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

Financial Statements

December 31, 2013 and 2012

(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 balance sheets as of December 31, 2013 and 2012, 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, 2013 and 2012, 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

May 23, 2014

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

Balance Sheets

December 31, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	9,291,975	8,162,054
Investments (note 4)		37,588,258	31,433,939
Contributions receivable (note 3)		2,006,548	837,150
Prepaid expenses and other assets		153,171	153,759
Software, furniture, and equipment, net of accumulated depreciation of $69,460 in 2013 and 2012		—	—
Total assets	$	49,039,952	40,586,902
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (note 7)	$	708,325	346,990
Grants payable		9,930,479	7,309,245
Total liabilities		10,638,804	7,656,235
Net assets:			
Unrestricted		38,351,148	32,930,667
Temporarily restricted (note 9)		50,000	—
Total net assets		38,401,148	32,930,667
Total liabilities and net assets	$	49,039,952	40,586,902

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, 2013 and 2012

		2013	**2012**
Changes in unrestricted net assets:			
Unrestricted revenues:			
Contributions (note 8)	$	9,888,470	9,300,804
Special events, net of costs of direct benefits to donors of $213,954 in 2013 and $257,444 in 2012		6,431,865	3,402,436
Contributed services (note 2 and 8)		557,298	495,383
Dividends and interest		824,907	785,871
Total unrestricted revenues		17,702,540	13,984,494
Expenses:			
Program services:			
Research		12,869,554	7,996,063
Patient education and information		589,941	1,007,567
Professional education		91,111	263,908
Total program services		13,550,606	9,267,538
Supporting services:			
Management and general		668,546	757,924
Fund-raising		1,216,610	534,166
Total supporting services		1,885,156	1,292,090
Total expenses		15,435,762	10,559,628
Excess of unrestricted revenues over expenses		2,266,778	3,424,866
Net appreciation in fair value of investments		3,141,289	1,684,261
Increase in unrestricted net assets before pension related changes other than net periodic benefit cost		5,408,067	5,109,127
Pension related changes other than net periodic benefit cost		12,414	(56,362)
Increase in unrestricted net assets		5,420,481	5,052,765
Changes in temporarily restricted net assets:			
Contributions (note 9)		50,000	—
Increase in temporarily restricted net assets		50,000	—
Increase in net assets		5,470,481	5,052,765
Net assets at beginning of year		32,930,667	27,877,902
Net assets at end of year	$	38,401,148	32,930,667

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, 2013

	Program services				Supporting services			
	Research	**Patient education and information**	**Professional education**	**Total**	**Management and general**	**Fund-raising**	**Total**	**Total expenses**
Grants awarded	$ 12,326,690	—	—	12,326,690	—	—	—	12,326,690
Research support	102,049	—	—	102,049	—	—	—	102,049
Contributed services	—	151,305	—	151,305	331,469	74,524	405,993	557,298
Salaries and related costs	437,431	302,768	88,954	829,153	224,935	392,793	617,728	1,446,881
Public information costs	—	130,327	—	130,327	—	415,916	415,916	546,243
Supplies	—	—	—	—	11,658	89,296	100,954	100,954
Meetings, travel, and related costs	—	2,157	2,157	4,314	—	17,258	17,258	21,572
Insurance	—	—	—	—	21,009	—	21,009	21,009
Professional dues and subscriptions	3,384	3,384	—	6,768	—	—	—	6,768
Printing and advertising	—	—	—	—	10,287	—	10,287	10,287
Equipment rental	—	—	—	—	6,841	—	6,841	6,841
Other	—	—	—	—	62,347	226,823	289,170	289,170
	$ 12,869,554	589,941	91,111	13,550,606	668,546	1,216,610	1,885,156	15,435,762
Direct benefits to donors								213,954
Total expenses and direct benefits to donors								$ 15,649,716

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, 2012

	Program services				Supporting services			
	Research	**Patient education and information**	**Professional education**	**Total**	**Management and general**	**Fund-raising**	**Total**	**Total expenses**
Grants awarded	$ 7,777,780	—	—	7,777,780	—	—	—	7,777,780
Research support	49,082			49,082			—	49,082
Contributed services	—	175,617	—	175,617	319,766		319,766	495,383
Salaries and related costs	169,201	377,448	221,263	767,912	260,309	273,325	533,634	1,301,546
Public information costs	—	439,411	—	439,411	—	49,655	49,655	489,066
Supplies	—	—	—	—	75,044	—	75,044	75,044
Meetings, travel, and related costs	—	9,971	36,398	46,369	—	—	—	46,369
Insurance	—	—	—	—	20,573	—	20,573	20,573
Professional dues and subscriptions	—	—	6,247	6,247	—	—	—	6,247
Printing and advertising	—	5,120	—	5,120	4,629	—	4,629	9,749
Equipment rental	—	—	—	—	6,033	—	6,033	6,033
Bad debt	—	—	—	—	5,000	—	5,000	5,000
Other	—	—	—	—	66,570	211,186	277,756	277,756
	$ 7,996,063	1,007,567	263,908	9,267,538	757,924	534,166	1,292,090	10,559,628
Direct benefits to donors								257,444
Total expenses and direct benefits to donors								$ 10,817,072

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, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Increase in net assets	$	5,470,481	5,052,765
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Net appreciation in fair value of investments		(3,141,289)	(1,684,261)
Pension related (benefit) cost		(12,414)	56,362
Contributed marketable securities		(52,173)	(118,484)
Changes in assets and liabilities:			
(Increase) decrease in contributions receivable		(1,169,398)	264,787
Decrease (increase) in prepaid expenses and other assets		588	(31,505)
Increase in accounts payable and accrued expenses		373,749	80,273
Increase in grants payable		2,621,234	1,821,492
Net cash provided by operating activities		4,090,778	5,441,429
Cash flows from investing activities:			
Proceeds from sale of investments		6,108,007	2,425,369
Purchases of investments		(9,068,864)	(7,014,620)
Net cash used in investing activities		(2,960,857)	(4,589,251)
Net increase in cash and cash equivalents		1,129,921	852,178
Cash and cash equivalents at beginning of year		8,162,054	7,309,876
Cash and cash equivalents at end of year	$	9,291,975	8,162,054

See accompanying notes to financial statements.

(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 Bethpage, 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 prevention, diagnosis, and treatment of cancer of the gastrointestinal tract with primary emphasis on adenocarcinoma of the pancreas;
- Facilitating and enhancing the dialogue among members of the medical and scientific communities about basic and clinical research efforts that relate to pancreatic cancer;
- Advocating an increase in the annual budget of the National Cancer Institute with emphasis on research related to pancreatic cancer;
- Heightening the public’s awareness of pancreatic cancer diagnosis, treatment, and prevention; and
- Providing informational support for pancreatic cancer 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 and Contributions

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

Unrestricted Net Assets

Net assets not subject to donor-imposed restrictions.

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.

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions that require that they be maintained permanently by the Foundation.

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

(Continued)

(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, 2013 and 2012 were $3,844,830 and $1,381,719, respectively. The Foundation's cash equivalents are demand deposits placed within the Morgan Stanley Bank Deposit Program (BDP). The BDP is a cash sweep feature whereby free credit balances are automatically deposited into accounts established for clients by Morgan Stanley.

(d) Investments

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 2013 and 2012 represented $52,173 and $118,484, respectively, of contributed marketable securities.

(e) 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.

(f) Software, Furniture, and Equipment

Software, furniture, and equipment are stated at cost and depreciated over their estimated useful lives of three to five years on a straight-line basis. As of December 31, 2013 and 2012, all software, furniture, and equipment are fully depreciated.

(g) Grants

Grants are recorded as expense when approved and awarded. Conditional grants are recorded as expense when the stipulated conditions have been substantially met (see note 6). The Foundation estimates that the grants payable balance as of December 31, 2013 will be paid in 2014.

(h) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Fair Value

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.

The carrying amounts of the Foundation's contributions receivable, prepaid expenses and other assets, accounts payable and accrued expenses, and grants payable approximated their fair values at December 31, 2013 and 2012 because of the terms and relatively short maturities of these financial instruments. Refer to note 4 for fair value of investments.

(2) Contributed Services

Cablevision Systems Corporation (Cablevision) provides accounting and administrative services and use of facilities totaling $240,469 and $233,268 for the years ended December 31, 2013 and 2012, respectively. Audit and various program services are provided by other contributors totaling $316,829 and $262,115 for the years ended December 31, 2013 and 2012, respectively. Contributed services are recognized as revenues and expenses in the accompanying financial statements, based upon their estimated fair values.

(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, 2013 includes pledges and bequests made to the Foundation in 2013 that are not expected to be received until 2014.

(4) Investments

Investments at fair value, at December 31, 2013 and 2012, are summarized as follows:

	2013	2012
Equity securities	$ 16,283,935	13,779,500
Corporate bonds	16,034,480	13,283,966
U.S. government bonds	5,269,843	4,370,473
	$ 37,588,258	31,433,939

The following tables present for each of the hierarchy levels, the Foundation's investments that are measured at fair value on a recurring basis at December 31, 2013 and 2012:

	2013		
	Level 1	**Level 2**	**Total**
Equity securities	$ 16,283,935	—	16,283,935
Corporate bonds	—	16,034,480	16,034,480
U.S. government bonds	—	5,269,843	5,269,843

	2012		
	Level 1	**Level 2**	**Total**
Equity securities	$ 13,779,500	—	13,779,500
Corporate bonds	—	13,283,966	13,283,966
U.S. government bonds	—	4,370,473	4,370,473

As of December 31, 2013 and 2012, there were no investments that were measured using Level 3 inputs.

(5) 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) 740-10, *Income Taxes – Overall*, relating to uncertainty in income taxes. For the Foundation, ASC 740-10 is primarily applicable to the incurrence of unrelated business income tax (UBIT) 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, 2013 and 2012, the Foundation has not identified or provided for any such positions.

(6) Commitments

The Foundation had commitments of $19,816,703 for conditional grants as of December 31, 2013. If the underlying conditions are achieved, such grants would be payable over four years.

Lease expense amounted to $6,841 and $6,033 in 2013 and 2012, respectively. The Foundation is obligated under an operating lease for office equipment expiring in 2014. Future minimum lease payments as of December 31, 2013 are as follows:

2014	$	1,365
Total future lease expense	$	1,365

(7) Benefit Plans

Cablevision sponsors a noncontributory, qualified defined benefit cash balance pension plan (the Pension Plan) in which employees of the Foundation participate. The Pension Plan charges the Foundation for credits made into an account established for each participant. Such credits are based upon a percentage of eligible base pay and a market-based rate of return. The net periodic benefit cost associated with the Pension Plan was $59,798 and $57,445 for the years ended December 31, 2013 and 2012, respectively. Cablevision makes contributions to the Pension Plan's Trust on the Foundation's behalf. In 2013 and 2012, respectively, the total liability of $146,752 and $156,813 represents 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, 2013 and 2012.

(8) Related-Party Transactions

Cablevision underwrites the Foundation's administrative expenses. For the year ended December 31, 2013, Cablevision funded $2,851,075 as part of their underwriting pledge of which $2,610,606 was included in contribution revenue and $240,469 was included in contributed services revenue. Similarly, for the year ended December 31, 2012, Cablevision funded $2,589,563 of which of which $2,356,295 was included in contribution revenue and $233,268 was included in contributed services revenue.

In 2008, Cablevision launched the curePC campaign to raise public awareness of the Foundation and its underwriting commitment. Cablevision directs the activities of the curePC campaign, and therefore, no revenues or costs associated with the campaign have been recorded by the Foundation.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets of $50,000 at December 31, 2013 are restricted to support a Website upgrade project.

(10) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events from December 31, 2013 through May 23, 2014, which was the date the financial statements were available for issuance, and concluded that no additional disclosures were required.