KPMG

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION

(a/k/a The Lustgarten Foundation for Pancreatic Cancer Research)

Financial Statements

June 30, 2019

(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, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1(k) to the financial statements, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

March 30, 2020

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

Statement of Financial Position

June 30, 2019

Assets		
Cash and cash equivalents	$	5,845,815
Investments (note 4)		80,371,409
Contributions receivable (note 3)		12,638,779
Prepaid expenses and other assets		231,411
Software, furniture, and equipment, net of accumulated depreciation of $135,864 in 2019		236,334
Total assets	$	99,323,748
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$	816,700
Deferred revenue		312,614
Grants payable		7,539,230
Deferred rent obligation (note 5)		65,649
Total liabilities		8,734,193
Net assets:		
Without donor restrictions:		
Board-designated fund for administrative expenses (note 5)		21,280,960
Reserved for conditional grants (note 5)		29,710,588
Reserved for research		39,542,362
Total		90,533,910
With donor restrictions (note 7)		55,645
Total net assets		90,589,555
Total liabilities and net assets	$	99,323,748

See accompanying notes to financial statements.

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

Statement of Activities

Year ended June 30, 2019

		Without donor restrictions	With donor restrictions	Total
Revenue:				
Contributions (note 3)	$	8,364,977	1,476,274	9,841,251
Special events, net of costs of direct benefits to donors of $371,093		6,128,105	—	6,128,105
Contributed media and services (note 2)		10,331,929	—	10,331,929
Dividends and interest, net		1,654,262	—	1,654,262
Royalties		101,120	—	101,120
Total revenue		26,580,393	1,476,274	28,056,667
Net assets released from donor restrictions (note 7)		8,667,860	(8,667,860)	—
Total revenue and other support		35,248,253	(7,191,586)	28,056,667
Expenses:				
Program services:				
Research		24,673,145	—	24,673,145
Public education and information (note 2)		11,401,426	—	11,401,426
Professional education		261,711	—	261,711
Total program services		36,336,282	—	36,336,282
Supporting services:				
Management and general		1,399,271	—	1,399,271
Fund-raising		2,178,985	—	2,178,985
Total supporting services		3,578,256	—	3,578,256
Total expenses		39,914,538	—	39,914,538
Deficiency of revenue and other support over expenses		(4,666,285)	(7,191,586)	(11,857,871)
Net appreciation in fair value of investments		4,350,528	—	4,350,528
Decrease in net assets		(315,757)	(7,191,586)	(7,507,343)
Net assets at beginning of period		90,849,667	7,247,231	98,096,898
Net assets at end of period	$	90,533,910	55,645	90,589,555

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 June 30, 2019

	Program services				Supporting services			
	Research	**Public education and information**	**Professional education**	**Total**	**Management and general**	**Fund-raising**	**Total**	**Total expenses**
Grants expense	$ 23,777,569	—	—	23,777,569	—	—	—	23,777,569
Research support	—	—	48,813	48,813	—	268	268	49,081
Strategic planning	—	36,161	—	36,161	4,386	70,179	74,565	110,726
Contributed media and services (note 2)	5,000	9,964,665	—	9,969,665	244,033	118,231	362,264	10,331,929
Salaries, professional services and related costs	747,398	647,670	186,849	1,581,917	560,548	593,893	1,154,441	2,736,358
Public information costs	—	209,535	—	209,535	—	574,476	574,476	784,011
Supplies and mail	—	—	—	—	34,813	134,676	169,489	169,489
Meetings, travel, and related costs	—	—	—	—	8,388	47,293	55,681	55,681
Insurance	11,061	9,482	2,766	23,309	8,297	7,902	16,199	39,508
Printing	—	—	—	—	33,602	207,569	241,171	241,171
Depreciation	18,523	15,877	4,630	39,030	13,892	13,231	27,123	66,153
Marketing and advertising	844	373,355	—	374,199	11,357	292,383	303,740	677,939
Rent	51,969	44,545	12,992	109,506	38,977	37,121	76,098	185,604
Utilities and maintenance	12,578	10,781	3,144	26,503	9,433	8,984	18,417	44,920
Bank and credit card fees	—	—	—	—	216,896	—	216,896	216,896
Information technology and Web site	7,480	72,663	—	80,143	102,219	65,230	167,449	247,592
Other	40,723	16,692	2,517	59,932	112,430	7,549	119,979	179,911
	$ 24,673,145	11,401,426	261,711	36,336,282	1,399,271	2,178,985	3,578,256	39,914,538
Direct benefits to donors								371,093
Total expenses and direct benefits to donors								$ 40,285,631

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

Year ended June 30, 2019

Cash flows from operating activities:		
Decrease in net assets	$	(7,507,343)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Net appreciation in fair value of investments		(4,350,528)
Contributed marketable securities		(150,662)
Depreciation		66,153
Changes in assets and liabilities:		
Contributions receivable		16,511,715
Prepaid expenses and other assets		(7,883)
Accounts payable and accrued expenses		(2,260)
Deferred revenue		149,302
Grants payable		575,571
Deferred rent obligation		16,226
Net cash provided by operating activities		5,300,291
Cash flows from investing activities:		
Proceeds from sale of investments		99,364,883
Purchases of investments		(107,263,602)
Reclassified cash equivalents held within investments		(4,227,069)
Purchase of fixed assets		(55,311)
Net cash used in investing activities		(12,181,099)
Net decrease in cash and cash equivalents		(6,880,808)
Cash and cash equivalents at beginning of year		12,726,623
Cash and cash equivalents at end of year	$	5,845,815
Noncash activities:		
Contributed marketable securities	$	150,662
Contributed media		10,054,276
Contributed services		277,653

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 Woodbury, New York.

The mission of the Foundation is to cure pancreatic cancer by:

- Funding scientific and clinical research related to the diagnosis, treatment, and prevention of pancreatic cancer.
- Providing research information and clinical support services to patients, caregivers, and individuals at high risk.
- Increasing public awareness and hope for those dealing with this disease.

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) Net assets without donor restrictions

Net assets not subject to donor-imposed restrictions.

(ii) Net assets with donor restrictions

Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation and/or the passage of time

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from donor restrictions.

(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, except for those highly liquid investments held by investment managers for investment purposes. Cash equivalents at June 30, 2019 were $31,723. 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.

(Continued)

(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.

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 reported on a functional and natural 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 expenses, unless deemed to be conditional. Conditional grants are noted in commitments (note 5). The Foundation expects that the grants payable balance of $7,539,230 at June 30, 2019 will be substantially paid in fiscal year 2020.

(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 year ended June 30, 2019, the Foundation has not identified or provided for any such positions.

(k) Recently Adopted Accounting Standards

The FASB issued Accounting Standards Update (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, previously reported as temporarily restricted net assets, and without donor restrictions, previously reported as unrestricted net assets; 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 adopted ASU 2016-14 in the year ended June 30, 2019.

(l) Recent Accounting Pronouncements

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, 2022.

(2) Contributed Media and Services

Audit and various program services were donated to the Foundation totaling $277,653 for the year ended June 30, 2019. 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 $10.1 million for the year ended June 30, 2019. 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, 2019 is scheduled to be collected as follows:

Less than one year	$	12,626,868
One to five years		12,604
		12,639,472
Unamortized discount (1.75%)		(693)
	$	12,638,779

At June 30, 2019, $12,225,351 of contributions receivable represents bequests receivable. At June 30, 2019, approximately $11.8 million of the bequests receivable was due from two estates. $11.4 million of the bequests receivable balance has been received to date in fiscal year 2020.

(4) Investments and Fair Value

Investments at fair value at June 30, 2019 are summarized as follows:

Level 1:		
Equity securities	$	42,918,480
Level 2:		
Corporate bonds		14,450,765
U.S. government bonds		14,783,480
Cash and cash equivalents		8,218,684
	$	80,371,409

At June 30, 2019, there were no investments that were measured using Level 3 inputs.

(5) Commitments

The Foundation had commitments of $29,710,588 for conditional grants as of June 30, 2019. 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 net assets without donor restrictions were reserved for research.

The Foundation is obligated under two operating leases for office equipment expiring in 2022 and 2024. Lease expense amounted to $10,760 for the year ended June 30, 2019. Future minimum lease payments required under the operating leases are as follows:

2020	$	12,252
2021		12,252
2022		11,154
2023		10,788
2024		3,596
Total future lease expense	$	50,042

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 $185,604 for the year ended June 30, 2019.

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

2020	$	171,554
2021		176,701
2022		182,002
2023		187,462
2024		193,086
Thereafter		632,339
Total future lease expense	$	1,543,144

(6) Benefit Plans

Cablevision Systems Corporation 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) Time or Purpose Restricted Net Assets

Time or purpose restricted net assets of $8,594,431 have been released for research grants during the year ended June 30, 2019. Time or purpose restricted net assets of $73,429 have been released due to donor-imposed time restrictions being met during the year ended June 30, 2019. Time or purpose restricted net assets are available for the following purposes at June 30, 2019:

Annual scientific conference	$	30,000
Time restricted		25,645
	$	55,645

(8) Liquidity and Availability

The Foundation manages its liquidity by developing annual operating budgets that provide sufficient funds for general expenditures. As of June 30, 2019, the financial assets available within one year of the financial position date for general expenditures such as operating expenses are as follows:

Cash and cash equivalents	$	5,845,815
Investments		80,371,409
Contributions receivable, due within one year		12,626,868
	$	98,844,092

As part of the Foundation's liquidity management, the board has designated $21,280,960 in funds without donor restrictions for administrative expenses. The Foundation also invests cash in excess of daily requirements in short-term investments. In addition to the financial assets available within one year, current year operating revenues will fund annual expenditures.

(9) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events from June 30, 2019 through March 30, 2020, which was the date the financial statements were available for issuance, and concluded that no additional disclosures were required.