



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

Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

To 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, 2017 and 2016, 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, 2017 and 2016, 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

August 14, 2018

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

Statements of Financial Position

December 31, 2017 and 2016

Assets	2017	2016
Cash and cash equivalents	\$ 19,230,413	17,894,829
Investments (note 4)	63,111,965	42,704,395
Contributions receivable (note 3)	22,354,017	19,307,264
Prepaid expenses and other assets	107,417	117,633
Software, furniture, and equipment, net of accumulated depreciation of \$79,579 in 2017 and \$43,053 in 2016	257,205	48,326
Total assets	\$ 105,061,017	80,072,447
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,054,636	791,850
Deferred revenue	146,950	81,209
Grants payable (note 1)	10,523,542	11,520,577
Deferred rent obligation (note 5)	39,082	—
Total liabilities	11,764,210	12,393,636
Net assets:		
Unrestricted (note 5):		
Board-designated fund for administrative expenses	28,513,306	—
Reserved for conditional grants	25,038,614	21,532,689
Reserved for research	31,996,684	—
Undesignated	—	43,411,690
Total	85,548,604	64,944,379
Temporarily restricted (note 8)	7,748,203	2,734,432
Total net assets	93,296,807	67,678,811
Total liabilities and net assets	\$ 105,061,017	80,072,447

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, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Contributions (note 7)	\$ 28,559,377	7,686,803	36,246,180	33,272,288	2,600,000	35,872,288
Special events, net of costs of direct benefits to donors of \$349,626 in 2017 and \$447,349 in 2016	6,930,150	—	6,930,150	6,027,876	—	6,027,876
Contributed media and services (notes 2 and 7)	10,096,447	—	10,096,447	6,223,463	—	6,223,463
Royalties	297,560	—	297,560	30,000	—	30,000
Dividends and interest	1,080,082	—	1,080,082	877,101	—	877,101
Total revenue	46,963,616	7,686,803	54,650,419	46,430,728	2,600,000	49,030,728
Net assets released from restriction (note 8)	2,673,032	(2,673,032)	—	282,842	(282,842)	—
Total revenue and other support	49,636,648	5,013,771	54,650,419	46,713,570	2,317,158	49,030,728
Expenses:						
Program services:						
Research	18,852,705	—	18,852,705	19,523,919	—	19,523,919
Public education and information (note 2)	9,094,765	—	9,094,765	6,715,308	—	6,715,308
Professional education	430,023	—	430,023	305,518	—	305,518
Total program services	28,377,493	—	28,377,493	26,544,745	—	26,544,745
Supporting services:						
Management and general	1,748,184	—	1,748,184	1,345,372	—	1,345,372
Fund-raising	3,370,491	—	3,370,491	1,679,484	—	1,679,484
Total supporting services	5,118,675	—	5,118,675	3,024,856	—	3,024,856
Total expenses	33,496,168	—	33,496,168	29,569,601	—	29,569,601
Excess of revenue and other support over expenses	16,140,480	5,013,771	21,154,251	17,143,969	2,317,158	19,461,127
Net appreciation in fair value of investments	4,463,745	—	4,463,745	1,862,997	—	1,862,997
Increase in net assets	20,604,225	5,013,771	25,617,996	19,006,966	2,317,158	21,324,124
Net assets at beginning of year	64,944,379	2,734,432	67,678,811	45,937,413	417,274	46,354,687
Net assets at end of year	\$ 85,548,604	7,748,203	93,296,807	64,944,379	2,734,432	67,678,811

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, 2017

(with comparative totals for the year ended December 31, 2016)

	Program services				Supporting services			2017 Total expenses	2016 Total expenses
	Research	Public education and information	Professional education	Total	Management and general and depreciation	Fund-raising	Total		
Grants expense	\$ 18,129,035	—	—	18,129,035	—	—	—	18,129,035	18,818,852
Research support	35,851	—	30,108	65,959	—	—	—	65,959	100,715
Contributed media and services (note 2)	—	8,360,155	—	8,360,155	477,413	1,258,879	1,736,292	10,096,447	6,223,463
Salaries and related costs	613,621	438,424	241,247	1,293,292	718,036	448,240	1,166,276	2,459,568	2,413,176
Public information costs	—	164,101	—	164,101	—	473,887	473,887	637,988	575,655
Supplies and mail	—	197	590	787	64,043	91,844	155,887	156,674	132,699
Meetings, travel, and related costs	—	2,353	7,058	9,411	5,425	46,270	51,695	61,106	42,320
Insurance	—	—	—	—	32,844	—	32,844	32,844	27,206
Printing	—	1,681	5,043	6,724	27,558	129,636	157,194	163,918	104,777
Depreciation	6,718	9,349	14,698	30,765	8,183	5,542	13,725	44,490	13,739
Marketing and advertising	—	80,860	113,769	194,629	139,917	451,154	591,071	785,700	412,713
Provision for bad debts on pledges	—	—	—	—	16,589	—	16,589	16,589	167,407
Rent	40,362	30,587	11,556	82,505	49,163	33,294	82,457	164,962	73,894
Utilities and maintenance	5,594	4,239	1,602	11,435	6,813	4,614	11,427	22,862	—
Bank and credit card fees	—	—	—	—	9,142	262,115	271,257	271,257	273,055
Information technology and Web site	7,000	1,253	3,760	12,013	54,563	160,459	215,022	227,035	75,812
Other	14,524	1,566	592	16,682	138,495	4,557	143,052	159,734	114,118
	<u>\$ 18,852,705</u>	<u>9,094,765</u>	<u>430,023</u>	<u>28,377,493</u>	<u>1,748,184</u>	<u>3,370,491</u>	<u>5,118,675</u>	<u>33,496,168</u>	<u>29,569,601</u>
Direct benefits to donors								<u>349,626</u>	<u>447,349</u>
Total expenses and direct benefits to donors								<u>\$ 33,845,794</u>	<u>30,016,950</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, 2016

	Program services				Supporting services			Total expenses
	Research	Public education and information	Professional education	Total	Management and general and depreciation	Fund-raising	Total	
Grants expense	\$ 18,818,852	—	—	18,818,852	—	—	—	18,818,852
Research support	62,437	—	38,278	100,715	—	—	—	100,715
Contributed media and services (note 2)	12,442	5,859,977	3,562	5,875,981	196,178	151,304	347,482	6,223,463
Salaries and related costs	569,753	487,371	181,257	1,238,381	713,400	461,395	1,174,795	2,413,176
Public information costs	—	119,870	—	119,870	—	455,785	455,785	575,655
Supplies and mail	—	149	50	199	37,352	95,148	132,500	132,699
Meetings, travel, and related costs	—	3,202	8,798	12,000	1,213	29,107	30,320	42,320
Insurance	—	—	—	—	27,206	—	27,206	27,206
Printing	—	2,010	670	2,680	9,056	93,041	102,097	104,777
Depreciation	—	6,757	2,252	9,009	4,730	—	4,730	13,739
Marketing and advertising	—	218,423	64,130	282,553	26,032	104,128	130,160	412,713
Provision for bad debts on pledges	—	—	—	—	167,407	—	167,407	167,407
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
Information technology and Web site	8,000	1,812	604	10,416	59,005	6,391	65,396	75,812
Other	34,355	2,036	740	37,131	73,676	3,311	76,987	114,118
	\$ 19,523,919	6,715,308	305,518	26,544,745	1,345,372	1,679,484	3,024,856	29,569,601
Direct benefits to donors								447,349
Total expenses and direct benefits to donors								\$ 30,016,950

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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 25,617,996	21,324,124
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net appreciation in fair value of investments	(4,463,745)	(1,862,997)
Depreciation	44,490	13,739
Provision for bad debts on pledges	16,589	167,407
Contributed marketable securities	(145,490)	(91,447)
Changes in assets and liabilities:		
Contributions receivable	(3,063,342)	(12,357,068)
Prepaid expenses and other assets	10,216	40,328
Accounts payable and accrued expenses	262,786	473,801
Deferred revenue	65,741	(70,559)
Grants payable	(997,035)	127,047
Deferred rent obligation	39,082	—
Net cash provided by operating activities	<u>17,387,288</u>	<u>7,764,375</u>
Cash flows from investing activities:		
Proceeds from sale of investments	2,604,509	13,869,024
Purchases of investments	(18,402,844)	(13,869,254)
Purchase of fixed assets	<u>(253,369)</u>	<u>(49,580)</u>
Net cash used in investing activities	<u>(16,051,704)</u>	<u>(49,810)</u>
Net increase in cash and cash equivalents	1,335,584	7,714,565
Cash and cash equivalents at beginning of year	<u>17,894,829</u>	<u>10,180,264</u>
Cash and cash equivalents at end of year	<u>\$ 19,230,413</u>	<u>17,894,829</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, 2017 and 2016

(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, 2017 and 2016 were \$12,804 and \$191,473, 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, 2017 and 2016

(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 2017 and 2016 represented \$155,697 and \$101,531, 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 \$10,523,542 as of December 31, 2017 will be paid in 2018.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
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Notes to Financial Statements

December 31, 2017 and 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 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, 2017 and 2016, the Foundation has not identified or provided for any such positions.

(k) Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

(2) Contributed Media and Services

Cablevision Systems Corporation (Cablevision) provided accounting and administrative services and use of facilities totaling \$67,031 for the year ended December 31, 2016. Audit and various program services are provided by other contributors totaling \$578,070 and \$379,198 for the years ended December 31, 2017 and 2016, 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.

Contributions have been made to the Foundation in the form of pro bono advertising time and space. 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 \$9.5 million, and \$5.8 million in 2017 and 2016, respectively. For the year-ended December 31, 2017, approximately \$1.3 million of contributed media consisting of walk advertisements is included in fundraising expenses. 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.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
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Notes to Financial Statements

December 31, 2017 and 2016

(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, 2017 and 2016 are scheduled to be collected as follows:

	2017	2016
Less than one year	\$ 22,284,213	19,245,748
One to five years	72,365	64,752
	22,356,578	19,310,500
Unamortized discount (1.89%)	(2,561)	(3,236)
	\$ 22,354,017	19,307,264

In 2017 and 2016, the Foundation recorded contribution revenue of approximately \$25 million and \$23 million, respectively, relating to two new bequests.

At December 31, 2017 and 2016, \$21,220,726 and \$18,014,379, respectively, of contributions receivable represents bequests receivable. At December 31, 2017 and 2016, approximately \$21 million and \$14 million of the bequests receivable were due from two estates.

(4) Investments and Fair Value

Investments at fair value, at December 31, 2017 and 2016, are summarized as follows:

	2017	2016
Level 1:		
Equity securities	\$ 35,551,262	20,799,550
Level 2:		
Corporate bonds	17,302,565	17,703,512
U.S. government bonds	10,258,138	4,201,333
	\$ 63,111,965	42,704,395

As of December 31, 2017 and 2016, there were no investments that were measured using Level 3 inputs.

(5) Commitments

The Foundation had commitments of \$25,038,614 and \$21,532,689 for conditional grants as of December 31, 2017 and 2016, respectively. Such grants become payable once the underlying conditions have been achieved, which is expected to be within four years.

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Notes to Financial Statements
December 31, 2017 and 2016

In 2017, a board-designated fund has been established to cover the Foundation's administrative expenses for the next several years. The fund was established utilizing accumulated interest, dividends, investment earnings, and royalty income. All remaining unrestricted net assets were reserved for research.

The Foundation is obligated under two operating leases for office equipment expiring in 2021 and 2022. Lease expense amounted to \$8,448 and \$7,508 in 2017 and 2016, respectively. Future minimum lease payments required under the operating lease as of December 31, 2017 are as follows:

2018		\$	8,064
2019			3,114
2020			1,464
2021			<u>1,098</u>
Total future lease expense		\$	<u><u>13,740</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.

In June 2017, the Foundation entered into a lease agreement for new office space and relocated its headquarters. The lease, which expires in July 2027, includes annual rent escalations and a rent credit equivalent to two months' rent. Rent expense is recorded on a straight-line basis with an associated deferred rent obligation. Rent expense was \$164,962 for the year ended December 31, 2017.

The future minimum rental payments required under the office space operating lease are as follows:

2018		\$	164,126
2019			169,050
2020			174,122
2021			179,345
2022			184,726
Thereafter			<u>919,385</u>
Total future lease expense		\$	<u><u>1,790,754</u></u>

(6) Benefit Plans

Cablevision sponsored a noncontributory, qualified defined-benefit cash balance pension plan (the Pension Plan) in which employees of the Foundation participated. 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.

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION
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Notes to Financial Statements

December 31, 2017 and 2016

(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.

An anonymous sponsor provided additional underwriting support for the Foundation's administrative expenses for the remainder of 2016 and 2017, in the amount of \$2,250,000 in both years.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets of \$2,673,032 have been released due to donor-imposed time restrictions being met during the year ended December 31, 2017. Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Research	\$ 7,556,803	—
Annual scientific conference	80,000	—
Let's Win program	50,000	—
Time restricted	<u>61,400</u>	<u>2,734,432</u>
	<u>\$ 7,748,203</u>	<u>2,734,432</u>

(9) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events from December 31, 2017 through August 14, 2018, which was the date the financial statements were available for issuance, and concluded that no additional disclosures were required.