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

Financial Statements

December 31, 2014 and 2013

(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, 2014 and 2013, 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, 2014 and 2013, 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 21, 2015

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

Statements of Financial Position

December 31, 2014 and 2013

Assets		**2014**	**2013**
Cash and cash equivalents	$	5,287,812	9,291,975
Investments (note 4)		45,127,130	37,588,258
Contributions receivable (note 3)		5,527,022	2,006,548
Prepaid expenses and other assets		142,535	153,171
Software, furniture, and equipment, net of accumulated depreciation of $25,504 in 2014 and $69,460 in 2013		14,390	—
Total assets	$	56,098,889	49,039,952
Liabilities and Net Assets			
Accounts payable and accrued expenses (note 7)	$	1,170,485	708,325
Grants payable (note 1)		9,395,125	9,930,479
Total liabilities		10,565,610	10,638,804
Net assets:			
Unrestricted - designated for conditional grants (note 6)		38,853,669	19,816,703
Unrestricted		6,675,360	18,534,445
Temporarily restricted (note 9)		4,250	50,000
Total net assets		45,533,279	38,401,148
Total liabilities and net assets	$	56,098,889	49,039,952

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, 2014 and 2013

		2014	**2013**
Changes in unrestricted net assets:			
Unrestricted revenues:			
Contributions (note 8)	$	14,257,302	9,888,470
Special events, net of costs of direct benefits to donors of $310,078 in 2014 and $213,954 in 2013		7,636,615	6,431,865
Contributed services (notes 2 and 8)		773,108	557,298
Dividends and interest		931,823	824,907
Total unrestricted revenues		23,598,848	17,702,540
Net assets released from restrictions:			
Partial satisfaction of website upgrade		45,750	—
Total unrestricted revenues and other support		23,644,598	17,702,540
Expenses:			
Program services:			
Research		14,226,765	12,869,554
Public education and information		700,414	589,941
Professional education		82,611	91,111
Total program services		15,009,790	13,550,606
Supporting services:			
Management and general		754,016	668,546
Fund-raising		1,836,754	1,216,610
Total supporting services		2,590,770	1,885,156
Total expenses		17,600,560	15,435,762
Excess of unrestricted revenues over expenses		6,044,038	2,266,778
Net appreciation in fair value of investments		1,084,950	3,141,289
Increase in unrestricted net assets before pension related changes other than net periodic benefit cost		7,128,988	5,408,067
Pension related changes other than net periodic benefit cost		48,893	12,414
Increase in unrestricted net assets		7,177,881	5,420,481
Changes in temporarily restricted net assets: (note 9)			
Contributions		—	50,000
Decrease in temporarily restricted net assets		(45,750)	—
(Decrease) increase in temporarily restricted net assets		(45,750)	50,000
Increase in net assets		7,132,131	5,470,481
Net assets, at beginning of year		38,401,148	32,930,667
Net assets, at end of year	$	45,533,279	38,401,148

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

	Program services				Supporting services			
	Research	**Public education and information**	**Professional education**	**Total**	**Management and general**	**Fund-raising**	**Total**	**Total expenses**
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	—	—	—	—	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
	$ 14,226,765	700,414	82,611	15,009,790	754,016	1,836,754	2,590,770	17,600,560
Direct benefits to donors								310,078
Total expenses and direct benefits to donors								$ 17,910,638

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	**Public education and information**	**Professional education**	**Total**	**Management and general**	**Fund-raising**	**Total**	**Total expenses**
Grants expense	$ 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
Depreciation	—	—	—	—	—	—	—	—
Equipment rental	—	—	—	—	6,841	—	6,841	6,841
Bad debt	—	—	—	—	—	—	—	—
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)

Statements of Cash Flows

Years ended December 31, 2014 and 2013

		2014	2013
Cash flows from operating activities:			
Increase in net assets	$	7,132,131	5,470,481
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Net appreciation in fair value of investments		(1,084,950)	(3,141,289)
Depreciation		880	—
Pension related benefit		(48,893)	(12,414)
Contributed marketable securities		(148,268)	(52,173)
Changes in assets and liabilities:			
Increase in contributions receivable		(3,520,474)	(1,169,398)
Decrease in prepaid expenses and other assets		10,636	588
Increase in accounts payable and accrued expenses		511,053	373,749
(Decrease) increase in grants payable		(535,354)	2,621,234
Net cash provided by operating activities		2,316,761	4,090,778
Cash flows from investing activities:			
Proceeds from sale of investments		9,307,856	6,108,007
Purchases of investments		(15,613,510)	(9,068,864)
Purchase of fixed assets		(15,270)	—
Net cash used in investing activities		(6,320,924)	(2,960,857)
Net (decrease) increase in cash and cash equivalents		(4,004,163)	1,129,921
Cash and cash equivalents at beginning of year		9,291,975	8,162,054
Cash and cash equivalents at end of year	$	5,287,812	9,291,975

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

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.

(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, 2014 and 2013 were $687,442 and $3,844,830, 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 2014 and 2013 represented $148,268 and $52,173, 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, 2014 asset 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 (see note 6). The Foundation expects that the grants payable balance of $9,395,125 as of December 31, 2014 will be paid in 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

(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, 2014 and 2013 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 $245,538 and $240,469 for the years ended December 31, 2014 and 2013, respectively. Audit and various program services are provided by other contributors totaling $527,570 and $316,829 for the years ended December 31, 2014 and 2013, 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, 2014 includes pledges and bequests made to the Foundation in 2014 that are not expected to be received until 2015.

(4) Investments

Investments at fair value, at December 31, 2014 and 2013, are summarized as follows:

	2014	2013
Equity securities	$ 18,121,111	16,283,935
Corporate bonds	21,298,832	16,034,480
U.S. government bonds	5,707,187	5,269,843
	$ 45,127,130	37,588,258

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, 2014 and 2013:

	2014		
	Level 1	**Level 2**	**Total**
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

	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

As of December 31, 2014 and 2013, 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, 2014 and 2013, the Foundation has not identified or provided for any such positions.

(6) Commitments

The Foundation had commitments of $38,853,669 and $19,816,703 for conditional grants as of December 31, 2014 and 2013 respectively. Such grants become payable once the underlying conditions have been achieved, which is typically within five years.

Lease expense amounted to $7,786 and $6,841 in 2014 and 2013, respectively. The Foundation is obligated under an operating lease for office equipment expiring in 2019. Future minimum lease payments as of December 31, 2014 are as follows:

2015	$	6,600
2016		6,600
2017		6,600
2018		6,600
2019		1,650
Total future lease expense	$	28,050

(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 $29,205 and $59,798 for the years ended December 31, 2014 and 2013, respectively. Cablevision makes contributions to the Pension Plan's Trust on the Foundation's behalf. In 2014 and 2013, respectively, the total liability of $67,266 and $146,752 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, 2014 and 2013.

(8) Related-Party Transactions

Cablevision underwrites the Foundation's administrative expenses. 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. 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.

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 $45,750 have been released and $4,250 remains restricted as of December 31, 2014 due to the partial satisfaction of a Website upgrade project.

(10) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events from December 31, 2014 through May 21, 2015, which was the date the financial statements were available for issuance, and concluded that no additional disclosures were required.