KPMG

MARC LUSTGARTEN PANCREATIC CANCER FOUNDATION

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

Financial Statements

December 31, 2010 and 2009

(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, 2010 and 2009, 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, 2010 and 2009, 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 24, 2011

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

Balance Sheets

December 31, 2010 and 2009

Assets		**2010**	**2009**
Cash and cash equivalents	$	10,302,017	6,009,839
Investments (note 4)		17,445,961	15,971,534
Contributions receivable (note 3)		973,043	429,196
Prepaid expenses and other assets		144,947	114,761
Software, furniture, and equipment, net of accumulated depreciation of $69,461 in 2010 and $69,273 in 2009		—	188
Total assets	$	28,865,968	22,525,518
Liabilities and Net Assets			
Accounts payable and accrued expenses (note 7)	$	244,039	190,861
Grants payable		5,444,635	3,288,558
Total liabilities		5,688,674	3,479,419
Net assets – unrestricted		23,177,294	19,046,099
Total liabilities and net assets	$	28,865,968	22,525,518

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, 2010 and 2009

		2010	2009
Revenues:			
Contributions (note 8)	$	7,337,774	5,019,215
Special events, net of costs of direct benefits to donors of $269,163 in 2010 and $245,108 in 2009		3,353,900	3,477,729
Contributed services (notes 2 and 8)		583,007	418,509
Dividends and interest		388,400	448,621
Total revenues		11,663,081	9,364,074
Expenses:			
Program services:			
Research		6,386,079	4,696,042
Patient education and information		848,776	749,933
Scientific conferences		229,806	251,026
Total program services		7,464,661	5,697,001
Supporting services:			
Management and general		785,271	668,123
Fund-raising		467,742	381,815
Total supporting services		1,253,013	1,049,938
Total expenses		8,717,674	6,746,939
Excess of revenues over expenses		2,945,407	2,617,135
Net appreciation in fair value of investments		1,202,853	1,048,330
Increase in net assets before pension related changes other than net periodic benefit cost		4,148,260	3,665,465
Pension related changes other than net periodic benefit cost		(17,065)	6,619
Increase in net assets		4,131,195	3,672,084
Unrestricted net assets, at beginning of year		19,046,099	15,374,015
Unrestricted net assets, at end of year	$	23,177,294	19,046,099

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)

Statement of Functional Expenses

Year ended December 31, 2009

	Program services				Supporting services			
	Research	**Public education and information**	**Professional education**	**Total**	**Management and general**	**Fund-raising**	**Total**	**Total expenses**
Grants awarded	$ 4,546,821	—	—	4,546,821	—	—	—	4,546,821
Research support	15,869	—	—	15,869	—	—	—	15,869
Contributed services	—	115,542	—	115,542	302,968	—	302,968	418,510
Salaries and related costs	133,352	297,478	174,384	605,214	205,157	215,415	420,572	1,025,786
Public information costs	—	319,144	—	319,144	—	31,727	31,727	350,871
Supplies	—	—	—	—	66,868	—	66,868	66,868
Meetings, travel, and related costs	—	12,602	68,177	80,779	—	—	—	80,779
Insurance	—	—	—	—	13,622	—	13,622	13,622
Professional dues and subscriptions	—	—	8,465	8,465	—	—	—	8,465
Printing and advertising	—	5,167	—	5,167	5,166	—	5,166	10,333
Depreciation	—	—	—	—	2,255	—	2,255	2,255
Equipment rental	—	—	—	—	5,550	—	5,550	5,550
Bad debt	—	—	—	—	15,500	—	15,500	15,500
Other	—	—	—	—	51,037	134,673	185,710	185,710
	$ 4,696,042	749,933	251,026	5,697,001	668,123	381,815	1,049,938	6,746,939
Direct benefits to donors								245,108
Total expenses and direct benefits to donors								$ 6,992,047

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, 2010 and 2009

		2010	2009
Cash flows from operating activities:			
Increase in net assets	$	4,131,195	3,672,084
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Net appreciation in fair value of investments		(1,202,853)	(1,048,330)
Depreciation		188	2,255
Pension related changes other than net periodic benefit cost		17,065	(6,619)
Contributed marketable securities		(8,295)	(2,648)
Changes in assets and liabilities:			
Contributions receivable		(543,847)	(1,519)
Prepaid expenses and other assets		(30,186)	(82,263)
Accounts payable and accrued expenses		36,113	15,750
Grants payable		2,156,077	2,838,558
Net cash provided by operating activities		4,555,457	5,387,268
Cash flows from investing activities:			
Proceeds from sale of investments		3,922,305	2,657,524
Purchases of investments		(4,185,584)	(8,387,018)
Net cash used in investing activities		(263,279)	(5,729,494)
Net increase (decrease) in cash and cash equivalents		4,292,178	(342,226)
Cash and cash equivalents at beginning of year		6,009,839	6,352,065
Cash and cash equivalents at end of year	$	10,302,017	6,009,839

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, 2010 and 2009 were $200,852 and $106,102, 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 2010 and 2009 represented $8,295 and $2,648, 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.

(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, 2010 will be paid in 2011.

(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.

(j) Reclassifications

Certain reclassifications were made to the 2009 presentation of the balance sheets and statements of activities to conform to the 2010 presentation.

(2) Contributed Services

Cablevision Systems Corporation (Cablevision) provides accounting and administrative services and use of facilities totaling $205,975 and $183,559 for the years ended December 31, 2010 and 2009, respectively. Audit and various program services are provided by other contributors totaling $377,032 and $234,950 for the years ended December 31, 2010 and 2009, 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, 2010 includes pledges made to the Foundation in 2010 that are not expected to be received until 2011.

(4) Investments

Investments at fair value, at December 31, 2010 and 2009, are summarized as follows:

		2010	2009
Equity securities	$	8,003,258	7,047,950
Corporate bonds		5,850,740	5,452,452
U.S. government bonds		3,555,808	3,436,367
AIG annuity		36,155	34,765
	$	17,445,961	15,971,534

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, 2010 and 2009:

		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

		Level 1	Level 2	Total
Equity securities	$	7,047,950	—	7,047,950
Corporate bonds		—	5,452,452	5,452,452
U.S. government bonds		—	3,436,367	3,436,367
AIG annuity		—	34,765	34,765

As of December 31, 2010 and 2009, 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 (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 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, 2010 and 2009, the Foundation has not identified or provided for any such positions.

(6) Commitments

The Foundation had commitments of $6,034,810 for conditional grants as of December 31, 2010. If the underlying conditions are achieved, such grants would be payable over four years.

Lease expense amounted to $5,922 and $5,550 in 2010 and 2009, respectively. The Foundation is obligated under an operating lease for office equipment expiring in 2014. Future minimum lease payments as of December 31, 2010 are as follows:

2011	$	5,460
2012		5,460
2013		5,460
2014		1,365
Total future lease expense	$	17,745

(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 $68,585 and $41,162 for the years ended December 31, 2010 and 2009, respectively. The Foundation recorded a liability representing the unfunded portion of the plan of approximately $81,488 and 64,423 at December 31, 2010 and 2009, respectively, which is net of the liability relating to the 2010 and 2009 net periodic benefit cost as this liability was recorded by Cablevision. Cablevision makes contributions to the Pension Plan's Trust on the Foundation's behalf. In 2010, the total liability of $150,073 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, 2010.

(8) Related-Party Transactions

Cablevision underwrites 100% of the Foundation's administrative expenses. For the years ended December 31, 2010 and 2009, Cablevision funded $2,284,174 and $2,031,901, 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.

 (Continued)

(9) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events from December 31, 2010 through May 24, 2011, which was the date the financial statements were available for issuance, and concluded that no additional disclosures were required.