

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 333-152050

**VIRTUAL PIGGY,
INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

35-2327649
(I.R.S. Employer Identification No.)

15 West Highland Avenue
Philadelphia, PA 19118-3322
(Address of Principal Executive Offices) (Zip Code)

(215) 247-5500
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days). YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 65,576,422 shares of common stock outstanding as of November 7, 2011.

TABLE OF CONTENTS**Page No.****PART I****FINANCIAL INFORMATION**

ITEM 1.	Financial Statements	2
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	20
ITEM 4.	Controls and Procedures	28

PART II**OTHER INFORMATION**

ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	29
ITEM 6.	Exhibits	29

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Balance Sheets

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
	(Unaudited)	(Audited)
Assets		
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,032	\$ 1,574,448
Accounts Receivable	1,700	-
Prepaid expenses	<u>7,059</u>	<u>22,941</u>
TOTAL CURRENT ASSETS	<u>28,791</u>	<u>1,597,389</u>
PROPERTY AND EQUIPMENT		
Computer equipment	15,679	12,980
Less: accumulated depreciation	<u>5,460</u>	<u>3,243</u>
	<u>10,219</u>	<u>9,737</u>
OTHER ASSETS		
Deposit	2,667	2,667
Patents and trademarks, net of accumulated amortization of \$536 and \$-	<u>40,643</u>	<u>-</u>
	<u>43,310</u>	<u>2,667</u>
TOTAL ASSETS	<u>\$ 82,320</u>	<u>\$ 1,609,793</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 232,112	\$ 90,015
Notes payable, net of discount of \$23,880	<u>126,120</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>358,232</u>	<u>90,015</u>
STOCKHOLDERS' EQUITY		
Preferred stock, \$.0001 par value; 2,000,000 shares authorized; none issued and outstanding at September 30, 2011 and December 31, 2010	-	-
Common stock, \$.0001 par value; 150,000,000 shares authorized; 65,516,422 and 65,371,422 shares issued and outstanding at September 30, 2011 and December 31, 2010	6,552	6,537
Additional paid in capital	6,485,623	6,222,793
Deficit accumulated during the development stage	<u>(6,768,087)</u>	<u>(4,709,552)</u>

STOCKHOLDERS' EQUITY (DEFICIT)	<u>(275,912)</u>	<u>1,519,778</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 82,320</u>	<u>\$ 1,609,793</u>

See accompanying notes to financial statements.

Virtual Piggy, Inc.
(formerly, Moggle Inc.)
(A Development Stage Company)
Statements of Operations

For the period February 11, 2008 (Date of Inception) to September 30, 2011,
And For the Three and Nine Months Ended September 30, 2011 and 2010
(Unaudited)

	Cumulative Since Inception	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
SALES	\$ 3,126	\$ 1,700	\$ -	3,126	\$ -
OPERATING EXPENSES					
General and administrative	629,662	64,087	93,705	299,026	118,688
Consulting (a)	2,923,160	297,417	27,590	947,207	117,099
Payroll (b)	426,232	-	152,544	16,733	336,175
Professional fees	925,630	79,526	62,465	265,583	145,620
Research and development	653,115	185,167	18,173	407,738	18,173
Travel	811,701	15,960	1,589	125,673	113,092
Total operating expenses	<u>6,369,500</u>	<u>642,157</u>	<u>356,066</u>	<u>2,061,960</u>	<u>848,847</u>
OTHER INCOME (EXPENSE)					
Interest income	2,944	50	-	1,717	2
Interest expense (c)	<u>(404,657)</u>	<u>(1,418)</u>	<u>(346,350)</u>	<u>(1,418)</u>	<u>(352,585)</u>
	<u>(401,713)</u>	<u>(1,368)</u>	<u>(346,350)</u>	<u>299</u>	<u>(352,583)</u>
NET LOSS	<u>\$ (6,768,087)</u>	<u>\$ (641,825)</u>	<u>\$ (702,416)</u>	<u>\$ (2,058,535)</u>	<u>\$ (1,201,430)</u>
BASIC AND DILUTED NET LOSS PER COMMON SHARE					
		<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING					
		<u>65,483,922</u>	<u>50,634,061</u>	<u>65,453,366</u>	<u>48,348,099</u>

- (a) – includes share-based compensation of \$1,800,335 cumulative \$52,672 and \$220,812 for the three and nine months ended September 30, 2011 and \$7,004 and \$20,954 for the three and nine months ended September 30, 2010.
- (b) – includes share-based compensation of \$426,232 cumulative, \$0 and \$16,733 for the three and nine months ended September 30, 2011 and \$152,544 and \$336,175 for the three and nine months September 30, 2010.
- (c) – includes amortization of deferred costs of \$78,243 cumulative, and \$0 for the three and nine months ended September 30, 2011 and \$69,256 and 70,802 for the three and nine months ended September 30, 2010. Also includes \$323,918 accretion of discount on notes payable cumulative, and \$1,418 for the three and nine months ended September 30, 2011 and \$276,167 and \$280,667 for the three and nine months ended September 30, 2010.

See accompanying notes to financial statements.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Statement of Changes in Stockholders' Equity (Deficit)
For the Period February 11, 2008 (Date of Inception) to September 30, 2011

	Common Stock		Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total
	Number of Shares	Amount			
Issuance of initial 19,000,000 shares on February 11, 2008 at \$.001 per share	19,000,000	\$ 1,900	\$ 17,100	\$ -	\$ 19,000
Issuance of shares of common stock and 14,285,716 warrants in February 2008 through private placement at \$.035 per unit	7,142,858	714	249,286	-	250,000
Employee options issued for services on March 3, 2008, vested immediately and valued at \$.02 per share	-	-	8,825	-	8,825
Nonemployee options issued for services on March 3, 2008, vested immediately and valued at \$.02 per share	-	-	107,859	-	107,859
Exercise of options on May 8, 2008 at \$.04 per share	500,000	50	19,950	-	20,000
Issuance of shares of common stock and 614,286 warrants in May and September 2008 through private placement at \$.75 per unit	6,642,858	665	231,835	-	232,500
Options issued for services in June 2008, vested immediately and valued at \$.07 per share	-	-	395,467	-	395,467
Nonemployee options issued for services in June 19, 2008, vested immediately and valued at \$.01 per share	-	-	918	-	918
Issuance of shares of common stock to investors in August 2008 at \$1.00 per share	2,560	-	2,560	-	2,560
Exercise of options in September 2008 at \$.04 per share	1,750,000	175	69,825	-	70,000
Exercise of warrants in September 2008 at \$.04 per share	250,000	25	9,975	-	10,000
Net loss	-	-	-	(983,886)	(983,886)
Balance, December 31, 2008	35,288,276	3,529	1,113,600	(983,886)	133,243
Exercise of options on January 26, 2009 at \$.04 per share	1,000,000	100	39,900	-	40,000
Issuance of shares of common stock on April 7, 2009 at \$1.00 per share	400,000	40	399,960	-	400,000
Issuance of shares of common stock on June 29, 2009 valued at \$2.00 per share	100,000	10	199,990	-	200,000
Exercise of options on July 30, 2009 at \$.04 per share	1,000,000	100	39,900	-	40,000
Nonemployee options issued for services on August 18, 2009, vested immediately and valued at \$.31 per share	-	-	10,462	-	10,462
Exercise of warrants on August 21, 2009 at \$.04 per share	1,000,000	100	39,900	-	40,000
Exercise of options on September 2, 2009 at \$.04 per share	500,000	50	19,950	-	20,000
Issuance of shares of common stock on September 17, 2009 at \$1.00 per share	100,000	10	99,990	-	100,000
Issuance of shares of common stock for future services on October 9, 2009 valued at \$1.00 per share	1,080,427	108	1,080,319	-	1,080,427
Issuance of shares of common stock on October 16, 2009 at \$1.00 per share	100,000	10	99,990	-	100,000
Exercise of warrants on October 22, 2009 at \$.04 per share	1,000,000	100	39,900	-	40,000
Exercise of warrants on December 2, 2009 at \$.04 per					

share	1,000,000	100	39,900	-	40,000
Exercise of options on December 10, 2009 at \$.04 per share	250,000	25	9,975	-	10,000
Exercise of warrants on December 31, 2009 at \$.04 per share	1,000,000	100	39,900	-	40,000
Stock issuance costs	-	-	(65,000)	-	(65,000)
Nonemployee options issued for services on March 3, 2008, vested immediately and valued at \$.02 per share	-	-	37,506	-	37,506
Nonemployee options issued for services in June 19, 2008, vested immediately and valued at \$.01 per share	-	-	636	-	636
Net loss	-	-	-	(2,236,476)	(2,236,476)
	<u>43,818,703</u>	<u>4,382</u>	<u>3,246,778</u>	<u>(3,220,362)</u>	<u>30,798</u>
Balance, December 31, 2009	43,818,703	4,382	3,246,778	(3,220,362)	30,798

See accompanying notes to financial statements.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Statement of Changes in Stockholders' Equity (Deficit) (Continued)
For the Period February 11, 2008 (Date of Inception) to September 30, 2011

	Common Stock		Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total
	Number of Shares	Amount			
Exercise of options on January 5, 2010 at \$.04 per share	1,000,000	100	39,900	-	40,000
Exercise of warrant on February 22, 2010 at \$.04 per share	892,858	89	35,624	-	35,713
Exercise of warrants in March 2010 at \$.04 per share	1,000,000	100	39,900	-	40,000
Exercise of warrants in April 2010 at \$.04 per share	2,500,000	250	99,750	-	100,000
Issuance of shares of common stock in conjunction with notes payable in May through August 2010	483,750	48	400,694	-	400,742
Issuance of shares of common stock for retirement of 400,000 options at \$.25 per share	65,000	6	(6)	-	-
Issuance of share of common stock from August through December 2010 through private placement at \$.20 per share	9,625,000	963	1,924,037	-	1,925,000
Issuance of shares of common stock on November 1, 2010 for the conversion of notes payable at \$.20 per share	375,000	38	74,962	-	75,000
Issuance of shares of common stock on November 19, 2010 for future services valued at \$.90 per share	111,111	11	99,989	-	100,000
Exercise of options on December 2, 2010 at \$.04 per share	3,000,000	300	119,700	-	120,000
Exercise of warrants in December 2010 at \$.04 per share	2,500,000	250	99,750	-	100,000
Nonemployee options issued for services from August through November 2010, vested immediately and valued at \$.01 per share	-	-	13,816	-	13,816
Nonemployee options issued for services on August 18, 2009, vested immediately and valued at \$.31 per share	-	-	27,899	-	27,899
Net loss	-	-	-	(1,489,190)	(1,489,190)
Balance, December 31, 2010 (audited)	65,371,422	6,537	6,222,793	(4,709,552)	1,519,778
Issuance of shares of common stock for future services on June 1, 2011 valued at \$.49 per share	100,000	10	48,990	-	49,000
Issuance of shares of common stock in conjunction with notes payable in September 2011	45,000	5	21,145	-	21,150
Issuance of warrants in conjunction with notes payable in September 2011	-	-	4,148	-	4,148
Fair value of revalued warrants at \$.09 to \$.76 per share	-	-	88,601	-	88,601
Nonemployee options issued for services from August through November 2010, vested immediately and valued at \$.01 per share	-	-	2,637	-	2,637
Nonemployee options issued for services on January 24, 2011, vested immediately and valued at \$.20 per share	-	-	46,019	-	46,019
Nonemployee options issued for services from July through August 2011, vested immediately and valued from \$.10 to \$.19 per share	-	-	51,290	-	51,290
Net loss	-	-	-	(2,058,535)	(2,058,535)

Balance September 30, 2011 (unaudited)	<u>65,516,422</u>	<u>6,552</u>	<u>6,485,623</u>	<u>(6,768,087)</u>	<u>(275,912)</u>
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See accompanying notes to financial statements.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Statements of Cash Flows
For the Period February 11, 2008 (Date of Inception) to September 30, 2011
And For the Nine Months Ended September 30, 2011 and 2010
(Unaudited)

	<u>Cumulative</u>	<u>Nine Months</u>	<u>Nine Months</u>
	<u>Since</u>	<u>Ended</u>	<u>Ended</u>
	<u>Inception</u>	<u>September</u>	<u>September</u>
		<u>30,</u>	<u>30,</u>
		<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (6,768,087)	\$ (2,058,535)	\$ (1,201,430)
Adjustments to reconcile net loss to net cash used in operating activities			
Fair value of warrants issued in exchange for services	88,601	88,601	-
Fair value of options issued in exchange for services	703,334	99,945	357,129
Fair value of stock issued in exchange for services	1,429,427	49,000	-
Amortization of deferred costs	78,243	-	70,802
Accretion of discount on notes payable	323,918	1,418	280,667
Depreciation and amortization	5,997	2,754	837
Provision for bad debt	42,768	-	42,768
(Increase) decrease in assets			
Accounts receivable	(1,700)	(1,700)	-
Other receivable	(42,768)	-	-
Prepaid expenses	(7,059)	15,882	(28,235)
Deposits	(2,667)	-	-
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	<u>232,112</u>	<u>142,097</u>	<u>119</u>
Net cash used in operating activities	<u>(3,917,881)</u>	<u>(1,660,538)</u>	<u>(477,343)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	(15,679)	(2,699)	-
Patent and Trademark costs	<u>(41,179)</u>	<u>(41,179)</u>	<u>-</u>
Net cash used in investing activities	<u>(56,858)</u>	<u>(43,878)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from note payable - stockholders	247,500	-	247,500
Repayment of note payable - stockholders	(247,500)	-	(247,500)
Proceeds from notes payable	225,000	150,000	75,000
Proceeds from issuance of common stock	3,029,057	-	400,000
Proceeds from exercise of options	360,000	-	40,000
Proceeds from exercise of warrants	445,714	-	175,714
Stock issuance costs	<u>(65,000)</u>	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>3,994,771</u>	<u>150,000</u>	<u>690,714</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,032	(1,554,416)	213,371
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>-</u>	<u>1,574,448</u>	<u>44,710</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 20,032</u>	<u>\$ 20,032</u>	<u>\$ 258,081</u>

SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:

Fair value of common stock issued as discount for notes payable	<u>\$ 421,892</u>	<u>\$ 21,150</u>	<u>\$ 400,742</u>
Conversion of notes payable into common stock	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ -</u>
Fair value of warrants issued as discount for notes payable	<u>\$ 4,148</u>	<u>\$ 4,148</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business

The Company is a development stage enterprise incorporated in the state of Delaware on February 11, 2008. The Company initially concentrated its efforts on developing a business plan which was designed to allow it to create the massive multiplayer online gaming platform (the “Platform”) and massive multiplayer online games (“MMOGs”) for use on its Platform. Those activities included, but were not limited to, securing initial capital in order to fund the development of a demonstration model for portions of the Platform and working capital, securing a board of directors, management personnel and consultants who the Company believes will assist in developing the Platform and meet the business goals, conducting market research regarding the MMOG industry and the Platform and planned MMOGs, and other pre-marketing activities. Commencing in the fourth quarter of 2010, in light of the Company’s belief that increased market interest towards the security aspects of online gaming and social networking have emerged, the Company refocused its efforts towards delivering a platform technology designed to manage the under 17 age group’s online experience in a secure manner. The Company is attempting to develop and introduce to the marketplace over the next 12 months two U17 security management products: Virtual Piggy and Parent Match.

Virtual Piggy will be designed to provide an online Piggy Bank security service that allows parents to setup and control their children’s spending online. Parents and guardians will be able to determine who is allowed to contribute to their child’s account as well as provide notification mechanisms back to the contributors when the funds are spent. The parent can establish how much a child can spend in a single transaction and how much they can spend over time. The Virtual Piggy service tracks all spending and the parent can receive alerts and reports on spending patterns. A third-party site would prompt a child to enter their VirtualPiggy ID – when they attempt to make a transaction. This ID along with category, pricing and descriptive information about the purchase would be sent to the VirtualPiggy webservice. Based on the rules set out by the parent, VirtualPiggy would send back a Yes/No signal to the requesting service and either allow or prohibit the transaction.

ParentMatch, and its companion product, ParentPlayback, will be designed to provide the parent/guardian with a higher level of control than is currently provided by ‘nanny’ type services. In addition the ID follows the child whenever they are on a computer as opposed to traditional controls which are resident on a PC by PC basis. ParentMatch provides filtering for the parent to be able to control such areas as (i) sites a child may access; (ii) types of content they may view and (iii) who they can interact with online. ParentPlayback will provide the parent with a video transcript of their child’s online session. Since inception, substantially all of the efforts of the Company have been developing technologies for multiplayer online role playing games and the Virtual Piggy, ParentMatch and ParentPlayback platforms. The Company is in the development stage of raising capital, financial planning, establishing sources of supply, and acquiring property and equipment. The Company anticipates establishing global markets for its technologies.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 915 for development stage entities. The accompanying unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The financial statements should be read in conjunction with the financial statements and notes included in the Company’s Annual Report on form 10-K for the year ended December 31, 2010 as filed with the Securities and Exchange Commission. Operating results for the nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ended December 31, 2011.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Comprehensive Income

The Company follows FASB ASC 220 in reporting comprehensive income. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. Since the Company has no items of other comprehensive income (loss), comprehensive income (loss) is equal to net income (loss).

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes payable and accounts payable. The carrying value of cash, accounts receivable, notes payable and accounts payable approximate fair value, because of their short maturity.

Concentration of Credit Risk Involving Cash

The Company may have deposits with a financial institution which at times exceed Federal Depository Insurance coverage of \$250,000.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and certificates of deposit and commercial paper with original maturities of 90 days or less to be cash or cash equivalents.

Revenue Recognition

In accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 104, *Revenue Recognition* (Codified in FASB ASC 605), the Company will recognize revenue when (i) persuasive evidence of a customer or distributor arrangement exists or acceptance occurs, (ii) a retailer, distributor or wholesaler receives the goods, (iii) the price is fixed or determinable, and (iv) collectability of the sales revenues is reasonably assured. Subject to these criteria, the Company will generally recognize revenue from Virtual Piggy and Virtual Parent at the time of the sale of the associated product and will recognize revenue from the sale of role playing games when shipped.

Income Taxes

The Company follows FASB ASC 740 when accounting for income taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for temporary differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. Tax years from 2008 through 2010 remain subject to examination by major tax jurisdictions.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss Per Share

The Company follows FASB ASC 260 when reporting Earnings Per Share resulting in the presentation of basic and diluted earnings per share. Because the Company reported a net loss for the three and nine months ended September 30, 2011 and 2010, common stock equivalents, including stock options and warrants were anti-dilutive; therefore, the amounts reported for basic and dilutive loss per share were the same.

Start-up Costs

In accordance with FASB ASC 720, start-up costs are expensed as incurred.

Research and Development Costs

In accordance with FASB ASC 730, research and development costs are expensed when incurred.

Recently Adopted Accounting Pronouncements

In January 2010, FASB issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This update provides amendments to ASC Topic 820 that provide disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company adopted the disclosure requirements effective December 31, 2010.

In December 2010, FASB issued ASU No. 2010-29, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations*. The amendments in this Update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in this Update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company will adopt the disclosure requirements for any business combinations in 2011.

Recently Issued Accounting Pronouncements Not Yet Adopted

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. The amendments change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about the fair value measurements. The amendments include the following:

1. Those that clarify the Board's intent about the application of existing fair value measurement and disclosure requirements.
2. Those that change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements.

The amendments in this Update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Early application by public entities is not permitted. Nonpublic entities may apply the amendments in this Update early, but no earlier than for interim periods beginning after December 15, 2011.

The Company is currently evaluating the impact, if any, of ASU No. 2011-04 on the Company's financial position and results of operations.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted (Continued)

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. The objective of this Update is to simplify how entities, both public and nonpublic, test goodwill for impairment. The amendments in the Update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis of determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The Company intends to adopt the amendments in this Update effective January 1, 2012.

NOTE 2 – BUSINESS COMBINATION

On August 22, 2011, Moggle, Inc. (the "Company") filed a Certificate of Ownership with the Secretary of State of Delaware, pursuant to which the Company's newly-formed wholly-owned subsidiary, Virtual Piggy Incorporated was merged into and with the Company (the "Merger"). In connection with the Merger and in accordance with Section 253 of the Delaware General Corporation Law, the name of the Company was changed from "Moggle, Inc" to "Virtual Piggy, Inc."

NOTE 3 – GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred significant losses and experienced negative cash flow from operations during the development stage. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Since our inception, the Company has focused on developing and implementing our business plan. The Company has not paid any salaries to management and has utilized offshore programmers on a work for hire basis to assist in developing the demonstration model. The Company believes that its existing cash resources will not be sufficient to sustain operations during the next twelve months. The Company is currently in need of approximately \$3,000,000 of additional capital to enable it to pay ongoing costs and expenses as they are incurred, finance the continued development of our Platform, and execute the business plan. The Company intends to raise such financing through the sale of debt and equity securities. The issuance of additional equity would result in dilution to existing shareholders. If the Company is unable to obtain additional funds when they are needed or if such funds cannot be obtained on terms acceptable to the Company, the Company may be unable to execute upon the business plan or pay costs and expenses as they are incurred, which could have a material, adverse effect on the business, financial condition and results of operations.

Even if the Company is successful in raising sufficient capital to complete the development of the Virtual Piggy and ParentMatch products, the Company's ability to continue in business as a viable going concern can only be achieved when revenues reach a level that sustains the business operations. The Company has introduced the Virtual Piggy product to the marketplace, but does not expect to generate any meaningful revenue until early 2012 at the earliest.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 3 – GOING CONCERN (Continued)

If sufficient funding cannot be obtained in the short term, the Company will need to reduce monthly expenditures to a level that will enable the Company to continue until such funds can be obtained. The Company is currently seeking up to \$500,000 of bridge financing in the form of units consisting of non interest bearing demand notes payable in the amount of \$50,000 due November 12, 2012, warrants to purchase 15,000 shares of common stock at an exercise price of \$.50 per share and a term expiring November 12, 2012, and 15,000 shares of common stock. The Company raised \$150,000 in September 2011 and an additional \$200,000 in October 2011 through this offering.

The Company is in the development stage at September 30, 2011. Successful completion of the Company's development program and ultimately, the attainment of profitable operations are dependent upon future events, including obtaining adequate financing to fulfill its development activities and achieving a level of sales adequate to support the Company's cost structure. However, there can be no assurances that the Company will be able to secure additional equity investment or achieve an adequate sales level.

NOTE 4 – PATENTS

The Company continues to apply for patents. Accordingly, costs associated with the registration of these patents have been capitalized and are amortized on a straight-line basis over the estimated lives of the patents (20 years). During the three and nine months ended September 30, 2011, there were capitalized patent costs of \$14,285 and \$41,128 incurred. Amortization expense for patents was \$252 and \$536 for the three and nine months ended September 30, 2011 and \$0 for the three and nine months ended September 30, 2011.

NOTE 5 – NOTES PAYABLE

On February 3, 2010 the manager of corporate development loaned the Company \$20,000 in return for a promissory note with an interest rate of 4.5% in the same amount. The promissory note was paid in full on April 19, 2010.

On May 20, 2010 the Company issued a promissory note to an investor in the amount of \$22,500 with an interest rate of 6%. The promissory note also required that the Company issue 33,750 shares of the Company's common stock to the investor. The fair value of the common stock was \$30,228 and was recorded as a discount to the note payable, with the excess recorded as a deferred cost, in accordance with FASB ASC 835-30-25 *Interest*. The note was repaid on August 12, 2010 and interest was fully accreted on the note payable in the amount of \$22,500 as of August 12, 2010 and the deferred costs of \$7,728 were fully amortized as of August 12, 2010.

On June 30, 2010, the Company issued a promissory note to a third party in the amount of \$100,000 with an interest rate of 6% in return for a loan of the same amount. The promissory note also required that the Company issue 150,000 shares of the Company's common stock to the third party. The fair value of the common stock was \$146,495 and was recorded as a discount to the note payable, with the excess recorded as a deferred cost, in accordance with FASB ASC 835-30-25 *Interest*. The note was repaid on August 18, 2010 and interest was accreted on the note payable in the amount of \$100,000 as of August 18, 2010 and the deferred costs of \$46,495 were fully amortized as of August 18, 2010.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 5 – NOTES PAYABLE (Continued)

On August 4, 2010 the Company issued a promissory note to a third party in the amount of \$50,000 with an interest rate of 6% in return for a loan of the same amount. The promissory note also required that the Company issue 75,000 shares of the Company's common stock to the third party. The fair value of the common stock was \$54,509 and was recorded as a discount to the note payable, with the excess recorded as a deferred cost, in accordance with FASB ASC 835-30-25 *Interest*. Interest will be accreted on the note payable over the term of the note and the deferred costs will be amortized over the term of the note. The note is callable upon the earlier of December 31, 2010 or upon the company completing a debt or equity financing in the minimum amount of \$200,000.

On August 6, 2010 the Company issued a promissory note to a third party in the amount of \$125,000 with an interest rate of 6% in return for a loan of the same amount. The promissory note also required that the Company issue 187,500 shares of the Company's common stock to the third party. The fair value of the common stock was \$135,831 and was recorded as a discount to the note payable, with the excess recorded as a deferred cost, in accordance with FASB ASC 835-30-25 *Interest*. The note was repaid on August 18, 2010 and interest was accreted on the note payable and the deferred costs were amortized through August 18, 2010.

In September 2011, the Company commenced a private placement of up to 10 units at a price of \$50,000 per unit to accredited investors. One unit consists of a non interest bearing demand note payable in the amount of \$50,000 due November 12, 2012, warrants to purchase 15,000 shares of common stock at an exercise price of \$.50 per share and a term expiring November 12, 2012, and 15,000 shares of common stock. In September 2011, the Company issued three units and raised \$150,000. The warrants were valued at \$4,148, fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 44.3% to 62.8%, risk free interest rate of .1% and expected option life of 1.2 years. The shares of common stock were valued at \$21,150 or \$.45 to \$.50 per share, fair value. Both the warrant value and the shares of common stock were treated as a discount to the value of the note payable in accordance with FASB ASC 835-30-25, *Recognition* and are being accreted over the term of the note payable for financial statement purposes.

NOTE 6 - INCOME TAXES

Income tax expense was \$0 for the three and nine months ended September 30, 2011 and 2010.

As of January 1, 2011, the Company had no unrecognized tax benefits, and accordingly, the Company did not recognize interest or penalties during 2011 related to unrecognized tax benefits. There has been no change in unrecognized tax benefits during the nine months ended September 30, 2011, and there was no accrual for uncertain tax positions as of September 30, 2011. Tax years from 2008 through 2010 remain subject to examination by major tax jurisdictions.

There is no income tax benefit for the losses for the three and nine months ended September 30, 2011 and 2010, since management has determined that the realization of the net tax deferred asset is not assured and has created a valuation allowance for the entire amount of such benefits.

NOTE 7 – STOCKHOLDERS' EQUITY

In February 2008, the Company issued 19,000,000 founders shares at \$.001 per share or \$19,000.

In February 2008, the Company commenced a private placement of up to 7 million units at a price of \$.035 per unit to accredited investors. One unit consists of one share of the Company's common stock and two warrants. Each warrant entitles the holder to purchase one additional share of common stock at a price of \$.04 per share and is exercisable for a three year period. From February through June 2008, 7,142,858 units were sold, raising \$250,000 in proceeds and resulting in 14,285,716 warrants being issued.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 7 – STOCKHOLDERS' EQUITY (Continued)

On May 8, 2008, 500,000 options were exercised, which raised proceeds \$20,000. During the three months ended September 30, 2008, 1,750,000 options were exercised, which raised proceeds of \$70,000.

On May 27, 2008, the Company commenced a private placement of up to 6 million units at a price of \$.035 per unit to accredited investors. One unit consists of one share of the Company's common stock and one warrant. Ten of these warrants entitle the holder to purchase one additional share of common stock at a price of \$.75 per share and are exercisable for a three year period. During the three months ended June 30, 2008, 6,142,858 units were sold with warrants exercisable at a price of \$.75 per share, raising \$215,000 in proceeds and resulting in 614,286 warrants being issued. During the three months ended September 30, 2008 500,000 units were sold with warrants at a price of \$.75, raising \$17,500 and resulting in 50,000 warrants being issued.

During the three months ended September 30, 2008, the Company sold 2,560 shares, which raised proceeds of \$2,560. The Company filed a registration statement to register 2,560 shares of the Company, which became effective on September 3, 2008.

During the three months ended September 30, 2008, 250,000 warrants were exercised, which raised proceeds of \$10,000.

During the three months ended March 31, 2009, 1 million options were exercised, which raised proceeds of \$40,000.

During the three months ended March 31, 2009, the Company issued 100,000 shares of common stock, which were valued at the fair market value of \$200,000 for consulting services.

During the three months ended June 30, 2009, the Company sold 400,000 shares, which raised proceeds of \$348,000, net of commissions of \$52,000.

During the three months ended September 30, 2009, 1 million warrants and 1.5 million options were exercised, which raised proceeds of \$100,000. In addition, the Company sold 100,000 shares, which raised proceeds of \$87,000, net of commissions of \$13,000.

On October 9, 2009, the Company was listed on the German stock exchange. As a result the Company was required to issue 1,080,427 shares of common stock under a consulting agreement. These shares were valued at the fair market value of \$1,080,427.

On October 21, 2009, the Company sold 100,000 shares to an investor, which raised proceeds of \$100,000.

On October 22, 2009, an investor exercised 1,000,000 warrants which raised proceeds of \$40,000.

On December 2, 2009, two investors exercised 500,000 warrants each (total of 1,000,000 warrants), which raised total proceeds of \$40,000.

On December 10, 2009 and December 31, 2009 an investor exercised 250,000 options and 1,000,000 warrants respectively, which raised total proceeds of \$50,000.

On January 5, 2010 an investor exercised 1,000,000 options, which raised proceeds of \$40,000.

On February 22, 2010 an investor exercised 892,858 warrants, which raised proceeds of \$35,714.

On March 5, 2010 an investor exercised 500,000 warrants, which raised proceeds of \$20,000.

On March 8, 2010 an investor exercised 500,000 warrants, which raised proceeds of \$20,000.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 7 – STOCKHOLDERS' EQUITY (Continued)

On April 13, 2010 an investor exercised 1,000,000 warrants, which raised proceeds of \$40,000.

On April 16, 2010 an investor exercised 1,500,000 warrants, which raised proceeds of \$60,000.

In August 2010, the Company retired 400,000 non-employee options with exercise prices of \$.04 in exchange for the issuance of 65,000 shares to the option holders. No additional compensation expense was recorded as the fair value of the options exceeded the value of the stock that was issued.

On August 17, 2010, the Company sold 2,000,000 shares of common stock to investors, which raised proceeds of \$400,000.

During November and December 2010, the Company sold 7,625,000 shares of common stock to investors, which raised proceeds of \$1,525,000.

On November 19, 2010, the Company issued 111,111 shares of common stock, which were valued at the fair market value of \$100,000, for consulting services.

On December 2, 2010, an investor exercised 3 million options, which raised proceeds of \$120,000.

In December 2010, two investors exercised a total of 2.5 million warrants, which raised proceeds of \$100,000.

During the three months ended June 30, 2011, the Company issued 100,000 shares of common stock, which were valued at the fair market value of \$49,000, for consulting services.

NOTE 8 – STOCK OPTIONS AND WARRANTS

During 2008, the Board of Directors ("Board") of the Company adopted an Equity Incentive Plan ("Plan"). Under the Plan, the Company is authorized to grant options to purchase up to 25,000,000 shares of common stock to any officer, other employee or director of, or any consultant or other independent contractor who provides services to the Company. The Plan is intended to permit stock options granted to employees under the Plan to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended ("Incentive Stock Options"). All options granted under the Plan, which are not intended to qualify as Incentive Stock Options are deemed to be non-qualified options ("Non-Statutory Stock Options"). As of September 30, 2011, 8,070,000 options have been issued and are unexercised, and 7,930,000 options that are available to be issued under the Plan. Of the 8,070,000 options that have been issued and are unexercised, 1,100,000 options were granted to employees and 6,970,000 options were granted to non employees.

The Plan is administered by the Board, which determines the persons to whom awards will be granted, the number of awards to be granted and the specific terms of each grant, including the vesting thereof, subject to the terms of the Plan.

In connection with Incentive Stock Options, the exercise price of each option may not be less than 100% of the fair market value of the common stock on the date of the grant (or 110% of the fair market value in the case of a grantee holding more than 10% of the outstanding stock of the Company).

Volatility in all instances presented is the Company's estimate of volatility that is based on the volatility of other public companies that are in closely related industries to Virtual Piggy, Inc.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 8 – STOCK OPTIONS AND WARRANTS (Continued)

During 2008, the Company issued the Secretary of the Company options to purchase 500,000 shares of the Company's common stock at \$.04 per share, which were valued at \$8,825 and expensed immediately. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 51.8%, risk free interest rate of 2.5% and expected option life of 5 years. The options expire five years from the date of issuance.

During 2008, the Company entered into an employment agreement with its President and Chief Executive Officer, whereby, the President and Chief Executive Officer was issued options to purchase 1,000,000 shares of the Company's common stock at \$.04 per share, which were valued at \$71,871 and expensed immediately. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 51.8%, risk free interest rate of 3.3% and expected option life of 5 years. The options expire five years from the date of issuance.

During 2008, the Company entered into an employment agreement with its Director of Corporate Development whereby, the Director of Corporate Development was issued options to purchase 2,750,000 shares of the Company's common stock at \$.04 per share, which were valued at \$197,645 and expensed immediately.

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 51.8%, risk free interest rate of 3.3% and expected option life of 5 years. The options expire five years from the date of issuance.

During 2008, the Company entered into an agreement with a member of the Company's Board of Directors whereby, the member of the Board of Directors was issued options to purchase 1,250,000 shares of the Company's common stock at \$.04 per share, which were valued at \$89,838, fair value, and expensed immediately. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 51.8%, risk free interest rate of 3.3% and expected option life of 5 years. The options expire five years from the date of issuance.

On June 23, 2008, a member of the Board of Directors was issued 500,000 shares of the Company's common stock at \$.04 per share, which were valued at \$36,113, fair value, and expensed immediately. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 51.8%, risk free interest rate of 3.7% and expected option life of 5 years. The options expire five years from the date of issuance.

On March 12, 2010 the Company entered into a three year employment agreement with the Senior Vice President of Marketing and Licensing for €150,000 annually. The agreement also includes an option to purchase 2 million warrants at \$1.00 per share. These options were valued at \$1,829,756, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 41.6%, risk free interest rate of 2.4% and expected option life of five years. The options expire five years from the date of issuance. Options granted under the agreements are expensed when the related service is provided. In December 2010, this employment agreement was terminated, the options were terminated and any expense relative to the options that was previously recorded was reversed.

During November 2010, the Company issued two directors options to purchase an aggregate of 600,000 shares of the Company's common stock at \$.90 per share. These options have been valued at \$5,207, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 40.8%, risk free interest rate of 1.5% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed when the service is provided.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 8 – STOCK OPTIONS AND WARRANTS (Continued)

In 2008, the Company issued 14,950,002 warrants as part of the units included in the private placements, which were to expire three years from the date of issuance. The expiration date for unexpired and unexercised warrants was extended on January 24, 2011 to six years from the date of issuance. As of January 24, 2011, there were two directors that held an aggregate of warrants to purchase an aggregate of 3,142,858 shares of the Company's common stock at \$.04 per share and 100,000 shares of the Company's common stock at \$.75 per share. The warrants to purchase 3,242,858 shares of the Company's common stock were reclassified from non-employee warrants to incentive stock warrants, because the recipients had become directors subsequent to the date of original issuance. These warrants were revalued and the incremental cost charged to expense was \$16,733. There were also seven consultants that held warrants to purchase an aggregate of 564,286 shares of the Company's common stock at \$.75 per share. These warrants were revalued, at fair value, and the incremental cost charged to expense was \$71,868. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the warrants, with the following assumptions: no dividend yield, expected volatility of 32.3%, risk free interest rate of 1.05% and expected warrant life of 3 to 3.5 years. The warrants expire 6 years from date of original issuance. The incremental fair value of the warrants was expensed immediately.

Cumulatively and for the three and nine months ended September 30, 2011 and 2010, the Company expensed \$426,232, \$0 and \$16,733 and for the three and nine months ended September 30, 2010, the Company expensed \$152,544 and \$336,175 relative to employee options/warrants granted. As of September 30, 2011, there was no unrecognized compensation expense related to employee non-vested market-based share awards.

A summary of incentive stock option/warrant transactions for employees from February 11, 2008 (date of inception) to September 30, 2011 is as follows:

	Option/Warrants Shares	Exercise Price	Weighted Average Exercise Price
Outstanding, February 11, 2008 (Date of Inception)	-	\$ -	\$ -
Granted	6,000,000	0.04	0.04
Exercised	(1,750,000)	0.04	0.04
Expired	-	-	-
Outstanding, December 31, 2008	4,250,000	\$ 0.04	\$ 0.04
Granted	-	-	-
Exercised	(2,750,000)	0.04	0.04
Expired	-	-	-
Outstanding, December 31, 2009	1,500,000	\$ 0.04	\$ 0.04
Granted	2,600,000	.90 to 1.00	0.83
Exercised	(1,000,000)	0.04	0.04
Terminated	(2,000,000)	1.00	1.00
Outstanding, December 31, 2010	1,100,000	\$.04 to .90	\$ 0.51
Granted	-	\$ -	-
Reclassified	3,242,858	.04 to .75	0.05
Exercised	-	-	-
Expired	-	-	-

Outstanding, September 30, 2011	<u>4,342,858</u>	<u>\$.04 to .90</u>	<u>\$ 0.18</u>
Exercisable, September 30, 2011	<u>4,342,858</u>	<u>\$.04 to \$.90</u>	<u>\$ 0.18</u>
Weighted Average Remaining Life, Exercisable, September 30, 2011 (years)	<u>2.6</u>		

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 8 – STOCK OPTIONS AND WARRANTS (Continued)

On August 18, 2009, options to purchase 100,000 shares of the Company's common stock at \$2.30 were issued to a consultant, which were valued at \$30,689, fair value. Another consultant also received 25,000 options on August 18, 2009, which were valued at \$7,672, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 58.3%, risk free interest rate of 2.4% and expected option life of 5 years. The options expire five years from the date of issuance. Options granted under the agreements are expensed when the related service or product is provided.

On August 20, 2010, the Company issued the Chief Financial Officer an option to purchase 250,000 shares of the Company's common stock at \$.75 per share. These options have been valued at \$2,012, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 36.7%, risk free interest rate of 1.5% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed when the service is provided.

On September 13, 2010, the Company issued the Chief Executive Officer an option to purchase 250,000 shares of the Company's common stock at \$.75 per share. These options have been valued at \$1,676, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 35.2%, risk free interest rate of 1.5% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed when the service is provided.

On September 13, 2010, the Company issued a consultant an option to purchase 100,000 shares of the Company's common stock at \$.75 per share. These options have been valued at \$670, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 35.2%, risk free interest rate of 1.5% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed when the service is provided.

During October and November 2010, the Company issued various consultant option to purchase an aggregate of 1,020,000 shares of the Company's common stock at \$.75, \$.78 and \$.90 per share. These options have been valued at \$7,397, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 34.2% to 40.8%, risk free interest rate of 1.1% to 1.5% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed when the service is provided.

On January 24, 2011, the Company issued four consultants options to purchase an aggregate of 230,000 shares of the Company's common stock at \$1.00 per share. These options have been valued at \$46,019, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 33.5%, risk free interest rate of 2.03% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed when the service is provided.

On July 1, 2011, the Company issued a consultant an option to purchase 200,000 shares of the Company's common stock at \$.91 per share. These options have been valued at \$19,234, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 39.8%, risk free interest rate of 1.80% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed when the service is provided.

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 8 – STOCK OPTIONS AND WARRANTS (Continued)

On July 22, 2011, the Company issued a consultant an option to purchase 25,000 shares of the Company's common stock at \$.60 per share. These options have been valued at \$4,150, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 38.0%, risk free interest rate of 1.53% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed when the service is provided.

On August 2, 2011, the Company issued a consultant an option to purchase 20,000 shares of the Company's common stock at \$.60 per share. These options have been valued at \$3,803, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 39.6%, risk free interest rate of 1.23% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed when the service is provided.

On August 15, 2011, the Company issued a consultant an option to purchase 150,000 shares of the Company's common stock at \$.75 per share. These options have been valued at \$27,273, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 55.8%, risk free interest rate of .99% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed when the service is provided.

Cumulatively and for the three and nine months ended September 30, 2011, the Company expensed \$1,800,335, \$52,672 and \$220,812 and for the three and nine months ended September 30, 2010, the Company expensed \$7,004 and \$20,954 relative to non employee options granted. As of September 30, 2011, there was \$3,682 of unrecognized compensation expense related to non-vested market-based share awards.

The following table summarizes non-employee stock option/warrant of the Company from February 11, 2008 (date of inception) to September 30, 2011 as follows:

	Option/Warrant Shares	Exercise Price	Weighted Average Exercise Price
Outstanding, February 11, 2008 (Date of Inception)	-	\$ -	\$ -
Granted	23,450,002	.04 to .75	0.07
Exercised	(750,000)	0.04	0.04
Expired	-	-	-
Outstanding, December 31, 2008	22,700,002	\$.04 to \$.75	\$ 0.07
Granted	125,000	2.30	0.01
Exercised	(4,000,000)	0.04	0.04
Expired	-	-	-
Outstanding, December 31, 2009	18,825,002	\$ 0.04 to \$2.30	\$ 0.09
Granted	1,620,000	.75 to .90	0.13
Exercised	(9,892,858)	0.04	0.04
Retired	(400,000)	0.04	0.04
Outstanding, December 31, 2010	10,152,144	\$ 0.04 to \$2.30	\$ 0.25

Granted	670,000	.50 to 1.00	\$	0.06
Reclassified	(3,242,858)	.04 to .75		0.05
Exercised	-	-		-
Expired	-	-		-
	<u>-</u>	<u>-</u>		<u>-</u>
Outstanding, September 30, 2011	<u>7,579,286</u>	<u>\$.04 to \$2.30</u>	<u>\$</u>	<u>0.39</u>
Exercisable, September 30, 2011	<u>7,579,286</u>	<u>0.04 to \$2.30</u>	<u>\$</u>	<u>0.39</u>
Weighted Average Remaining Life, Exercisable, September 30, 2011 (years)	<u>2.4</u>			

Virtual Piggy, Inc.
(formerly Moggle, Inc.)
(A Development Stage Company)
Notes to Financial Statements

NOTE 9 – OPERATING LEASES

For the three and nine months ended September 30, 2011, total rent expense under leases amounted to \$8,802 and \$26,141 and for the three and nine months ended September 30, 2010 total rent expense under leases amounted to \$11,470 and \$25,808. At September 30, 2011, the Company was obligated under various non-cancelable operating lease arrangements for offices as follows:

2011	\$ 8,199
2012	<u>10,932</u>
	<u>\$ 19,131</u>

NOTE 10 – RELATED PARTY TRANSACTIONS

From inception through December 1, 2010, the Company has utilized offices leased by affiliates of certain of the Company's board members without charge.

During the nine months ended September 30, 2011 and 2010, the former manager of corporate development of the Company advanced expenses on behalf of the Company in connection with research and implementation of the Company's business plans. Expenses totaling \$58,634 and \$14,587 were incurred and reimbursed during the nine months ended September 30, 2011 and 2010.

During the nine months ended September 30, 2011, a marketing company owned by the President and his spouse was paid \$27,750.

During the nine months ended September 30, 2011, the certified public accounting firm owned by the Chief Financial Officer was paid \$58,750 for accounting services.

NOTE 11 – SUBSEQUENT EVENTS

In conjunction with the private placement commenced in September 2011, the Company issued four units and raised \$200,000 in October 2011. The warrants were valued at \$10,932 fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 47.1% to 58.8%, risk free interest rate of .1% and expected option life of 1 to 1.2 years. The shares of common stock were valued at \$36,150 or \$.53 to \$.70 per share, fair value. Both the warrant value and the shares of common stock were treated as a discount to the value of the note payable in accordance with FASB ASC 835-30-25, *Recognition* and will be accreted over the term of the note payable for financial statement purposes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Statements Regarding Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts included or incorporated by reference in this quarterly report on Form 10-Q, including without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs and plans and objective of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expects," "intends," "plans," "projects," "estimates," "anticipates," or "believes" or the negative thereof or any variation thereon or similar terminology or expressions.

We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are not guarantees and are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: our ability to raise additional capital, the absence of any operating history or revenue, our ability to attract and retain qualified personnel, our dependence on third party developers who we cannot control, our ability to develop and introduce a new service to the market in a timely manner, market acceptance of our services, our limited experience in a relatively new industry, the ability to successfully develop licensing programs and generate business, rapid technological change in relevant markets, unexpected network interruptions or security breaches, changes in demand for current and future intellectual property rights, legislative, regulatory and competitive developments, intense competition with larger companies, general economic conditions, as well as other factors set forth under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission, and "Item 2 — Management's Discussions and Analysis of Financial Condition and Results of Operation" below.

All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the foregoing. Except as required by law, we assume no duty to update or revise our forward-looking statements.

Overview

Virtual Piggy, Inc. (formerly Moggle, Inc.) (the "Company," "we", or "us") was incorporated in Delaware on February 11, 2008 under the name Chimera International Group, Inc. On April 4, 2008, we amended our certificate of incorporation and changed our name to Moggle, Inc. On August 22, 2011, Moggle, Inc. (the "Company") filed a Certificate of Ownership with the Secretary of State of Delaware, pursuant to which the Company's newly-formed wholly-owned subsidiary, Virtual Piggy, Incorporated was merged into and with the Company (the "Merger"). In connection with the Merger and in accordance with Section 253 of the Delaware General Corporation Law, the name of the Company was changed from "Moggle, Inc" to "Virtual Piggy, Inc."

We are a development stage company and have had limited business operations. For the period from inception through September 30, 2011, we concentrated our efforts on developing a business plan which was initially focused on creating a massive multiplayer online gaming platform and massive multiplayer online games ("MMOG"). Commencing with the fourth quarter of 2010, we changed our business model to focus on the development of online security services.

We are a technology development company that delivers an online security platform, which we refer to as the "Platform." The Platform is currently is composed of three separate products and is designed for the management of the "Under 18" age group's online experience. Our overarching mission is to deliver solutions to meet the exponential growth of the "Under 18" age group transacting in the global online market. Our Platform is designed to enable online businesses to interact with "tweens" or children between the ages of 8-14 in compliance with the Children's Online Privacy Protection Act ("COPPA"), and other similar international children's privacy laws.

Our Platform currently consists of three separate security management products targeted at the Under 18 market:

- Virtual Piggy;
- ParentMatch and ParentPlayback; and
- Age Verification Service

Our Virtual Piggy product, which has been launched in the market, enables online businesses to interact and transact with the “Under 18” market in a manner consistent with “COPPA” and other similar international children’s privacy laws. Virtual Piggy provides an online payment profile that allows parents to set up, monitor and control their children’s online spending. Parents can establish how much a child can spend in a single transaction, or over time, and also control the merchants with which the child can transact business. Parents also have the ability to set up approval rules and notification methods.

Our ParentMatch and ParentPlayback products are currently under development and are designed to provide the parent/guardian with a higher level of control than is currently provided by ‘nanny’ type services. In addition, the web service ID will follow the child whenever he or she is on a computer, unlike traditional controls that are resident on a PC by PC basis.

Age Check will be a persistent software system and service designed to provide a verification mechanism for the age of a person online. The system and service will provide a rapid secure checking mechanism to determine a person’s age. The main purpose of this system and service is to determine whether setup information supplied by a person to gain access to a social network or other online site is correct.

Our Plan of Operation

A phased approach to the introduction of our Platform is planned. Our schedule for ParentMatch, ParentPlayback and Age Verification Service has been delayed recently as a result of the concentration and interest in the Virtual Piggy product. At this time, it is uncertain as to the specific time periods that these other products will be fully developed and brought to market.

As of the date of this report, we have completed the design and development of Virtual Piggy. We announced the release of Virtual Piggy in January 2011 and commenced marketing and distribution efforts in February 2011.

The ParentMatch and ParentPlayback technologies are currently in the design and prototyping phases, but we expect that they will be developed and released as a single application that provides both sets of functionality. Our plan is to market this technology to customers of our Virtual Piggy platform and the mobile market.

The last component of our solution is Age Verification Service. This service is still in the design phase and, therefore, our commercialization strategy for this service is still in the preliminary stages and has yet to be finalized.

Our ability to execute on our current plan is dependent on raising approximately \$3,000,000 of additional capital. In the event that we are unsuccessful in these efforts, we will utilize our cash to attempt to complete a limited demonstration model of our platform. The foregoing projected implementation plan was prepared by us in good faith based upon assumptions that we believe to be reasonable. No assurance can be given, however, regarding the attainability of the projections or the reliability of the assumptions on which they are based.

Strategic Outlook

We believe that the online gaming market and virtual goods market will continue to grow over the long term. Within the market, we intend to provide services to the online industry to allow them to transact with children in compliance with COPPA and similar international privacy laws. We believe that this particular opportunity is relatively untapped and expect to be a leading provider of online transactions for children.

Sustained spending on technology, our ability to raise additional financing, the continued growth of the online market, and compliance with regulatory and reporting requirements are all external conditions that may affect our ability to execute our business plan. In addition, the online payment industry is intensely competitive, and most participants have longer operating histories, significantly greater financial, technical, marketing, customer service, other resources, and greater name recognition. In addition, certain potential customers, particularly large organizations, may view our small size and limited financial resources as a negative even if they prefer our offering to those of our competitors.

Our primary strategic objective over the next 12-24 months, is to fully develop and implement our Platform and generate revenue that is sufficient to cover our operating expenses and support additional growth over the next several years. We plan to achieve this objective by completing the development and implementation of the Platform in a timely and efficient manner and supplementing the roll-out of each phase of our service with an extensive, layered marketing approach. As our service grows, we intend to hire additional information technology professionals to maintain our product offerings and develop new products to increase our market share.

We believe that our near-term success will depend particularly on our ability to develop customer awareness and confidence in our service. Since we have limited capital resources, we will need to closely manage our expenses and conserve our cash by continually monitoring any increase in expenses and reducing or eliminating unnecessary expenditures. Our prospects must be considered in light of the risks, expenses and difficulties encountered by companies at an early stage of development, particularly given that we operate in new and rapidly evolving markets, that we have limited financial resources, and face an uncertain economic environment. We may not be successful in addressing such risks and difficulties.

Results of Operations

Comparison of the Three Months Ended September 30, 2011 and 2010

The following discussion analyzes our results of operations for the three months ended September 30, 2011 and 2010. The following information should be considered together with our financial statements for such period and the accompanying notes thereto.

Net Loss for Three Months Ended September 30, 2011 and 2010

We incurred a net loss of \$641,825 for the three months ended September 30, 2011, a decrease of \$60,591 from a net loss of \$702,416 for the three months ended September 30, 2010 on \$1,700 and \$0 net revenue for the three months ended September 30, 2011 and 2010. The following is a summary of the components of such losses:

	Ended September 30, 2011	Ended September 30, 2010
Revenues	\$ 1,700	\$ -
General and administrative	64,087	93,705
Consulting	297,417	27,590
Payroll	-	152,544
Professional fees	79,526	62,465
Research and development	185,167	18,173
Travel	15,960	1,589
Interest income	(50)	-
Interest expense	1,418	346,350
NET LOSS	\$ 641,825	\$ 702,416
Basic and Diluted Net Loss Per Share	\$ 0.01	\$ 0.01
Basic and Diluted Weighted Average Outstanding Shares	65,483,922	50,634,061
Compensation Expense of Stock Options	\$ 52,672	\$ 159,548

Lack of Revenue: As is common with a company in the development stage, we had minimal revenue of \$1,700 and \$0 for the three months ended September 30, 2011 and 2010. During such time we devoted our efforts to formalizing our business plan, and raising initial capital to commence our operations. During the three months ended September 30, 2011, we continued testing and marketing our Virtual Piggy platform and realized minimal revenues.

Expenses: The following amounts represent the most significant components of expenses for the three months ended September 30, 2011 and 2010:

a) General and Administrative expenses: For the three months ended September 30, 2011 general and administrative expenses were \$64,087, a decrease of \$29,618 from \$93,705 for the three months ended September 30, 2010. The decrease resulted from approximate decreases in bad debt expense of \$42,800, computer expenses of \$5,800, and board fees of \$21,000. These decreases resulted from establishing the infrastructure of a growing organization and cost containment procedures. The forgoing was offset by increases in internet expenses of \$9,600, marketing expenses of \$7,600, meals and entertainment of \$4,400, website expense of \$17,500, and miscellaneous expenses of \$900. The increases resulted from continued expenses related to the development of our Platform and marketing the Virtual Piggy product.

b) Consulting Expense: For the three months ended September 30, 2011, consulting expenses were \$297,417, an increase of \$269,827 from \$27,590 for the three months ended September 30, 2010. This increase resulted from an increase in payments to consultants related to marketing and infrastructure, as well as stock based compensation related to consultant agreements.

c) Payroll Expenses: During the three months ended September 30, 2011, we incurred \$0 of compensation expenses as compared to \$152,544 for the three months ended September 30, 2010, a decrease of \$152,544. The decrease resulted from no employee stock option grants during the three months ended September 30, 2011.

d) Professional Fees: During the three months ended September 30, 2011, we incurred \$79,526 of professional fees as compared to \$62,465 for the three months ended September 30, 2010, an increase of \$17,061. The increase related primarily to legal fees for counsel with respect to the Company's activities, as well as the cost of in-house counsel.

e) Research and Development: During the three months ended September 30, 2011, we incurred \$185,167 of research and development expenses as compared to \$18,173 for the three months ended September 30, 2010, an increase of \$166,994. The increase was due to the development costs of our Virtual Piggy, ParentMatch and ParentPlayback applications.

f) Travel: For the three months ended September 30, 2011 travel expenses were \$15,960, an increase of \$14,371 from \$1,589 for the three months ended September 30, 2010. The expenses incurred were primarily associated with corporate development (approximately 50%) and capital raising activities (approximately 50%).

Comparison of the Nine Months Ended September 30, 2011 and 2010

The following discussion analyzes our results of operations for the nine months ended September 30, 2011 and 2010. The following information should be considered together with our financial statements for such period and the accompanying notes thereto.

Net Loss for Nine Months Ended September 30, 2011 and 2010

We incurred a net loss of \$2,058,535 for the nine months ended September 30, 2011, an increase of \$857,105 from a net loss of \$1,201,430 for the nine months ended September 30, 2010 on \$3,126 and \$0 net revenue for the nine months ended September 30, 2011 and 2010. The following is a summary of the components of such losses:

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Revenues	\$ 3,126	\$ -
General and administrative	299,026	118,688
Consulting	947,207	117,099
Payroll	16,733	336,175
Professional fees	265,583	145,620
Research and development	407,738	18,173
Travel	125,673	113,092
Interest income	(1,717)	(2)
Interest expense	1,418	352,585
NET LOSS	\$ 2,058,535	\$ 1,201,430
Basic and Diluted Net Loss Per Share	\$ (0.03)	\$ (0.02)
Basic and Diluted Weighted Average Outstanding Shares	65,453,366	48,348,099
Compensation Expense of Stock Options	\$ 237,545	\$ 357,129

Lack of Revenue: As is common with a company in the development stage, we had minimal revenue of \$3,126 and \$0 for the nine months ended September 30, 2011 and 2010. During such time, we devoted our efforts to formalizing our business plan, and raising initial capital to commence our operations. During the nine months ended September 30, 2011, we continued testing our Virtual Piggy platform and realized minimal revenues.

Expenses: The following amounts represent the most significant components of expenses for the nine months ended September 30, 2011 and 2010:

a) General and Administrative expenses: For the nine months ended September 30, 2011, general and administrative expenses were \$299,026, an increase of \$180,338 from \$118,688 for the nine months ended September 30, 2010. The increase resulted from approximate increases in insurance of \$23,000, internet expenses of \$24,800, meals and entertainment of \$14,700, office expenses of 16,000, telephone expense of \$10,100, website expense of \$22,600, and miscellaneous expenses of \$7,900. The increases were offset by a reduction in bad debt expense of \$42,800. These increases were the result of establishing the infrastructure of a growing organization. In addition, marketing expenses increased approximately \$104,000 as a result of preparing the marketplace for Virtual Piggy.

b) Consulting Expense: For the nine months ended September 30, 2011, consulting expenses were \$947,207, an increase of \$830,108 from \$117,099 for the nine months ended September 30, 2010. These expenses consisted largely of non cash based stock compensation. This increase resulted from an increase in payments to consultants related to marketing and infrastructure, as well as stock based compensation related to consultant agreements.

c) Payroll Expenses: During the nine months ended September 30, 2011 we incurred \$16,733 of compensation expenses as compared to \$336,175 for the nine months ended September 30, 2010, a decrease of \$319,442. The decrease resulted from a decrease in stock option grants during the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.

d) Professional Fees: During the nine months ended September 30, 2011, we incurred \$265,583 of professional fees as compared to \$145,620 for the nine months ended September 30, 2010, an increase of \$119,963. The professional fees were for counsel, accounting, and other professional fees in connection with legal, accounting and other professional services with respect to the Company's activities, as well as the cost of in-house counsel.

e) Research and Development: During the nine months ended September 30, 2011, we incurred \$407,738 of research and development expenses as compared to \$18,173 for the nine months ended September 30, 2010, an increase of \$389,565. The increase was due to the development costs of our Virtual Piggy, ParentMatch and ParentPlayback applications.

f) Travel: For the nine months ended September 30, 2011 travel expenses were \$125,673, an increase of \$12,581 from \$113,092 for the nine months ended September 30, 2010. The expenses incurred were primarily associated with corporate development (approximately 40%) and capital raising activities (approximately 60%).

g) Interest: For the nine months ended September 30, 2011 interest expense was \$1,418, as compared to \$352,585 for the nine months ended September 30, 2010, a decrease of \$351,167. Interest expense as of September 30, 2011 and 2010 was a result of notes payable received from stockholders and the issuance of common stock and/or warrants in conjunction with those notes payable. The amount of the notes and additional cost of the notes payable in 2011 was significantly less than the amounts in 2010.

Liquidity and Capital Resources

As of the date of this report, we had cash on hand of \$112,733.

Net cash used in operating activities for the nine months ended September 30, 2011 increased to \$1,660,538 from \$477,343 for the nine months ended September 30, 2010 an increase of \$1,183,195 as a result of expanded operations including marketing the Virtual Piggy product and establishing the infrastructure of the Company.

Net cash used in investing activities for the nine months ended September 30, 2011 increased to \$43,878 from \$0 for the nine months ended September 30, 2010. The increase resulted from the purchase of computer equipment and costs of patents and trademarks.

Net cash provided by financing activities was \$150,000 for the nine months ended September 30, 2011, a decrease of \$540,714 from \$690,714 for the nine months ended September 30, 2010. We issued notes payable during the nine months ended September 30, 2011 in order to continue our research and development and marketing activities. Cash provided by investing activities during the nine months ended September 30, 2010 consisted of the issuance of shares of common stock and warrants.

As we have not generated any meaningful revenues since our inception, we have financed our operations through public and private offerings of debt and equity securities. We do not currently maintain a line of credit or term loan with any commercial bank or other financial institution. The following sets forth our primary sources of capital during the previous two years:

In September 2009, we commenced a second public offering of 12,000,000 shares of our common stock at \$1.00 per share. However, we raised only \$100,000 of proceeds through the sale of 100,000 shares of common stock and deregistered the remaining 11.9 million shares of common stock in November 2010.

During 2009, we realized aggregate gross proceeds of \$160,000 and \$110,000, respectively, from the exercise of options and warrants to purchase an aggregate of 4,000,000 and 2,750,000 shares of our common stock, respectively. In addition, we also raised gross proceeds of \$500,000 through the sale of 500,000 shares of common stock in a private placement transaction to accredited investors.

Between August 2010 and December 2010, we raised proceeds of \$2,000,000 through the sale of 10,000,000 shares of common stock in a private placement transaction to accredited investors.

During 2010, we realized aggregate proceeds of \$160,000 and \$240,000 from the exercise of options and warrants to purchase an aggregate of 4,000,000 and 6,892,858 shares of our common stock, respectively.

During 2010, we issued a series of unsecured promissory notes to certain of our affiliates and other investors, in the aggregate principal amount of \$342,500. All of the notes were repaid in 2010 either with cash, shares of common stock, or a combination of cash and shares of common stock.

During 2011, we issued a series of unsecured promissory notes to certain investors, in the aggregate principal amount of \$300,000. None of the notes have been repaid in 2011.

Since our inception, we have focused on developing and implementing our business plan. We have not paid any salaries to management and have utilized offshore programmers on a work for hire basis to assist in developing the demonstration model. We believe that our existing cash resources will not be sufficient to sustain our operations during the next twelve months. We are currently in need of approximately \$3,000,000 of additional capital to enable us to pay our ongoing costs and expenses as they are incurred, finance the continued development of our Platform, and execute our business plan. We intend to raise such financing through the sale of debt and equity securities. The issuance of additional equity would result in dilution to our existing shareholders. If we are unable to obtain additional funds when they are needed or if such funds cannot be obtained on terms favorable to us, we may be unable to execute upon our business plan or pay our costs and expenses as they are incurred, which could have a material, adverse effect on our business, financial condition and results of operations.

Even if we are successful in raising sufficient capital in order to complete the development of our Virtual Piggy and ParentMatch products, our ability to continue in business as a viable going concern can only be achieved when our revenues reach a level that sustains our business operations. We raised approximately \$2.7 million during the year ended December 31, 2010. The Virtual Piggy product will be introduced to the marketplace in the third quarter of 2011. We do not project that significant revenue will be developed until early 2012 at the earliest. While it is impossible to predict the amount of revenues, if any, that we may receive from our Virtual Piggy product, we presently believe, based solely on our internal projections, that we will generate revenues sufficient to fund our planned business operations if both the Virtual Piggy and ParentMatch products are developed in accordance with our plans. There can be no assurance that we will raise sufficient proceeds, or any proceeds, for us to implement fully our proposed business plan to aggressively develop, complete, and market our Virtual Piggy and ParentMatch products. Moreover there can be no assurance that even if our Virtual Piggy and ParentMatch products are developed, that we will generate revenues sufficient to fund our operations. In either such situation, we may not be able to continue our operations and our business might fail.

The foregoing project implementation and projections were prepared by us in good faith based upon assumptions that we believe to be reasonable. No assurance can be given, however, regarding the attainability of the projections or the reliability of the assumptions on which they are based. The projections are subject to the uncertainties inherent in any attempt to predict the results of our operations, especially where new products and services are involved. Certain of the assumptions used will inevitably not materialize and unanticipated events will occur. Actual results of operations are, therefore, likely to vary from the projections and such variations may be material and adverse to us. Accordingly, no assurance can be given that such results will be achieved. Moreover due to changes in technology, new product announcements, competitive pressures, system design and/or other specifications we may be required to change the current plans for our Virtual Piggy and ParentMatch products.

Off-Balance Sheet Arrangements

As of September 30, 2011, we did not have any relationships with unconsolidated entities or financial partners, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Critical Accounting Policies

Our financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. A complete summary of these policies is included in note 2 of the notes to our financial statements. We have identified below the accounting policies that are of particular importance in the presentation of our financial position, results of operations and cash flows and which require the application of significant judgment by management.

Stock-based Compensation

We have adopted the fair value recognition provisions Financial Accounting Standard Board Accounting Standards Codification (“FASB ASC”) 718. In addition, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 “*Share-Based Payment*” (“SAB 107”) in March, 2005, which provides supplemental FASB ASC 718 application guidance based on the views of the SEC. Under FASB ASC 718, compensation cost recognized includes compensation cost for all share-based payments granted beginning January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FASB ASC 718.

We have used the Black-Scholes option-pricing model to estimate the option fair values. The option-pricing model requires a number of assumptions, of which the most significant are, expected stock price volatility, the expected pre-vesting forfeiture rate and the expected option term (the amount of time from the grant date until the options are exercised or expire).

Compensation expense for unvested options granted to non-employees in previous periods is being amortized over the vesting period of the options, or the term of the consulting agreement, whichever is longer.

Revenue Recognition

In accordance with Securities and Exchange Commission (“SEC”) Staff Accounting Bulletin No. 104, Revenue Recognition (Codified in FASB ASC 605), we will recognize revenue when (i) persuasive evidence of a customer or distributor arrangement exists or acceptance occurs, (ii) a retailer, distributor or wholesaler receives the goods, (iii) the price is fixed or determinable, and (iv) collectability of the sales revenues is reasonably assured. Subject to these criteria, we will generally recognize revenue from Virtual Piggy and ParentMatch at the time of the sale of the associated product and will recognize revenue from the sale of role playing games when shipped.

ITEM 4. CONTROLS AND PROCEDURES.

As of September 30, 2011, we carried out the evaluation of the effectiveness of our disclosure controls and procedures required by Rule 13a-15(e) under the Exchange Act under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2011, our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting identified in connection with this evaluation that occurred during our fiscal quarter ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

In September 2011, we commenced a private placement offering (the “Private Placement”) of up to \$500,000 of units (each, a “Unit,” and collectively, the “Units”), with each unit comprised of a note in the principal amount of \$50,000 (each a “Note, and collectively, the “Notes”), a warrant to purchase 15,000 shares of common stock (each, a “Warrant”, and collectively the “Warrants”), and 15,000 shares of common stock. The Notes are demand notes, do not bear interest and are due on November 12, 2012. The Warrants are expire on November 12, 2002 at an exercise price of \$0.50 per share. In October 2011, we issued and sold four Units, comprised of Notes in the aggregate principal amount of \$200,000, Warrants to purchase 60,000 shares of common stock, and 60,000 shares of common stock. The securities were issued in a private placement transaction to a limited number of accredited investors in reliance upon an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, which exempts transactions by an issuer not involving a public offering.

ITEM 6. EXHIBITS.

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VIRTUAL PIGGY, INC.

Date: November 14, 2011

By: /s/ Ernest Cimadamore
Ernest Cimadamore
Chief Executive Officer