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.

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 Organización Popular Independiente in Juárez.
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.

Anni B. Pauli
“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 Garcia 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 Garcia. 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 do themselves.

Bienestar Familiar is a grass-roots effort dedicated to culturally relevant community development begun by Imelda Garcia 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.

Garcia 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.
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
"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.
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 Qué Sabrosa 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 file. This is how I plan to keep my QSV alumni together," says YMCA/QSV instructor Marie Orona.

"I thought Qué Sabrosa Vida was just about Mexican food, but the principles you learn can be applied to any cuisine. The four Cs 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."
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.
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
Río Grande Cancer Foundation
Southern New Mexico
La Clinica de Familia
Children in Need of Services
Families & Youth, Inc.

ACTION FOR YOUTH
$12 Million/5 Years
Technical Advisors:
UTEP International Border Youth Development Project

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, Dave Learning Center at NMSU, ECI Child Find El Paso Rehab Center, EP Public Library, Families and Youth, Inc., Houchen Community Center, Jardín de los Ninos, La Clinica de Familia, Centro de Salud Familiar La Fe, La Vida Institute, Region 19. A Step Forward, Sistema Municipal, Success by Six-Las Cruces, YSID, YMCA- Tomorrow’s Future, Texas Tech Health Science Center, YWCA-Cascas, Planned Parenthood, Desarrollo Comunitario, 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
Debrae Davieport
Joaquin Garcia
Clinical Independent School District
Desert Hills
Montana Vista
Red Sands
El Paso Independent School District
Alta Vista
Beau
Bradley
Briley
Brisco
Cardwell*
Colin
Crosby
Dawson
Farris
Hankins
Johnson
Kohler
Lamar
Lindbergh
Milam
Moreno
Nelson
Norton
Paturn
Roberts
Roswell
Ruiz
Schuster
Smith
Velasquez
Whitaker
Fort Hancock Independent School District
Brendo Martinez

San Elizario Independent School District
Sambrito
L.G. Alaron Elementary
Lobo Elementary
Littlefield Independent School District
West Elementary
Elysian Elementary
Frijoles Elementary
Havill Elementary
Las Lomas Elementary
Pasadena Elementary
Robert E. Lee Elementary
South Elementary
Tamaulipas Elementary
Vista Del Sol

El Paso Independent School District
Ivy Elementary
Oakland Elementary
Park Elementary
Pecos Elementary
Presidio Elementary
Socorro Elementary
Southside Elementary
Southwood Elementary
Valleymont Elementary

TOMALO INDEPENDENT SCHOOL DISTRICT
Ysleta Elementary

Canutillo Independent School District
Nacho
Mertin
McKinley
Miñas
Mountain View Public School
Tierra Del Sol

Ysleta Independent School District
Ysleta Elementary

Garfield Elementary
Lunte Elementary
Riverside

Las Cruces Public Schools
Desert Hills
Don Ano
Hermosa Heights
Junio Heights
Loma Heights
Moil Park
Molina
Nacho
Presa

Private/Parochial
Blessed Sacrament
Catholc
Holy Trinity
St Raphael

CATCH AFTER SCHOOL
$2.3 Million/4 Years
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.

CENTER FOR BORDER HEALTH RESEARCH
$9 Million/5 Years
Partners:
UTEP, Texas Tech Health Sciences Center El Paso, U.T. Houston Health Science 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

UNIVERSITY OF TEXAS AT EL PASO

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:

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
QUE 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
Caldwell 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
5 parks
3 sucro
Montana Vista
Doñ Ana Public Health Office/WIC Program
Families & Youth, Inc.
NMSU College of Agriculture and Home Economics
Giden Independent School District

PROGRAMA CORRIDA PARA LA VIDA

WALK EL PASO
$2.5 Million/5 Years
Partner:
YMCA of Greater El Paso

WALK DONA 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
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, 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, Broaddus, Gibson LLP
El Paso, Texas
February 28, 2001

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

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$495,984</td>
<td>$350,201</td>
</tr>
<tr>
<td>Other current assets</td>
<td>11,182</td>
<td>27,274</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>514,096</strong></td>
<td><strong>377,475</strong></td>
</tr>
<tr>
<td>Investments</td>
<td>210,332,528</td>
<td>229,468,102</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>98,958</td>
<td>146,576</td>
</tr>
<tr>
<td>Other assets</td>
<td>243,832</td>
<td>565,772</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td><strong>210,666,318</strong></td>
<td><strong>230,180,450</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$211,180,414</td>
<td>$230,557,925</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current liabilities</th>
<th>Noncurrent Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>382,521</td>
</tr>
<tr>
<td>Grants payable</td>
<td>14,277,450</td>
</tr>
<tr>
<td>Due to third-party payors</td>
<td>2,471,462</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>17,131,433</strong></td>
</tr>
<tr>
<td>Long term grants payable</td>
<td>31,777,036</td>
</tr>
<tr>
<td>Accrued general and professional liabilities</td>
<td>8,409,068</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td><strong>40,186,104</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>211,180,414</strong></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td><strong>$230,557,925</strong></td>
</tr>
</tbody>
</table>

PASO DEL NORTE HEALTH FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>$(21,405,854)</td>
<td>$(3,297,050)</td>
</tr>
<tr>
<td>Adjustments needed to derive cash flow provided (used) by operations:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>79,256</td>
<td>79,657</td>
</tr>
<tr>
<td>Accounts receivable &amp; notes receivable</td>
<td>18,619</td>
<td>5,066</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(9,457)</td>
<td>(2,719)</td>
</tr>
<tr>
<td>Other assets</td>
<td>321,940</td>
<td>18,619</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>176,752</td>
<td>(251,911)</td>
</tr>
<tr>
<td>Grants payable</td>
<td>2,282,805</td>
<td>22,777,292</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(431,213)</td>
<td>(296,311)</td>
</tr>
<tr>
<td>Realized gain on investments</td>
<td>(7,717,752)</td>
<td>(16,367,646)</td>
</tr>
<tr>
<td>Unrealized loss (gain) on investment securities</td>
<td>19,908,413</td>
<td>(7,139,143)</td>
</tr>
<tr>
<td><strong>Net cash used by operating activities</strong></td>
<td><strong>(6,776,491)</strong></td>
<td><strong>(4,511,375)</strong></td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(22,640)</td>
<td>(4,571)</td>
</tr>
<tr>
<td>Sale and maturity of investments, net of purchases</td>
<td>6,944,914</td>
<td>4,723,555</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td><strong>6,922,274</strong></td>
<td><strong>4,718,984</strong></td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>145,783</td>
<td>207,609</td>
</tr>
<tr>
<td><strong>Cash, beginning of year</strong></td>
<td><strong>350,201</strong></td>
<td><strong>142,592</strong></td>
</tr>
<tr>
<td><strong>Cash, end of year</strong></td>
<td><strong>$495,984</strong></td>
<td><strong>$205,769</strong></td>
</tr>
<tr>
<td>Non-cash transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for federal taxes</td>
<td>$425,392</td>
<td>-</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
PASO DEL NORTE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999

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 501(c)(3) of the Internal Revenue Code (the "Code"). 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 maintain a public charity status for such times as it: (i) fails to satisfy the "Two Tests" in 1999, (ii) fails to satisfy the "Two Tests" in 2000, or (iii) fails to satisfy the requirements of the "Two Tests" in 2001.

2. 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. Useful lives are depreciated over the lesser of the estimated useful life or lease term.

3. INVESTMENTS

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

4. LEASES

Leases include expense related to these leases for 2000 and 1999 in the amount of $112,088 and $122,749, respectively.

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 $1,000 or one-sixth of compensation during any calendar year. During 2000 and 1999, employees contributed approximately $53,662 and $50,245, respectively, to the Plan.

6. GRANTS

The Foundation accepts the long-term portion of grants payable at their net present value. At December 31, 2000, the Foundation's unamortized obligations totaled $14,277,431.

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 operating leases that will expire in 2001. Additional space was leased in 1998 and 1999 under operating leases that will 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:

9. MALPRACTICE AND LIABILITY INSURANCE

The Hospital was self-insured for purposes of providing 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.

10. INCOME TAXES

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

11. FINANCIAL STATEMENTS

Investments at December 31, 2000 consisted of the following:

<table>
<thead>
<tr>
<th>Classification</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$329,468,102</td>
<td>$350,201</td>
</tr>
<tr>
<td>Cash and cash equivalent investment fund</td>
<td>$6,349,566</td>
<td>$6,797,140</td>
</tr>
<tr>
<td>Government and corporate obligations</td>
<td>63,280,129</td>
<td>67,238,950</td>
</tr>
<tr>
<td>Limited partnerships</td>
<td>2,800,000</td>
<td>3,699,690</td>
</tr>
<tr>
<td>Total</td>
<td>$214,517,474</td>
<td>$210,332,528</td>
</tr>
</tbody>
</table>

12. INVESTMENTS

Investments at December 31, 2000 consisted of the following:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Cost</th>
<th>Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalent investment fund</td>
<td>5,976,982</td>
<td>6,022,643</td>
</tr>
<tr>
<td>Government and corporate obligations</td>
<td>71,209,146</td>
<td>69,786,990</td>
</tr>
<tr>
<td>Limited partnerships</td>
<td>1,580,000</td>
<td>1,917,910</td>
</tr>
<tr>
<td>Total</td>
<td>$209,969,750</td>
<td>$229,468,102</td>
</tr>
</tbody>
</table>

13. CONCLUDING REMARKS

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.