

**CYSTINOSIS RESEARCH
NETWORK, INC.**

YEARS ENDED DECEMBER 31, 2010 AND 2009

CYSTITINOSIS RESEARCH NETWORK, INC.

YEARS ENDED DECEMBER 31, 2010 AND 2009

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Independent Auditors' Report

Board of Directors
Cystinosis Research Network, Inc.
Lake Forest, Illinois

We have audited the accompanying statement of financial position of Cystinosis Research Network, Inc. (the Organization) 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 management of the Organization. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Cystinosis Research Network, Inc. as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ostrow Reisin Berk & Abrams, LTD.

September 9, 2011

CYSTINOSIS RESEARCH NETWORK, INC.

STATEMENT OF FINANCIAL POSITION

December 31,	2010	2009
ASSETS		
Cash	\$ 477,328	\$ 461,841
Donations receivable		12,000
Prepaid expenses	13,400	23,219
Total assets	\$ 490,728	\$ 497,060
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses		\$ 1,173
Deferred revenue		12,550
Grants payable	\$ 136,804	14,250
Total liabilities	136,804	27,973
Net assets:		
Unrestricted	353,924	398,493
Temporarily restricted		70,594
Total net assets	353,924	469,087
Total liabilities and net assets	\$ 490,728	\$ 497,060

See notes to financial statements.

CYSTINOSIS RESEARCH NETWORK, INC.

STATEMENT OF ACTIVITIES

Years ended December 31,	2010			2009		
	Unrestricted	Temporarily	Total	Unrestricted	Temporarily	Total
		restricted			restricted	
Public support and revenue:						
Grants				\$ 15,500	\$ 50,000	\$ 65,500
Contributions	\$ 131,294		\$ 131,294	100,461		100,461
Fundraising and special events:						
Gross proceeds	195,865		195,865	323,917		323,917
Expenses	(32,946)		(32,946)	(45,671)		(45,671)
Interest income	1,931		1,931	3,666		3,666
Other income				500		500
Net assets released from restrictions:						
Satisfaction of purpose and time restrictions	70,594	\$ (70,594)		75,000	(75,000)	
Total public support and revenue	366,738	(70,594)	296,144	473,373	(25,000)	448,373
Expenses:						
Program services	358,595		358,595	346,906		346,906
Management and general	36,585		36,585	23,605		23,605
Fundraising	16,127		16,127	2,683		2,683
Total expenses	411,307		411,307	373,194		373,194
Change in net assets	(44,569)	(70,594)	(115,163)	100,179	(25,000)	75,179
Net assets:						
Beginning of year	398,493	70,594	469,087	298,314	95,594	393,908
End of year	\$ 353,924	\$ -	\$ 353,924	\$ 398,493	\$ 70,594	\$ 469,087

See notes to financial statements.

CYSTINOSIS RESEARCH NETWORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2010	Program services				Supporting services			Total
	Research	Education	Family Support	Total program services	Management and general	Fundraising	Total supporting services	
		and Awareness						
Grants	\$ 268,529			\$ 268,529				\$ 268,529
Books and publications		\$ 300		300				300
Equipment rental						\$ 640	\$ 640	640
Insurance					\$ 2,609		2,609	2,609
Licenses and registration					40		40	40
Meetings and conferences		3,834		3,834				3,834
Outside services					12,619	12,620	25,239	25,239
Postage	60	2,039	\$ 384	2,483	288	30	318	2,801
Printing and copying	1,169	15,803	81	17,053	325	813	1,138	18,191
Professional fees					13,662		13,662	13,662
Sponsorships	50,000			50,000				50,000
Sundry					870	154	1,024	1,024
Supplies	388	377	149	914	1,322	1,581	2,903	3,817
Telephone		857		857	3,435		3,435	4,292
Travel and transportation	7,944	6,314	367	14,625	1,415	289	1,704	16,329
Total expenses	\$ 328,090	\$ 29,524	\$ 981	\$ 358,595	\$ 36,585	\$ 16,127	\$ 52,712	\$ 411,307

See notes to financial statements.

CYSTINOSIS RESEARCH NETWORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended December 31, 2009	Program services			Supporting services			Total	
	Research	Education and Awareness	Family Support	Total program services	Management and general	Fundraising		Total supporting services
Grants	\$ 244,972			\$ 244,972			\$ 244,972	
Books and publications		\$ 300		300			300	
Equipment rental			\$ 4,500	4,500			4,500	
Insurance					\$ 1,990		\$ 1,990	
Licenses and registration					205		205	
Meetings and conferences		2,275		2,275	724		2,999	
Postage		1,802	771	2,573	279	\$ 30	2,882	
Printing and copying		7,300	808	8,108			8,108	
Professional fees					11,528		11,528	
Rental of facilities			66,861	66,861			66,861	
Scholarships		1,000		1,000			1,000	
Sundry					1,077	49	1,126	
Supplies		148	3,986	4,134	465	2,604	3,069	
Telephone		726	143	869	6,900		6,900	
Travel and transportation		2,987	8,327	11,314	437		437	
Total expenses	\$ 244,972	\$ 16,538	\$ 85,396	\$ 346,906	\$ 23,605	\$ 2,683	\$ 26,288	\$ 373,194

See notes to financial statements.

CYSTINOSIS RESEARCH NETWORK, INC.

STATEMENT OF CASH FLOWS

Years ended December 31,	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ (115,163)	\$ 75,179
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Change in operating assets and operating liabilities:		
Donations receivable	12,000	38,361
Prepaid expenses	9,819	7,678
Accounts payable and accrued expenses	(1,173)	(6,053)
Deferred revenue	(12,550)	12,550
Grants payable	122,554	14,250
Cash provided by operating activities	15,487	141,965
Increase in cash	15,487	141,965
Cash, beginning of year	461,841	319,876
Cash, end of year	\$ 477,328	\$ 461,841

See notes to financial statements.

CYSTINOSIS RESEARCH NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization and purpose

Cystinosis Research Network, Inc. (the Organization) is a not-for-profit organization that is dedicated to supporting and advocating research, providing family assistance and educating the public and medical communities about cystinosis. The Organization funds research and programs primarily through donations from the public, grassroots fundraising events and grants.

The following summarizes the Organization's programs:

Research:

The Organization establishes and funds fellowships and research grants focusing on clinical and research training in cystinosis.

Education and Awareness:

The Organization raises awareness and reinforces strong relationships through representation at national medical conferences, affiliation with other organizations such as the National Organization for Rare Disorders (NORD), publication of periodic newsletters and awards of educational scholarships to individuals with cystinosis and their siblings.

Family Support:

The Organization provides information and opportunities to network for individuals with cystinosis and their families through participation in a biennial conference on cystinosis that brings together clinicians, researchers and medical professionals from around the world.

It also supports newly diagnosed and existing families by providing access to world experts via advisory boards, moderation of an email support group and information packets.

2. Summary of significant accounting policies

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

CYSTINOSIS RESEARCH NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Basis of presentation:

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) for *Financial Statements of Not-for-Profit Entities*. Under the Codification, the Organization is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets at December 31, 2010 and 2009.

Cash:

The Organization considers cash, savings and money market accounts to be cash.

The Organization maintains its cash in bank accounts which, at times, may exceed federally-insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk on cash.

Donations receivable:

Donations receivable represent unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value.

Grants payable:

Grants payable represent unpaid amounts due to administrators of the Organization's research awards in the following year. Such administrators may include other not-for-profit organizations, researchers, doctors, universities, research laboratories and other institutions funding and/or conducting medical research into the detection, treatment and/or cure of cystinosis. See Note 6.

Contributed goods and services:

The Organization follows the recommendations of the Codification for *Accounting for Contributions Received and Contributions Made*, which requires the Organization to recognize as revenue the fair value of contributed (donated) goods and services.

CYSTINOSIS RESEARCH NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Contributed goods and services: (continued)

There were no donated goods and services received during the years ended December 31, 2010 and 2009.

The Organization also receives donated services from unpaid volunteers who assist in its fundraising events and programs in the furtherance of its purposes. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. None of these amounts have been recognized in the statement of activities because the criteria for recognition has not been met.

Functional allocation of expenses:

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

3. Tax status

The Organization is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Code.

CYSTINOSIS RESEARCH NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Net assets restrictions and designations

Temporarily restricted net assets at December 31, 2009 represent purpose-restricted donations received to fund a fellowship through the National Institute of Health (NIH). No purpose-restricted donations were received during the year ended December 31, 2010 and \$75,000 was funded to the NIH releasing the remaining \$70,594 of purpose-restricted donations from restriction during the year ended December 31, 2010. During the year ended December 31, 2009, \$50,000 of purpose-restricted donations was received. In addition, \$75,000 was funded to the NIH and released from restriction during the year ended December 31, 2009.

5. Summary of grant funding

The Organization was partially funded through the following grant for the year ended December 31, 2009:

Funding source	Purpose of grant	Total grant/contract	Recognized support
Harry A. & Margaret D. Towsley Foundation	Matching grant for NIH Fellowship	\$ 150,000	\$ 50,000

CYSTINOSIS RESEARCH NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Conditional grant commitments for research projects

At December 31, 2010, the Organization had agreements with administrators of the Organization's research grants and fellowships in future years. The Organization's Scientific Review Board reviews research grants and fellowships through progress reports, which are provided by the grant administrators. The Organization reserves the right to terminate future funding for an award if its progress report reflects unsatisfactory progress. As such, the Organization is only committed to funding grants and fellowships based on the most current progress reports. Future conditional research grant and fellowship commitments are as follows:

Award recipient	Award total	Funding in 2010	Payable in future years
Dr. Rosaleen Anderson, PhD*	\$ 130,366	\$ 26,073	\$ 104,293
Dr. H.J. Blom**	62,636		47,256
Dr. Ewa Elenberg	21,000	7,875	7,875
Francisco Emma, M.D.	114,480	42,930	21,465
Dr. Paul Goodyer	36,000	27,000	
Elena Levtchenko, M.D.	68,090		17,022
Leticia Belmont Martinez, M.D.	31,972		15,986
NIH Fellowship	250,000	75,000	
Jess Thoene, M.D.	26,206	6,551	
Jess Thoene, M.D.	165,732	55,244	82,866
Catherine Tuleu, PhD*	203,500	27,856	97,144
Totals	\$ 1,109,982	\$ 268,529	\$ 393,907

* Amount awarded is shown in U.S. Dollars. Funds may be converted to British Pounds Sterling.

** Amount awarded is shown in U.S. Dollars. Funds may be converted to Euros.

7. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from December 31, 2010, the financial statement date, through September 9, 2011, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepting accounting principles.