

# 2000 Annual Report



PASO DEL NORTE HEALTH  
FOUNDATION

*Better Health, Better Lives, A Better 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. 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.

[www.pdnhf.org](http://www.pdnhf.org)

1100 N. Stanton, Ste. 510

El Paso, Tx 79902

(915) 544-7636

Fax (915) 544-7713

[health@pdnhf.org](mailto:health@pdnhf.org)

## About the Cover

Handwashing is the easiest way to prevent illness, yet nationwide, only about 50% of people observed leaving public restrooms washed their hands. Local observations produced the same results. In the Paso del Norte region, the problem is heightened by a lack of water in many places.

A handwashing pilot program was launched with the help of the children at the YWCA and Organizaci3n Popular Independiente in Juárez.



# Message From the President

October 2000 marked our fifth anniversary. When we began our grant making activities five years ago, our board and staff determined that we would hold ourselves to a very high standard of evaluation as a way of measuring our effectiveness. The huge investments we make in our community-developed projects must positively impact the health status of our region in a meaningful and measurable way. Evaluating ourselves comes down to the simple question, "is it working?"

We handle evaluation in a couple of different ways. One is through internally generated reports from our partners, and the second is by bringing in external evaluators to perform research on whether a program is meeting its defined goals and objectives.

This annual report celebrates a different type of evaluation. These are personal testimonials of how adopting more positive health behaviors improves health.

Read what George Holmack has to say about the lifestyle changes he made after life threatening surgery or how Margie Flores has kept herself from becoming an insulin dependent diabetic. This annual report tells their success stories and they are the truest measure of our efforts.

Our mission is to provide resources and leadership in the areas of health promotion and disease prevention by implementing public health surveillance, research and specific behavior and environmental interventions. In addition, it is important to remember that the last century has provided the greatest advances in health care in the history of the world. However, we must continue to remember that good health begins at home with the choices made by individuals and families.

The key components to the success of our disease prevention and

health promotion programs are the community partnerships fostered between both traditional and nontraditional partners. By continuing to stress collaboration and team-work we will promote the reduction of health disparities in the Paso del Norte region and enable all people in an increasingly diverse society to lead long and healthful lives.

My thanks to our board of directors and staff and especially to our many partners for your efforts toward improving lives through better health. Your dedication means we have many stories to tell of triumphs and the rewards of good health.



# Capacity Building

"I am deeply and profoundly fulfilled by this work. After much soul searching, I finally found my vocation and that's so much more than just a job!" says former attorney Imelda García when describing her journey to Bienestar Familiar in Socorro, Texas.

"Three years ago, we brewed a pot of coffee and opened the door. Women came one by one, looking for a place where they could connect with "comadres" over pan dulce. This is how Bienestar Familiar began," says García. The nuns at Centro Mujeres de la Esperanza had done such a good job inspiring women spiritually through their classes that upon completion, they were ready to do something to improve their community. All they needed was guidance. The rest they did themselves.

Bienestar Familiar is a grass-roots effort dedicated to culturally relevant community development begun by Imelda García and the women who first dreamed of the possibilities. Their numbers have grown over the last three years

and so have their achievements. Capacity-building by definition is the ability to help organizations do more and do it better. Bienestar Familiar harnessed the desire created by Centro Mujeres and turned it into a non-profit, dedicated to teaching the residents of Socorro, Texas, how to generate healthy individuals and families through stronger community engagement. "Through our Healthy Paso del Norte Initiative, we contributed the financial resources they needed to get started and they were on their way," says Ann Pauli, President of the Paso del Norte Health Foundation.

García raves, "these women are amazing! In six weeks they enrolled 1800 residents into the Community Voices indigent health insurance program. They brought nationally recognized Hispanic family expert Jerry Tello to train residents to teach

classes in strengthening families. The Intercultural Development and Research Association from San Antonio responded to their request for leadership training to resolve problems between families and the local schools. They are pushing for more micro-business training and with the computers and software from the Rural Development Corporation, it wouldn't surprise me if they launched a successful business."

Word of their achievements is spreading. They have drawn the attention of two New York-based foundations and are learning how to focus on their resources (not their deficits), collaborate with other organizations, and tell their powerful story in a way that will attract additional support.



Luz Salido

Imelda García



# Disease, Injury and Teen Pregnancy Prevention

Managing a chronic disease can seem overwhelming to many sufferers, especially when it seems time constraints prevent physicians from fully explaining effective disease management. Fifty one year old Olga Garcia describes the last twenty years and her inconsistent effort to manage her disease as a diabetes roller coaster ride. She says there were periods when she did well and others when she didn't. A year and a half ago, her husband, Jose, 46 was diagnosed with diabetes, too.

"Out here in Socorro, we didn't have any classes where we could learn more about our disease. When the El Paso Diabetes Association, through the Border Diabetes Initiative, began offering the Chronic Disease Self-Management Program from Stanford University, we decided to join. We want to take better care of ourselves because we have a thirteen year-old son, and we don't want to be a burden for him someday," says Jose Garcia.

Garcia adds, "Olga and I go to the classes together so we can support each other. We are amazed by the quality of the program and the level of interest and participation from the other members in the class." If the class were only offered at the Diabetes Association office in Central El Paso, the Garcia's would not be able to participate. "We can walk to class from our house and that means we have no excuses not to attend."

A former high school athlete, one of Garcia's goals is to get into better physical shape. He says that it's not the exercise that he finds challenging; it's making the necessary changes to the way he eats. "It's not so much what I eat, but forcing myself to eat at scheduled times. It's difficult because of my work hours, yet one of the things I've learned is how important it is not to skip meals

because then my blood sugar levels are negatively affected."

It is often said that chronic disease affects not just the individual, but the entire family. The Garcia's say they knew the message hit home when their son started noticing what they were eating. Jose Garcia says, "I love pan duke and I'm always trying to sneak a little more than I should. But now I hear my son's voice from across the kitchen saying, "hey dad, are you sure that's good for you?"



Jose Garcia

# Physical Activity

"Walk, El Paso, Walk! Just Twenty Minutes a Day, Three Times a Week!" was a message tailor-made for Margie Flores. Three years ago when the Walk El Paso campaign began, Flores was 35 years old, weighed over 300 lbs, and had just been diagnosed with Type 2 diabetes. Her doctor told her she could avoid insulin if she changed the way she ate and started to exercise.

"The first Walk El Paso TV announcement I saw featured an elderly lady talking about how her diabetes was positively affected by her simple walking program. Unlike all the crazy diets and exercise fads, I thought I could do this. It sounded easy and if a 70 yearold lady could walk for 20 minutes, then I thought I could too," says Flores. She ordered the walking kit and for the next year, did nothing.

"I was so depressed, I really thought eating made me feel better. I was getting closer to

the day when I would become an insulin-dependent diabetic. I finally read through the walking kit with the intent to get started. I only lasted 10 minutes during my first walk. The shock of how out of shape I was hit me like a freight train," says Flores. "I vowed to slowly walk my way toward the 20 minute goal."

Two years and 101 lbs. later, she walks everyday for one and a half hours. She says not even bad weather keeps her from walking. "I found a cure for the depression that kept me overeating and sedentary. Now I crave my daily walk and the extra benefits include a better mental outlook, wiser food choices and friends that support

my effort to live a healthier life adds Flores.

"I saw the ad for a Walk El Paso Administrative Assistant and applied for the job. Walk El Paso was the best thing that ever happened to me, and I believe that responding to its simple message can change lives. My new job gives me the chance to share what I have learned with others and that does as much for me as for them. I'm going to keep walking my way to better health and hopefully influence others to do the same," concludes Flores.



Margie Flores





# Nutrition

A year ago, 70 year-old George Holmack suffered a massive heart attack. It took six heart bypasses and a combined 11 days in the intensive and cardiac care units of a local hospital to get Mr. Holmack well enough to go home.

"Last July, I started a cardiac program at the Northeast YMCA," says Holmack. "In September, one of the YMCA staff members recommended I add the QuéSabrosa Vida (QSV) nutrition classes to my recovery program. My wife and I started the series in October and from the very first lesson, we started using the information and cooking suggestions."

"George and Reda were part of a truly awesome class. We all enjoyed the experience so much that I added an extra "potluck" class where everyone brought a dish from the QSV recipe book. This is how I plan to keep my QSV alumni together," says YMCA/QSV instructor Marie Orona.

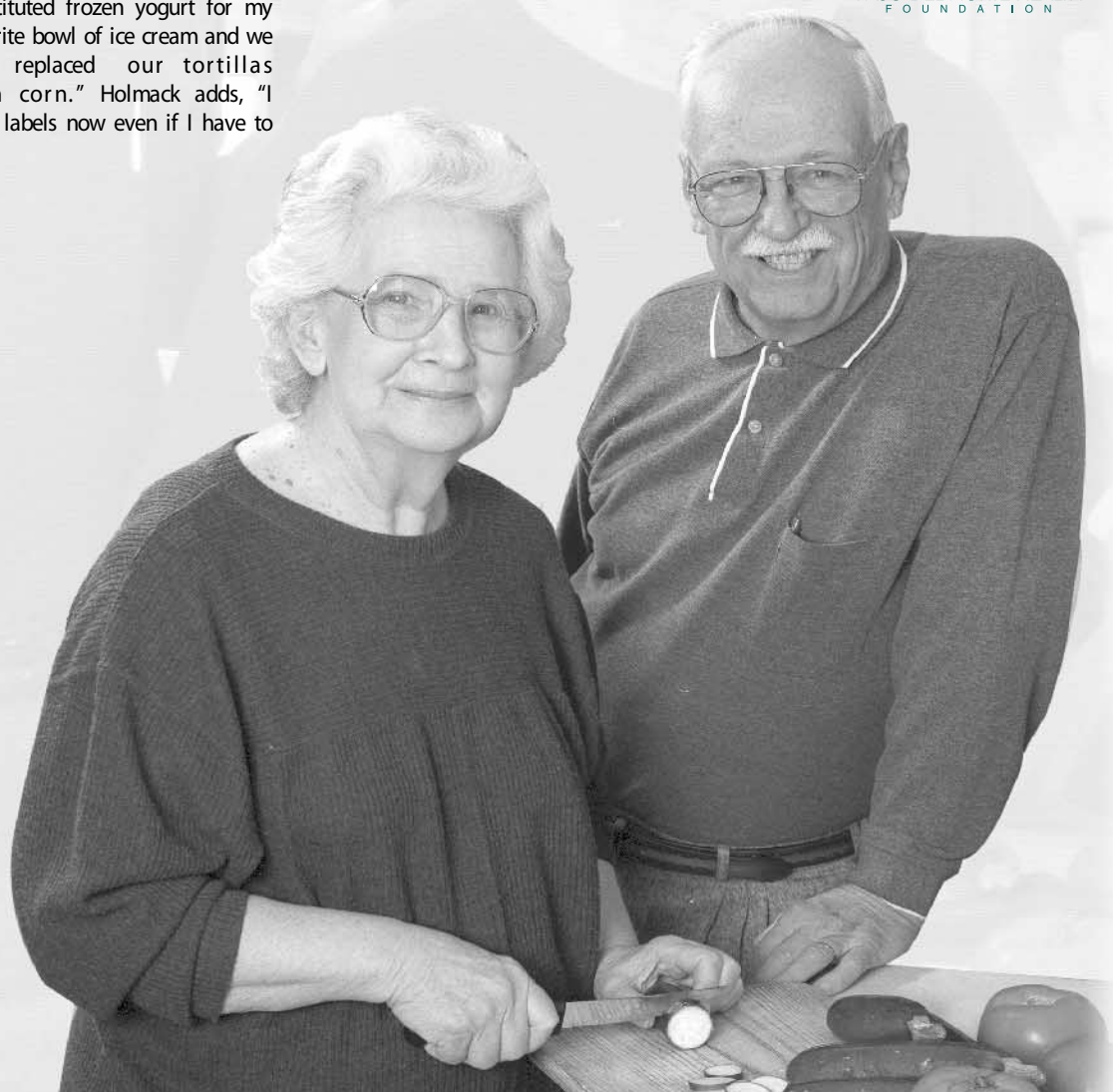
"I thought QuéSabrosa Vida was just about Mexican food, but the principles you learn can be

applied to any cuisine. The four C's are such an easy way to learn about how much you really need to eat and how to add those all-important fruits and vegetables. Before my heart attack I weighed 228 lbs and now I'm down to 192 lbs. I have more to lose and then I'm going to spend the next 20 years or more taking very good care of myself!" says Holmack.

"Marie got my wife interested and since I eat what she cooks, her enthusiasm is a key part of my success. We don't drink a 12-pack of sodas each week like before and rarely eat red meat. I have substituted frozen yogurt for my favorite bowl of ice cream and we have replaced our tortillas with corn." Holmack adds, "I read labels now even if I have to

use a magnifying glass. Packaged food is so over processed and full of salt and hydrogenated fats and oils."

When asked what the biggest payoff is for making these changes, Holmack says, "I went to the doctor in late November, and he told me my lab report was the best I'd had in years. He took me off all prescription drugs and frankly, I've never felt better."



George and  
Reda Holmack

# Board of Directors 2000-2001

Dionicio "Don" Flores  
Chairman of the Board

Robert E. Skov  
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

Edmund G. Archuleta

Monsignor Arturo Bañelas

Risher Gilbert

Jacob S. Heydemann, M.D.

Robert H. Hoy, Jr.

W.L. (Woody) Hunt

Steve Lauterbach

Judge Patricia Macias  
Sister Helen Santamaria  
Margarita (Margie) Velez  
Carlos Villa

## STAFF

Ann G. Pauli  
President and CEO

Gilbert Alvarado  
Chief Financial  
& Information Officer

Michael Kelly  
Program Officer

Enrique Mata  
Program Officer

Tommy Tinajero  
Program Officer

Juanita Galaviz  
Program Associate

Virginia Meza  
Program Associate

Ida Ortegón  
Communications Manager

Jan Harmon  
Project Manager

Edith MacKay  
Staff Accountant/  
Technical Assistant

Carolyn Miller  
Office Manager/  
Executive Assistant

Sylvia Soto  
Administrative Assistant

## CENTER FOR BORDER HEALTH RESEARCH

Dan Green  
Director  
Research and Development

Susan Navarro  
Manager of  
Administration

## 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 non-profit 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](http://www.pdnhf.org).







**A SMOKE FREE PASO DEL NORTE**  
**\$3.3 Million/3 Years**

Technical Advisors:  
Texas A&M School of Rural Public Health  
The University of Houston Health Science Program  
Partners:  
El Paso:  
Planned Parenthood Center of El Paso  
American Lung Association  
Texas A&M Colonias Program  
Community Partnerships  
American Cancer Society  
Rio Grande Cancer Foundation  
Southern New Mexico:  
La Clinica de Familia  
Children in Need of Services  
Families & Youth, Inc.

**ACTION FOR YOUTH**  
**\$12 Million/6 Years**

Technical Advisors:  
UTEP International Border Youth Development Project  
Partners:  
League of Empowered Anthony Partnership, Canutillo  
Community Action for Students and Adults, Sunset  
Heights Partnership, Ysleta Area Action for Youth Group,  
Eastside Youth Connection, Far East El Paso  
Collaborative, Northeast Teen N.E.T.W.O.R.K.,  
Southern Doña Ana County Acció Para La Iniciativa de  
los Jovenes y sus Padres, Hatch Valley-Las Cruces Area  
Partnership, Otero County Youth Empowerment  
Association and Juarenses por una Juventud Sana.

**AGELESS HEALTH**  
**\$4.5 Million/4Years**

Partners:  
Area Agency on Aging,  
Rio Grande Council of Governments  
UTEP Center for Aging

**BORDER DIABETES**  
**\$3.5 Million/5 years**

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

**BEGIN AT BIRTH!**  
**\$6.9 Million/5 Years**

Technical Advisors:  
El Paso Community College  
Families and Work Institute  
Texas Fragile Families  
Partners:  
AVANCE-El Paso, Bienestar Familiar, Inc., Child Crisis  
Center, Techno Comunitario, OPI-Paso del Norte, Dove  
Learning Center At NMSU, ECI/Child Find-El Paso  
Rehab Center, EP Public Library, Families and Youth,  
Inc., Houchen Community Center, Jardin de los Ninos,  
La Clinica de la Familia, Centro de Salud Familiar La Fe,  
La Vida Institute, Region 19: A Step Forward, Sistema  
Municipal, Success by Six-Las Cruces, YISD, YMCA-  
Tomorrow's Future, Texas Tech Health Science Center,  
YWCA-Casitas, Planned Parenthood, Desarrollo  
Comunitarios PDN

**CATCH**  
**\$4.2 Million/7 Years**

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 Kohlberg Lamar Lindbergh Milam 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  
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

Gadsden Public Schools  
Desert Trail Riverside

Hatch Public Schools  
Garfield Hatch Elementary/Rio Grande

Las Cruces Public Schools  
Desert Hills Doña Ana Hermosa Heights Loma Heights  
Mesilla Park Tombaugh University Hills Valley View  
Mesilla

Private/Parochial  
Blessed Sacrament Father Yermo Most Holy Trinity  
St. Raphael St. Pius X

**CATCH AFTER SCHOOL**  
**\$2.3 Million/4Years**

Partners:  
TBA

**CLINIC HELP**  
**\$3 Million/4 Years**

Technical Advisors: University of Texas at El Paso  
College of Health Sciences, University of Texas at  
Houston HSC School of Public Health at El Paso,  
New Mexico Department of Health,  
New Mexico State University

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  
and La Clinica de Familia, Inc.  
Ciudad Juárez: Hospital de la Familia (FEMAP).

**CENTER FOR BORDER HEALTH RESEARCH**  
**\$9 Million/5 Years**

Partners:  
UTEP, Texas Tech Health Sciences Center-El Paso,  
U.T. Houston Health Sciences Center School of Public  
Health at El Paso, El Paso Community College

**HOT PROJECTS**  
**\$2.3 Million/5 Years**

Partners:  
University of Texas at El Paso  
New Mexico State University  
El Paso Community College  
U.T. Houston HSC School of Public Health at El Paso  
Universidad Pedagógica Nacional

**HEALTH CAREER OPPORTUNITY  
PROGRAMS-HCOP**  
**\$1.1 Million/4 Years**

Partner:  
Southern Area Health Education Center

**HEALTHY PASO DEL NORTE**  
**\$2.5 Million/3 Years**

Partners:  
Chaparral Community Health Council,  
Programa Compañeros,  
Project VIDA, YMCA of Greater El Paso,  
La Fe Clinic,  
Centro Mujeres de la Esperanza,  
Tierra Madre,  
Canutillo Independent School District

**IT TAKES TWO TEEN PREGNANCY  
PREVENTION**  
**\$1 Million/3 Years**

Partner:

YWCA Paso del Norte Region

**PDN MaPA**  
**\$1.6 Million/1 Year**  
**(Paso del Norte Mapping for Public Access)**

Partners:  
El Paso Water Utilities  
City of El Paso  
El Paso County Central Appraisal District  
University of Texas at El Paso  
El Paso County Roads and Bridges

**QUÉ SABROSA VIDA**  
**\$3 Million/5 Years**

Technical Advisors:  
U.T. Houston HSC School of Public Health  
Human Nutrition Center  
YWCA Consumer Credit Counseling Services  
Texas and New Mexico Agricultural Extension Services  
Partners:  
Canutillo Independent School District  
Clint Independent School District  
Clint Middle School  
Clint High School  
AYUDA

San Elizario Independent School District  
Texas and New Mexico Agricultural Extension Services  
YWCA El Paso Del Norte Region  
Centro de Salud Familiar La Fe, Inc.  
El Paso Independent School District  
Clardy Elementary School  
Coldwell Elementary School  
Lamar Elementary School  
Robert E. Lee Elementary School  
Wiggs Middle School  
School Age Parent Center  
El Paso City-County Health and Environmental  
District/WIC Program  
St. Pius Community Health Ministry  
West Texas Council on Alcohol and Drug Abuse  
American Cancer Society  
Centro San Vicente Health Center  
AVANCE, Inc.  
YMCA of Greater El Paso  
HUD Colonias Program-El Paso Region  
Sparks  
Socorro  
Montana Vista  
Doña Ana Public Health Office/WIC Program  
Families & Youth, Inc.  
NMSU College of Agriculture and Home Economics  
Gadsden Independent School District  
Programa Comida Para La Vida

**WALK EL PASO**  
**\$2.5 Million/5 Years**

Partner:  
YMCA of Greater El Paso

**WALK DOÑA ANA**  
**\$758,240/3 Years**

Partner:  
City of Las Cruces Parks and Recreation

**WALK OTERO**  
**\$626,240/3 Years**

Partner:  
Otero Path

**PROGRAMS, PLANNING GRANTS  
AND CONFERENCE FUND**

Handwashing Planning Grant  
Tri-Regional Youth Conference  
CHIP Media Campaign  
FAITH Planning Grant

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, 2000 and 1999, 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, 2000 and 1999, 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*

Dunbar, Broadus, Gibson LLP

El Paso, Texas  
February 28, 2001

PASO DEL NORTE HEALTH FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2000 AND 1999

ASSETS	2000	1999
Current assets		
Cash	\$ 495,984	\$ 350,201
Other current assets	18,112	27,274
Total current assets	514,096	377,475
Investments	210,332,528	229,468,102
Property and equipment, net	89,958	146,576
Other assets	243,832	565,772
Total noncurrent assets	210,666,318	230,180,450
Total assets	\$ 211,180,414	\$ 230,557,925
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 382,521	\$205,769
Grants payable	14,277,450	10,382,179
Due to third-party payors	2,471,462	2,471,462
Total current liabilities	17,131,433	13,059,410
Noncurrent Liabilities		
Long term grants payable	31,777,036	33,389,503
Accrued general and professional liabilities	8,409,068	8,840,281
Total noncurrent liabilities	40,186,104	42,229,784
Net assets		
Unrestricted	153,637,283	174,876,922
Temporarily restricted	225,594	391,809
Total net assets	153,862,877	175,268,731
Total liabilities and net assets	\$ 211,180,414	\$ 230,557,925

The accompanying notes are an integral part of this statement.

PASO DEL NORTE HEALTH FOUNDATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000	1999
Revenues		
Investment income	\$ 6,563,212	\$ 6,535,693
Net realized gain on investments	7,717,752	16,367,646
Net assets released from restrictions	160,000	12,500
Other income	162,018	30,332
Total revenues	14,602,982	22,946,171
Expenses		
Program expense	14,722,233	31,870,528
General and administrative expense	1,392,546	733,006
Investment fees	1,272,978	1,214,440
Total expenses	17,387,757	33,817,974
Increase (Decrease) in net assets from continuing operations		
before net unrealized gains on investments	(2,784,775)	(10,871,803)
Net unrealized gain (loss) on investments	(19,908,413)	7,139,143
Discontinued operations		
Gain from operations of discontinued hospital	1,445,010	439,303
Increase (Decrease) in unrestricted net assets	(21,248,178)	(3,293,357)
Activity in temporarily restricted net assets		
Interest	1,324	1,592
Net realized/unrealized gain on investment securities	-	7,215
Contributions	1,000	-
Net assets released from restrictions	(160,000)	(12,500)
Decrease in temporarily restricted net assets	(157,676)	(3,693)
Increase (decrease) in net assets	(21,405,854)	(3,297,050)
Net assets, beginning of year	175,268,731	178,565,781
Net assets, end of year	\$153,862,877	\$175,268,731

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, 2000 AND 1999

	2000	1999
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (21,405,854)	\$(3,297,050)
Adjustments needed to derive cash flow provided (used) by operations:		
Depreciation	79,256	79,657
Accounts receivable & notes receivable	18,619	5,066
Prepaid expenses	(9,457)	(2,719)
Other assets	321,940	(18,610)
Accrued liabilities	176,752	(251,911)
Grants payable	2,282,805	22,777,292
Other liabilities	(431,213)	(296,311)
Realized gain on investments	(7,717,752)	(16,367,646)
Unrealized loss (gain) on investment securities	19,908,413	(7,139,143)
Net cash used by operating activities	(6,776,491)	(4,511,375)
Cash flows from investing activities		
Purchases of property, plant and equipment	(22,640)	(4,571)
Sale and maturity of investments, net of purchases	6,944,914	4,723,555
Net cash used in investing activities	6,922,274	4,718,984
Net increase (decrease) in cash and cash equivalents	145,783	207,609
Cash, beginning of year	350,201	142,592
Cash, end of year	\$ 495,984	\$ 350,201
Non-cash transactions		
Cash paid for federal taxes	\$ 425,392	\$ -

The accompanying notes are an integral part of this statement.



## 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 1999. Therefore, the Foundation remained a public charity under Section 509(a)(2) through December 31, 1999. Effective January 1, 2000, 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 which 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, 2000 and 1999, cash consisted of the following:

	2000	1999
Cash on hand	\$ 300	\$ 300
Cash on deposit	495,684	349,901
<b>Total</b>	<b>\$ 495,984</b>	<b>\$ 350,201</b>
Balance per bank statements	\$ 758,216	\$ 505,879
FDIC coverage	118,119	117,934
Uninsured balance	\$ 640,097	\$ 387,945

## 3. INVESTMENTS

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
<b>Total</b>	<b>\$ 214,517,474</b>	<b>\$ 210,332,528</b>

Investments at December 31, 1999 consisted of the following:

	Cost	Carrying Value
Cash and cash equivalent investment fund	\$ 5,976,982	\$ 6,022,643
Government and corporate obligations	71,258,196	69,728,999
Equity securities	131,154,572	151,798,550
Limited partnerships	1,580,000	1,917,910
<b>Total</b>	<b>\$ 209,969,750</b>	<b>\$ 229,468,102</b>

## 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 (which is included in General and administrative expense) is composed of the following:

Current tax	\$ 425,392
-------------	------------

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 2000 and 1999, the Foundation contributed approximately \$91,184 and \$56,700, 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 \$10,000 or one-sixth of compensation during any calendar year. During 2000 and 1999 employees contributed approximately \$55,802 and \$40,245, respectively, to the Plan.

## 6. GRANTS

The Foundation accrues the long-term portion of grants payable at their net present value. At December 31, 2000, the Foundation's short-term obligations totaled \$14,277,450. The accrued future obligations consisted of the following:

2002	\$ 15,453,294
2003	14,789,452
2004	2,493,366
	32,736,112
Less discount to net present values	(959,076)
	<b>\$ 31,777,036</b>

## 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 will expire in 2001. Additional space was leased in 1998 and 1999 under operating leases that will also expire in 2001. Both leases provide an option to renew for a period of thirty-six months. Future minimum annual lease payments are as follows:

2001	\$ 41,998
------	-----------

These financial statements include expense related to these leases for 2000 and 1999 in the amount of \$112,088 and \$122,749, 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, 2000, 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, 2000, 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.