

1997 Annual Report



PASO DEL NORTE HEALTH
FOUNDATION

*Better Health,
Better Lives,
A Better Community.*

TODAY

- **Fluorides** - Reduces tooth decay. 2.5 ppm. 100% fluoride toothpaste.
- **Carotene** - Helps fight tooth decay. 100% carotene toothpaste.
- **Chlorhexidine** - Helps fight tooth decay. 100% chlorhexidine toothpaste.

COMING

Minor groups

UT Houston HSC School of
Public Health at El Paso

www.pdnhf.org

The Río Grande joins the three communities of El Paso, Texas, Ciudad Juárez, México and Las Cruces, New Mexico. While the river will always be a common link between us, now technology connects us in a way that was once unimaginable. We talk to one another and the rest of the world by stepping out onto the information superhighway, where we find a world filled with data, facts and knowledge about how we can make our community a healthier place to live. Everyday we use the Internet. We use it to research the health issues that affect our community. We use it to get information about communities similar to ours that may have already found an effective way to meet the same challenges. We use it to communicate with other foundations that can offer us insight about successful programs and those that have failed. We also use it to showcase our work. Find out more about us by visiting our website.



**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.

How We Make Grants

First, our Board of Directors prioritizes key areas for funding. Then the staff researches and assesses the health issues and challenges in our community that relate to those areas. We do that by listening to people working in the field and by asking the local experts. We also pull together statistics and information about a particular topic and may even survey a representative sample of the population in order to determine the course of our work. We collect scientific data from local and national publications and we often use the Internet to help establish a basis from which to work.

Then we identify a role for the foundation. Sometimes it may be as the funding source for an idea that was conceived or brought to our community by another organization. Often it is by sharing leadership and providing technical assistance and funding to one or more organizations recruited to execute a foundation-designed project. Occasionally, we enhance existing projects that are successful but need to reach a larger audience. We have also held grants workshops where specially invited groups and individuals gather for a better understanding of our specific objectives. The workshops help them decide if they will respond to our request for a proposal.

One of the guiding principles of our grantmaking is not to exist solely as a funding source as in the classic philanthropic model, but to form true working partnerships with people and organizations at a community level. There are many organizations in our community with common goals, but too often there is no regular or purposeful interaction between them. We are also committed to a balanced approach to our grantmaking. We work with the large experienced agencies and the fledgling groups who operate with fewer resources, but whose work is fueled by a strong commitment and a deep understanding of our community.

To that end we often convene community groups through planning grants to conduct assessments, review successful program models and develop strategic action plans in priority areas. The plans are then used to guide the development of our funding programs.

Getting a project approved for funding is a three-step process. Foundation staff and expert panels perform the first review of any project we request from a community organization. Once this review is complete, recommendations are made to the Allocations Committee of the Board of Directors. This committee then recommends approval to the full Board. Finally, a majority of the Board of Directors must approve the grant.



Initiatives

Initiatives are multi-year, frequently multi-million dollar commitments made by the foundation to specific, large-scale programs. Several groups or agencies using a common process to achieve different goals can characterize an initiative. Another way the Foundation executes an effort of this magnitude is to charge one agency with the overall management of the initiative.

Healthy Paso del Norte \$2.5 Million/3 Years

Nine groups in the Paso del Norte region were selected for the Healthy Communities planning process promoted by the National Civic League and the World Health Organization. A key component of the Healthy Communities movement is the creation of Community Health Councils. The purpose of the councils is to enable residents to set the health and development priorities in their community. Once they prioritize, then action plans must be submitted to the foundation for funding approval. They are expected to spend the second and third years implementing those plans. Our Healthy Communities partners include:

Canutillo, TX
Canutillo Independent School District
Colonias Alta Vista and Bella Vista, Ciudad Juárez
Programas Compañeros
Northeast El Paso
YMCA
Socorro, TX
Centro Mujeres de la Esperanza
Sunland Park, NM
Tierra Madre
Chaparral, NM
Chaparral Community Health Council
El Paso 79905
Project Vida
San Elizario, TX
La Fe Clinic, Centro San Vicente, AYUDA
South El Paso
Tierra Madre

CATCH

\$1.4 Million/5 Years

The Child and Adolescent Trial for Cardiovascular Health (CATCH) is a school-based program to promote healthy eating habits and increase exercise levels in elementary school children. CATCH was selected by the Foundation's volunteer coalition of physical education and nutrition professionals to help children reduce the risk of future heart disease. The program combines physical activity, food services, nutrition curriculum, and family involvement. This year, CATCH was implemented in 18 elementary schools and 5,800 students were impacted.

Our CATCH partners are:

Ysleta Independent School District

Glen Cove	Cadwallader
Pebble Hills	Mission Valley
Presa	Thomas Manor
Eastwood Knolls	Pasodale
South Loop	

El Paso Independent School District

Hawkins	Johnson
Fannin	Alta Vista

Socorro Independent School District

Benito Martinez	O'Shea Keleher
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Las Cruces School District

Tombagh	Mesilla Park
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Gadsden Independent School District

Riverside Elementary



When Water Works for Health \$1.7 Million/2 Years

This contribution represents the largest ever made by a private foundation to an environmental program in the region. This funding will support a school-based educational effort and a community-based outreach program focused on the ongoing problems of drinking water and sanitation in our community. This program is administered by the Center for Environmental Resource Management at the University of Texas at El Paso, in collaboration with the U.T. Houston HSC School of Public Health at El Paso. The outreach program will work with community organizations to develop plans to address the water, wastewater and hygiene problems specific to that community. The organizations will prepare simple proposals describing their needs and how to address them. The educational program includes a school-based and mass media campaign.

Walk El Paso \$2.5 Million/5 Years

This campaign is a broad-based effort to inspire and mobilize our sedentary population to begin a simple walking program. Studies show that exercise combined with a healthy diet reduces the risk of chronic diseases like diabetes and heart disease. The YMCA will oversee the development of walking groups and programs throughout the city. A media campaign combined with special events will work in support of the walking groups and their mission to change sedentary behaviors and increase participation in walking.

Clinic HELP \$3.0 Million/4 Years

Non-governmental indigent health clinics were invited to submit plans detailing how they would enhance their health education programs, given additional resources. Clinic HELP (Health Education and Lifestyle Promotion) seeks to give these clinics the necessary resources to support high-quality health education and lifestyle change programs that focus on lifestyle behaviors like diet, exercise, stress management, and tobacco use. The relationship between lifestyle behaviors and chronic diseases such as cardiovascular disease, high blood pressure, diabetes, and asthma will be emphasized, as well as hygiene for the prevention of Hepatitis A.



Programs

The Foundation Board of Directors prioritizes the areas in which they will direct staff to focus program development. Staff develops a program by researching the issue and identifying groups in the region with the existing capacity to execute a project that fits within the overall program.

Early Childhood Development \$150,000.00

A matching grant of \$45,000.00 was awarded to the Healthy Families Project which provides home visits for families with children at risk. Also, a \$75,000.00 grant was awarded to publish the *Unite El Paso Passport to Lifelong Health and Learning* booklet and \$30,000.00 was awarded to underwrite a conference for the National Committee on Partnerships for Children's Health.

Promoting Physical Activity \$175,000.00

The program is comprised of fourteen small projects from grassroots organizations to make physical activity an important part of their programs and activities. Grantees include the YMCA, San Elizario ISD, El Paso Diabetes Association, UTEP College of Nursing, Rosa Guerrero International Folklorico, Special Olympics, and La Clinica Guadalupeana Inc. Also included are: Project Vida, Camino Real Middle School, Smyrna Seventh Day Adventist Church, Hatch Valley Public Schools, Canutillo High School, and the City of El Paso Parks and Recreation Department.

Childhood Immunizations \$162,000.00

A computer software program for private practice physicians to keep better track of immunizations given to their patients is the emphasis of this program.

U.T. Houston HSC School of Public Health at El Paso \$50,000.00

An internship program for graduate students earning their Masters in Public Health. Students assist the Foundation in program development, research and planning.

The El Paso Health Report \$85,000.00

The results of a survey (Behavioral Risk Factor Surveillance) developed by the Centers for Disease Control and Prevention for use by state health departments in identifying risk factors for chronic disease and injury.

Texas Tech Children's Hotline \$250,000.00

A telephone service for parents with questions regarding the health of their children is the focus of this program.

Lower Valley Bikeways \$378,000.00

This program provides matching grants for bike paths in the Lower Valley of El Paso, Texas. The Playa Drain path is 11.2 miles long extending from Ascarate Park to the Rio Bosque Wetland Park. The 8.1 mile Franklin Drain Bike path begins within the El Paso city limits, extends through El Paso county and ends in Socorro, Texas.



Courtesy of El Paso Times

Planning Grants

Occasionally, appropriate agencies are sought for planning grants to analyze information, research existing models, develop plans, and work with the community in an effort to give the Foundation strategies and recommendations for future grant programs and major initiatives.

Unite El Paso Health &
Human Services Task Force \$50,000.00

A planning grant was awarded to analyze information about Health and Human Services and develop an action plan to assist policymakers in addressing the needs in El Paso, Texas.

Teen Alcohol &
Tobacco Use Prevention \$68,458.00

Catholic Counseling Services, Inc., South Central New Mexico Prevention Coalition and FEMAP Foundation were awarded grants to create task forces to review successful models of tobacco and alcohol prevention among youth and children in El Paso, Ciudad Juárez and Southern New Mexico and make recommendations for a major initiative.

Preventive Health Screenings \$25,000.00

The Cancer Consortium was awarded a grant to develop an integrated plan for encouraging at-risk low-income individuals who lack adequate health coverage, to make better use of preventive health tests for cervical cancer, breast cancer, diabetes, high blood pressure, and other conditions.

Teen Pregnancy Prevention \$25,000.00

The YWCA was awarded a grant to work with a cross section of the community to develop practical strategies for reducing the incidence of teen pregnancy in El Paso County with recommendations for a major initiative.



1997 Board Of Directors

EXECUTIVE COMMITTEE MEMBERS

The members of the Board of Directors of the Paso del Norte Health Foundation represent the unique diversity of our region, and they bring a wide variety of experiences and talents to the leadership of our organization. What unites them is a shared vision of a healthier El Paso. As volunteers in the task of achieving that vision, they symbolize the generosity which has always been part of our community spirit, and which is so critical to the success of our Foundation.



Edmund G. (Ed) Archuleta,
Chairman of the Board

- General Manager, El Paso Water Utilities Public Service Board
- Board of Directors, United Way of El Paso County
- Advisory Board Member, Candlelighters of El Paso
- Vice-Chairman, American Water Works Association Research Foundation
- Board of Directors, El Paso Symphony Orchestra
- Member, Rotary Club of El Paso



Jesus A. (Jesse) Alvarez,
Vice Chairman of the Board

- CEO, Expert Refrigeration and Expert Builders
- Past Chairman, El Paso Hispanic Chamber of Commerce
- Executive Board, Greater El Paso Chamber of Commerce
- Chairman, Norwest Bank Citizens Advisory Committee
- Board of Directors, El Paso International Airport; Better Business Bureau; Columbia Medical Center East; El Paso Builders Association; Hispanic Chamber ED Foundation; Ronald McDonald House
- Past Chairman, Unite El Paso
- Community Board, Norwest Bank
- Past Member of Board of Directors, United Way
- Member, Rotary Club of El Paso



Adair Margo,
Community & Public Affairs Committee Chair

- President, Adair Margo Gallery
- Board of Directors, FEMAP Foundation; Our Lady's Youth Center; Mid-America Arts Alliance
- Former Chair, Texas Commission on the Arts
- UTEP Business Advisory Council
- Board of Directors, Chase Bank of Texas-El Paso
- Texas Higher Education Coordinating Board
- Dean's Council, Texas Tech Health Sciences Center, El Paso
- Board of Fellows, University of Texas at El Paso



Dionicio (Don) Flores,
Board Selection & Conflicts Committee Chairman

- Executive Vice President & Editor, El Paso Times
- Board of Directors, United Way of El Paso County
- Volunteer, Freedom of Information Foundation of Texas; Accrediting Council on Education and Mass Communications; Quill and Scroll International Honorary Society for High School Journalists
- Past President, National Association of Hispanic Journalists



Jacob S. Heydemann, M.D.,
Allocations Committee Chairman

- Orthopedic Surgeon, El Paso Orthopedic Surgery Group
- Founder/Member, Border Children's Health Center Board of Directors
- Director, FEMAP (Mexican Federation of Private Health and Community Development Association)



Robert E. Skov,
Investment Committee Chairman

- Partner, Skov Farms
- Appointed to the U.S. Cotton Board by the Secretary of Agriculture
- Past Director, El Paso County Water Improvement District 1
- Past President & Chairman of the Board, El Paso Valley Cotton Association
- Volunteer, United Way; Toys for Tots; El Paso County Livestock Show and Rodeo
- Chairman of the Board, Montwood Bank
- Past Chairman and President of the Supima Association of America
- Member, UTEP Business Advisory Council and Development Board
- Major, U.S. Marine Corps (Retired)

Board Of Directors



Hughes Butterworth, Jr.,
Board Member

- CEO, Lawyers Title of El Paso, Inc.
- Volunteer, UTEP Development Board
- Member El Paso Foreign Trade Association; National Council of Christians & Jews;
- President Elect, Sunrise Rotary Club
- Past President, Texas Land & Title Association; UTEP Alumni Association; UTEP Matrix Society; Industrial Development Board
- Past Board Member, American Land Title Association; El Paso Symphony Association



Patricia Holland-Branch,
Board Member

- President & CEO, HB/PZH Commercial Environments, Inc.
- 1994 Chairman of the Board, Greater El Paso Chamber of Commerce
- National Dealer Council, Office Furniture USA
- Community College Advisory Board
- ACCION of El Paso, Board of Directors
- El Paso Branch, Federal Reserve Bank Board of Directors, Chairman
- UTEP Business Advisory Council
- Governing Board, Texas Department of Economic Development
- Board of Directors, El Paso Electric Company



George J. DiDonna, M.D.,
Board Member

- Cardiologist
- Past President, El Paso County Medical Society and American Heart Association El Paso Division
- Past Chief of Staff, Providence Memorial Hospital
- Past Chief of Staff, Sun Towers Hospital (Columbia Medical Center West)
- Selected as one of the Best Doctors in America, Central Region 1996-97
- Clinical Associate Professor of Medicine, Texas Tech Health Sciences Center - El Paso



Robert H. Hoy, Jr.,
Board Member

- Partner, Hoy-Fox Automotive Group
- 1996-1997 Chairman, Texas Automobile Dealers Association
- Past Chairman, Board of Directors, Providence Memorial Hospital; Board of Managers, Thomason General Hospital; Texas Motor Vehicle Commission
- (1969-71) Member, El Paso City Council
- Member, UTEP Development Board
- Past Member, Texas Tech Medical School Foundation



Victor A. Diaz, M.D.,
Board Member

- General Surgeon, Partner EPSA
- 1994 Chief of Staff, Providence Memorial Hospital
- Past Chief of Surgery PMH
- 1995 President, American Cancer Society - West Texas Division
- Texas State Board of Medical Examiners District Review Committee 1998



W.L. (Woody) Hunt,
Immediate Past Chairman

- Chairman of the Board & CEO, Hunt Building Corporation
- President, Cimarron Foundation
- Member, UTEP Development Board; Governor's Business Council; M.D. Anderson Hospital Board of Visitors; Claremont Graduate School Board of Visitors
- Board of Directors, Chase Bank of Texas - El Paso; Chase Bank of Texas - Houston

Board Of Directors



Steve Lauterbach,
Board Member

- President, Lauterbach, Borschow & Co., P.C.
- Board Member, Rio Grande Cancer Foundation
- Member, UTEP Business Advisory Council and UTEP Planned Giving Council



Margarita (Margie) Velez,
Board Member

- Regional Director, U.S. Senator Phil Gramm
- Member, Norwest Bank Citizens Advisory Committee; Northeast Civic Leaders Council
- Author and Columnist



Patricia A. Macias,
Board Member

- Associate Judge, 65th Judicial District, "Children's Court"
- Faculty Member, National Council of Juvenile and Family Court Judges
- Member, Task Force on Children, Litigation Section, American Bar Association
- Board of Directors, National Association of Counsel for Children
- Board Member, United Way of El Paso



W. Burney Warren,
Board Member

- Past President and Director (Retired), El Paso Natural Gas Company



Joseph L. Motes, M.D.,
Board Member

- General Surgeon
- Past Board Member, El Paso City-County Board of Health
- Past Chief of Staff & Chairman of the Department of Surgery, Providence Memorial Hospital, Sierra Medical Center, Sun Towers Hospital (now Columbia Medical Center-West)
- Past President, El Paso Surgical Society



Robert V. Wingo,
Board Member

- President and CEO, Sanders, Wingo, Galvan & Morton Advertising
- Board of Directors, SunWest Bank; University of Texas at El Paso; Miner Foundation; El Paso Chamber of Commerce; El Paso Club; Sun Bowl Association
- Chairman of Communications, UTEP Legacy Campaign
- House of Cornelius Orphanage; Sunturians; Advertising Federation of El Paso; UTEP Athletic Program; Youth Enrichment Seminar



Sister Helen Santamaria, S.L.,
Board Member

- Vice Chancellor, Catholic Diocese of El Paso
- Advisory Board, El Paso Greater Chamber of Commerce; Progress Inc.
- Editorial Board, *Rio Grande Catholic*
- Member, Rotary Club of El Paso; Executive Forum
- Past Board Member, Pastoral Counseling Service of El Paso

Independent Auditor's Report

To the Board of Directors of
Paso del Norte Health Foundation:

We have audited the accompanying statement of financial position of Paso del Norte Health Foundation (a nonprofit organization) as of December 31, 1997, and the related statements of activities and cash flows for the year 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 generally accepted auditing standards. 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, 1997, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Dunbar, Broadus, Wiener LLP
Dunbar, Broadus, Wiener LLP

El Paso, Texas

March 12, 1998

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1997

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 5,599,655
Other current assets	55,392

Total current assets	5,655,047
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Notes receivable	22,591
Property and equipment, net	211,158
Investments	201,001,912
Other assets	526,940

Total noncurrent assets	201,762,601
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Total assets	\$ 207,417,648
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 93,858
Grants payable	2,641,538
Due to third-party payors	2,748,979

Total current liabilities	5,484,375
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NONCURRENT LIABILITIES

Long term grants payable	5,260,000
Accrued general and professional liabilities	14,105,264

Total noncurrent liabilities	19,365,264
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NET ASSETS

Unrestricted	165,036,647
Unrestricted-board designated	17,105,263
Temporarily restricted	426,099

Total net assets	182,568,009
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Total liabilities and net assets	\$ 207,417,648
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The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 1997

REVENUES	
Investment income	\$ 7,419,842
Net assets released from restrictions	915,495
Other income	185,912
Net realized and unrealized gain on investment securities	23,041,257
Total revenues	31,562,506
EXPENSES	
Programs expense	9,021,417
General and administrative expense	1,009,742
Investment fees	890,222
Total expenses	10,921,381
INCREASE IN NET ASSETS FROM CONTINUING OPERATIONS	20,641,125
DISCONTINUED OPERATIONS	
Gain from operations of discontinued hospital	6,710,860
INCREASE IN UNRESTRICTED NET ASSETS	27,351,985
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	
Interest	26,722
Net realized/unrealized gain on investment securities	7,814
Contributions	1,000
Net assets released from restrictions	(915,495)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(879,959)
INCREASE IN NET ASSETS	26,472,026
NET ASSETS, beginning of year	156,095,983
NET ASSETS, end of year	\$ 182,568,009

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1997

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in assets	\$ 26,472,026
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	77,014
Reduction of accounts receivable	960,019
Increase in prepaid expenses	(1,130)
Decrease in notes receivable from collections	25,125
Decrease in accounts payable and accrued liabilities	(2,877,876)
Increase in grants payable	7,901,538
Decrease in other liabilities	(2,151,411)
Unrealized gain on investment securities	(3,112,632)
Net cash provided by operating activities	27,292,673
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property, plant and equipment	(24,569)
Purchase of investments, net of sales	(30,522,042)
Net cash used in investing activities	(30,546,611)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,253,938)
CASH AND CASH EQUIVALENTS, beginning of year	8,853,593
CASH AND CASH EQUIVALENTS, end of year	\$ 5,599,655

The accompanying notes are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997**

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 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"). Management believes that it will continue to be able to meet the public charity qualification tests of section 509(a)(2) of the Code until the end of 1999. At that time the Foundation will become a private foundation under section 509(a) of the Code.

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, unrestricted-board designated, 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. Board designated unrestricted net assets represent amounts designated for the payment of any contingent liabilities related to the operations of the Hospital.

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.

Notes receivable

Notes receivable represent notes from physicians. Management believes that all amounts due are collectible, therefore no allowance has been recorded.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short-term, highly liquid investments that are both readily convertible to known amounts of cash and/or are so near their maturity that they bear an insignificant change in value resulting from changes in interest rates.

At December 31, 1997, cash and cash equivalents consisted of the following:

Cash per bank statements	\$ 596,305
Cash equivalents	5,003,350
Total	\$ 5,599,655

3. INVESTMENTS

Investments at December 31, 1997 consisted of the following:

	Cost	Carrying Value
Government and corporate obligations	\$ 71,515,573	\$ 72,952,595
Equity securities	105,901,664	127,874,245
Limited partnerships	180,000	175,072
Total	\$ 177,597,237	\$ 201,001,912

4. 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 1997, the Foundation contributed approximately \$26,200 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 \$9,500 or one-sixth of compensation during any calendar year. During 1997 employees contributed approximately \$37,600 to the Plan.

5. 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.

6. COMMITMENTS AND CONTINGENCIES

Leases

The Foundation leases its facilities under an operating lease that will expire in 2001. The lease provides an option to renew for a period of thirty-six months. Future minimum annual lease payments are as follows:

1998	\$ 48,490
1999	48,490
2000	48,490
2001	16,165
	\$ 161,635

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, 1997, 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.

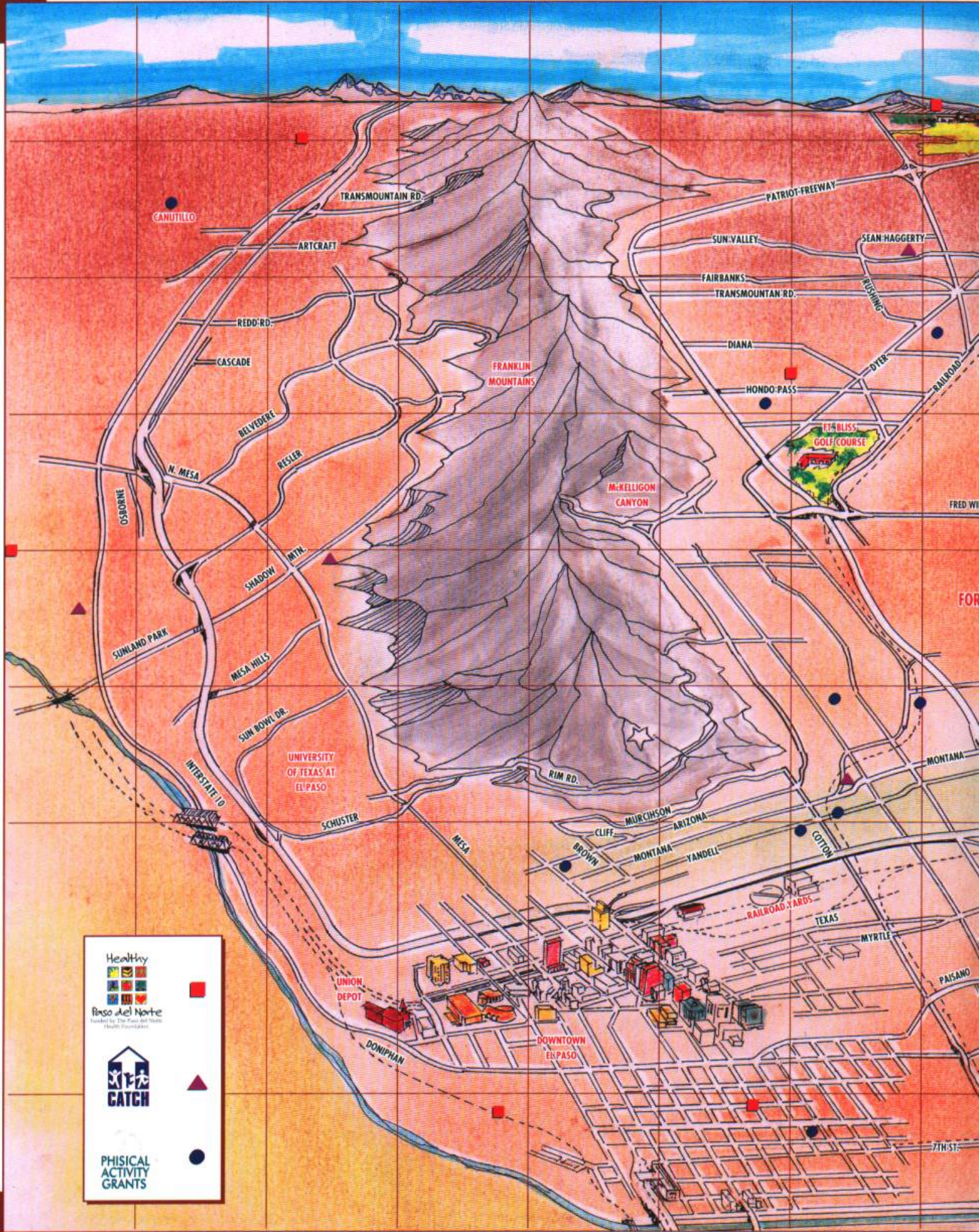
The Foundation continues to be self-insured for general liability claims against the Hospital for services provided through September 30, 1995. Accordingly, the Foundation purchased tail insurance coverage for a five-year period from American Continental Insurance Company. Their terms are \$2 million aggregate per case and \$4 million in total aggregate. After the total aggregate coverage is reached, the carrier will assume responsibility up to \$15 million.

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, 1997, 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.





Healthy
Paso del Norte
Funded by The Paso del Norte
Health Foundation

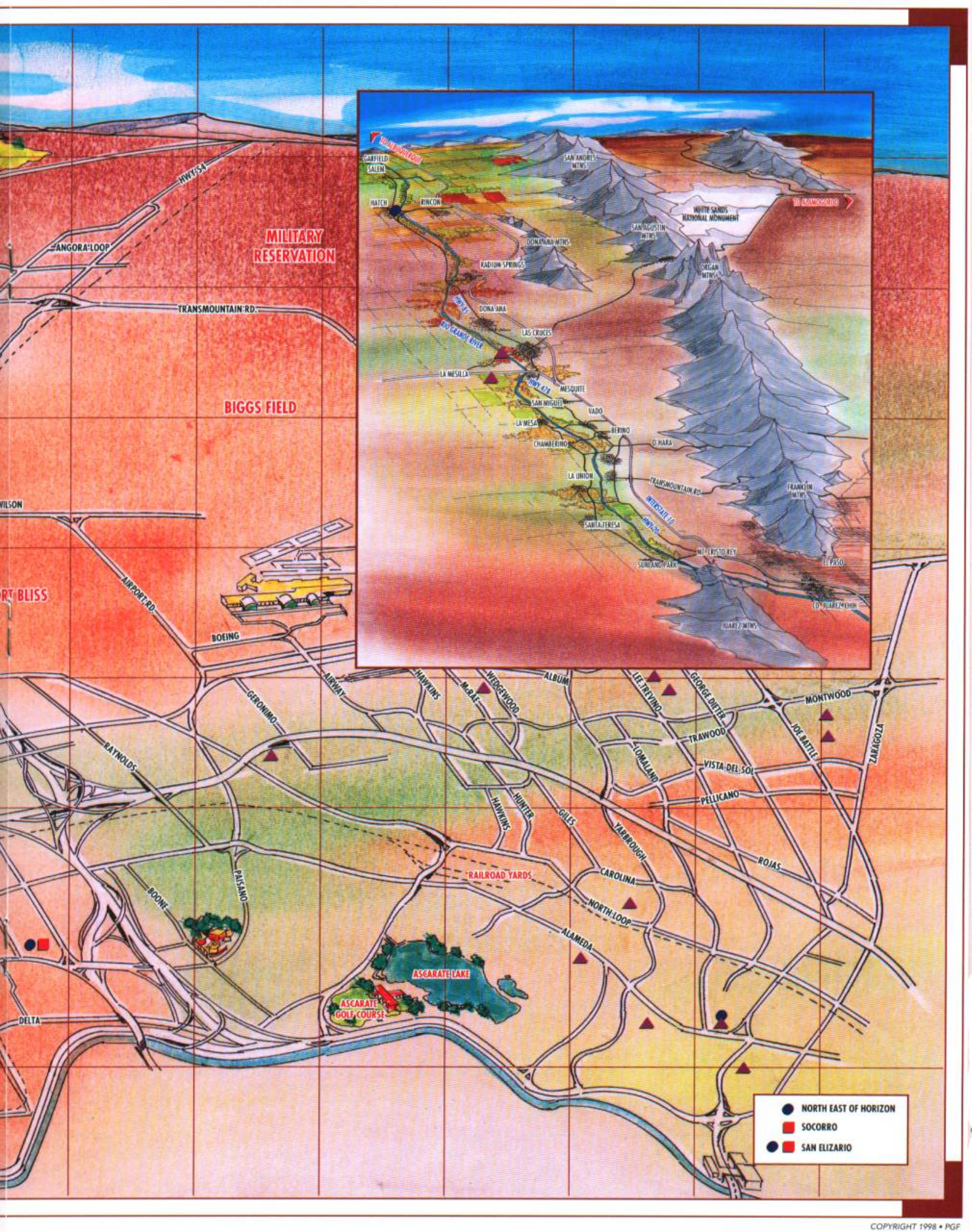


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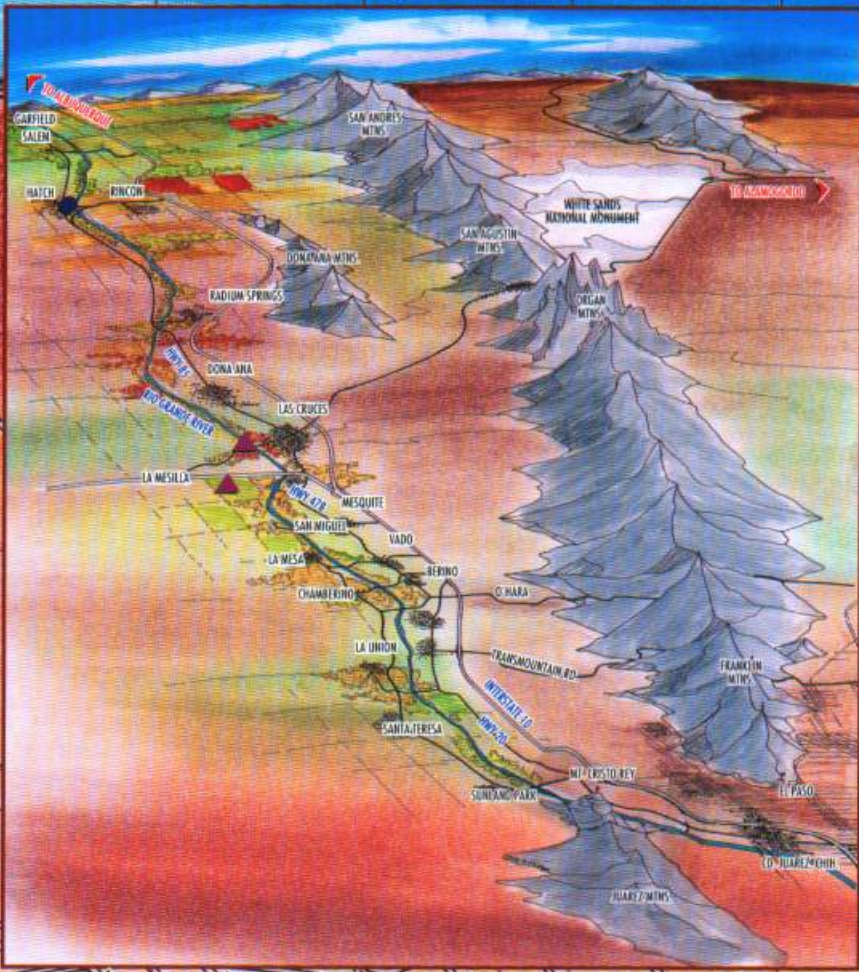
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