

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

AUDITED COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

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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, 2005 and 2004, 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 and Related Entity at December 31, 2005 and 2004 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 16, 2006

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINED STATEMENT OF FINANCIAL POSITION

ASSETS

	December 31,	
	2005	2004
ASSETS		
Cash and Cash Equivalents	\$ 6,519,938	\$ 19,843,725
Investment Securities	42,182,908	17,776,165
Promises to Give	3,782,886	1,632,048
Accounts Receivable	2,323,865	1,371,907
Prepaid and Other Assets	704,972	989,256
Intangibles	550,000	40,000
Inventory	7,410,117	2,410,531
Other Investments	246,236	-
Equipment, Net	716,536	378,172
	\$ 64,437,458	\$ 44,441,804
Total Assets		

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,440,292	\$ 2,352,794
Deferred Lease Cost	36,198	36,815
Grants Payable	9,540,676	4,561,969
Deferred Revenue	-	931,790
	12,017,166	7,883,368
Total Liabilities		
NET ASSETS		
Unrestricted		
Undesignated	37,278,037	24,025,774
Designated	11,157,406	9,157,046
	48,435,443	33,182,820
Temporarily Restricted	2,325,913	2,780,255
Permanently Restricted	1,658,936	595,361
	52,420,292	36,558,436
Total Liabilities and Net Assets	\$ 64,437,458	\$ 44,441,804

See notes to combined financial statements

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINED STATEMENT OF ACTIVITIES

	Year Ended December 31,	
	2005	2004
UNRESTRICTED NET ASSETS		
Revenues and Other Support		
Contributions	\$ 18,613,337	\$ 17,065,787
Program Merchandise and Services	24,461,367	26,198,915
Program Merchandise and Services Promotional Cost	(6,367,262)	(6,325,997)
Special Event Revenues	6,830,892	1,661,152
Cost of Direct Benefits to Donors	(683,216)	(860,209)
Investment Income	2,777,145	1,496,971
Royalties	6,630,580	295,164
Other Income	187,142	-
Total Net Revenues and Other Support	52,449,985	39,531,783
Net Assets Released from Restrictions	2,917,089	1,483,888
	55,367,074	41,015,671
 Expenses		
Program Services	31,386,771	13,218,690
Management and General	2,141,397	1,018,214
Fund Raising	6,586,283	2,655,310
Total Expenses	40,114,451	16,892,214
 Increase in Unrestricted Net Assets	 15,252,623	 24,123,457
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions	2,462,747	1,581,790
Net Assets Released from Restrictions	(2,917,089)	(1,483,888)
 Change in Temporarily Restricted Net Assets	 (454,342)	 97,902
 PERMANENTLY RESTRICTED NET ASSETS		
Contributions	1,063,575	305,617
 INCREASE IN NET ASSETS	 15,861,856	 24,526,976
Net Assets Beginning of Year	36,558,436	12,031,460
Net Assets End of Year	\$ 52,420,292	\$ 36,558,436

See notes to combined financial statements

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINED STATEMENT OF CASH FLOWS

	Year Ended December 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 15,861,856	\$ 24,526,976
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	194,517	95,292
Donated Investment Securities	(926,342)	(43,318)
Donated Assets	(249,990)	-
Loss on Disposal of Assets	1,853	-
Gain (Loss) on Sale of Securities, Net	59,403	(542,052)
Unrealized Gain on Securities, Net	(589,235)	(658,439)
Change in Operating Assets and Liabilities:		
Promises to Give	(2,150,838)	755,345
Accounts Receivable	(951,958)	(1,371,907)
Prepaid and Other Assets	284,284	(921,916)
Intangibles	(550,000)	(40,000)
Inventory	(4,999,586)	(2,397,048)
Accounts Payable and Accrued Expenses	87,498	1,969,188
Deferred Lease Cost	(617)	1,935
Grants Payable	4,978,707	1,141,038
Deferred Revenue	(931,790)	931,790
Net Cash Provided by Operating Activities	10,117,762	23,446,884
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(244,744)	(201,272)
Purchase of Securities	(42,981,227)	(10,997,773)
Purchase of Other Investments	(246,236)	-
Proceeds from Sale of Securities	20,030,658	2,813,398
Net Cash Used in Investing Activities	(23,441,549)	(8,385,647)
Increase (Decrease) in Cash and Cash Equivalents	(13,323,787)	15,061,237
Cash and Cash Equivalents at Beginning of Year	19,843,725	4,782,488
Cash and Cash Equivalents at End of Year	\$ 6,519,938	\$ 19,843,725
Donated Fixed Assets	\$ 249,990	\$ -
Donated Securities	\$ 926,342	\$ 43,318

See notes to combined financial statements

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

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, 2005 and 2004, 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
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, 2005 and 2004, cash balances at two financial institutions exceeded Federal Deposit Insurance Corporation's insurance limits by \$100,000 and \$853,569, 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, 2005 and 2004 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
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 133,212 and 175,380 hours to the Foundation's program services and fund-raising campaigns during the years ended December 31, 2005 and 2004, 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**

Program Services

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 million cancer survivors in the United States are met. The survivorship department funds a wide range of survivorship initiatives across the country in partnership with leading academic, community and advocacy organizations to ensure it is fulfilling its mission. In 2005, 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 2005, the LIVESTRONG™ Young Adult Alliance was formed 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 is partnering with the National Cancer Institute (NCI) to conduct a progress review group (PRG) on Young Adult Oncology. Specifically, the survivorship department strives to involve more individuals and organizations in the Foundation's work while meeting its overall mission goals.

Public Health -- The Public Health Department once again expanded in 2005 to offer grants to organizations across the country. An RFP was released to the public and the Foundation provided 43 grants to organizations directly impacting the lives of cancer survivors. Programs funded in 2005 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.

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

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

Program Services – Continued

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 2005, the Foundation held its 2nd annual community program conference whereby community partners share information, best practices, and learn from leaders in the public health and non-profit development sectors. LAF brought together 143 individuals from current and previous Community Programs to learn about effective collaboration, program evaluation, and communication and public relations strategies that will contribute the their organizations' overall success in meeting the needs of cancer survivors in their communities.

In 2005, the Public Health Department established criteria for National Cooperative 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. Five (5) key strategic partners were selected for this pilot 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 Public Health 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 2005 include Northwestern University (Education on Palliative and End-of-Life Care Projects), fertileHOPE, the American Alliance of Cancer Pain Initiatives, the Do Something Foundation, and the Education Network to Advance Cancer Clinical Trials.

In 2005, the Public Health Department 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 formation provided by the LIVESTRONG™ program 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 partnership with CancerCare, Patient Advocate Foundation and EmergingMed, the Public Health Department also continued the LIVESTRONG™ SurvivorCare 800 number.

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

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

Program Services – Continued

This 800 number provides information and referrals to case managers with each organization 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.

Advocacy Program -- The LAF continued to expand its advocacy efforts in 2005 with the goal of making cancer survivorship a national priority. To further this goal, LAF held **LIVESTRONG** Day, its second annual grassroots advocacy event in Washington, D.C. Over 50 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). The LAF also participated as a member of two cancer advocacy coalitions in 2005: 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. The PCP also held a two day meeting in Washington, D.C. to follow up on the progress that has been made in the area of cancer survivorship since the 2004 report was released. The LAF also partnered on the Tour of Hope in 2005 to educate and increase awareness surrounding clinical trial enrollment. Finally, the LAF started increasing its grassroots advocacy activities by sending a monthly advocacy newsletter to advocates and conducting a number of advocacy trainings across the country.

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. The Foundation has also embarked on a new initiative to create a national network of survivorship centers. The Foundation has continued its support of the Life After Cancer Program at Cook Children's Medical Center in Fort Worth, Texas; the Living Well After Cancer Program at the University of Pennsylvania in Philadelphia, Pennsylvania; a survivorship center at Rainbow Babies and Children's Hospital in Cleveland, Ohio; the LAF Survivorship Center at the Nevada Cancer Institute in Las Vegas, Nevada; and the LAF Adult Survivorship Clinic at Dana Farber Cancer Institute in Boston, Massachusetts. The Foundation has funded a new adult survivorship center at Memorial Sloan-Kettering Cancer Center in New York, New York and is in the final stages of contract negotiations to add three new Survivorship Centers at NCI-designated comprehensive cancer centers.

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

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

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.

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 \$43,938 in 2005 and \$26,567 in 2004.

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

C. PROMISES TO GIVE

Unconditional promises to give are as follows:

	December 31,	
	2005	2004
Contributions Due in Less than One Year	\$2,939,160	\$1,416,082
Contributions Due in One to Five Years	1,083,975	344,802
	<u>4,023,135</u>	<u>1,760,884</u>
Less Discounts to Net Present Value	240,249	128,836
	<u>\$3,782,886</u>	<u>\$1,632,048</u>

Discount rates used on long-term promises to give were 6% in 2005 and 2004.

D. EQUIPMENT

Equipment consisted of the following:

	December 31,	
	2005	2004
Computer Hardware and Software	\$ 916,618	\$ 504,215
Furniture and Fixtures	52,501	36,624
Office Equipment	109,455	55,852
	<u>1,078,574</u>	<u>596,691</u>
Less Accumulated Depreciation	362,038	218,519
	<u>\$ 716,536</u>	<u>\$ 378,172</u>

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

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,	
	2005	2004
Common Stocks and Mutual Funds:		
Domestic	\$ –	\$ 3,479,222
International	–	3,674,258
TIFF Multi-Asset Fund	26,399,516	5,321,903
TIFF Short-Term Fund	15,666,743	–
Directional Hedge Fund	–	2,315,838
Market Neutral Hedge Fund	116,649	2,314,738
Fixed Income Investments	–	670,206
	<u>\$42,182,908</u>	<u>\$17,776,165</u>

Investment income consisted of the following:

	Year Ended December 31,	
	2005	2004
Interest, Dividends and Capital Gain	\$ 2,247,313	\$ 296,480
Distributions		
Unrealized Gains, Net	589,235	658,439
Realized Losses, Net	(59,403)	542,052
	<u>\$ 2,777,145</u>	<u>\$ 1,496,971</u>

Other investments consist of an investment in 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).

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

F. INVENTORY

Inventory consisted of the following program merchandise:

	December 31,	
	2005	2004
Finished Goods	\$ 6,294,715	\$ 2,318,299
Raw Materials	1,115,402	92,232
	\$ 7,410,117	\$ 2,410,531

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. The Foundation began testing this asset for impairments in the year of acquisition, 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, 2005.

H. GRANTS PAYABLE

During the years ended December 31, 2005 and 2004, 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,	
	2005	2004
Payable in Less Than One Year	\$ 6,178,700	\$ 2,870,789
Payable in One to Five Years	3,983,281	2,033,929
	10,161,981	4,904,718
Less Discount to Net Present Value	621,305	342,749
	\$ 9,540,676	\$ 4,561,969

The discount rate applied to unconditional promises to give extending beyond one year from the grant date was 5% for 2005 and 2004.

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

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. 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, 2005 and 2004 were \$425,645 and \$424,052, respectively. Minimum future rentals are as follows:

	Rental Income	Rental Expense
2006	\$ 18,263	\$ 362,270
2007	–	318,904
2008	–	143,527
2009	–	16,780
2010	–	5,594
	<u>\$ 18,263</u>	<u>\$ 847,075</u>

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.

K. UNRESTRICTED NET ASSETS

Unrestricted net assets are available for the following purposes:

	December 31,	
	2005	2004
Undesignated	\$ 37,278,037	\$ 24,025,774
Board Designated	11,157,406	9,157,046
	<u>\$ 48,435,443</u>	<u>\$ 33,182,820</u>

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

L. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2005	2004
Special Events	\$ 100,298	\$ 844,501
Time Restrictions	1,932,441	1,632,048
Program Services	293,174	303,706
	<u>\$ 2,325,913</u>	<u>\$ 2,780,255</u>

M. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were as follows:

	Year Ended December 31,	
	2005	2004
Special Events	\$ 844,501	\$ 323,927
Time Restrictions	1,969,091	1,159,961
Program Services	103,497	–
	<u>\$ 2,917,089</u>	<u>\$ 1,483,888</u>

N. 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,	
	2005	2004
Larry and Dr. Nancy O'Reilly, Lauran, Leigh, Ragan Family Fund	\$ 1,000,000	\$ –
Stephanie Robins Lance Armstrong Endowment Fund	539,994	539,994
John and Michele Phua Lance Armstrong Endowment Fund	118,942	55,367
	<u>\$ 1,658,936</u>	<u>\$ 595,361</u>

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

O. RELATED PARTY TRANSACTIONS

During 2005 and 2004, the Foundation received contributions of \$1,905,160 and \$537,100, respectively, from related parties. During 2005 and 2004, the Foundation made grants and other payments of \$62,324 and \$92,669, respectively, to related parties. During 2005 and 2004, the Foundation had promises to give receivable from related parties of \$1,540,000 and \$256,830, respectively.

P. FEDERAL GRANT AWARDED

The Foundation was awarded federal grants of approximately \$5,020,000 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 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, 2005 and 2004, the Foundation had incurred reimbursable expenditures of \$815,140 and \$385,462, respectively.

Q. COMMITMENTS

At December 31, 2005, 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 of which \$128,656 was advanced as a deposit. The unpaid balance of this commitment is \$390,710 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 TIFF Private Equity Partners 2005 (TPEP 2005), an investment fund organized as a limited liability company by The Investment Fund for Foundations and TIFF 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, 2005, LAF and LAFE each had a remaining commitment to TPEP 2005 of \$870,000. 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,	
	2005	2004
Survivorship	\$ 6,704,708	\$ 1,675,970
Community	6,510,486	2,559,336
Advocacy	993,841	1,233,596
Research	13,379,925	5,210,655
Education/ LIVESTRONG™	3,440,971	2,539,133
Volunteers	195,467	-
Tour of Hope	161,373	-
	<u>\$ 31,386,771</u>	<u>\$ 13,218,690</u>

S. JOINT COSTS

During 2005, 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 \$5,778,138 of joint costs. Of those costs, \$3,472,982 was allocated to program service expense, \$18,959 was allocated to management and general expense, and \$2,286,197 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, 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
Legal and Professional	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 Service 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 and Amortization	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>

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

T. FUNCTIONAL EXPENSES – Continued

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>

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, 2005 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, 2005

	Total Programs	Survivorship	Public Health	LIVESTRONG™	Research	Advocacy	Volunteers	Tour of Hope
Grants	\$ 14,976,455	\$ 2,098,241	\$ 3,838,672	\$ 7,496	\$ 8,944,535	\$ 87,460	\$ 28	\$ 23
Salaries, Wages, and Benefits	2,595,441	731,305	418,090	510,467	667,303	157,329	105,384	5,563
Contract Services	4,391,988	1,140,268	567,874	1,367,698	998,014	207,038	13,862	97,234
Payroll Taxes	152,414	39,991	25,057	31,919	38,458	10,062	6,617	310
Supplies	227,682	50,701	56,440	19,020	49,790	33,551	17,678	502
Telephone	49,168	21,710	7,485	6,104	9,459	2,499	1,810	101
Postage	618,401	207,945	125,599	65,422	196,813	16,665	3,537	2,420
Occupancy	125,570	45,032	21,251	11,152	43,672	3,300	638	525
Other Rent	94,706	33,116	16,264	8,534	33,423	2,479	488	402
Printing and Publications	360,237	75,803	163,519	21,939	72,002	20,196	1,413	5,365
Entertainment	343	120	59	31	121	9	2	1
Travel	737,515	206,280	194,968	97,522	170,871	60,271	4,084	3,519
Legal and Professional	2,003,023	564,398	286,223	236,137	623,214	266,366	8,356	18,329
Advertising	1,811,201	627,720	310,502	165,526	639,042	50,371	10,395	7,645
Miscellaneous	624,649	214,909	106,014	55,632	217,863	16,157	3,181	10,893
Bank Service Fees	1,070,407	217,744	105,051	500,637	223,068	16,079	4,367	3,461
Insurance	14,390	5,017	2,475	1,299	5,087	377	74	61
Permits	71,523	24,938	12,302	6,455	25,280	1,875	369	304
Audio/Video	382,075	67,356	29,070	212,005	59,740	4,553	8,633	718
Education and Public Awareness	315,401	106,848	69,873	25,194	98,818	12,293	1,217	1,158
Technology	664,979	190,677	136,635	81,828	228,288	22,311	2,822	2,418
Depreciation and Amortization	99,203	34,589	17,063	8,954	35,064	2,600	512	421
	\$ 31,386,771	\$ 6,704,708	\$ 6,510,486	\$ 3,440,971	\$ 13,379,925	\$ 993,841	\$ 195,467	\$ 161,373

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINED STATEMENT OF GRANT HISTORY

FOR THE YEAR ENDED DECEMBER 31, 2005

GRANT HISTORY

	1998 and Prior	1999	2000	2001	2002	2003	2004	2005	TOTAL
Grants Payable January 1	\$ -	\$ 97,523	\$ 139,272	\$ 694,747	\$ 2,078,272	\$ 2,736,149	\$ 3,420,931	\$ 4,561,969	\$ -
Grants Awarded	301,162	158,095	1,360,026	2,042,171	2,225,643	3,623,374	6,186,800	14,976,455	30,873,726
Grant Payments and Other	(203,639)	(116,346)	(804,551)	(658,646)	(1,567,766)	(2,938,592)	(5,045,762)	(9,997,748)	(21,333,050)
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	\$ 9,540,676

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2005

	Lance Armstrong Foundation	Lance Armstrong Foundation Endowment	Elimination	Combined Total
ASSETS				
Cash and Cash Equivalents	\$ 6,504,896	\$ 15,042	\$ -	\$ 6,519,938
Investment Securities	24,160,326	18,022,582	-	42,182,908
Promises to Give	3,302,666	480,220	-	3,782,886
Accounts Receivable	2,323,865	-	-	2,323,865
Prepaid and Other Assets	704,972	-	-	704,972
Intangibles	550,000	-	-	550,000
Inventory	7,410,117	-	-	7,410,117
Other Investments	123,118	123,118	-	246,236
Equipment, Net	716,536	-	-	716,536
Total Assets	<u>\$45,796,496</u>	<u>\$18,640,962</u>	<u>\$ -</u>	<u>\$64,437,458</u>
LIABILITIES				
Accounts Payable and Accrued Expenses	2,434,198	6,094	-	2,440,292
Deferred Lease Cost	36,198	-	-	36,198
Grants Payable	9,540,676	-	-	9,540,676
Total Liabilities	<u>12,011,072</u>	<u>6,094</u>	<u>-</u>	<u>12,017,166</u>
NET ASSETS				
Unrestricted:				
Undesignated	29,459,511	7,818,526	-	37,278,037
Designated	2,000,000	9,157,406	-	11,157,406
	<u>31,459,511</u>	<u>16,975,932</u>	<u>-</u>	<u>48,435,443</u>
Temporarily Restricted	2,325,913	-	-	2,325,913
Permanently Restricted	-	1,658,936	-	1,658,936
	<u>33,785,424</u>	<u>18,634,868</u>	<u>-</u>	<u>52,420,292</u>
Total Liabilities and Net Assets	<u>\$45,796,496</u>	<u>\$18,640,962</u>	<u>\$ -</u>	<u>\$64,437,458</u>

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2005

	Lance Armstrong Foundation	Lance Armstrong Foundation Endowment	Elimination	Combined Total
UNRESTRICTED NET ASSETS				
Revenues and Other Support				
Contributions and Grants	\$ 18,818,529	\$ 6,504,808	\$ (6,710,000)	\$ 18,613,337
Special Event Revenues	6,830,892	-	-	6,830,892
Program Merchandise and Services	24,461,367	-	-	24,461,367
Program Merchandise and Services Promotional Cost	(6,367,262)	-	-	(6,367,262)
Cost of Direct Benefits to Donors	(683,216)	-	-	(683,216)
Investment Income	1,572,355	1,204,790	-	2,777,145
Royalties	6,630,580	-	-	6,630,580
Other Income	187,142	-	-	187,142
Total Net Revenue and Other Support	51,450,387	7,709,598	(6,710,000)	52,449,985
Net Assets Released from Restrictions	2,917,089	-	-	2,917,089
	<u>54,367,476</u>	<u>7,709,598</u>	<u>(6,710,000)</u>	<u>55,367,074</u>
Expenses				
Program Services	37,780,945	315,826	(6,710,000)	31,386,771
Management and General	2,128,605	12,792	-	2,141,397
Fund Raising	6,551,023	35,260	-	6,586,283
Total Expenses	<u>46,460,573</u>	<u>363,878</u>	<u>(6,710,000)</u>	<u>40,114,451</u>
Increase in Unrestricted Net Assets	7,906,903	7,345,720	-	15,252,623
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	2,462,747	-	-	2,462,747
Net Assets Released from Restrictions	(2,917,089)	-	-	(2,917,089)
Increase in Temporarily Restricted Net Assets	<u>(454,342)</u>	<u>-</u>	<u>-</u>	<u>(454,342)</u>

**LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY**

COMBINING STATEMENT OF ACTIVITIES – CONTINUED

YEAR ENDED DECEMBER 31, 2005

	Lance Armstrong Foundation	Lance Armstrong Foundation Endowment	Elimination	Combined Total
PERMANENTLY RESTRICTED NET ASSETS				
Contributions	\$ -	\$ 1,063,575	\$ -	\$ 1,063,575
CHANGE IN NET ASSETS	7,452,561	8,409,295	-	15,861,856
Net Assets Beginning of Year	26,332,863	10,225,573	-	36,558,436
Net Assets End of Year	\$ 33,785,424	\$ 18,634,868	\$ -	\$ 52,420,292