CYSTINOSIS RESEARCH FOUNDATION
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

WITH INDEPENDENT AUDITORS' REPORT

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NATALIE'S WISH

Natalie's wish, '*To have my disease go away forever'* – those seven words provided the inspiration to establish the Cystinosis Research Foundation (CRF) in 2003. We knew at that moment that we needed to make every effort to make Natalie's wish – and the wish of others with cystinosis – a reality.

MISSION STATEMENT

CRF's mission is to support bench, clinical and translational research to find better treatments and a cure for cystinosis.

RESEARCH

The Cystinosis Research Foundation is dedicated to finding better treatments to improve the quality of life for those with cystinosis and to ultimately find a cure for this devastating disease.

CRF is committed to finding a cure through an aggressively funded research agenda. CRF awards research grants bi-annually to accelerate the research process and to ensure that there is never a gap in funding new cutting-edge research projects. CRF is dedicated to improving the quality of life for cystinosis patients and to finding better treatments, including a cure, for our adults and children living with cystinosis.

EDUCATION

The Cystinosis Research Foundation is dedicated to educating the cystinosis community, the public and the medical community about cystinosis to ensure early diagnosis and immediate and proper treatment.

HISTORY AND RESEARCH

Cystinosis is a rare, metabolic, genetic disease that afflicts approximately 2,000 children and adults worldwide. CRF is increasingly focused on funding clinical and translational research which is crucial to finding new treatments and a cure for cystinosis. CRF is committed to prioritizing and aggressively supporting research that has the potential to significantly improve the quality of life for children and adults with cystinosis.

RESEARCH GIVES US HOPE

We firmly believe that funding and supporting research gives us hope for a brighter future for those living with cystinosis. Hope allows us to live with cystinosis until the day a cure is found.

Since 2003, the Cystinosis Research Foundation (CRF) has become the largest fund provider of cystinosis research in the world raising more than $55 million from donors all over the world. By strategically and aggressively investing millions of dollars into cystinosis research, CRF has created a thriving and collaborative research community and has changed the course of cystinosis. From the start of the foundation all CRF operating costs have been privately underwritten so that 100 percent of the funds donated to CRF are used to support cystinosis research.

We are pleased to announce that during the 12-month period ending June 30, 2020, CRF awarded 24 new grants, extension grants and equipment grants totaling more than $5 million for cystinosis research. The new grants bring us that much closer to better treatments and a cure.

CRF awards grants to the best and brightest researchers in the world. To date, CRF has funded 204 studies at leading research institutions in 12 countries. CRF-funded researchers have published 86 articles in prestigious, top-rated journals. Those articles, available to everyone in the world, have contributed to the understanding of the pathogenesis and treatment of cystinosis.

RESEARCH PROGRESS

From the start of the foundation, we have understood that funding basic and bench research was important to understanding cystinosis. Over the years, as discoveries were made in the lab, CRF began funding clinical research, and now we are translating the data from the clinical studies to the patients.

Our strategy of providing seed money to talented researchers has been successful. Our first project involved funding researchers who were focused on a new treatment. CRF provided grants that funded every bench and clinical trial that led to the discovery of a delayed-release form of the life-saving medication for cystinosis. That medication, Procysbi™ was approved by the FDA on April 30, 2013, and is considered the most significant advancement in the treatment of cystinosis in 30 years.

In 2007, CRF began funding Dr. Stephanie Cherqui, at UC San Diego who was focused on stem cell and gene therapy research. As a direct result of CRF's early funding and continuous funding throughout the years, in December 2018, the FDA approved a clinical trial to test the efficacy and safety of a stem cell and gene therapy treatment for cystinosis patients. In October 2019, the first cystinosis patient was transplanted and in June, 2020, the second patient was transplanted with the treatment. CRF's grants to Dr. Cherqui have been leveraged by multi-million-dollar grants from other funding agencies. If this treatment works, it could stop the progression of cystinosis or be the cure for cystinosis.

Since cystinosis is a systemic disease and every tissue is affected, CRF has targeted multiple areas of research to fund including muscle wasting, neurological issues, corneal cystinosis, and stem cell and gene therapy, all with the goal of finding better treatments and a cure for cystinosis.

CYSTINOSIS RESEARCH HELPS OTHERS

Many of the discoveries made by CRF researchers are currently being applied to other more prevalent and well-known disorders and diseases including other corneal diseases, kidney diseases and genetic and systemic diseases similar to cystinosis. Support for cystinosis research has reached far beyond the cystinosis community. A cure for cystinosis will help find cures for other diseases potentially helping millions of people.

CRF FAMILIES AND PARTNERS

The Cystinosis Research Foundation has witnessed tremendous growth over the years as cystinosis families have joined our fundraising efforts. People from all over the world have embraced the cystinosis cause and have enthusiastically raised funds to support cystinosis research through CRF. We have found strength in numbers and our joint effort gives us a renewed sense of community and purpose.

DAY OF HOPE CONFERENCE

Each year the Cystinosis Research Foundation hosts the Day of Hope Family Conference. In 2019, 66 families from around the world gathered to share their stories, hopes and dreams and to build life-long friendships. Leading CRF funded researchers attended the conference and updated the cystinosis community on their research progress including updates on gene and stem cell therapies, novel eye research and neurological research. The conference educates cystinosis families about current and ongoing research and offers them hope that brighter days are ahead for cystinosis patients.

CURE CYSTINOSIS INTERNATIONAL REGISTRY

The Cystinosis Research Foundation is excited to announce that a new, updated registry, the Cure Cystinosis International Registry (CCIR) will be launched in the fall of 2020. The patient registry will be a vast improvement over the previous registry. The new registry will track patients' natural history data, collect data about current treatments, identify known and unknown medical complications and collect information about quality of life issues. The CCIR will be a central hub of information for the global community. The deidentified patient data from the registry can be shared with cystinosis clinicians, researchers and scientists who are pursuing research focused on better treatments and a cure for cystinosis.

CRF INTERNATIONAL RESEARCH SYMPOSIUM

CRF’s International Research Symposium is held every two years and is a highlight for cystinosis researchers. Attendees are CRF funded researchers and scientists from around the world. Approximately 65 cystinosis experts from leading international universities and research institutions are invited to give presentations about their work. Attendees share their research progress and are encouraged to form collaborations in an effort to accelerate the research process. The symposium has created a synergistic research community working in partnership with CRF.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cystinosis Research Foundation and Subsidiary

We have audited the accompanying consolidated financial statements of Cystinosis Research Foundation and subsidiary (a nonprofit organization) (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cystinosis Research Foundation and subsidiary as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Management Discussion and Analysis

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management Discussion and Analysis, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

White Nelson Diehl Evans LLP

Irvine, California
October 15, 2020

CYSTINOSIS RESEARCH FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
Assets:		
Current Assets:		
Cash and cash equivalents	$ 5,984,805	$ 7,593,080
Receivables:		
Pledges	664,600	108,000
Grant	247,833	200,000
Prepaid expenses	49,556	132,802
Total Current Assets	6,946,794	8,033,882
Property and Equipment, at Net Book Value	88,677	33,664
Other assets:		
Grant receivable, net of current portion and discount	-	241,803
Investments	2,812,223	1,382,144
Total Other Assets	2,812,223	1,623,947
Total Assets	$ 9,847,694	$ 9,691,493
Liabilities:		
Current Liabilities:		
Accounts payable	$ 6,660	$ 116,238
Research grants payable - current portion	1,901,679	2,048,228
Accrued expenses	3,130	1,045
Deferred rent	6,615	4,505
Total Current Liabilities	1,918,084	2,170,016
Long-Term Liability:		
Research grants payable, net of current portion and discount	379,886	704,195
Total Liabilities	2,297,970	2,874,211
Net Assets:		
Without donor restrictions	7,301,891	6,375,479
With donor restrictions	247,833	441,803
Total Net Assets	7,549,724	6,817,282
Total Liabilities and Net Assets	$ 9,847,694	$ 9,691,493

The accompanying notes are an integral part of these consolidated financial statements.

CYSTINOSIS RESEARCH FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Net Assets Without Donor Restrictions:		
Revenues and Other Support:		
Contributions	$ 2,803,160	$ 1,893,303
Fundraising, net of direct benefits to donors	1,261,660	3,454,566
Total Revenues and Other Support	4,064,820	5,347,869
Investment Revenues, Net	30,312	65,522
Net Assets Released from Restrictions	247,833	-
Total Revenues, Other Support, and Net Assets Released from Restrictions	4,342,965	5,413,391
Expenses before Discontinued Operations:		
Program services:		
Research and education	2,625,508	4,244,155
Supporting services:		
General and administrative	262,082	233,668
Fundraising	312,851	434,865
Total Supporting Services	574,933	668,533
Total Expenses before Discontinued Operations	3,200,441	4,912,688
Increase (Decrease) in Net Assets Without Donor Restrictions from Continuing Operations	1,142,524	500,703
Loss from Discontinued Operations	(162,249)	(957,725)
Increase (Decrease) in Net Assets Without Donor Restrictions	980,275	(457,022)
Net Assets With Donor Restrictions:		
Grant contribution	-	441,803
Net assets released from restrictions	(247,833)	-
Increase (Decrease) in Net Assets With Donor Restrictions	(247,833)	441,803
Increase (Decrease) in Total Net Assets	732,442	(15,219)
Total Net Assets, Beginning of Year	6,817,282	6,832,501
Total Net Assets, End of Year	$ 7,549,724	$ 6,817,282

The accompanying notes are an integral part of these consolidated financial statements.

CYSTINOSIS RESEARCH FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services		
	Research and Education	General and Administrative	Fundraising	Total
Accounting	$ 13,664	$ 82,037	$ 745	$ 96,446
Advertising/public relations	4,040	-	97,119	101,159
Auction items	-	-	4,405	4,405
Credit card fees	-	-	13,050	13,050
Depreciation	3,368	10,588	2,526	16,482
Education	34,531	-	-	34,531
Grants	2,251,125	-	-	2,251,125
Insurance	-	8,240	-	8,240
Magazine	63,804	-	49,198	113,002
Other	2,453	2,454	-	4,907
Outside services	98,438	28,936	30,411	157,785
Patient registry	6,750	-	-	6,750
Photography	-	-	1,250	1,250
Postage	-	3,654	5,290	8,944
Printing	20,415	2,353	30,170	52,938
Promotion/marketing	-	26,933	62,842	89,775
Rental expense	7,574	24,616	5,681	37,871
Salaries	12,214	41,293	9,442	62,949
Supplies	-	3,536	-	3,536
Symposium	106,243	-	-	106,243
Taxes - payroll	889	2,975	722	4,586
Telephone	-	4,518	-	4,518
Travel	-	6,915	-	6,915
Website and software	-	13,034	-	13,034
Total Expenses before Discontinued Operations	$ 2,625,508	$ 262,082	$ 312,851	$ 3,200,441
Discontinued Operations - NanoWafer, Inc.:				
Salaries and payroll taxes	$ -	$ 85,697	$ -	$ 85,697
Insurance	-	29,735	-	29,735
Professional fees	-	13,623	-	13,623
Other	-	33,194	-	33,194
Loss from Discontinued Operations	$ -	$ 162,249	$ -	$ 162,249

The accompanying notes are an integral part of these consolidated financial statements.

CYSTINOSIS RESEARCH FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services		Supporting Services		
	Research and Education	Research and Development	General and Administrative	Fundraising	Total
Accounting	$ -	$ -	$ 33,621	$ 15,431	$ 49,052
Advertising/public relations	21,074	-	-	118,192	139,266
Auction items	-	-	-	2,604	2,604
Credit card fees	-	-	-	26,736	26,736
Depreciation	-	-	200	-	200
Education	298,359	-	-	-	298,359
Grants	3,729,559	-	-	-	3,729,559
Insurance	-	-	7,084	-	7,084
Magazine	58,022	-	-	61,787	119,809
Other	25,400	-	117	48	25,565
Outside services	71,982	-	96,446	73,078	241,506
Patient registry	9,035	-	-	-	9,035
Photography	-	-	-	43,398	43,398
Postage	-	-	4,141	4,139	8,280
Printing	21,631	-	1,909	27,032	50,572
Rental expense	-	-	4,505	-	4,505
Salaries	8,520	-	11,168	39,806	59,494
Supplies	-	-	-	20,666	20,666
Taxes - payroll	573	-	2,704	854	4,131
Travel	-	-	14,955	-	14,955
Website and software	-	-	56,818	1,094	57,912
Total Expenses before Discontinued Operations	$ 4,244,155	$ -	$ 233,668	$ 434,865	$ 4,912,688
Discontinued Operations - NanoWafer, Inc.:					
Research and development	$ -	$ 792,257	$ -	$ -	$ 792,257
Insurance	-	-	34,433	-	34,433
Professional fees	-	-	127,374	-	127,374
Other	-	-	3,661	-	3,661
Loss from Discontinued Operations	$ -	$ 792,257	$ 165,468	$ -	$ 957,725

The accompanying notes are an integral part of these consolidated financial statements.

CYSTINOSIS RESEARCH FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Increase (decrease) in total net assets	$ 732,442	$ (15,219)
Adjustments to reconcile increase (decrease) in total net assets to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation and amortization	16,482	200
Realized (gains) losses on sales of investments	(154,660)	721
Unrealized (gain) loss on investments	196,788	(52,048)
Discount on grants receivable	6,030	8,197
Discount on grants payable	30,957	(27,914)
Deferred rent	2,110	4,505
Changes in assets and liabilities:		
(Increases) decreases in:		
Receivables	(368,660)	(395,689)
Prepaid expenses	83,246	928
Increases (decreases) in:		
Accounts payable	(109,578)	(14,758)
Research grants payable	(501,815)	625,250
Accrued expenses	2,085	(1,386)
Total Adjustments	(797,015)	148,006
Net Cash and Cash Equivalents (Used in) Provided by Operating Activities	(64,573)	132,787
Cash Flows from Investing Activities:		
Purchases of property and equipment	(71,495)	(33,864)
Purchases of investments	(2,743,013)	(228,781)
Proceeds from sales of investments	1,270,806	508,695
Net Cash and Cash Equivalents (Used in) Provided by Investing Activities	(1,543,702)	246,050
Net (Decrease) Increase in Cash and Cash Equivalents	(1,608,275)	378,837
Cash and Cash Equivalents, Beginning of Year	7,593,080	7,214,243
Cash and Cash Equivalents, End of Year	$ 5,984,805	$ 7,593,080
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	$ 28	$ 503
Income taxes	$ 1,600	$ 800

The accompanying notes are an integral part of these consolidated financial statements.

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Cystinosis Research Foundation ("CRF") was founded in 2003 as a California nonprofit public benefit corporation. The mission of CRF is twofold and focuses to support bench, clinical, and translational cystinosis research for better treatments and to find a cure for cystinosis. CRF is also dedicated to educating the public and the medical community about cystinosis to ensure early diagnosis and proper treatment. CRF's support comes entirely from donor contributions.

In 2016, CRF established Corneal Cystinolysis, Inc. ("CCI") as a Texas corporation. In December 2017, CCI filed with the states of California and Texas to have the corporate name changed to NanoWafer, Inc. ("NanoWafer"). NanoWafer is 100% owned by CRF. There are 2,000,000 authorized common shares with 1,000,000 shares issued at a par value of $0.0001. The plan of operations for NanoWafer was to improve treatment for corneal cystinosis. In December 2019, NanoWafer suspended its operations.

Principles of Consolidation

The consolidated financial statements include the accounts of CRF and NanoWafer (collectively, the "Foundation"). All intercompany balances and transactions have been eliminated in the consolidation.

Basis of Presentation

The accompanying consolidated financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). References to the "ASC" hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board ("FASB") as the source of authoritative US GAAP.

The accounts of the Foundation are reported in the following net asset categories:

> *Net Assets Without Donor Restrictions* – Net assets of the Foundation that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).
>
> *Net Assets With Donor Restrictions* – Net assets of the Foundation that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Pledges

Pledges are unconditional promises to give toward the Foundation's programs and are recorded as revenue when the pledge is received. At June 30, 2020 and 2019, the Foundation has pledges receivable of $664,600 and $108,000, respectively, and all are considered to be fully collectible. Accordingly, there were no allowances for doubtful pledges.

Investments and Fair Value Measurements

The carrying value of the Foundation's cash and cash equivalents, pledges receivable, prepaid expenses, accounts payable, and accrued expenses approximates their respective fair values due to their short maturities. Grants receivable and grants payable are discounted based upon the average yield of US Treasury securities with a two-year maturity, which approximates fair value.

The Foundation reports investments in equity securities with readily determinable fair values and all investments in debt securities at quoted market values. The gains and losses are included in the consolidated statements of activities. A limited partnership invests in hedge funds and private equity funds, and a limited liability company invests primarily in loans secured by residential real estate.

Property and Equipment

Assets are carried at cost if purchased or at fair market value if contributed. Donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. The Foundation follows the practice of capitalizing all expenditures for property in excess of $500. The Foundation's website is an intangible asset subject to amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of 7–15 years for property and equipment and 5–7 years for software and the website.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Long-Lived Assets and Asset Impairment

The Foundation accounts for long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. For the years ended June 30, 2020 and 2019, there was no impairment of the value of such assets.

Contributions, Grants and Grant Payments

Contributions and grants are recognized as revenue in accordance with FASB ASC 958-605, *Revenue Recognition*. Contributions and grants are recognized when the donor makes a promise to give an organization that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions and grants are reported as increase in net assets with donor restrictions depending on the nature of the restrictions.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

All grants receivable are considered to be fully collectible and accordingly, there is no allowance for doubtful grants receivable.

Grants payable represent all unconditional grants that have been authorized prior to year-end, but remain unpaid as of the consolidated statement of financial position date. There were no conditional grants at June 30, 2020 and 2019. Subsequent to June 30, 2020, approximately $1,026,000 of grants were approved for funding.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of functional expenses. CRF achieves some of its programmatic goals with its magazine. As of June 30, 2020 and 2019, joint costs of approximately $113,000 and $120,000, respectively, associated with the magazine have been allocated to program services and fundraising based on the percentage of each issue's content intended to serve the respective function. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Expenses are allocated in the following ways: Salaries, payroll taxes, accounting, and outside services are allocated based on the percentage of the time that each employee or contractor spends working on projects specific to the program or supporting function. Costs, such as postage, printing, website, and software, are allocated based on each program's direct expense. All other remaining costs are allocated based on the estimated benefit to each functional area.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued)

The major programs of the Foundation are as follows:

Research and Education – CRF is dedicated to finding better treatments to improve the quality of life for those with cystinosis, and ultimately find a cure for this devastating disease. CRF educates the public and the medical/scientific community about cystinosis to ensure early diagnosis and proper treatments. Through its aggressively funded research agenda, CRF issues grants for bench and clinical research studies biannually to accelerate research progress and ensure that cystinosis research is ongoing and focused on novel treatments and a cure. CRF sponsors an annual Day of Hope Family Conference for cystinosis patients and their families to educate attendees about the research progress being made by CRF-funded researchers. CRF hosts a biannual International Cystinosis Research Symposium where CRF-funded researchers gather from around the world to share their research progress. The mission of the conference is to unite cystinosis researchers and scientists in an effort to encourage collaboration and accelerate the research process.

Research and Development – NanoWafer no longer owns the license to the cysteamine nanowafer technology. NanoWafer suspended operations in December 2019.

Income Taxes

CRF is a California nonprofit corporation that has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code ("IRC") and the State Revenue and Tax Code Section 23701(d). Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

NanoWafer is treated as a C corporation for purposes of filing its federal and state income tax returns. Income taxes are provided for the tax effects of transactions reported in NanoWafer's financial statements and consist of taxes currently due or refundable plus deferred taxes. NanoWafer accounts for income taxes under the asset and liability method.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their perspective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled.

The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized. NanoWafer has discontinued operations and filed for corporate dissolution.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Foundation follows the accounting for uncertainty in income taxes recognized in a nonpublic entity's financial statements, including changes to CRF's status as a not-for-profit entity. It details how entities should recognize, measure, present, and disclose uncertain tax positions that have been or are expected to be taken. As such, financial statements will reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts. Management believes that there was no impact to the Foundation's consolidated financial statements as a result of these provisions.

Potential interest and penalties accrued related to unrecognized tax benefits are recorded within income tax expense. For the years ended June 30, 2020 and 2019, no interest or penalties were recorded in the consolidated statements of activities. No interest or penalties were accrued in the consolidated statements of position at June 30, 2020 and 2019, relating to unrecognized benefits. CRF and NanoWafer's tax years from 2016 to 2019 are open to review for federal tax purposes, and tax years from 2015 to 2019 are open to review for state income tax purposes.

Advertising, Promotion, and Marketing

The Foundation follows the policy of charging the costs of advertising to expenses as incurred. Advertising expense for the years ended June 30, 2020 and 2019, was approximately $191,000 and $139,000, respectively. For the years ended June 30, 2020 and 2019, approximately $6,900 and $13,800, respectively, of advertising expense was in-kind donations.

Use of Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant estimates made in the accompanying consolidated financial statements include, but are not limited to, the valuation of investments. Actual results could differ from those estimates in the near term.

Concentration of Credit Risk

The Foundation maintains deposits in excess of federally insured limits. This concentration in credit risk is managed by maintaining all deposits in high-quality financial institutions.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties

The Foundation invests in a combination of equity, fixed income, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect investments' account balances and the amounts reported in the consolidated statements of financial position and activities.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of an outbreak of a new strain of coronavirus ("COVID-19"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase of the virus and its global exposure. In addition, several US states, including California where the Foundation is headquartered, have declared a state of emergency.

The Foundation is substantially supported by contributions and proceeds from fundraising events without donor restrictions. As of the date of this report, the Foundation's investment values have experienced significant volatility. At this time, the Foundation cannot anticipate all the ways in which a health pandemic such as COVID-19 could adversely impact it. Although management is continuing to monitor and assess the effects of the COVID-19 pandemic on the Foundation, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

Recent Accounting Pronouncement – Adopted

In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities – Revenue Recognition (Topic 958-605)*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The adoption of ASU 2018-08 did not have a significant impact on the Foundation's consolidated financial statements.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncement – Adopted (Continued)

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10)*, with subsequent corrections issued in ASU 2018-03. One of the main provisions of ASU 2016-01 is that it requires investments in equity securities with readily determinable fair values to be measured at fair value, with changes in fair value recognized in earnings. An entity's equity investments that are accounted for under the equity method of accounting or that result in consolidation of an investee are not included within the scope of this ASU. For equity investments that do not have readily determinable fair values, ASU 2016-01 allows them to be remeasured at fair value, either upon the occurrence of an observable price change or upon identification of an impairment, and requires an assessment for impairment qualitatively at each reporting period. ASU 2016-01 is effective for fiscal years beginning after December 15, 2018. The adoption of ASU 2016-01 did not have a significant impact on the Foundation's consolidated financial statements.

Recent Accounting Pronouncements – Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, with subsequent improvements and corrections issued in ASU 2018-01, ASU 2018-10, and ASU 2018-20. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021; however, early adoption is permitted. The Foundation is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, with subsequent improvements issued in ASU 2018-19. ASU 2016-13 requires that credit losses on most financial assets measured at amortized cost and certain other instruments, including trade receivables, be measured using an expected credit loss model. The ASU also replaces the current accounting model for purchased credit-impaired loans and debt securities. Further, ASU 2016-13 makes certain targeted amendments to the existing impairment model for available-for-sale debt securities. For nonpublic entities, including not-for-profit entities, the amendments are effective for fiscal years beginning after December 15, 2022. The Foundation does not expect the provisions of ASU 2016-13 to have a material impact on the presentation of its consolidated financial statements.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements – Not Yet Adopted (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 establishes new revenue recognition guidance ("ASC 606"), which replaces the current revenue recognition guidance. ASC 606 is a comprehensive revenue recognition standard for virtually all industries, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The core principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. ASC 606 is effective for nonpublic companies for annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020; however, early adoption is permitted. The Foundation is currently evaluating the impact of the provisions of ASC 606 on the presentation of its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurements (Topic 820)*. The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on FASB Concepts Statement, *Conceptual Framework for Financial Reporting – Chapter 8: Notes to Financial Statements*, which was finalized on August 28, 2018, including the consideration of costs and benefits. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective date.

Note 2: Fair Value Measurements

The Foundation follows the accounting policy that establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based on quoted prices for similar assets in active or inactive markets or quoted prices that are observable for the asset or inputs that are derived from observable market data by correlation or other means. Financial assets valued using Level 3 inputs are based on a valuation methodology that is unobservable and significant to the fair value measurement.

Note 2: Fair Value Measurements (Continued)

Using Level 3 inputs, the limited partnerships and the limited liability company were primarily valued using internal financial statements of the various portfolio funds within the limited partnerships and limited liability company or from redemption values at June 30, 2020 and 2019. Valuation techniques, which are utilized to determine fair value, are applied consistently.

The fair value of assets measured on a recurring basis at June 30, 2020, is as follows:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Limited partnerships	$ 438,041	$ -	$ -	$ 438,041
Stocks	312,879	312,879	-	-
Mutual funds	2,061,303	2,061,303	-	-
Total	$ 2,812,223	$ 2,374,182	$ -	$ 438,041

The fair value of assets measured on a recurring basis at June 30, 2019, is as follows:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Limited partnerships	$ 234,202	$ -	$ -	$ 234,202
Limited liability company	250,000	-	-	250,000
Stocks	369,472	369,472	-	-
Mutual funds	528,470	528,470	-	-
Total	$ 1,382,144	$ 897,942	$ -	$ 484,202

The following table sets forth a summary of changes in Level 3 investments for the years ended June 30, 2020 and 2019:

	2020	2019
Beginning balances	$ 484,202	$ 780,108
Purchases	250,000	-
Sales	(256,361)	(299,308)
Net gains (losses) - realized/unrealized	(39,800)	3,402
Ending Balances	$ 438,041	$ 484,202

Note 2: Fair Value Measurements (Continued)

The following summarizes the investment returns in the consolidated statements of activities for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	$ 88,944	$ 55,571
Realized gains (losses)	154,660	(721)
Unrealized gain (losses)	(196,788)	52,048
Investment fees	(16,504)	(41,376)
Investment Returns - Net	$ 30,312	$ 65,522

Note 3: Liquidity and Availability

The Foundation's financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the statement of financial position date, are as follows as of June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	$ 5,984,805	$ 7,593,080
Pledges receivable	664,600	108,000
Grant receivable	247,833	200,000
Total Financial Assets Available to Meet General Expenditures within One Year	$ 6,897,238	$ 7,901,080

The Foundation is substantially supported by contributions and proceeds from fundraising events without donor restrictions. Generally, all proceeds from such support, excluding the noncurrent portion of grant receivable, are available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Foundation invests cash in excess of the daily requirements in short-term investments. Subsequent to June 30, 2020, approximately $1,026,000 of grants were approved for funding.

Note 4: Grant Receivable

In 2019, the Foundation received a written grant totaling $650,000 that provides for payment over a three-year period ending December 15, 2020. The grant receivable is recorded at its estimated net realizable value, including discounts (1.75%) reflecting the estimated impact of the passage of time on amounts to be received over more than one year. The grant receivable of $247,833, net of discount of $2,167 is expected to be collected during the year ending June 30, 2021.

Note 5: Research Grants Payable

During the years ended June 30, 2020 and 2019, the Foundation expended approximately $2,200,000 and $3,730,000, respectively, for research grants. At June 30, 2020 and 2019, the Foundation had commitments of $2,281,565 and $2,752,423, respectively, to fund 21 and 22 grants, respectively, in the next two years. The award amounts of these grants range from approximately $63,000 to $765,000.

Research grants payable at June 30, 2020, are expected to be paid as follows:

2021	$ 1,901,679
2022	395,316
	2,296,995
Less: Discount at 0.16% to 1.75%	(15,430)
Research Grants Payable - Net	$ 2,281,565

Note 6: Property and Equipment

At June 30, 2020 and 2019, property and equipment consist of the following:

	2020	2019
Office equipment	$ 49,450	$ -
Furniture and fixtures	46,835	30,000
Leasehold improvements	8,874	3,864
Total property and equipment, at cost	105,159	33,864
Less: Accumulated depreciation	(16,482)	(200)
Property and Equipment, at Net Book Value	$ 88,677	$ 33,664

Depreciation expense for the years ended June 30, 2020 and 2019, was $16,482 and $200, respectively. As of June 30, 2019, $42,601 for furniture and fixtures had been purchased but not yet received by the Foundation, of which $30,000 had been paid for and capitalized. The remaining portion was capitalized in 2020 upon final delivery.

Note 7: Discontinued Operations

In December 2019, NanoWafer suspended its operations. There were no revenues from NanoWafer's operations for the years ended June 30, 2020 and 2019. The expenses from NanoWafer's operations for the years ended June 30, 2020 and 2019 are reported in the consolidated statements of functional expenses and the loss from discontinued operations is included in the accompanying consolidated statements of activities. NanoWafer will file final federal and state tax returns during the year ending June 30, 2021. Corporate dissolution papers were approved by the State of Texas in September 2020.

Note 8: Revenues and Support

During the year ended June 30, 2019, the Foundation hosted one major fundraising event, Natalie's Wish Gala Celebration, in Orange County, California. During the year ended June 30, 2020, this event was cancelled due to the coronavirus pandemic, as described in Note 1, Risks and Uncertainties. This fundraiser provides the Foundation with the opportunity to educate donors and the public about cystinosis. Funds are raised through corporate sponsorships, donations, and auctions. Other fundraising activities are hosted by cystinosis families across the United States who enlighten their local communities about cystinosis and the progress of the Foundation's funded research. Fundraising revenue was decreased for the costs of direct benefits to donors of $1,500 and $136,078 for the years ended June 30, 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, the Foundation received approximately $600,000 and $394,000, respectively, in contributions from anonymous donors to cover operating and fundraising costs.

Note 9: Contributed Services

For the year ended June 30, 2020, contributions include approximately $6,900 of in-kind advertising and $8,610 of in-kind professional services. For the year ended June 30, 2019, contributions include approximately $14,000 of in-kind advertising, $27,000 of in-kind professional services, and $5,090 for other services.

A substantial number of unpaid volunteers have made significant contributions to the Foundation's program services. The value of these contributions is not reflected in the consolidated financial statements since they do not meet the criteria for recognition as contributed services.

Note 10: Related-Party Transactions

A board member's spouse provided fundraising and administrative consulting services to CRF for the years ended June 30, 2020 and 2019, of approximately $108,000 and $60,000, respectively. At June 30, 2020 and 2019, approximately $0 and $3,000, respectively, which is included in accounts payable, was due to related parties.

CRF awards grants to research institutions naming specific researchers. During 2020 and 2019, CRF granted approximately $465,500 and $868,000, respectively, to the University of California, San Diego ("UCSD"), on behalf of a researcher who is also a board member. At June 30, 2020 and 2019, approximately $235,823 and $625,000, respectively, were included in research grants payable to UCSD.

Note 11: Income Taxes

NanoWafer's net operating loss ("NOL") carryforwards are approximately $1,894,000 at June 30, 2020. NanoWafer will be filing final federal and state returns during the year ending June 30, 2021 and all NOL carryforwards will expire. NanoWafer has recorded a valuation allowance against the entire net deferred tax asset balance because there exists a doubt that it will be able to realize benefits due to its lack of a history of earnings and possible limitations under IRC Section 382.

NanoWafer files its income tax compliance with the Internal Revenue Service and in the states of California and Texas with varying statutes of limitations. NanoWafer's policy is to recognize interest expense and penalties related to income tax matters as a component of the provision for income taxes. There were no accrued interest and penalties associated with uncertain tax positions as of June 30, 2020 and 2019.

The net deferred tax asset consists of the following components at June 30, 2020 and 2019:

	2020	2019
Deferred tax asset:		
NOL carryforwards:		
Federal	$ 398,800	$ 364,700
State	167,900	153,600
	566,700	518,300
Valuation allowance	(566,700)	(518,300)
Net Deferred Tax Asset	$ -	$ -

The deferred income tax provision is summarized as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Federal income tax benefit	$ 34,100	$ 111,200
State income tax benefit	14,300	84,700
Total income tax benefit	48,400	195,900
Change in valuation allowance	(48,400)	(195,900)
Income Tax Benefit - Net	$ -	$ -

NanoWafer believes its income tax filing positions and deductions will be sustained during an audit and does not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded.

Note 12: Net Assets

Net assets consist of the following at June 30, 2020 and 2019:

	2020	2019
Net Assets Without Donor Restrictions:		
Undesignated	$ 7,301,891	$ 6,375,479
Total net assets without donor restrictions	7,301,891	6,375,479
Net Assets With Donor Restrictions:		
Subject only to time restriction:		
Grant receivable for future periods	247,833	441,803
Total net assets with donor restrictions	247,833	441,803
Total Net Assets	$ 7,549,724	$ 6,817,282

Note 13: Facility Lease

The Foundation leases its office space under a noncancelable operating lease expiring in April 2022. The lease agreement contains provisions for rent holidays and escalating monthly rent payments. Total rental amounts, after consideration of all rent holidays and escalators, are recognized as rent expense on a straight-line basis over the lease term. The difference between the rent paid and the straight-line expense is recorded as deferred rent and is included within accrued expenses in the accompanying consolidated statements of financial position.

Minimum future rental payments under the noncancelable operating lease described above as of June 30, 2020, are as follows:

2021	$ 37,330
2022	31,878
Total	$ 69,208

Rental expense for the years ended June 30, 2020 and 2019, was approximately $37,871 and $4,500, respectively.

Note 14: Reclassifications

Certain amounts in prior periods have been reclassified to match the current period financial statement presentation. These reclassifications have no effect on previously reported net assets or changes in net assets.

Note 15: Subsequent Events

The Foundation has evaluated subsequent events through October 15, 2020, the date the consolidated financial statements were available to be issued.