

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

AUDITED COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

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AND RELATED ENTITY**

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ERICKSON DEMEL & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
7800 N MOPAC, SUITE 105
AUSTIN, TEXAS 78759

Board of Directors
Lance Armstrong Foundation, Inc.
Austin, Texas

Independent Auditor's Report

We have audited the accompanying combined statement of financial position of Lance Armstrong Foundation, Inc. and Related Entity as of December 31, 2004 and 2003, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Lance Armstrong Foundation, Inc. and Related Entity at December 31, 2004 and 2003 and the changes in their combined net assets and their combined cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Erickson Demel + Co., P.C.

Certified Public Accountants

February 14, 2005

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

COMBINED STATEMENT OF FINANCIAL POSITION

ASSETS

	December 31,	
	2004	2003
ASSETS		
Cash and Cash Equivalents	\$ 19,843,725	\$ 4,782,488
Promises to Give	1,632,048	2,387,393
Accounts Receivable	1,371,907	-
Prepaid and Other Assets	1,029,256	67,339
Inventory	2,410,531	13,483
Investment Securities	17,776,165	8,347,981
Equipment, Net	378,172	272,193
	\$ 44,441,804	\$ 15,870,877
Total Assets		

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 2,352,794	\$ 389,736
Deferred Lease Cost	36,815	28,750
Grants Payable	4,561,969	3,420,931
Deferred Revenue	931,790	-
	7,883,368	3,839,417
Total Liabilities		

NET ASSETS

Unrestricted		
Undesignated	24,025,774	7,402,317
Designated	9,157,046	1,657,046
	33,182,820	9,059,363
Temporarily Restricted	2,780,255	2,682,353
Permanently Restricted	595,361	289,744
	36,558,436	12,031,460
Total Liabilities and Net Assets	\$ 44,441,804	\$ 15,870,877

See notes to combined financial statements

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

COMBINED STATEMENT OF ACTIVITIES

	Year Ended December 31,	
	2004	2003
UNRESTRICTED NET ASSETS		
Revenues and Other Support		
Contributions	\$17,065,787	\$ 7,008,941
Program Merchandise and Services	26,198,915	—
Program Merchandise and Services Promotional Cost	(6,325,997)	(15,220)
Special Event Revenues	1,661,152	1,999,754
Cost of Direct Benefits to Donors	(860,209)	(539,541)
Investment Income	1,496,971	1,416,275
Royalties	295,164	—
	39,531,783	9,870,209
Total Net Revenues and Other Support		
Net Assets Released from Restrictions	1,483,888	1,951,480
	41,015,671	11,821,689
Expenses		
Program Services	13,218,690	6,928,766
Management and General	1,018,214	487,469
Fund Raising	2,655,310	1,585,976
	16,892,214	9,002,211
Total Expenses		
Increase in Unrestricted Net Assets	24,123,457	2,819,478
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,581,790	525,451
Net Assets Released from Restrictions	(1,483,888)	(1,951,480)
	97,902	(1,426,029)
Change in Temporarily Restricted Net Assets		
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	305,617	289,744
	24,526,976	1,683,193
INCREASE IN NET ASSETS		
Net Assets Beginning of Year	12,031,460	10,348,267
	\$36,558,436	\$12,031,460
Net Assets End of Year		

See notes to combined financial statements

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

COMBINED STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$24,526,976	\$ 1,683,193
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	95,292	63,631
Donated Investment Securities	(43,318)	(949,034)
Donated Assets	-	(13,383)
Loss on Disposal of Assets	-	4,780
Gain on Sale of Securities, Net	(542,052)	(65,004)
Unrealized Gain on Securities, Net	(658,439)	(1,234,517)
Change in Operating Assets and Liabilities:		
Promises to Give	755,345	1,198,629
Accounts Receivable	(1,371,907)	-
Prepaid and Other Assets	(961,916)	924
Inventory	(2,397,048)	7,986
Accounts Payable and Accrued Expenses	1,969,188	215,753
Deferred Lease Cost	1,935	28,750
Grants Payable	1,141,038	684,782
Deferred Revenue	931,790	-
Net Cash Provided by Operating Activities	23,446,884	1,626,490
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(201,272)	(134,436)
Proceeds from Sale of Equipment	-	1,570
Purchase of Securities	(10,997,773)	(1,722,583)
Proceeds from Sale of Securities	2,813,398	2,328,134
Net Cash Provided by (Used in) Investing Activities	(8,385,647)	472,685
Increase in Cash and Cash Equivalents	15,061,237	2,099,175
Cash and Cash Equivalents at Beginning of Year	4,782,488	2,683,313
Cash and Cash Equivalents at End of Year	\$19,843,725	\$ 4,782,488
Donated Fixed Assets	\$ -	\$ 13,383
Donated Securities	\$ 43,318	\$ 949,034

See notes to combined financial statements

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as described below.

Basis of Combination

The accompanying combined financial statements include the combined accounts of the Lance Armstrong Foundation, Inc. (LAF) and the Lance Armstrong Foundation Endowment (LAFE), collectively referred to as the Foundation. The individual entities have interrelated directors/trustees and share common facilities and personnel. Various expenses, including occupancy costs and salaries, have not been allocated between LAF and LAFE. All significant intercompany accounts and transactions have been eliminated from the combined financial statements.

Operations

The Lance Armstrong Foundation, Inc. was incorporated on January 9, 1997 as a non-profit organization. LAF is dedicated to enhancing the quality of life for those living with, through and beyond cancer by supporting scientific research, educational community programs and in public awareness efforts. Lance Armstrong Foundation Endowment (LAFE) was incorporated on September 3, 2003 as a supporting organization for the purpose of holding and building the endowment fund and to establish and build other endowed funds to help ensure adequate funding for mission related, survivorship, community, advocacy, research and education programs of the LAF.

Revenues, Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. At December 31, 2004 and 2003, temporarily restricted net assets were available for operations in subsequent years. Permanently restricted net assets are maintained by the Foundation in perpetuity.

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

**A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES –
Continued**

Revenues, Support and Expenses – Continued

The Foundation reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services, Goods and Facilities

A substantial number of volunteers have donated approximately 175,380 and 49,065 hours to the Foundation's program services and fund-raising campaigns during the years ended December 31, 2004 and 2003, respectively. These donated services are not reflected in the financial statements since the services do not require specialized skills.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts. For the statement of cash flows, the Foundation considers all highly liquid instruments purchased with a maturity date of three months or less to be cash equivalents. Management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2003, the Foundation had a certificate of deposit in the amount of \$27,759 which was restricted as a security deposit for the Foundation's facility lease. This restriction expired in March 2004.

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

**A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES –
Continued**

Inventory

Inventory consists of program merchandise which includes finished goods and work in progress and is stated at lower of cost (first-in, first-out method) or market.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and receivables. Cash equivalents are maintained at high quality financial institutions. At December 31, 2004 and 2003, cash balances at two financial institutions exceeded Federal Deposit Insurance Corporation's insurance limits by \$946,430 and \$264,909, respectively. The Foundation has not experienced any losses on its cash and cash equivalents.

Receivables consist of accounts receivable and promises to give. The Foundation performs on-going credit evaluations of its customers' financial condition. Historically, the Foundation has experienced no significant losses on trade accounts receivable or promises to give.

Investment Securities

Investments in marketable securities with readily determinable fair values are valued at their fair value in the statement of financial position. Unrealized gains and losses at December 31, 2004 and 2003 are included in the change in net assets. Realized gains and losses are determined by the specific identification method.

Equipment

Equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets, usually five years, and computed on the straight-line method.

Program Services

The Foundation continues to expand its mission and community outreach programs. These include grants for survivorship and testicular cancer research; grants to community projects; delivery of cancer survivorship education and information; sponsorship and staging of the Foundation's principal fundraising and community outreach event, the Ride for the Roses weekend.

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

**A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES –
Continued**

Program Services – Continued

Survivorship – The Foundation is committed to ensuring that each and every individual impacted by cancer has the opportunity to achieve the highest quality of life. To that end, the Foundation works tirelessly to ensure that the issues affecting cancer survivors are addressed by organizations and entities around the world so that the needs of the more than 10 million cancer survivors are met. The survivorship department establishes partnerships, creates new program opportunities and integrates the various programmatic departments of the Foundation to ensure it is fulfilling its mission. In 2004, the Foundation started the Lance Armstrong Foundation Survivorship Fellow Program which allows 1-2 cancer survivors per year the opportunity to work at the Foundation for a one-year period prior to pursuing a career in cancer research, public health or health related advocacy. Specifically, the survivorship department strives to involve more individuals and organizations in the Foundation's work while meeting its overall mission goals.

Community Program – The Community Program once again expanded in 2004 to offer grants to organizations across the country. An RFP was released to the public and the Foundation provided 40 grants to organizations directly impacting the lives of cancer survivors. Programs funded in 2004 cover topics such as general cancer survivorship education and support, adolescent and young adult cancer survivorship issues, physical activity and exercise for cancer survivors, and palliative and end-of-life care. These awards are reviewed by an advisory group of outside reviewers to ensure the highest level of integrity. In the Community Program, a relationship between the Foundation and an organization generally begins with an award of financial support through the annual grant cycle. But it goes on to encompass much more than that; advice, new ideas, staff and volunteer support, visibility, outreach, fellowship, and hope. Through the responsible investment of the Foundation's resources in community-centered initiatives, it is able to join fellow organizations in serving the underserved, raising and addressing neglected survivorship issues, and impacting people across the United States in a personal, meaningful way. Additionally, in 2004, the Foundation held its first ever community program conference whereby community partners share information, best practices, and learn from leaders in the public health and non-profit development sectors.

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

**A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES –
Continued**

Program Services – Continued

Advocacy Program – The Foundation continued to expand its advocacy efforts in 2004 with the goal of making cancer and cancer survivorship a priority among private and public organizations and entities. To further this goal, the Foundation released, in partnership with the Centers for Disease Control, and many other advocacy organizations, a National Action Plan on Cancer Survivorship to identify a roadmap for addressing issues that cancer survivors face from a public health perspective. The President’s Cancer Panel, of which Mr. Armstrong is a member, released their yearly report, focusing on cancer survivorship and the need for additional programs and research. The Foundation also partnered on the Tour of Hope to increase awareness and education surrounding clinical trial enrollment. The Foundation also continued to sponsor and stage the organization’s largest outreach event, Ride for the Roses weekend, which spreads information and hope to thousands of participants. In June, the Foundation held its first grassroots advocacy day in Washington, D.C. Cancer survivor advocates helped educate Members of Congress and staff about the need to support federal cancer survivorship programs during office visits and a Capitol Hill briefing. Lastly, the Foundation convened a group of experts to discuss the topic of young adult oncology and to identify potential programmatic opportunities for the future.

Research Program – The Foundation continued to provide scientific grants to institutions in the United States and abroad who address both cancer survivorship research and testicular cancer research. Applicants responded to a published RFP and grantees were selected based on a peer-review conducted by advisors who represent a wide array of expertise in both the survivorship and testicular cancer research fields. The opportunity to support research and prove new interventions remains a high priority of the Foundation. The Foundation also continued its support of the Life After Cancer Program at Cook Children’s Medical Center in Fort Worth, Texas and the Living Well After Cancer Program at the University of Pennsylvania in Philadelphia, Pennsylvania. Additionally, the Foundation funded survivorship centers at Rainbow Babies and Children’s Hospital in Cleveland, Ohio; the Nevada Cancer Institute in Las Vegas, Nevada; and Dana-Farber Cancer Institute in Boston, Massachusetts.

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

**A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES –
Continued**

Education Program – In 2004, the Education Program continued its expansion of **LIVESTRONG™**, a resource for cancer survivors. The focus of this program is to provide cancer survivors with information and referrals to allow them to more effectively identify critical survivorship issues and communicate with their health care team. The information provided by the **LIVESTRONG™** program was developed in conjunction with partners from all aspects of the cancer community and covers the physical, emotional and practical topics associated with being a cancer survivor. In partnership with *CancerCare* the education program also launched the **LIVESTRONG™** *SurvivorCare* 800 number. This 800 number provides information and referrals to *CancerCare*'s case managers to assist cancer survivors in managing the physical, emotional and practical aspects of their cancer experience.

Functional Expenses

The costs of providing the various programs, fund-raisers, and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

LAF is a non-profit corporation that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision is made for federal or state income taxes. LAFE is in the process of completing the application for recognition of exemption under Section 501(c)(3) of the Internal Revenue Code. The Foundation prepares separate Internal Revenue Service Forms 990 for LAF and LAFE. During 2004, the Foundation had taxable unrelated business income from non-mission sales. The sales resulted in \$1,709 of unrelated business income tax.

Reclassification

Certain amounts in the prior year have been reclassified to conform to the amounts presented in the current year.

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

B. RETIREMENT PLAN

The Foundation has a contributory matching retirement plan for all employees under section 401(k) of the Internal Revenue code. Contributions of 50% of the eligible participants' elective deferral up to a maximum 6% are funded on a current basis by the Foundation. Employees are fully vested in all contributions made on their behalf by the Foundation. The contributions charged to operations were \$26,567 in 2004 and \$14,299 in 2003.

C. PROMISES TO GIVE

Unconditional promises to give are as follows:

	December 31,	
	2004	2003
Contributions Due in Less than One Year	\$1,416,082	\$1,683,412
Contributions Due in One to Five Years	344,802	1,002,035
	1,760,884	2,685,447
Less Discounts to Net Present Value	128,836	298,054
	\$1,632,048	\$2,387,393

Discount rates used on long-term promises to give were 6% in 2004 and 2003.

D. EQUIPMENT

Equipment consisted of the following:

	December 31,	
	2004	2003
Computer Hardware and Software	\$ 504,215	\$ 364,229
Furniture and Fixtures	36,624	15,190
Office Equipment	55,852	16,000
	596,691	395,419
Less Accumulated Depreciation	218,519	123,226
	\$ 378,172	\$ 272,193

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

E. INVESTMENTS

Investments are stated at fair value and consist primarily of commons stocks and mutual funds. Pending actual disbursement for budgeted program expenditures, funds are invested in securities designed to maximize resources available for programs while minimizing risk. These investments are managed by third party investment managers under board of director approved investment policies. These investments do not have a significant concentration of credit risk with any industry, geographic location, specific market sector or institution. Total earnings on unrestricted and temporarily restricted investments are credited to unrestricted net assets unless otherwise restricted by the donor. A summary of the categories of these investments are as follows:

	December 31,	
	2004	2003
Common Stocks and Mutual Funds:		
Domestic	\$ 3,479,222	\$ 2,086,696
International	3,674,258	1,722,203
Multi-Asset	5,321,903	–
Directional Hedge Fund	2,315,838	2,024,737
Market Neutral Hedge Fund	2,314,738	2,014,669
Fixed Income Investments	670,206	471,917
Certificate of Deposit	–	27,759
	<u>\$17,776,165</u>	<u>\$ 8,347,981</u>

Scheduled maturities of fixed income investments at December 31, 2004 are as follows:

1 year	\$ 110,137
2 to 5 years	335,458
6 to 10 years	175,563
Over 10 years	49,048
	<u>\$ 670,206</u>

Investment income consisted of the following:

	Year Ended December 31,	
	2004	2003
Interest and Dividends	\$ 296,480	\$ 121,534
Unrealized Gains, Net	658,439	1,234,517
Realized Gains, Net	542,052	65,004
Other	–	(4,780)
	<u>\$ 1,496,971</u>	<u>\$ 1,416,275</u>

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

F. INVENTORY

Inventory consisted of the following program merchandise:

	December 31,	
	2004	2003
Finished Goods	\$ 2,318,299	\$ 13,483
Work in Progress	92,232	–
	<u>\$ 2,410,531</u>	<u>\$ 13,483</u>

G. GRANTS PAYABLE

During the years ended December 31, 2004 and 2003, the Foundation made grants to fund cancer research, support long term survivor clinics, and fund various community grants and sponsorships. The Combined Statement of Grant History reflects the grants awarded as unconditional promises to give. Unconditional promises to give were as follows:

	December 31,	
	2004	2003
Payable in Less Than One Year	\$ 2,870,789	\$ 2,324,116
Payable in One to Five Years	2,033,929	1,339,304
	4,904,718	3,663,420
Less Discount to Net Present Value	342,749	242,489
	<u>\$ 4,561,969</u>	<u>\$ 3,420,931</u>

The discount rate applied to unconditional promises to give extending beyond one year from the grant date was 5% for 2004 and 2003.

**LANCE ARMSTRONG FOUNDATION, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

H. LEASE COMMITMENTS

The Foundation leases two office facilities and equipment under non-cancelable operating leases. During 2003, the Foundation entered into a lease for its new location. Additionally, the Foundation entered into an agreement to sublease its original location. Rental expense for this lease and other miscellaneous leases for the years ended December 31, 2004 and 2003 were \$424,052 and \$199,476, respectively. Minimum future rentals are as follows:

	Rental Income	Rental Expense
2005	\$ 73,050	\$ 325,760
2006	18,263	212,063
2007	–	180,693
2008	–	75,289
	\$ 91,313	\$ 793,805

I. POTENTIAL CLAIMS

The Foundation is exposed to unasserted potential claims in the normal course of business. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Foundation's financial position or results of operations.

J. UNRESTRICTED NET ASSETS

Unrestricted net assets are available for the following purposes:

	December 31,	
	2004	2003
Undesignated	\$ 24,025,774	\$ 7,402,317
Board Designated	9,157,046	1,657,046
	\$ 33,182,820	\$ 9,059,363

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

K. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2004	2003
Special Events	\$ 844,501	\$ 407,448
Time Restrictions	1,632,048	2,274,905
Program Services	303,707	–
	<u>\$ 2,780,256</u>	<u>\$ 2,682,353</u>

L. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were as follows:

	Year Ended December 31,	
	2004	2003
Special Events	\$ 323,927	\$ 705,292
Time Restrictions	1,159,961	1,246,188
	<u>\$ 1,483,888</u>	<u>\$ 1,951,480</u>

M. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are the part of net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Income and net appreciation may be expended in accordance with the spending policy established by the Foundation.

Permanently restricted net assets are as follows:

	December 31,	
	2004	2003
Special Purpose Funds –		
Stephanie Robins Lance Armstrong		
Endowment Fund	\$ 289,744	\$ 289,744
John and Michele Phua Lance Armstrong		
Endowment Fund	305,617	–
	<u>\$ 595,361</u>	<u>\$ 289,744</u>

**LANCE ARMSTRONG FOUNDATION, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

N. RELATED PARTY TRANSACTIONS

During 2004 and 2003, the Foundation received contributions of \$537,100 and \$893,203, respectively, from related parties. During 2004 and 2003, the Foundation made grants and other payments of \$92,669 and \$31,581, respectively, to related parties. During 2004 and 2003, the Foundation had promises to give receivable from related parties of \$256,830 and \$266,830, respectively.

O. FEDERAL GRANT AWARDED

In September 2003, the Foundation was awarded a grant of approximately \$1,539,000 by the Department of Health & Human Services, Centers for Disease Control (CDC) in support of early detection or survivorship of cancer in underserved populations. The grant will be administered over a five-year period beginning September 1, 2003 and the funds are available for reimbursements to the Foundation for qualifying expenses in the annual amount of \$307,713 per grant year. Through December 31, 2004 and 2003, the Foundation had incurred reimbursable expenditures of \$385,462 and \$14,575, respectively.

P. CONDITIONAL GRANT

At December 31, 2004, the Foundation awarded a research grant of \$247,500 to a University that was not accepted by the recipient prior to year end. The grant was not included in Grants Payable or Program Expenses at December 31, 2004.

Q. COMMITMENTS

At December 31, 2004, the Foundation had commitments with two companies for the production of education program materials to produce binders and their contents. The total obligation for these commitments was \$2,935,737 of which \$914,000 was advanced as a deposit. The unpaid balance of these commitments is \$2,021,737 which will become due as the companies meet their obligations under the agreements.

During 2004, the Foundation entered into an agreement with another company that is to produce 15 million **LIVESTRONG™** wristbands at a total cost of \$2,369,505. At December 31, 2004 the company had delivered \$95,902 in wristbands which has been accrued in accounts payable. Outstanding commitments on this agreement totaled \$2,273,603 and will become due as the wristbands are received from the vendor.

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

R. PROGRAM ACTIVITIES

Revenues from program merchandise consist of proceeds from the sale of **LIVESTRONG™** wristbands and other miscellaneous mission related merchandise. The Foundation distributes the wristbands purchased via its internet site and has contracts with several merchants to distribute the bands nationally. At December 31, 2004, the Foundation had received \$931,790 in payments for wristbands ordered which were not shipped prior to year end.

Program expenses were as follows:

	Year Ended December 31,	
	2004	2003
Survivorship	\$ 1,675,970	\$ –
Community	2,559,336	1,459,415
Advocacy	1,233,596	781,582
Research	5,210,655	2,685,628
Education	2,539,133	2,002,141
	<u>\$13,218,690</u>	<u>\$ 6,928,766</u>

S. JOINT COSTS

During 2004, the Foundation conducted activities that included fundraising appeals as well as program and management and general components. Those activities included direct mail and other constituent relationship activities. The costs of conducting those joint activities which met the purpose, audience and content criteria of AICPA Statement of Position 98-2 included a total of \$465,329 of joint costs. Of those costs, \$265,468 was allocated to program service expense, \$15,927 was allocated to management and general expense, and \$174,934 was allocated to fund raising.

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

T. FUNCTIONAL EXPENSES

Functional expenses for the year ended December 31, 2004 consisted of the following:

	Total	Program	Management and General	Fundraising
Grants	\$6,186,800	\$6,186,800	\$ —	\$ —
Salaries, Wages, and Benefits	2,504,882	1,424,777	234,958	845,147
Contract Services	1,542,127	1,099,001	58,389	384,737
Payroll Taxes	154,691	87,988	14,510	52,193
Supplies	184,489	83,849	68,114	32,526
Telephone	46,506	16,670	21,272	8,564
Postage	361,510	272,532	38,105	50,873
Occupancy	377,214	214,559	35,383	127,272
Other Rent	134,816	76,683	12,646	45,487
Printing and Publications	461,676	187,225	28,783	245,668
Entertainment	8,980	—	—	8,980
Travel	385,868	261,297	59,772	64,799
Legal and Professional	585,956	422,638	137,696	25,622
Advertising	1,613,309	936,822	147,158	529,329
Miscellaneous	184,548	104,971	17,311	62,266
Bank Service Fees	1,202,300	1,089,111	24,622	88,567
Insurance	16,112	9,165	1,511	5,436
Permits	12,843	2,400	8,285	2,158
Audio/Video	204,293	155,794	47,381	1,118
Education and Public Awareness	184,858	167,492	14,753	2,613
Technology	443,144	364,714	38,627	39,803
Depreciation	95,292	54,202	8,938	32,152
	<u>\$16,892,214</u>	<u>\$13,218,690</u>	<u>\$1,018,214</u>	<u>\$2,655,310</u>

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

T. FUNCTIONAL EXPENSES – Continued

Functional expenses for the year ended December 31, 2003 consisted of the following:

	Total	Program	Management and General	Fundraising
Grants	\$3,623,374	\$3,623,374	\$ –	\$ –
Salaries, Wages, and Benefits	1,331,100	705,483	146,421	479,196
Contract Services	612,931	482,932	62,593	67,406
Payroll Taxes	79,994	42,397	8,799	28,798
Supplies	58,738	30,864	6,910	20,964
Telephone	19,772	8,600	6,831	4,341
Postage	249,224	52,155	3,382	193,687
Occupancy	275,254	145,821	30,385	99,048
Other Rent	193,566	105,376	21,870	66,320
Printing and Publications	251,925	49,726	103	202,096
Entertainment	90,936	13,846	285	76,805
Travel	96,377	81,146	9,865	5,366
Legal and Professional	702,067	496,151	102,024	103,892
Advertising	190,675	99,678	15,915	75,082
Miscellaneous	20,716	10,979	2,279	7,458
Bank Service Fees	171,480	90,884	18,863	61,733
Insurance	13,863	7,347	1,525	4,991
Permits	10,784	–	–	10,784
Audio/Video	97,343	80,789	–	16,554
Education and Public Awareness	444,242	438,264	–	5,978
Technology	404,219	329,230	42,419	32,570
Depreciation	63,631	33,724	7,000	22,907
	<u>\$9,002,211</u>	<u>\$6,928,766</u>	<u>\$ 487,469</u>	<u>\$1,585,976</u>

ADDITIONAL INFORMATION

Our audits of the combined financial statements of the Lance Armstrong Foundation, Inc. and Related Entity for the year ended December 31, 2004 were intended primarily for the purpose of formulating an opinion on the basic combined financial statements taken as a whole. The additional information presented on the following pages has been taken primarily from accounting and other records of the Lance Armstrong Foundation, Inc. and Related Entity and is not, in our opinion, necessary for a fair presentation of their combined financial position. Such information has not been subjected to tests and other auditing procedures sufficient to enable us to express an opinion as to the fairness of all the details included therein and, accordingly, we do not express an opinion on the additional information.

Ernst & Young LLP & Co., P.C.

Certified Public Accountants

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

COMBINED STATEMENT OF PROGRAM EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2004

	Total					
	Programs	Survivorship	Community	Advocacy	Research	Education
Grants	\$ 6,186,800	\$ 934,947	\$ 1,394,738	\$ 377,302	\$ 3,409,593	\$ 70,220
Salaries, Wages, and Benefits	1,424,777	203,750	256,414	147,860	346,230	470,523
Contract Services	1,099,001	75,861	114,507	60,917	297,708	550,008
Payroll Taxes	87,988	12,235	15,636	9,101	22,396	28,620
Supplies	83,849	13,306	13,014	12,886	20,676	23,967
Telephone	16,670	4,904	2,221	2,496	3,583	3,466
Postage	272,532	33,957	57,086	31,544	100,001	49,944
Occupancy	214,559	27,189	36,198	18,929	76,841	55,402
Other Rent	76,683	8,957	13,923	10,484	29,680	13,639
Printing and Publications	187,225	12,774	73,694	11,467	39,084	50,206
Travel	261,297	45,341	89,711	55,118	15,895	55,232
Legal and Professional	422,638	8,880	21,060	230,929	73,200	88,569
Advertising	936,822	83,775	115,495	86,365	199,421	451,766
Miscellaneous	104,971	12,296	25,170	40,535	15,083	11,887
Bank Service Fees	1,089,111	136,076	206,209	99,015	443,721	204,090
Insurance	9,165	1,127	1,752	833	3,736	1,717
Permits	2,400	—	525	1,700	175	—
Audio/Video	155,794	4,779	7,428	3,532	15,835	124,220
Education and Public Awareness	167,492	40,656	22,692	10,788	48,376	44,980
Technology	364,714	8,493	81,500	16,868	27,328	230,525
Depreciation	54,202	6,667	10,363	4,927	22,093	10,152
	\$13,218,690	\$ 1,675,970	\$ 2,559,336	\$ 1,233,596	\$ 5,210,655	\$ 2,539,133

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

COMBINED STATEMENT OF GRANT HISTORY

FOR THE YEAR ENDED DECEMBER 31, 2004

GRANT HISTORY

	1998 and Prior	1999	2000	2001	2002	2003	2004	TOTAL
Grants Payable January 1	\$ -	\$ 97,523	\$ 139,272	\$ 694,747	\$ 2,078,272	\$ 2,736,149	\$ 3,420,931	\$ -
Grants Awarded	301,162	158,095	1,360,026	2,042,171	2,225,643	3,623,374	6,186,800	15,897,271
Grant Payments and Other	(203,639)	(116,346)	(804,551)	(658,646)	(1,567,766)	(2,938,592)	(5,045,762)	(11,335,302)
Grants Payable December 31	<u>\$ 97,523</u>	<u>\$ 139,272</u>	<u>\$ 694,747</u>	<u>\$ 2,078,272</u>	<u>\$ 2,736,149</u>	<u>\$ 3,420,931</u>	<u>\$ 4,561,969</u>	<u>\$ 4,561,969</u>

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2004

	Lance Armstrong Foundation	Lance Armstrong Foundation Endowment	Elimination	Combined Total
ASSETS				
Cash and Cash Equivalents	\$ 19,577,472	\$ 266,253	\$ —	\$ 19,843,725
Promises to Give	1,685,110	—	—	1,685,110
Accounts Receivable	1,318,845	—	—	1,318,845
Receivable from LAF	—	4,588	(4,588)	—
Prepaid and Other Assets	1,029,256	—	—	1,029,256
Inventory	2,410,531	—	—	2,410,531
Investment Securities	7,821,433	9,954,732	—	17,776,165
Equipment, Net	378,172	—	—	378,172
Total Assets	<u>34,220,819</u>	<u>10,225,573</u>	<u>(4,588)</u>	<u>44,441,804</u>
LIABILITIES				
Accounts Payable and Accrued Expenses	2,352,794	—	—	2,352,794
Payable to LAFE	4,588	—	(4,588)	—
Deferred Lease Cost	36,815	—	—	36,815
Grants Payable	4,561,969	—	—	4,561,969
Deferred Revenue	931,790	—	—	931,790
Total Liabilities	<u>7,887,956</u>	<u>—</u>	<u>(4,588)</u>	<u>7,883,368</u>
NET ASSETS				
Unrestricted:				
Undesignated	23,552,608	472,806	—	24,025,414
Designated	—	9,157,406	—	9,157,406
	<u>23,552,608</u>	<u>9,630,212</u>	<u>—</u>	<u>33,182,820</u>
Temporarily Restricted	2,780,255	—	—	2,780,255
Permanently Restricted	—	595,361	—	595,361
	<u>26,332,863</u>	<u>10,225,573</u>	<u>—</u>	<u>36,558,436</u>
Total Liabilities and Net Assets	<u>\$34,220,819</u>	<u>\$10,225,573</u>	<u>\$ (4,588)</u>	<u>\$44,441,804</u>

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2004

	Lance Armstrong Foundation	Lance Armstrong Foundation Endowment	Elimination	Combined Total
UNRESTRICTED NET ASSETS				
Revenues and Other Support				
Contributions	\$17,272,787	\$ 7,500,000	\$(7,707,000)	\$17,065,787
Special Event Revenues	1,661,152	-	-	1,661,152
Program Merchandise and Services	26,198,915	-	-	26,198,915
Program Merchandise and Services Promotional Cost	(6,325,997)	-	-	(6,325,997)
Cost of Direct Benefits to Donors	(860,209)	-	-	(860,209)
Investment Income	910,786	586,185	-	1,496,971
Royalties	295,164	-	-	295,164
Total Net Revenue and Other Support	39,152,598	8,086,185	(7,707,000)	39,531,783
Net Assets Released from Restrictions	1,483,888	-	-	1,483,888
	<u>40,636,486</u>	<u>8,086,185</u>	<u>(7,707,000)</u>	<u>41,015,671</u>
Expenses				
Program Services	20,683,601	242,089	(7,707,000)	13,218,690
Management and General	1,012,427	5,787	-	1,018,214
Fund Raising	2,634,496	20,814	-	2,655,310
Total Expenses	<u>24,330,524</u>	<u>268,690</u>	<u>(7,707,000)</u>	<u>16,892,214</u>
Increase in Unrestricted Net Assets	16,305,962	7,817,495	-	24,123,457
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	1,581,790	-	-	1,581,790
Net Assets Released from Restrictions	(1,483,888)	-	-	(1,483,888)
Increase in Temporarily Restricted Net Assets	<u>97,902</u>	<u>-</u>	<u>-</u>	<u>97,902</u>

**LANCE ARMSTRONG FOUNDATION, INC.
AND RELATED ENTITY**

COMBINING STATEMENT OF ACTIVITIES – CONTINUED

YEAR ENDED DECEMBER 31, 2004

	Lance Armstrong Foundation	Lance Armstrong Foundation Endowment	Elimination	Combined Total
PERMANENTLY RESTRICTED NET ASSETS				
Contributions	\$ –	\$ 305,617	\$ –	\$ 305,617
CHANGE IN NET ASSETS	16,403,864	8,123,112	–	24,526,976
Net Assets Beginning of Year	9,928,999	2,102,461	–	12,031,460
Net Assets End of Year	\$26,332,863	\$10,225,573	\$ –	\$36,558,436