unrestricted net assets:						
Revenue and support:						
Contributions	\$ 42,673	—	—	—	—	42,673
Grant	25,779	—	302,647	195,089	(523,515)	—
In-kind donations	36,976	681	838	3,834	—	42,329
Management fees	33,333	—	—	—	(33,333)	—
Rent	—	100,980	—	—	—	100,980
Interest	3,568	2	—	3,140	—	6,710
Other	477	—	—	—	—	477
Total revenue and other support	142,806	101,663	303,485	202,063	(556,848)	193,169
Net assets released from restriction	2,246,074	—	—	—	—	2,246,074
Total	2,388,880	101,663	303,485	202,063	(556,848)	2,439,243
Expenses:						
Programs:						
Biomedical Cluster	87,521	—	303,485	—	(8,333)	382,673
Infrastructure	1,330,918	73,730	—	176,468	(25,000)	1,556,116
Other	567,358	—	—	—	(523,515)	43,843
Management and general	399,321	—	—	—	—	399,321
Fundraising	5,499	—	—	—	—	5,499
Total expenses	2,390,617	73,730	303,485	176,468	(556,848)	2,387,452
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(1,737)	27,933	—	25,595	—	51,791
Temporarily restricted net assets						
Changes in temporarily restricted net assets:						
Grant	5,772,870	—	—	—	—	5,772,870
Grant and contributions released from restrictions	(2,246,074)	—	—	—	—	(2,246,074)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	3,526,796	—	—	—	—	3,526,796
TOTAL INCREASE IN NET ASSETS	3,525,059	27,933	—	25,595	—	3,578,587
NET ASSETS, Beginning of year	611,672	10,819	—	(22,455)	—	600,036
NET ASSETS, End of year	\$ 4,136,731	38,752	—	3,140	—	4,178,623

See accompanying notes to consolidated financial statements.

**MEDICAL CENTER OF THE AMERICAS FOUNDATION
AND SUBSIDIARIES**

Consolidating Statement of Activities

For the Year Ended December 31, 2011

	Medical Center of the Americas Foundation	MCAmericas Realty, Inc.	MCA Tech Park, Inc.	Eliminations	Consolidated
Unrestricted net assets					
Changes in unrestricted net assets:					
Support and revenue					
Contributions	\$ 194,359	—	—	—	194,359
Grants	200,000	—	—	—	200,000
In-kind donations	22,059	2,413	3,668	—	28,140
Management fees	12,500	—	—	(12,500)	—
Rent	—	100,980	—	—	100,980
Interest	239	—	—	—	239
Total revenue and other support	429,157	103,393	3,668	(12,500)	523,718
Net assets released from restriction	34,000	—	—	—	34,000
Total	463,157	103,393	3,668	(12,500)	557,718
Expenses:					
Programs:					
Biomedical Cluster	66,034	—	—	—	66,034
Infrastructure	334,975	82,804	—	—	417,779
Other	86,096	—	—	—	86,096
Management and general	65,998	12,500	26,123	(12,500)	92,121
Fundraising	8,031	—	—	—	8,031
Total expenses	561,134	95,304	26,123	(12,500)	670,061
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(97,977)	8,089	(22,455)	—	(112,343)
Temporarily restricted net assets					
Changes in temporarily restricted net assets:					
Contributions	408,852	—	—	—	408,852
Contributions released from restrictions	(34,000)	—	—	—	(34,000)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	374,852	—	—	—	374,852
TOTAL INCREASE (DECREASE) IN NET ASSETS	276,875	8,089	(22,455)	—	262,509
NET ASSETS, Beginning of year	334,797	2,730	—	—	337,527
NET ASSETS, End of year	\$ 611,672	10,819	(22,455)	—	600,036

See accompanying notes to consolidated financial statements.

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As the MCA Foundation moves toward the launch of a capital campaign in support of erecting the MCA Tech Center on the region's first and only biomedical research park, we continue to put faith in the region's leaders, philanthropists, visionaries and donors.

We hope you become part of the legacy by making your name part of the MCA Tech Center.

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