



**Barth Syndrome
Foundation**

***FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2017 AND 2016***

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 13

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The Barth Syndrome Foundation, Inc.
New York, New York

We have audited the accompanying financial statements of The Barth Syndrome Foundation, Inc., which comprise the statements of financial position as of December 31, 2017, and the related statements of activities, cash flows, and functional expenses for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from 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.

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, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of The Barth Syndrome Foundation, Inc., as of December 31, 2016, were audited by other auditors whose report, dated May 2, 2017, expressed an unmodified opinion on those statements.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

April 23, 2018

THE BARTH SYNDROME FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	<u>2017</u>	<u>2016</u>
Cash	\$ 204,805	\$ 552,960
Investments	3,752,322	3,220,066
Accounts receivable	2,381	7,899
Prepaid expenses	<u>11,947</u>	<u>13,011</u>
 Total assets	 <u>\$ 3,971,455</u>	 <u>\$ 3,793,936</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 70,611	\$ 20,904
Deferred revenue	8,750	
Grants payable	<u>179,423</u>	<u>195,475</u>
 Total liabilities	 <u>258,784</u>	 <u>216,379</u>
Net assets:		
Unrestricted	1,254,271	918,886
Temporarily restricted	<u>2,458,400</u>	<u>2,658,671</u>
 Total net assets	 <u>3,712,671</u>	 <u>3,577,557</u>
 Total liabilities and net assets	 <u>\$ 3,971,455</u>	 <u>\$ 3,793,936</u>

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

THE BARTH SYNDROME FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

	Year ended December 31, 2017		Year ended December 31, 2016	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
Support and revenue:				
Contributions	\$ 641,301	\$ 224,064	\$ 635,857	\$ 303,149
Conference revenue			62,610	
Grant income			25,000	
Investment income	200,581		92,101	
Total support and revenue	841,882	224,064	815,568	303,149
Net assets released from restrictions	424,335	(424,335)	616,830	(616,830)
Total support and revenue	1,266,217	(200,271)	1,432,398	(313,681)
Expenses:				
Program services:				
Communication and awareness	136,354		140,368	140,368
BSF Conference			164,146	164,146
Family services	110,244		107,663	107,663
Barth Registry and Repository	16,374		20,342	20,342
Research grants	256,449		410,648	410,648
Science and medicine	215,892		197,295	197,295
Total program services	735,313		1,040,462	1,040,462
Supporting services:				
General and administrative expenses	146,747		93,684	93,684
Fundraising expenses	48,772		80,093	80,093
Total supporting services	195,519		173,777	173,777
Total expenses	930,832		1,214,239	1,214,239
Change in net assets	335,385	(200,271)	218,159	(313,681)
Net assets, beginning of year	918,886	2,658,671	700,727	2,972,352
Net assets, end of year	\$ 1,254,271	\$ 2,458,400	\$ 918,886	\$ 2,658,671
				\$ 3,577,557

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

THE BARTH SYNDROME FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 135,114	\$ (95,522)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contribution of stock	(81,704)	(66,323)
Realized and unrealized gain on investments	(155,059)	(52,881)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	5,518	(5,546)
Prepaid expenses	1,064	3,484
Increase (decrease) in:		
Accounts payable and accrued expenses	49,707	4,178
Deferred revenue	8,750	
Grants payable	<u>(16,052)</u>	<u>(28,626)</u>
Net cash used by operating activities	<u>(52,662)</u>	<u>(241,236)</u>
Cash flows from investing activities:		
Purchases of investments	(514,673)	(2,618,947)
Proceeds from sale of investments	<u>219,180</u>	<u>1,820,783</u>
Net cash used by investing activities	<u>(295,493)</u>	<u>(798,164)</u>
Net decrease in cash	(348,155)	(1,039,400)
Cash, beginning of year	<u>552,960</u>	<u>1,592,360</u>
Cash, end of year	<u>\$ 204,805</u>	<u>\$ 552,960</u>

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

THE BARTH SYNDROME FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2017 and 2016

	Management and general		Supporting services		Total		Total program and supporting services	
	2017	2016	2017	2016	2017	2016	2017	2016
Salaries	\$ 23,235	\$ 22,703	\$ 36,436	\$ 42,233	\$ 59,671	\$ 64,936	\$ 423,529	\$ 419,936
Payroll taxes and benefits	3,444	3,264	4,962	5,978	8,406	9,242	61,712	56,916
Total salaries and related expenses	26,679	25,967	41,398	48,211	68,077	74,178	485,241	476,852
Grant expense							187,287	347,254
Therapy development							69,830	67,167
Professional fees	80,086	34,654		20,000	80,086	54,654	93,586	74,635
Transportation	6,217	(337)	136	3,246	6,353	2,909	16,665	81,761
Meals	963	20	27	418	990	438	2,540	62,503
Office expense	21,014	22,055	2,228	3,746	23,242	25,801	32,634	46,148
Audio visual			250		250		500	19,894
Dues and fees	6,848	5,604	1,900	2,589	8,748	8,193	14,018	12,491
Telephone	890	1,603	360	473	1,250	2,076	6,525	7,025
Printing and publications	16	12	2,473	1,410	2,489	1,422	10,323	14,282
Insurance	4,034	4,106			4,034	4,106	4,034	4,106
Training and education							7,649	121
Total expenses	\$ 146,747	\$ 93,684	\$ 48,772	\$ 80,093	\$ 195,519	\$ 173,777	\$ 930,832	\$ 1,214,239

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

THE BARTH SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

1. Summary of significant accounting policies

This summary of significant accounting policies of The Barth Syndrome Foundation, Inc. (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as promulgated in *FASB Accounting Standards Codification* (the Codification), and have been consistently applied in the preparation of the financial statements.

Objectives of the Foundation

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.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of any income earned on any related investments for general or specific purposes. There were no permanently restricted net assets as of December 31, 2017 or 2016.

Cash

Cash includes cash in bank deposit accounts. Money market funds held as a portion of the investment portfolio are not considered cash equivalents for the purposes of the statement of cash flows. Cash in bank deposit accounts, at times, may exceed federally insured limits (FDIC). The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash or cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investments that are donated are measured at the fair market value at the date of acquisition. Unrealized gains and losses are reported in the changes in net assets on the statement of activities based on the existence or absence of donor imposed restrictions.

THE BARTH SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

1. Summary of significant accounting policies (continued)

Allowance for doubtful accounts

The Foundation provides for losses on receivables using the allowance method to account for uncollectible receivables. The allowance is based on experience and knowledge about the donors or service recipients. The Foundation determined that no allowance for doubtful accounts was necessary at December 31, 2017 and 2016.

Deferred income

Payments received for special events to be held after December 31, 2017 are recorded as deferred income and recognized as revenue when the events occur and the funds are earned.

Grant payable

Grants are recognized at the date of a formal, unconditional promise to give commitment. Grants that are expected to be paid in future years are recorded at present value of expected future payments.

Contributions

Contributions, including unconditional pledges, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the conditions on which they depend are substantially met. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE BARTH SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

1. Summary of significant accounting policies (continued)

Functional allocation of expenses

The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services based on management's best estimates.

Income taxes

The Foundation is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes.

Uncertain tax positions

As of December 31, 2017, management believes that based on evaluation of the Foundation's tax positions that any liability as a result of uncertain tax positions would not be material. Management evaluates expiring statutes of limitations, changes in tax law, and new authoritative rulings to assist in evaluating the Foundation's tax positions. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized as part of the income tax provision. Income tax returns are filed in the U.S. federal jurisdiction and state jurisdictions. U.S. federal and state income tax returns prior to fiscal year 2014 are closed.

Reclassifications

Certain amounts from the 2016 financial statements have been reclassified to conform to the 2017 presentation.

2. Risks and uncertainties

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, investments, and accounts receivable. The Foundation maintains its cash in demand deposit accounts, the balances of which, at times, may exceed federally insured limits. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions. Investments are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position. Concentration of credit risk with respect to accounts receivable is reduced due to the fact that the receivables are from prominent individuals and/or corporations.

THE BARTH SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

3. Fair value measurements

The Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation. The Foundation considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of that investment.

Investment securities are carried at fair value and consist of the following at December 31:

	2017		2016	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Money market funds	\$ 736,664	\$ 736,664	\$ 635,684	\$ 635,684
Equities	758,844	935,046	673,330	732,884
Fixed income	<u>2,093,939</u>	<u>2,080,612</u>	<u>1,877,552</u>	<u>1,851,498</u>
	<u>\$3,589,447</u>	<u>\$3,752,322</u>	<u>\$3,186,566</u>	<u>\$3,220,066</u>

THE BARTH SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

3. Fair value measurements (continued)

The classification of The Foundation's investment securities at fair value are as follows at December 31:

	2017			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 736,664	\$	\$	\$ 736,664
Equities	935,046			935,046
Fixed income	2,080,612			2,080,612
	<u>\$3,752,322</u>	<u>\$</u>	<u>\$</u>	<u>\$3,752,322</u>

	2016			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 635,684	\$	\$	\$ 635,684
Equities	732,884			732,884
Fixed income	1,851,498			1,851,498
	<u>\$3,220,066</u>	<u>\$</u>	<u>\$</u>	<u>\$3,220,066</u>

The following schedule summarizes the investment return for the years ended December 31, 2017 and 2016. All investment earnings are available for the unrestricted use of the Foundation.

	2017	2016
Dividend and interest income	\$ 64,702	\$ 56,492
Realized and unrealized gains on investments	155,059	52,881
Investment fees	(19,180)	(17,272)
	<u>\$ 200,581</u>	<u>\$ 92,101</u>

THE BARTH SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

4. Program grants

The following grants were authorized and payable by the Foundation in support of Barth Syndrome research as of and for the years ended December 31:

	2017		2016	
	Grant authorized	Payable	Grant authorized	Payable
Grantee:				
University of Florida	\$ 100,000	\$ 75,000	\$	\$ 33,917
University of Bordeaux	50,000			
Washington University, MO	71,000	46,090	50,000	2,904
University of Miami	50,000	25,000		
University of Texas		33,333	100,000	66,667
University of Tuebingen			50,000	25,000
University of Waterloo			50,000	21,153
Wayne State University			50,000	
Emory University			50,000	
University of Pittsburgh				33,334
NYU School of Medicine				12,500
	<u>\$ 271,000</u>	<u>\$ 179,423</u>	<u>\$ 350,000</u>	<u>\$ 195,475</u>

The following summarizes grant activity for the years ended December 31:

	2017	2016
Grants payable, beginning of year	\$ 195,475	\$ 224,101
Grants awarded	271,000	350,000
Payments made	(209,148)	(349,780)
Grants write-offs	(2,904)	
Grants paid by BSF affiliates	(75,000)	(28,846)
Grants payable, end of the year	<u>\$ 179,423</u>	<u>\$ 195,475</u>

Future minimum payments under these grants are as follows for years ending December 31:

2018	\$ 145,743
2019	<u>33,680</u>
	<u>\$ 179,423</u>

THE BARTH SYNDROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

5. Temporarily restricted net assets

Temporarily restricted net assets are available as follows at December 31:

	<u>2017</u>	<u>2016</u>
Paula & Woody Varner Science and Medical Fund	\$ 148,469	\$ 149,362
Science and Medical Fund		204,904
Will McCurdy Fund for the Advancement of Therapies for Barth Syndrome	<u>2,309,931</u>	<u>2,304,405</u>
	<u>\$ 2,458,400</u>	<u>\$ 2,658,671</u>

Net assets were released from restrictions as follows during the year ended December 31:

	<u>2017</u>	<u>2016</u>
Paula & Woody Varner Science and Medical Fund	\$ 21,324	\$ 6,835
Science and Medical Fund	209,173	474,466
Will McCurdy Fund for the Advancement of Therapies for Barth Syndrome	<u>193,838</u>	<u>135,529</u>
	<u>\$ 424,335</u>	<u>\$ 616,830</u>

6. Major sources of support

For the year ended December 31, 2017, two donors accounted for approximately 27% of total support and revenues. For the year ended December 31, 2016, two donors accounted for approximately 26% of total support and revenues.

7. Subsequent events

Subsequent events have been evaluated through April 23, 2018, which is the date the financial statements were available to be issued.