LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY

AUDITED COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

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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, 2007 and 2006, 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, 2007 and 2006 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.

Erickson Demel & Co., P.C.

Certified Public Accountants
September 30, 2008

LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY

COMBINED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31, 2007	December 31, 2006
ASSETS		
Cash and Cash Equivalents	**$ 4,744,732**	$ 5,948,674
Investment Securities	**42,756,953**	38,218,365
Promises to Give	**9,972,969**	2,694,535
Accounts Receivable	**1,915,842**	4,737,031
Prepaid and Other Assets	**494,929**	371,435
Intangibles	**564,390**	564,390
Inventories	**4,422,521**	6,251,485
Other Investments	**819,470**	533,460
Equipment, Net	**314,885**	495,685
Total Assets	**$ 66,006,691**	$ 59,815,060

LIABILITIES AND NET ASSETS

	2007	2006
LIABILITIES		
Accounts Payable and Accrued Expenses	**$ 1,326,868**	$ 1,146,942
Deferred Lease Cost	**6,611**	20,405
Grants Payable	**7,590,025**	7,337,123
Deferred Revenue	**22,500**	440,169
Total Liabilities	**8,946,004**	8,944,639
NET ASSETS		
Unrestricted		
Undesignated	**35,517,970**	35,592,111
Designated	**11,157,406**	11,157,406
	46,675,376	46,749,517
Temporarily Restricted	**5,828,362**	1,955,859
Permanently Restricted	**4,556,949**	2,165,045
	57,060,687	50,870,421
Total Liabilities and Net Assets	**$ 66,006,691**	$ 59,815,060

See notes to combined financial statements

LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY

COMBINED STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2007	2006
UNRESTRICTED NET ASSETS		
Revenues and Other Support		
Contributions	$ **10,509,880**	$ 9,501,046
Grant Revenue	**855,329**	1,544,643
Program Merchandise and Services	**3,839,432**	4,192,142
Program Merchandise and Services Promotional Cost	**(1,539,986)**	(1,533,346)
Special Event Revenues	**9,979,696**	10,249,938
Cost of Direct Benefits to Donors	**(608,382)**	(648,300)
Investment Income	**4,726,424**	5,113,494
Royalties	**2,680,832**	7,287,502
Other Income	**(25)**	18,826
Total Net Revenues and Other Support	**30,443,200**	35,725,945
Net Assets Released from Restrictions	**715,063**	1,034,275
	31,158,263	36,760,220
Expenses		
Program Services	**23,275,427**	28,880,897
Management and General	**2,390,954**	1,651,829
Fund Raising	**5,566,023**	7,913,419
Total Expenses	**31,232,404**	38,446,145
Increase (Decrease) in Unrestricted Net Assets	**(74,141)**	(1,685,925)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	**4,587,566**	664,220
Net Assets Released from Restrictions	**(715,063)**	(1,034,275)
Change in Temporarily Restricted Net Assets	**3,872,503**	(370,055)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	**2,391,904**	506,109
INCREASE (DECREASE) IN NET ASSETS	**6,190,266**	(1,549,871)
Net Assets Beginning of Year	**50,870,421**	52,420,292
Net Assets End of Year	$ **57,060,687**	$ 50,870,421

See notes to combined financial statements

LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY

COMBINED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ **6,190,266**	$ (1,549,872)
Adjustments to Reconcile Change in Net Assets To Net Cash Provided by Operating Activities:		
Depreciation and Amortization	**218,955**	239,574
Donated Investment Securities	**(98,862)**	(126,322)
Donated Assets	**(35,000)**	–
Loss on Disposal of Assets	**889**	–
Gain (Loss) on Sale of Securities, Net	**7,589**	1,977
Unrealized Gain on Securities, Net	**(665,662)**	(2,433,544)
Change in Operating Assets and Liabilities:		
Promises to Give	**(8,149,333)**	732,752
Accounts Receivable	**2,830,069**	(2,413,166)
Prepaid and Other Assets	**(123,494)**	333,537
Intangibles	–	(14,390)
Inventory	**1,828,964**	1,158,632
Accounts Payable and Accrued Expenses	**179,926**	(1,293,350)
Deferred Lease Cost	**(13,794)**	(15,793)
Grants Payable	**252,902**	(2,203,553)
Deferred Revenue	**(417,669)**	440,170
Net Cash Provided by (Used in) Operating Activities	**2,005,746**	(7,143,348)

See notes to combined financial statements

LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY

COMBINED STATEMENTS OF CASH FLOWS – CONTINUED

	Year Ended December 31, 2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	**$ (4,044)**	$ (18,723)
Proceeds from Sale of Securities	**1,037,824**	10,515,641
Purchase of Securities and Other Investments	**(4,243,468)**	(3,924,834)
Net Cash (Provided by) Used in Investing Activities	**(3,209,688)**	6,572,084
Decrease in Cash and Cash Equivalents	**(1,203,942)**	(571,264)
Cash and Cash Equivalents at Beginning of Year	**5,948,674**	6,519,938
Cash and Cash Equivalents at End of Year	**$ 4,744,732**	$ 5,948,674
SUPPLEMENTAL CASH FLOW INFORMATION:		
Donated Fixed Assets	**$ 35,000**	$ -
Donated Investment Securities	**$ 104,275**	$ 126,322
Securities Received on Promises to Give	**$ 862,019**	$ 355,600

See notes to combined financial statements

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. Lance Armstrong Foundations Events (LAF Events) and Lance Armstrong Foundation Merchandise (LAF Merchandise) were organized for the purpose of facilitating special event coordination and merchandise sales activities. As of December 31, 2007 these organizations had not been activated, therefore they are not reflected in the combined financial statements.

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, 2007 and 2006, temporarily restricted net assets were available for operations in subsequent years. Permanently restricted net assets are maintained by the Foundation in perpetuity.

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 192,908 and 137,801 hours to the Foundation's program services and fund-raising campaigns during the years ended December 31, 2007 and 2006, 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.

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.

A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2007 and 2006, cash balances at two financial institutions exceeded Federal Deposit Insurance Corporation's insurance limits by $1,237,650 and $127,581 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; however, in 2007 the Foundation and a donor mutually agreed to cancel an agreement entered into in 2006 in the amount of $1,000,000.

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, 2007 and 2006 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.

A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Program Services

Survivorship Programs

The Foundation continues to provide an expanded menu of mission-related programs. These include grants for cancer survivorship 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 affected 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 approximately 12 million cancer survivors in the United States are met. The Programs and Policy 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 2007, the Foundation's LIVE**STRONG**™ 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 key voices in the cancer community to effect positive results for young adults and partnered with the National Cancer Institute (NCI) to complete a progress review group (PRG) process 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. Also in 2007, the LAF released its Cancer Policy Platform that will guide and inform the LAF's health policy work with government and business leaders.

Grants and Partnerships

Research Program -- The Foundation provides research grants to institutions in the United States and abroad that address cancer survivorship. Applicants respond to a published RFP and grantees are selected based on a peer-review conducted by advisors who represent a wide array of expertise in survivorship. The opportunity to support research and prove new interventions remains a high priority of the Foundation. In 2007 the LAF provided grants for community-based participatory research to develop partnerships in communities to identify and address survivorship issues.

A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Grants and Partnerships - 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
- University of Pennsylvania- Philadelphia, PA
- University of North Carolina at Chapel Hill – Chapel Hill, SC

Non-network centers receiving funding in 2007:
- Nevada Cancer Institute – Las Vegas, NV
- Oregon Health and Science University – Portland, OR
- Children's Medical Center Foundation – Austin, TX

Community Program -- An RFP was released to the public and the Foundation provided grants to organizations directly impacting the lives of cancer survivors. The funded programs 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 grants are reviewed by review committees comprised of cancer survivors and external experts to ensure the highest level of integrity. In the Community Program, a relationship between the Foundation and an organization begins with a grant of financial support through a set grant cycle, but goes on to encompass much more through technical and capacity-building support.

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.

National Partnerships -- In 2007, LAF continued its 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 were previously 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 mechanism in 2007 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 YMCA of the USA, the Wellness Community, and the Education Network to Advance Cancer Clinical Trials.

Direct Services

LIVE**STRONG**™ Education Resource and Survivor*Care* -- The LAF continues its LIVE**STRONG**™ 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 LIVE**STRONG**™ 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 Cancer*Care*, Patient Advocate Foundation and EmergingMed, to implement the LIVE**STRONG**™ Survivor*Care* toll-free number.

This toll-free 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.

A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – Continued

Advocacy and Government Relations and Health Policy

LIVE**STRONG**™ Day -- The LAF participates in a wide variety of advocacy efforts; all with the goal of making cancer survivorship a national priority. To further this goal, LAF held LIVE**STRONG**™ Day, its fourth annual grassroots advocacy event in Washington, D.C. 200 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 200 LIVE**STRONG**™ Day activities were held in communities all over the United States, driven by the energy from grassroots advocates.

LIVE**STRONG**™ Presidential Cancer Forum -- The LAF held the first-ever LIVE**STRONG**™ Presidential Cancer Forum in Cedar Rapids, IA in August 2007. At the forum, six candidates from both the Republican and Democratic parties running for president spoke to an audience of thousands to describe how they would address cancer in their administration should they be elected.

LIVE**STRONG**™ Cancer Policy Forum -- The LAF released its policy platform that will serve to guide the LAF's health policy work for the next several years. In the platform, the LAF identified four strategies that we believe, taken together, can eliminate suffering and death due to cancer.

- We must provide access to quality cancer care for everyone.
- We must improve the quality of life for people affected by cancer.
- We must manage cancer through prevention, early detection, planning and data collection, with an emphasis on survivorship.
- We must invest in and align research with health outcomes.

Advocacy Coalitions -- The LAF also participated as a member of two cancer advocacy coalitions: 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.

A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – Continued

International Program

Also in 2007, the LAF began work on identifying opportunities to engage in programmatic work outside the United States. The LAF engaged the services of Edelman to conduct a needs assessment and environmental scan of opportunities to address cancer internationally, including interviewing other cancer organizations and experts, conducting public opinion and media research, and collecting demographic and statistical information. Data collected will inform the development of a comprehensive strategic planning process for international work that will be conducted in 2008 and beyond.

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 $102,748 in 2007 and $67,060 in 2006.

C. PROMISES TO GIVE

Unconditional promises to give are as follows:

	December 31, 2007	December 31, 2006
Contributions Due in Less than One Year	$ 4,460,420	$ 1,973,863
Contributions Due in One to Five Years	5,158,057	824,170
Contributions Due in More than Five Years	1,500,000	-
	11,118,477	2,798,033
Less Discount to Net Present Value	1,145,508	103,498
	$ 9,972,969	$ 2,694,535

Discount rate used on long-term promises to give was 6% in 2007 and 2006.

D. EQUIPMENT

Equipment consisted of the following:

	December 31, 2007	December 31, 2006
Computer Hardware and Software	$ 974,384	$ 935,340
Office Equipment	52,501	52,501
Furniture and Fixtures	108,566	109,455
	1,135,451	1,097,296
Less Accumulated Depreciation	820,566	601,611
	$ 314,885	$ 495,685

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, 2007	December 31, 2006
Common Stocks and Mutual Funds:		
TIFF Multi-Asset Fund	$34,925,938	$30,762,443
TIFF Short-Term Fund	7,831,015	7,455,922
	42,756,953	38,218,365
Limited Partnership:		
TIFF-PEP2005	819,470	533,460
	$43,576,423	$38,751,825

Investment income consisted of the following:

	Year Ended December 31, 2007	Year Ended December 31, 2006
Interest	$ 170,990	$ 119,618
Dividends	1,876,990	1,496,856
Capital Gain Distributions	2,020,371	1,065,453
Unrealized Gains, Net	665,662	2,433,544
Realized Gains (Losses), Net	(7,589)	(1,977)
	$ 4,726,424	$ 5,113,494

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, 2007	December 31, 2006
Finished Goods	$ 3,481,797	$ 5,168,308
Raw Materials	940,724	1,083,177
	$ 4,422,521	$ 6,251,485

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 2007, 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, 2007.

H. GRANTS PAYABLE

During the years ended December 31, 2007 and 2006, 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, 2007	December 31, 2006
Payable in Less Than One Year	$ 6,634,148	$ 4,759,069
Payable in One to Five Years	1,053,854	3,006,350
	7,688,002	7,765,419
Less Discount to Net Present Value	97,977	428,296
	$ 7,590,025	$ 7,337,123

The discount rate applied to unconditional promises to give extending beyond one year from the grant date was 5% for 2007 and 2006.

LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY

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. Rental expense for this lease and other miscellaneous leases for the years ended December 31, 2007 and 2006 were $541,689 and $403,013, respectively. Minimum future rentals are as follows:

2008	160,761
2009	16,780
2010	5,594
	$ 183,135

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, 2007	December 31, 2006
Undesignated	$ 35,517,970	$ 35,592,111
Board Designated	11,157,406	11,157,406
	$ 46,675,376	$ 46,749,517

L. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	December 31, 2007	December 31, 2006
Special Events	$ –	$ 664,220
Time Restrictions	5,402,292	1,083,308
Program Services	126,070	208,331
	$ 5,828,362	$ 1,955,859

M. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were as follows:

	Year Ended December 31, 2007	2006
Special Events	$ –	$ 100,298
Time Restrictions	620,428	849,133
Program Services	94,635	84,843
	$ 715,063	$ 1,034,274

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, 2007	2006
Larry and Dr. Nancy O'Reilly, Lauran, Leigh, Ragan Family Fund	$ 1,135,712	$ 1,000,000
Stephanie Robins Lance Armstrong Endowment Fund	542,494	540,994
John and Michele Phua Lance Armstrong Endowment Fund	228,285	172,821
Dell Children's Hospital Gift in Honor of Sandra Aragona	250,000	250,000
Susan E. Kuhn and Sevilla M. Trevisani and Thomas P. Trevisani, II, Family Fund	52,420	25,000
Michael W. Lotz Memorial Fund	37,000	25,000
In Honor of the Staff of the Lance Armstrong Foundation	55,850	25,410
In Honor of Kathleen B. and James N. Sherwin	25,910	25,410
In Honor of Rainbow Babies and Children's Hospital, Cleveland, OH	25,410	25,410
The Armstrong Family Fund	1,025,000	25,000
Karen and Everett Cook Endowment Fund	100,000	50,000

N. NET ASSETS – Continued

	December 31, 2007	December 31, 2006
Coxe Family Fund	1,000,000	–
The Richard Desjardin Fund	25,000	–
Stephanie Robbins Lance Armstrong Endowment Fund	25,000	–
In Honor of Stephen M. O'Leary	200,000	–
Unnamed	79,403	–
Present Value Discount	(250,535)	–
	$ 4,556,949	$ 2,165,045

O. RELATED PARTY TRANSACTIONS

During 2007 and 2006, the Foundation received contributions of $1,083,794 and $1,242,500, respectively, from related parties. During 2007 and 2006, the Foundation made grants and other payments of $2,295 and $9,559, respectively, to related parties. During 2007 and 2006, the Foundation had promises to give receivable due from related parties of $5,166,666 and $1,187,775, 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 LIVE**STRONG**™ 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, 2007 and 2006, the Foundation had incurred reimbursable expenditures of $855,329 and $1,329,867, respectively.

Q. COMMITMENTS

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, 2007, LAF and LAFE each had a remaining commitment to TPEP 2005 of $570,000. 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 LIVE**STRONG**™ 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, 2007	2006
Survivorship	$ 10,067,734	$ 16,779,746
Advocacy	4,436,334	3,429,451
Grants Management	8,447,569	8,671,700
Volunteers	–	497,977
Lobbying	323,790	–
	$ 23,275,427	$ 28,880,897

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. The Foundation incurred no joint costs for the year ended December 31, 2007.

T. SUBSEQUENT EVENTS

In January 2008, the Foundation purchased a building in Austin, TX for approximately $2,700,000 and began renovating the building to be used for the Foundation's office facilities.

In association with the building renovation, the Foundation obtained a $6,500,000 line of credit from a financial institution in January 2008. The interest rate is the bank's prime rate of interest minus 1.75%. The line of credit is secured by all assets of the Foundation and matures in January 2010. As of September 30, 2008, $2,665,028 had been drawn on the line.

U. FUNCTIONAL EXPENSES

Functional expenses for the year ended December 31, 2007 consisted of the following:

	Total	Program	Management and General	Fundraising
Grants and Awards	$ 9,860,753	$ 9,860,753	$ –	$ –
Salaries, Wages, and Benefits	4,424,108	2,251,617	1,153,608	1,018,883
Payroll Taxes	276,915	184,247	28,473	64,195
Contract Services, Cancellations and Adjustments	1,783,506	389,366	67,631	1,326,509
Supplies	636,986	397,200	50,496	189,290
Telephone	97,786	66,903	12,146	18,737
Postage and Parcel Post	299,357	229,001	8,322	62,034
Occupancy	308,861	153,486	53,580	101,795
Other Rent	564,148	252,276	102,183	209,689
Printing and Publications	451,093	390,432	14,472	46,189
Entertainment	88,408	44,985	7,374	36,049
Travel	983,194	866,568	31,276	85,350
Legal and Professional	6,189,295	4,518,480	351,899	1,318,916
Advertising	2,027,711	1,139,814	287,263	600,634
Bad Debt/Taxes/Miscellaneous	16,688	7,819	1,484	7,385
Bank Service Fees	338,062	159,779	33,643	144,640
Insurance	76,148	41,077	9,820	25,251
Permits	11,118	6,392	1,871	2,855
Audio/Visual	212,010	158,708	18,452	34,850
Education and Public Awareness	1,848,957	1,643,553	66,986	138,418
Technology	518,345	384,225	51,001	83,119
Depreciation	218,955	128,746	38,974	51,235
	$ 31,232,404	$ 23,275,427	$ 2,390,954	$ 5,566,023

LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY

NOTES TO COMBINED FINANCIAL STATEMENTS – CONTINUED

U. FUNCTIONAL EXPENSES – Continued

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
Payroll Taxes	283,998	203,337	18,530	62,131
Contract Services, Cancellations and Adjustments	2,131,509	1,061,274	171,397	898,838
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
Consulting	10,178,033	5,573,180	757,469	3,847,384
Advertising	2,315,782	1,535,798	44,398	735,586
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	239,574	162,910	21,322	55,342
	$ 38,446,145	$ 28,880,897	$ 1,651,829	$ 7,913,419

ADDITIONAL INFORMATION

ADDITIONAL INFORMATION

Our audits of the combined financial statements of the Lance Armstrong Foundation and Related Entity for the year ended December 31, 2007 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.

Certified Public Accountants

LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY

COMBINED STATEMENT OF PROGRAM EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2007

	Total Programs	Survivorship	Grants Management	Advocacy	Lobbying
Grants	$ 9,860,753	$ 3,973,691	$ 5,886,062	$ 1,000	$ –
Salaries, Wages, and Benefits	2,251,617	1,212,225	610,590	428,802	–
Payroll Taxes	184,247	99,265	48,984	35,998	–
Contract Services, Cancellations, and Adjustments	389,366	154,733	175,644	55,921	3,068
Supplies	397,200	72,820	15,454	308,926	–
Telephone	66,903	45,851	11,921	9,131	–
Postage	229,001	199,854	12,523	16,093	531
Occupancy	153,486	482	–	153,004	–
Other Rent	252,276	43,104	–	209,172	–
Printing and Publications	390,432	323,047	5,149	62,236	–
Entertainment	44,985	–	–	39,588	5,397
Travel	866,568	214,820	201,792	440,486	9,470
Professional and Consulting	4,518,480	2,217,978	644,443	1,476,068	179,991
Advertising	1,139,814	146,954	3,108	866,625	123,127
Bad Debt/Taxes/Miscellaneous	7,819	3,444	3,280	1,028	67
Bank and Credit Card Fees	159,779	125,440	12,155	22,184	–
Insurance	41,077	23,777	10,805	6,495	–
Permits	6,392	2,816	2,681	840	55
Audio/Video	158,708	45,295	862	112,551	–
Education and Public Awareness	1,643,553	1,101,443	369,732	171,403	975
Technology	384,225	3,987	378,385	1,853	–
Depreciation and Amortization	128,746	56,711	53,999	16,927	1,109
	$ 23,275,427	$ 10,067,737	$ 8,447,569	$ 4,436,331	$ 323,790

LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY

COMBINED STATEMENT OF GRANT HISTORY

FOR THE YEAR ENDED DECEMBER 31, 2007

Grant History

	1999 and Prior	2000	2001	2002	2003	2004	2005	2006	2007	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	$ 7,337,123	$ -
Grants Awarded	459,257	1,360,026	2,042,171	2,225,643	3,623,374	6,186,800	14,976,455	12,891,166	9,534,130	53,299,022
Grant Payments and Other	(319,985)	(804,551)	(658,646)	(1,567,766)	(2,938,592)	(5,045,762)	(9,997,748)	(15,094,719)	(9,281,228)	(45,708,997)
Grants Payable December 31	$ 236,795	$ 694,747	$ 2,078,272	$ 2,736,149	$ 3,420,931	$ 4,561,969	$ 9,540,676	$ 7,337,123	$ 7,590,025	$ 7,590,025

LANCE ARMSTRONG FOUNDATION
AND RELATED ENTITY

COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007

	Lance Armstrong Foundation	Lance Armstrong Foundation Endowment	Elimination	Combined Total
ASSETS				
Cash and Cash Equivalents	$ 3,969,160	$ 775,572	$ –	$ 4,744,732
Investment Securities	19,176,203	23,580,750	–	42,756,953
Promises to Give	8,222,189	1,750,780	–	9,972,969
Accounts Receivable	1,915,842	–	–	1,915,842
Due from Affiliate	609,453	183,694	(793,147)	–
Prepaid and Other Assets	494,929	–	–	494,929
Intangibles	564,390	–	–	564,390
Inventories	4,422,521	–	–	4,422,521
Other Investments	409,735	409,735	–	819,470
Equipment, Net	314,885	–	–	314,885
Total Assets	$40,099,307	$26,700,531	$(793,147)	$66,006,691
LIABILITIES				
Accounts Payable and Accrued Expenses	1,143,174	–	–	1,143,174
Due to Affiliate	183,694	609,453	(793,147)	–
Deferred Lease Cost	6,611	–	–	6,611
Deferred Revenue	206,194	–	–	206,194
Grants Payable	7,590,025	–	–	7,590,025
Total Liabilities	9,129,698	609,453	(793,147)	8,946,004
NET ASSETS				
Unrestricted:				
Undesignated	23,141,247	12,376,723	–	35,517,970
Designated	2,000,000	9,157,406	–	11,157,406
	25,141,247	21,534,129	–	46,675,376
Temporarily Restricted	5,828,362	–	–	5,828,362
Permanently Restricted	–	4,556,949	–	4,556,949
	30,969,609	26,091,078	–	57,060,687
Total Liabilities and Net Assets	$40,099,307	$26,700,531	$(793,147)	$66,006,691

LANCE ARMSTRONG FOUNDATION AND RELATED ENTITY

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2007

	Lance Armstrong Foundation	Lance Armstrong Foundation Endowment	Elimination	Combined Total
UNRESTRICTED NET ASSETS				
Revenues and Other Support				
Contributions	$ 11,110,868	$ 12	$ (601,000)	$ 10,509,880
Grant Revenue	855,329	–	–	855,329
Program Merchandise and Services	3,839,432	–	–	3,839,432
Program Merchandise and Services Promotional Cost	(1,539,986)	–	–	(1,539,986)
Special Event Revenues	9,979,696	–	–	9,979,696
Cost of Direct Benefits to Donors	(608,382)	–	–	(608,382)
Investment Income	1,950,480	2,775,944	–	4,726,424
Royalties	2,680,832	–	–	2,680,832
Other Income/Expense	(25)	–	–	(25)
Total Net Revenue and Other Support	28,268,244	2,775,956	(601,000)	30,443,200
Net Assets Released from Restrictions	715,063	–	–	715,063
	28,983,307	2,775,956	(601,000)	31,158,263
Expenses				
Program Services	23,246,703	629,724	(601,000)	23,275,427
Management and General	2,378,838	12,116	–	2,390,954
Fund Raising	5,487,505	78,518	–	5,566,023
Total Expenses	31,113,046	720,358	(601,000)	31,232,404
Increase (Decrease) in Unrestricted Net Assets	(2,129,739)	2,055,598	–	(74,141)
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	4,587,566	–	–	4,587,566
Net Assets Released from Restrictions	(715,063)	–	–	(715,063)
Increase in Temporarily Restricted Net Assets	3,872,503	–	–	3,872,503

LANCE ARMSTRONG FOUNDATION AND RELATED ENTITY

COMBINING STATEMENT OF ACTIVITIES – CONTINUED

YEAR ENDED DECEMBER 31, 2007

	Lance Armstrong Foundation	Lance Armstrong Foundation Endowment	Elimination	Combined Total
PERMANENTLY RESTRICTED NET ASSETS				
Contributions	$ –	$ 2,391,904	$ –	$ 2,391,904
CHANGE IN NET ASSETS	1,742,764	4,447,502	–	6,190,266
Net Assets Beginning of Year	29,226,845	21,643,576	–	50,870,421
Net Assets End of Year	$ 30,969,609	$ 26,091,078	$ –	$ 57,060,687