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THE BARTH SYNDROME FOUNDATION, INC.

Audited Financial Statements

December 31, 2007 and 2006

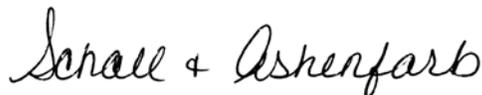
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of The Barth Syndrome Foundation, Inc. (the "Foundation") as of December 31, 2007 and 2006 and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Schall & Ashenfarb
Certified Public Accountants, LLC

March 7, 2008

THE BARTH SYNDROME FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2007 AND 2006

	<u>12/31/07</u>	<u>12/31/06</u>
Assets		
Cash and cash equivalents (Notes 2g and 2h)	\$2,317,189	\$2,111,135
Investments (Note 5)	286,833	11,044
Accounts receivable	1,477	548
Unconditional promises to give (Note 2c and 2e)	973	336,305
Prepaid expenses	<u>7,297</u>	<u>1,299</u>
 Total assets	 <u><u>\$2,613,769</u></u>	 <u><u>\$2,460,331</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$15,684	\$12,153
Grants payable	<u>168,300</u>	<u>119,024</u>
 Total liabilities	 <u>183,984</u>	 <u>131,177</u>
 Net Assets: (Note 2b)		
Unrestricted	1,993,659	1,939,939
Temporarily restricted	<u>436,126</u>	<u>389,215</u>
 Total net assets	 <u>2,429,785</u>	 <u>2,329,154</u>
 Total liabilities and net assets	 <u><u>\$2,613,769</u></u>	 <u><u>\$2,460,331</u></u>

*The attached notes and auditors' report
are an integral part of these financial statements.*

THE BARTH SYNDROME FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	12/31/07			12/31/06		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue:						
Contributions (Notes 2c and 3)	\$291,849	\$382,608	\$674,457	\$656,463	\$362,425	\$1,018,888
Interest income	116,505		116,505	66,816		66,816
Net assets released from restrictions:						
Satisfaction of program restrictions (Note 3)	335,697	(335,697)	0			0
 Total public support and revenue	 744,051	 46,911	 790,962	 723,279	 362,425	 1,085,704
 Expenses:						
Program services	596,095		596,095	550,838		550,838
Management and general	81,864		81,864	98,875		98,875
Fundraising	12,372		12,372	4,115		4,115
 Total expenses	 690,331	 0	 690,331	 653,828	 0	 653,828
 Change in net assets	 53,720	 46,911	 100,631	 69,451	 362,425	 431,876
 Net assets - beginning of year	 1,939,939	 389,215	 2,329,154	 1,870,488	 26,790	 1,897,278
 Net assets - end of year	 <u>\$1,993,659</u>	 <u>\$436,126</u>	 <u>\$2,429,785</u>	 <u>\$1,939,939</u>	 <u>\$389,215</u>	 <u>\$2,329,154</u>

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**THE BARTH SYNDROME FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Program Services	Management and General	Fundraising	Total 12/31/07	Total 12/31/06
Salaries	\$191,188	\$25,561		\$216,749	\$109,779
Payroll taxes and benefits	13,869	1,854		15,723	9,413
Total personnel services	<u>205,057</u>	<u>27,415</u>	<u>0</u>	<u>232,472</u>	<u>119,192</u>
Research grants	309,200			309,200	163,801
Professional	20,774	27,842		48,616	124,283
Telephone	2,453	3,055		5,508	4,304
Office expense	7,691	9,451	8,766	25,908	46,549
Printing and publications	8,271	2,683	1,526	12,480	9,477
Dues and conferences	4,241	4,518		8,759	18,574
Transportation	26,036	4,536		30,572	84,320
Insurance		2,043		2,043	2,298
Meals	5,987	321	2,080	8,388	53,892
Audio visual expense				0	22,461
Exhibits	6,385			6,385	4,677
Total expenses	<u>\$596,095</u>	<u>\$81,864</u>	<u>\$12,372</u>	<u>\$690,331</u>	<u>\$653,828</u>

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THE BARTH SYNDROME FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Services	Management and General	Fundraising	Total 12/31/06
Salaries	\$95,584	\$11,356	\$2,839	\$109,779
Payroll taxes and benefits	8,073	1,072	268	9,413
Total personnel services	<u>103,657</u>	<u>12,428</u>	<u>3,107</u>	<u>119,192</u>
Research grants	163,801			163,801
Professional	88,443	35,840		124,283
Telephone	2,240	1,929	135	4,304
Office expense	29,254	16,825	470	46,549
Printing and publications	5,354	4,123		9,477
Dues and conferences	6,950	11,584	40	18,574
Transportation	71,553	12,404	363	84,320
Insurance		2,298		2,298
Meals	52,448	1,444		53,892
Audio visual expense	22,461			22,461
Exhibits	4,677			4,677
Total expenses	<u><u>\$550,838</u></u>	<u><u>\$98,875</u></u>	<u><u>\$4,115</u></u>	<u><u>\$653,828</u></u>

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THE BARTH SYNDROME FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>12/31/07</u>	<u>12/31/06</u>
Cash Flows from Operating Activities:		
Change in net assets	\$100,631	\$431,876
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Donated stock	(10,395)	(21,573)
(Increase)/decrease in assets:		
Accounts receivable	(929)	0
Unconditional promises to give	335,332	(36,305)
Prepaid expenses	(5,998)	1,035
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	3,531	(10,234)
Grants payable	49,276	(15,271)
	<u>370,817</u>	<u>(82,348)</u>
Total adjustments		
Net cash provided by operating activities	<u>471,448</u>	<u>349,528</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments and donated stock	21,596	41,148
Purchase of investments	<u>(286,990)</u>	<u>0</u>
Net cash (used for)/provided by investing activities	<u>(265,394)</u>	<u>41,148</u>
Net increase in cash and cash equivalents	206,054	390,676
Cash and cash equivalents - beginning of year	<u>2,111,135</u>	<u>1,720,459</u>
Cash and cash equivalents - end of year	<u><u>\$2,317,189</u></u>	<u><u>\$2,111,135</u></u>
 Supplemental data:		
Interest paid - \$0		
Income taxes paid - \$0		

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are an integral part of these financial statements.*

THE BARTH SYNDROME FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 1. **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 act as a public foundation, operated for the following purposes: a) to promote awareness of Barth Syndrome; b) to educate and support physicians, research centers and organizations addressing the causes, diagnosis, treatment and cure of Barth Syndrome, and c) to assist in the support of families with children suffering from Barth Syndrome.

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. They have not been designated as a private foundation.

Note 2. **Summary of Significant Accounting Policies**

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

b. Basis of Presentation

The Foundation follows Statement of Financial Accounting Standards (SFAS) No.’s 116 and 117, *Accounting for Contributions Received and Contributions Made*, and *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, organizations are required to report information regarding their financial position and activities according to the following classes of net assets:

- *Unrestricted* – represents all activity without donor imposed restrictions as well as activity with donor imposed restrictions, which expire within the same period.
- *Temporarily restricted* – relates to contributions of cash and other assets with donor stipulations that make clear the assets restriction, 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, 2007 and 2006.

c. 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.

d. Donated Assets

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

e. Unconditional Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets or decreases of liabilities, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At year end, the full amount is due within one year. These receivables have been evaluated for collectability and no allowance for doubtful accounts is deemed necessary.

f. In-Kind Contributions

Under SFAS No. 116, organizations are required to recognize contributions of services that enhance non-financial assets and require specialized skills. Many individuals volunteer their time and perform a variety of tasks that assist the Association with specific programs, campaign solicitation, and various committee assignments. These volunteer services do not meet the criteria stated above and have not been recognized in the financial statements.

g. Cash and Cash Equivalents

For purposes of financial reporting, cash and cash equivalents include cash held in banks, certificates of deposits and money market funds. There were no interest or taxes paid during the year.

h. Concentration of Credit Risk

The Foundation maintains its cash balances at institutions they consider to be credit worthy. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$100,000. At December 31, 2007 and 2006, the Foundation had uninsured cash balances of \$0 and \$26,713, respectively.

- i. Capitalization Policies
Items of property and equipment with an individual cost in excess of \$5,000 are recorded 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.
- j. Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement 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 other specific function but provide for the overall support and direction of the Foundation.
- k. Management Estimates
The preparation of financial statements in accordance 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. Temporarily Restricted Net assets

At December 31, 2007, temporarily restricted net assets consist of the following:

	Balance <u>1/1/07</u>	Contributions	Released from <u>Restrictions</u>	Balance <u>12/31/07</u>
Program Restrictions:				
Paula & Woody Varner				
Science and Medicine Fund	\$89,215	\$99,703	\$0	\$188,918
Barth Syndrome Trust	0	55,000	(35,697)	19,303
Science and Medicine Fund	<u>0</u>	<u>227,905</u>	<u>0</u>	<u>227,905</u>
Total Program Restrictions	89,215	382,608	(35,697)	436,126
Time Restrictions	<u>300,000</u>	<u>0</u>	<u>(300,000)</u>	<u>0</u>
Total	<u>\$389,215</u>	<u>\$382,608</u>	<u>(\$335,697)</u>	<u>\$436,126</u>

At December 31, 2006, temporarily restricted net assets consist of the following:

	Balance <u>1/1/06</u>	Contributions	Released from <u>Restrictions</u>	Balance <u>12/31/06</u>
Paula & Woody Varner				
Science and Medicine Fund	\$26,790	\$62,425	\$0	\$89,215
Time Restrictions	<u>0</u>	<u>300,000</u>	<u>0</u>	<u>300,000</u>
Total	<u>\$26,790</u>	<u>\$362,425</u>	<u>\$0</u>	<u>\$389,215</u>

Note 4. Commitments

Grants payable accrued of \$168,300 are all due to be paid within twelve months.

Although the Foundation does not have any long-term leases, they are committed to research grants awarded subsequent to year end, up to the amount of \$333,454, that are payable in 2008 and 2009.

Note 5. Investments

Securities are carried at fair market value in accordance with SFAS No. 124. At December 31, 2006, investments consisted of shares in Exxon Mobil Corp. and American Express Company. At December 31, 2007, investments consisted of a United States Treasury Bill. At year end, the quoted market price was used as the basis of determining fair value, which also approximates the original cost.