

**CYSTINOSIS RESEARCH
NETWORK, INC.**

YEARS ENDED DECEMBER 31, 2011 AND 2010

CYSTINOSIS RESEARCH NETWORK, INC.

YEARS ENDED DECEMBER 31, 2011 AND 2010

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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, 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 Organization'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 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, 2011 and 2010 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.

August 3, 2012

CYSTINOSIS RESEARCH NETWORK, INC.

STATEMENT OF FINANCIAL POSITION

December 31,	2011	2010
ASSETS		
Cash	\$ 212,219	\$ 477,328
Prepaid expenses	2,022	13,400
Total assets	\$ 214,241	\$ 490,728
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,039	
Other liability	16,567	
Grants payable		\$ 136,804
Total liabilities	23,606	136,804
Net assets:		
Unrestricted	190,635	353,924
Total liabilities and net assets	\$ 214,241	\$ 490,728

See notes to financial statements.

CYSTINOSIS RESEARCH NETWORK, INC.

STATEMENT OF ACTIVITIES

Years ended December 31,	2011			2010		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Public support and revenue:						
Grants	\$ 51,985		\$ 51,985			
Contributions	76,335		76,335	\$ 131,294		\$ 131,294
Fundraising and special events:						
Gross proceeds	215,153		215,153	195,865		195,865
Less: Direct benefits to donors	(20,113)		(20,113)	(32,946)		(32,946)
Contributed facilities	40,550		40,550			
Interest income	1,677		1,677	1,931		1,931
Other income	4,950		4,950			
Net assets released from restrictions:						
Satisfaction of purpose and time restrictions				70,594	\$ (70,594)	
Total public support and revenue	370,537		370,537	366,738	(70,594)	296,144
Expenses:						
Program services	472,758		472,758	358,595		358,595
Management and general	36,951		36,951	36,585		36,585
Fundraising	24,117		24,117	16,127		16,127
Total expenses	533,826		533,826	411,307		411,307
Change in net assets	(163,289)		(163,289)	(44,569)	(70,594)	(115,163)
Net assets:						
Beginning of year	353,924		353,924	398,493	70,594	469,087
End of year	\$ 190,635		\$ 190,635	\$ 353,924	\$ -	\$ 353,924

See notes to financial statements.

CYSTINOSIS RESEARCH NETWORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2011	Program services			Total program services	Supporting services			Total	
	Research	Education and Awareness	Family Support		Management and general	Fundraising	Direct benefits to donors		Total supporting services
Grants	\$ 233,651			\$ 233,651				\$ 233,651	
Books and publications					\$ 300		\$ 300	300	
Equipment rental			\$ 5,086	5,086		\$ 90	90	5,176	
Insurance					1,913		1,913	1,913	
Licenses and registration					40		40	40	
Meetings and conferences		\$ 3,433	149,405	152,838				152,838	
Outside services					8,089	8,089	16,178	16,178	
Postage		394	6,724	7,118	913	1,861	2,774	9,892	
Printing and copying		21,043		21,043				21,043	
Professional fees					20,560		20,560	20,560	
Rental of facilities						3,610	\$ 20,113	23,723	
Scholarships			3,000	3,000				3,000	
Sponsorships	4,000	1,800		5,800				5,800	
Sundry		40	1,300	1,340	134	3,532	3,666	5,006	
Supplies		22	3,167	3,189	607	328	935	4,124	
Telephone		1,099		1,099	4,395		4,395	5,494	
Travel and transportation		18,305	20,289	38,594		6,607	6,607	45,201	
Total expenses	237,651	46,136	188,971	472,758	36,951	24,117	20,113	81,181	553,939
Less: Expenses included with revenues on the statement of activities							(20,113)	(20,113)	(20,113)
Total expenses included in the expense section of the statement of activities	\$ 237,651	\$ 46,136	\$ 188,971	\$ 472,758	\$ 36,951	\$ 24,117	\$ -	\$ 61,068	\$ 533,826

See notes to financial statements.

CYSTINOSIS RESEARCH NETWORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended December 31, 2010	Program services				Supporting services				Total
	Research	Education and Awareness	Family Support	Total program services	Management and general	Fundraising	Direct benefits to donors	Total supporting services	
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
Rental of facilities							\$ 32,946	32,946	32,946
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	32,946	85,658	444,253
Less: Expenses included with revenues on the statement of activities							(32,946)	(32,946)	(32,946)
Total expenses included in the expense section of the statement of activities	\$ 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 CASH FLOWS

Years ended December 31,	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ (163,289)	\$ (115,163)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Change in operating assets and operating liabilities:		
Donations receivable		12,000
Prepaid expenses	11,378	9,819
Accounts payable and accrued expenses	7,039	(1,173)
Other liability	16,567	(12,550)
Grants payable	(136,804)	122,554
Cash provided by (used in) operating activities	(265,109)	15,487
Increase (decrease) in cash	(265,109)	15,487
Cash, beginning of year	477,328	461,841
Cash, end of year	\$ 212,219	\$ 477,328

See notes to financial statements.

CYSTITINOSIS 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 temporarily restricted or permanently restricted net assets at December 31, 2011 and 2010.

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.

Other liability:

The Organization received monies from another organization during the year ending December 31, 2011. The monies will be paid by the Organization during the year ending December 31, 2012 for a new research grant that the Organization and the other organization are co-sponsoring. The agreement was formalized subsequent to year-end.

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 5.

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)

The Organization received \$40,550 in donated facilities during the year ended December 31, 2011 and none were received during the year ended December 31, 2010.

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.

4. Net assets restrictions and designations

No purpose-restricted donations were received during the years ended December 31, 2011 and 2010. The Organization funded \$75,000 to the NIH, releasing the remaining \$70,594 of purpose-restricted donations from restriction during the year ended December 31, 2010.

CYSTINOSIS RESEARCH NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Conditional grant commitments for research projects

At December 31, 2011, 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 based on the most current progress reports. Future conditional research grant and fellowship commitments are as follows:

Award recipient	Award total	Funding paid or accrued in years prior to 2010	Funding paid or accrued in 2010	Funding paid or accrued in 2011	Conditional liability payable in future years
Dr. Rosaleen Anderson, PhD*	\$ 130,366	\$ 4,144	\$ 26,073	\$ 25,116	\$ 75,033
Dr. H.J. Blom**	62,636	18,935			43,701
Maya Doyle, LCSW	17,200			17,200	
Dr. Ewa Elenberg	21,000	5,250	7,875		7,875
Francisco Emma, M.D.	114,480	50,085	42,930		21,465
Dr. Paul Goodyer	36,000	9,000	27,000		
Elena Levtchenko, M.D.	68,090	51,068			17,022
Leticia Belmont Martinez, M.D.	31,972	15,986			15,986
NIH Fellowship	250,000	175,000	75,000		
Jess Thoene, M.D.	26,206	19,655	6,551		
Jess Thoene, M.D.	165,732	27,622	55,244	82,866	
Jess Thoene, M.D.	202,500			67,500	135,000
Catherine Tuleu, PhD*	203,500	95,810	27,856	40,969	38,865
Totals	\$ 1,329,682	\$ 472,555	\$ 268,529	\$ 233,651	\$ 354,947

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

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

6. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from December 31, 2011, the financial statement date, through August 3, 2012, 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.