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# **THE BARTH SYNDROME FOUNDATION, INC.**

Audited Financial Statements

December 31, 2008 and 2007

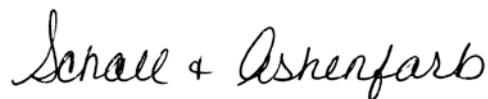
## INDEPENDENT AUDITORS' REPORT

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, 2008 and 2007 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, 2008 and 2007, 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 16, 2009

**THE BARTH SYNDROME FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2008 AND 2007**

	<u>12/31/08</u>	<u>12/31/07</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 2g and 2h)	\$2,242,382	\$2,317,189
Investments (Note 5)	0	286,833
Accounts receivable	7,235	1,477
Unconditional promises to give (Note 2c and 2e)	125,000	973
Prepaid expenses	<u>712</u>	<u>7,297</u>
 Total assets	 <u><u>\$2,375,329</u></u>	 <u><u>\$2,613,769</u></u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$15,581	\$15,684
Grants payable (Note 4)	<u>134,843</u>	<u>168,300</u>
 Total liabilities	 <u>150,424</u>	 <u>183,984</u>
 <b>Net Assets:</b> (Note 2b)		
Unrestricted	1,486,721	1,993,659
Temporarily restricted (Note 3)	<u>738,184</u>	<u>436,126</u>
 Total net assets	 <u>2,224,905</u>	 <u>2,429,785</u>
 Total liabilities and net assets	 <u><u>\$2,375,329</u></u>	 <u><u>\$2,613,769</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, 2008 AND 2007**

	12/31/08			12/31/07		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Public Support and Revenue:</b>						
Contributions (Notes 2c and 3)	\$361,165	\$366,792	\$727,957	\$291,849	\$382,608	\$674,457
Interest income	133,788		133,788	116,505		116,505
Net assets released from restrictions:						
Satisfaction of program restrictions (Note 3)	64,734	(64,734)	0	335,697	(335,697)	0
 Total public support and revenue	 559,687	 302,058	 861,745	 744,051	 46,911	 790,962
 <b>Expenses:</b>						
Program services	894,904		894,904	596,095		596,095
Management and general	160,139		160,139	81,864		81,864
Fundraising	11,582		11,582	12,372		12,372
 Total expenses	 1,066,625	 0	 1,066,625	 690,331	 0	 690,331
 Change in net assets	 (506,938)	 302,058	 (204,880)	 53,720	 46,911	 100,631
 Net assets - beginning of year	 1,993,659	 436,126	 2,429,785	 1,939,939	 389,215	 2,329,154
 Net assets - end of year	 <u>\$1,486,721</u>	 <u>\$738,184</u>	 <u>\$2,224,905</u>	 <u>\$1,993,659</u>	 <u>\$436,126</u>	 <u>\$2,429,785</u>

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**THE BARTH SYNDROME FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Services	Management and General	Fundraising	Total 12/31/08	Total 12/31/07
Salaries	\$233,954	\$34,103	\$9,935	\$277,992	\$216,749
Payroll taxes and benefits	37,578	5,478	1,596	44,652	15,723
Total personnel services	<u>271,532</u>	<u>39,581</u>	<u>11,531</u>	<u>322,644</u>	<u>232,472</u>
Research grants	253,894			253,894	309,200
Professional	145,259	66,705		211,964	48,616
Telephone	2,413	5,506		7,919	5,508
Office expense	49,445	18,367	51	67,863	25,908
Printing and publications	12,734	1,365		14,099	12,480
Dues and conferences	376	5,251		5,627	8,759
Transportation	124,402	16,464		140,866	30,572
Insurance		4,965		4,965	2,043
Meals	492	1,935		2,427	8,388
Audio visual expense	32,434			32,434	0
Exhibits	1,923			1,923	6,385
Total expenses	<u><u>\$894,904</u></u>	<u><u>\$160,139</u></u>	<u><u>\$11,582</u></u>	<u><u>\$1,066,625</u></u>	<u><u>\$690,331</u></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
Salaries	\$191,188	\$25,561		\$216,749
Payroll taxes and benefits	13,869	1,854		15,723
Total personnel services	<u>205,057</u>	<u>27,415</u>	<u>0</u>	<u>232,472</u>
Research grants	309,200			309,200
Professional	20,774	27,842		48,616
Telephone	2,453	3,055		5,508
Office expense	7,691	9,451	8,766	25,908
Printing and publications	8,271	2,683	1,526	12,480
Dues and conferences	4,241	4,518		8,759
Transportation	26,036	4,536		30,572
Insurance		2,043		2,043
Meals	5,987	321	2,080	8,388
Audio visual expense				0
Exhibits	6,385			6,385
Total expenses	<u><u>\$596,095</u></u>	<u><u>\$81,864</u></u>	<u><u>\$12,372</u></u>	<u><u>\$690,331</u></u>

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**THE BARTH SYNDROME FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>12/31/08</u>	<u>12/31/07</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	(\$204,880)	\$100,631
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Donated stock	0	(10,395)
Realized gain on sale of investments	(1,762)	0
(Increase)/decrease in assets:		
Accounts receivable	(5,758)	(929)
Unconditional promises to give	(124,027)	335,332
Prepaid expenses	6,585	(5,998)
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	(103)	3,531
Grants payable	<u>(33,457)</u>	<u>49,276</u>
 Total adjustments	 <u>(158,522)</u>	 <u>370,817</u>
 Net cash (used for)/provided by operating activities	 <u>(363,402)</u>	 <u>471,448</u>
 <b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of investments and donated stock	288,595	21,596
Purchase of investments	<u>0</u>	<u>(286,990)</u>
 Net cash provided by/(used for) investing activities	 <u>288,595</u>	 <u>(265,394)</u>
 Net (decrease)/increase in cash and cash equivalents	 (74,807)	 206,054
 Cash and cash equivalents - beginning of year	 <u>2,317,189</u>	 <u>2,111,135</u>
 Cash and cash equivalents - end of year	 <u><u>\$2,242,382</u></u>	 <u><u>\$2,317,189</u></u>
 Supplemental data:		
Interest & income taxes paid	 <u>\$0</u>	 <u>\$0</u>

*The attached notes and auditors' report  
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**THE BARTH SYNDROME FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**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.
- *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, 2008 and 2007.

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 \$250,000. From time to time, balances may exceed insured limits and at December 31, 2008, the Foundation had uninsured cash balances of \$141,635.

i. 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.

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, 2008, temporarily restricted net assets consist of the following:

	Balance <u>1/1/08</u>	Contributions	Released from Restrictions	Balance <u>12/31/08</u>
Program Restrictions:				
Paula & Woody Varner				
Science and Medicine Fund	\$188,918	\$24,607	(\$45,431)	\$168,094
Barth Syndrome Trust	19,303	0	(19,303)	0
Science and Medicine Fund	<u>227,905</u>	<u>217,185</u>	<u>0</u>	<u>445,090</u>
Total Program Restrictions	436,126	241,792	(64,734)	613,184
Time Restrictions	<u>0</u>	<u>125,000</u>	<u>0</u>	<u>125,000</u>
Total	<u>\$436,126</u>	<u>\$366,792</u>	<u>(\$64,734)</u>	<u>\$738,184</u>

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

	Balance <u>1/1/07</u>	Contributions	Released from Restrictions	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>

**Note 4. Commitments**

Grants payable accrued of \$134,843 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 \$119,998, that are payable in 2009 and 2010.

**Note 5. Investments**

Securities are carried at fair market value in accordance with SFAS No. 124. At December 31, 2007, investments consisted of a United States Treasury Bill. At December 31, 2008, the Foundation did not carry any investments. At year end, the quoted market price was used as the basis of determining fair value, which also approximates the original cost.