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, working to ensure that residents 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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Financials  15-16
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 Qué 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.
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 Qué 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. Qué Sabrosa Vida is creating new connections by helping border residents make that vital connection of vowing to improve and preserve their health.

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 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.
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 Doña 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 Doña 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 Schools  
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 • Laimar • 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**
(Health Oriented Themes)
$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.

**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:
Fundacion 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 • EC • EP Public Libraries
El Paso Rehab Center • Flying Colors Learning Centers 1, 2 & 3
Gonzales Group Daycare • Jardín de los Níos
La Clínica de la Familia • OPI – Organización 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
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 Dona 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 Autonoma de Ciudad Juarez

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 Planeacion (IMIP) - Ciudad Juarez

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 Pedagogica 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 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** (Health Education and Lifestyle Promotion) $2.9 million
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

Robert E. Skov
Chairman of the Board

Margarita (Margie) Velez
Vice Chairman of the Board

Victor A. Diaz, M.D.
Chairman, Allocations Committee

Adair Margo
Chairman, Board Selection & Conflicts Committee

Jackson Curlin
Chairman, Investment Committee

Dwayne Aboud, M.D.

Jesus A. Alvarez

Monsignor Arturo Buelles

Martini DeGroat

Dionicio “Don” Flores

Risher Gilbert

Jacob S. Heydemann, M.D.

Steve Lauterbach, CPA

Judge Patricia Macias

David W. Osborn

Sister Helen Santamaría

Carlos Villa

Staff:

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President and CEO

Gilbert Alvarado
Chief Financial & Information Officer

Enrique Mata
Senior Program Officer

Michael Kelly
Program Officer

Tommy Tinajero
Program Officer

Eric Hutson
Program Officer

Juanita Galaviz
Project Manager

Virginia Meza
Program Associate

Ida Ortegon
Communications Manager

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

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.
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 the 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.

March 14, 2002

Delauny, Bradshaw, Chaco Jr.
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

<table>
<thead>
<tr>
<th>2001</th>
<th>2000 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$ 5,555,462</td>
</tr>
<tr>
<td>Other income</td>
<td>138,050</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>-</td>
</tr>
<tr>
<td>Less: investment expense</td>
<td>(773,309)</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$ 4,920,203</td>
</tr>
<tr>
<td>Program costs and administrative expenses</td>
<td></td>
</tr>
<tr>
<td>Major initiatives</td>
<td>1,441,651</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>30,500</td>
</tr>
<tr>
<td>Total program expense</td>
<td>$ 1,472,151</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>735,126</td>
</tr>
<tr>
<td>Net income/(loss) over program and administrative Expenses</td>
<td>2,712,926</td>
</tr>
<tr>
<td>Other changes to net assets, net of related federal excise tax</td>
<td></td>
</tr>
<tr>
<td>Net realized gain/(losses) on investments</td>
<td>(10,597,165)</td>
</tr>
<tr>
<td>Net unrealized gains/(losses) on investments</td>
<td>(3,487,138)</td>
</tr>
<tr>
<td>Provision for excise tax</td>
<td>(165,160)</td>
</tr>
<tr>
<td>Change in unrestricted net asset from discontinued operations</td>
<td>-</td>
</tr>
<tr>
<td>Change in net assets – unrestricted</td>
<td>(11,494,226)</td>
</tr>
<tr>
<td>Change in temporarily restricted net assets</td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>1,000</td>
</tr>
<tr>
<td>Investment income</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>-</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>(11,493,226)</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>154,288,269</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$ 142,795,043</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2001</th>
<th>2000 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>$ (11,493,226)</td>
</tr>
<tr>
<td>Adjustments needed to derive cash flow provided (used) by operations:</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>50,207</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>18,619</td>
</tr>
<tr>
<td>Other current assets</td>
<td>7,806</td>
</tr>
<tr>
<td>Other assets</td>
<td>15,005</td>
</tr>
<tr>
<td>Accrued liabilities and accounts payable</td>
<td>(212,133)</td>
</tr>
<tr>
<td>Grants payable</td>
<td>(9,209,465)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(507,229)</td>
</tr>
<tr>
<td>Unrealized loss (gain) on investments</td>
<td>10,597,165</td>
</tr>
<tr>
<td>Net cash used by operating activities</td>
<td>(7,264,732)</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(24,139)</td>
</tr>
<tr>
<td>Sale and maturity of investments, net of purchases</td>
<td>7,325,273</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>7,301,134</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>36,402</td>
</tr>
<tr>
<td>Cash, beginning of year</td>
<td>495,984</td>
</tr>
<tr>
<td>Cash, end of year</td>
<td>$ 532,386</td>
</tr>
<tr>
<td>Supplemental disclosure of cash flow information:</td>
<td></td>
</tr>
<tr>
<td>Cash paid for federal taxes</td>
<td>$ 165,160</td>
</tr>
</tbody>
</table>

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 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 501(c)(3) of the Internal Revenue Code (the "Code"). The Ruling further provided that the Foundation can elect to treat a portion of its gross income as tax-exempt under the section 501(c)(3) of the Code. The Foundation observes SFAS No. 116, "Accounting for Contributions Received and Contributions Made," and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations," generally requires that unconditional contributions, received or recognized in revenue in the period 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. Management monitors market conditions that impact these investments. The estimated fair value amounts of cash, investments, notes receivable and payables approximate their carrying amounts and have been estimated using the straight-line method over the estimated useful lives of the respective assets. Unfavorable improvements are recognized on the lesser of the estimated useful life or life of the lease.

Investments

Investments are stated at fair market value. Management monitors market conditions that impact these investments. 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. Unfavorable improvements are recognized on the lesser of the estimated useful life or life of the lease.

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 accruals are assumed 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 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 prices or dealer quotes for similar securities. Limited partnership interests are estimated using private valuations of the securities or properties held in those partnerships. The carrying amount of these items end of the period and the accrued and unallocated 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:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>$ 300</td>
<td>$ 300</td>
</tr>
<tr>
<td>Cash in bank</td>
<td>532,995</td>
<td>405,664</td>
</tr>
<tr>
<td>Total</td>
<td>$532,395</td>
<td>$405,964</td>
</tr>
<tr>
<td>Balance per bank statement</td>
<td>$234,851</td>
<td>$75,216</td>
</tr>
<tr>
<td>FDIC coverage</td>
<td>$106,008</td>
<td>$116,138</td>
</tr>
<tr>
<td>Unrestricted balance</td>
<td>$134,651</td>
<td>$640,037</td>
</tr>
</tbody>
</table>

3. INVESTMENTS

Investments at December 31, 2001 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalent investment fund</td>
<td>$1,168,645</td>
</tr>
<tr>
<td>Government and corporate obligations</td>
<td>$1,354,000</td>
</tr>
<tr>
<td>Equity securities</td>
<td>134,245,663</td>
</tr>
<tr>
<td>Limited partnerships</td>
<td>384,405,445</td>
</tr>
<tr>
<td>Total investment</td>
<td>$594,091,760</td>
</tr>
</tbody>
</table>

Investments at December 31, 2000 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalent investment fund</td>
<td>$1,068,645</td>
</tr>
<tr>
<td>Government and corporate obligations</td>
<td>$1,134,000</td>
</tr>
<tr>
<td>Equity securities</td>
<td>136,425,663</td>
</tr>
<tr>
<td>Limited partnerships</td>
<td>386,605,445</td>
</tr>
<tr>
<td>Total investment</td>
<td>$596,127,760</td>
</tr>
</tbody>
</table>

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 1986, 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 computed as follows:

| Current tax | $ 165,150 |

The Foundation will be required to make qualifying distributions (as defined in the Internal Revenue Code of 1986) 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 $39,046 and $39,164, 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 $64,736 and $65,802, respectively, to the Plan.

6. GRANTS

The Foundation accrues the full amount of grants payable at their net present value. At December 31, 2001, the Foundation determined that grants obligations totaled $39,512,452. The accrued future obligations consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less discount to present value</td>
<td>20,274,136</td>
<td>15,035,603</td>
<td>15,320,455</td>
</tr>
</tbody>
</table>

These financial statements include expense related to these leases for 2001 and 2000 in the amount of $141,043 and $117,086, 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 Foundation and the Hospital 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 the Hospital is 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 in 8%) and are intended to accurately represent general and professional liabilities in the accompanying statement of financial position.

The Foundation contracted with MNI 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. Currently, the Hospital 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 losses 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 losses. The Hospital established a reserve for known and unknown claims. Additional claims may be asserted against the Foundation from incidents occurring through September 28, 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 demands for fees are provided each year for disputed items related to certain third-party reimbursemements 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 may be charged or credited.

9. RESTATEMENT AND RECLASSIFICATION

The financial statements presented 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 managed entity, Center for Border Health Research (CBHR). The Foundation’s Board approved the formation of CBHR, but its stated purpose was to be directed by its own Board. As the Foundation’s control is only temporary, the financial information of CBHR has not been included in these statements.