



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

Financial Statements

As of and for the six-months ended June 30, 2018
(with certain comparative information as of December 31, 2017)

(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) (the Foundation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the six-months ended June 30, 2018, 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 audit. We conducted our audit 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 June 30, 2018, and the changes in its net assets and its cash flows for the six-months ended June 30, 2018 in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As disclosed in note 1, the Foundation changed its year end from December 31 to June 30, effective January 1, 2018. Our opinion is not modified with respect to this matter.



Report on Certain Comparative Information

We have previously audited the Marc Lustgarten Pancreatic Cancer Foundation financial statements as of and for the year ended December 31, 2017, and we expressed an unmodified opinion on these audited financial statements in our report dated August 14, 2018. In our opinion, the comparative information presented herein as of December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

May 10, 2019

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

Statement of Financial Position

June 30, 2018

(with comparative amounts as of December 31, 2017)

Assets	June 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 12,726,623	19,230,413
Investments (note 4)	63,744,431	63,111,965
Contributions receivable (note 3)	29,150,494	22,354,017
Prepaid expenses and other assets	223,528	107,417
Software, furniture, and equipment, net of accumulated depreciation of \$69,691 in 2018 and \$79,579 in 2017	<u>247,176</u>	<u>257,205</u>
Total assets	<u>\$ 106,092,252</u>	<u>105,061,017</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 818,960	1,054,636
Deferred revenue	163,312	146,950
Grants payable	6,963,659	10,523,542
Deferred rent obligation (note 5)	<u>49,423</u>	<u>39,082</u>
Total liabilities	<u>7,995,354</u>	<u>11,764,210</u>
Net assets:		
Unrestricted (note 5):		
Board-designated fund for administrative expenses	26,126,491	28,513,306
Reserved for conditional grants	30,300,902	25,038,614
Reserved for research	<u>34,422,274</u>	<u>31,996,684</u>
Total	90,849,667	85,548,604
Temporarily restricted (note 7)	<u>7,247,231</u>	<u>7,748,203</u>
Total net assets	<u>98,096,898</u>	<u>93,296,807</u>
Total liabilities and net assets	<u>\$ 106,092,252</u>	<u>105,061,017</u>

See accompanying notes to financial statements.

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

Statement of Activities

For the six-months ended June 30, 2018

	Unrestricted	Temporarily restricted	Total
Revenue:			
Contributions (note 3)	\$ 5,075,573	4,688,000	9,763,573
Special events, net of costs of direct benefits to donors of \$99,169	2,285,405	—	2,285,405
Contributed media and services (note 2)	1,490,594	—	1,490,594
Dividends and interest	515,595	—	515,595
Total revenue	9,367,167	4,688,000	14,055,167
Net assets released from restriction (note 7)	5,188,972	(5,188,972)	—
Total revenue and other support	14,556,139	(500,972)	14,055,167
Expenses:			
Program services:			
Research	5,647,053	—	5,647,053
Public education and information (note 2)	1,841,807	—	1,841,807
Professional education	186,765	—	186,765
Total program services	7,675,625	—	7,675,625
Supporting services:			
Management and general	669,529	—	669,529
Fund-raising	923,840	—	923,840
Total supporting services	1,593,369	—	1,593,369
Total expenses	9,268,994	—	9,268,994
Excess of revenue and other support over expenses	5,287,145	(500,972)	4,786,173
Net appreciation in fair value of investments	157,334	—	157,334
Increase (decrease) in net assets before transfer	5,444,479	(500,972)	4,943,507
Transfer of net assets to Let's Win (note 7)	(143,416)	—	(143,416)
Increase (decrease) in net assets	5,301,063	(500,972)	4,800,091
Net assets at beginning of period	85,548,604	7,748,203	93,296,807
Net assets at end of period	\$ 90,849,667	7,247,231	98,096,898

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

For the six-months ended June 30, 2018

	Program services				Supporting services			Total expenses
	Research	Public education and information	Professional education	Total	Management and general and depreciation	Fund-raising	Total	
Grants expense	\$ 5,126,646	—	—	5,126,646	—	—	—	5,126,646
Research support	14,691	—	50,000	64,691	—	—	—	64,691
Contributed media and services (note 2)	—	1,359,660	—	1,359,660	126,934	4,000	130,934	1,490,594
Salaries and related costs	441,625	302,535	95,751	839,911	290,933	256,259	547,192	1,387,103
Public information costs	—	102,425	28,520	130,945	—	192,220	192,220	323,165
Supplies and mail	—	—	—	—	23,191	55,515	78,706	78,706
Meetings, travel, and related costs	—	—	—	—	4,872	20,086	24,958	24,958
Insurance	6,313	4,261	1,369	11,943	3,924	3,492	7,416	19,359
Printing	—	—	—	—	5,608	124,939	130,547	130,547
Depreciation	5,267	4,151	2,930	12,348	3,274	2,914	6,188	18,536
Marketing and advertising	—	43,264	—	43,264	14,542	148,744	163,286	206,550
Provision for bad debts on pledges	—	—	—	—	25,000	—	25,000	25,000
Rent	30,305	20,454	6,570	57,329	18,837	16,765	35,602	92,931
Utilities and maintenance	6,103	4,120	1,323	11,546	3,794	3,376	7,170	18,716
Bank and credit card fees	—	—	—	—	74,651	—	74,651	74,651
Information technology and Web site	14,710	—	—	14,710	11,308	92,799	104,107	118,817
Other	1,393	937	302	2,632	62,661	2,731	65,392	68,024
	\$ 5,647,053	1,841,807	186,765	7,675,625	669,529	923,840	1,593,369	9,268,994
Direct benefits to donors								\$ 99,169
Total expenses and direct benefits to donors								\$ 9,368,163

See accompanying notes to financial statements.

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

Statement of Cash Flows

For the six-months ended June 30, 2018

Cash flows from operating activities:	
Increase in net assets	\$ 4,800,091
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Net appreciation in fair value of investments	(157,334)
Non-cash transfer of net assets	57,384
Depreciation	18,536
Provision for bad debts on pledges	25,000
Contributed marketable securities	(3,980)
Changes in assets and liabilities:	
Contributions receivable	(6,821,476)
Prepaid expenses and other assets	(116,111)
Accounts payable and accrued expenses	(235,676)
Deferred revenue	16,362
Grants payable	(3,559,883)
Deferred rent obligation	10,341
Net cash used in operating activities	<u>(5,966,746)</u>
Cash flows from investing activities:	
Proceeds from sale of investments	3,726,096
Purchases of investments	(4,197,248)
Purchase of fixed assets	(65,892)
Net cash used in investing activities	<u>(537,044)</u>
Net decrease in cash and cash equivalents	(6,503,790)
Cash and cash equivalents at beginning of year	<u>19,230,413</u>
Cash and cash equivalents at end of year	<u><u>\$ 12,726,623</u></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

Six-months ended June 30, 2018
(with certain comparative amounts as of December 31, 2017)

(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.

Effective January 1, 2018, the Foundation changed its year end from December 31 to June 30 to better align with its fundraising activities and its peer organizations. The accompanying financial statements present the activity of the Foundation for the period from January 1, 2018 through June 30, 2018. Certain comparative financial information has been included as of December 31, 2017.

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.

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

Notes to Financial Statements

Six-months ended June 30, 2018
(with certain comparative amounts as of December 31, 2017)

(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 at June 30, 2018 and December 31, 2017 were \$223,855 and \$12,804, respectively. The Foundation's cash equivalents are demand deposits placed within money market funds and Bank Deposit Programs (the BDPs). The BDPs are cash sweep features whereby free credit balances are automatically deposited into accounts established for clients.

(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 2018 represented \$14,248 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.

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

Notes to Financial Statements

Six-months ended June 30, 2018

(with certain comparative amounts as of December 31, 2017)

(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 \$6,963,659 at June 30, 2018 will be substantially paid in fiscal 2019.

(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. For the six-months ended June 30, 2018, the Foundation has not identified or provided for any such positions.

(k) Recent Accounting Pronouncements

The FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which among other things, changes how not for profit entities report net asset classes, expenses, and liquidity in their financial statements. The significant requirements of the new ASU include reducing the number of net asset classes from three to two: with donor restrictions and without donor restrictions; expenses by their function and their natural classification in one place; and presenting quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs. The Foundation plans to adopt ASU 2016-14 for the year ending June 30, 2019.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40)*. The ASU introduces a single framework for revenue recognition under which revenue recognized is reflective of the consideration to which an entity expects to be entitled in exchange for goods and services. The Foundation plans to adopt ASU No. 2014-09 for the year ending June 30, 2020.

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

Notes to Financial Statements

Six-months ended June 30, 2018
(with certain comparative amounts as of December 31, 2017)

The FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This updates current guidance about whether a transfer of cash or other assets, or the reduction, settlement, or cancellation of liabilities, should be accounted for as a contribution or an exchange transaction. The ASU establishes a criteria for determining whether the asset provider is receiving commensurate value in return for those assets and that determination then dictates whether the organization follows contribution guidance or exchange transaction guidance. The Foundation plans to adopt ASU No. 2018-08 for the year ending June 30, 2020.

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new lease guidance establishes a model under which lessees record a right-of-use asset and lease liability for all leases with terms longer than 12 months. The Foundation plans to adopt ASU No. 2016-02 for the year ending June 30, 2021.

(2) Contributed Media and Services

Audit and various program services were donated to the Foundation totaling \$168,385 for the six-months ended June 30, 2018. Contributed services are recognized as revenue and expenses in the accompanying financial statements, based upon their estimated fair values.

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 \$1.3 million for the six-months ended June 30, 2018. 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.

(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 June 30, 2018 and December 31, 2017 are scheduled to be collected as follows:

	June 30, 2018	December 31, 2017
Less than one year	\$ 29,125,389	22,284,213
One to five years	26,425	72,365
	29,151,814	22,356,578
Unamortized discount (2.52%)	(1,320)	(2,561)
	\$ 29,150,494	22,354,017

In the six-months ended June 30, 2018, the Foundation recorded contribution revenue of approximately \$6.9 million relating to two bequests.

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

Notes to Financial Statements

Six-months ended June 30, 2018

(with certain comparative amounts as of December 31, 2017)

At June 30, 2018 and December 31, 2017, \$28,850,314 and \$21,220,726, respectively, of contributions receivable represents bequests receivable. At June 30, 2018 and December 31, 2017, approximately \$28 million and \$21 million of the bequests receivable were due from two estates.

(4) Investments and Fair Value

Investments at fair value at June 30, 2018 and December 31, 2017, are summarized as follows:

	June 30, 2018	December 31, 2017
Level 1:		
Equity securities	\$ 36,092,597	35,551,262
Level 2:		
Corporate bonds	15,837,572	17,302,565
U.S. government bonds	11,814,262	10,258,138
	\$ 63,744,431	63,111,965

At June 30, 2018 and December 31, 2017, there were no investments that were measured using Level 3 inputs.

(5) Commitments

The Foundation had commitments of \$30,300,902 and \$25,038,614 for conditional grants as of June 30, 2018 and December 31, 2017, respectively. Such grants become payable once the underlying conditions have been achieved, which is expected to be within four years.

In 2017, a board-designated fund was 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 2019 and 2022. Lease expense amounted to \$4,267 for the six-months ended June 30, 2018. Future minimum lease payments required under the operating leases are as follows:

2019	\$	6,414
2020		1,464
2021		1,464
2022		366
Total future lease expense	\$	9,708

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

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

Notes to Financial Statements

Six-months ended June 30, 2018
(with certain comparative amounts as of December 31, 2017)

equivalent to two months' rent. Rent expense is recorded on a straight-line basis with an associated deferred rent obligation. Rent expense was \$92,931 for the six-months ended June 30, 2018.

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

2019	\$	166,558
2020		171,554
2021		176,701
2022		182,002
2023		187,462
Thereafter		<u>825,426</u>
Total future lease expense	\$	<u><u>1,709,703</u></u>

(6) Benefit Plans

Cablevision Systems Corporation (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.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets of \$5,126,646 have been released for research grants during the six-months ended June 30, 2018. Temporarily restricted net assets of \$62,326 have been released due to donor-imposed time restrictions being met during the six-months ended June 30, 2018. Temporarily restricted net assets are available for the following purposes at June 30, 2018 and December 31, 2017:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Research	\$ 7,118,157	7,556,803
Annual scientific conference	80,000	80,000
Let's Win program	—	50,000
Time restricted	<u>49,074</u>	<u>61,400</u>
	<u>\$ 7,247,231</u>	<u>7,748,203</u>

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

Notes to Financial Statements

Six-months ended June 30, 2018
(with certain comparative amounts as of December 31, 2017)

On February 5, 2018, the Foundation's Let's Win program incorporated as Let's Win! Pancreatic Cancer Foundation (Let's Win) and separated from the Foundation. Let's Win is an interactive online community where patients and families can share information and experiences about innovative treatments and learn about the latest pancreatic cancer research. In connection with the separation, the Foundation transferred \$143,416 of net assets to Let's Win, which is comprised of cash of \$86,032 and net website development costs of \$57,384. Let's Win maintains a relationship with the Foundation.

(8) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events from June 30, 2018 through May 10, 2019, which was the date the financial statements were available for issuance, and concluded that no additional disclosures were required.