MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION

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

Financial Statements

December 31, 2012 and 2011

(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 of Pancreatic Cancer Research) (the Foundation), which comprise the balance sheets as of December 31, 2012 and 2011, 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 Foundation'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 Foundation'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, 2012 and 2011, 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 29, 2013

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

Balance Sheets

December 31, 2012 and 2011

Assets		2012	2011
Cash and cash equivalents	$	8,162,054	7,309,876
Investments (note 4)		31,433,939	25,041,943
Contributions receivable (note 3)		837,150	1,101,937
Prepaid expenses and other assets		153,759	122,254
Software, furniture, and equipment, net of accumulated depreciation of $69,460 in 2012 and 2011		—	—
Total assets	$	40,586,902	33,576,010
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (note 7)	$	346,990	210,355
Grants payable		7,309,245	5,487,753
Total liabilities		7,656,235	5,698,108
Net assets – unrestricted		32,930,667	27,877,902
Total liabilities and net assets	$	40,586,902	33,576,010

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, 2012 and 2011

		2012	2011
Revenues:			
Contributions (note 8)	$	9,300,804	8,854,801
Special events, net of costs of direct benefits to donors of $257,444 in 2012 and $261,537 in 2011		3,402,436	3,306,920
Contributed services (notes 2 and 8)		495,383	512,284
Dividends and interest		785,871	662,428
Total revenues		13,984,494	13,336,433
Expenses:			
Program services:			
Research		7,996,063	5,995,802
Public education and information		1,007,567	911,251
Professional education		263,908	223,346
Total program services		9,267,538	7,130,399
Supporting services:			
Management and general		757,924	800,394
Fund-raising		534,166	514,529
Total supporting services		1,292,090	1,314,923
Total expenses		10,559,628	8,445,322
Excess of revenues over expenses		3,424,866	4,891,111
Net appreciation (depreciation) in fair value of investments		1,684,261	(228,985)
Increase in net assets before pension related changes other than net periodic benefit cost		5,109,127	4,662,126
Pension related changes other than net periodic benefit cost (note 7)		(56,362)	38,482
Increase in net assets		5,052,765	4,700,608
Unrestricted net assets, at beginning of year		27,877,902	23,177,294
Unrestricted net assets, at end of year	$	32,930,667	27,877,902

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, 2012

	Program services				Supporting services			
	Research	**Public education and information**	**Professional education**	**Total**	**Management and general**	**Fund-raising**	**Total**	**Total expenses**
Grants awarded	$ 7,777,780	—	—	7,777,780	—	—	—	7,777,780
Research support	49,082	—	—	49,082	—	—	—	49,082
Contributed services	—	175,617	—	175,617	319,766		319,766	495,383
Salaries and related costs	169,201	377,448	221,263	767,912	260,309	273,325	533,634	1,301,546
Public information costs	—	439,411	—	439,411	—	49,655	49,655	489,066
Supplies	—	—	—	—	75,044	—	75,044	75,044
Meetings, travel, and related costs	—	9,971	36,398	46,369	—	—	—	46,369
Insurance	—	—	—	—	20,573	—	20,573	20,573
Professional dues and subscriptions	—	—	6,247	6,247	—	—	—	6,247
Printing and advertising	—	5,120	—	5,120	4,629	—	4,629	9,749
Equipment rental	—	—	—	—	6,033	—	6,033	6,033
Bad debt	—	—	—	—	5,000	—	5,000	5,000
Other	—	—	—	—	66,570	211,186	277,756	277,756
	$ 7,996,063	1,007,567	263,908	9,267,538	757,924	534,166	1,292,090	10,559,628
Direct benefits to donors								257,444
Total expenses and direct benefits to donors								$ 10,817,072

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, 2011

	Program services				Supporting services			
	Research	Public education and information	Professional education	Total	Management and general	Fund-raising	Total	Total expenses
Grants awarded	$ 5,831,692	—	—	5,831,692	—	—	—	5,831,692
Research support	9,379			9,379	—	—	—	9,379
Contributed services	—	151,724	—	151,724	360,558		360,558	512,282
Salaries and related costs	154,731	345,170	202,341	702,242	238,048	249,951	487,999	1,190,241
Public information costs	—	399,819	—	399,819	—	42,791	42,791	442,610
Supplies	—	—	—	—	83,055	—	83,055	83,055
Meetings, travel, and related costs	—	8,538	12,696	21,234	—	—	—	21,234
Insurance	—	—	—	—	17,800	—	17,800	17,800
Professional dues and subscriptions	—	—	8,309	8,309	—	—	—	8,309
Printing and advertising	—	6,000	—	6,000	6,000	—	6,000	12,000
Equipment rental	—	—	—	—	6,159	—	6,159	6,159
Bad debt	—	—	—	—	36,400	—	36,400	36,400
Other	—	—	—	—	52,374	221,787	274,161	274,161
	$ 5,995,802	911,251	223,346	7,130,399	800,394	514,529	1,314,923	8,445,322
Direct benefits to donors								261,537
Total expenses and direct benefits to donors								$ 8,706,859

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, 2012 and 2011

		2012	2011
Cash flows from operating activities:			
Increase in net assets	$	5,052,765	4,700,608
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Net (appreciation) depreciation in fair value of investments		(1,684,261)	228,985
Pension related cost (benefit)		56,362	(38,482)
Contributed marketable securities		(118,484)	(8,075)
Changes in assets and liabilities:			
Decrease (increase) in contributions receivable		264,787	(128,894)
(Increase) decrease in prepaid expenses and other assets		(31,505)	22,693
Increase in accounts payable and accrued expenses		80,273	4,798
Increase in grants payable		1,821,492	43,118
Net cash provided by operating activities		5,441,429	4,824,751
Cash flows from investing activities:			
Proceeds from sale of investments		2,425,369	2,935,644
Purchases of investments		(7,014,620)	(10,752,536)
Net cash used in investing activities		(4,589,251)	(7,816,892)
Net increase (decrease) in cash and cash equivalents		852,178	(2,992,141)
Cash and cash equivalents at beginning of year		7,309,876	10,302,017
Cash and cash equivalents at end of year	$	8,162,054	7,309,876

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 and Contributions

Net assets, revenues, and gains are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported 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.

Since contributions to date have not carried donor-imposed restrictions, net assets and activities are reported as unrestricted.

Special event revenue is shown net of costs of direct benefits to donors.

(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, 2012 and 2011 were $1,381,719 and $302,754, 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 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 investing activities for 2012 and 2011 represented $118,484 and $8,075, respectively, of contributed marketable securities.

(e) 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.

(f) Software, Furniture, and Equipment

Software, furniture, and equipment are stated at cost and depreciated over their estimated useful lives of three to five years on a straight-line basis. As of December 31, 2012 and 2011, all software, furniture, and equipment are fully depreciated.

(g) Grants

Grants are recorded as expense when approved and awarded. Conditional grants are recorded as expense when the stipulated conditions have been substantially met (note 6). The Foundation estimates that the grants payable balance as of December 31, 2012 will be paid in 2013.

(h) 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. Significant estimates include the allocation of expenses and determination of collectibility of receivables.

(i) 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.

(2) Contributed Services

Cablevision Systems Corporation (Cablevision) provides accounting and administrative services and use of facilities, which totaled $233,268 and $223,330 for the years ended December 31, 2012 and 2011, respectively. Audit and various program services are provided by other contributors totaling $262,115 and $288,954 for the years ended December 31, 2012 and 2011, 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, 2012 include pledges made to the Foundation in 2012 to support 2012 operations, which are not expected to be received until 2013.

(4) Investments

Investments at fair value, at December 31, 2012 and 2011, are summarized as follows:

	2012	2011
Equity securities	$ 13,779,500	9,725,058
Corporate bonds	13,283,966	11,515,479
U.S. government bonds	4,370,473	3,801,406
	$ 31,433,939	25,041,943

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, 2012 and 2011:

	2012		
	Level 1	Level 2	Total
Equity securities	$ 13,779,500	—	13,779,500
Corporate bonds	—	13,283,966	13,283,966
U.S. government bonds	—	4,370,473	4,370,473

	2011		
	Level 1	Level 2	Total
Equity securities	$ 9,725,058	—	9,725,058
Corporate bonds	—	11,515,479	11,515,479
U.S. government bonds	—	3,801,406	3,801,406

As of December 31, 2012 and 2011, 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. 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, 2012 and 2011, the Foundation has not identified or provided for any such positions.

(6) Commitments

The Foundation had commitments of $20,468,352 for conditional grants as of December 31, 2012. If the underlying conditions are achieved, such grants would be payable up to five years.

Lease expense amounted to $6,033 and $6,159 in 2012 and 2011, respectively. The Foundation is obligated under an operating lease for office equipment expiring in 2014. Future minimum lease payments as of December 31, 2012 are as follows:

2013	$	5,460
2014		1,365
Total future lease expense	$	6,825

(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 $57,445 and $60,243 for the years ended December 31, 2012 and 2011, respectively. Cablevision makes contributions to the Pension Plan's Trust on the Foundation's behalf. In 2012, the total liability of $156,813 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, 2012, and is included in account payable and accrued expense.

(8) Related-Party Transactions

Cablevision underwrites 100% of the Foundation's administrative expenses. For the years ended December 31, 2012 and 2011, Cablevision funded $2,589,563 and $2,422,823, and is included in accounts payable and accrued expenses respectively, as part of their underwriting pledge, which is included in contribution and contributed services revenue in the statements of activities.

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) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events from December 31, 2012 through May 29, 2013, which was the date the financial statements were available for issuance, and concluded that no additional disclosures were required.