



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

Financial Statements

December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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, 2015 and 2014, 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, 2015 and 2014, 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 12, 2016

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

Statements of Financial Position

December 31, 2015 and 2014

Assets	2015	2014
Cash and cash equivalents	\$ 10,180,264	5,287,812
Investments (note 4)	40,749,721	45,127,130
Contributions receivable (note 3)	7,117,603	5,527,022
Prepaid expenses and other assets	157,961	142,535
Software, furniture, and equipment, net of accumulated depreciation of \$29,314 in 2015 and \$25,504 in 2014	12,485	14,390
Total assets	\$ 58,218,034	56,098,889
Liabilities and Net Assets		
Accounts payable and accrued expenses (note 7)	\$ 318,049	307,127
Deferred revenue	151,768	—
Grants payable (note 1)	11,393,530	10,258,483
Total liabilities	11,863,347	10,565,610
Net assets:		
Unrestricted - designated for conditional grants (note 6)	28,621,812	38,853,669
Unrestricted	17,315,601	6,675,360
Temporarily restricted (note 9)	417,274	4,250
Total net assets	46,354,687	45,533,279
Total liabilities and net assets	\$ 58,218,034	56,098,889

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, 2015 and 2014

	2015	2014
Changes in unrestricted net assets:		
Unrestricted revenues:		
Contributions (note 8)	\$ 15,760,324	12,837,450
Special events, net of costs of direct benefits to donors of \$432,973 in 2015 and \$310,078 in 2014	6,524,864	9,056,467
Contributed services (notes 2 and 8)	411,223	773,108
Dividends and interest	823,971	931,823
Total unrestricted revenues	23,520,382	23,598,848
Net assets released from restriction	4,250	45,750
Total unrestricted revenues and other support	23,524,632	23,644,598
Expenses:		
Program services:		
Research	19,386,821	14,226,765
Public education and information	469,668	700,414
Professional education	117,766	82,611
Total program services	19,974,255	15,009,790
Supporting services:		
Management and general	1,711,496	753,136
Fund-raising	1,216,580	1,836,754
Depreciation	3,810	880
Total supporting services	2,931,886	2,590,770
Total expenses	22,906,141	17,600,560
Excess of unrestricted revenues over expenses	618,491	6,044,038
Net (depreciation) appreciation in fair value of investments	(248,168)	1,084,950
Increase in unrestricted net assets before pension related changes other than net periodic benefit cost	370,323	7,128,988
Pension related changes other than net periodic benefit cost	38,061	48,893
Increase in unrestricted net assets	408,384	7,177,881
Changes in temporarily restricted net assets (note 9):		
Contributions	417,274	—
Net assets released from restriction	(4,250)	(45,750)
Increase (decrease) in temporarily restricted net assets	413,024	(45,750)
Increase in net assets	821,408	7,132,131
Net assets, at beginning of year	45,533,279	38,401,148
Net assets, at end of year	\$ 46,354,687	45,533,279

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

	<u>Program services</u>			<u>Supporting services</u>			<u>Total expenses</u>	
	<u>Research</u>	<u>Public education and information</u>	<u>Professional education</u>	<u>Total</u>	<u>Management and general and depreciation</u>	<u>Fund-raising</u>		<u>Total</u>
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	—	325,510	325,510	403,397
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
Professional dues and subscriptions	5,000	—	—	5,000	69	—	69	5,069
Printing and advertising	—	—	—	—	3,288	50,326	53,614	53,614
Depreciation	—	—	—	—	3,810	—	3,810	3,810
Equipment rental	—	—	—	—	6,938	—	6,938	6,938
Bad debt	—	—	—	—	879,812	—	879,812	879,812
Other	—	—	—	—	130,083	273,369	403,452	403,452
	<u>\$ 19,386,821</u>	<u>469,668</u>	<u>117,766</u>	<u>19,974,255</u>	<u>1,715,306</u>	<u>1,216,580</u>	<u>2,931,886</u>	22,906,141
Direct benefits to donors								432,973
Total expenses and direct benefits to donors								<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, 2014

	<u>Program services</u>			<u>Supporting services</u>			<u>Total expenses</u>	
	<u>Research</u>	<u>Public education and information</u>	<u>Professional education</u>	<u>Total</u>	<u>Management and general and depreciation</u>	<u>Fund-raising</u>		<u>Total</u>
Grants expense	\$ 13,691,445	—	—	13,691,445	—	—	—	13,691,445
Research support	77,268	—	—	77,268	—	—	—	77,268
Contributed services	—	290,090	—	290,090	340,137	142,880	483,017	773,107
Salaries and related costs	455,151	292,051	80,159	827,361	230,173	329,828	560,001	1,387,362
Public information costs	—	112,920	—	112,920	—	958,153	958,153	1,071,073
Supplies and mail	—	—	—	—	8,367	82,212	90,579	90,579
Meetings, travel, and related costs	—	2,452	2,452	4,904	—	19,614	19,614	24,518
Insurance	—	—	—	—	22,401	—	22,401	22,401
Professional dues and subscriptions	2,901	2,901	—	5,802	—	—	—	5,802
Printing and advertising	—	—	—	—	45,202	—	45,202	45,202
Depreciation	—	—	—	—	880	—	880	880
Equipment rental	—	—	—	—	7,786	—	7,786	7,786
Bad debt	—	—	—	—	8,000	—	8,000	8,000
Other	—	—	—	—	91,070	304,067	395,137	395,137
	<u>\$ 14,226,765</u>	<u>700,414</u>	<u>82,611</u>	<u>15,009,790</u>	<u>754,016</u>	<u>1,836,754</u>	<u>2,590,770</u>	<u>17,600,560</u>
Direct benefits to donors								<u>310,078</u>
Total expenses and direct benefits to donors								<u>\$ 17,910,638</u>

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Increase in net assets	\$ 821,408	7,132,131
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net depreciation (appreciation) in fair value of investments	248,168	(1,084,950)
Depreciation	3,810	880
Bad debt	879,812	8,000
Pension related benefit	(38,061)	(48,893)
Contributed marketable securities	(86,531)	(148,268)
Changes in assets and liabilities:		
Increase in contributions receivable	(2,470,393)	(3,528,474)
(Increase) decrease in prepaid expenses and other assets	(15,426)	10,636
Increase in accounts payable and accrued expenses	48,983	511,053
Increase in deferred revenue	151,768	—
Increase (decrease) in grants payable	1,135,047	(535,354)
Net cash provided by operating activities	<u>678,585</u>	<u>2,316,761</u>
Cash flows from investing activities:		
Proceeds from sale of investments	17,574,653	9,307,856
Purchases of investments	(13,358,881)	(15,613,510)
Purchase of fixed assets	(1,905)	(15,270)
Net cash provided by (used in) investing activities	<u>4,213,867</u>	<u>(6,320,924)</u>
Net increase (decrease) in cash and cash equivalents	4,892,452	(4,004,163)
Cash and cash equivalents at beginning of year	<u>5,287,812</u>	<u>9,291,975</u>
Cash and cash equivalents at end of year	<u>\$ 10,180,264</u>	<u>5,287,812</u>

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, 2015 and 2014

(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

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.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
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Notes to Financial Statements

December 31, 2015 and 2014

(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, 2015 and 2014 were \$290,162 and \$687,442, 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 2015 and 2014 represented \$86,531 and \$148,268, respectively, of contributed marketable securities.

(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. During the year ended December 31, 2015, asset acquisitions totaled \$1,905. During the year ended December 31, 2014, assets acquisitions totaled \$15,270 and retirements totaled \$44,836.

(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 6). The Foundation expects that the grants payable balance of \$11,393,530 as of December 31, 2015 will be paid in 2016.

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

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
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Notes to Financial Statements

December 31, 2015 and 2014

During the year ended December 31, 2015, the Foundation wrote off bad debt of \$822,730 relating to the estimated value of a bequest receivable for which there was a change in the valuation during 2015.

(j) 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, 2015 and 2014 because of the terms and relatively short maturities of these financial instruments. Refer to note 4 for fair value of investments.

(k) Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

(2) Contributed Services

Cablevision Systems Corporation (Cablevision) provides accounting and administrative services and use of facilities totaling \$245,462 and \$245,538 for the years ended December 31, 2015 and 2014, respectively. Audit and various program services are provided by other contributors totaling \$165,761 and \$527,570 for the years ended December 31, 2015 and 2014, respectively. Contributed services are recognized as revenues and expenses in the accompanying financial statements, based upon their estimated fair values. On June 21, 2016 Cablevision was acquired by Altice N.V.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
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Notes to Financial Statements

December 31, 2015 and 2014

(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, 2015 and 2014 are scheduled to be collected as follows:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 6,954,007	5,527,022
One to five years	169,478	—
	<u>7,123,485</u>	<u>5,527,022</u>
Unamortized discount (1.76%)	(5,882)	—
	<u>\$ 7,117,603</u>	<u>5,527,022</u>

(4) Investments

Investments at fair value, at December 31, 2015 and 2014, are summarized as follows:

	<u>2015</u>	<u>2014</u>
Equity securities	\$ 16,060,600	18,121,111
Corporate bonds	19,348,626	21,298,832
U.S. government bonds	5,340,495	5,707,187
	<u>\$ 40,749,721</u>	<u>45,127,130</u>

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, 2015 and 2014:

	<u>2015</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity securities	\$ 16,060,600	—	16,060,600
Corporate bonds	—	19,348,626	19,348,626
U.S. government bonds	—	5,340,495	5,340,495
	<u>2014</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity securities	\$ 18,121,111	—	18,121,111
Corporate bonds	—	21,298,832	21,298,832
U.S. government bonds	—	5,707,187	5,707,187

As of December 31, 2015 and 2014, there were no investments that were measured using Level 3 inputs.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
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Notes to Financial Statements

December 31, 2015 and 2014

(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, 2015 and 2014, the Foundation has not identified or provided for any such positions.

(6) Commitments

The Foundation had commitments of \$28,621,812 and \$38,853,669 for conditional grants as of December 31, 2015 and 2014, respectively. Such grants become payable once the underlying conditions have been achieved, which is typically within four years.

Lease expense amounted to \$6,938 and \$7,786 in 2015 and 2014, respectively. The Foundation is obligated under an operating lease for office equipment expiring in 2020. Future minimum lease payments as of December 31, 2015 are as follows:

2016	\$	6,600
2017		6,600
2018		6,600
2019		<u>1,650</u>
Total future lease expense	\$	<u><u>21,450</u></u>

(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 \$19,709 and \$29,205 for the years ended December 31, 2015 and 2014, respectively. Cablevision makes contributions to the Pension Plan’s Trust on the Foundation’s behalf. In 2015 and 2014, respectively, the total liability of \$19,709 and \$67,266 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, 2015 and 2014.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
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Notes to Financial Statements

December 31, 2015 and 2014

(8) Related-Party Transactions

Cablevision underwrites the Foundation's administrative expenses. For the year ended December 31, 2015, Cablevision funded \$2,896,462 as part of their underwriting pledge of which \$2,651,000 was included in contribution revenue and \$245,462 was included in contributed services revenue. For the year ended December 31, 2014, Cablevision funded \$2,968,312 as part of their underwriting pledge of which \$2,722,774 was included in contribution revenue and \$245,538 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.

On June 21, 2016 Cablevision was acquired by Altice N.V. Cablevision underwrote approximately \$1,500,000 of administrative expenses as of June 30, 2016.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets of \$4,250 have been released due to completion of the web site upgrade project during the year ended December 31, 2015. Temporarily restricted net assets of \$417,274 at December 31, 2015 are time-restricted.

(10) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events from December 31, 2015 through July 12, 2016, which was the date the financial statements were available for issuance, and concluded that no additional disclosures were required, except as disclosed above.