



MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
(a/k/a The Lustgarten Foundation for Pancreatic Cancer Research)

Financial Statements

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 200
1305 Walt Whitman Road
Melville, NY 11747-4302

Independent Auditors' Report

The Board of Directors
Marc Lustgarten Pancreatic Cancer Foundation:

We have audited the accompanying financial statements of the Marc Lustgarten Pancreatic Cancer Foundation (a/k/a The Lustgarten Foundation for Pancreatic Cancer Research), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marc Lustgarten Pancreatic Cancer Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

July 21, 2017

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
(a/k/a The Lustgarten Foundation for Pancreatic Cancer Research)

Statements of Financial Position

December 31, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	\$ 17,894,829	10,180,264
Investments (note 4)	42,704,395	40,749,721
Contributions receivable (note 3)	19,307,264	7,117,603
Prepaid expenses and other assets	117,633	157,961
Software, furniture, and equipment, net of accumulated depreciation of \$43,053 in 2016 and \$29,314 in 2015	48,326	12,485
Total assets	\$ 80,072,447	58,218,034
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 791,850	318,049
Deferred revenue	81,209	151,768
Grants payable (note 1)	11,520,577	11,393,530
Total liabilities	12,393,636	11,863,347
Net assets:		
Unrestricted – designated for conditional grants (note 5)	21,532,689	28,621,812
Unrestricted	43,411,690	17,315,601
Total unrestricted	64,944,379	45,937,413
Temporarily restricted (note 8)	2,734,432	417,274
Total net assets	67,678,811	46,354,687
Total liabilities and net assets	\$ 80,072,447	58,218,034

See accompanying notes to financial statements.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
(a/k/a The Lustgarten Foundation for Pancreatic Cancer Research)

Statements of Activities

Years ended December 31, 2016 and 2015

	2016	2015
Changes in unrestricted net assets:		
Unrestricted revenue:		
Contributions (note 7)	\$ 33,272,288	15,760,324
Special events, net of costs of direct benefits to donors of \$447,349 in 2016 and \$432,973 in 2015	6,027,876	6,524,864
Contributed media and services (notes 2 and 7)	6,223,463	411,223
Dividends and interest	907,101	823,971
Total unrestricted revenue	46,430,728	23,520,382
Net assets released from restriction (note 8)	282,842	4,250
Total unrestricted revenue and other support	46,713,570	23,524,632
Expenses:		
Program services:		
Research	19,523,919	19,386,821
Public education and information (note 2)	6,715,308	469,668
Professional education	305,518	117,766
Total program services	26,544,745	19,974,255
Supporting services:		
Management and general	1,345,372	1,715,306
Fund-raising	1,679,484	1,216,580
Total supporting services	3,024,856	2,931,886
Total expenses	29,569,601	22,906,141
Excess of unrestricted revenue over expenses	17,143,969	618,491
Net appreciation (depreciation) in fair value of investments	1,862,997	(248,168)
Increase in unrestricted net assets before pension-related changes other than net periodic benefit cost	19,006,966	370,323
Pension-related changes other than net periodic benefit cost (note 6)	—	38,061
Increase in unrestricted net assets	19,006,966	408,384
Changes in temporarily restricted net assets (note 8):		
Contributions	2,600,000	417,274
Net assets released from restriction	(282,842)	(4,250)
Increase in temporarily restricted net assets	2,317,158	413,024
Increase in net assets	21,324,124	821,408
Net assets at beginning of year	46,354,687	45,533,279
Net assets at end of year	\$ 67,678,811	46,354,687

See accompanying notes to financial statements.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
(a/k/a The Lustgarten Foundation for Pancreatic Cancer Research)

Statement of Functional Expenses

Year ended December 31, 2016

(with comparative totals for the year ended December 31, 2015)

	Program services				Supporting services			2016 Total expenses	2015 Total expenses
	Research	Public education and information	Professional education	Total	Management and general and depreciation	Fund-raising	Total		
Grants expense	\$ 18,818,852	—	—	18,818,852	—	—	—	18,818,852	18,892,948
Research support	62,437	—	38,278	100,715	—	—	—	100,715	46,630
Contributed media and services	12,442	5,859,977	3,562	5,875,981	196,178	151,304	347,482	6,223,463	411,222
Salaries and related costs	569,753	487,371	181,257	1,238,381	713,400	461,395	1,174,795	2,413,176	1,636,576
Public information costs	—	119,870	—	119,870	—	455,785	455,785	575,655	401,847
Supplies and mail	—	149	50	199	37,352	95,148	132,500	132,699	116,781
Meetings, travel, and related costs	—	3,202	8,798	12,000	1,213	29,107	30,320	42,320	22,864
Insurance	—	—	—	—	27,206	—	27,206	27,206	23,028
Printing	—	2,010	670	2,680	9,056	93,041	102,097	104,777	53,614
Depreciation	—	6,757	2,252	9,009	4,730	—	4,730	13,739	3,810
Marketing and advertising	—	218,423	64,130	282,553	26,032	104,128	130,160	412,713	1,550
Provision for bad debts on pledges	—	—	—	—	167,407	—	167,407	167,407	879,812
Rent	18,080	13,701	5,177	36,958	22,022	14,914	36,936	73,894	—
Bank and credit card fees	—	—	—	—	8,095	264,960	273,055	273,055	278,302
Information technology and Web site	8,000	1,812	604	10,416	59,005	6,391	65,396	75,812	49,436
Other	34,355	2,036	740	37,131	73,676	3,311	76,987	114,118	87,721
	<u>\$ 19,523,919</u>	<u>6,715,308</u>	<u>305,518</u>	<u>26,544,745</u>	<u>1,345,372</u>	<u>1,679,484</u>	<u>3,024,856</u>	29,569,601	22,906,141
Direct benefits to donors								447,349	432,973
Total expenses and direct benefits to donors								<u>\$ 30,016,950</u>	<u>23,339,114</u>

See accompanying notes to financial statements.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
(a/k/a The Lustgarten Foundation for Pancreatic Cancer Research)

Statement of Functional Expenses

Year ended December 31, 2015

	Program services				Supporting services			Total expenses
	Research	Public education and information	Professional education	Total	Management and general and depreciation	Fund-raising	Total	
Grants expense	\$ 18,892,948	—	—	18,892,948	—	—	—	18,892,948
Research support	46,630	—	—	46,630	—	—	—	46,630
Contributed services	—	48,902	—	48,902	341,362	20,958	362,320	411,222
Salaries and related costs	442,243	340,593	115,480	898,316	317,156	421,104	738,260	1,636,576
Public information costs	—	77,887	—	77,887	—	323,960	323,960	401,847
Supplies and mail	—	—	—	—	9,760	107,021	116,781	116,781
Meetings, travel, and related costs	—	2,286	2,286	4,572	—	18,292	18,292	22,864
Insurance	—	—	—	—	23,028	—	23,028	23,028
Printing	—	—	—	—	3,288	50,326	53,614	53,614
Depreciation	—	—	—	—	3,810	—	3,810	3,810
Marketing and advertising	—	—	—	—	—	1,550	1,550	1,550
Provision for bad debts on pledges	—	—	—	—	879,812	—	879,812	879,812
Rent	—	—	—	—	—	—	—	—
Bank and credit card fees	—	—	—	—	4,933	273,369	278,302	278,302
Information technology and Web site	—	—	—	—	49,436	—	49,436	49,436
Other	5,000	—	—	5,000	82,721	—	82,721	87,721
	\$ 19,386,821	469,668	117,766	19,974,255	1,715,306	1,216,580	2,931,886	22,906,141
Direct benefits to donors								432,973
Total expenses and direct benefits to donors								\$ 23,339,114

See accompanying notes to financial statements.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
(a/k/a The Lustgarten Foundation for Pancreatic Cancer Research)

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ 21,324,124	821,408
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net (appreciation) depreciation in fair value of investments	(1,862,997)	248,168
Depreciation	13,739	3,810
Provision for bad debts on pledges	167,407	879,812
Pension-related benefit	—	(38,061)
Contributed marketable securities	(91,447)	(86,531)
Changes in assets and liabilities:		
Increase in contributions receivable	(12,357,068)	(2,470,393)
Decrease (increase) in prepaid expenses and other assets	40,328	(15,426)
Increase in accounts payable and accrued expenses	473,801	48,983
(Decrease) increase in deferred revenue	(70,559)	151,768
Increase in grants payable	127,047	1,135,047
Net cash provided by operating activities	7,764,375	678,585
Cash flows from investing activities:		
Proceeds from sale of investments	13,869,024	17,574,653
Purchases of investments	(13,869,254)	(13,358,881)
Purchase of fixed assets	(49,580)	(1,905)
Net cash (used in) provided by investing activities	(49,810)	4,213,867
Net increase in cash and cash equivalents	7,714,565	4,892,452
Cash and cash equivalents at beginning of year	10,180,264	5,287,812
Cash and cash equivalents at end of year	\$ 17,894,829	10,180,264

See accompanying notes to financial statements.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
(a/k/a The Lustgarten Foundation for Pancreatic Cancer Research)

Notes to Financial Statements

December 31, 2016 and 2015

(1) Description of Organization and Summary of Significant Accounting Policies

The Marc Lustgarten Pancreatic Cancer Foundation (a/k/a The Lustgarten Foundation for Pancreatic Cancer Research) (the Foundation), formed in 1998, is a not-for-profit organization whose main office is located in Woodbury, New York.

The mission of the Foundation is to advance the scientific and medical research related to the diagnosis, treatment, cure, and prevention of pancreatic cancer by:

- Increasing funding and support of research into the biological mechanisms and clinical strategies related to the diagnosis, treatment, and prevention
- Facilitating and enhancing the dialogue among members of the medical and scientific communities about basic and clinical research efforts
- Heightening public awareness of pancreatic cancer diagnosis, treatment, and prevention and providing informational support for patients, their families, and friends.

The significant accounting policies followed by the Foundation are described below:

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) Net Assets

Net assets, revenue, and gains are classified based on the existence or absence of donor-imposed restrictions, as follows:

(i) Unrestricted Net Assets

Net assets not subject to donor-imposed restrictions

(ii) Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation and/or the passage of time

(iii) Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions that require that they be maintained permanently by the Foundation. The Foundation does not have any permanently restricted net assets.

(c) Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash equivalents as of December 31, 2016 and 2015 were \$191,473 and \$290,162, respectively. The Foundation's cash equivalents are demand deposits placed within Bank Deposit Programs (the BDPs). The BDPs are cash sweep features whereby free credit balances are automatically deposited into accounts established for clients.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
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Notes to Financial Statements

December 31, 2016 and 2015

(d) Investments and Fair Value

Investments are primarily debt and equity securities and are stated at fair value based on quoted market prices. The cost basis for securities received through gift is the fair value at the date of donation. Noncash activities for 2016 and 2015 represented \$91,447 and \$86,531, respectively, of contributed marketable securities.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement.

(e) Special Events Revenue

Special event revenue is shown net of costs of direct benefits to donors.

(f) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis. The majority of the Foundation's expenses are charged on the direct-identification method. Those expenses that cannot be directly identified have been allocated to program and supporting services based on a percentage established by management, either based on square footage or other reasonable basis consistent with the benefit derived by each program.

(g) Software, Furniture, and Equipment

Software, furniture, and equipment are stated at cost and depreciated over their estimated useful lives of three to eight years on a straight-line basis.

(h) Grants

Grants that have been awarded are recorded as expense when the stipulated conditions have been substantially met. Conditional grants are noted in commitments (note 5). The Foundation expects that the grants payable balance of \$11,520,577 as of December 31, 2016 will be paid in 2017.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
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Notes to Financial Statements

December 31, 2016 and 2015

(i) Use of Estimates

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

(j) Income Taxes

The Foundation has received a final determination letter from the Internal Revenue Service stating that the Foundation is exempt from federal income tax under Section 501(c)(3). The Foundation is treated as a public charity as defined in Sections 509(a)(1) and 170(b)(1)(A)(vi).

The Foundation follows the provisions of Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall* (ASC 740-10), relating to uncertainty in income taxes. For the Foundation, ASC 740-10 is primarily applicable to the incurrence of unrelated business income tax attributable to certain of its investments. ASC 740-10 establishes a minimum threshold for financial statement recognition of the benefits of positions taken, or expected to be taken, in filing tax returns. It requires the evaluation of tax positions taken or expected to be taken, in the course of preparing the Foundation's income tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as tax expense. As of December 31, 2016 and 2015, the Foundation has not identified or provided for any such positions.

(k) Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

(2) Contributed Media and Services

Cablevision Systems Corporation (Cablevision) provided accounting and administrative services and use of facilities totaling \$67,031 and \$245,462 for the years ended December 31, 2016 and 2015, respectively. Audit and various program services are provided by other contributors totaling \$379,198 and \$165,761 for the years ended December 31, 2016 and 2015, respectively. Contributed services are recognized as revenue and expenses in the accompanying financial statements, based upon their estimated fair values. On June 21, 2016, Cablevision was acquired by Altice N.V.

Optimum and Newsday have made contributions to the Foundation in the form of pro bono advertising time and space. The Foundation is dependent on these contributions to continue its current programs. The Foundation's policy for recognizing contributed advertising is to recognize the contributed asset if it is determined that the contributions are for the benefit of the Foundation, help the Foundation communicate its message, and the Foundation has significant influence over the creative product. The Foundation has recognized the fair value of contributed advertising in the financial statements of approximately \$5.7 million in 2016, for the period subsequent to the date of the sale of Optimum and Newsday through December 31, 2016. The fair value of the contributed media has been estimated by using the number of spots aired and the market rate per spot at the time of airing.

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Notes to Financial Statements

December 31, 2016 and 2015

(3) Contributions Receivable

Contributions, including unconditional promises to give (pledges), are recognized as revenue in the period received at their estimated net realizable value. Contributions receivable at December 31, 2016 and 2015 are scheduled to be collected as follows:

	2016	2015
Less than one year	\$ 19,245,748	6,954,007
One to five years	64,752	169,478
	19,310,500	7,123,485
Unamortized discount (1.93%)	(3,236)	(5,882)
	\$ 19,307,264	7,117,603

At December 31, 2016, \$18,014,379 of contributions receivable represents bequests receivable.

(4) Investments and Fair Value

Investments at fair value, at December 31, 2016 and 2015, are summarized as follows:

	2016	2015
Level 1:		
Equity securities	\$ 20,799,550	16,060,600
Level 2:		
Corporate bonds	17,703,512	19,348,626
U.S. government bonds	4,201,333	5,340,495
	\$ 42,704,395	40,749,721

As of December 31, 2016 and 2015, there were no investments that were measured using Level 3 inputs.

(5) Commitments

The Foundation had commitments of \$21,532,689 and \$28,621,812 for conditional grants as of December 31, 2016 and 2015, respectively. Such grants become payable once the underlying conditions have been achieved, which is typically within four years.

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Notes to Financial Statements

December 31, 2016 and 2015

Lease expense amounted to \$7,508 and \$6,938 in 2016 and 2015, respectively. The Foundation is obligated under two operating leases for office equipment expiring in 2020 and 2021. Future minimum lease payments as of December 31, 2016 are as follows:

2017	\$	8,064
2018		8,064
2019		3,114
2020		1,464
2021		<u>1,098</u>
Total future lease expense	\$	<u><u>21,804</u></u>

In June 2016, the Foundation entered into an agreement to rent office space through May 2017. Rent expense was \$73,894 for the year ended December 31, 2016.

(6) Benefit Plans

Cablevision sponsored a noncontributory, qualified defined-benefit cash balance pension plan (the Pension Plan) in which employees of the Foundation participated. The Pension Plan charged the Foundation for credits made into an account established for each participant. Such credits were based upon a percentage of eligible base pay and a market-based rate of return. The Pension Plan was frozen as of January 1, 2014. The net periodic benefit cost associated with the Pension Plan was \$19,709 for the year ended December 31, 2015. Cablevision made contributions to the Pension Plan's trust on the Foundation's behalf. In 2015, the total liability of \$19,709 represented the unfunded portion of the Pension Plan relating to the Foundation's participants, since their benefit obligation exceeded plan assets by this amount at December 31, 2015.

Effective June 1, 2016, the Foundation's employee balances in the Pension Plan, as well as the related plan assets and liabilities, were transferred into the MSG Holdings, L.P. Cash Balance Pension Plan (MSG Pension Plan), which is a single-employer plan that is frozen to future benefit accruals. The Foundation has no assets or liabilities or going-forward obligations with respect to the MSG Pension Plan.

(7) Related-Party Transactions

Cablevision underwrote the Foundation's administrative expenses up until June 21, 2016, when it was acquired by Altice N.V. For the year ended December 31, 2016, Cablevision funded \$1,527,279 as part of its underwriting pledge of which \$1,460,248 was included in contribution revenue and \$67,031 was included in contributed services revenue. For the year ended December 31, 2015, Cablevision funded \$2,896,462 as part of its underwriting pledge of which \$2,651,000 was included in contribution revenue and \$245,462 was included in contributed services revenue.

An anonymous sponsor provided additional underwriting support for the Foundation's administrative expenses for the remainder of 2016, in the amount of \$2,250,000.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
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Notes to Financial Statements

December 31, 2016 and 2015

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets of \$282,842 have been released due to donor-imposed time restrictions being met during the year ended December 31, 2016. Temporarily restricted net assets of \$2,734,432 at December 31, 2016 and \$417,274 at December 31, 2015 are time-restricted.

(9) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events from December 31, 2016 through July 21, 2017, which was the date the financial statements were available for issuance, and concluded that no additional disclosures were required.