MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION

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

Financial Statements

December 31, 2011 and 2010

(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 balance sheets of the Marc Lustgarten Pancreatic Cancer Foundation (a/k/a The Lustgarten Foundation for Pancreatic Cancer Research) (the Foundation) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

May 23, 2012

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

Balance Sheets

December 31, 2011 and 2010

Assets		**2011**	**2010**
Cash and cash equivalents	$	7,309,876	10,302,017
Investments (note 4)		25,041,943	17,445,961
Contributions receivable (note 3)		1,101,937	973,043
Prepaid expenses and other assets		122,254	144,947
Total assets	$	33,576,010	28,865,968
Liabilities and Net Assets			
Accounts payable and accrued expenses (note 7)	$	210,355	244,039
Grants payable		5,487,753	5,444,635
Total liabilities		5,698,108	5,688,674
Net assets – unrestricted		27,877,902	23,177,294
Total liabilities and net assets	$	33,576,010	28,865,968

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, 2011 and 2010

		2011	2010
Revenues:			
Contributions (note 8)	$	8,854,801	7,337,774
Special events, net of costs of direct benefits to donors of $261,537 in 2011 and $269,163 in 2010		3,306,920	3,353,900
Contributed services (notes 2 and 8)		512,284	583,007
Dividends and interest		662,428	388,400
Total revenues		13,336,433	11,663,081
Expenses:			
Program services:			
Research		5,995,802	6,386,079
Patient education and information		911,251	848,776
Scientific conferences		223,346	229,806
Total program services		7,130,399	7,464,661
Supporting services:			
Management and general		800,394	785,271
Fund-raising		514,529	467,742
Total supporting services		1,314,923	1,253,013
Total expenses		8,445,322	8,717,674
Excess of revenues over expenses		4,891,111	2,945,407
Net (depreciation) appreciation in fair value of investments		(228,985)	1,202,853
Increase in net assets before pension related changes other than net periodic benefit cost		4,662,126	4,148,260
Pension related changes other than net periodic benefit cost		38,482	(17,065)
Increase in net assets		4,700,608	4,131,195
Unrestricted net assets, at beginning of year		23,177,294	19,046,099
Unrestricted net assets, at end of year	$	27,877,902	23,177,294

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)

Statement of Functional Expenses

Year ended December 31, 2010

	Program services				Supporting services			
	Research	**Public education and information**	**Professional education**	**Total**	**Management and general**	**Fund-raising**	**Total**	**Total expenses**
Grants awarded	$ 6,211,306	—	—	6,211,306	—	—	—	6,211,306
Research support	19,157	—	—	19,157	—	—	—	19,157
Contributed services	—	210,736	—	210,736	372,270	—	372,270	583,006
Salaries and related costs	155,616	347,143	203,498	706,257	239,409	251,379	490,788	1,197,045
Public information costs	—	272,470	—	272,470	—	30,200	30,200	302,670
Supplies	—	—	—	—	75,324	—	75,324	75,324
Meetings, travel, and related costs	—	11,208	20,015	31,223	—	—	—	31,223
Insurance	—	—	—	—	16,609	—	16,609	16,609
Professional dues and subscriptions	—	—	6,293	6,293	—	—	—	6,293
Printing and advertising	—	7,219	—	7,219	7,218	—	7,218	14,437
Depreciation	—	—	—	—	188	—	188	188
Equipment rental	—	—	—	—	5,923	—	5,923	5,923
Bad debt	—	—	—	—	16,000	—	16,000	16,000
Other	—	—	—	—	52,330	186,163	238,493	238,493
	$ 6,386,079	848,776	229,806	7,464,661	785,271	467,742	1,253,013	8,717,674
Direct benefits to donors								269,163
Total expenses and direct benefits to donors								$ 8,986,837

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, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Increase in net assets	$	4,700,608	4,131,195
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Net depreciation (appreciation) in fair value of investments		228,985	(1,202,853)
Depreciation		—	188
Pension related changes other than net periodic benefit cost		(38,482)	17,065
Contributed marketable securities		(8,075)	(8,295)
Changes in assets and liabilities:			
Contributions receivable		(128,894)	(543,847)
Prepaid expenses and other assets		22,693	(30,186)
Accounts payable and accrued expenses		4,798	36,113
Grants payable		43,118	2,156,077
Net cash provided by operating activities		4,824,751	4,555,457
Cash flows from investing activities:			
Proceeds from sale of investments		2,935,644	3,922,305
Purchases of investments		(10,752,536)	(4,185,584)
Net cash used in investing activities		(7,816,892)	(263,279)
Net (decrease) increase in cash and cash equivalents		(2,992,141)	4,292,178
Cash and cash equivalents at beginning of year		10,302,017	6,009,839
Cash and cash equivalents at end of year	$	7,309,876	10,302,017

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, 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, 2011 and 2010 were $302,754 and $200,852, respectively. The Foundation's cash equivalents are demand deposits placed within the Morgan Stanley Bank Deposit Program (BDP). The BDP is a cash sweep feature whereby free credit balances are automatically deposited into accounts established for clients by Morgan Stanley.

(d) Investments

Investments are primarily debt and equity securities and are stated at fair value based on quoted market prices. The cost basis for securities received through gift is the fair value at the date of donation. Noncash activities for 2011 and 2010 represented $8,075 and $8,295, 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, 2011 and 2010, 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 (see note 6). The Foundation estimates that the grants payable balance as of December 31, 2011 will be paid in 2012.

(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.

(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 totaling $223,330 and $205,975 for the years ended December 31, 2011 and 2010, respectively. Audit and various program services are provided by other contributors totaling $288,954 and $377,032 for the years ended December 31, 2011 and 2010, 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, 2011 includes pledges made to the Foundation in 2011 that are not expected to be received until 2012.

(4) Investments

Investments at fair value, at December 31, 2011 and 2010, are summarized as follows:

	2011	**2010**
Equity securities	$ 9,725,058	8,003,258
Corporate bonds	11,515,479	5,850,740
U.S. government bonds	3,801,406	3,555,808
AIG annuity	—	36,155
	$ 25,041,943	17,445,961

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, 2011 and 2010:

	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

	2010		
	Level 1	**Level 2**	**Total**
Equity securities	$ 8,003,258	—	8,003,258
Corporate bonds	—	5,850,740	5,850,740
U.S. government bonds	—	3,555,808	3,555,808
AIG annuity	—	36,155	36,155

As of December 31, 2011 and 2010, there were no investments that were measured using Level 3 inputs.

(5) Income Taxes

The Foundation has received a final determination letter from the Internal Revenue Service stating that the Foundation is exempt from federal income tax under Section 501(c)(3). The Foundation is treated as a public charity as defined in Sections 509(a)(1) and 170(b)(1) (a)(vi).

The Foundation follows the provisions of Accounting Standards Codification (ASC) 740-10, *Income Taxes – Overall*, relating to uncertainty in income taxes. For the Foundation, ASC 740-10 is primarily applicable to the incurrence of unrelated business income tax (UBIT) attributable to certain of its investments. ASC 740-10 establishes a minimum threshold for financial statement recognition of the benefits of positions taken, or expected to be taken, in filing tax returns. It requires the evaluation of tax positions taken, or expected to be taken in the course of preparing the Foundation's income tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely than-not threshold are recorded as tax expense. As of December 31, 2011 and 2010, the Foundation has not identified or provided for any such positions.

(6) Commitments

The Foundation had commitments of $4,797,665 for conditional grants as of December 31, 2011. If the underlying conditions are achieved, such grants would be payable over three years.

Lease expense amounted to $6,159 and $5,922 in 2011 and 2010, respectively. The Foundation is obligated under an operating lease for office equipment expiring in 2014. Future minimum lease payments as of December 31, 2011 are as follows:

2012	$	5,460
2013		5,460
2014		1,365
Total future lease expense	$	12,285

(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 $60,243 and $68,585 for the years ended December 31, 2011 and 2010, respectively. Cablevision makes contributions to the Pension Plan's Trust on the Foundation's behalf. In 2011, the total liability of $103,249 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, 2011.

(8) Related-Party Transactions

Cablevision underwrites 100% of the Foundation's administrative expenses. For the years ended December 31, 2011 and 2010, Cablevision funded $2,422,823 and $2,284,174, 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, 2011 through May 23, 2012, which was the date the financial statements were available for issuance, and concluded that no additional disclosures were required.