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MESSAGE FROM THE PRESIDENT/CHIEF EXECUTIVE OFFICER



Each year, as we look back on what Project HOPE has accomplished in the previous 12 months, we do our best to quantify our influence. We try to calculate the numbers of children treated, mothers educated, and local health care professionals trained. We tally the dollar value of facilities we've constructed or improved, and we add up the costs of medical equipment, medicines, and supplies shipped to countries around the world with pressing needs for humanitarian assistance, whether on an ongoing basis or as the result of a catastrophic event.

Such statistics are important and meaningful, but they tell only part of our story. The other part is told by the individuals whose lives are transformed through their interaction and relationship with Project HOPE. We share the tender stories of a few of those individuals in the pages that follow.

There's Polina, a Polish woman whose unborn baby was diagnosed with a serious heart defect. Today, her daughter, Julia, is three years old and has a bright future thanks to a Project HOPE-led training program that gave the surgical team at University Children's Hospital of Krakow the knowledge and skills to perform a delicate heart procedure. There's Eman Salman Mohamend Taie, who first came to our National Training Institute in Egypt as a trainee and who is now one of our most passionate trainers and patient advocates. And there's Diane Speranza, an emergency room nurse from

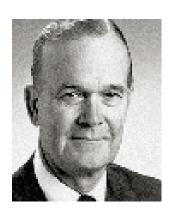
Florida who has traveled twice to the other side of the world as a Project HOPE volunteer.

However we measure success, this was another extraordinary year for Project HOPE—one that reaffirmed our position as one of the world's leading international organizations devoted to sustainable improvements in health care. We invite you to read more about our progress and the lives that we have touched. And, as always, we thank you for your support that has allowed us to improve health and spread hope throughout the world.

John P. Howe, III, M.D.

President and CEO

MESSAGE FROM THE CHAIRMAN



Everyone who is a part of Project HOPE—our donors and lay volunteers, as well as our staff and medical volunteers—can be proud of what we achieved last year and every year since our founding in 1958. Each investment of time or resources is valuable in and of itself. And each generous contribution leverages additional investments, as well. Thanks to this ripple effect, Project HOPE is recognized as a world leader in the areas of women's and children's health, infectious disease, professional education, and health systems, facilities, and policy.

As we approach our 50th anniversary, Project HOPE intends to build on its extraordinary track record for success to better serve people, especially children, in areas of the world that lack human resources, expertise, or capacity. With your continued support, we will integrate medicine, health care training, and technology into a worldwide network of healing and hope. We look forward to sharing news of our activities with you in years to come.

Charles A. Sanders, M.D.

Charles a Landey

Chairman

INFECTIOUS DISEASES:

Our HOPE Faces Contemporary Challenges

This year, Project HOPE continued and expanded programs around the world that address the prevention, treatment, management and social impact of HIV/AIDS and tuberculosis.

Each of the three African nations Project HOPE serves today is home to a program focusing on HIV/AIDS. Namibia joined Mozambique this year as the site of Project HOPE activities that provide assistance to families caring for orphans and vulnerable children who have lost one or both caretakers due to the disease. The new program in Namibia employs our Village Health Bank model, in which women receive small loans and health information to improve their families' quality of life. To inaugurate this important program, and to mark World AIDS Day, President and CEO John P. Howe, III, M.D., visited Africa with former Secretary of Health and Human Services and Project HOPE Board of Directors member Louis W. Sullivan, M.D. Meeting with national health authorities, Dr. Howe was told of

the health care human resources crisis that confounds the efforts of ministries of health to cover all these countries' regions and residents.

Earlier this year, Project HOPE expanded the geographic scope of an HIV/AIDS prevention program in Russia that has brought behavioral education to vocational school students ages 14 to 19 since 2003. With seminars for academic teachers, education managers, and health providers, the program aims to raise awareness of HIV/AIDS among 38,000 vocational students and to teach health care providers how to better communicate with adolescents about HIV/AIDS. This year, Project HOPE began a new phase to take the curriculum to five Russian regions for the next three years. This ambitious, four-year commitment in the world's largest country continues a history of service to Russia that began in 1989.

In the republics of Central Asia, the health workers Project HOPE has trained and the health systems it supports have treated more than 93,000 patients suffering from tuberculosis, while also helping prevent new infections. Project HOPE's training-of-trainers programs target various aspects of TB management, including laboratory diagnostics; Directly Observed Therapy Short-Course, or DOTS, implementation; national public awareness strategies; and product logistics management to monitor locations where anti-TB drugs are being distributed and used. Project HOPE's partners in the fight against TB have included the ministries of health of its host nations, the U.S. Agency for International Development, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the U.S. Centers for Disease Control.



MUSU VILTÌS:

OUR HOPE IN LITHUANIA

Aligning its infectious diseases and health professional education priorities, and working with the Lithuanian AIDS Centre, Project HOPE conducted HIV/AIDS Education for Lithuania Program (HELP) earlier this year. This four-month program provides local professionals with an understanding of case management and network development; skills for developing and conducting prevention programs; and

strategies for imparting knowledge that reduce the risk of passing HIV/AIDS or re-infection.

Of the 60 trainees selected for each HELP training course, half are invited because of their existing knowledge and half are recruited from open applications. Trainees engage in team exercises that unite professionals of different disciplines—family physicians, social workers, health policymakers and specialists from the national HIV/AIDS center—whose work benefits

the same municipality. This approach reflects Project HOPE's commitment to solutions that are appropriate for the health infrastructure and cultural environment of those served. In keeping with Project HOPE's training-of-trainers methodology, one-fifth to one-half of HELP trainees will be given the knowledge and skills to instruct future courses.



Dr. Howe speaks with a patient of Katutura State Hospital in Namibia's capital, Windhoek.

Children take shelter from heat and strong sunlight in Mozambique's Namarroi district.

Project HOPE's work in Infectious Diseases is in the following countries:

China Namibia
Honduras Russia
Kazakhstan Tajikistan
Kyrgyzstan Thailand
Lithuania Turkmenistan
Malawi Ukraine
Mexico Uzbekistan

Mozambique





In Windhoek, a child receives a gift from Hon. Louis W. Sullivan, M.D., former U.S. Secretary of Health and Human Services and a member of the Project HOPE Board of Directors.

This little girl was among the children on a Namibian farm, the site of Project HOPE HIV/AIDS education in the workplace, June 2005.

HEALTH PROFESSIONAL EDUCATION:

Our HOPE Forms a Chain Reaction

The training of trainers has been an integral component of Project HOPE's approach to Health Professional Education since we first paired SS HOPE volunteers with their host-nation counterparts decades ago. Project HOPE continues to use its training-of-trainers model to make an impact beyond the regions that are home to its offices or program sites, and to reach audiences beyond those immediately served by Project HOPE personnel.

Project HOPE is exploring the feasibility of extending the duration and broadening the geographic reach of our existing health education programs. We are also considering opportunities to replicate successful programs in regions with similar personnel or training needs. Through this sustainable approach to Health Professional Education, Project HOPE initiates chain reactions that enable health professionals throughout the nations

served to update their skills. These efforts to widen the audience of health professional education have inspired Project HOPE's introduction to new host nations, and they mirror our work inviting new volunteers, organizations, and individuals to join the network supporting ongoing programs in 30 nations.



AMAL NA:

OUR HOPE IN EGYPT

In Cairo, a 21st-century medical training facility that can impact health professionals beyond its walls has come into operation: the National Training Institute. A five-story building furnished with modern classrooms, mock-up laboratories with training mannequins, computers, and a conference auditorium wired for interactivity, this Project HOPE project links Egypt's providers of health services with its resources for medical education. It also facilitates electronic distance learning and provides an intra- and international setting for the sharing of approaches and technical skills applied in patient care.

At the NTI today, health care workers come to the institute for multi-day courses that include lecture and laboratory instruction. Many of the trainees have been practicing medicine for years and are already distinguished at their own health facilities. Their participation enables them to integrate knowledge, techniques, and tools presented by leading medical faculty such as visiting instructors from Cairo's Ain Shams University.

Consider NTI trainee-turned-trainer Eman Salman Mohamed Taie. A hospital matron with a doctoral degree, Eman is working to reverse the stigma against nursing that she observes in her country. She is eager to articulate that a nurse's role today far surpasses that of physician's handmaiden.

Recognizing the importance of communicating to patients the complexities of their health conditions and treatment instructions in terms they understand, Eman hopes for more English language training for Egyptian nurses. She says that while English was the language of her medical education, Arabic is the language of her patients. She believes a nurse should be an excellent communicator in both languages. When Dr. John Howe visited Egypt in February, the country's Minister of International Cooperation shared Eman's hope as one of her own.

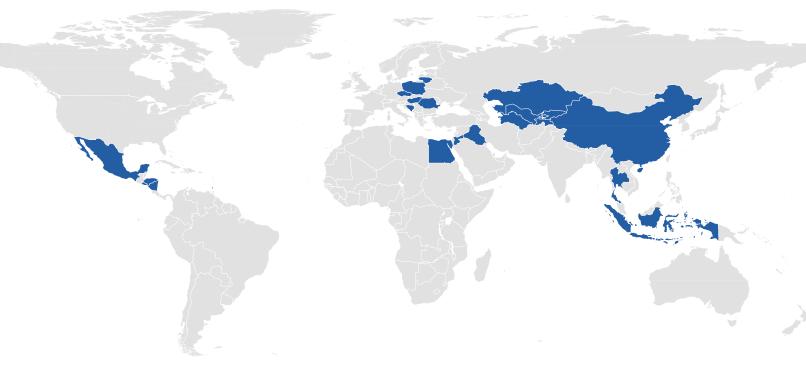




Project HOPE's work in Health Professional Education is in the following countries:

Bosnia China Czech Republic Egypt El Salvador Grenada Honduras Hungary Indonesia Iraq Jordan Kazakhstan Krgyzstan Lithuania Mexico Nicaragua

Poland Romania Tajikistan Thailand Turkmenistan Uzbekistan





To keep knowledge current, Project HOPE offers lectures and laboratory sessions for seasoned health professionals in the Middle East.

WOMEN'S AND CHILDREN'S HEALTH:

Our HOPE Cultivates Communities

Project HOPE is engaged in a range of activities that restore and develop health-oriented communities in locales where disaster, disease, poverty, and poor access to medical resources leave women and children vulnerable. These initiatives include Village Health Bank micro-credit programs in the Americas, Asia, and Africa, and other emerging efforts to serve host nations' needs and strengthen their local networks of health providers.

Project HOPE responded to the December 2004 South East Asian tsunami with ship-based volunteers and supplies during Operation Unified Assistance. Soon thereafter, we supported land-based activities in Indonesia to refurbish devastated hospitals and to provide basic health care for mothers and children in northern Sumatra. These ongoing programs renew our commitment to the first country we ever served, starting in 1960. Today Project HOPE operates from three offices in the northern communities of Banda Aceh, Medan, and Nagan Raya.

A number of the 210 Project HOPE volunteers who responded to the tsunami in early 2005 returned in smaller teams to support the ongoing land-based initiatives. These professionals have had rewarding opportunities to remain in contact and interact with young people in whom they have seen dramatic improvement over the months.

A Village Health Bank meeting presents breast health information in Guatemala in December 2005.



HARAPAN KAMI:

OUR HOPE IN INDONESIA

Project HOPE is currently implementing the World Health Organization's Integrated Management of Childhood Illnesses protocol in Nagan Raya, a district comprising coastal villages that sustained much loss of life and the displacement of thousands in the tsunami. We are also providing community health care through a *posyandu*

model—day-long events attended by mothers living within traveling distance—and developing training for midwives.

Project HOPE has formed an Indonesian staff of over twenty since the tsunami, a group that includes Dr. Nasaruddin Sheldon, Project HOPE's Program Director in Nagan Raya. A physician greatly admired by his Project HOPE colleagues and the Indonesians he has served, Dr. Nasar acts as a liaison between the program and Indonesia's local and national health authorities.

Dr. Nasar recalls a day on which local volunteers waded their way through deep mud to get to their patients, and afterward worked in wet clothes to ensure services could be provided as planned.

Project HOPE's team in Indonesia today admires both the resilience of the people of Aceh and the dedication of volunteer health workers continuing to reach out to them.

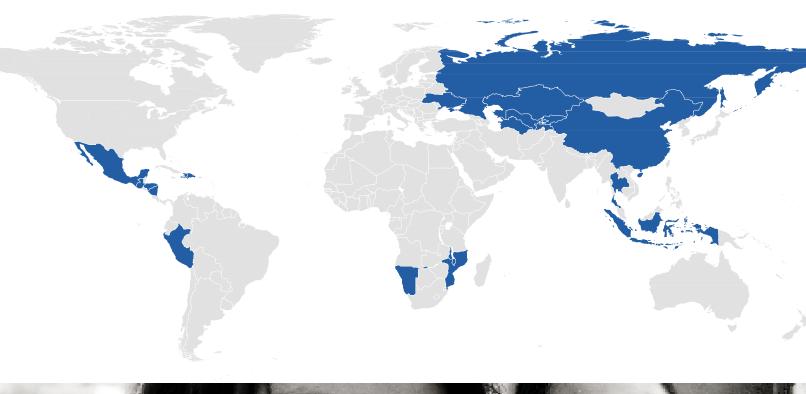


A child hangs from her mother's shoulders in Quetzaltenango.

Project HOPE's work in Women's and Children's Health is in the following countries:

China
Dominican Republic
Guatemala
Haiti
Honduras
Indonesia
Kyrgyzstan

Malawi Mexico Mozambique Namibia Nicaragua Peru Russia Tajikistan Thailand Turkmenistan Ukraine Uzbekistan







Village Health Banks in the Americas empower mothers to improve health awareness among families and communities.

Mother and child await evaluation at a health clinic.

NUESTRA ESPERANZA:

OUR HOPE IN THE DOMINICAN REPUBLIC

Project HOPE has a dynamic presence in the Americas and Caribbean, and this year marked the tenth anniversary of its partnership with the Dominican Association of the Order of Malta. Since 1996, two primary health care clinics have opened to serve Santo Domingo's Herrera neighborhood in the south and Monte Plata in the north. A third clinic is now in development for Haina, in a southern area lacking a community health facility.

Each of the two existing clinics was planned and implemented with a focus on eventual self-sustainability. After the success of the Herrera clinic, which became self-supporting in 2002, members of the Order of Malta donated land on which to build the Monte Plata facility. The two clinics are supported by modest fees for their services, which range from gynecological to pre-natal and pediatric. Today, the Herrera clinic sees about 120 patients daily, and more than 6,200 children have received checkups since the Monte Plata clinic opened in 2003.

Project HOPE President and CEO John P. Howe, III, M.D., accompanied Pfizer Global Health Fellow Zoe Kopp, RN, for the presentation of her evaluation of the clinics to Dominican Republic President Leonel Fernandez. Crediting their capable staffs and the collaborative and compassionate investments of each member, Kopp has called these two clinics the best she has seen in her work over twenty years and on five continents. Kopp's evaluation will now support the replication of the two clinics' approaches for future clinics in the Dominican Republic and other countries.



At Banda Aceh, Indonesia, a little girl explores a site where Project HOPE volunteers provided patient evaluations and immunizations.

Our HOPE of Yesterday—Today

This year, Project HOPE participated in a Humanitarian Assistance partnership that harkened back to our beginnings nearly fifty years ago: the proactive deployment of the USNS Mercy to four South East Asian nations. Supported with 50 civilian medical volunteers and a \$6.3 million shipment of partner-donated supplies, this was a mission of significance to the U.S. Navy, our 2005 tsunami and hurricane response partner. It was a mission of importance to the Project HOPE family, developing a new generation of repeat volunteers. And it was a mission of consequence for the United States, helping to dispel—through health expertise and care the vilifying portrait those who oppose America paint for those without firsthand experience of our nation. Project HOPE Annual Report

Fixed in the minds of many when they envision Project HOPE is an image of the SS HOPE, the hospital ship that conducted 11 medical humanitarian voyages with our volunteers between 1960 and 1974. In those years, SS HOPE went to Asia, Africa, the Americas, and the Caribbean, leaving an indelible memory of our volunteers' compassion with those served. Often, these missions catalyzed land-based activity to sustain improvements to local health care. In Indonesia's Aceh province, served by the USNS Mercy in 2005 and 2006, Project HOPE today conducts hospital refurbishment and maternal and child health programs with a field staff operating from three offices.

The 2006 mission marked the USNS Mercy's return to the Philippines after almost twenty years. As in 1987, the 2006 mission deployed Military Sealift Command civilian mariners and medical personnel from the Air Force, the U.S. Public Health Service, and the Armed Forces of the Philippines, as well as from other host and ally nation militaries.

After departing from Manila in May 2006, the USNS Mercy and our volunteers served patients off Zamboanga, Jolo and Tawi-Tawi islands in the Philippines. They then continued to Chittagong, Bangladesh; Nias and Simeulue islands, Indonesia; Banda Aceh, Tarakan and Kupang, Indonesia; and Dili, Timor Leste.

During their four rotations with the USNS Mercy, Project HOPE volunteers of various medical and nursing disciplines helped transport and receive 705 patients for major surgery—preparing these patients for the OR, performing their operations and later caring for them in the ship's Post Anesthesia Care Unit and patient wards. Dispatched from the ship to local health and community facilities, volunteers



Clockwise from bottom left: Project HOPE volunteer Don Chaffer, M.D., examines a patient at Chittagong, Bangladesh; Child at Banda Aceh, Indonesia; Volunteer Charles Thornsvard, M.D., at the Central Sanatorium

of Mindanao; A boy sits in line for evaluation at Zamboanga, Philippines; Navy Cmdr. Lynn Leventis and HOPE volunteer Mary Herlihy, M.D., operate together to remove a large fibroid tumor; Helping to celebrate

his birthday, volunteer Diane Speranza, RN, accompanies Jolo's Ben for a scan prior to surgery; Five-year-old Bryan waits to be seen by an American physician at Recodo Elementary School.

also helped provide evaluations for patient after patient, prescribing medications and administering more than 10,000 immunizations. Throughout their mission, the HOPE volunteers interacted with patients and their families through shipmates and local health workers serving as translators. They worked long hours in harsh environments, performing universally recognized acts of compassion. Through service on the USNS Mercy, volunteers met unforgettable shipmates and patients, and some experienced joyful reunions with people they helped after the December 2004 tsunami.

Like the American ambassadors who visited the USNS Mercy during the ship's 2006 deployment, Mercy's integrated military and civilian crewmembers were ambassadors of health extraordinary and plenipotentiary. These skilled, giving professionals from every corner of the United States represented fellow health professionals and fellow Americans well, supported by the high-tech, high-capacity facilities of a tertiary-care hospital ship functionally similar to America's largest trauma hospitals.

Returned to the U.S. Navy in the 1970s, the ship SS HOPE no longer exists. However, its legacy of ship-based, land-applied concepts of medical humanitarian assistance and medical diplomacy is as tangible as the artifacts housed at International Headquarters today. Looking forward, and with your help, our hope is that patients of Mercy in 2006 will one day tell Project HOPE, as patients and colleagues of SS HOPE and the USNS Mercy's 2005 mission already have, We remember when the ship was here, and then you came back.



HEALTH SYSTEMS AND FACILITIES: Our HOPE is a Child, Uninhibited





NASZA NADZIEJA:

OUR HOPE IN POLAND

Project HOPE's oldest pediatric Center of Excellence is the University Children's Hospital of Krakow (formerly the Polish American Children's Hospital). The center serves as a refuge for families from across Eastern Europe who are in need of complex neonatal procedures for their most vulnerable members. The facility is a 567-bed tertiary care specialty hospital with 21 inpatient wards, a neonatology operating theater, and a rehabilitation pool among its features.

UCH's expert staff and volunteers have saved many lives and improved countless others dramatically—including that of a now three-year-old girl named Julia, who was diagnosed with a heart defect while her mother, Polina, was still pregnant. Predicting that Julia would have a life of poor quality and short duration if she survived, the family's health providers recommended terminating the pregnancy. Seeking an alternate solution, Polina came to University Children's Hospital, where she underwent a successful surgery.

Children like Julia are the reason we hope for a brighter future for so many others who live near an existing or planned Center of Excellence. Their successes provide one motivation for Project HOPE volunteers and partners to invest greatly of their time and

energy. Their successes also explain why in Shanghai, over 29,000 volunteer hours of vital services have been shared with the children of China since a second pediatric hospital continued this legacy in 1998.

Whether opening a training center to modernize the skills of a country's existing professionals; partnering with a nursing school to avoid a future human resources crisis among health workers; or placing specialized equipment in the reach of professionals who can use it to save lives, Project HOPE identifies and builds on existing beacons of hope, right on the doorsteps of those we serve.



University Children's Hospital of Krakow, Poland, a Project HOPE regional center of excellence, specializes in neonatal and pediatric surgery.

China Iraq
Dominican Republic Poland
Egypt Romania
Indonesia United States



In December 2005, a child walks through mountains of waste at a dump in Nicaragua.





SPERANZA NOSTRA:

OUR HOPE IN THE LEGACY OF SHIP-BASED VOLUNTEERS

Through its 50-year history, Project HOPE has known many repeat volunteers for whom "hope" could be a middle name. Today, their legacy rests with individuals like Diane Speranza, RN, a Florida emergency room nurse who has built a second career as a volunteer for organizations including Project HOPE.

Diane had previously traveled to volunteer her services during the conflicts in Kuwait and Bosnia. After the South East Asian tsunami in 2004, Diane wanted to help the people of Banda Aceh in person. Through Project HOPE and its partnership with the USNS Mercy for Operation Unified Assistance, Diane fulfilled her desire.

In October 2005, after one mission aboard the USNS Mercy, Diane and her husband attended a reunion of Project HOPE alumni in San Francisco. Asked then if she would return should the USNS Mercy and Project HOPE partner in the future, she said, "Absolutely. I would love to do another mission." And she did, participating in three of four consecutive rotations.

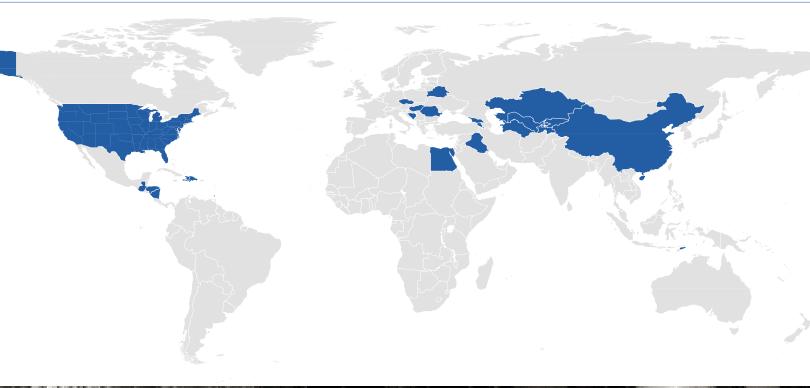
Whenever health providers find themselves willing but unable to go to the other side of the world to address a disaster or persisting need, we hope they will remember people like Diane, and know that they can.

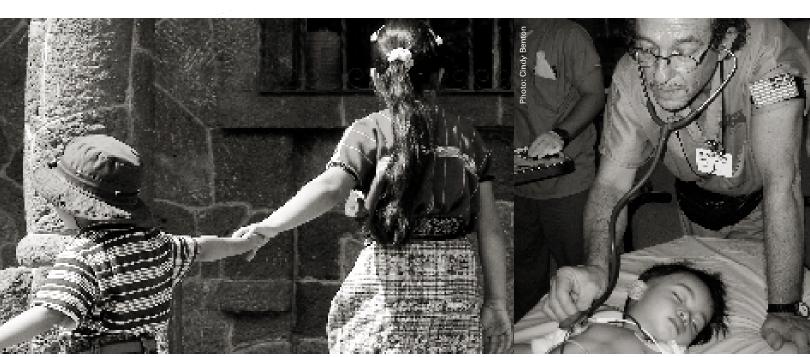


Responding to the May 27, 2006, earthquake at Yogyakarta and supporting its volunteers aboard the USNS Mercy, Project HOPE delivered a \$6.3 million shipment of medical supplies to South East Asia.

Project HOPE's work in Humanitarian Assistance is in the following countries:

Armenia Georgia Belarus Grenada Bosnia Guatemala China Haiti Czech Republic Honduras Dominican Republic Hungary East Timor Iraq Egypt Kazakhstan Kyrgyzstan Nicaragua Romania Tajikistan Turkmenistan United States Uzbekistan





A Project HOPE registered nurse volunteer checks a boy's vital signs aboard the USNS Mercy in the Philippines, June 2006.

As Health Affairs approaches twentyfive years of publishing the leading edge of health policy thought and research, the journal continues to grow in readership and impact. **Published by Project HOPE since late** 1981, the print subscriber base has risen to an all-time high of 11,300, with nearly 40,000 print readers. The online readership grew 37 percent from 8 million pageviews in FY05 to nearly 11 million in FY06. As of January 2006, the journal is averaging 1 million pageviews per month, and user sessions reached nearly 3 million in FY06.



Impact: Health Affairs' impact in bridging the gap between research and policymaking was highlighted this past year when Founding Editor John K. Iglehart was awarded the AcademyHealth Chair Award in June 2006 for significantly contributing to moving health services research into policy and practice. He is only the third honoree to receive this prestigious award. Surveys also point to Health Affairs' impact on the legislative process. From January to June 2006, the journal was cited 18 times in testimony before Congress—more than any other health policy journal and comparable to the level of policy citations from the New England Journal of Medicine and JAMA. Press mentions—another measure of impact—also reached over 2,000 for FY06, including many citations in the Washington Post, New York Times, Wall Street Journal, and NPR, among others.

Theme issues: The journal continued its pattern of publishing five of its six bimonthly issues as theme issues. An additional theme issue was published online. The September/October 2005 issue focused on health care information technology (HIT) and was hailed as a "tour de force" by national HIT coordinator David Brailer. Other theme issues included:

- Rethinking Health Reform
- Hospital Mission Vs. Market
- Global Health Priorities
- Mental Health: Progress & Pitfalls
- Health and Spending of Future Elderly (Web-based theme issue; Sept 26, 2005)

Global health policy: Health Affairs made strides in expanding its global health policy content and outreach through its five-year grant from the Bill and Melinda Gates Foundation. In September, Philip Musgrove, an economist formerly with the World Bank, joined the journal staff as Deputy Editor in charge of global health content. Several papers on vaccine and new drug development for diseases plaguing the developing world were published in the March/April 2006 issue, highlighted at a press conference, and cited in congressional testimony in April.

New topic area: Health Affairs launched a new editorial effort in FY06 to build a dialogue between the worlds of health policy and science/innovation. Barbara Culliton, a top scientific journalist and elected member of the Institute of Medicine, was hired as deputy editor for this project. To launch the project, she has conducted interviews with major biomedical research leaders, including National Institutes of Health Director Elias Zerhouni and Nobel Laureate David Baltimore, both of which were published online at www.healthaffairs.org. Merck Foundation and Institute for Health Technology Studies (InHealth) were the initial project funders. The Pew Charitable Trusts also has joined as a funder.

Funding highlights:

- Robert Wood Johnson Foundation renewed a \$1.8 million three-year grant to publish two theme issues, continue Health Tracking and GrantWatch sections of the journal, and reach out to the media on health policy issues
- The number of corporate funders doubled from five in FY05 to ten in FY06

THE CARTER HALL CONFERENCE CENTER

Rooted in Project HOPE's history, The Carter Hall Conference Center has become a place where we draw from an inspiring past, looking forward to an equally inspiring future, and share this special place of inspiration with conference and retreat groups.



The Carter Hall Conference Center is located on the grounds of the 18th Century Northern Virginia estate Carter Hall, a National Register of Historic Places property since 1973. Hosting conferences for today's health care leaders and Project HOPE supporters, The Carter Hall Conference Center fulfills a purpose the foundation recognized when establishing its headquarters in Millwood in 1977, through the generosity of long-time supporters, to provide a quiet, historic setting for discussion of worldwide health opportunities and challenges, as well as their solutions. In addition to Project HOPE's annual Leadership Conference, The Carter Hall Conference Center has hosted a number of organizations with international interests, including the U.S. Food & Drug Administration; Save the Children; and China's Wuhan University.

The Clarke County Educational Society met and stayed at Carter Hall for the first time this year. This progressive organization brought together an international group of individuals from the academic, business, government, and scientific communities and included Nobel Prize winners and congressional representatives. Guest speakers brought heightened awareness to issues surrounding the directive to improve math and science school programs for the county's high school students. For two days, the group discussed perspectives on how to impart knowledge to students while preserving their creativity and the ways that advances in science and technology have changed teaching methodologies.

Eleanor Smalley, the Superintendent of Clarke County Public Schools, stated,

"The education summit was a tremendous success for the Clarke County Schools. Part of that success is attributable to the beautiful surroundings and facilities at Carter Hall. You and your staff are to be commended for your work in assisting us in making this a memorable event."

The Carter Hall Conference Center, the centerpiece of the 212-acre property in the Shenandoah Valley, offers the latest in conference technology, comfortable guest accommodations, and a commitment to individualized service. In expanding the Carter Hall guest list, Project HOPE continues to fulfill the original vision for the property—that Carter Hall should be used to support and promote groups coming together to create a better world for not only those less fortunate, but also to help inspire and elevate those individuals who have the drive and desire to be catalysts for change.

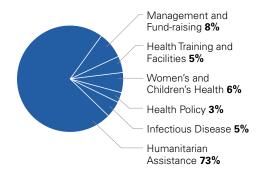
FINANCIAL SUMMARY

For the years ended June 30, 2006 and 2005

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

	2006	2005
Revenue and Support	(in thousands)	(in thousands)
Individual giving	14,505	17,646
Foundations and corporations	11,788	15,549
Corporate gifts-in-kind	106,554	92,758
Governments	13,344	15,011
Subscription revenue	1,674	1,497
Other revenue	2,838	1,881
Total revenue and support	150,703	144,342

FY 2006 Expenses

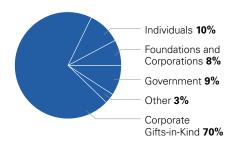


Expenses and Changes in Net Assets

Programs services		
Health education and assistance programs	135,374	122,194
Health policy programs	4,733	4,334
Total program services	140,107	126,528
Supporting services		
Fund-raising	6,935	5,985
Management and general	4,859	4,589
Total supporting services	11,794	10,574
Total expenses	151,901	137,102
Changes in net assets from operations	(1,198)*	7,240
Nonoperating changes in net assets		
Net gain on investments	860	806
Change in net assets	(338)*	8,046
Net assets, beginning of fiscal year	44,379	36,333
Net assets, end of fiscal year	44,041	44,379

Project HOPE's complete audited financial statements with an unqualified opinion by KPMG LLP are available on request.

FY 2006 Revenues



^{*} The shortfall of revenues against expenses for 2006 reflects in-kind donations received during 2005 which were not expensed until the beginning of 2006.

MANAGEMENT'S REPORT AND LETTER FROM THE AUDIT COMMITTEE CHAIR

From day-to-day operations to management decisions, accurate and timely financial information improves the efficiency and effectiveness of Project HOPE's activities worldwide. Project HOPE has a responsibility to accurately account for the funds you have entrusted to us and is committed to ensuring that every doctor, nurse, educator, and family we serve receives the most from your donation.

At the close of the 2006 fiscal year, Project HOPE marked record-high donations. We attribute this growth to an increase in corporate gifts-in-kind and strong support from individual, corporate, and foundation gifts as well as government grants. These gifts totaled more than \$150 million in cash contributions, donated medicines and medical supplies, and volunteer support.

We also continued our historic practice of dedicating more than 90 percent of every dollar to program activities. We are proud of both of these accomplishments.

We understand that financial stewardship is important to our donors. Project HOPE's management prepared and is responsible for the integrity of the financial statements as well as all other financial information presented in this report.

In meeting this responsibility, Project HOPE's management maintains a comprehensive internal control framework. This framework is designed to protect the foundation's assets and to compile reliable information for the preparation of Project HOPE's financial statements in accordance with generally accepted accounting principles. Management asserts, to the best of its knowledge and belief, that the financial report is complete and reliable in all material respects.

The financial statements have been audited by KPMG LLP, independent public accountants. Highlights of the audited financial statements are presented on the previous page. To receive a copy of the full report, please contact Project HOPE's Finance Department at (800) 544-HOPE (4673).

Deborah R. Iwig

Vice President and

Chief Financial Officer

Desona Kilevia

The Audit Committee assists the Project HOPE Board of Directors to fulfill its fiduciary responsibilities. The Committee is composed of seven independent members who meet three times a year as part of regularly scheduled board meetings.

The Committee has the responsibility to initiate an external audit of Project HOPE's financial records. In addition, the Committee has met and held discussions with Project HOPE's management, internal auditor, and independent auditors to review matters pertaining to financial reporting and internal control processes, as well as the nature, extent, and results of their work.

The Committee also has met independently with the auditing firm KPMG LLP, without the presence of management, to discuss the audit of Project HOPE's financial statements.

At the conclusion of the audit, the Committee assessed the findings and reported the results to the Board of Directors.

Stephen Rusckowski

September W. Complemento

Chairman

SUPPORTING PROJECT HOPE

Our donors know they are making a sound investment in improved human health and dignity because Project HOPE is recognized as one of the world's best-managed and most efficient non-profit organizations. Private sector support is fundamental in enabling us to maintain the high quality of services and expertise required to improve the quality of people's lives around the world. Donations may be designated for use in specific programs or geographic areas.

Gifts by Bequest

A bequest enables a donor to make a significant contribution to Project HOPE while reducing estate taxes. To include a bequest to Project HOPE in your will, we suggest this simple statement:

I give, devise and bequeath to Project HOPE - People-to-People Health Foundation, Inc. (commonly known as Project HOPE), at Millwood, Virginia 22646, the sum of _____ dollars (or _____% of my residual estate, otherwise describe the gift) for the general purposes and uses of the Foundation at the discretion of the Board of Directors.

Matching Gifts

Many companies match donations made by employees and their spouses, and retirees. Please check with your human resources office.

Planned Gifts

Other creative planned giving opportunities can be in the form of a charitable gift annuity, charitable remainder trust or lead trust, pooled income fund, or by the transfer of appreciated securities or real estate, personal residence or farm, or life insurance policies. Project HOPE's Gift Planning Office can provide additional information or assistance with any of these gift opportunities.

Foundation and Corporate Support

Corporations provide support through a number of vehicles. In addition to contributions of cash for general operating purposes and for specific programs, companies donate pharmaceuticals, medical supplies, equipment, information systems and building materials, which support HOPE's international programs and humanitarian relief efforts.

Project HOPE also receives cash support from private and family foundations that share its mission of helping people help themselves. For more information about how you can support Project HOPE's work around the world, visit us at **www.projecthope.org** or call 1-800-544-HOPE (4673) or, if you prefer, write in care of:

Attention: Anthony T. Burchard Vice President, Development and Communications Project HOPE Millwood, Virginia 22646-0250 Foundation and Corporate Support

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LEGACY OF HOPE

Project HOPE has established a Legacy of HOPE Society to honor individuals who have remembered **Project HOPE in their** estate plans or have established life income arrangements for Project HOPE. If you have already remembered Project HOPE in your estate plans, please **contact Beverly Schreck** at 1-800-544-HOPE (4673) and let her know so that we can thank you appropriately for such a meaningful commitment and welcome you into the Legacy of **HOPE Society.**

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- 1 Malawi
- 2 Mozambique
- 3 Namibia

Latin America and the Caribbean

- 4 Dominican Republic
- 5 Grenada
- 6 Guatemala
- 7 Haiti
- 8 Honduras
- 9 Mexico
- 10 Nicaragua
- 11 Peru

Asia and the Pacific

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- 14 Thailand

Central and Eastern Europe

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- 17 Hungary
- 18 Lithuania
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Middle East

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- 23 Jordan
- 24 Oman

Russia/Eurasia

- 25 Kazakhstan
- 26 Kyrgyzstan
- 27 Russia
- 28 Tajikistan
- 29 Turkmenistan
- 30 Ukraine
- 31 Uzbekistan





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