

**Return of Organization Exempt From Income Tax**

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

**2004**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

**A** For the 2004 calendar year, or tax year beginning July 1, 2004, and ending June 30, 2005

**B** Check if applicable:  
 Address change  
 Name change  
 Initial return  
 Final return  
 Amended return  
 Application pending

**C** Name of organization **PROJECT HOPE - The People-to-People Health Foundation Inc.**  
 Number and street (or P O box if mail is not delivered to street address) Room/suite  
255 Carter Hall Lane  
 City or town, state or country, and ZIP + 4  
MILLWOOD, VA 22646

**D** Employer identification number  
53 0242962

**E** Telephone number  
(540) 837-2100

**F** Accounting method:  Cash  Accrual  
 Other (specify) ▶

**G** Website: ▶ www.projecthope.org

**H** and **I** are not applicable to section 527 organizations  
**H(a)** Is this a group return for affiliates?  Yes  No  
**H(b)** If "Yes," enter number of affiliates ▶ N/A  
**H(c)** Are all affiliates included? N/A  Yes  No  
 (If "No," attach a list. See instructions.)  
**H(d)** Is this a separate return filed by an organization covered by a group ruling?  Yes  No  
**I** Group Exemption Number ▶ N/A

**J** Organization type (check only one) ▶  501(c) ( 3 ) ◀ (insert no)  4947(a)(1) or  527

**K** Check here  if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

**L** Gross receipts. Add lines 6b, 8b, 9b, and 10b to line 12 ▶ 145,154,265

**M** Check  if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF)

**Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See page 18 of the instructions)**

SCANNED FEB 14 2006

<b>1</b> Contributions, gifts, grants, and similar amounts received:				
a	Direct public support	<b>1a</b>	<u>123,667,387</u>	
b	Indirect public support	<b>1b</b>	<u>163,520</u>	
c	Government contributions (grants)	<b>1c</b>	<u>13,800,829</u>	
d	Total (add lines 1a through 1c) (cash \$ <u>43,817,378</u> noncash \$ <u>93,814,358</u> )	<b>1d</b>		<u>137,631,736</u>
<b>2</b>	Program service revenue including government fees and contracts (from Part VII, line 93)	<b>2</b>		<u>1,572,312</u>
<b>3</b>	Membership dues and assessments	<b>3</b>		
<b>4</b>	Interest on savings and temporary cash investments	<b>4</b>		<u>123,906</u>
<b>5</b>	Dividends and interest from securities	<b>5</b>		<u>933,475</u>
6a	Gross rents	<b>6a</b>	<u>147,104</u>	
b	Less rental expenses	<b>6b</b>	<u>283,229</u>	
c	Net rental income or (loss) (subtract line 6b from line 6a)	<b>6c</b>		<u>(136,125)</u>
<b>7</b>	Other investment income (describe ▶ )	<b>7</b>		
8a	Gross amount from sales of assets other than inventory	(A) Securities		(B) Other
		<u>4,285,390</u>	<b>8a</b>	<u>20,094</u>
b	Less cost or other basis and sales expenses	<u>4,216,852</u>	<b>8b</b>	<u>5,873</u>
c	Gain or (loss) (attach schedule) Sch. 1	<u>68,538</u>	<b>8c</b>	<u>14,221</u>
d	Net gain or (loss) (combine line 8c, columns (A) and (B))		<b>8d</b>	<u>82,759</u>
<b>9</b>	Special events and activities (attach schedule) If any amount is from gaming, check here <input type="checkbox"/>			
a	Gross revenue (not including \$ _____ of contributions reported on line 1a)	<b>9a</b>		
b	Less direct expenses other than fundraising expenses	<b>9b</b>		
c	Net income or (loss) from special events (subtract line 9b from line 9a)	<b>9c</b>		<u>0</u>
10a	Gross sales of inventory, less returns and allowances	<b>10a</b>		
b	Less cost of goods sold	<b>10b</b>		
c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	<b>10c</b>		<u>0</u>
<b>11</b>	Other revenue (from Part VII, line 103)	<b>11</b>		<u>440,248</u>
<b>12</b>	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	<b>12</b>		<u>140,648,311</u>
<b>13</b>	Program services (from line 44, column (B))	<b>13</b>		<u>123,051,219</u>
<b>14</b>	Management and general (from line 44, column (C))	<b>14</b>		<u>4,305,677</u>
<b>15</b>	Fundraising (from line 44, column (D))	<b>15</b>		<u>5,984,779</u>
<b>16</b>	Payments to affiliates (attach schedule)	<b>16</b>		
<b>17</b>	Total expenses (add lines 16 and 44, column (A))	<b>17</b>		<u>133,341,675</u>
<b>18</b>	Excess or (deficit) for the year (subtract line 17 from line 12)	<b>18</b>		<u>7,306,636</u>
<b>19</b>	Net assets or fund balances at beginning of year (from line 73, column (A))	<b>19</b>		<u>36,334,177</u>
<b>20</b>	Other changes in net assets or fund balances (attach explanation) Schedule 2	<b>20</b>		<u>737,814</u>
<b>21</b>	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	<b>21</b>		<u>44,378,627</u>

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**OGDEN, UT**

20619

**Part II Statement of Functional Expenses**

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See page 22 of the instructions.)

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (attach schedule) (cash \$ <u>3,992,597</u> noncash \$ <u>Sch. 3</u> )	22 3,992,597	3,992,597		
23 Specific assistance to individuals (attach schedule)	23			
24 Benefits paid to or for members (attach schedule)	24			
25 Compensation of officers, directors, etc	25 1,613,027	494,767	1,033,193	85,067
26 Other salaries and wages	26 10,655,096	9,170,324	908,255	576,517
27 Pension plan contributions	27			
28 Other employee benefits	28 2,442,930	1,947,356	378,918	116,656
29 Payroll taxes	29 917,386	746,982	127,380	43,024
30 Professional fundraising fees	30 637,143			637,143
31 Accounting fees	31 161,686	128	161,558	
32 Legal fees	32 40,487	13,036	20,129	7,322
33 Supplies	33 95,146,489	95,090,491	36,885	19,113
34 Telephone	34 647,827	547,106	72,885	27,836
35 Postage and shipping	35 2,289,077	604,193	37,396	1,647,488
36 Occupancy	36 2,257,963	1,692,749	398,341	166,873
37 Equipment rental and maintenance	37			
38 Printing and publications	38 2,316,289	780,285	60,185	1,475,819
39 Travel	39 4,500,913	4,254,710	181,044	65,159
40 Conferences, conventions, and meetings	40			
41 Interest	41			
42 Depreciation, depletion, etc. (attach schedule) <sup>8</sup>	42 242,066	136,263	74,916	30,887
43 Other expenses not covered above (itemize): a honorar	43a 44,149	44,149		
b Subcontracts	43b 569,587	568,318	55	1,214
c Computer and Data Processing	43c 1,514,217	736,518	374,562	403,137
d Other Professional Fees	43d 2,935,402	2,022,804	300,844	611,754
e Miscellaneous (See Schedule 4)	43e 417,344	208,443	139,131	69,770
44 Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D), carry these totals to lines 13-15	44 133,341,675	123,051,219	4,305,677	5,984,779

Joint Costs. Check  if you are following SOP 98-2

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services?  Yes  No  
 If "Yes," enter (i) the aggregate amount of these joint costs \$ \_\_\_\_\_; (ii) the amount allocated to Program services \$ \_\_\_\_\_; (iii) the amount allocated to Management and general \$ \_\_\_\_\_; and (iv) the amount allocated to Fundraising \$ \_\_\_\_\_

**Part III Statement of Program Service Accomplishments** (See page 25 of the instructions.)

What is the organization's primary exempt purpose? **Int'l and Domestic Health Education Programs**

All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)

Program Service Expenses (Required for 501(c)(3) and (4) orgs. and 4947(a)(1) trusts, but optional for others)

a Health Education & Assistance Programs-Provide health education programs in foreign countries and the United States which contribute to the solutions of international health problems. (See attached - Schedule 5)	(Grants and allocations \$ 3,992,597 )	118,717,159
b Health Policy Programs - Conducts health policy research in order to help policy-makers formulate cost effective health care policy. Publishes the Health Affairs Journal which provides education to private organizations and the public concerning health care policy. (See attached-Sch 5)	(Grants and allocations \$ N/A )	4,334,060
c	(Grants and allocations \$ )	
d	(Grants and allocations \$ )	
e Other program services (attach schedule)	(Grants and allocations \$ )	
f Total of Program Service Expenses (should equal line 44, column (B), Program services)		123,051,219

**Part IV Balance Sheets** (See page 25 of the instructions.)

				(A)		(B)
				Beginning of year		End of year
<b>Note:</b> Where required, attached schedules and amounts within the description column should be for end-of-year amounts only						
<b>Assets</b>	45 Cash—non-interest-bearing			2,208,470	45	2,621,401
	46 Savings and temporary cash investments			4,561,018	46	10,318,070
	47a Accounts receivable	47a	62,681			
	b Less allowance for doubtful accounts	47b	0	62,019	47c	62,681
	48a Pledges receivable	48a	4,701,529			
	b Less allowance for doubtful accounts	48b	470,060	2,511,880	48c	4,231,469
	49 Grants receivable Schedule 6			3,611,943	49	2,600,776
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)				50	
	51a Other notes and loans receivable (attach schedule)	51a				
	b Less allowance for doubtful accounts	51b		0	51c	0
	52 Inventories for sale or use			15,368,481	52	16,494,605
	53 Prepaid expenses and deferred charges			110,013	53	187,717
	54 Investments—securities (attach schedule) Sch. 7 <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV			9,897,747	54	11,385,265
	55a Investments—land, buildings, and equipment basis	55a				
	b Less accumulated depreciation (attach schedule)	55b		0	55c	0
56 Investments—other (attach schedule)				56		
57a Land, buildings, and equipment basis	57a	8,725,495				
b Less accumulated depreciation (attach schedule) Schedule 8	57b	4,328,788	4,387,084	57c	4,396,707	
58 Other assets (describe ▶ See Attached Schedule 9 )			1,619,455	58	1,644,269	
59 <b>Total assets</b> (add lines 45 through 58) (must equal line 74)			44,338,110	59	53,942,960	
<b>Liabilities</b>	60 Accounts payable and accrued expenses			5,068,732	60	6,208,155
	61 Grants payable				61	
	62 Deferred revenue Schedule 10.			626,032	62	888,863
	63 Loans from officers, directors, trustees, and key employees (attach schedule)				63	
	64a Tax-exempt bond liabilities (attach schedule)				64a	
	b Mortgages and other notes payable (attach schedule)				64b	
	65 Other liabilities (describe ▶ See Attached Schedule 11 )			2,309,169	65	2,467,315
66 <b>Total liabilities</b> (add lines 60 through 65)			8,003,933	66	9,564,333	
<b>Net Assets or Fund Balances</b>	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74					
	67 Unrestricted Schedule 12			12,167,294	67	13,799,708
	68 Temporarily restricted			22,704,489	68	29,114,601
	69 Permanently restricted			1,462,394	69	1,464,318
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.					
	70 Capital stock, trust principal, or current funds				70	
	71 Paid-in or capital surplus, or land, building, and equipment fund				71	
	72 Retained earnings, endowment, accumulated income, or other funds				72	
73 <b>Total net assets or fund balances</b> (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19; column (B) must equal line 21)			36,334,177	73	44,378,627	
74 <b>Total liabilities and net assets / fund balances</b> (add lines 66 and 73)			44,338,110	74	53,942,960	

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments



**Part VI Other Information** (See page 28 of the instructions.)

Yes No

76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity.	76		X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.	77		X
78a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	X	
b	If "Yes," has it filed a tax return on Form 990-T for this year?	78b	X	
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79		X
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a		X
b	If "Yes," enter the name of the organization _____ and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt.			
81a	Enter direct and indirect political expenditures. See line 81 instructions. <b>81a</b>   None			
b	Did the organization file Form 1120-POL for this year?	81b		X
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	X	
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III). <b>82b</b>   3,476,885			
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	X	
84a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b		N/A
85	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?	85a		N/A
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.	85b		N/A
c	Dues, assessments, and similar amounts from members	85c		N/A
d	Section 162(e) lobbying and political expenditures	85d		N/A
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices.	85e		N/A
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f		N/A
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g		N/A
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h		N/A
86	501(c)(7) orgs. Enter: a Initiation fees and capital contributions included on line 12.	86a		N/A
b	Gross receipts, included on line 12, for public use of club facilities	86b		N/A
87	501(c)(12) orgs. Enter: a Gross income from members or shareholders	87a		N/A
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	87b		N/A
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88		X
89a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 <b>N/A</b> , section 4912 <b>N/A</b> , section 4955 <b>N/A</b>			
b	501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction.	89b		X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958			N/A
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization			N/A
90a	List the states with which a copy of this return is filed <b>See Attached Schedule 16</b>			
b	Number of employees employed in the pay period that includes March 12, 2004 (See instructions) <b>90b</b>   164			
91	The books are in care of <b>Deborah R. Iwig</b> Telephone no. <b>(540) 837-2100</b> Located at <b>255 Carter Hall Lane, Millwood, VA</b> ZIP + 4 <b>22646</b>			
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041— Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year <b>92</b>   N/A			

**Analysis of Income-Producing Activities** (See page 33 of the instructions.)

Note: Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue					
a Subscription Revenue					1,572,312
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	123,906	
96 Dividends and interest from securities			14	933,475	
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property	721000	(136,125)			
98 Net rental income or (loss) from personal property					
99 Other investment income			18	82,759	
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue: a Mailing List Royalties			13	440,577	
b From K-1 (GAM Avalon #13-4134788)	525990	(243)			
c Cap gain from K-1 (GAM# 13-4134788)	525990	(86)			
d					
e					
104 Subtotal (add columns (B), (D), and (E))		(136,454)		1,580,717	1,572,312
105 Total (add line 104, columns (B), (D), and (E))					3,016,575

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

**Relationship of Activities to the Accomplishment of Exempt Purposes** (See page 34 of the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93a.	Health Affairs Journal - provides education to private organizations and the public concerning health care policy.

**Information Regarding Taxable Subsidiaries and Disregarded Entities** (See page 34 of the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

**Information Regarding Transfers Associated with Personal Benefit Contracts** (See page 34 of the instructions.)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  Yes  No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?  Yes  No
- Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here

Signature of officer: Deborah R. Iwig Date: 1/27/06

Type or print name and title: Deborah R. Iwig, Vice President and CFO

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Paid Preparer's Use Only

Preparer's signature: [Signature] Date: 1/26/06 Check if self-employed:

Firm's name (or yours if self-employed), address, and ZIP + 4: KPMG LLP EIN: \_\_\_\_\_ Phone no.: \_\_\_\_\_

2001 M STREET, NW  
WASHINGTON, DC 20036

**SCHEDULE A**  
(Form 990 or 990-EZ)

**Organization Exempt Under Section 501(c)(3)**

(Except Private Foundation) and Section 501(e), 501(f), 501(k),  
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

Supplementary Information—(See separate instructions.)

OMB No 1545-0047

**2004**

Department of the Treasury  
Internal Revenue Service

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

Name of the organization

Employer identification number

**PROJECT HOPE - The People-to-People Health Foundation Inc.**

**53-0242962**

**Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**  
(See page 1 of the instructions. List each one. If there are none, enter "None")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
Gail R. Wilensky 255 Carter Hall Lane, Millwood, VA 22646	Sr. Fellow, Center for Health Affairs 40 hrs	165,307	11,274	0
Renslow D. Sherer, Jr. 255 Carter Hall Lane, Millwood, VA 22646	Director, HIV/AIDS/STI 40 hrs	119,408	6,812	0
Jack Blanks 255 Carter Hall Lane, Millwood, VA 22646	Regional Director 40 hrs.	139,969	6,602	0
Douglas W. Palmer 255 Carter Hall Lane, Millwood, VA 22646	Program Director, Chief of Party 40 hrs.	124,202	6,123	0
Shell Y. Xue 255 Carter Hall Lane, Millwood, VA 22646	National Programs Director, China 40 hr	118,241	5,694	0
Total number of other employees paid over \$50,000 ▶	60			

**Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services**  
(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
Moore Response Marketing (See Schedule 17) 6116 Executive Blvd, Suite 415, Rockville, MD 20852	Printers, Fund Raising	844,365
IPC Communications Services Dept. 77-9122, Chicago, IL 60678-9122	Print quarterly journal	268,103
Adams & Hussey 1401 I Street, NW, Suite 650, Washington, DC 20005	Fund-raising Counsel	278,879
John S. Connor, Inc. 799 Cromwell Park Drive, Glen Burnie MD 21061	Freight, Customs, Air transp	162,519
Public Interest Data, Inc. 1800 Diagonal Rd., Suite 400, Alexandria, VA 22314	Fund-raising Database Management	239,844
Total number of others receiving over \$50,000 for professional services ▶	38	

**Part III** Statements About Activities (See page 2 of the instructions.)

	Yes	No
1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ (Must equal amounts on line 38, Part VI-A, or line 1 of Part VI-B)  Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes" must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities		X
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions)		
a Sale, exchange, or leasing of property? <span style="float: right;">Schedule 18</span>	X	
b Lending of money or other extension of credit?		X
c Furnishing of goods, services, or facilities? <span style="float: right;">Schedule 19</span>	X	
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? <span style="float: right;">See Part V, Form 990</span>	X	
e Transfer of any part of its income or assets?		X
3a Do you make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how you determine that recipients qualify to receive payments.) <span style="float: right;">Schedule 20</span>	X	
b Do you have a section 403(b) annuity plan for your employees?	X	
4a Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?		X
b Do you provide credit counseling, debt management, credit repair, or debt negotiation services?		X

**Part IV** Reason for Non-Private Foundation Status (See pages 3 through 6 of the instructions.)

The organization is not a private foundation because it is: (Please check only ONE applicable box.)

- 5  A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i)
- 6  A school Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7  A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
- 8  A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v)
- 9  A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state ▶ \_\_\_\_\_
- 10  An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the Support Schedule in Part IV-A.)
- 11a  An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi). (Also complete the Support Schedule in Part IV-A.)
- 11b  A community trust. Section 170(b)(1)(A)(vi). (Also complete the Support Schedule in Part IV-A.)
- 12  An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the Support Schedule in Part IV-A.)
- 13  An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See page 5 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14  An organization organized and operated to test for public safety. Section 509(a)(4). (See page 5 of the instructions.)

**Part IV-A. Support Schedule** (Complete only if you checked a box on line 10, 11, or 12.) *Use cash method of accounting.*

Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2003	(b) 2002	(c) 2001	(d) 2000	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)	118,322,816	121,575,902	109,602,297	99,429,777	448,930,792
16 Membership fees received					0
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	(1,043,784)	3,556,283	1,947,719	3,532,299	7,992,517
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	1,202,063	930,171	1,056,954	1,165,294	4,354,482
19 Net income from unrelated business activities not included in line 18.					0
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					0
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.		0	0	0	0
22 Other income Attach a schedule. Do not include gain or (loss) from sale of capital assets					0
23 Total of lines 15 through 22.	118,481,095	126,062,356	112,606,970	104,127,370	461,277,791
24 Line 23 minus line 17.	119,524,879	122,506,073	110,659,251	100,595,071	453,285,274
25 Enter 1% of line 23	1,184,811	1,260,624	1,126,070	1,041,274	

26 Organizations described on lines 10 or 11:	a Enter 2% of amount in column (e), line 24	26a	9,065,705
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2000 through 2003 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts		26b	227,100,335
c Total support for section 509(a)(1) test: Enter line 24, column (e)		26c	453,285,274
d Add: Amounts from column (e) for lines:	18 4,354,482 19 0		
	22 0 26b 227,100,335	26d	231,454,817
e Public support (line 26c minus line 26d total)		26e	221,830,457
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))		26f	48.94 %

27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year:

(2003) ..... (2002) ..... (2001) ..... (2000) .....

b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000 (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year:

(2003) ..... (2002) ..... (2001) ..... (2000) .....

c Add: Amounts from column (e) for lines:	15 _____ 16 _____		
	17 _____ 20 _____ 21 _____		
d Add: Line 27a total _____ and line 27b total _____		27c	
e Public support (line 27c total minus line 27d total)		27d	
f Total support for section 509(a)(2) test. Enter amount from line 23, column (e)	▶ 27f	27e	
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))		27g	%
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))		27h	%

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2000 through 2003, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

**Part V Private School Questionnaire** (See page 7 of the instructions.)

N/A

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

	Yes	No
29 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe, if "No," please explain. (If you need more space, attach a separate statement.)		
32 Does the organization maintain the following		
a Records indicating the racial composition of the student body, faculty, and administrative staff?		
b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
d Copies of all material used by the organization or on its behalf to solicit contributions?		
If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)		
33 Does the organization discriminate by race in any way with respect to		
a Students' rights or privileges?		
b Admissions policies?		
c Employment of faculty or administrative staff?		
d Scholarships or other financial assistance?		
e Educational policies?		
f Use of facilities?		
g Athletic programs?		
h Other extracurricular activities?		
If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement )		
34a Does the organization receive any financial aid or assistance from a governmental agency?		
b Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement		
35 Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation		

**Part VI-A Lobbying Expenditures by Electing Public Charities** (See page 9 of the instructions.)  
 (To be completed **ONLY** by an eligible organization that filed Form 5768)

N/A

Check  a  if the organization belongs to an affiliated group Check  b  if you checked "a" and "limited control" provisions apply

**Limits on Lobbying Expenditures**

(The term "expenditures" means amounts paid or incurred)

		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)		
37	Total lobbying expenditures to influence a legislative body (direct lobbying)		
38	Total lobbying expenditures (add lines 36 and 37)		
39	Other exempt purpose expenditures		
40	Total exempt purpose expenditures (add lines 38 and 39)		
41	Lobbying nontaxable amount Enter the amount from the following table —		
	<b>If the amount on line 40 is —</b>		
	<b>The lobbying nontaxable amount is—</b>		
	Not over \$500,000	20% of the amount on line 40	
	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	
	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	
	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	
	Over \$17,000,000	\$1,000,000	
41		0	
42	Grassroots nontaxable amount (enter 25% of line 41)		
43	Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36		
44	Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38		

**Caution:** If there is an amount on either line 43 or line 44, you must file Form 4720

**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.  
 See the instructions for lines 45 through 50 on page 11 of the instructions)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
45	Lobbying nontaxable amount				
46	Lobbying ceiling amount (150% of line 45(e))				
47	Total lobbying expenditures				
48	Grassroots nontaxable amount				
49	Grassroots ceiling amount (150% of line 48(e))				
50	Grassroots lobbying expenditures				

**Part VI-B Lobbying Activity by Nonelecting Public Charities**

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of

- a Volunteers
- b Paid staff or management (Include compensation in expenses reported on lines c through h.)
- c Media advertisements
- d Mailings to members, legislators, or the public
- e Publications, or published or broadcast statements
- f Grants to other organizations for lobbying purposes
- g Direct contact with legislators, their staffs, government officials, or a legislative body
- h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i Total lobbying expenditures (Add lines c through h.)

Yes	No	Amount
	X	
	X	
	X	
	X	
	X	
	X	
	X	
	X	
	X	

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.



## Application for Extension of Time To File an Exempt Organization Return

OMB No 1545-1709

▶ File a separate application for each return

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box
  - If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form)
- Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868**

**Part I Automatic 3-Month Extension of Time**—Only submit original (no copies needed)

**Form 990-T corporations** requesting an automatic 6-month extension—check this box and complete Part I only   
*All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs, and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041.*

**Electronic Filing (e-file).** Form 8868 can be filed electronically if you want a 3-month automatic extension of time to file one of the returns noted below (6 months for corporate Form 990-T filers). However, you cannot file it electronically if you want the additional (not automatic) 3-month extension, instead you must submit the fully completed signed page 2 (Part II) of Form 8868. For more details on the electronic filing of this form, visit [www.irs.gov/efile](http://www.irs.gov/efile)

<b>Type or print</b>	Name of Exempt Organization <b>Project HOPE - The People-to-People Health Foundation, Inc.</b>	Employer identification number <b>53-0242962</b>
File by the due date for filing your return. See instructions	Number, street, and room or suite no. If a P.O. box, see instructions <b>255 Carter Hall Lane</b>	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions <b>Millwood, VA 22646</b>	

**Check type of return to be filed** (file a separate application for each return)

- |  |  |                                    |
|--|--|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation)                | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL         | <input type="checkbox"/> Form 990-T (sec 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ         | <input type="checkbox"/> Form 990-T (trust other than above)     | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF         | <input type="checkbox"/> Form 1041-A                             | <input type="checkbox"/> Form 8870 |

- The books are in the care of ▶ **Project HOPE**

Telephone No ▶ ( **540** ) **837-2100** FAX No ▶ ( **540** ) **837-1813**

- If the organization does **not** have an office or place of business in the United States, check this box
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_ If this is for the **whole** group, check this box  If it is for part of the group, check this box  and attach a list with the names and EINs of all members the extension will cover

**1** I request an automatic 3-month (6-months for a **Form 990-T corporation**) extension of time until **February 15**, 20 **06**, to file the exempt organization return for the organization named above. The extension is for the organization's return for  
 ▶  calendar year 20... or  
 ▶  tax year beginning **July 1**, 20 **04**, and ending **June 30**, 20 **05**

**2** If this tax year is for less than 12 months, check reason  Initial return  Final return  Change in accounting period

**3a** If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions \$ \_\_\_\_\_

**b** If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit \$ \_\_\_\_\_

**c Balance Due.** Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions \$ \_\_\_\_\_

**Caution.** If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions

Form **8886**

(Rev. June 2004)

Department of the Treasury  
Internal Revenue Service

**Reportable Transaction Disclosure Statement**

- ▶ Attach to your tax return.
- ▶ See separate instructions.

OMB No 1545-1800

Attachment  
Sequence No **137**

Name(s) shown on return **PROJECT HOPE - THE PEOPLE TO PEOPLE HEALTH FOUNDATION** Identifying number **53-0242962**

Number, street, and room or suite no  
**255 CARTER HALL LANE**

City or town, state, and ZIP code  
**MILLWOOD, VA 22646**

**1 a** Name of reportable transaction **1 b** Tax shelter registration number (11-digits) (if any)

**2** Identify the type of reportable transaction Check the box(es) that apply (see instructions)

- (a)  Listed transaction
- (b)  Confidential transaction
- (c)  Transaction with contractual protection
- (d)  Loss transaction
- (e)  Transaction with significant book-tax difference
- (f)  Transaction with brief asset holding period

**3** If the transaction is a "listed transaction" or substantially similar to a listed transaction, identify the listed transaction (see instructions) ▶ **CDS, NOTICE 2002-35**

**4** Enter the number of transactions reported on this form ..... ▶ **30**

**5** If you invested in the transaction through another entity, such as a partnership, an S corporation, or a foreign corporation, identify the name and employer identification number (EIN) (if any) of that entity ..... ▶ **13-4134788**  
**GAM AVALON LANCELOT, LP**

**6** Enter in **columns (a) and (b)** below, the name and address of each person to whom you paid a fee with regard to the transaction if that person promoted, solicited, or recommended your participation in the transaction, or provided tax advice related to the transaction

(a) Name	(b) Address
NONE	

7 **Facts.** Describe the facts of the transaction that relate to the expected tax benefits, including your participation in the transaction. For listed transactions identified in item 2a, also provide the complete name, address, and nature of involvement of all parties to the transaction (see instructions)

SEE ATTACHMENT 1

8 **Expected tax benefits.** Describe the expected tax benefits, including deductions, exclusions from gross income, nonrecognition of gain, tax credits, adjustments (or the absence of adjustments) to the basis of property, etc (see instructions for more details)

THE FUND IN WHICH THE PARTNERSHIP HAS INVESTED HAS MADE A MARK-TO-MARKET ELECTION PURSUANT TO IRC SECTION 475(F). ACCORDINGLY, FUND WILL MARK TO MARKET ALL PROFIT AND LOSS COMPONENTS OF SUCH SWAP(S) AS ORDINARY INCOME OR LOSS.

9 **Estimated tax benefits.** Provide a separate estimate of the amount of each of the expected tax benefits described above for each affected tax year (including prior and future years)

THE FUND IN WHICH THE PARTNERSHIP HAS INVESTED, IS A PARTNERSHIP WITH LIMITED PARTNERS. THE REGULAR ACTIVITY AND PURPOSE OF THE FUND IS TO GENERATE A PRE-TAX ECONOMIC RATE OF RETURN. FUND GENERATES INCOME AND LOSS FROM ITS REGULAR ACTIVITY AND PROVIDES RELEVANT INFORMATION TO EACH PARTNER FOR PURPOSES OF FILING THEIR RESPECTIVE TAX RETURN. A PARTNER'S SHARE OF ANY INCOME OR LOSS REFERRED TO ON LINE 8 IS AVAILABLE TO BE CLAIMED ON A PARTNER'S TAX RETURN FOR 2004.

**Reportable Transaction Disclosure Statement**

- ▶ Attach to your tax return.
- ▶ See separate instructions.

Name(s) shown on return **PROJECT HOPE - THE PEOPLE TO PEOPLE HEALTH FOUNDATION** Identifying number **53-0242962**

Number, street, and room or suite no  
**255 CARTER HALL LANE**  
 City or town, state, and ZIP code  
**MILLWOOD, VA 22646**

**1a** Name of reportable transaction **1b** Tax shelter registration number (11-digits) (if any)

**2** Identify the type of reportable transaction. Check the box(es) that apply (see instructions)

- (a)  Listed transaction
- (b)  Confidential transaction
- (c)  Transaction with contractual protection
- (d)  Loss transaction
- (e)  Transaction with significant book-tax difference
- (f)  Transaction with brief asset holding period

**3** If the transaction is a "listed transaction" or substantially similar to a listed transaction, identify the listed transaction (see instructions) ▶ **CDS, NOTICE 2002-35**

**4** Enter the number of transactions reported on this form ..... ▶ **53**

**5** If you invested in the transaction through another entity, such as a partnership, an S corporation, or a foreign corporation, identify the name and employer identification number (EIN) (if any) of that entity ..... ▶ **13-4134788**  
**GAM AVALON LANCELOT LTD**

**6** Enter in columns (a) and (b) below, the name and address of each person to whom you paid a fee with regard to the transaction if that person promoted, solicited, or recommended your participation in the transaction, or provided tax advice related to the transaction

(a) Name	(b) Address
NONE	

7 **Facts** Describe the facts of the transaction that relate to the expected tax benefits, including your participation in the transaction. For listed transactions identified in item 2a, also provide the complete name, address, and nature of involvement of all parties to the transaction (see instructions)

SEE ATTACHMENT 2

8 **Expected tax benefits.** Describe the expected tax benefits, including deductions, exclusions from gross income, nonrecognition of gain, tax credits, adjustments (or the absence of adjustments) to the basis of property, etc. (see instructions for more details)

THE FUND IN WHICH THE PARTNERSHIP HAS INVESTED HAS MADE A MARK-TO-MARKET ELECTION PURSUANT TO IRC SECTION 475(F). ACCORDINGLY, FUND WILL MARK TO MARKET ALL PROFIT AND LOSS COMPONENTS OF SUCH SWAP(S) AS ORDINARY INCOME OR LOSS.

9 **Estimated tax benefits.** Provide a separate estimate of the amount of each of the expected tax benefits described above for each affected tax year (including prior and future years).

THE FUND IN WHICH THE PARTNERSHIP HAS INVESTED, IS A PARTNERSHIP WITH LIMITED PARTNERS. THE REGULAR ACTIVITY AND PURPOSE OF THE FUND IS TO GENERATE A PRE-TAX ECONOMIC RATE OF RETURN. FUND GENERATES INCOME AND LOSS FROM ITS REGULAR ACTIVITY AND PROVIDES RELEVANT INFORMATION TO EACH PARTNER FOR PURPOSES OF FILING THEIR RESPECTIVE TAX RETURN. A PARTNER'S SHARE OF ANY INCOME OR LOSS REFERRED TO ON LINE 8 IS AVAILABLE TO BE CLAIMED ON A PARTNER'S TAX RETURN FOR 2004.

PROJECT HOPE - PEOPLE TO PEOPLE HEALTH FOUNDATION, INC  
EIN 53-0242962  
YEAR ENDED JUNE 30, 2005

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FORM 8886

ATTACHMENT 1

LINE 7 - FACTS

TAXPAYER, PROJECT HOPE - PEOPLE TO PEOPLE HEALTH FOUNDATION, INC , IS A PARTNER IN GAM AVALON LANCELOT LLC, WHICH INVESTS IN WATERSTONE MARKET NEUTRAL MASTER FUND, A FUND THAT TRADES IN VARIOUS STOCK, SECURITIES, AND RELATED FINANCIAL INSTRUMENTS FOR ITS OWN ACCOUNT THE REGULAR ACTIVITY AND PURPOSE OF THE FUND IS TO GENERATE A PRE-TAX ECONOMIC RETURN FOR ITS INVESTORS FUND HAS ENTERED INTO SWAPS DISCUSSED BELOW AS PART OF THIS REGULAR ACTIVITY AND PURSUANT TO THIS SAME PURPOSE THE TRANSACTION, TO WHICH FUND IS A PARTY, IS A TOTAL RETURN AND/OR CREDIT DEFAULT SWAP THAT IS EXPECTED TO REQUIRE A SERIES OF PAYMENTS FROM PARTY A TO PARTY B DURING THE TERM OF THE TRANSACTION WITH A POTENTIAL PAYMENT FROM PARTY B TO PARTY A AT THE MATURITY OR EARLY TERMINATION OF THE CONTRACT. IT IS POSSIBLE THAT THE FUND COULD BE PARTY A IN CERTAIN TRANSACTIONS AND PARTY B IN OTHER DISTINCT TRANSACTIONS THE BACK-END PAYMENT IS NOT DESCRIBED IN THE TRANSACTION DOCUMENTS AS THE SUM OF TWO AMOUNTS FUND DOES NOT BELIEVE THAT THE SWAPS THEY ENGAGE IN ARE SUBSTANTIALLY SIMILAR TO THE CONTINGENT DEFERRED SWAP IN NOTICE 2002-35 HOWEVER, DUE TO THE LACK OF CERTAINTY FUND IS DISCLOSING THESE TRANSACTIONS ON A PROTECTIVE BASIS

ATTACHMENT 1

PROJECT HOPE - PEOPLE TO PEOPLE HEALTH FOUNDATION, INC  
EIN 53-0242962  
YEAR ENDED JUNE 30, 2005

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FORM 8886

ATTACHMENT 2

LINE 7 - FACTS

TAXPAYER, PROJECT HOPE - PEOPLE TO PEOPLE HEALTH FOUNDATION, INC , IS A PARTNER IN GAM AVALON LANCELOT LLC, WHICH INVESTS IN WATERSTONE MARKET NEUTRAL FUND, A FUND THAT TRADES IN VARIOUS STOCK, SECURITIES, AND RELATED FINANCIAL INSTRUMENTS FOR ITS OWN ACCOUNT. THE REGULAR ACTIVITY AND PURPOSE OF THE FUND IS TO GENERATE A PRE-TAX ECONOMIC RETURN FOR ITS INVESTORS. FUND HAS ENTERED INTO SWAPS DISCUSSED BELOW AS PART OF THIS REGULAR ACTIVITY AND PURSUANT TO THIS SAME PURPOSE. THE TRANSACTION, TO WHICH FUND IS A PARTY, IS A TOTAL RETURN AND/OR CREDIT DEFAULT SWAP THAT IS EXPECTED TO REQUIRE A SERIES OF PAYMENTS FROM PARTY A TO PARTY B DURING THE TERM OF THE TRANSACTION WITH A POTENTIAL PAYMENT FROM PARTY B TO PARTY A AT THE MATURITY OR EARLY TERMINATION OF THE CONTRACT. IT IS POSSIBLE THAT THE FUND COULD BE PARTY A IN CERTAIN TRANSACTIONS AND PARTY B IN OTHER DISTINCT TRANSACTIONS. THE BACK-END PAYMENT IS NOT DESCRIBED IN THE TRANSACTION DOCUMENTS AS THE SUM OF TWO AMOUNTS. FUND DOES NOT BELIEVE THAT THE SWAPS THEY ENGAGE IN ARE SUBSTANTIALLY SIMILAR TO THE CONTINGENT DEFERRED SWAP IN NOTICE 2002-35. HOWEVER, DUE TO THE LACK OF CERTAINTY FUND IS DISCLOSING THESE TRANSACTIONS ON A PROTECTIVE BASIS.

ATTACHMENT 2

Project HOPE-The People-to-People Health Foundation, Inc  
53-0242962  
For the Year Ended June 30, 2005

**SCHEDULE I**

Line 8, Part I, Page 1, Form 990

Gain (Loss) on Sale of Publicly traded securities

Sales Price	\$4,285,390
Cost Basis	<u>4,216,852</u>
Gain	<u><u>\$68,538</u></u>

Project HOPE-The People-to-People Health Foundation, Inc  
53-0242962  
For the Year Ended June 30, 2005

**SCHEDULE 2**

Line 20, Part I, Page 1, Form 990

Other changes in net assets or fund balances

Unrealized gains/(losses) on securities carried at market value	\$773,062
Adjustment for K-1 capital transaction	329
Gain (loss) on foreign currency	<u>(35,577)</u>
Total	<u><u>\$737,814</u></u>

Project HOPE-The People-to-People Health Foundation, Inc  
53-0242962  
For the Year Ended June 30, 2005

**SCHEDULE 3**

Line 22, Part II, Page 2, Form 990

Grants and Allocations	
Fellowships	\$113,753
Sub-recipients of Awards	<u>3,878,844</u>
	<u>\$3,992,597</u>

Project HOPE-The People-to-People Health Foundation, Inc  
53-0242962  
For the Year Ended June 30, 2005

**SCHEDULE 4**

Line 43(e), Part II, Page 2, Form 990

Other Expenses.

	(A) Total	(B) Program Services	(C) Mgmt & General	(D) Fundraising
Licenses & Permits	\$23,178	\$5,023	\$18,154	
Bank Charges/Credit Card Fees	148,239	\$104,040	15,078	\$29,121
Institutional Dues	64,447	\$59,932	765	3,750
Bad Debt	1,733	\$1,733		
Meeting expenses	26,179		26,179	
Value-Added Tax	12,390	\$12,390		
Other/Corrections	141,178	\$25,325	78,954	36,899
	<u>\$417,344</u>	<u>\$208,443</u>	<u>\$139,131</u>	<u>\$69,770</u>

Project HOPE-The People-to-People Health Foundation, Inc  
53-0242962  
For the Year Ended June 30, 2005

**SCHEDULE 5**  
Part III, Page 2, Form 990

**Expanded Description of Organizational Mission  
and International Health, Domestic Health, and Health Policy Programs**

Project HOPE -The People-to-People Health Foundation, Inc , is an independent, international non-profit health education organization founded in 1958. Identifiable to many by the SS HOPE - the world's first peacetime hospital ship, Project HOPE has conducted programs in more than 90 countries worldwide. Today, Project HOPE operates in 26 nations and is conducting over 70 programs in Africa, the Americas and the Caribbean, Asia and the Middle East, Central and Eastern Europe; and Russia and Central Asia

Project HOPE strives to improve health standards throughout the world through partnership and education, teaching people to help themselves. The programs it has developed and implemented are designed to foster independence from outside assistance.

Project HOPE has capabilities in a variety of health and medical disciplines, offering the advantage of a single organization with the resources to coordinate all aspects of multi-faceted programs. Its activities range from developing a system to train and utilize rural health promoters to the establishment of highly specialized, tertiary care postgraduate medical education programs. Activities include village health banks, maternal and child health and child survival, primary health care, medical, surgical, dental, nursing and allied health education, emergency medicine; economics and policy research, and sub-specialty programs in tuberculosis, cardiovascular surgery, pediatric surgery, critical and intensive care, neonatology, craniofacial surgery, burn treatment, rehabilitation, orthopedics, and laboratory medicine. Project HOPE is also recognized for its design and construction of health facilities and for providing humanitarian assistance.

Project HOPE initiates programs at the specific request of the host country, and designs them to be responsive to local needs and priorities. In the planning and implementation of programs, it works closely with the appropriate local organizations, including Ministries of Health, universities, schools of health science, hospitals, health centers, health departments, and community programs in both rural and urban settings. Local counterparts work with Project HOPE to plan and implement activities to address critical health needs, so that programs can be sustained after the project is completed.

Project HOPE's peer-reviewed, bi-monthly journal, Health Affairs, is one of the United States' leading medical journals that publishes articles which advance debates in the traditional health policy issues of cost, access and quality.

Project HOPE-The People-to-People Health Foundation, Inc.

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For the Year Ended June 30, 2005

**SCHEDULE 6**

Line 49, Part IV, Page 3, Form 990

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
Grants and Contracts Receivable	\$3,611,943	\$2,600,776

The Foundation receives grants and enters into contracts with the U.S. Government, foreign governments, and multi-lateral organizations, which generally provide for cost reimbursement to the Foundation

Project HOPE-The People-to-People Health Foundation, Inc  
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**SCHEDULE 7**  
Line 54, Part IV, Page 3, Form 990

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
Investments		
Treasury Notes	\$1,507,210	\$1,444,782
Corporate Bonds	128,000	195,976
Equity	6,027,171	6,725,504
Mutual Funds (Deferred Gifts)	1,355,366	2,071,581
Managed hedge funds and futures contracts	880,000	947,422
	<u>\$9,897,747</u>	<u>\$11,385,265</u>

Project HOPE-The People-to-People Health Foundation, Inc.  
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**SCHEDULE 8**  
Line 57, Part IV, Page 3, Form 990

Description	June 30, 2004		June 30, 2005		Current Yr Depreciation
	Cost	Acc Depr	Cost	Acc Depr.	
Land	\$602,888		\$602,888		
Furniture, Fixtures & Equipment Life - Various	5,572,158	\$4,862,835	2,920,372	\$2,217,226	\$158,433
Leasehold Improvements Life = 3 Years S L	72,999	72,999	86,506	73,225	226
Land Improvements Life = 20 Years S L.	675,115	612,073	675,115	622,222	10,149
Buildings Life - 45 Years S L	4,354,688	1,342,857	4,440,614	1,416,116	73,259
	<u>\$11,277,848</u>	<u>\$6,890,764</u>	<u>\$8,725,495</u>	<u>\$4,328,788</u>	<u>\$242,066</u>

Project HOPE-The People-to-People Health Foundation, Inc  
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**SCHEDULE 9**  
Line 58, Part IV Page 3, Form 990

Other Assets	<u>June 30, 2004</u>	<u>June 30, 2005</u>
Contributed Property held for Resale	\$18,000	\$18,000
Loan Program Fund Assets *	<u>1,601,455</u>	<u>1,626,269</u>
	<u>\$1,619,455</u>	<u>\$1,644,269</u>

\*Loan Program Fund

The Foundation manages community-based loan programs in developing countries. These programs intend to encourage entrepreneurship and self-reliance. Program assets consist of outstanding loans and cash available from repayment of previous loans and related interest. The offsetting liability represents the Foundation's obligation to hold the program assets exclusively for the benefit of targeted communities.

Project HOPE-The People-to-People Health Foundation, Inc  
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**SCHEDULE 10**  
Line 62, Part IV, Page 3, Form 990

Support and Revenue Designated for for Future Periods.	<u>June 30, 2004</u>	<u>June 30, 2005</u>
Subscriptions to Health Affairs Magazine	<u>\$626,032</u>	<u>\$888,863</u>
	<u>\$626,032</u>	<u>\$888,863</u>

Project HOPE-The People-to-People Health Foundation, Inc  
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**SCHEDULE 11**  
Line 65, Part IV, Page 3, Form 990

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
Loan Program Funds*	\$1,601,455	\$1,626,269
Annuity Obligations	<u>707,714</u>	<u>841,046</u>
	<u>\$2,309,169</u>	<u>\$2,467,315</u>

\* **Loan Program Funds**

The Foundation manages community-based loan programs in developing countries. These programs intend to encourage entrepreneurship and self-reliance. Program assets consist of outstanding loans and cash available from repayment of previous loans and related interest. The offsetting liability represents the Foundation's obligation to hold the program assets exclusively for the benefit of targeted communities.

Project HOPE-The People-to-People Health Foundation, Inc  
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**SCHEDULE 12**  
Line 67, Part IV Page 3, Form 990

The Board of Directors has designated certain net assets to function as endowment to provide for the financial requirements from any unforeseen events that might threaten the continued viability of the Foundation. The Board-designated amount was \$7,468,081 and \$6,741,648 at June 30, 2005 and 2004, respectively, which is classified as part of Net Assets - Unrestricted. The net appreciation from Board-designated funds is recorded as unrestricted net assets.

Project HOPE-The People-to-People Health Foundation, Inc  
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**SCHEDULE 13**  
Part IV-A. Page 4, b(4) Form 990

Rental Expenses - Conference Center	\$283,229
Gain Loss on Currency Translation	(35,577)
Total	<u>\$247,652</u>

Project HOPE-The People-to-People Health Foundation, Inc  
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**SCHEDULE 14**

Part IV-B, Page 4, b(4) Form 990

Rental Expenses - Conference Center	\$283,229
Total	<u><u>\$283,229</u></u>

PROJECT HOPE - The People-to-People Health Foundation Inc  
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 Schedule and Response to Part V Schedule A Form 990  
 LIST OF OFFICERS, DIRECTORS, AND TRUSTEES  
 SCHEDULE 15

<u>NAME, ADDRESS &amp; TITLE</u>	<u>TIME DEVOTED TO POSITION</u>	<u>COMPENSATION</u>	<u>CONTRIBUTIONS TO EMPLOYEE BENEFIT PLANS</u>	<u>EXPENSE ACCOUNT AND OTHER</u>
<b><u>BOARD MEMBERS</u></b>				
<b>Mr Arthur J Benvenuto</b> P O Box 365 Solana Beach CA 92075	Note 1	None	None	None
<b>Mr Arno Bohn</b> Bohn Consulting Kaiser-Joseph-Str 243 79098 Freiburg GERMANY	Note 1	None	None	None
<b>Mr C L Clemente</b> Executive Vice President 240 East 39th Street #31H New York, NY 10016	Note 1	None	None	None
<b>Mrs. Edward N. Cole</b> Briarpatch Ranch County Road 179 West at Mandosa P O Box 1086 Lockhart, TX 78644	Note 1	None	None	None
<b>Linda Distlerath, Ph D</b> VicePresident Global Health Policy Merck & Co., Inc P O Box 100 Whitehouse Station, NJ 08889-0100	Note 1	None	None	None
<b>Mr John W. Galiardo</b> 56 Crooked Tree Lane Princeton, NJ 08540	Note 1	None	None	None
<b>Jack M Gill, Ph.D</b> President The Gill Foundation 1330 Post Oak Boulevard, Ste 1575 Houston, TX 77056	Note 1	None	None	None
<b>Sue Desmond-Hellmann, M.D</b> Executive Vice President, Development and Product Operations & Chief Medical Officer Genentech, Inc 1 DNA Way South San Francisco, CA 94080	Note 1	None	None	None
<b>Mr William L Henry</b> 1229 Washington Street Pittsburgh, PA 15228	Note 1	None	None	None
<b>Dr Franz B Humer</b> Chairman and CEO F Hofman-LaRoche, Ltd CH-4070 Basel Switzerland	Note 1	None	None	None
<b>Mr Robert A Ingram</b> Vice Chairman, Pharmaceutical Operations GlaxoSmithKline Five Moore Drive Research Triangle Park, NC 27709	Note 1	None	None	None
<b>Mr. Katsuto Kohtani</b> Advisor Agilent Technologies Japan Ltd 9-1 Takakura-Cho Hachioji-shi Tokyo 192-8510 JAPAN	Note 1	None	None	None

PROJECT HOPE - The People-to-People Health Foundation, Inc  
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Schedule and Response to Part V, Schedule A, Form 990  
LIST OF OFFICERS, DIRECTORS, AND TRUSTEES  
SCHEDULE 15

NAME, ADDRESS, & TITLE	TIME DEVOTED TO		CONTRIBUTIONS TO	EXPENSE
	POSITION	COMPENSATION	EMPLOYEE BENEFIT PLANS	ACCOUNT AND OTHER
<b>Mr. Göran S. Malm</b> 1 Holt Road, #11-02 The Honzon Singapore 249441	Note 1	None	None	None
<b>Mr. Gerhard N. Mayr</b> 95 Eaton Square London SW1 W9AQ, U K	Note 1	None	None	None
<b>J. Michael McQuade, Ph.D.</b> Division Vice President, Medical Division 3M Company Building 275-4W-02 St Paul MN 55144	Note 1	None	None	None
<b>Viren Mehta</b> President, Mehta Partners, LLC 584 Broadway Suite 1206 New York, NY 10012	Note 1	None	None	None
<b>Mr. Dayton Ogden</b> Chairman SpencerStuart Worldwide 695 East Main Street – Bldg A-2 Stamford, CT 06901	Note 1	None	None	None
<b>Mr. Steven B. Pfeiffer</b> Partner Fulbright & Jaworski, L L P 801 Pennsylvania Ave., NW Washington, DC 20004-2615	Note 1	None	None	None
<b>Mr. James E. Preston</b> Rock Hill Associates, LLC 9 Maple Street – P O Box 859 Kent, CT 06757	Note 1	None	None	None
<b>Mr. Stephen H. Rusckowski</b> Chief Executive Officer Cardiac & Monitoring Systems Philips Medical Systems 3000 Minuteman Road Andover, MA 01810	Note 1	None	None	None
<b>Charles A. Sanders, M.D.</b> Retired Chairman and CEO Glaxo, Inc 100 Europa Drive #170 Chapel Hill, NC 27517	Note 1	None	None	None
<b>Dr. J. Friedrich Sauerländer</b> Chief Executive Officer Manufacture des Montres Rolex S A Rue David-Moring 9 CH-2501 Bienne, SWITZERLAND	Note 1	None	None	None
<b>Mr. Curt M. Selquist</b> Company Group Chairman Johnson & Johnson Healthcare Systems 425 Hoes Lane Piscataway, NJ 08855	Note 1	None	None	None
<b>Louis W. Sullivan, M.D.</b> President Emeritus Morehouse School of Medicine 720 Westview Drive, SW Atlanta, Georgia 30310-1495	Note 1	None	None	None

PROJECT HOPE - The People-to-People Health Foundation, Inc  
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 Schedule and Response to Part V, Schedule A, Form 990  
 LIST OF OFFICERS, DIRECTORS, AND TRUSTEES  
 SCHEDULE 15

<u>NAME, ADDRESS, &amp; TITLE</u>	<u>TIME DEVOTED TO POSITION</u>	<u>COMPENSATION</u>	<u>CONTRIBUTIONS TO EMPLOYEE BENEFIT PLANS</u>	<u>EXPENSE ACCOUNT AND OTHER</u>
<b>Ms. Karen E Welke</b> Retired Group V P ,3M 4755 McDonald Drive, North Stillwater, MN 55082	Note 1	None	None	None
<b>Mr. Bradley A J Wilson</b> Riversdale Lodge Riversdale Bourne End Buckinghamshire SL8 5EB UNITED KINGDOM	Note 1	None	None	None
<b>OFFICERS</b>				
John P Howe, III, M D President and CEO Project HOPE-The People-to-People Health Foundation, Inc 255 Carter Hall Lane, Millwood VA 22646	Note 2	\$519,862	\$13,545	None
James B Peake, M D Executive Vice President and Chief Operating Officer Project HOPE-The People-to-People Health Foundation, Inc 255 Carter Hall Lane, Millwood VA 22646	Note 2	\$124,044	\$3,340	None
Randy Wykoff, M D Senior Vice President, International Operations Project HOPE-The People-to-People Health Foundation, Inc 255 Carter Hall Lane, Millwood VA 22646	Note 2	\$232,175	\$15,877	None
Deborah Carl Vice President, Human Resources and Administration Project HOPE-The People-to-People Health Foundation, Inc 255 Carter Hall Lane, Millwood VA 22646	Note 2	\$173,918	\$14,880	None
John Iglehart Vice President and Founding Editor, Health Affairs Journal Project HOPE-The People-to-People Health Foundation, Inc 255 Carter Hall Lane, Millwood VA 22646	Note 2	\$262,592	\$13,665	None
Deborah R Iwig Vice President and Chief Financial Officer Project HOPE-The People-to-People Health Foundation, Inc 255 Carter Hall Lane, Millwood VA 22646	Note 2	\$215,369	\$7,024	None
Anthony Buchard Vice President, Development and Communications Project HOPE-The People-to-People Health Foundation, Inc 255 Carter Hall Lane, Millwood VA 22646	Note 2	\$85,067	\$2,775	None
<b>TOTAL</b>		<b>\$1,613,027</b>	<b>\$71,106</b>	<b>None</b>

**NOTES**

Note 1 These individuals serve as officers and/or members of the Board of Directors. No compensation is paid to any individual for serving as a member of the Board of Directors. In addition to devoting approximately 72 hours a year to attend the Board of Directors meetings, these individuals spend an average of eight hours a month on other Foundation related activities.

Note 2 These individuals are officers of Project HOPE, The People-to-People Health Foundation, Inc and are compensated for their services as full time employees of the Foundation. They work a minimum of 40 hours a week.

Project HOPE-The People-to-People Health Foundation, Inc  
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**SCHEDULE 16**  
Line 90, Part VI, Page 5, Form 990

A copy of the Form 990 and/ or similar information is filed with the following states

Alabama	Mississippi
Alaska	Montana
Arizona	Nebraska
Arkansas	Nevada
California	New Hampshire
Colorado	New Jersey
Connecticut	New Mexico
Delaware	New York
District of Columbia	North Carolina
Florida	North Dakota
Georgia	Ohio
Hawaii	Oklahoma
Idaho	Oregon
Illinois	Pennsylvania
Indiana	Rhode Island
Iowa	South Carolina
Kansas	South Dakota
Kentucky	Tennessee
Louisiana	Texas
Maine	Utah
Maryland	Vermont
Massachusetts	Virginia
Michigan	Washington
Missouri	West Virginia
Minnesota	Wisconsin
	Wyoming

Project HOPE-The People-to-People Health Foundation, Inc  
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**SCHEDULE 17**  
Part II, Schedule A, Form 990

Compensation amounts represent amounts paid to the companies during the year. Portions of the payments may represent prior year expenses that had been accrued in the prior year

Project HOPE-The People-to-People Health Foundation, Inc  
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**SCHEDULE 18**

Line 2(a), Part III, Schedule A, Form 990

In the normal course of business, Project HOPE makes purchases from many corporations, some of which may employ one of the members of our Board of Directors. All such purchases are made in accordance with Project HOPE's normal procurement policies and practices which include specific requirements for competitive bidding. These purchases are not significant to either Project HOPE or the corporations involved.

Such purchases are made without the contemporaneous knowledge of the full Board or the Board member(s) involved. The Board member(s) involved were not present when the related purchasing decisions were made. Information regarding such purchases is summarized on an annual basis and reported to the Board of Directors. The Board of Directors are governed by a separate conflict of interest policy.

Project HOPE-The People-to-People Health Foundation, Inc  
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**SCHEDULE 19**

Line 2c, Part III, Schedule A, Form 990

<u>Vendor</u>	<u>Work Description</u>	<u>Relationship to Project HOPE</u>
BB&T	Banking - corporate checking and saving accounts	Project HOPE President and CEO is a member of BB&T Board of Directors

For over 20 years Project HOPE has had a banking relationship with BB&T (formerly F&M Bank before consolidation) In 2005 Project HOPE's President and CEO was appointed to the Board of Directors of BB&T The Project HOPE Board of Directors and legal counsel reviewed this appointment on behalf of Project HOPE and set conditions to avoid any real or perceived conflicts of interest This appointment will have no impact on Project HOPE's relationship with BB&T

Note

On an irregular basis, it is necessary for the Foundation to provide housing facilities to certain employees, some of whom may be key employees Such housing is provided for the convenience of the Foundation at The Project HOPE Health Sciences Education Center when it is necessary for the employees to be at the Center at irregular hours

Project HOPE-The People-to-People Health Foundation, Inc  
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**SCHEDULE 20**

Line 3, Part III, Schedule A, Form 990

In deciding which organizations receive assistance from Project HOPE, requests from foreign governmental units and/or health institutions are individually evaluated. Major considerations include our perception of the commitment of the requesting entity and the entity's ability to carry on the respective programs which we are helping to establish.

In deciding which individuals receive assistance from us, we evaluate scholarship or fellowship recipients in conjunction with his or her Ministry of Health or Education. Our major considerations are the individual's past contributions to health care, as well as the individual's potential for future contributions.