

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTIFICATION TO THIRD PARTY USERS OF THIS REPORT

This report was prepared subject to the terms and conditions set forth in an engagement letter (see Attachment A). By relying upon this report, all users shall be deemed to agree to the terms and conditions of that engagement letter. Users intending to rely upon this report should contact the issuer to obtain a copy of its applicable terms and conditions. This report is intended for the exclusive use of the clients of the issuer and others to whom the issuer has expressly granted consent.

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Barth Syndrome Foundation, Inc.

We have audited the accompanying financial statements of **The Barth Syndrome Foundation, Inc.** (A 501(c)(3) Organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows – indirect method for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

To the Board of Directors
The Barth Syndrome Foundation, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Barth Syndrome Foundation, Inc.** as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

GRAY, GRAY & GRAY, LLP

Gray, Gray & Gray, LLP

Canton, MA
April 2, 2015

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 679,419	\$ 723,721
Investments	1,051,343	1,150,883
Accounts receivable	137,169	21,828
Prepaid expenses	6,394	12,118
TOTAL ASSETS	\$ 1,874,325	\$ 1,908,550

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 16,400	\$ 23,478
Grants payable	99,917	38,815
	116,317	62,293
NET ASSETS		
Unrestricted	530,698	911,867
Temporarily restricted	1,227,310	934,390
TOTAL NET ASSETS	1,758,008	1,846,257
TOTAL LIABILITIES AND NET ASSETS	\$ 1,874,325	\$ 1,908,550

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

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE						
Contributions	\$ 480,037	\$ 587,149	\$ 1,067,186	\$ 632,485	\$ 191,995	\$ 824,480
Grant income	35,060	-	35,060	-	-	-
Interest income	4,925	-	4,925	5,481	-	5,481
Realized (loss) on sale of stock	(74)	-	(74)	(5,306)	-	(5,306)
Unrealized gain (loss) on investments	283	-	283	(793)	-	(793)
Net assets released from restrictions:						
Satisfaction of program restrictions	294,229	(294,229)	-	227,869	(227,869)	-
TOTAL PUBLIC SUPPORT AND REVENUE	814,460	292,920	1,107,380	859,736	(35,874)	823,862
EXPENSES						
Program services	1,025,705	-	1,025,705	664,222	-	664,222
Management and general	79,814	-	79,814	82,489	-	82,489
Fundraising	90,110	-	90,110	50,241	-	50,241
TOTAL EXPENSES	1,195,629	-	1,195,629	796,952	-	796,952
CHANGES IN NET ASSETS	(381,169)	292,920	(88,249)	62,784	(35,874)	26,910
NET ASSETS AT BEGINNING OF YEAR	911,867	934,390	1,846,257	849,083	970,264	1,819,347
NET ASSETS AT END OF YEAR	\$ 530,698	\$ 1,227,310	\$ 1,758,008	\$ 911,867	\$ 934,390	\$ 1,846,257

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

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 337,770	\$ 21,286	\$ 72,500	\$ 431,556
Payroll taxes and benefits	<u>37,791</u>	<u>2,726</u>	<u>6,090</u>	<u>46,607</u>
TOTAL PERSONNEL SERVICES	<u>375,561</u>	<u>24,012</u>	<u>78,590</u>	<u>478,163</u>
Research grants approved	368,157	-	-	368,157
Funded directly by other BSF Organizations	<u>(59,080)</u>	<u>-</u>	<u>-</u>	<u>(59,080)</u>
	309,077	-	-	309,077
Professional	133,778	29,943	90	163,811
Transportation	82,326	3,111	3,250	88,687
Meals	66,853	273	-	67,126
Office expense	20,741	12,087	4,784	37,612
Audio visual	17,443	-	-	17,443
Dues and fees	4,260	5,837	2,883	12,980
Telephone	6,720	628	409	7,757
Printing and publications	6,969	18	-	6,987
Insurance	-	3,905	-	3,905
Merchandise for resale	1,594	-	-	1,594
Training and education	<u>383</u>	<u>-</u>	<u>104</u>	<u>487</u>
	<u>650,144</u>	<u>55,802</u>	<u>11,520</u>	<u>717,466</u>
TOTAL EXPENSES	<u><u>\$ 1,025,705</u></u>	<u><u>\$ 79,814</u></u>	<u><u>\$ 90,110</u></u>	<u><u>\$ 1,195,629</u></u>

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

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 329,812	\$ 19,668	\$ 38,612	\$ 388,092
Payroll taxes and benefits	42,519	3,125	3,084	48,728
TOTAL PERSONNEL SERVICES	<u>372,331</u>	<u>22,793</u>	<u>41,696</u>	<u>436,820</u>
Research grants approved	343,720	-	-	343,720
Funded directly by BSF of Canada	(45,948)	-	-	(45,948)
	297,772	-	-	297,772
Professional	1,755	28,894	-	30,649
Refund of 2011 professional	(48,123)	-	-	(48,123)
Telephone	7,277	675	300	8,252
Office expense	8,626	11,737	2,189	22,552
Printing and publications	7,111	23	-	7,134
Dues and fees	4,984	4,787	1,000	10,771
Transportation	6,334	9,753	298	16,385
Insurance	-	3,827	-	3,827
Training and education	6,155	-	4,758	10,913
	<u>291,891</u>	<u>59,696</u>	<u>8,545</u>	<u>360,132</u>
TOTAL EXPENSES	<u>\$ 664,222</u>	<u>\$ 82,489</u>	<u>\$ 50,241</u>	<u>\$ 796,952</u>

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

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

STATEMENTS OF CASH FLOWS - INDIRECT METHOD

	<u>Year Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (88,249)	\$ 26,910
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Contributions of stock	(62,659)	(246,765)
Proceeds from sale of contributed stocks	16,449	243,403
Realized loss on sale of stocks	74	5,306
Unrealized (gain) loss on investments	(283)	793
Change in operating asset and liabilities:		
Accounts receivable	(115,341)	15,358
Prepaid expenses	5,723	(8,526)
Accounts payable and accrued expenses	(7,078)	(6,460)
Grants payable	61,102	(21,685)
	<u>(190,262)</u>	<u>8,334</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments	(800,040)	(200,000)
Proceeds from redemption of investments	946,000	350,000
	<u>145,960</u>	<u>150,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,302)	158,334
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>723,721</u>	<u>565,387</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 679,419</u>	<u>\$ 723,721</u>

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

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 – BUSINESS

Organization – The Barth Syndrome Foundation, Inc. (the “Foundation”) is a not-for-profit organization incorporated under the laws of the state of Delaware on September 8, 2000 to be operated for the following purposes: a) to support and educate families with children suffering from Barth Syndrome; b) to fund and facilitate research addressing the causes, diagnosis, treatment, and cure of Barth Syndrome; and c) to raise physician awareness regarding Barth Syndrome (the “Syndrome”).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The presentation follows the recommendation of the Financial Accounting Standards Board under which the Foundation is required to report information regarding its financial position and activities to three classes of net assets:

- *Unrestricted* – Represents all activity without donor imposed restrictions.
- *Temporarily Restricted* – Relates to contributions of cash and other assets with donor stipulations that make clear the assets’ restrictions, either due to a program nature or by passage of time.
- *Permanently Restricted* – Relates to contributions of cash and other assets whereby the assets must remain intact due to restrictions placed by the donor. The Foundation had no permanently restricted net assets at December 31, 2014 and 2013.

Contributions – Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand and money market funds which have original maturities of three months or less. The Foundation maintains its cash and money market accounts at institutions they consider being credit worthy. All cash and money market accounts and CD’s held by the Foundation are insured by the Federal Deposit Insurance Corporation (FDIC) or Securities Investor’s Protection Corporation (SIPC) at specific limits. During the course of the normal business cycle the Foundation may, at times, maintain cash and cash equivalent balances in excess of the FDIC and SIPC insurance limits. The Foundation has not experienced any losses from such accounts, and management believes the Foundation is not exposed to significant credit risk related to bank deposit accounts.

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets – Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Investments – Investments are held in certificates of deposit and common stocks and are measured at fair value in the statements of financial position. Unrealized gains or losses are included in the changes in net assets. Investment income is reported net of brokerage fees and commissions. Investment transactions are recorded on a trade date basis.

Financial Accounting Standards Board (FASB) issued an interpretation, "*Fair Value Measurements*", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Foundation has the ability to access.

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 – are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Foundation's own data).

Accounts Receivable and Allowance for Doubtful Accounts – Receivables are recorded at their estimated net realizable value. The Foundation records an allowance for estimated accounts receivable in an amount approximating anticipated losses. Individual uncollectible receivables are written off against the allowance when collection of the individual receivable appears doubtful. At December 31, 2014 and 2013, management determined that no allowance for doubtful accounts was required.

Capitalization Policies – Items of property and equipment with an individual cost in excess of \$5,000 are capitalized at cost. Routine maintenance and repair costs and leasehold improvements, which do not materially extend the estimated useful lives of property and equipment, are expensed as incurred.

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk – Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of money market accounts, investments and accounts receivable. Concentrations of credit risk with respect to accounts receivable is limited as the majority of the balances are contribution commitments due from board members, BSF affiliates, or companies and individuals associated with the board members.

Grant income – Grants are awarded to the Foundation primarily by private foundations and other non-profit organizations. The grants are deemed to be earned and reported as revenues when expenditures are incurred in compliance with the specific grant restrictions.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any specific programs or fund raising activities but provide for the overall support and direction of the Foundation.

Income Taxes – The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and has not been designated as a private foundation.

The Foundation is required to recognize the financial statement impact of a tax position unless it is more likely than not that the position will be sustained upon examination. The Foundation recognizes interest and penalties related to any unrecognized tax benefits in income tax expense. The Foundation has no amounts accrued for interest and penalties as of December 31, 2014.

Currently, the 2011, 2012, and 2013 tax years are open and subject to examination by the Internal Revenue Service and in various states that the Foundation is registered. However, the Foundation is not currently under audit nor has the Foundation been contacted by any of these jurisdictions.

Based on the evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2014.

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

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 3 – INVESTMENTS

Investments consist of the following at December 31, 2014:

	<u>Cost</u>	<u>Fair Value</u>	<u>Quoted Price Inputs (Level 1)</u>
Certificates of Deposit	\$ 1,000,012	\$ 1,000,151	\$ 1,000,151
Common stock	<u>51,545</u>	<u>51,192</u>	<u>51,192</u>
	<u>\$ 1,051,557</u>	<u>\$ 1,051,343</u>	<u>\$ 1,051,343</u>

Investments consist of the following at December 31, 2013:

	<u>Cost</u>	<u>Fair Value</u>	<u>Quoted Price Inputs (Level 1)</u>
Certificates of Deposit	\$ 1,146,021	\$ 1,145,474	\$ 1,145,474
Common stock	<u>5,308</u>	<u>5,409</u>	<u>5,409</u>
	<u>\$ 1,151,329</u>	<u>\$ 1,150,883</u>	<u>\$ 1,150,883</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31:

	2014			
	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Released</u>	<u>Ending Balance</u>
Program Restrictions:				
Paula & Woody Varner Science and Medical Fund	\$ 167,092	\$ 10,150	\$ (500)	\$ 176,742
Science and Medical Fund	<u>767,298</u>	<u>576,999</u>	<u>(293,729)</u>	<u>1,050,568</u>
Total	<u>\$ 934,390</u>	<u>\$ 587,149</u>	<u>\$ (294,229)</u>	<u>\$ 1,227,310</u>

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

	2013			
	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Released</u>	<u>Ending Balance</u>
Program Restrictions:				
Paula & Woody Varner Science and Medical Fund	\$ 180,840	\$ 26,752	\$ (40,500)	\$ 167,092
Science and Medical Fund	789,424	165,243	(187,369)	767,298
Total	<u>\$ 970,264</u>	<u>\$ 191,995</u>	<u>\$ (227,869)</u>	<u>\$ 934,390</u>

NOTE 5 – COMMITMENTS

Grants payable as of December 31, 2014 and 2013 consists of amounts awarded, but not paid, of \$99,917 and \$38,815, respectively. All are due to be paid within twelve months.

The Foundation is committed to research grants awarded subsequent to year end, up to the amount of \$586,120, that is payable in 2015.

NOTE 6 – INTERNATIONAL CONFERENCE

The Foundation holds an international conference every two years and the related costs are expensed in the year incurred. The most recent conference was held in June 2014. The conference brings together doctors and scientists involved in the many aspects of the Syndrome to discuss the latest underlying scientific developments and clinical insights. In addition, the conference allows families to obtain the latest information relating to the Syndrome and consult with medical experts from around the world. The families are also provided the opportunity to provide important clinical data and biological samples to the Barth Syndrome Medical Database and Biorepository.

THE BARTH SYNDROME FOUNDATION, INC.
(A 501(c)(3) Organization)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 7 – DONATED SERVICES

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs, campaign solicitation, and various committee assignments. No value has been assigned to these volunteer services, as the criteria for recognition under generally accepted accounting principles have not been satisfied.

NOTE 8 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 2, 2015, the date which the financial statements were available to be issued. There were no events noted that required disclosure in these financial statements.

ATTACHMENT A

January 2, 2015

Ms. Lindsay B. Groff
The Barth Syndrome Foundation, Inc.
P. O. Box 618
Larchmont, NY 10538

Dear Ms. Groff:

We are pleased to confirm our understanding of the services we are to provide for **The Barth Syndrome Foundation, Inc.** for the year ended December 31, 2014.

We will audit the balance sheet of **The Barth Syndrome Foundation, Inc.** as of December 31, 2014, and the related statements of operations, retained earnings, and cash flows for the year then ended. Also, the following supplementary information accompanying the financial statements will be subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole.

Audit Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement

Audit Procedures

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Ms. Lindsay B. Groff
The Barth Syndrome Foundation, Inc.
January 2, 2015
Page 2

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

Management Responsibilities

You are responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee the tax services and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (a) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (b) additional information that we may request for the purpose of the audit, and (c) unrestricted access to persons within the company from whom we determine it necessary to obtain audit evidence.

Ms. Lindsay B. Groff
The Barth Syndrome Foundation, Inc.
January 2, 2015
Page 3

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the company involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations. You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

Our Services

- a. We are a full service accounting and auditing firm, and we provide different services to meet our clients' needs. We provide "write-up" or bookkeeping services for clients who need assistance in recording their business transactions. In such engagements we entirely rely upon client information in making bookkeeping entries.
- b. We also perform compilation services, using client-provided information from the client's books and records to produce financial statements. Although we compile client information we do not test that information and consequently do not express any opinion on such compiled financial statements.
- c. Similarly, for some clients we perform tax preparation engagements, in which we use client-provided information that we do not verify, to prepare appropriate tax returns.
- d. Some clients engage us to perform "Review" engagements in which we perform limited analysis of compiled financial statements. A Review engagement results in a written report in which we provide limited negative assurance (i.e., that we have not become aware of certain financial statement deficiencies).
- e. Audit Engagements. In none of the above-listed engagements do we audit (examine evidence and otherwise test the client's financial statement assertions): for that reason we cannot express an opinion on the financial statements that may result from these engagements. In contrast, we perform audit engagements for clients who need a written opinion from an independent auditor as to whether the client's financial statements meet certain standards as to accuracy, and we not only examine client data, but, on a sampling of financial entries, selectively design and apply tests that we judge appropriate to allow us to express an opinion on the financial statements. Although we design our audits to detect fraud, inherent limits of the audit process may cause fraud, embezzlement, or other serious wrongdoing to go undetected.

- f. We encourage our clients to speak candidly with us about any worries or concerns as to theft, fraud, embezzlement, or other suspicious activity. We offer forensic fraud detection services, custom designed for each engagement, in which we focus on procedures designed thoroughly to test financial data and detect fraudulent or other wrongful activity.
- g. There are a variety of other specially designed engagements which we design to meet our clients' particular needs. We urge you to talk with us about the services we provide and to reconsider, at least annually, the services you may need. We undertake to provide our services in accordance with the standards of the American Institute of Certified Public Accountants. We do not serve as fiduciaries except for certain engagements, for example when we services as a trustee, that are specified to be fiduciary engagement in the engagement letter.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial statements. Further, you are responsible for designating a qualified management-level individual to be responsible and accountable for overseeing these services.

We will not perform management functions or make management decisions on behalf of the Company. However, we will provide advice and recommendations to assist management in performing its functions and making decisions.

In matters relating to income taxes, we will prepare the necessary federal and state(s) income tax returns and supporting schedules from information provided by you. We will examine when appropriate, assessment notices relative to these returns, advise on income tax matters generally, and discuss any matters concerning your taxes with the taxing authorities. Our advice concerning income tax matters will relate to the proper income tax treatment of transactions already completed and will depend upon the accuracy and completeness of the records provided to us. We will advise you with regard to tax positions taken in the preparation of the tax returns, but the responsibility remains with you. We may require a separate engagement letter for tax planning engagements and/or tax representation matters.

In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for you, you will, so long as we are not a party of the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such a request.

Michael L. Cecere is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

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You agree to pay a fee of \$8,250 for Gray, Gray & Gray's services, plus travel and other out-of-pocket costs. Our invoices for these fees will be rendered as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes overdue and will not be resumed until satisfactory arrangements for payment can be made. Late fees of 1 1/4% (15% per annum) will be charged on balances more than 60 days overdue. We reserve the right to withdraw from this engagement without issuing a report if we are not paid the full amount we are owed, or if we find that we have reason to question management's truthfulness or the integrity of the Company's books and records.

These fees quoted above assumes the level of client assistance as described in our client preparation request letter sent under separate cover and the assumption that unexpected circumstances will not be encountered during the engagement.

By signing this engagement letter you agree that our liability from this engagement shall be limited to the actual damages sustained by you, that are proven to have been caused by our acts or omissions, and our liability shall not extend to exemplary, multiplied, or punitive damages, nor shall we be liable for damages claimed to have been sustained by others.

In addition to any responsibilities described elsewhere in this Engagement Letter, you are responsible to be completely candid and truthful with us. We will rely on what you tell us, and will expect that you will not fail to inform us about important or relevant information. You undertake to maintain your books and records honestly and accurately and you represent to us that you are unaware of any errors, omissions or other failures of the books and records to accurately reflect the transactions in which the business has been engaged. If you fail to meet your responsibilities of candor, truthfulness, disclosure, and honesty as described herein, you shall be obligated to reimburse us, indemnify us, and hold us harmless against (and to release us and our personnel from) any consequent claims, demands, or lawsuits whether asserted by you, your officers, directors, owners or employees or by any third parties), and this includes any attorney fees we may reasonably incur for legal representation in such matters.

Should any question arise concerning the qualify or timeliness of our services, or concerning any failure to fulfill any obligations of this Engagement Letter, we agree promptly to call such matters to each other's attention and to keep such matters private and confidential during the dispute resolution procedures herein described. If we are unable to resolve any such issues after direct discussions, then we agree to submit such disputes to voluntary, non-binding mediation before the American Arbitration Association. Any disputes remaining unresolved shall be submitted to the American Arbitration Association under its Commercial Arbitration Rules. There shall be three arbitrators for all claims seeking damages in excess of \$250,000, and one arbitrator for all other claims. All hearings on the merits shall be completed within 6 months after the confirmation of the appointment of the arbitrator(s), who shall have the authority to direct and control the proceedings to ensure prompt and fair resolution, and this includes full authority to decide dispositive motions. The Arbitrator(s) shall have the authority to award compensatory damages that are proven to have been caused by our acts or omissions but shall have no authority to award exemplary, multiplied or punitive damages. This agreement to arbitrate shall apply to any claim brought or asserted by any person against us claiming to have sustained damages as a consequence of our services performed on the engagement that is the subject of this Engagement Letter. Each claimant shall bring a separate arbitration proceeding; counterclaims and shall be permitted, but third party claims shall be brought separately and class action arbitration claims shall not be maintained. The decisions of the Arbitrator(s) shall be final and binding.

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With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

During the course of our engagement, you may provide us with certain documents and records. It is your responsibility to retain the original or a copy of the records and not our responsibility to retain them on your behalf.

It is our policy to keep workpapers, including copies of tax returns, relating to this engagement for seven (7) years on site. Thereafter, whenever appropriate, these records will be destroyed or stored off-site. It is your responsibility to retain and protect your records for possible use, including potential examination by any government or regulatory agencies.

In the future, you may decide that you need the services of a Gray, Gray & Gray employee. At that time, we can assist you in the selection of a qualified individual. If you find that because of our knowledge of your business, you wish to hire any Gray, Gray & Gray employee you will be charged a recruiting fee. This fee will be twenty percent of the annual salary offered to our employee, to compensate our firm for the loss of a valued employee.

While performing this engagement, we may deem it appropriate and in your best interest to involve a third-party service provider. In such instance, be assured we will be responsible for the work performed by this service provider and will use reasonable care to assure it has appropriate safeguards and procedures in place to protect your confidential information.

Several technical accounting and auditing words and phrases have been used herein. We presume you to understand their meaning or that you will notify us otherwise so that we can furnish appropriate explanations.

By signing this engagement letter you agree that any suit for enforcement of this Agreement may be brought in the Courts of the Commonwealth of Massachusetts or any Federal Court sitting therein and consent to the exclusive jurisdiction of such court. In addition, you hereby waive any objection that you may now or hereafter have to the venue of any such suit or any such court or based on such suit having been brought in any inconvenient forum. This Agreement and all rights and obligations hereunder, including matters of construction, validity, and performance, shall be governed by the laws of the Commonwealth of Massachusetts.

If this account is placed for collection, you agree to pay all costs and reasonable attorney's fees associated with the collection of any past due balance.

It is not our intention to require that you sign legal "boilerplate" language. We like to characterize our relationship with our clients as based upon mutual respect and trust. Accordingly, we urge you to discuss with us any terms of this Engagement Letter that cause you concern. We are willing to consider changes that do not cause any conflict with the standards of our profession or with our aspirations for superior client relationships.

This Engagement Letter contains the terms and conditions applicable to this engagement and supersedes all previous oral and written communications concerning these terms and conditions.

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In accordance with the standards of our profession, we express our opinion on all matters of consequence in writing, which sets forth the basis for our conclusions. Oral comments are interim and informal assessments should not be taken as final or formal statements of opinion. Reliance should be placed only upon formal written opinions.

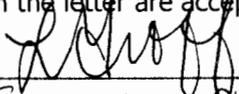
We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy, and return it to us.

Very truly yours,

Gray, Gray & Gray, LLP

MLC:ptc

The services described in the foregoing letter are in accordance with our requirements. The terms described in the letter are acceptable to us and hereby agreed to.

Signature: 
Title: Executive Director
Date: 1/21/15