

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

AUDITED COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

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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
Austin, Texas

Independent Auditor's Report

We have audited the accompanying combined statement of financial position of Lance Armstrong Foundation and Related Entity as of December 31, 2006 and 2005, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 and Related Entity at December 31, 2006 and 2005 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.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Lance Armstrong Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Certified Public Accountants
July 17, 2007

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINED STATEMENT OF FINANCIAL POSITION

ASSETS

	December 31,	
	2006	2005
ASSETS		
Cash and Cash Equivalents	\$ 5,948,674	\$ 6,519,938
Investment Securities	38,218,365	42,182,908
Promises to Give	2,694,535	3,782,886
Accounts Receivable	4,737,031	2,323,865
Prepaid and Other Assets	371,435	704,972
Intangibles	564,390	550,000
Inventories	6,251,485	7,410,117
Other Investments	533,460	246,236
Equipment, Net	495,685	716,536
Total Assets	\$ 59,815,060	\$ 64,437,458

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 1,146,942	\$ 2,440,292
Deferred Lease Cost	20,405	36,198
Grants Payable	7,337,123	9,540,676
Deferred Revenue	440,169	—
Total Liabilities	8,944,639	12,017,166

NET ASSETS

Unrestricted		
Undesignated	35,592,111	37,278,037
Designated	11,157,406	11,157,406
Temporarily Restricted	1,955,859	2,325,913
Permanently Restricted	2,165,045	1,658,936
	50,870,421	52,420,292
Total Liabilities and Net Assets	\$ 59,815,060	\$ 64,437,458

See notes to combined financial statements

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINED STATEMENT OF ACTIVITIES

	Year Ended December 31,	
	2006	2005
UNRESTRICTED NET ASSETS		
Revenues and Other Support		
Contributions	\$ 9,501,046	\$ 17,804,842
Grant Revenue	1,544,643	808,495
Program Merchandise and Services	4,192,142	24,461,367
Program Merchandise and Services Promotional Cost	(1,533,346)	(6,367,262)
Special Event Revenues	10,249,938	6,830,892
Cost of Direct Benefits to Donors	(648,300)	(683,216)
Investment Income	5,113,494	2,777,145
Royalties	7,287,502	6,630,580
Other Income	18,826	187,142
Total Net Revenues and Other Support	35,725,945	52,449,985
Net Assets Released from Restrictions	1,034,275	2,917,089
	36,760,220	55,367,074
Expenses		
Program Services	28,880,897	31,386,771
Management and General	1,651,829	2,141,397
Fund Raising	7,913,419	6,586,283
Total Expenses	38,446,145	40,114,451
Increase (Decrease) in Unrestricted Net Assets	(1,685,925)	15,252,623
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	664,220	2,462,747
Net Assets Released from Restrictions	(1,034,275)	(2,917,089)
Change in Temporarily Restricted Net Assets	(370,055)	(454,342)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	506,109	1,063,575
INCREASE (DECREASE) IN NET ASSETS	(1,549,871)	15,861,856
Net Assets Beginning of Year	52,420,292	36,558,436
Net Assets End of Year	\$ 50,870,421	\$ 52,420,292

See notes to combined financial statements

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINED STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,549,872)	\$ 15,861,856
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	239,574	194,517
Donated Investment Securities	(126,322)	(926,342)
Donated Assets	-	(249,990)
Loss on Disposal of Assets	-	1,853
Gain (Loss) on Sale of Securities, Net	1,977	59,403
Unrealized Gain on Securities, Net	(2,433,544)	(589,235)
Change in Operating Assets and Liabilities:		
Promises to Give	732,752	(2,150,838)
Accounts Receivable	(2,413,166)	(951,958)
Prepaid and Other Assets	333,537	284,284
Intangibles	(14,390)	(550,000)
Inventory	1,158,632	(4,999,586)
Accounts Payable and Accrued Expenses	(1,293,350)	87,498
Deferred Lease Cost	(15,793)	(617)
Grants Payable	(2,203,553)	4,978,707
Deferred Revenue	440,170	(931,790)
Net Cash Provided by Operating Activities	<u>(7,143,348)</u>	<u>10,117,762</u>

See notes to combined financial statements

**LANCE ARMSTRONG FOUNDATION
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COMBINED STATEMENT OF CASH FLOWS – CONTINUED

	Year Ended December 31,	
	2006	2005
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	\$ (18,723)	\$ (244,744)
Proceeds from Sale of Securities	10,515,641	20,030,658
Purchase of Securities	(3,924,834)	(42,981,227)
Purchase of Other Investments	–	(246,236)
Net Cash Used in Investing Activities	6,572,084	(23,441,549)
Increase (Decrease) in Cash and Cash Equivalents	(571,264)	(13,323,787)
Cash and Cash Equivalents at Beginning of Year	6,519,938	19,843,725
Cash and Cash Equivalents at End of Year	\$ 5,948,674	\$ 6,519,938
 SUPPLEMENTAL CASH FLOW INFORMATION:		
Donated Fixed Assets	\$ –	\$ 249,990
Donated Investment Securities	\$ 126,322	\$ 926,342
Securities Received on Promises to Give	\$ 355,600	\$ –

See notes to combined financial statements

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

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 (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 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, 2006 and 2005, 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
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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 137,801 and 133,212 hours to the Foundation's program services and fund-raising campaigns during the years ended December 31, 2006 and 2005, 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.

**LANCE ARMSTRONG FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

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

Inventories

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, 2006 and 2005, cash balances at two financial institutions exceeded Federal Deposit Insurance Corporation's insurance limits by \$127,581 and \$100,000 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, 2006 and 2005 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.

Intangibles

Intangibles consist of trademarks/licenses purchased which have an indefinite useful life. These assets are accounted for in accordance with SFAS 142 as described in Note G.

**LANCE ARMSTRONG FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

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

Program Services

Survivorship Programs

The Foundation continues to expand its mission-related programs. These include grants for survivorship and testicular cancer research; grants to community programs; delivery of cancer survivorship education, information, and referral and support services; and grants to survivorship centers at academic medical institutions. The Foundation is committed to ensuring that each and every individual impacted by cancer has the opportunity to achieve the highest quality of life possible. To that end, the Foundation works tirelessly to ensure that the issues affecting cancer survivorship are addressed by organizations and entities around the nation so that the needs of the more than 10.5 million cancer survivors in the United States are met. The survivorship programs department funds a wide range of initiatives across the country in partnership with leading academic, community and advocacy organizations to ensure it is fulfilling its mission. In 2006, the Foundation continued the Survivorship Fellow Program which allows two cancer survivors per year the opportunity to work at the Foundation for a one-year period prior to pursuing a career in cancer survivorship or a related field. In 2006, the LIVESTRONG™ Young Adult Alliance continued its work to improve the survival rates and quality of life for young adults, age 15 to 40, living with cancer. No one is certain why survival rates are not improving for this age group, but factors may include lack of insurance, less participation in clinical trials and delayed diagnoses. The Alliance brought together, for the first time, key voices in the cancer community to effect positive results for young adults and partnered with the National Cancer Institute (NCI) to conduct a progress review group (PRG) on Young Adult Oncology and strategize implementing the priorities. Specifically, the survivorship programs department strives to involve more individuals and organizations in the Foundation's work while meeting its overall mission goals.

Grants and Partnerships

Research Program -- The Foundation continued to provide research grants to institutions in the United States and abroad that address both cancer survivorship and testicular cancer. 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 survivorship and testicular cancer. The opportunity to support research and prove new interventions remains a high priority of the Foundation.

**LANCE ARMSTRONG FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

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

Program Services – Continued

LIVESTRONG™ Survivorship Center of Excellence Network -- The LAF has supported the work of survivorship centers since 2000. These centers historically worked autonomously and served both pediatric and adult survivors. In 2005, the LAF launched a new initiative to create and maintain a network of survivorship centers to foster collaboration among centers and further the impact on cancer survivorship. Only pre-selected NCI-designated Comprehensive Cancer Centers are invited to apply for funding and each must collaborate with community-based hospitals.

Centers of Excellence Network:

- Memorial Sloan-Kettering, New York City, NY
- Fred Hutchinson Cancer Research Center, Seattle, WA
- University of Colorado Cancer Center, Denver, CO
- UCLA Jonsson Comprehensive Cancer Center, Los Angeles, CA
- Dana-Farber Cancer Institute- Boston, MA
- Ohio State University Research Foundation- Columbus, OH – New center in 2006
- University of Pennsylvania- Philadelphia, PA – New center in 2006

Non-network centers receiving funding in 2006:

- Rainbow Babies and Children's Hospital- Cleveland, IN
- Nevada Cancer Institute- Las Vegas, NV
- Oregon Health and Science University- Portland, OR
- Children's Medical Center Foundation- Austin, TX
- The University of North Carolina at Chapel Hill- Chapel Hill, SC

Community Program -- An RFP was released to the public and the Foundation provided grants to organizations directly impacting the lives of cancer survivors. Programs funded in 2006 cover topics such as general cancer survivorship education and support, physical activity, exercise and nutrition for cancer survivors, and pain, palliative and end-of-life care. These awards are reviewed by review committees comprised of LAF staff, cancer survivors and external experts to ensure the highest level of integrity. In the Community Program, a relationship between the Foundation and an organization generally begins with an grant of financial support through a set grant cycle, but goes on to encompass much more through technical and capacity-building support, such as 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.

**LANCE ARMSTRONG FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

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

Program Services – Continued

National Partnerships -- In 2006, LAF established National Partnerships to address the strategic priorities in the *National Action Plan for Cancer Survivorship* released in 2004 by LAF and the Centers for Disease Control and Prevention. Strategic partners are selected for this funding mechanism based on their unique knowledge and expertise on a specific issue of survivorship (e.g. cancer pain) or their ability to effectively reach a priority constituency for LAF (e.g. oncologists). LAF staff worked closely with each organization to develop specific goals, objectives, and activities to be accomplished for each partnership. Through this mechanism, the LAF is able to partner with other national organizations and extend its reach and provide survivorship awareness, information, and services to the nation as a whole. Organizations funded through this pilot mechanism in 2006 include Northwestern University (Education on Palliative and End-of-Life Care Projects), fertileHOPE, the Alliance of State Pain Initiatives, the University of Wisconsin Pain and Policy Studies Group, the Intercultural Cancer Council, the YMCA of the USA, the Leukemia and Lymphoma Society, the Wellness Community, and the Education Network to Advance Cancer Clinical Trials.

Direct Services

LIVESTRONG™ Education Resource and SurvivorCare -- In 2006, the LAF continued its expansion of the LIVESTRONG™ Education 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 formation provided by the LIVESTRONG™ Education Resource was developed in conjunction with partners from all aspects of the cancer community and cover the physical, emotional and practical topics associated with being a cancer survivor. In addition, the LAF continued its partnership with CancerCare, Patient Advocate Foundation and EmergingMed, to implement the LIVESTRONG™ SurvivorCare 800 number.

This 800 number provides case management and patient navigation services to assist cancer survivors in managing the physical, emotional and practical aspects of their cancer experience, including psychosocial support, patient navigation services, and matching to cancer clinical trials.

LIVESTRONG™ Summit -- In 2006, the LAF held its inaugural LIVESTRONG™ Summit to inspire and empower cancer survivors from all over the United States and secure their commitment to take action when they return home to their communities. During a three-day weekend in Austin, TX, Summit delegates were exposed to motivational and inspirational speakers, as well as led through activities to create a personal action plan that would address an unmet need of cancer survivors in their community. The LAF will continue to work with delegates when they return home and provide education and technical assistance to implement their personal action plans.

**LANCE ARMSTRONG FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

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

Program Services – Continued

Advocacy and Government Relations

LIVESTRONG™ Day -- The LAF continued to expand its advocacy efforts in 2006 with the goal of making cancer survivorship a national priority. To further this goal, LAF held LIVESTRONG™ Day, its third annual grassroots advocacy event in Washington, D.C. Over 100 cancer survivor advocates and LAF staff visited congressional offices on Capitol Hill to urge support for federal cancer survivorship programs at the Centers for Disease Control and Prevention (CDC) and the National Cancer Institute (NCI). In addition more than 100 LIVESTRONG™ Day activities were held in communities all over the United States, driven by the energy from grassroots advocates.

Advocacy Coalitions -- The LAF also participated as a member of two cancer advocacy coalitions in 2006: the One Voice Against Cancer (OVAC) coalition and the Cancer Leadership Council (CLC) in Washington, D.C. The President's Cancer Panel, of which Mr. Armstrong is a member, released their yearly report focusing on translational research.

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 and LAFE are non-profit corporations that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision is made for federal or state income taxes. The Foundation prepares separate Internal Revenue Service Forms 990 for LAF and LAFE.

**LANCE ARMSTRONG FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

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

Reclassification

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

Equity Method

In accordance with EITF Issue No. 03-16, *Accounting for Investments in Limited Liability Companies*, the Foundation has accounted for their investment in TPEP 2005 under the equity method by recording their respective share of earnings or loss.

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 \$67,060 in 2006 and \$43,938 in 2005.

C. PROMISES TO GIVE

Unconditional promises to give are as follows:

	December 31,	
	2006	2005
Contributions Due in Less than One Year	\$1,973,863	\$2,939,160
Contributions Due in One to Five Years	824,170	1,083,975
	<u>2,798,033</u>	<u>4,023,135</u>
Less Discount to Net Present Value	103,498	240,249
	<u>\$2,694,535</u>	<u>\$3,782,886</u>

Discount rate used on long-term promises to give was 6% in 2006 and 2005.

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

D. EQUIPMENT

Equipment consisted of the following:

	December 31,	
	2006	2005
Computer Hardware and Software	\$ 935,340	\$ 916,618
Office Equipment	52,501	52,501
Furniture and Fixtures	109,455	109,455
	1,097,296	1,078,574
Less Accumulated Depreciation	601,611	362,038
	\$ 495,685	\$ 716,536

E. INVESTMENTS

Investments are stated at fair value and consist primarily of common 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,	
	2006	2005
Common Stocks and Mutual Funds:		
TIFF Multi-Asset Fund	\$30,762,443	\$26,399,516
TIFF Short-Term Fund	7,455,922	15,666,743
Market Neutral Hedge Fund	–	116,649
	\$38,218,365	\$42,182,908

**LANCE ARMSTRONG FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

E. INVESTMENTS – Continued

Investment income consisted of the following:

	Year Ended December 31,	
	2006	2005
Interest	\$ 119,618	\$ 243,878
Dividends	1,496,856	1,138,634
Capital Gain Distributions	1,065,453	864,801
Unrealized Gains, Net	2,433,544	589,235
Realized Losses, Net	(1,977)	(59,403)
	<u>\$ 5,113,494</u>	<u>\$ 2,777,145</u>

Other investments consist of an investment in TPEP 2005, a limited liability company, which is accounted for under the equity method of accounting. In accordance with this method, the Foundation records their respective share of any earnings or loss. The Foundation has a related commitment to the company extending several years (see Note Q).

F. INVENTORIES

Inventory consisted of the following program merchandise:

	December 31,	
	2006	2005
Finished Goods	\$ 5,168,308	\$ 6,294,715
Raw Materials	1,083,177	1,115,402
	<u>\$ 6,251,485</u>	<u>\$ 7,410,117</u>

G. INTANGIBLES

In 2005 the Foundation purchased the rights to the trademark name **LIVELONG LIVESTRONG™**. Statement of Financial Accounting Standards number 142 (SFAS 142), issued in 2001, defines a trademark as an intangible asset with an indefinite life. As such, SFAS 142 prohibits these assets' amortization; however, it does require that these assets be reviewed for impairment at least annually. During 2006, the Foundation tested this asset for impairment, utilizing the two-step process prescribed by SFAS 142. The first step is a search for potential impairments while the second step measures the amount of the impairment, if any. As a result of applying the impairment test, the Foundation determined that gross revenues derived from the use of the purchased trademark exceeded the trademark's carrying value; therefore, no impairment exists as of December 31, 2006.

**LANCE ARMSTRONG FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

H. GRANTS PAYABLE

During the years ended December 31, 2006 and 2005, 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 are as follows:

	December 31,	
	2006	2005
Payable in Less Than One Year	\$ 4,759,069	\$ 6,178,700
Payable in One to Five Years	3,006,350	3,983,281
	7,765,419	10,161,981
Less Discount to Net Present Value	428,296	621,305
	\$ 7,337,123	\$ 9,540,676

The discount rate applied to unconditional promises to give extending beyond one year from the grant date was 5% for 2006 and 2005.

I. 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. Rental expense for this lease and other miscellaneous leases for the years ended December 31, 2006 and 2005 were \$403,013 and \$425,645, respectively. Minimum future rentals are as follows:

2007	318,904
2008	143,527
2009	16,780
2010	5,594
	\$ 484,805

J. 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.

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

K. UNRESTRICTED NET ASSETS

Unrestricted net assets are available for the following purposes:

	December 31,	
	2006	2005
Undesignated	\$ 35,592,111	\$ 37,278,037
Board Designated	11,157,406	11,157,406
	<u>\$ 46,749,517</u>	<u>\$ 48,435,443</u>

L. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2006	2005
Special Events	\$ 664,220	\$ 100,298
Time Restrictions	1,083,308	1,932,441
Program Services	208,331	293,174
	<u>\$ 1,955,859</u>	<u>\$ 2,325,913</u>

M. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were as follows:

	Year Ended December 31,	
	2006	2005
Special Events	\$ 100,298	\$ 844,501
Time Restrictions	849,133	1,969,091
Program Services	84,843	103,497
	<u>\$ 1,034,274</u>	<u>\$ 2,917,089</u>

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

N. 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,	
	2006	2005
Larry and Dr. Nancy O'Reilly, Lauran, Leigh, Ragan Family Fund	\$ 1,000,000	\$ 1,000,000
Stephanie Robins Lance Armstrong Endowment Fund	540,994	539,994
John and Michele Phua Lance Armstrong Endowment Fund	172,821	118,942
Dell Children's Hospital Gift in Honor of Sandra Aragona	250,000	—
Susan E. Kuhn and Sevilla M. Trevisani and Thomas P. Trevisani, II, Family Fund	25,000	—
Michael W. Lotz Memorial Fund	25,000	—
In Honor of the Staff of the Lance Armstrong Foundation	25,410	—
In Honor of Kathleen B. and James N. Sherwin	25,410	—
In Honor of Rainbow Babies and Children's Hospital, Cleveland, OH	25,410	—
The Armstrong Family Fund	25,000	—
Karen and Everett Cook Endowment Fund	50,000	—
	<u>\$ 2,165,045</u>	<u>\$ 1,658,936</u>

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

O. RELATED PARTY TRANSACTIONS

During 2006 and 2005, the Foundation received contributions of \$1,242,500 and \$881,185, respectively, from related parties. During 2006 and 2005, the Foundation made grants and other payments of \$9,559 and \$62,324, respectively, to related parties. During 2006 and 2005, the Foundation had promises to give receivable due from related parties of \$1,187,775 and \$2,063,975, respectively.

P. FEDERAL GRANT AWARDED

The Department of Health & Human Services, Centers for Disease Control (CDC), awarded the Foundation three federal grants in support of early detection or survivorship of cancer in underserved populations, the **LIVESTRONG™** Cancer Survivorship Resource Center, and cancer prevention and control. The grants vary in length from one to five years and are based upon allowable expenses paid. These grants are awarded each year and are subject to annual renewal. Through December 31, 2006 and 2005, the Foundation had incurred reimbursable expenditures of \$1,329,867 and \$898,248, respectively.

Q. COMMITMENTS

At December 31, 2006, the Foundation had a commitment with one company for the production of education program materials to produce binders. The total obligation for this commitment was \$519,366, including a deposit of \$62,379. The unpaid balance of this commitment is \$57,352 which will become due as the companies meet their obligations under the agreement.

LAF and LAFE have agreed and committed to provide capital contributions of up to \$1,000,000 each in TIF Private Equity Partners 2005 (TPEP 2005), an investment fund organized as a limited liability company by The Investment Fund for Foundations and TIF Advisory Services, Inc. The capital of TPEP 2005 is expected to be allocated primarily among private equity managers pursuing venture, operations-oriented buy-out, special situation and recapitalization strategies. As of December 31, 2006, LAF and LAFE each had a remaining commitment to TPEP 2005 of \$740,000. The initial investment period is a 12-year term expiring December 31, 2017, subject to extension for up to five consecutive one-year periods.

**LANCE ARMSTRONG FOUNDATION
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.

Program expenses were as follows:

	Year Ended December 31,	
	2006	2005
Survivorship	\$ 5,745,886	\$ 6,704,708
Public Health	11,033,860	–
Community	–	6,510,486
Advocacy	2,931,474	993,841
Research	8,006,136	13,379,925
Grants Management	665,564	–
Education/ LIVESTRONG™	–	3,440,971
Volunteers	497,977	195,467
Tour of Hope	–	161,373
	\$ 28,880,897	\$ 31,386,771

S. JOINT COSTS

During 2006, 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 \$3,920,779 of joint costs. Of those costs, \$2,053,577 was allocated to program service expense, \$455,890 was allocated to management and general expense, and \$1,411,313 was allocated to fund raising.

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

T. FUNCTIONAL EXPENSES

Functional expenses for the year ended December 31, 2006 consisted of the following:

	Total	Program	Management and General	Fundraising
Grants	\$ 12,977,417	\$ 12,977,417	\$ –	\$ –
Salaries, Wages, and Benefits	4,601,566	3,260,778	306,675	1,034,113
Contract Services	2,131,509	1,061,274	171,397	898,838
Payroll Taxes	283,998	203,337	18,530	62,131
Supplies	344,025	306,326	8,567	29,132
Telephone	61,830	45,215	4,303	12,312
Postage	1,045,412	507,551	86,074	451,787
Occupancy	122,558	54,227	21,804	46,527
Other Rent	447,272	185,457	83,918	177,897
Printing and Publications	383,115	317,976	13,072	52,067
Entertainment	10,906	10,906	–	–
Travel	1,053,169	902,622	32,337	118,210
Professional and Consulting	10,178,033	5,573,180	757,469	3,847,384
Advertising	2,315,782	1,535,798	44,398	735,586
Bad Debt/Taxes/Miscellaneous	14,141	6,594	1,292	6,255
Bank and Credit Card Fees	366,822	154,707	33,603	178,512
Insurance	47,102	25,252	4,214	17,636
Permits	8,603	5,850	766	1,987
Audio/Video	333,415	270,121	1,387	61,907
Education and Public Awareness	1,184,584	1,122,419	16,874	45,291
Technology	295,312	190,980	23,827	80,505
Depreciation and Amortization	239,574	162,910	21,322	55,342
	<u>\$ 38,446,145</u>	<u>\$ 28,880,897</u>	<u>\$ 1,651,829</u>	<u>\$ 7,913,419</u>

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

T. FUNCTIONAL EXPENSES – Continued

Functional expenses for the year ended December 31, 2005 consisted of the following:

	Total	Program	Management and General	Fundraising
Grants	\$ 14,976,455	\$ 14,976,455	\$ –	\$ –
Salaries, Wages, and Benefits	3,927,039	2,595,441	430,427	901,171
Contract Services	5,886,591	4,391,988	216,457	1,278,146
Payroll Taxes	226,867	152,414	24,093	50,360
Supplies	329,555	227,682	13,732	88,141
Telephone	71,358	49,168	8,505	13,685
Postage	1,042,733	618,401	25,975	398,357
Occupancy	269,614	125,570	16,290	127,754
Other Rent	378,386	94,706	94,560	189,120
Printing and Publications	577,864	360,237	29,828	187,799
Entertainment	702	343	48	311
Travel	1,077,132	737,515	43,283	296,334
Consulting	3,511,676	2,003,023	521,395	987,258
Advertising	3,024,372	1,811,201	2,423	1,210,748
Miscellaneous	809,602	624,649	52,610	132,343
Bank and Credit Card Fees	1,577,976	1,070,407	115,713	391,856
Insurance	29,348	14,390	3,165	11,793
Permits	104,997	71,523	11,108	22,366
Audio/Video	550,128	382,075	38,685	129,368
Education and Public Awareness	508,087	315,401	172,912	19,774
Technology	1,039,452	664,979	287,119	87,354
Depreciation	194,517	99,203	33,069	62,245
	<u>\$ 40,114,451</u>	<u>\$ 31,386,771</u>	<u>\$ 2,141,397</u>	<u>\$ 6,586,283</u>

ADDITIONAL INFORMATION

ERICKSON DEMEL & Co., P.C.

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

ADDITIONAL INFORMATION

Our audits of the combined financial statements of the Lance Armstrong Foundation and Related Entity for the year ended December 31, 2006 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 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.

Erickson Demel & Co., P.C.

Certified Public Accountants

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINED STATEMENT OF PROGRAM EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2006

	Total Programs	Survivorship	Public Health	Research	Grants			Volunteers
					Management	Advocacy		
Grants	\$ 12,977,417	\$ 1,242,296	\$ 5,189,877	\$ 6,506,703	\$ -	\$ -	\$ 38,541	\$ -
Salaries, Wages, and Benefits	3,260,778	123,413	1,511,518	503,988	203,953	467,179	450,727	
Contract Services	1,061,274	70,033	756,646	227,844	-	3,490	3,261	
Payroll Taxes	203,337	12,975	91,308	30,361	12,289	28,969	27,435	
Supplies	306,326	200,259	6,503	68,207	302	26,755	4,300	
Telephone	45,215	12,249	13,239	4,899	8,887	3,567	2,374	
Postage	507,551	25,254	424,919	15,374	8,808	30,518	2,678	
Occupancy	54,227	54,227	-	-	-	-	-	
Other Rent	185,457	162,352	-	308	-	22,797	-	
Printing and Publications	317,976	14,589	267,576	9,824	-	25,874	113	
Entertainment	10,906	10,906	-	-	-	-	-	
Travel	902,622	422,818	84,139	122,880	2,687	266,420	3,678	
Professional and Consulting	5,573,180	2,670,486	680,191	155,817	343,383	1,723,303	-	
Advertising	1,535,798	247,068	820,203	279,924	-	188,603	-	
Bad Debt/Taxes/Miscellaneous	6,594	986	2,642	2,480	68	352	66	
Bank and Credit Card Fees	154,707	123,200	13,503	9,002	-	9,002	-	
Insurance	25,252	25,252	-	-	-	-	-	
Permits	5,850	876	2,343	2,200	60	313	58	
Audio/Video	270,121	198,779	12,595	932	-	57,815	-	
Education and Public Awareness	1,122,419	102,953	991,271	3,615	-	22,918	1,662	
Technology	190,980	534	100,131	502	83,443	6,370	-	
Depreciation and Amortization	162,910	24,381	65,256	61,276	1,684	8,688	1,625	
	\$ 28,880,897	\$ 5,745,886	\$ 11,033,860	\$ 8,006,136	\$ 665,564	\$ 2,931,474	\$ 497,977	

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINED STATEMENT OF GRANT HISTORY

FOR THE YEAR ENDED DECEMBER 31, 2006

Grant History

	1998 and Prior	1999	2000	2001	2002	2003	2004	2005	2006	TOTAL
Grants Payable January 1	\$ —	\$ 97,523	\$ 139,272	\$ 694,747	\$ 2,078,272	\$ 2,736,149	\$ 3,420,931	\$ 4,561,969	\$ 9,540,676	\$ —
Grants Awarded	301,162	158,095	1,360,026	2,042,171	2,225,643	3,623,374	6,186,800	14,976,455	12,891,166	43,764,892
Grant Payments and Other	(203,639)	(116,346)	(804,551)	(658,646)	(1,567,766)	(2,938,592)	(5,045,762)	(9,997,748)	(15,094,719)	(36,427,769)
Grants Payable December 31	\$ 97,523	\$ 139,272	\$ 694,747	\$ 2,078,272	\$ 2,736,149	\$ 3,420,931	\$ 4,561,969	\$ 9,540,676	\$ 7,337,123	\$ 7,337,123

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006

	Lance Armstrong Foundation	Lance Armstrong Foundation Endowment	Elimination	Combined Total
ASSETS				
Cash and Cash Equivalents	\$ 5,824,316	\$ 124,358	\$ —	\$ 5,948,674
Investment Securities	17,390,771	20,827,594	—	38,218,365
Promises to Give	2,265,870	428,665	—	2,694,535
Accounts Receivable	4,737,031	—	—	4,737,031
Due from LAFE	3,771	—	(3,771)	—
Prepaid and Other Assets	371,435	—	—	371,435
Intangibles	564,390	—	—	564,390
Inventories	6,251,485	—	—	6,251,485
Other Investments	266,730	266,730	—	533,460
Equipment, Net	495,685	—	—	495,685
Total Assets	<u>\$38,171,484</u>	<u>\$21,647,347</u>	<u>\$ (3,771)</u>	<u>\$59,815,060</u>
LIABILITIES				
Accounts Payable and Accrued Expenses	1,146,942	—	—	1,146,942
Due to LAF	—	3,771	(3,771)	—
Deferred Lease Cost	20,405	—	—	20,405
Deferred Revenue	440,169	—	—	440,169
Grants Payable	7,337,123	—	—	7,337,123
Total Liabilities	<u>8,944,639</u>	<u>3,771</u>	<u>(3,771)</u>	<u>8,944,639</u>
NET ASSETS				
Unrestricted:				
Undesignated	25,270,986	10,321,125	—	35,592,111
Designated	2,000,000	9,157,406	—	11,157,406
	<u>27,270,986</u>	<u>19,478,531</u>	<u>—</u>	<u>46,749,517</u>
Temporarily Restricted	1,955,859	—	—	1,955,859
Permanently Restricted	—	2,165,045	—	2,165,045
	<u>29,226,845</u>	<u>21,643,576</u>	<u>—</u>	<u>50,870,421</u>
Total Liabilities and Net Assets	<u>\$38,171,484</u>	<u>\$21,647,347</u>	<u>\$ (3,771)</u>	<u>\$59,815,060</u>

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2006

	Lance Armstrong Foundation	Lance Armstrong Foundation Endowment	Elimination	Combined Total
UNRESTRICTED NET ASSETS				
Revenues and Other Support				
Contributions	\$ 9,926,222	\$ 4,824	\$ (430,000)	\$ 9,501,046
Grant Revenue	1,544,643	-	-	1,544,643
Program Merchandise and Services	4,192,142	-	-	4,192,142
Program Merchandise and Services Promotional Cost	(1,533,346)	-	-	(1,533,346)
Special Event Revenues	10,249,938	-	-	10,249,938
Cost of Direct Benefits to Donors	(648,300)	-	-	(648,300)
Investment Income	2,202,922	2,910,572	-	5,113,494
Royalties	7,287,502	-	-	7,287,502
Other Income	18,826	-	-	18,826
Total Net Revenue and Other Support	33,240,549	2,915,396	(430,000)	35,725,945
Net Assets Released from Restrictions	1,034,275	-	-	1,034,275
	34,274,824	2,915,396	(430,000)	36,760,220
Expenses				
Program Services	28,891,148	419,749	(430,000)	28,880,897
Management and General	1,652,896	(1,067)	-	1,651,829
Fund Raising	7,919,304	(5,885)	-	7,913,419
Total Expenses	38,463,348	412,797	(430,000)	38,446,145
Increase in Unrestricted Net Assets	(4,188,524)	2,502,599	-	(1,685,925)
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	664,220	-	-	664,220
Net Assets Released from Restrictions	(1,034,275)	-	-	(1,034,275)
Increase in Temporarily Restricted Net Assets	(370,055)	-	-	(370,055)

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINING STATEMENT OF ACTIVITIES – CONTINUED

YEAR ENDED DECEMBER 31, 2006

	Lance Armstrong Foundation	Lance Armstrong Foundation Endowment	Elimination	Combined Total
PERMANENTLY RESTRICTED NET ASSETS				
Contributions	\$ —	\$ 506,109	\$ —	\$ 506,109
CHANGE IN NET ASSETS	(4,558,579)	3,008,708	—	(1,549,871)
Net Assets Beginning of Year	33,785,424	18,634,868	—	52,420,292
Net Assets End of Year	\$ 29,226,845	\$ 21,643,576	\$ —	\$ 50,870,421