

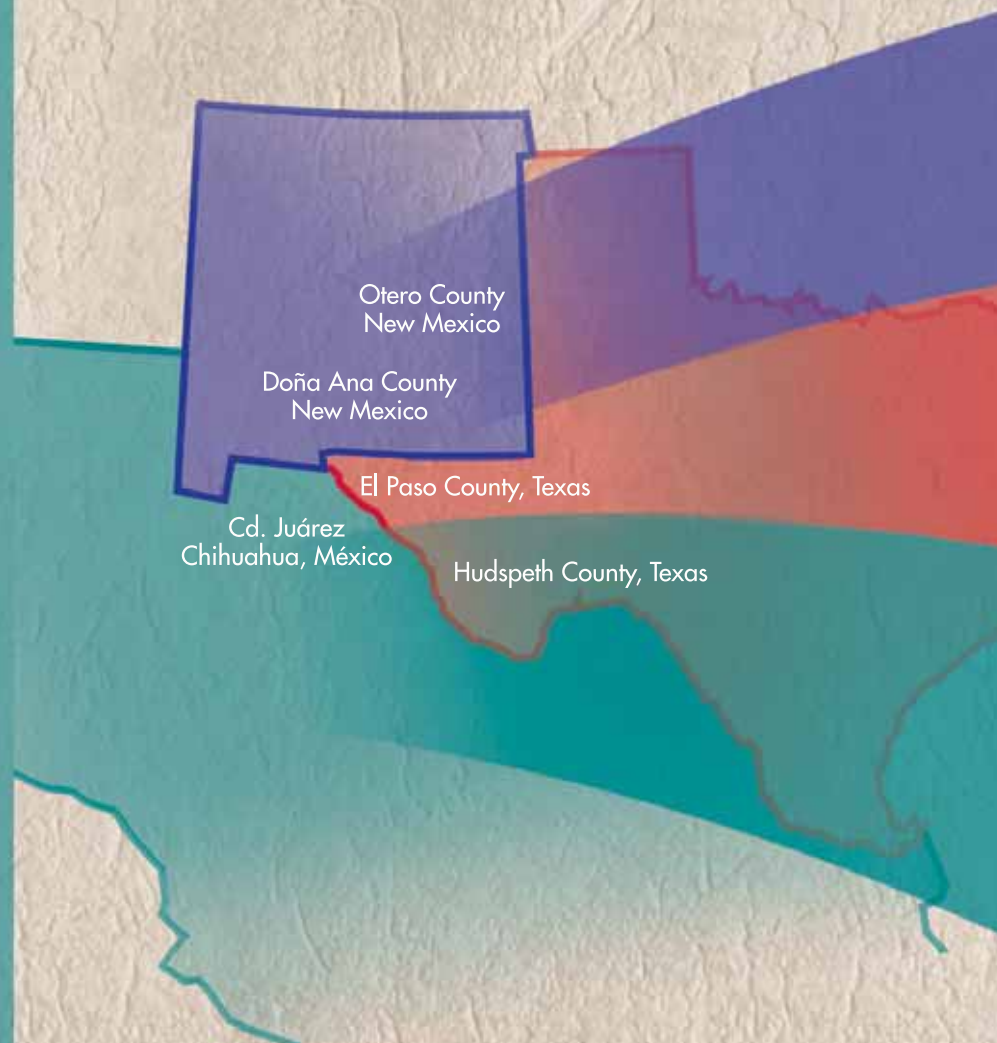
PASO DEL NORTE HEALTH  
FOUNDATION

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## PASO DEL NORTE REGION

Nestled in the southwestern part of the United States lies a large stretch of land known as the Paso del Norte region. This region represents areas of west Texas, southern New Mexico, and northern México. Combined it is one of the largest regions along the U.S./México border.



Opposite Page, Left to Right:

Guadalupe Valderas, OPI Program Coordinator

J. Carlos Jauregui, KidFit Program Director

M. Elena Acosta, SoAHEC Program Coordinator

## JOINING BORDERS TO BUILD A STRONG AND HEALTHY REGION

Since 1996, the Paso del Norte Health Foundation has served the health needs of the people living in the Paso del Norte region. This unique and diverse region represents communities in west Texas, southern New Mexico, and Ciudad Juárez, México. Because the region covers three states and two countries, there is a special interweaving of cultures, environment, and economic conditions that must be considered when dealing with the 2.2 million people living in the area.

While the region has prospered, there are many challenges that contribute to serious health problems. Poor nutrition, sedentary lifestyles, obesity, tobacco use, and diabetes are just a few of the risk factors that prevent residents from living healthy lives.

The Foundation is working with organizations to bring the needed resources and education to each segment of the region. Community organizations are the building blocks for assisting those in need. We value their work and dedication, and invite you to learn about three organizations in the region that are working within their community to enrich the lives of the people they serve.



## PRESIDENT'S MESSAGE

*Ann G. Pauli*

Ann G. Pauli,  
President and CEO of  
the Paso del Norte  
Health Foundation



The theme of the 2004 Annual Report addresses bringing together communities along the border to build a strong and healthy region.

Covering over 16,000 square miles of beautiful mountains, picturesque deserts, peaceful farmlands and orchards, as well as large metropolitan areas and smaller cities is a terrain known as the Paso del Norte region. This region brings together boundaries of El Paso and Hudspeth Counties in Texas, Doña Ana and Otero Counties in New Mexico, and Ciudad Juárez in México, which is the service region for our Foundation.

This topography, while diverse, shares many health and economic similarities. In a recent Behavioral Risk Factor Survey, 40% of El Paso County families reported incomes of less than \$25,000 per year, in Doña Ana County there were 49% of families with income less than \$25,000 per year, and in Ciudad Juárez, México the average family income per year is less than \$5,000. Area residents also share many of the same health problems as there is an increasing number of individuals that are obese, diabetic, and live in unhealthy environmental conditions.

The Foundation within the past nine years has funded over \$85 million dollars to address the health issues of the region. When the board approves a grant, our staff develops a request for proposal and it is then announced throughout the region. We are delighted to see the many creative grant proposals submitted from the different organizations and geographic areas. The strategies differ because each organization is familiar with their community and has identified the most effective tool in responding to their areas health needs.

Without the effort from these fine organizations, our work at the Paso del Norte Health Foundation would be impossible to accomplish. Their commitment and hard work for disease prevention and health promotion is crucial in bringing good health to our region. I would like to extend my thanks to all these organizations for all their efforts in making our region a healthier place to live.



PASO DEL NORTE HEALTH  
FOUNDATION



## MISSION

The mission of the Paso del Norte Health Foundation is to effect long-term improvements in the health status of the population in the greater El Paso region through education and prevention.

## VISION

We envision a greater El Paso region where all people have the knowledge, resources, and environment they need to live healthy lives; where health problems are prevented, and there is access to primary care; where people on both sides of the border live in clean, safe environments with fresh air, potable water, and the proper disposal of waste.

## HISTORY

We were created on October 1, 1995 from the proceeds of the sale of Providence Memorial Hospital to Tenet Healthcare Corporation. With \$130 million in assets from the sale, we became one of the largest private foundations on the U.S. - México border that serve the 2.2 million people living in the Paso del Norte region of El Paso and Hudspeth counties in far west Texas, Doña Ana and Otero counties in southern New Mexico, and Ciudad Juárez, Chihuahua in northern México.

## WEB SITE

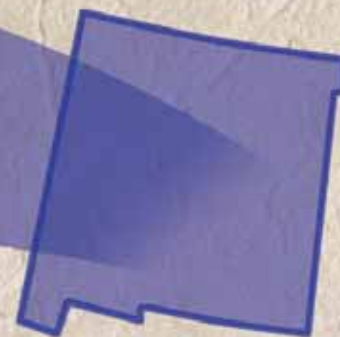
The Paso del Norte Health Foundation's web site is one of the easiest, most accessible tools to find the latest information regarding the Foundation. The bilingual site features information on the funded initiatives, upcoming activities, and a variety of helpful tips regarding your health and wellness. Visit us at [www.pdnhf.org](http://www.pdnhf.org).

*“Our mission is to provide local communities in Doña Ana and Otero counties with a variety of educational and prevention tools that help equip community members in the delay or prevention of the onset of diabetes and its related risk factors.”*

Benjamín Jácquez,  
Interim Director



In Las Cruces, New Mexico, one organization is educating the community on the importance of diabetes prevention.



## Southern Area Health Education Center

New information shows that of the 1.8 million people living in New Mexico, approximately 120,000 adults have diabetes. More alarming is that one out of every three people with diabetes doesn't know that they have it. Hispanics and Native Americans are at a higher risk than others in this area.

To bring awareness of this deadly disease, one organization is reaching out and educating communities in Doña Ana and Otero counties of New Mexico on the importance of reducing the risk factors associated with diabetes. **Southern Area Health Education Center (SoAHEC)** serves as a culturally competent regional resource and training center for youth, health workforce, and communities in southern New Mexico. SoAHEC provides education and prevention programs on a variety of community-health related topics that include nutrition, obesity, and diabetes. The concept of "Train the Trainer" is used for a variety of health professionals and community members to learn new concepts and improve their teaching skills to make more of a direct impact on those individuals that have diabetes or are susceptible to the disease.

Supported by the **Border Diabetes Initiative** of the Paso del Norte Health Foundation, SoAHEC has implemented bilingual training opportunities to build local community capacity in diabetes prevention. Proper nutrition and healthy cooking, becoming physically active, how to prevent diabetes, and how to best manage the disease once diagnosed are some of the programs in place. The overall goal of SoAHEC is not just to have organizations send out messages on diabetes prevention and awareness, but also to involve students, parents, and community residents in an effort to affect long-term changes in the region through policy development.



## Border Diabetes Initiative

is designed to increase awareness of diabetes risk factors and provide prevention education to reduce the impact of diabetes in the region. The initiative has three components: implementation, design and analysis of diabetes prevalence, and behavioral research; educational intervention; and public awareness.

### Other service grantees in the region under the Border Diabetes Initiative

**Centro San Vicente Clinic**  
El Paso, Texas

**FEMAP**  
Ciudad Juárez, Chihuahua, México

**U.S. Mexico Border Health Association**  
Regional

**New Mexico State University**  
Las Cruces, New Mexico

**Project Vida**  
El Paso, Texas

**Westway Clinic Satellite of**  
**Centro de Salud Familiar La Fe, Inc.**  
El Paso, Texas



*“Children have fun in the KidFit program. Games and lessons are easy to follow, which keep children excited and active. A strong exercise program that starts at an early age can prove to be as valuable to a child’s success as a first-class education. It is important that parents play an active role in preventing childhood obesity and sedentary lifestyles.”*

J. Carlos Jauregui,  
KidFit program director



Children in El Paso, Texas are making healthy food choices and staying active after-school.



## YWCA El Paso Del Norte Region

An obesity epidemic has invaded the health of children across the country. Fast food and video games have replaced the recommended nutrition and exercise needed to stay healthy.

**YWCA El Paso Del Norte Region (YWCA)** is helping efforts by bringing knowledge and understanding on the importance of healthy eating habits and exercise to school-aged children in the **KidFit** after-school program.

Over 5,000 children from sixty-five elementary schools in El Paso and Hudspeth County of Texas are participating in this program. The KidFit curriculum uses fun activities to motivate children in 30 minutes of physical activity a day, and two nutrition lessons a week.

To better comprehend what kind of minerals are in foods, children play an activity similar to musical chairs. Each child is assigned a food product and asked to make a circle around a group of chairs (one less than the number of participants). As the children walk around the group of chairs, a volunteer calls out a food product and participants rush to find a seat. Those seated must identify what mineral their food product contains and the benefits it provides to the body before they can move to the next level. The selected group recites that calcium helps build strong bones and teeth, and it is a dairy product found in milk, yogurt, and cheese. The lesson learned is that minerals are as important as vitamins and are needed to grow and develop healthy bodies.

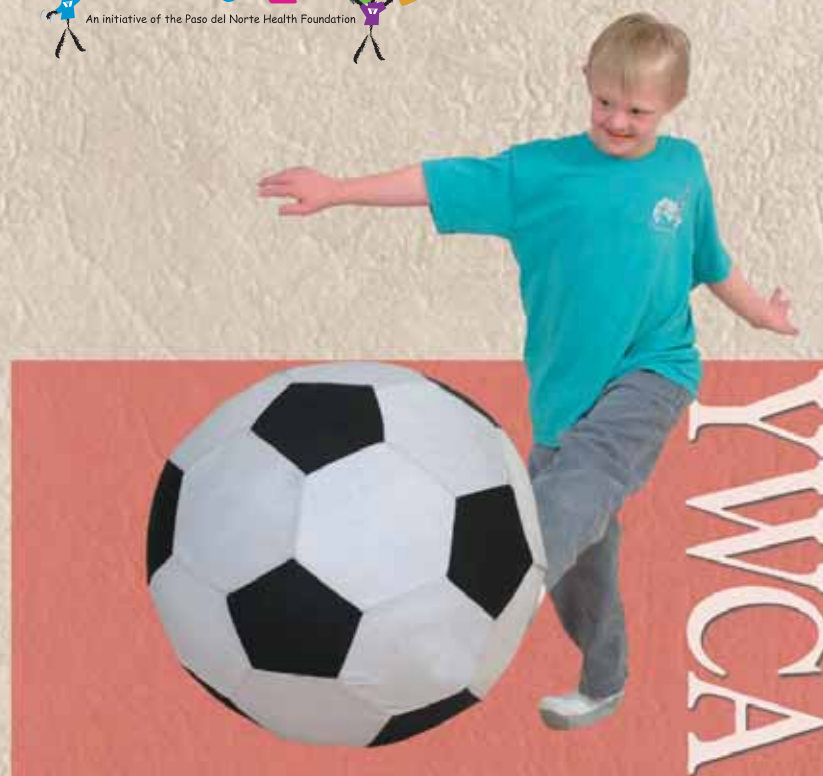
The Paso del Norte Health Foundation and the YWCA are working together to educate school-aged children, parents, and families on changing bad eating habits into healthy food choices and staying active. This collaboration and the success of the program have opened opportunities to expand the program to other areas of the region.



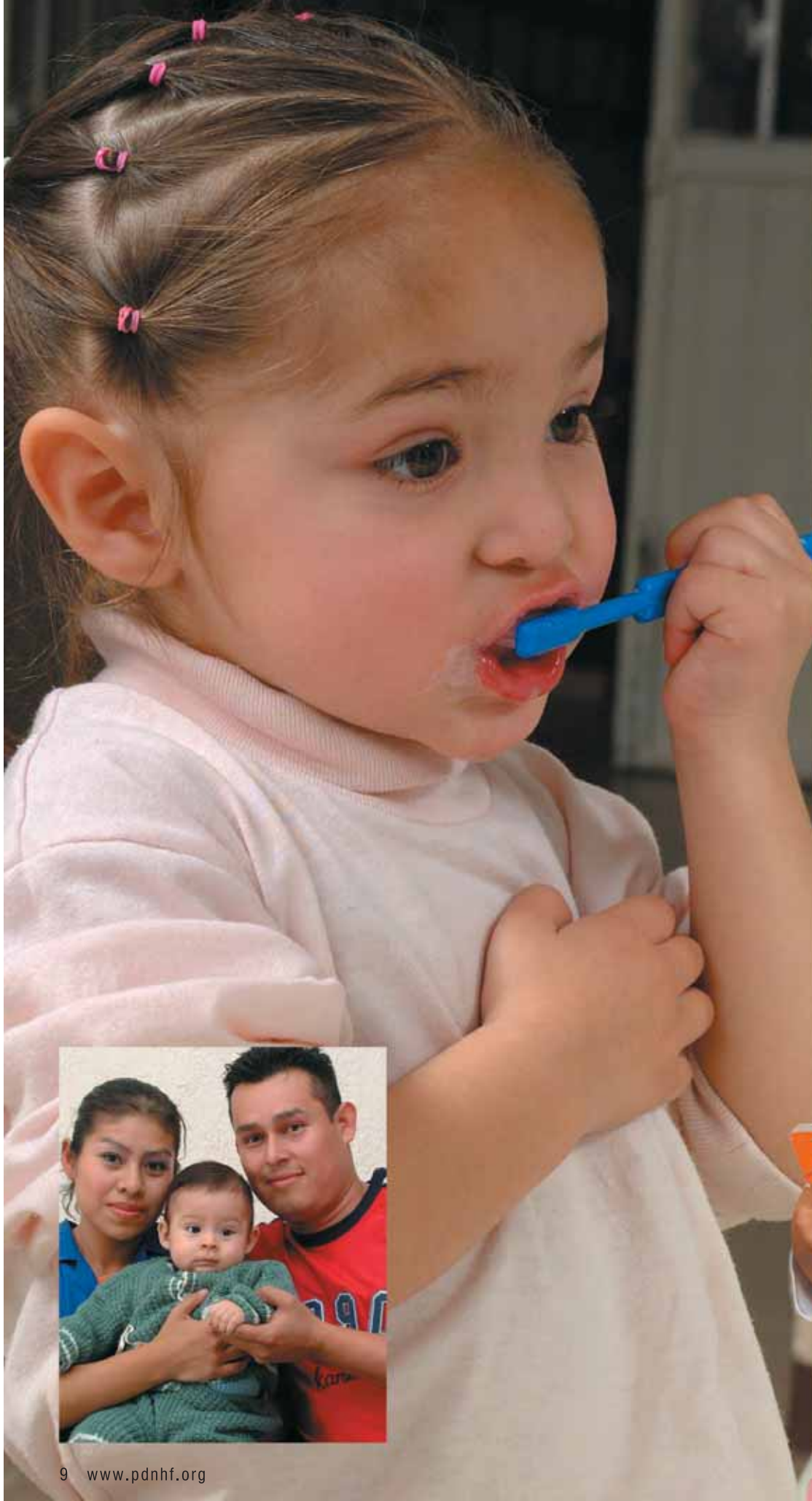
**KidFit** is designed to decrease the sedentary lifestyle of school-age children and improve awareness of proper nutrition and diabetes prevention among children and their families.

Another service grantee in the region under the **KidFit Initiative**

**UTEP**  
**College of Nursing**  
**El Paso, Texas**



**YWCA**



*“We work hard to offer children and their families’ specialized education, nutrition and health recommendations. Children receive love and support from our staff to help in their development.”*

Catalina Castillo  
OPI Director



Individuals and families are empowered to be promoters of their own development in Ciudad Juárez, Chihuahua, México.

## Organización Popular Independiente, AC

The family plays a vital role in the health of a child. Nurturing and caring for loved ones at any age contributes many benefits that lead to positive health outcomes. Yet, several families in west Ciudad Juárez lack the resources and skills to care for their children's health.

As a community-based organization, **Organización Popular Independiente, AC (OPI)** works with individuals and families in building a strong foundation to improve their health and quality of life. Community development projects, promotion educator trainings, environmental health programs, parenting education, and other related services are provided for the community.

OPI recognizes and responds to the needs of parents and other caregivers for raising healthy children. With OPI's original education model, family members and other caregivers learn how to nurture and raise children in an emotionally supportive and safe environment. Skills to advance children's psychological, physical, and social development from birth to three years of age are emphasized through this education.

Through the assistance of the Paso del Norte Health Foundation's **Begin at Birth Initiative**, over 96 young children and their families in west Ciudad Juárez, México are supported annually. These families benefit from learning about the importance of early stimulation and creating positive outcomes for their child's development.



## Begin at Birth Initiative

was created to raise community-wide awareness on the importance of the first three years of life for a child. The initiative seeks to improve the overall health, safety, and well being of children 0-3 years of age.

### Other service grantees in the region under the Begin at Birth Initiative

Avance Inc.  
El Paso, Texas

Ben Archer  
Hatch, New Mexico

Centro San Vicente  
El Paso, Texas

Child Crisis Center  
A.M.O.R. de Niños Program  
El Paso, Texas

La Clínica de Familia  
Las Cruces, New Mexico

Parque Rio Bravo, A.C.  
Ciudad Juárez, Chihuahua, México

Project Vida  
El Paso, Texas

Region 19 Education Service  
Center/ECI Child Find  
El Paso, Texas

Sistema para el Desarrollo  
Integral de la Familia  
Ciudad Juárez, Chihuahua, México

Techo Comunitario  
Ciudad Juárez, Chihuahua, México

Texas Society to Prevent Blindness  
El Paso, Texas

Texas Tech University Health  
Science Center  
El Paso, Texas

YWCA El Paso Del Norte Region  
El Paso, Texas



Jackson Curlin  
*Chairman of the Board*

Dwayne Aboud, M.D.  
*Vice Chairman of the Board*

Judge Carlos Villa  
*Chairman, Allocations Committee*

David Osborn  
*Chairman, Investment Committee*

Victor Diaz, M.D.  
*Chairman, Board Selection and Conflicts  
Committee*

Alan R. Abbott  
Jack Chapman  
Martini DeGroat  
Bert Mijares

### Staff:

Ann G. Pauli  
*President and CEO*

Gilbert Alvarado  
*Chief Financial & Information Officer*

Enrique Mata  
*Senior Program Officer*

Michael Kelly  
*Program Officer*

Eric Hutson  
*Program Officer*

Juanita Galaviz  
*Project Manager*

Elizabeth Barrera  
*Program Associate*

Marisol Montoya  
*Program Associate*

Ida Ortegon  
*Communications Manager*

Angela Plaza  
*Staff Accountant/Technical Assistant*

Carolyn Miller  
*Office Manager/Executive Assistant*

Angela Salas  
*Grant Monitor/Support Assistant*

Sylvia Soto  
*Administrative Assistant*

### How We Make Grants

The Paso del Norte Health Foundation does not accept unsolicited grant proposals. However, when we launch a new initiative, we typically host grant workshops for nonprofit organizations to better understand the purpose of the initiative and how to respond to our request for proposals.

Our program officers are always available to discuss ideas for future initiatives and welcome suggestions from regional organizations. For more information about upcoming grant workshops, please call the Paso del Norte Health Foundation at (915) 544-7636 or visit our web site at [www.pdnhf.org](http://www.pdnhf.org).

A Smoke Free Paso del Norte

\$3.3 million

Approved in July 1999  
The American Cancer Society and other agencies in the Paso del Norte region work to reduce smoking. Top priorities include reaching kids, making cessation programs widely available, and promoting smoke-free environments. The initiative also strives to reduce the smoking rate among youth, pregnant women, people living with small children, and those who lack the resources to provide for their own wellness.

Technical Advisors:

Texas A&M School of Rural Public Health • University of Houston Health Science Program

Partners:

American Lung Association • American Cancer Society • Centro San Vicente • Texas A&M Colonias Program • Children in Need of Services, NM

Action for Youth

\$12 million

Approved in September 1998  
Action for Youth (AY) is a grassroots initiative building community capacity for neighborhood transformation, and promotes adolescent health. AY features the development of “Action for Youth Partnerships” in El Paso, southern New Mexico and Ciudad Juárez. Partnerships are actively sought within the education, business, faith, non-profit, parent and youth sectors. AY supports the strengthening and building of “developmental assets,” essential building blocks that protect youth and foster healthier life outcomes.

Technical Advisor:

Non-Profit Enterprise Center

Partners:

YEA (Otero County) • Southern Doña Ana Partnership (Southern Doña Ana County) • Hatch Valley/Las Cruces Partnership (Northern Doña Ana County) • CASA (Canutillo) • SHARE (Sunset Heights) • Teen NETWORK (Northeast) • ESYC (Eastside) • Teens in Action (Ysleta) • Juarenses for Healthy Youth (Cd. Juárez)

Ageless Health

\$4.5 million

Approved in January 2000  
The Ageless Health Initiative is designed to develop or expand volunteer-based projects to support the promotion of independent healthy living and the prevention of isolation for persons 60 years of age and older in the Paso del Norte region, and to effect attitudinal change about aging.

Technical Advisor:

Rio Grande Council of Governments Area Agency on Aging

Partners:

Alamogordo Senior Center • Cáritas Diocesana de Cd. Juárez, A.C. • Club de la Tercera Edad Epoca de Oro • Doña Ana County Advocates for Children and Families • El Paso Art Association • El Paso Human Services, Inc. • El Paso Retired and Senior Volunteer Program (RSVP) • Fundación del Empresariado Chihuahuense, A.C. (FECHAC) • Texas A&M Foundation • UTEP — College of Health Sciences • UTEP/UT Austin Cooperative Pharmacy Program • YMCA of Greater El Paso

Begin at Birth!

\$6.9 million

Approved in September 1999  
The goals of the Begin at Birth Initiative are to 1) improve the health of children birth to three years old while eliminating health disparities and 2) improve practices, policies, and environments within the early childhood community and families.

Technical Advisors:

Child Crisis Center • NMSU • University of Houston

Partners:

AVANCE Inc. • Ben Archer • Centro San Vicente • Child Crisis Center • DIF-Sistema Municipal • ECI/Region 19 • La Clínica de la Familia • NMSU • OPI — Organización Popular Independiente • Parque Rio Bravo • Project Vida • Techo Comunitario • Texas Society to Prevent Blindness • Texas Tech University Health Sciences Center • YWCA El Paso Del Norte Region

Bike/Walk Paths

\$778,000

Approved in January 1998  
The Bike/Walk Paths plan is designed to leverage with City, County, and State to build safer areas to exercise.

Border Diabetes

\$3.5 million

Approved in May 1999  
The Border Diabetes initiative is designed to increase the awareness of diabetes risk factors and provide prevention education to reduce the impact of diabetes in El Paso, Doña Ana and Otero Counties, and Ciudad Juárez, Mexico. The initiative has three components: implementation, design and analysis of diabetes prevalence and behavioral research; educational interventions; and public awareness.

Partners:

Westway Clinic Satellite of Centro de Salud Familiar — La Fe, Inc. • Centro San Vicente Clinic • FEMAP • NMSU • Project VIDA • Southern Area Health Education Center • U.S.-Mexico Border Health Association

CATCH

\$4.2 million

Approved in March 1997  
The Coordinated Approach to Child Health (CATCH) is a school-based program that facilitates a coordinated approach to health education at the elementary school level, providing students with a comprehensive curriculum with consistent health messages about nutrition, physical activity, and tobacco avoidance.

Partner:

Region 19 Educational Service Center

CATCH Schools:

Canutillo Independent School District

Bill Childress • Jose Damian

Clint Independent School District

Carroll T. Welch • Desert Hills • Frank Macias • Montana Vista • Red Sands • W.D. Surratt

El Paso Independent School District

Alta Vista • Barron • Beall • Bond • Burleson • Carlos Rivera • Cielo Vista • Clendenin • Crockett • Crosby • Dowell • Edgar Park • Hart • Hawkins • Houston • Lamar • Mesita • Milam • Nixon • Paul Moreno • Polk • Robert E. Lee • Roosevelt • Rosa Guerrero • Schuster • Vilas • Zach White

Fabens Independent School District

Fabens Primary • Risinger Primary

Fort Hancock Independent School District

Benito Martinez

Gadsden Public Schools

Sunrise

Hatch Public Schools

Garfield • Hatch Elementary • Rio Grande

Las Cruces Public Schools

Alameda • Doña Ana • Hermosa Heights • Loma Heights • MacArthur • Mesilla • Tombaugh

Private/Parochial

Bethel Temple Christian • Blessed Sacrament • Burnham Wood • El Paso Country Day • El Paso Jewish Academy • Father Yermo • Holy Trinity • Jesus Chapel • Life Center Christian • Loretto Academy • Pebbles Christian • St. Patrick Cathedral • St. Pius X • St. Raphael

San Elizario Independent School District

Alfonso Borrego • Josefa L. Sambrano

Socorro Independent School District

Bill Sybert • Desert Wind • Elfida P. Chavez • Ernesto Serna • Escontrias • Helen Ball • Jane A. Hambric • Lujan-Chavez • Myrtle Cooper • Robert R. Rojas

Tornillo Independent School District

Tornillo Elementary

Ysleta Independent School District

Alicia Chacon • Ascarate • Capistrano • Cedar Grove • Constance Hulbert • Desertaire • Dolphin Terrace • Edgemere • Glen Cove • Hacienda Heights • Lancaster • Marian Manor • Mesa Vista • North Loop • North Star • Parkland • R.E.L. Washington • Ramona • Sageland • Scotsdale • Thomas Manor • Tierra Del Sol

**Center for Border Health Research (Center)** **\$9 million**  
Approved in January 1998  
The purpose of the Center is to ensure a sound, well-defined research agenda and enhance efforts to pursue that agenda leading to improvements in the health status of the Paso del Norte community. The Center provides educational forums for regional health investigators, administers grant funding, and conducts research in the Paso del Norte region.

**Partners:**  
UTEP • TTU Health Science Center — El Paso • UT HSC at Houston School of Public Health —El Paso regional campus • NMSU

**Healthy Communities** **\$4.9 million**  
Approved in July 1997  
Healthy Communities is a grassroots initiative that addresses health through community-based groups and their stakeholders. Using a broad definition of health, the root causes of illness are identified and targeted, including social and economic factors that impact health. Community-based councils use a mix of approaches and techniques to achieve their goals, including coalition building, conflict resolution, consensus building, asset mapping, and continued support for the development of community assets.

**Technical Advisor:**  
Non-Profit Enterprise Center

**Partners:**  
Centro de Asesoría y Promoción Juvenil (Cd. Juárez) • Chaparral Community Health Council • Programa Compañeros (Cd. Juárez) • Organización Popular Independiente (Cd. Juárez) • Northeast Healthy Community Council • SPARKS Housing Development Corporation

**Healthy Homes and Handwashing** **\$3.2 million**  
Approved in May 2000  
The Healthy Homes initiative addresses household environmental health risks related to such problems as indoor asthma triggers; inadequate water, sanitation and hygiene; trash handling and management; use of pesticides; lead poisoning; and hazardous household chemicals. The Handwashing program teaches pre-school children in day care settings how to properly wash their hands for protection from communicable diseases and environmental contamination, with the intent of establishing life-long hygiene habits. Day care providers are intensively trained to teach specific handwashing skills using the most effective methods identified in previous pilot projects.

**Partners:**  
Keep El Paso Beautiful • Migrant Clinicians Network • UTEP Center for Environmental Resource Management (CERM) • YWCA El Paso Del Norte Region

**Herbal Safety** **\$245,000**  
Approved in July 2001  
The Herbal Safety initiative is designed to develop an extensive educational program for both health care providers and the general public to assist in the promotion of prudent herbal product use in the Paso del Norte region.

**Partner:**  
UTEP/UT Austin Cooperative Pharmacy Program

**HOT (Health Oriented Themes) Projects** **\$2.3 million**  
Approved in November 1999  
HOT Projects provides financial assistance to regional universities for the purpose of helping students complete projects that focus on themes promoting good health. Grants for HOT Projects encourage innovative activities within the various academic programs to stimulate health promotion on the border.

**Partners:**  
UTEP • NMSU • El Paso Community College • UT HSC at Houston School of Public Health — El Paso regional campus • Universidad Autónoma de Cd. Juárez

**KidFit** **\$2.5 million**  
Approved April 2003  
The KidFit program is designed to encourage kids and their families to make healthier eating choices as well as encourage increased physical activity. The program is implemented in 65 after-school sites run by the YWCA El Paso Del Norte. The program consists of one nutrition class and three physical activity classes per week. The nutrition classes are designed to give

kids an active approach to learning subjects such as the food guide pyramid, vitamins, and food safety. All physical activity classes stress the individual benefits of each activity, which include coordination, stamina, and improved health.

**Partners:** YWCA El Paso Del Norte Region • UTEP

**Medical Student Fund** **\$1.25 million**  
Approved in October 2002  
The Medical Student Funding initiative is a grant/loan program that aims at improving the doctor/patient ratio in El Paso and its surrounding area. The loan encourages capable, yet financially unable, students from the Paso del Norte region to attend the Texas legislative approved four-year medical school in El Paso. Upon completion of the program, students that remain and establish their practice or work in a health-related field in the region will have their loans forgiven over a five-year period. Additional funding will be required from the community to emphasize the strong level of support for the medical school.

**Partners:**  
TTU Health Science Center — El Paso • The Cimarron Foundation • The Wolslager Foundation

**Qué Sabrosa Vida** **\$3 million**  
Approved January 1999  
Qué Sabrosa Vida is designed to affect the short and long-term health status of the general population of the Paso del Norte region through the promotion of healthier eating habits and the development of tools and skills to sustain permanent behavioral changes. The goal of the program is to increase awareness of a lifestyle that includes healthy nutrition and physical activity, while keeping within the rich tradition and cultural aspects of the Mexican-American border diet.

**Technical Advisor:**  
University of Texas School of Public Health Human Nutrition Center

**Partners:**  
American Cancer Society • AYUDA • Centro de Asesoría y Promoción Juvenil • Centro de Seguridad Social — Club de la Tercera • Centro San Vicente • El Paso ISD • Families and Youth Inc. • San Elizario ISD • TX A&M Colonias • YISD — Pre-K Center • Texas Agricultural Extension Service — Expanded Nutrition Program (ENP) • NMSU — SoAHEC • FEMAP Foundation

**Paso del Norte Physical Activity Initiative** **\$3 million**  
Approved July 2003  
This initiative is designed to support physical activity programs that aim to decrease the sedentary life style of adult individuals who are considering or actively making plans to exercise or start a physical activity program. As a multi-year initiative, it will provide capacity building for community-based programs and offer on-going professional technical assistance through communication, community outreach and mobilization, special events, and evaluation components.

**Technical Advisor:**  
American Cancer Society

**Partners:**  
Centro de Asesoría y Promoción Juvenil A.C. • City of Las Cruces • El Paso Community College • Gadsden ISD • Las Cruces Public Schools • New Mexico Department of Health • Otero Path • San Pablo Lutheran Church • Socorro ISD • Universidad Autónoma de Ciudad Juárez • UTEP

**Walk El Paso** **\$2.5 million**  
Approved in November 1997  
The walking initiative is a broad-based effort to inspire and mobilize the sedentary population to begin a simple walking program. Walking 20 minutes a day, three times a week is the principle message. Non-profit organizations help by coordinating walking groups and special events throughout their communities.

**Walk El Paso Partner:**  
YMCA of Greater El Paso

PASO DEL NORTE HEALTH FOUNDATION  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Paso del Norte Health Foundation

We have audited the accompanying statement of financial position of Paso del Norte Health Foundation (a nonprofit organization) as of December 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paso del Norte Health Foundation as of December 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Dunbar, Broadbush, Gibson LLP*

Dunbar, Broadbush, Gibson LLP

El Paso, Texas  
February 24, 2005

PASO DEL NORTE HEALTH FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2004 AND 2003

ASSETS	2004	2003
Current assets		
Cash	\$ 285,740	\$ 254,433
Other current assets	92,750	102,998
Total current assets	378,490	357,431
Investments	191,353,219	181,309,949
Property and equipment, net of \$544,035 and \$508,317 accumulated depreciation	51,157	62,941
Other assets	241,333	236,544
Total noncurrent assets	191,645,709	181,609,434
Total assets	\$ 192,024,199	\$ 181,966,865
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 191,135	\$ 292,251
Grants payable	8,359,503	7,779,208
Total current liabilities	8,550,638	8,071,459
Noncurrent Liabilities		
Long term grants payable	15,620,303	20,761,590
Accrued general and professional liabilities	8,247,367	8,269,017
Deferred tax liability	491,371	-
Total noncurrent liabilities	24,359,041	29,030,607
Net assets		
Unrestricted	158,891,267	144,642,546
Temporarily restricted	223,253	222,253
Total net assets	159,114,520	144,864,799
Total liabilities and net assets	\$ 192,024,199	\$ 181,966,865

The accompanying notes are an integral part of this statement.

PASO DEL NORTE HEALTH FOUNDATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Income		
Investment income	\$ 5,734,000	\$ 5,123,233
Other income	578,026	2,177,663
Net assets released from restrictions	-	-
Less: investment expense	(811,931)	(812,232)
Total revenues	5,500,095	6,488,664
Program costs and administrative expenses		
Major initiatives	4,537,523	5,538,662
Program development	4,397	-
Total program expense	4,541,920	5,538,662
Administrative expense	472,260	560,985
Net income over program and administrative expenses	485,915	389,017
Other changes to net assets, net of related federal excise tax		
Net realized gain (losses) on investments	1,792,926	(2,727,317)
Net unrealized gains on investments	12,585,486	35,852,874
Provision for excise tax - current	(124,235)	(150,303)
Provision for excise tax - deferred	(491,371)	-
Change in net assets - unrestricted	14,248,721	33,364,271
Change in temporarily restricted net assets		
Contributions	1,000	1,000
Change in net assets	14,249,721	33,365,271
Net assets, beginning of year	144,864,799	111,499,528
Net assets, end of year	\$ 159,114,520	\$ 144,864,799

The accompanying notes are an integral part of this statement.

PASO DEL NORTE HEALTH FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Cash flows from operating activities:		
Increase in net assets	\$ 14,249,721	\$ 33,365,271
Adjustments needed to derive cash flow provided (used) by operations:		
Depreciation	35,720	33,631
Other current assets	10,247	(85,219)
Other assets	(4,789)	2,283
Accrued liabilities and accounts payable	(101,116)	131,667
Grants payable	(4,560,992)	(3,353,037)
Other liabilities	(21,650)	(2,020,678)
Deferred tax liability	491,371	-
Realized loss (gain) on investments	(1,792,926)	2,727,317
Unrealized loss (gain) on investment securities	(12,585,486)	(35,852,874)
Net cash used by operating activities	(4,279,900)	(5,051,639)
Cash flows from investing activities		
Purchases of property, plant and equipment	(23,935)	(32,504)
Sale and maturity of investments, net of purchases	4,335,142	5,173,708
Net cash provided by investing activities	4,311,207	5,141,204
Net increase in cash and cash equivalents	31,307	89,565
Cash, beginning of year	254,433	164,868
Cash, end of year	\$ 285,740	\$ 254,433
Supplemental disclosure of cash flow information:		
Cash paid for federal excise taxes	\$ 124,235	\$ 150,303

The accompanying notes are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Paso del Norte Health Foundation (the "Foundation") was organized in September 1995 following the sale of certain assets of Providence Memorial Hospital (the "Hospital") in El Paso, Texas and is organized and operated exclusively for charitable, educational, and scientific purposes as defined under Section 509(a)(2) of the U.S. Internal Revenue Code of 1986 (IRC) and is recognized as exempt from federal income tax under Section 501(c)(3) of the IRC. The Foundation's activities include, but are not limited to, the operation of programs to provide charitable assistance, training, and educational support for the promotion of general physical and mental health, principally for the benefit of the general population of the El Paso, Texas, region.

Effective January 1, 2001, the Foundation became a private non-operating foundation under section 509(a) of the code. Therefore, the foundation is subject to excise tax on net investment income and potential excise tax on undistributed income. In addition, the Foundation is subject to deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The Foundation observes SFAS No. 116, "Accounting for Contributions Received and Contributions Made," and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 116 generally requires that unconditional contributions, pledged or received, be recognized as revenue in the period received. Not-for-profit organizations must distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. SFAS No. 117 requires classification of an organization's net assets and its revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. The Foundation does not have any permanently restricted net assets; therefore, the entire net asset balance is classified as unrestricted or temporarily restricted. Temporarily restricted net assets represent donor restricted contributions to be used for certain health care and other specified programs by the Foundation.

The Foundation adheres to Statement of Financial Accounting Standards (SFAS) No. 107, "Disclosures About Fair Value of Financial Instruments." This statement requires entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized in the balance sheet, for which it is practicable to estimate fair value.

The Foundation follows SFAS No. 124, AAccounting for Certain Investments Held by Not-for-Profit Organizations. SFAS No. 124 requires that investments with readily determinable fair values, as defined, be reported in the statement of financial position at fair value with any realized or unrealized gains and losses reported in the statement of activities and changes in net assets.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all cash in bank checking accounts and investments in highly liquid debt instruments with maturities of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair market value. Management monitors market conditions which impact these investments.

Property and equipment

All assets acquired with a value of \$500 or greater are recorded property and equipment and are recorded at cost. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are depreciated over the lesser of the estimated useful life or lease term.

Grants

Grants are charged against operations when they are authorized by the Board of Directors. Payments may not necessarily occur in the same fiscal year as their authorization, in which case the amounts are accrued as long term liabilities and discounted over the payment term.

Use of Estimates

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimated fair value amounts of cash, investments, notes receivable and payables approximate their carrying amounts and have been determined by the Foundation using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair values of investments are based on quoted market prices or are estimated using quoted market price or dealer quotes for similar securities. Limited partnership values are estimated using private valuations of the securities or properties held in those partnerships. The carrying amount of these items and of the payables and accrued liabilities are a reasonable estimate of their fair value.

2. CASH

Cash consists of cash on hand and on deposit with federally insured financial institutions.

At December 31, 2004 and 2003, cash consisted of the following:

	2004	2003
Cash on hand	\$ 300	\$ 300
Cash on deposit	285,440	254,133
Total	\$ 285,740	\$ 254,433
Balance per bank statements	\$ 1,214,406	\$ 1,098,637
FDIC coverage	100,000	100,000
Uninsured balance	\$ 1,114,406	\$ 998,637

3. INVESTMENTS

Investments at December 31, 2004 consisted of the following:

	Cost	Carrying Value
Cash and cash equivalent investment fund	\$ 43,277	\$ 43,277
Government and corporate obligations	55,260,738	53,155,883
Equity securities	107,632,838	134,512,914
Limited partnerships	3,847,835	3,641,145
Total	\$ 166,784,688	\$ 191,353,219

Investments at December 31, 2003 consisted of the following:

	Cost	Carrying Value
Cash and cash equivalent investment fund	\$ 42,341	\$ 42,341
Government and corporate obligations	52,249,057	50,500,946
Equity securities	113,290,883	127,289,822
Limited partnerships	3,744,623	3,476,840
Total	\$ 169,326,904	\$ 181,309,949

4. EXCISE, DEFERRED TAX AND DISTRIBUTION REQUIREMENTS

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. In accordance with the provisions of the Tax Reform Act of 1969, the Foundation is subject to an excise tax on net investment income, including realized gains as defined in the Act. In addition, the Foundation is subject to deferred taxes related primarily to differences between the bases of certain assets (investments) for financial and tax reporting.

The provision for taxes for the year ended December 31, 2004, consisted of the following:

Current tax	\$ 124,235
Deferred tax	491,371
Total provision for taxes	\$ 615,606

The deferred tax liability in the statement of financial position created from the above differences is reported on the accompanying statement of financial position at December 31, 2004 as follows:

Net deferred tax liability (non-current)	\$ 491,371
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The Foundation is required to make qualifying distributions (as defined in the Internal Revenue Code of 1986 IRC) equal to its minimum investment return, as adjusted (as defined in the IRC). Management believes that these distribution requirements will be met in the coming year.

5. PENSION PLAN

The Foundation established a Simplified Employee Pension Plan (the "SEP") under section 408(k) of the Code that covers all full time employees over the age of twenty-one (21). The Foundation contributes a percentage of employees' annual compensation to the SEP that is placed in an IRA plan with Aetna Life Insurance and Annuity Company. During 2004 and 2003, the Foundation contributed approximately \$110,817 and \$105,190, respectively, to the SEP. The Foundation also established a tax deferred annuity plan (the "Plan") under section 403(b) of the Code, with Aetna Life Insurance and Annuity Company. Eligible employees who wish to participate in the Plan may enter into a salary reduction agreement not to exceed the lesser of \$13,000 or one-sixth of compensation during any calendar year. During 2004 and 2003 employees contributed approximately \$50,765 and \$46,853, respectively, to the Plan.

6. GRANTS

The Foundation accrues the long-term portion of grants payable at their net present value. At December 31, 2004, the Foundation's short-term obligations totaled \$8,359,504. The accrued future obligations consisted of the following:

2006	\$ 8,396,905
2007	5,693,889
2008	2,460,244
	16,551,038
Less discount to net present values	(930,735)
	\$ 15,620,303

7. COMMITMENTS AND CONTINGENCIES

Leases

The Foundation leases its primary facilities under operating leases that will expire in 2009. Both leases provide an option to renew for one period of thirty-six months. Future minimum annual lease payments are as follows:

2005	\$ 145,236
2006	145,236
2007	145,236
2008	145,236
2009	60,515
	\$ 641,459

These financial statements include expense related to these leases for 2004 and 2003 in the amount of \$130,915 and \$154,351, respectively.

Malpractice and General Liability Insurance

The Hospital was self-insured for purposes of providing for comprehensive general and hospital malpractice liability risk. The Hospital had a claims-made excess coverage policy to supplement its self-insured insurance fund. The Foundation will continue to be responsible for the self-insured general liabilities and hospital malpractice risks of the Hospital relative to operations prior to the sale.

The Hospital and the Foundation may be involved in certain litigation arising in the ordinary course of business for services provided through September 29, 1995. Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of settlement or litigation. Claims have been filed requesting damages in excess of the amount accrued for estimated malpractice costs. Additional claims may be asserted against the Foundation arising from services provided to patients through September 29, 1995. In the opinion of management, however, estimated malpractice and general liability costs accrued at December 31, 2004, are adequate to provide for potential losses resulting from pending or threatened litigation. These accruals include costs associated with known claims as well as those incurred but not reported (discounted at 8%) and are reported as accrued general and professional liabilities in the accompanying statement of financial position.

The Foundation contracted with MMI Risk Management Resources, Inc. to administer all of the general and hospital malpractice liability claims for Providence Memorial Hospital.

The Foundation continues to be self-insured for general liability claims against the Hospital for services provided through September 30, 1995. Accordingly, the Foundation purchased tail insurance coverage for a five-year period from American Continental Insurance Company. Their terms are \$2 million aggregate per case and \$4 million in total aggregate. After the total aggregate coverage was reached at the end of 1998, the carrier has assumed responsibility for all expenses and indemnity up to their \$15 million limit.

Employment Related Claims

During 1991, the Hospital began self-funding for the purpose of providing for claims for employment-related injuries. The Hospital established a reserve for known and unknown claims. Additional claims may be asserted against the Hospital from incidents occurring through September 29, 1995. In the opinion of management, however, estimated workers' injury costs accrued by the Foundation at December 31, 2004, are adequate to provide for potential losses resulting from pending or threatened claims

Third-Party Cost Reports

During the year ended December 31, 2003, the allowance for probable losses related to disputed items on certain third-party reimbursements claimed in previous Hospital cost reports was recognized as other income based on management's belief that it is no longer probable that such claims will be pursued.

8. RELATED PARTY

In 2000 the Board of the Foundation formed a separate nonprofit entity, Center for Border Health Research (CBHR). The Foundation's Board appointed the first Board of Directors of CBHR, but a majority of the replacements will be elected by their own Board. As the Foundation can not exercise control of this organization, the financial information of CBHR has not been consolidated in these statements.

The Foundation donates various administrative services to CBHR. During the years ended December 31, 2004, and 2003, CBHR received services valued at \$154,209 and \$66,000, respectively.

9. RECLASSIFICATION

Certain reclassifications have been made to the prior year notes in order for them to be in conformity with the current year presentation.