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As the world faced economic uncertainty so too was the impact felt among the philanthropic community. Creating new ideas, as well as coming up with new strategies, was put to the test in providing more with less.

The Paso del Norte Health Foundation (PdNHF) also felt the impact, yet continued to stand strong in its commitment to the health of the community. By bringing together communities, leveraging resources and communicating new ways of thinking, PdNHF ensures that individuals in the region have the knowledge, resources and environment needed to live healthy lives.

To our grantees that felt the pinch, but made adjustments to show the least impact, PdNHF salutes you for your dedication, commitment, and hard work. This report features only a few of our grantees that have developed innovative ways of overcoming barriers in continuing to make our region a healthier place to live.
The year 2002 was one of the most challenging years with regard to funding opportunities. In almost every segment of federal, state or local government, there were major cuts in expenses to reflect the decline in the economy. It is rare to find any company that has not suffered a downturn in its business. The philanthropy world has also been affected as assets have continued to decline for a third year. The Paso del Norte Health Foundation has certainly felt this impact, but continues to stand strong in our commitment to the health of the community.

During periods when the needs of the region are greater than the resources, we find enormous value in partnerships. Our grantees have done a fantastic job of being resourceful with their grant dollars. They are building new partnerships and finding innovative ways of working to provide sustainability in their programs. By leveraging our funding dollars with other agencies and foundations, our grantees have been able to continue impacting the community. Their dedication and commitment is to be commended.

Our board has continued during this period to seek ways of maximizing the Foundation’s assets and still support our mission and the grants that have been previously committed. Their leadership and positive attitude regarding the future has been uplifting during this difficult time.

At the end of 2002, we made a very strong stand in responding to the lack of physicians in our region through a challenge grant to a four-year medical school at Texas Tech University Health Science Center-El Paso. The grant was contingent on raising additional matching funds in the community. Within only a few months, this challenge was met by two other regional foundations also interested in the growing health concerns in the region. Partnerships are really wonderful things and can have a great impact!

As we move forward, we will continue to work toward meeting the health demands of the community. The need to develop partnerships, and learning to work together create such critical elements in obtaining our objectives. Last year, our annual report focused on the importance of making connections and collaborating with one another. Today, more than ever, connections and partnerships are needed as we progress through these changing times to make a difference in our region.

Ann G. Pauli
President and CEO

Ann G. Pauli, President and CEO of the Paso Del Norte Health Foundation (center) with members of the community.
**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. - Mexico 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 Mexico.

**Website**

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.
In a world where fast food and soft drinks are a common meal and Internet surfing or computer games replace exercise, serious health consequences overshadow children today. The CATCH initiative along with elementary school personnel are working together to develop innovative ways of encouraging students to engage in more vigorous physical activities, eat nutritious meals, increase their knowledge of healthful lifestyles, and involve their families in an effort to lead healthier lives.

To combat poor health habits among children, the 77th Texas Legislature passed Senate Bill 19. The new law resulted in the Texas Board of Education requirement for all elementary schools to provide K through 6th grade students with physical activity for a minimum of 30 minutes per day, or 135 minutes per week. The law also requires all school districts to implement a coordinated health education program in all elementary schools by 2007. To date, without state funding for this mandate, CATCH has been able to assist over 60% of the El Paso area elementary schools in implementing the state approved CATCH program.

“"What started as a pilot program with 22 schools has developed to over 100 elementary schools in 12 school districts and several parochial schools, reaching an estimated 70,000 children and their families each year. The program has been so successful, we hope by the year 2004 to incorporate CATCH into every elementary school in El Paso.""

Juanita Galaviz, project manager, Paso del Norte Health Foundation
CATCH
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.

"Senate Bill 19 has been a welcome addition in our fight to overcome obesity among our children. I’m very proud of the work developed within this initiative. It’s impressive to see how a relatively small amount of funding in our community can bring a major impact statewide."

Ann G. Pauli, president and CEO, Paso del Norte Health Foundation
Ageless Health
Healthy living of the 60 and over population

The value of a community and the structure of family life are in transformation due to the demographic shift in the increasing number of older people in our society. People over the age of 60 have more than doubled. And, during the next 30 years, that number will double again. In order to keep this population as healthy as possible for as long as possible, action must be taken to minimize the projected overload of the already strained health care system.

To assist in countering this strain, the Foundation has put forth the Ageless Health Initiative. This initiative strives to prevent isolation and promote independent living in the over 60 population. Now in its third year, the Ageless Health Initiative has developed model programs based on the concepts of “successful aging.” These programs reinforce the need for physical, mental, social, and spiritual well-being. In addition, these unique programs have touched the lives of people living in Ciudad, Juarez, Mexico; Alamogordo and Las Cruces, New Mexico; and El Paso, Texas.

With limited community resources, Ageless Health has made great strides in working together with organizations, stakeholders and consumers, to build a community network known as SALSA (Successful Aging through Long-Term Strategic Alliances). SALSA was established to be the driving force in bringing together new opportunities and resources that focus directly on the over 60 population in this region. Some of SALSA’s accomplishments include:

- Selection of the Paso del Norte region to be one of only 13 model sites with a grant from the Community Partnerships for Older Adults Initiative of the Robert Wood Johnson Foundation.
- Collaboration with local media to promote “successful aging” concepts throughout the community.
- City of El Paso receiving a grant from the Substance Abuse and Mental Health Service Administration for $1.2 million over three years for the reduction of isolation of homebound seniors.
- Support for the Rio Grande Area Agency on Aging in being designated the local Area Information Center.

**FACTS**

Beginning in 2006, it is expected that older adults will increase substantially in population as “baby boomers” start to turn 60.

In El Paso County, approximately 13 percent of the population is 80 years or older. (Planning Dept. of the City of El Paso – April 2000)

Components of Successful Aging:
- Avoiding disease, disability and accident-related injury.
- Maintaining high levels of physical and mental function.
- Maintaining an active engagement with life.

Learn more at www.pdnhf.org
“SALSA’s multifaceted approach is a significant start toward a great long-term vision. I see only great things coming out of this partnership. If we want long-lasting support, we must maintain our diligence as we unify the community.”

Robert Salinas, chairman of the SALSA coordinating council and administrator of social services for the City of El Paso.

“This is a great opportunity for the community to build long-term partnerships to promote a healthier, more successful senior population. The collaboration complements and strengthens our Ageless Health Initiative’s vision. The concepts of successful aging that the community agencies are promoting have been instrumental in bringing crucial funding and technical support such as the Robert Wood Johnson Foundation to our region.”

Enrique Mata, senior program officer, Paso del Norte Health Foundation

“The SALSA vision is a call to all in the region to educate each other on healthier lifestyles, injury prevention, planning for the future and, most importantly, staying actively engaged. Each and every one of us should consider what we can do for ourselves and our loved ones to stay independent and actively involved in our community. The simple concepts for successful aging will assist in the prevention of isolation and early dependency. We know it is very likely our health care delivery system will be overwhelmed. Only by working together will we be able to make sure that resources will be available to all when they are necessary.”

Adan Dominguez, director, Rio Grande Area Agency on Aging

Technical Advisors:
Rio Grande Council of Governments Area Agency on Aging • UTEP Center for Aging

Partners:
Alamogordo Senior Center • El Paso Art Association • First Unity Church • Centro de Seguridad Social • Fundación del Empresariado Chihuahuense, A.C • Las Cruces Senior Center Programs • R.S.V.P., City of El Paso

Ageless Health
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.

$4.5 million

Paso del Norte Health Foundation

July 2001

8
Walking Initiative
Mobilize the sedentary population

With the weather in this region offering the perfect environment for walking, the Walk El Paso, Walk Doña Ana and Walk Otero programs strive to provide information, reinforcement, and to make available opportunities for people to adopt walking as a fun and safe form of exercise. By emphasizing the importance of "walking 20 minutes a day, three times a week," residents from the Paso del Norte region are venturing out of their homes and walking for their health.

As funding adjustments affect these three programs, efforts continue to prosper as each program develops creative and functional ways of reaching out to the young and old interested in making walking a part of their daily lives.

"Since we were drawing good crowds at our walking events, we shifted gears and concentrated on capturing our target audience at health fairs. Using our organization partnerships, we were able to do more with less, by receiving free publicity and added materials in support of our program. We were involved in over 15 health fairs throughout the year and reached approximately 2,000 people."

Sarah Woodward, project coordinator, Walk Doña Ana

F A C T S

There are over 83 active Walk El Paso walking groups throughout the city.
EL PASO COUNTY, TX

Walk Otero had over 5,000 people call and ask for walking kits.
OTERO COUNTY, NM

At the 2nd annual "Walktoberfest," Walk Doña Ana generated close to 5,000 registered walkers.
DOÑA ANA COUNTY, NM

Learn more at www.pdnhf.org

Looking into new ideas and strategies, Walk Doña Ana turned their focus on educating people on the importance of incorporating walking into their lives.
Walk Otero has had great success in using its partnership resources to promote each of their walking events.

“By involving schools, churches, businesses and community organizations, we are able to stretch our dollars and receive added support in making our events fun and interesting. We encouraged people to take a stroll through White Sands National Monument under the moonlight sky at our "Moonlight Walk" and celebrate the holidays at our "Jingle Bell Walk," co-sponsored by the Alamogordo Downtown Merchant’s Old Fashion Christmas Celebration. We make it fun for the whole family.”

Al Hodges, project coordinator, Walk Otero

Because of dedicated volunteers and the respect the program has in the community, Walk El Paso continues to motivate participants to adopt walking as a simple and fun form of exercise.

“My volunteers not only help by training as walking group leaders, but also assist us in outreach and awareness through health fairs and community fun walks. In fact, they play a major role in the success of fun walks by expanding their walks to different neighborhoods, schools, and malls throughout the community. My volunteers are priceless; they are Walk El Paso!”

Bea Esparza, project coordinator, Walk El Paso

Walk El Paso Partner:
YMCA of Greater El Paso

Walk Doña Ana Partner:
City of Las Cruces Parks and Recreations

Walk Otero Partner:
Otero Path

Walk El Paso $2.5 million
Approved in November 1997

Walk Doña Ana $758,240
Approved in July 1999

Walk Otero $626,240
Approved in July 1999

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.
Margarita (Margie) Velez
Chairman of the Board

Victor A. Diaz, M.D.
Vice Chairman of the Board

Dwayne Aboud, M.D.
Chairman, Allocations Committee

Jackson Curlin
Chairman, Investment Committee

Adair Marge
Chairman, Board Selection and
Conflicts Committee

Alan R. Abbott
Monsignor Arturo Bañuelas
Martini DeGroat
Dionicio “Don” Flores
Risher Gilbert
Jacob S. Heydemann, M.D.
Steve Lauterbach, CPA
Judge Patricia Macias
David W. Osborn
Marianne Panzini-Rosenthal
Sister Helen Santamaria
Robert E. Skov
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President and CEO

Gilbert Alvarado
Chief Financial & Information Officer

Enrique Mata
Senior Program Officer

Ida Ortegon
Communications Manager

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Program Officer

Eric Hutson
Program Officer

Juanita Galaviz
Project Manager

Virginia Meza
Program Associate

Marisol Montoya
Program Assistant

Edith MacKay
Staff Accountant/Technical Assistant

Carolyn Miller
Office Manager/Executive Assistant

Angela Salas
Grant Monitor/Support Assistant

Sylvia Soto
Administrative Assistant

Center for Border Health Research

Susan Navarro
Director

Lisa Roth-Edwards
Project Manager

Gina Martinez
Administrative Assistant

Consultant

Chef Paul Bellegarde
Projects

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 website at www.pdnhf.org.
A Smoke Free Paso del Norte  Approved in July 1999  $3.3 million
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 • NMSU

Partners: El Paso: Planned Parenthood of El Paso • American Lung Association • Texas A&M Colonias Program • American Cancer Society • Rio Grande Cancer Foundation • Southern New Mexico: La Clinica de Familia • Children in Need of Services • Families & Youth, Inc. • South Central Prevention Coalition

Action for Youth  Approved in September 1998  $12 million
Action for Youth (AY), a grassroots initiative building community capacity for neighborhood transformation, promotes adolescent health. AY focuses on the development of "Action for Youth Partnership" 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 Advisors: UTEP International Border Youth Development Project • UTEP Paso del Norte Assets for Youth AmeriCorps Project

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

Begin at Birth!  Approved in September 1999  $6.9 million
Begin at Birth seeks to improve the overall health, safety, and well-being of children 0-3 years. The strategy for this initiative is to mobilize our community around three major themes: high childcare standards, caregiver education, and fatherhood.

Technical Advisors: El Paso Community College • Texas Fragile Families – Center for Public Policy Priorities • NMSU

Partners: AVANCE, Inc. • Center for Border Health Research • Child Crisis Center – El Paso • ECI/Region 19 • El Paso Rehabilitation Center • Flying Colors Learning Center 1, 2, & 3 • Jardin de los Niños • Junior League of Las Cruces • La Clinica de la Familia • ORGANIZACIÓN POPULAR INDEPENDIENTE • Paso del Norte NAECYC • Project Vida • Sistema Municipal DIF • South Central Prevention Coalition • St. Joseph of the Valley • TECNOS Comunitario • The Regents of NMSU • Dove Learning Center • Trinity First • Children’s Miracle Network – TTU Health Science Center – El Paso • Unite El Paso • YMCA of Greater El Paso

Border Diabetes  Approved in May 1999  $3.5 million
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 prevalence and behavioral research; educational interventions; and a public awareness/media campaign.

Partners: El Paso Diabetes Association • U.S.-Mexico Border Health Association • Pan American Health Organization

Center for Border Health Research (Center)  Approved in January 1998  $9 million
The purpose of the Center is to encourage health research efforts conducted in this region and to ensure a sound, well-coordinated research agenda that leads to improvements in the health status of the border population. 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 Sciences Center – El Paso • UTHSC at Houston School of Public Health – El Paso regional campus • El Paso Community College • NMSU • Hospital de la Familia (FEMAP) • Universidad Autónoma de Ciudad Juárez • Texas A&M University • Instituto Nacional de Investigaciones Forestales Agrícolas y Pecuarias (INIFAP)

Clinic HELP  Approved in January 1998  $2.9 million
The goal of Clinic HELP is to provide residents in the Paso del Norte region with access to health education and health promotion services at their primary health care location, while helping to build capacity within indigent health care clinics for health promotion and disease prevention interventions.

Technical Advisors: UTEP College of Health Sciences • UTHSC at Houston School of Public Health – El Paso regional campus • New Mexico Department of Health • NMSU

Partners: El Paso: Centro de Salud La Fe, Inc. • Centro San Vicente • Project Vida • UTEP/Community Partnership • TTU Health Sciences Center – El Paso • Baptist Clinic • Southern New Mexico: Ben Archer Rural Health Center • La Clinica de Familia, Inc. • Ciudad Juárez: Hospital de la Familia (FEMAP)

Health Careers Opportunity Program (HCOP)  Approved in July 2000  $1.1 million
HCOP established partnerships promoting health careers for regional students. The project coordinates Health Career Awareness Programs to increase the number of local students applying to, entering, and completing degrees in the helping professions. PNHNF funds are awarded only if matching funds are obtained by the grantee.

Partners: Southern Area Health Education Center • KTEP/UTEP

Healthy Communities  Approved in July 1997  $3.6 million
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: UTEP Center for Civic Engagement

Partners: Bienestar Familiar (Socorro) • Centro de Asesoría y Promoción Juvenil (Cd. Juárez) • San Elizario Healthy Communities • Chaparral Community Health Council • Programa Cooperarinos (Cd. Juárez) • Organización Popular Independiente (Cd. Juárez) • Northeast Healthy Community Council
**Healthy Homes and Handwashing**  
Approved in May 2000  
$382,000

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 school children in day care settings how to properly wash their hands for protection from communicable disease and environmental contamination, with the intent of establishing lifelong hygiene habits. Day care providers are intensively trained to teach specific handwashing skills using the most effective methods identified in previous pilot projects.

**Technical Advisors:** UTEP Center for Environmental Resource Management (CERM) • Texas Department of Protective and Regulatory Services

**Partners:** Aqua XXI • Border Environmental Health Coalition • YMCA Paso del Norte Region

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**Herbal Safety**  
Approved in July 2001  
$245,000

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

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**HOT (Health Oriented Themes) Projects**

**Approved in November 1999**  
$2.3 million

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 Pedagógica Nacional

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**It Takes Two (IT2)**  
Approved March 1997  
$1 million

It Takes Two, one of the first initiatives of the Paso del Norte Health Foundation, offers an abstinence-based program for the prevention of teenage pregnancy. The IT2 curriculum is offered in four or five, one-hour school class sessions and consists of three major themes of building healthy male/female relationships, sexual decision-making, and costs and consequences of unintended pregnancy.

**Partner:** YWCA Paso del Norte Region

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**PDN MaPA**  
Approved in November 1999  
$1.6 million

(Paso del Norte Mapping for Public Access)

PDN MaPA is designed to promote the regional use and development of an electronic mapping and technology called Geographical Information System (GIS). GIS is a valuable tool for linking maps to information such as census data, health statistics, and events such as accidents and emergencies. GIS is particularly useful in improving emergency response time and efficiency.

**Partners:** El Paso Water Utilities • City of El Paso • El Paso County Central Appraisal District • UTEP • NMSU • El Paso County Roads and Bridges • Instituto Municipal de Investigaciones y Planificación (IMIP) – Ciudad Juárez • UIII Emergency Response • Texas State Department of Transportation • El Paso Municipal Planning Office • Southwest Border HICTA (High Intensity Drug Trafficking Area)

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**Qué Sabrosa Vida**  
Approved January 1999  
$3 million

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 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 • Clint ISD • Desarrollo Juvenil del Norte • El Paso ISD • Families and Youth Inc • Organización Popular Independiente (OPI) • Region 19 ESC, Child Nutrition • Region 19 Headstart • San Elizario ISD • TX A&M Colonias • YISD – Hacienda Heights • YISD – Mesa Vista • YISD – Pre K Center • YISD – Rio Bravo • YISD – Scottsdale • YISD – Thomas Manor • YMCA – NE Branch

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**NEW GRANTS**

**Border Urban Research Center**  
Approved in July 2002  
$2.2 million

The Border Urban Research Center (URC) is a partnership between the Paso del Norte Health Foundation and the Centers for Disease Control and Prevention Foundation. The Border URC targets specific health challenges in communities along the U.S.-Mexico border related to personal health behaviors and environmental factors. Objectives of the new Border URC include the full participation of community based organizations and prioritizing and conducting health research in our community. This community based participatory research will result in decisions about health strategies and the enhancement of regional capacity to conduct prevention/intervention activities to achieve sustainable health improvements in the Paso del Norte region.

**Medical Student Fund**  
Approved in October 2002  
$1.25 million

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.

**Partner:** TTU Health Science Center – El Paso
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, 2002 and 2001, 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, 2002 and 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Dunbar, Broadus, Gibson LLP
El Paso, Texas
February 25, 2003

PASO DEL NORTE HEALTH FOUNDATION STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2002 AND 2001

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2002</th>
<th>2001</th>
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<td>Current assets</td>
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<tr>
<td>Cash</td>
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<td>Other current assets</td>
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<tr>
<td>Total current assets</td>
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<td>Investments</td>
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<td>Property and equipment, net</td>
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<tr>
<td>Other assets</td>
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<td>228,827</td>
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<tr>
<td>Total noncurrent assets</td>
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<tr>
<td>Total assets</td>
<td>$ 153,843,642</td>
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LIABILITIES AND NET ASSETS

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<th>2002</th>
<th>2001</th>
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</thead>
<tbody>
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<td>Current liabilities</td>
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<td>Accounts payable and accrued liabilities</td>
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<td>$ 170,386</td>
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<td>Grants payable</td>
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<td>Due to third-party payers</td>
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<td>Total current liabilities</td>
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<td>Noncurrent Liabilities</td>
<td></td>
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<td>Long term grants payable</td>
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<td>Accrued general and professional liabilities</td>
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<td>Total noncurrent liabilities</td>
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<td>Net assets</td>
<td></td>
<td></td>
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<tr>
<td>Unrestricted</td>
<td>111,278,275</td>
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<tr>
<td>Temporarily restricted</td>
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<td>227,918</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 111,499,528</td>
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</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$ 153,843,642</td>
<td>$ 190,183,753</td>
</tr>
</tbody>
</table>

PASO DEL NORTE HEALTH FOUNDATION STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

<table>
<thead>
<tr>
<th>Income</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$ 6,271,406</td>
<td>$ 5,555,462</td>
</tr>
<tr>
<td>Other income</td>
<td>128,310</td>
<td>139,050</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>10,000</td>
<td>-</td>
</tr>
<tr>
<td>Less: investment expense</td>
<td>(808,621)</td>
<td>(773,309)</td>
</tr>
<tr>
<td>Total revenues</td>
<td>5,601,095</td>
<td>4,920,203</td>
</tr>
</tbody>
</table>

Program costs and administrative expenses

| Major initiatives | 3,949,522 | 1,441,651 |
| Miscellaneous      | 29,800    | 30,500    |
| Total program expense | 3,979,322 | 1,472,151 |

Administrative expense

| Net: income/(loss) over program and administrative expenses | 717,872   | 735,126   |
| Net income/(loss) over program and administrative expenses | 903,901   | 2,712,926 |

Other changes to net assets, net of related federal excise tax

| Net realized gain (losses) on investments | (5,234,130) | (10,597,166) |
| Net unrealized gains (losses) on investments | (25,832,751) | (3,487,138) |
| Provision for excise tax | (125,870) | (165,160) |
| Change in unrestricted net assets from discontinued operations | - | 42,311 |
| Change in net assets - unrestricted | (31,288,850) | (11,494,226) |

Change in temporarily restricted net assets

| Contributions | 3,335 | 1,000 |
| Investment income | - | - |
| Net assets released from restrictions | (10,000) | - |

Change in net assets

| (31,295,515) | (11,493,226) |
| Net assets, beginning of year | 142,795,043 | 154,288,299 |
| Net assets, end of year | $ 111,499,528 | $ 142,295,043 |

Cash flows from operating activities:

| Increase (decrease) in net assets | $(31,295,515) | $(11,493,226) |
| Adjustments needed to derive cash flow provided (used) by operations: | |
| Depreciation | 33,315 | 50,207 |
| Other current assets | 417,919 | 7,806 |
| Other assets | (10,000) | 15,005 |
| Accrued liabilities and accounts payable | (9,804) | (212,133) |
| Grants payable | (4,951,186) | (9,209,465) |
| Other liabilities | (83,606) | (507,229) |
| Realized loss (gain) on investments | 6,234,130 | 10,597,165 |
| Unrealized loss (gain) on investment securities | 25,832,751 | 3,487,138 |

Net cash used by operating activities | (3,831,998) | (7,264,732) |

Cash flows from investing activities:

| Purchases of property, plant and equipment | $(33,493) | (24,139) |
| Sale and maturity of investments, net of purchases | 3,497,971 | 7,255,273 |
| Net cash used in investing activities | 3,464,478 | 7,301,134 |

Net increase (decrease) in cash and cash equivalents | (357,518) | 36,402 |

Cash, beginning of year | 532,386 | 496,984 |
| Cash, end of year | $ 164,868 | $ 532,386 |

Supplemental disclosure of cash flow information:

| Cash paid for federal taxes | $ 125,870 | $ 185,160 |

The accompanying notes are an integral part of this statement.
4. EXCISE 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 1993, the Foundation is subject to an excise tax on net investment income, including realized gains as defined in the Act. The excise tax is imposed at the rate of 1%.

Current tax $125,720

The Foundation will be required to make qualifying distributions (as defined in the Internal Revenue Code of 1986 and as amended) equal to its minimum investment return, as adjustments (as defined in the IRC).

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 RA plan with Annuity Life Insurance and Annuity Company. During 2002 and 2001, the Foundation contributed approximately $109,441 and $69,606, respectively, to the SEP. The Foundation also established a tax deferred annuity plan (the "Plan") under section 403(b) of the Code, with Annuity Life Insurance and Annuity Company. Eligible employees who wish to participate in the Plan may elect into a contribution agreement not to exceed the lesser of $15,000 or one-half of compensation during any calendar year. During 2002 and 2001, employees contributed approximately $8,748 and $64,232, respectively, to the Plan.

The Foundation accesses the time-limited portion of gains prudently at their net present value. At December 31, 2002, the Foundation's short-term obligations totaled $39,788,300. The accrued future obligations consist of the following:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$7,464,917</td>
</tr>
<tr>
<td>2005</td>
<td>7,376,249</td>
</tr>
<tr>
<td>2006</td>
<td>6,031,090</td>
</tr>
<tr>
<td>2007</td>
<td>3,599,970</td>
</tr>
</tbody>
</table>

Less dota at net present values $24,692,085

6. GRANTS

The Foundation accesses the time-limited portion of gains prudently at their net present value. At December 31, 2002, a foundation President's obligations totaled $39,788,300. The accrued future obligations consist of the following:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$15,794</td>
</tr>
<tr>
<td>2004</td>
<td>46,385</td>
</tr>
<tr>
<td>2005</td>
<td>204,110</td>
</tr>
</tbody>
</table>

These figures include expenses related to these leases for 2002 and 2001 in the amount of $330,526 and $144,025, respectively.

Malpractice and General Liability Insurance

The Hospital was self-insured for purposes of providing comprehensive general and hospital malpractice liability risk. The Hospital had a claim made excess coverage policy to supplement its self-insured insurance foundation. The Foundation continues to be responsible for the self-insured general liabilities and hospital malpractice rates of the Hospital relative to operating policies 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 which depend on the amount of damages. 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 losses, including the value of insurance in force, as of December 31, 2002, are adequate to provide for potential losses resulting from pending and future claims.

Employment Related Claims

During 1991, the Hospital began self-funding for purposes of providing claims for employee-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 claims involving workers' injury losses covered by the Foundation as of December 31, 2002, are adequate to provide for potential losses resulting from pending or threatened claims.

Third-Party Cost Reports

Certain allowances for losses are provided each year for disputes items related to third-party reimbursement claims in the Hospital cost report. Management believes that allowances for losses have been provided to the extent necessary and that its assessment of contingencies is reasonable. To the extent that the resolution of contingencies results in amounts that vary from management's estimates, future earnings will be charged or credited.

related PARTIES

In 2000, the Board of the Foundation formed a separate nonprofit entity, Center for Gender Health Research (CGHR). The Foundation Board appointed the first Board of Directors of CGHR, but a majority of the members will be elected by the Board of the Foundation. The Foundation cannot exercise control of the organization, the financial information of CGHR has not been consolidated in these statements.