

2001 Annual Report

Connecting With the Paso del Norte Region



PASO DEL NORTE HEALTH
FOUNDATION

Better Health, Better Lives, A Better Community.

The Paso del Norte Health Foundation (PdNHF) believes in the power and beauty of connections. Forming thousands of connections in the community since its inception in 1995, PdNHF continues to make it their mission to create stronger connections through each of their initiatives, partnerships, and staff within the border region to affect long-term improvements in the health status of the population through education and prevention.

By creating connections in the areas of capacity building, environment, physical activity, nutrition and disease, injury and teen pregnancy prevention, the Foundation seeks to build bridges among generations, communities, cities, and nations, all working to ensure that individuals along the border have the knowledge, resources and environment needed to live healthy lives.

- Nutrition
- Physical Activity
- Capacity Building
- Environment
- Disease, Injury, & Teen Pregnancy Prevention

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PASO DEL NORTE HEALTH
FOUNDATION

Better Health, Better Lives, A Better Community.

1100 N. Stanton, Ste. 510 • El Paso, TX 79902 • (915) 544-7636 • Fax (915) 544-7713 • www.pdnhf.org

**Connecting with
Nutrition**



**Connecting with
Capacity Building**



**Connecting with
Physical Activity**



**Connecting with
the Environment**



**Connecting with Disease,
Injury, & Teen Pregnancy
Prevention**



Message From The President

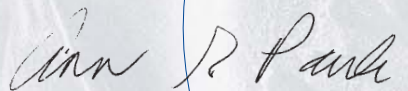
When this year began, it would have been impossible to predict the devastation that would impact our country. We could not have imagined how many families would be torn apart or how many brave people would lose their lives on September 11th. It was difficult to travel to see our families who live far away, but we managed to stay connected. Connections bind us together in special ways. We not only want to be connected with our friends and families, we want to feel a connection with our community and region.

With a great deal of pride, the Paso del Norte Health Foundation has seen many of our collaborations and connections become a reality this year. The business community is now reaching out to grantees of Qu Sabrosa Vida for support and involvement, by assisting their employees to eat nutritious meals for

healthier lives. We see the connections that are being made through A Smoke Free Paso del Norte to reduce the prevalence of smoking in our region and to eliminate harmful secondhand smoke by promoting smoke-free environments. Connections are made in our homes as we look for a safe, healthy environment to raise our families, knowing that many individuals and families still lack the basic necessities to feel safe. We continue to strive for this connection so that one day our homes will be free of the hazards that impact our health.

One group, or even one community, cannot make all the connections that are needed to promote health and well-being. By collaborating with groups that seek a common purpose and goal, more can be achieved than by working with a single organization. Throughout this 2001 Annual Report of the Paso del Norte Health Foundation, there are names of agencies and organizations that have worked together to make the connections our region needs to live healthier lives. We are grateful to have them as our partners during this time, as we strive to improve the health of our region.

By working together, we will continue to create these connections for better health, better lives, and a better community.



Ann G. Pauli
President and CEO





Mission

The mission of the Paso del Norte Health Foundation is to affect 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. We 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 website is one of the easiest, most accessible tools to find the latest information concerning the Foundation. The bilingual site features information on the funded initiatives, upcoming activities, and a variety of helpful tips about our health and well-being. Visit us at www.pdnhf.org.

Connecting with Nutrition

After three years and hundreds of classes, border residents of the Paso del Norte region are making the connection between eating nutritious meals and living a healthier, fuller life. The Qu Sabrosa Vida program touches the lives of hundreds of individuals by instructing them on how to easily incorporate basic nutrition and cooking skills into their daily lives, without having to greatly alter the rich, traditional and cultural aspects of the typical Mexican-American border diet. Through the many classes and activities that the initiative offers, diverse groups of individuals come together to learn and to teach one another how to make healthier choices about the foods they eat. Participants leave the courses with a renewed sense of what their well-being entails, and with new friendships they have forged as a result of their similar goals. Qu Sabrosa Vida is creating new connections by helping border residents make that vital connection of vowing to improve and preserve their health.

Qu Sabrosa Vida

January 1999

Qu 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 to a lifestyle that includes healthy nutrition and physical activity, while keeping within the rich tradition and cultural aspects of the Mexican-American border diet.

\$3 million approved



Qu

Technical Advisors:

University of Texas School of Public Health
Human Nutrition Center

Partners:

Adult and Youth United
American Cancer Society
Centro San Vicente
Christian Women's Job Corps
Clint ISD
El Paso ISD
Families & Youth Inc.
NMSU-College of Home Economics
Region 19 Head Start
San Elizario I.S.D.
St. Pius X
TX A&M Colonias Program
TX Agriculture Extension Service
YISD - Rio Bravo Middle
YISD - Scotsdale Elementary
YISD - Mesa Vista
YISD - Thomas Manor
YISD - Ysleta Pre-K Center
YMCA
YWCA

Connecting with Physical Activity

What can a 9-year old third grader from El Paso and a 70-year old diabetic from Doa Ana have in common? They, along with other border residents of all ages, have been inspired by the Paso del Norte Health Foundation's physical activity initiatives, connecting them to one another through their mutual need to preserve their health. School-aged children are connected to physical activity through the CATCH program, which ignites their desire for better health, and provides the stepping-stones to make the lifelong commitment of staying healthy. "Walk just 20 minutes a day, three times a week" has become the motto by which border residents have ventured out of their homes and away from unhealthy routines. Participating in a walking group or attending a special walking event promotes good health in the community and brings awareness for the need to be physically fit. These initiatives are bringing generations of people together pledging one common goal; to see that every individual takes part in this critical effort of working towards healthier lives.

Walk El Paso
approved Nov. 1997

\$2.5 million

Walk Doa Ana
approved July 1999

\$758,240

Walk Otero
approved July 1999

\$626,240

The Walking campaign 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.

CATCH
approved in March 1997

\$4.2 million

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.



Walk El Paso

Partner:

YMCA of Greater El Paso

Walk Do

Partner:

City of Las Cruces Parks and Recreation

Walk Otero

Partner:

Otero Path

CATCH Partner:

Region 19 ESC

CATCH Schods

Anthony Independent School District

Anthony Elementary

Canutillo Independent School District

Bill Childress • Deanna Davenport • Jose Damian

Clint Independent School District

Desert Hills • Montana Vista • Red Sand

El Paso Independent School District

*Alta Vista • Beall • Bradley • Bliss • Burleson • Coldwell • Collins
Crosby • Douglass • Dowell • Fannin • Hawkins • Johnson
Kohlbergh • Lamar • Lindberg • Mesita • Milam • Paul Moreno
Newman • Nixon • Putnam • Roberts • Roosevelt • Rusk • Schuster
Stanton • Vilas • Whitaker*

Fort Hancock Independent School District

Benito Martinez

San Elizario Independent School District

Sambrano • L.G. Alarcon Elementary

Socorro Independent School District

*Benito Martinez • Helen Ball • Horizon Heights • Hueco
Myrtle Cooper • O'Shea Keleher • Robert R. Rojas
Sierra Vista • Vista del Sol*

Tornillo Independent School District

Tornillo Elementary

Ysleta Independent School District

*Cadwallader • Dolphin Terrace • East Point
Eastwood Knolls • Glen Cove • Lancaster
Loma Terrace • Mesa Vista • Mission Valley
North Loop • Parkland • Pasodale
Pebble Hills • Presa • South Loop • Thomas Manor
Ysleta Elementary*

Fabens Independent School District

Fabens Primary

Gadsden Public Schools

Desert Trail • Riverside

Hatch Public Schools

Garfield • Hatch Elementary/Rio Grande

Las Cruces Public Schools

*Desert Hills • Doa Ana • Hermosa Heights • Loma Heights
Mesilla Park • Tombaugh • University Hills • Valley View • Mesilla*

Private/Parochial

*Blessed Sacrament • Father Yermo • Most Holy Trinity
Our Lady of Mt. Carmel • St. Raphael • St. Pius X*

Connecting with Capacity Building

One of the cornerstones of the Paso del Norte Health Foundation's capacity building initiatives is to connect border residents to their community by inspiring them to enact change, to make something happen where nothing happened before. By merely providing local organizations with the information and resources to perform necessary change, individuals are then set on a powerful momentum that ignites a chain reaction in our community, establishing new bonds and generating new awareness of what needs to be done. Often neglected groups within our community, such as teens, infants, and the elderly, have begun to receive renewed attention and their needs are being met as a direct result of these highly successful capacity building initiatives. Greatly diverse capacity building initiatives are connecting individuals and teaching them how to be accountable for the well-being and health of one another, through the advancement of simply doing for one another, doing more, and doing it better!

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 affect attitudinal change about aging.

Begin at Birth!

\$6.9 million

approved in September 1999

Begin at Birth seeks to improve the overall health, safety, and well-being of children 0-3 years through grants to regional agencies. The strategy for this initiative is to mobilize our community around three major themes: high childcare standards, caregiver education, and fatherhood.

Action for Youth

\$12 million

approved in September 1998

Action for Youth (AY) is a grassroots initiative designed to build and increase the community's capacity in helping community groups to transform their neighborhoods into environments that foster healthy youth.

Center for Border Health Research (CBHR)

\$9 million

approved in January 1998

The purpose of CBHR is to encourage research efforts in health that are conducted in this region and to ensure that there is 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 researchers, and conducts research in the Paso del Norte region.

PDN MaPA

\$1.6 million

(Paso del Norte Mapping for Public Access)

approved in November 1999

PDN MaPA is designed to promote the regional use and development of an electronic mapping technology called Geographical Information Systems (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.

HOT Projects

\$2.3 million

(Health Oriented Themes)

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.

Health Careers Opportunity Program (HCOP)

\$1.1 million

approved in July 2000

HCOP establishes partnerships promoting health careers for regional students. The project coordinates school-linked Health Career Awareness Programs to increase the number of local students applying to, entering, and completing degrees in the helping professions. PdNHF funds are awarded only if matching funds are obtained by the grantee.



**Ageless Health
Technical Advisors:**

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

Partners:

Fundacin del Empresariado Chihuauense, A.C. • Alamogordo Senior Center
First Unity Church • Centro de Seguridad Social • El Paso Art Association
R.S.V.P., City of El Paso • City of El Paso, Housing Authority
Las Cruces Senior Center Programs

Begin at Birth!

Technical Advisors:

El Paso Community College
Texas Fragile Families – Center for Public Policy Priorities

Partners:

AVANCE Inc. • Canutillo ISD • Child Crisis Center-El Paso
Dori's Home Childcare • ECI • EP Public Libraries
El Paso Rehab Center • Flying Colors Learning Centers 1, 2 & 3
Gonzales Group Daycare • Jardin de los Nios
La Clinica de la Familia • OPI – Organizacion Popular Independiente
Paso del Norte NAEYC • Planned Parenthood • Project Vida
Sistema Municipal DIF • St. Joseph of the Valley • Techo Comunitario
The Learning Block Daycare • The Regents of NMSU Dove Learning Center
Trinity First • Children's Miracle Network-TTUHSC
United Way of Southern NM • YISD-Robert F. Kennedy
Pre-K Center • YWCA

Action for Youth

Technical Advisors:

UTEP International Border Youth Development Project
UTEP Paso del Norte Assets for Youth AmeriCorps Project

Partners:

Anthony L.E.A.P. Partnership • CASA – Canutillo Partnership
S.H.A.R.E. Partnership • Teen N.E.T.W.O.R.K. Partnership
Eastside Youth Connection • Ysleta Area Action for Youth Partnership
Juarenses for a Healthy Youth • Far East El Paso Collaborative
Las Cruces Community Cohesion Partnership • Otero Y.E.A. Partnership
Southern Doa Ana L.O.V.E. Partnership

Center for Border Health Research (CBHR)

Partners:

UTEP • TTU Health Science Center – El Paso
UT HSC at Houston School of Public Health - El Paso regional campus
El Paso Community College • NMSU • Hospital de la Familia (FEMAP)
Universidad Autnoma de Ciudad Juárez

PDN MaPA (Paso del Norte Mapping for Public Access)

Partners:

El Paso Water Utilities • City of El Paso • El Paso County Central Appraisal District
UTEP • El Paso County Roads and Bridges
Instituto Municipal de Investigaciones y Planeación (IMIP) - Ciudad Juárez

HOT (Health Oriented Themes) Projects

Partners:

UTEP • NMSU • El Paso Community College • UT HSC at Houston School of Public
Health - El Paso regional campus • Universidad Pedaggica Nacional

Health Careers Opportunity Program (HCOP)

Partner:

Southern Area Health Education Center

Connecting with Disease, Injury, & Teen Pregnancy Prevention

The Paso del Norte Health Foundation's initiatives that tackle disease, injury, and teen pregnancy prevention connect border residents to each other in a unique manner. Although they function primarily in a preventative mode, the other side of their ongoing struggle is to build and cultivate connections between border residents, in an effort to make themselves accountable and vigilant of the health and welfare of one another. In a world that seems to pull us farther apart, both physically and emotionally, from our fellow community members, these initiatives seek to bring us to together through community-wide efforts that ensure that one will find the calm within the storm of their struggle. Knowledge is power, and these initiatives arm border residents with a great deal of it, making problems such as diabetes, secondhand smoke, and teen pregnancy no longer dilemmas without solutions. The connections that disease, injury, and teen pregnancy prevention initiatives strive to create are what gives awareness heightening and education a new face and a revitalized outlook.

It Takes Two (IT2)

\$1 million

approved March 1997

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.

A Smoke Free Paso del Norte

\$3.3 million

approved in July 1999

The American Cancer Society and eight other agencies in the Paso del Norte region, work to reduce smoking prevalence in the El Paso and Las Cruces areas to no more than 15%. 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.

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 County, 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 a public awareness/media campaign.

Clinic HELP

\$2.9 million

(Health Education and Lifestyle Promotion)

approved in January 1998

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.

Herbal Products

\$245,000

approved in July 2001

The Herbal Products 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.



It Takes Two (IT2)

Partner:

YWCA Paso del Norte Region

A Smoke Free Paso del Norte

Technical Advisors:

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

Partners:

El Paso:

Planned Parenthood of El Paso
American Lung Association
Texas A&M Colonias Program
UTEP Community Partnerships
American Cancer Society
Rio Grande Cancer Foundation
West Texas Council

Southern New Mexico:

La Clinica de Familia
Children in Need of Services
Families & Youth, Inc.
South Central Prevention Coalition

Border Diabetes

Partners:

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

Clinic HELP (Health Education and Lifestyle Promotion)

Technical Advisors:

UTEP College of Health Sciences
UT HSC 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
Texas Tech Health Sciences Center
Baptist Clinic

Southern New Mexico:

Ben Archer Rural Health Center
La Clinica de Familia, Inc.

Ciudad Juárez:

Hospital de la Familia (FEMAP)

Herbal Products

Partner:

UTEP/UT Austin Cooperative Pharmacy Program

Connecting with the Environment

There exists a profound connection between our homes and our environment in a way few environmental entities can comprehend. The Paso del Norte Health Foundation understands the special connection each person has to their immediate surroundings; where we depend on four walls to provide us with shelter and the basic resources to live. But, for numerous individuals, their homes lack many of the basic necessities of modern existence, such as running potable water, and contain unnoticed problems, such as the hazardous quality of air, which convert homes into literal danger zones. The Paso del Norte Health Foundation's environmental initiatives are striving to make connections in communities along the border region so that one day border residents will be free of hazards, and equipped with the necessary, basic amenities every home should contain. Using connections to build communities that improve health risk today, to make a difference tomorrow.

Healthy Communities **\$3.6 million** approved in July 1997

The Healthy Communities initiative addresses health problems through community based groups and their stakeholders, who identify and address the root causes of illness. Working with community health councils, residents have identified their health and development priorities and are crafting action plans that address their community development and disease prevention needs.

Healthy Homes and Handwashing **\$382,000**

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 pilot program seeks to identify the most effective behavioral interventions and other approaches to encourage handwashing, thereby improving personal hygiene and aiding in the reduction of communicable illness and disease.



Healthy Communities

Technical Advisor:

UTEP Center for Civic Engagement

Partners:

Bienestar Familiar

Canutillo Improvement Association

Centro de Salud Familiar La Fe, San Elizario

Centro de Asesoría y Promoción Juvenil (CASA)

Chaparral Community Health Council

Organización Popular Independiente (OPI)

Programa Compañeros

YMCA Northeast Healthy Community Council

Healthy Homes and Handwashing

Technical Advisor:

UTEP Center for Environmental Resource Management (CERM)

Partners:

Aqua XXI

Border Environmental Health Coalition

NMSU

Organización Popular Independiente (OPI)

YWCA, Paso Del Norte Region

Board of Directors and Staff 2001-2002

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Vice Chairman of the Board

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Chairman, Allocations Committee

Adair Margo
Chairman, Board Selection & Conflicts Committee

Jackson Curlin
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Martini DeGroat

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Executive Assistant*

Angela Salas
Grant Monitor/Support Assistant

Sylvia Soto
Administrative Assistant

Center for Border Health Research

Dan Green
Director

Susan Navarro
Assistant Director

Gina Martinez
Administrative Assistant

Consultants

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.

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, 2001 and 2000, 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, 2001 and 2000, 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.

Dolan, Bradburn, Chason LLP

El Paso, Texas
February 19, 2002

PASO DEL NORTE HEALTH FOUNDATION STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000 (Restated)
Income		
Investment income	\$ 5,555,462	\$ 6,563,212
Other income	138,050	162,018
Net assets released from restrictions	-	160,000
Less: investment expense	(773,309)	(1,272,978)
Total revenues	4,920,203	5,612,252
Program costs and administrative expenses		
Major initiatives	1,441,651	14,722,233
Miscellaneous	30,500	-
Total program expense	1,472,151	14,722,233
Administrative expense	735,126	967,154
Net income/(loss) over program and administrative Expenses	2,712,926	(10,077,135)
Other changes to net assets, net of related federal excise tax		
Net realized gain (losses) on investments	(10,597,165)	7,717,752
Net unrealized gains (losses) on investments	(3,487,138)	(19,908,413)
Provision for excise tax	(165,160)	-
Change in unrestricted net asset from discontinued operations	42,311	1,445,010
Change in net assets - unrestricted	(11,494,226)	(20,822,786)
Change in temporarily restricted net assets		
Contributions	1,000	1,000
Investment income	-	1,324
Net assets released from restrictions	-	(160,000)
Change in net assets	(11,493,226)	(20,980,462)
Net assets, beginning of year	154,288,269	175,268,731
Net assets, end of year	\$ 142,795,043	\$ 154,288,269

The accompanying notes are an integral part of this statement.

PASO DEL NORTE HEALTH FOUNDATION STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2001 AND 2000

ASSETS	2001	2000 (Restated)
Current assets		
Cash	\$ 532,386	\$ 495,984
Other current assets	433,698	443,504
Total current assets	966,084	939,488
Investments	188,922,952	210,332,528
Property and equipment, net	63,890	89,958
Other assets	228,827	243,832
Total noncurrent assets	189,215,669	210,666,318
Total assets	\$ 190,183,753	\$ 211,605,806
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 170,388	\$ 382,521
Grants payable	9,203,429	14,277,450
Due to third-party payors	2,023,504	2,471,462
Total current liabilities	11,397,321	17,131,433
Noncurrent Liabilities		
Long term grants payable	27,641,592	31,777,036
Accrued general and professional liabilities	8,349,797	8,409,068
Total noncurrent liabilities	35,991,389	40,186,104
Net assets		
Unrestricted	142,567,125	154,062,675
Temporarily restricted	227,918	225,594
Total net assets	142,795,043	154,288,269
Total liabilities and net assets	\$ 190,183,753	\$ 211,605,806

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, 2001 AND 2000

	2001	2000 (Restated)
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (11,493,226)	\$ (20,980,462)
Adjustments needed to derive cash flow provided (used) by operations:		
Depreciation	50,207	79,256
Notes receivable	-	18,619
Other current assets	7,806	(434,849)
Other assets	15,005	321,940
Accrued liabilities and accounts payable	(212,133)	176,752
Grants payable	(9,209,465)	2,282,805
Other liabilities	(507,229)	(431,213)
Realized loss (gain) on investments	10,597,165	(7,717,752)
Unrealized loss (gain) on investment securities	3,487,138	19,908,413
Net cash used by operating activities	(7,264,732)	(6,776,491)
Cash flows from investing activities		
Purchases of property, plant and equipment	(24,139)	(22,640)
Sale and maturity of investments, net of purchases	7,325,273	6,944,914
Net cash used in investing activities	7,301,134	6,922,274
Net increase (decrease) in cash and cash equivalents	36,402	145,783
Cash, beginning of year	495,984	350,201
Cash, end of year	\$ 532,386	\$ 495,984
Supplemental disclosure of cash flow information:		
Cash paid for federal taxes	\$ 165,160	\$ -

The accompanying notes are an integral part of this statement.

**PASO DEL NORTE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

General
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.

Tax-Exempt Status

In 1997 the Foundation received a ruling (the "Ruling"), from the Internal Revenue Service (the "IRS"), stating it was to be recognized as a public charity as described in section 509(a)(2) of the Internal Revenue Code (the "Code"). The Ruling further provided that the Foundation can expect to remain a public charity until such time as it ceases to satisfy one of the two tests (the "Two Tests"), that must be met under Section 509(a)(2) of the Code. The Foundation satisfied the Two Tests in 2000. Therefore, the Foundation remained a public charity under Section 509(a)(2) through December 31, 2000. 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.

Basis of Presentation

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, "Accounting 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.

Investments

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

Property and equipment

Property and equipment 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.

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 judgement 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, 2001 and 2000, cash consisted of the following:

	2001	2000
Cash on hand	\$ 300	\$ 300
Cash on deposit	532,086	495,684
Total	<u>\$ 532,386</u>	<u>\$ 495,984</u>
Balance per bank statements	\$ 234,851	\$ 758,216
FDIC coverage	(100,000)	(118,119)
Uninsured balance	<u>\$ 134,851</u>	<u>\$ 640,097</u>

3. INVESTMENTS

Investments at December 31, 2001 consisted of the following:

	Cost	Carrying Value
Cash and cash equivalent investment fund	\$ 848,230	\$ 848,230
Government and corporate obligations	56,836,774	54,490,214
Equity securities	125,717,505	130,075,995
Limited partnerships	3,640,000	3,508,513
Total	<u>\$ 187,042,509</u>	<u>\$ 188,922,952</u>

Investments at December 31, 2000 consisted of the following:

	Cost	Carrying Value
Cash and cash equivalent investment fund	\$ 6,938,245	\$ 6,897,140
Government and corporate obligations	63,349,566	61,260,258
Equity securities	141,429,663	138,485,440
Limited partnerships	2,800,000	3,689,690
Total	<u>\$ 214,517,474</u>	<u>\$ 210,332,528</u>

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 1969, the Foundation is subject to an excise tax on net investment income, including realized gains as defined in the Act. The excise tax expense is composed of the following:

Current tax	\$ 165,160
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The Foundation will be required to make qualifying distributions (as defined in the Internal Revenue Code of 1986 IRC) equal to its minimum investment return, as adjustments (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 2001 and 2000, the Foundation contributed approximately \$99,046 and \$91,184, 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 \$10,500 or one-sixth of compensation during any calendar year. During 2001 and 2000 employees contributed approximately \$64,738 and \$55,802, respectively, to the Plan.

6. GRANTS

The Foundation accrues the long-term portion of grants payable at their net present value. At December 31, 2001, the Foundation's short-term obligations totaled \$9,203,429. The accrued future obligations consisted of the following:

2003	\$ 14,390,288
2004	13,807,857
	28,198,145
Less discount to net present values	(556,553)
	<u>\$ 27,641,592</u>

7. DISCONTINUED OPERATIONS

As discussed in Note 1, certain assets of the Hospital were sold in September 1995. An adjustment to the original estimate of the gain on discontinued operations of the Hospital is reported in the accompanying statement of activities and changes in net assets.

8. COMMITMENTS AND CONTINGENCIES

Leases

The Foundation leases its primary facilities under an operating lease that expired in 2001. Additional space was leased in 1998 and 1999 under operating leases that also expired in 2001. Both leases provided an option to renew for a period of thirty-six months. This option was exercised during 2001. Future minimum annual lease payments are as follows:

2002	\$ 151,779
2003	155,794
2004	48,385
	<u>\$ 355,958</u>

These financial statements include expense related to these leases for 2001 and 2000 in the amount of \$144,023 and \$112,088, 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, 2001, 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, 2001, 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 disputed items related to certain third-party reimbursements claimed in the Hospital cost reports. 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.

9. RESTATEMENT AND RECLASSIFICATION

The financial statements have been restated for the year ended December 31, 2000 to reflect a decision by the Internal Revenue Service to not recognize the Foundation as a private foundation for that year.

Certain amounts relating to the year ended December 31, 2000 have been reclassified to conform with current year presentation.

10. 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 subsequent replacements will be elected by their own Board. As the Foundation's control is only temporary, the financial information of CBHR has not been consolidated in these statements.