THE BARTH SYNDROME FOUNDATION, INC.

(A 501 (c) (3) Organization)

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2009

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.

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AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Barth Syndrome Foundation, Inc.

We have audited the accompanying statements of financial position of **The Barth Syndrome Foundation, Inc.** (A 501 (c) (3) Organization) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows – indirect method for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of **The Barth Syndrome Foundation, Inc.** as of December 31, 2008, were audited by other auditors whose report dated March 16, 2009 expressed an unqualified opinion on those statements.

We conducted our audit 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of **The Barth Syndrome Foundation, Inc.** as of December 31, 2009, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

GRAY, GRAY & GRAY, LLP

Gray, Gray & Gray, LLP

April 15, 2010

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

STATEMENTS OF FINANCIAL POSITION

ASSETS

		December 31,	
		2009	2008
ASSETS			
Cash and cash equivalents		$ 252,470	$ 524,659
Investments		1,902,083	1,717,723
Accounts receivable		145,927	7,235
Unconditional promises to give		-	125,000
Prepaid expenses		4,755	712
TOTAL ASSETS		$ 2,305,235	$ 2,375,329

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	$ 30,918	$ 15,581
Grants payable	69,997	134,843
	100,915	150,424
NET ASSETS		
Unrestricted	1,436,375	1,486,721
Temporarily restricted	767,945	738,184
TOTAL NET ASSETS	2,204,320	2,224,905
TOTAL LIABILITIES AND NET ASSETS	$ 2,305,235	$ 2,375,329

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

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

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009 AND 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Contributions	$ 338,751	$ 356,020	$ 694,771	$ 361,165	$ 366,792	$ 727,957
Interest income	59,232	-	59,232	112,244	-	112,244
Unrealized gain (loss) on investments	(15,640)	-	(15,640)	21,544	-	21,544
Net assets released from restrictions:						
Satisfaction of program restrictions	326,259	(326,259)	-	64,734	(64,734)	-
TOTAL PUBLIC SUPPORT AND REVENUE	708,602	29,761	738,363	559,687	302,058	861,745
EXPENSES						
Program services	551,816	-	551,816	894,904	-	894,904
Management and general	161,480	-	161,480	160,139	-	160,139
Fundraising	45,652	-	45,652	11,582	-	11,582
TOTAL EXPENSES	758,948	-	758,948	1,066,625	-	1,066,625
CHANGES IN NET ASSETS	(50,346)	29,761	(20,585)	(506,938)	302,058	(204,880)
NET ASSETS AT BEGINNING OF YEAR	1,486,721	738,184	2,224,905	1,993,659	436,126	2,429,785
NET ASSETS AT END OF YEAR	$ 1,436,375	$ 767,945	$ 2,204,320	$ 1,486,721	$ 738,184	$ 2,224,905

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, 2009

	Program Services	Management and General	Fundraising	Total
Salaries	$ 225,700	$ 74,363	$ 36,176	$ 336,239
Payroll taxes and benefits	41,133	17,822	7,737	66,692
TOTAL PERSONNEL SERVICES	266,833	92,185	43,913	402,931
Research grants	144,687	-	-	144,687
Professional	67,870	40,164	-	108,034
Telephone	10,478	4,193	-	14,671
Office expense	11,715	11,266	-	22,981
Printing and publications	3,354	-	-	3,354
Dues and conferences	4,841	6,388	1,000	12,229
Transportation	42,038	4,152	739	46,929
Insurance	-	3,132	-	3,132
TOTAL EXPENSES	$ 551,816	$ 161,480	$ 45,652	$ 758,948

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, 2008

	Program Services	Management and General	Fundraising	Total
Salaries	$ 233,954	$ 34,103	$ 9,935	$ 277,992
Payroll taxes and benefits	37,578	5,478	1,596	44,652
TOTAL PERSONNEL SERVICES	271,532	39,581	11,531	322,644
Research grants	253,894	-	-	253,894
Professional	145,259	66,705	-	211,964
Telephone	2,413	5,506	-	7,919
Office expense	49,445	18,367	51	67,863
Printing and publications	12,734	1,365	-	14,099
Dues and conferences	376	5,251	-	5,627
Transportation	124,402	16,464	-	140,866
Insurance	-	4,965	-	4,965
Meals	492	1,935	-	2,427
Audio visual expense	32,434	-	-	32,434
Exhibits	1,923	-	-	1,923
TOTAL EXPENSES	$ 894,904	$ 160,139	$ 11,582	$ 1,066,625

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

	Year Ended December 31, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (20,585)	$ (204,880)
Adjustments to reconcile changes in net assets to net cash (used) by operating activities:		
Unrealized (gain) loss on investments	15,640	(21,544)
Realized gain on sale of investments	-	(1,762)
Change in operating asset and liabilities:		
Accounts receivable	(138,692)	(5,758)
Unconditional promises to give	125,000	(124,027)
Prepaid expenses	(4,043)	6,585
Accounts payable and accrued expenses	15,337	(103)
Grants payable	(64,846)	(33,457)
NET CASH (USED) BY OPERATING ACTIVITIES	(72,189)	(384,946)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments	(200,000)	-
Proceeds from redemption of investments	-	602,923
Proceeds from sale of investments and donated stock	-	288,595
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(200,000)	891,518
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(272,189)	506,572
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	524,659	18,087
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 252,470	$ 524,659

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, 2009

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.

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, 2009 and 2008.

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 to be 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.

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 – All investments are held in certificates of deposit 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, 2009 and 2008, management determined that no allowance for doubtful accounts was required.

Unconditional Promises to Give – Unconditional promises to give, that are expected to be collected within one year, are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 due to the majority of the balances are contribution commitments due from board members, BSF affiliates, or companies and individuals associated with the board members.

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.

During 2009, the Foundation adopted Financial Accounting Standards Board ("FASB") "*Accounting For Uncertainty in Income Taxes",* which provides detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions. The Foundation is required to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Any interest and penalties recognized associated with a tax position would be classified as current in the Foundation's financial statements.

Currently, the 2006, 2007, and 2008 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, 2009.

Recent Accounting Pronouncements – In June 2009, the FASB issued "*Accounting Standards Codification*" (the "Codification"). The Codification became the single authoritative source of accounting principles generally accepted in the United States of America. The Codification does not affect the Foundation's financial position, cash flows, or results of operations.

Reclassifications – Certain reclassifications related to investments and cash, none of which affect income, have been made to the 2008 financial statements to conform to the 2009 presentation.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 3 – INVESTMENTS

Investments consist of the following at December 31, 2009:

	Cost	Fair Value	Quoted Price Inputs (Level 1)
Certificates of Deposit	$ 1,900,095	$ 1,902,083	$ 1,902,083

Investments consist of the following at December 31, 2008:

	Cost	Fair Value	Quoted Price Inputs (Level 1)
Certificates of Deposit	$ 1,700,035	$ 1,717,723	$ 1,717,723

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

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

	2009			
	Balance 1/1/2009	Contributions	Released from Restrictions	Balance 12/31/2009
Program Restrictions:				
Paula & Woody Varner Science and Medical Fund	$ 168,094	$ 21,240	$ (42,638)	$ 146,696
Science and Medical Fund	445,090	334,780	(158,621)	621,249
Total program restrictions	613,184	356,020	(201,259)	767,945
Time restrictions	125,000	-	(125,000)	-
Total	$ 738,184	$ 356,020	$ (326,259)	$ 767,945

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

	2008			
	Balance 1/1/2008	Contributions	Released from Restrictions	Balance 12/31/2008
Program Restrictions:				
Paula & Woody Varner Science and Medical Fund	$ 188,918	$ 24,607	$ (45,431)	$ 168,094
Barth Syndrome Fund	19,303	-	(19,303)	-
Science and Medical Fund	227,905	217,185	-	445,090
Total program restrictions	436,126	241,792	(64,734)	613,184
Time restrictions	-	125,000	-	125,000
Total	$ 436,126	$ 366,792	$ (64,734)	$ 738,184

NOTE 5 – COMMITMENTS

Grants payable as of December 31, 2009 consists of amounts awarded, but not paid, of $69,997 and are all due to be paid within twelve months.

The Foundation is committed to research grants awarded subsequent to year end, up to the amount of $278,368, that are payable in 2010 and 2011.

NOTE 6 – INTERNATIONAL CONFERENCE

The Foundation holds an international conference every two years and the related costs are expensed in the year they are incurred. The last conference was held in July 2008 and the next conference will be held in July 2010. The conference brings together doctors and scientists involved in the many aspects of the disorder to discuss the latest underlying scientific developments and clinical insights. In addition, the conference allows families dealing with the disorder to obtain the latest information relating to the disorder, consult with medical experts from around the world, and the opportunity to provide important clinical data and biological samples to the Barth Syndrome Medical Database and Biorepository.

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 15, 2010, 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

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November 30, 2009

Linda Stundis, Executive Director
The Barth Syndrome Foundation, Inc.
675 VFW Parkway #372
Chestnut Hill, MA 02467

Dear Ms. Stundis:

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, 2009.

We will audit the statement of financial position of **The Barth Syndrome Foundation, Inc.** as of December 31, 2009, and the related statements of activities and cash flows for the year then ended.

We will also prepare the Organization's federal (IRS Form 990) and state returns for the year ended December 31, 2009.

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 U.S. generally accepted accounting principles. 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 unqualified, 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.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the 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 receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

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. 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 Organization or to acts by management or employees acting on behalf of the Organization.

Because an audit is designed to provide reasonable, but not absolute, assurance 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. 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 you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you 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 Organization 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.

The audit documentation for this engagement is the property of Gray, Gray & Gray, LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to pursuant to authority given to it by law or regulation. If requested, access to such audit documentation will be provided under the supervision of Gray, Gray & Gray, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation. They may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

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 also responsible for making all management decisions and performing all management functions; for designating a management-level individual, Linda Stundis, 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.

We will advise you with regard to tax positions taken in the preparation of the information returns, but the responsibility for the information returns remains with you.

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, changes in net assets, and cash flows in conformity with U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. 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 Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) 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 Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring the Organization complies with applicable laws and regulations and for taking timely and appropriate steps to remedy any fraud, illegal acts, or violations of contracts or grant agreements that we may report.

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.

Certain communications involving tax advice are privileged and not subject to disclosure to the IRS. By disclosing the contents of those communications to anyone, or by turning over information about those communications to the government, you, your employees, or agents may be waiving this privilege. To protect this right to privileged communication, please consult with us or your attorney prior to disclosing any information about our tax advice. Should you decide that it is appropriate for us to disclose any potentially privileged communication, you agree to provide us with written, advance authority to make that disclosure.

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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.

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

Our fees for these services will be $8,250. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month 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 your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

By signing this engagement letter, you agree that our liability from this engagement shall be limited to the lesser of any actual damages which may have been caused by our acts or omissions or the amount of the fees which you pay for these services. We may agree to increase the limit of our liability in consideration of payment by client of additional monetary and other consideration. Please contact us if you wish to discuss this further.

Should any questions arise as to the quality or timeliness of our services, we ask that you call such matters to our attention promptly. By signing this letter, we ask that you agree to submit any such dispute which is not resolved in that fashion; first, to voluntary, non-binding mediation before the American Arbitration Association, and that you will refrain from instituting legal action unless such mediation is exhausted without a resolution of the dispute.

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.

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

GRAY GRAY & GRAY, LLP

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.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

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

RESPONSE:

This letter correctly sets forth the understanding of **The Barth Syndrome Foundation, Inc.**

Officer Signature:____________________

Title: Executive Director

Date: 12/20/2009

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