

**BAKER INDUSTRIES, INC.**

DECEMBER 31, 2008 AND 2007

FINANCIAL STATEMENTS

**BAKER INDUSTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Baker Industries, Inc.  
184 Pennsylvania Ave.  
Malvern, PA 19355

We have audited the accompanying comparative balance sheet of Baker Industries, Inc. as of December 31, 2008 and 2007 and the related comparative statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baker Industries, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of operating expenses on page 10 is presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Doyle & McDonnell, P.C.*

Doyle & McDonnell, P.C.  
Certified Public Accountants  
Broomall, Pennsylvania

February 4, 2009

**BAKER INDUSTRIES, INC.**  
**COMPARATIVE STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2008 AND 2007**

<b>ASSETS</b>		
	2008	2007
<b>CURRENT ASSETS</b>		
Cash	\$ 171,824	\$ 352,553
Accounts Receivable	107,319	176,564
Pledges Receivable - Current	5,000	10,000
Prepaid Expenses	47,673	42,804
<b>Total Current Assets</b>	<b>331,816</b>	<b>581,921</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	207,750	207,750
Building and Improvements	2,779,304	2,720,130
Equipment	134,970	131,346
Vehicles	74,158	74,158
<b>Total Property and Equipment</b>	3,196,182	3,133,384
Accumulated Depreciation	(813,291)	(722,047)
<b>Total Property and Equipment - Net</b>	<b>2,382,891</b>	<b>2,411,337</b>
<b>OTHER ASSETS</b>		
Marketable Securities	23,117	36,715
<b>Total Other Assets</b>	<b>23,117</b>	<b>36,715</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,737,824</b>	<b>\$ 3,029,973</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>CURRENT LIABILITIES</b>		
Long Term Debt - Current	\$ 4,381	\$ 7,911
Accounts Payable	51,664	43,453
Accrued Expenses	5,281	5,794
Advance Billings	7,727	7,727
Payroll and Sales Tax Payable	1,516	2,301
<b>Total Current Liabilities</b>	<b>70,569</b>	<b>67,186</b>
<b>LONG-TERM LIABILITIES</b>		
Mortgage Payable	1,056,200	1,120,700
Notes Payable	-	4,611
<b>Total Long-Term Liabilities</b>	<b>1,056,200</b>	<b>1,125,311</b>
<b>FUND BALANCE</b>		
Unrestricted	1,610,652	1,829,342
Temporarily Restricted	403	8,134
<b>Total Fund Balance</b>	<b>1,611,055</b>	<b>1,837,476</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,737,824</b>	<b>\$ 3,029,973</b>

The accompanying notes are an integral part of this statement.

**BAKER INDUSTRIES, INC.**  
**COMPARATIVE STATEMENT OF ACTIVITIES AND FUND BALANCE**  
**DECEMBER 31, 2008 AND 2007**

	2008	2007
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
<b>Support</b>		
Donations - Individuals	\$ 104,348	\$ 128,854
Donations - Foundations and Corporations	726,147	727,540
Fund-Raising	146,437	98,398
<b>Total Support</b>	<u>976,932</u>	<u>954,792</u>
<b>Revenue</b>		
Sales of Services	1,666,831	1,582,808
Rental	59,786	63,836
Interest and Dividends	5,598	12,123
<b>Total Revenue</b>	<u>1,732,215</u>	<u>1,658,767</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>2,709,147</u>	<u>2,613,559</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>		
Capital Campaign	98,421	111,358
<b>TOTAL</b>	<u>2,807,568</u>	<u>2,724,917</u>
<b>EXPENSES</b>		
Program Services	2,769,596	2,556,750
Supporting Services	132,339	122,755
Fund-Raising	110,725	107,944
<b>Total Expenses</b>	<u>3,012,660</u>	<u>2,787,449</u>
<b>OTHER INCOME (EXPENSE)</b>		
Unrealized Gain on Securities	(13,598)	1,295
<b>Total Other Income (Expense)</b>	<u>(13,598)</u>	<u>1,295</u>
<b>DECREASE IN UNRESTRICTED NET ASSETS</b>	<u>(218,690)</u>	<u>(61,237)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions - Capital Campaign	90,690	101,480
Net Assets Released from Restrictions	(98,421)	(111,358)
<b>Decrease in Temporarily Restricted Net Assets</b>	<u>(7,731)</u>	<u>(9,878)</u>
<b>NET DECREASE IN FUND BALANCE</b>	(226,421)	(71,115)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>1,837,476</u>	<u>1,908,591</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,611,055</u>	<u>\$ 1,837,476</u>

The accompanying notes are an integral part of this statement.

**BAKER INDUSTRIES, INC.**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Decrease in Fund Balance	\$ (226,421)	\$ (71,115)
Adjustments to Reconcile Changes to Net Cash		
Flows Provided by Operating Activities:		
Depreciation	91,244	91,200
Unrealized Gain (Loss) on Marketable Securities	13,598	(1,295)
(Increase) Decrease in:		
Accounts Receivable	69,245	121,152
Pledges Receivable	5,000	5,250
Inventories	-	27,638
Prepaid Expenses	(4,869)	39,516
Increase (Decrease) in:		
Accounts Payable	8,211	(41,504)
Accrued Expenses	(513)	(36,339)
Advance Billings	-	(50,270)
Payroll and Sales Tax Liabilities	(785)	(61)
<b>Net Cash Flows Used in Operating Activities</b>	<u>(45,290)</u>	<u>84,172</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property and Equipment	(62,798)	(17,489)
Purchase of Marketable Securities	-	(614)
Cash Restricted to the Payment of Mortgage	-	3,062
<b>Net Cash Flows Used in Investing Activities</b>	<u>(62,798)</u>	<u>(15,041)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of Mortgages Payable	(64,500)	(61,800)
Repayments of Notes Payable	(8,141)	(7,582)
<b>Net Cash Used in Financing Activities</b>	<u>(72,641)</u>	<u>(69,382)</u>
<b>NET DECREASE IN CASH</b>	(180,729)	(251)
<b>CASH - BEGINNING OF YEAR</b>	<u>352,553</u>	<u>352,804</u>
<b>CASH - END OF YEAR</b>	<u>\$ 171,824</u>	<u>\$ 352,553</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash Paid During the Year for Interest	<u>\$ 66,786</u>	<u>\$ 71,121</u>

The accompanying notes are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS**

**1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Baker Industries, Inc. (the Organization) is a nonprofit entity incorporated on May 8, 1989 under the laws of the Commonwealth of Pennsylvania for the purpose of organizing and operating work rehabilitation programs for handicapped and homeless people. The Organization primarily services customers with operations in Southeastern Pennsylvania.

The significant accounting policies are as follows:

**Principles of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principals. Revenues are recognized when earned, and expenses are recognized when the obligations are incurred

**Financial Statement Presentation**

The organization elected to adopt Statement of Financial Accounting Standards (SFAS) No. 116 that states that contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Financial statement presentation is in accordance with SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The net assets consist of the original contribution and the capital appreciation. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

**Unrestricted Net Assets** - Net assets not subject to donor-imposed stipulations.

**Donated Services**

The organization receives donated services from a variety of unpaid volunteers who assist the organization in a number of capacities. The organization received no services that were required to be reported under SFAS No. 116.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support and expense during the reporting period. Accordingly, actual results could differ from those estimates.

**NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents include time deposits, certificates of deposit and marketable securities with original maturities of less than 90 days. The carrying value of cash and cash equivalents approximate fair value because of the short maturities of those financial instruments.

**Marketable Securities**

Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at the fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**Accounts Receivable**

The Organization charges income with doubtful accounts when they are considered uncollectible. Accounts receivable are presented net of an allowance for doubtful accounts of \$0 and \$1,142 at December 31, 2008 and 2007 respectively.

**Property and Equipment**

Capital additions are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Maintenance, repairs and minor renewals are charged to operations as incurred. Depreciation is provided over the estimated useful lives of assets by the straight-line method. Building improvements are amortized over the life of the building or the estimated useful lives of the various classes of assets are:

	<u>Range in Years</u>
Building	39
Building Improvements	5 - 39
Equipment	5 - 7
Vehicles	5

**Income Taxes**

The Organization is a not-for-profit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and files Form 990.

**Reclassification**

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

**2. CASH**

The total cash held by the Organization at December 31, 2008 and 2007 includes \$64,646 and \$242,935 respectively, in monies that are not covered by insurance provider by the FDIC. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

**3. TEMPORARILY RESTRICTED NET ASSETS**

In May of 2002, Baker launched a Capital Campaign with a two-fold objective – first, to pay off the mortgages on the Philadelphia and Malvern properties and second, to begin to build an endowment to ease the demands of annual fundraising.

Temporarily restricted net assets are available for the retirement of the mortgage on the organization's two facilities.

**4. MARKETABLE SECURITIES**

Investments in marketable securities are stated at fair market value and include investments in the Vanguard Total Stock Market Index Fund. Cost, fair market value, unrealized gain and reinvested dividends for the years ended December 31, 2008 and 2007 are as follows:

Unrestricted:

Vanguard Total Stock Market Index

	<u>2008</u>	<u>2007</u>
Original Cost	\$ 30,580	\$ 30,580
Gross Unrealized Gain (Loss) & Reinvestment	<u>(7,463)</u>	<u>6,135</u>
Market Value	<u>\$ 23,117</u>	<u>\$ 36,715</u>

**5. RESTRICTED PROMISES TO GIVE**

Restricted promises to give are as follows:

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 5,000	\$ 10,000

**BAKER INDUSTRIES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

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**6. LONG-TERM DEBT**

	<u>2008</u>	<u>2007</u>
Note payable to The Bryn Mawr Trust Company secured by property and corporate assets. Payable in 60 monthly payments of interest only. A balloon payment is due on May 1, 2013	\$ 1,056,200	\$ 1,120,700
Note payable to GMAC secured by a vehicle. Payable in 60 monthly installments of \$387 including interest at 8.5%. The note is due to mature February 2009.	765	5,137
Note payable to The Bryn Mawr Trust Company secured by a vehicle. Payable in 60 monthly installments of \$340 including interest at 5.49%. The note is due to mature November 2009.	<u>3,616</u>	<u>7,384</u>
	1,060,581	1,133,221
Less: Current Portion	<u>4,381</u>	<u>7,911</u>
	<u>\$ 1,056,200</u>	<u>\$ 1,125,310</u>

Maturities of long-term debt is as follows:

2009	\$ 4,381
2010	-
2011	-
2012	-
2013	-
Thereafter	<u>1,056,200</u>
	<u>\$ 1,060,581</u>

**7. EMPLOYEE BENEFIT PLAN**

The Company has adopted a salary reduction contribution and employer contribution retirement plan. The plan adopted by the employer is Baker Industries 457 Plan. This plan provides Top-Hat group of employees and independent contractors eligibility into the plan. Discretionary contributions made into the plan for the year ended December 31, 2008 and 2007 was \$0.

**SUPPLEMENTAL INFORMATION**

**BAKER INDUSTRIES, INC.**  
**SCHEDULES OF OPERATING EXPENSES**  
**DECEMBER 31, 2008 AND 2007**

	Program Services	Supporting Services	Fund Raising	Total 2008 Operating Expenses	Total 2007 Operating Expenses
Salaries - Management	\$ 79,238	\$ 60,000	\$ 30,000	\$ 169,238	\$ 168,427
Salaries - Program	1,639,485	-	-	1,639,485	1,468,966
Payroll Taxes	134,883	4,600	2,300	141,783	129,059
Consulting	67,294	-	-	67,294	61,100
Employee Benefits	99,476	4,000	2,000	105,476	109,462
Job Supplies and Shipping	256,305	1,929	-	258,234	189,739
Insurance	106,830	11,835	-	118,665	151,390
Temporary Employment Services	-	-	-	-	1,151
Fund-Raising Expenses	-	-	34,173	34,173	28,894
Capital Campaigning Expense	-	-	39,538	39,538	40,400
Auto Expense	-	19,194	-	19,194	16,898
Bad Debt Expense	-	-	-	-	250
Interest Expense	66,541	-	-	66,541	71,121
Professional Fees	17,356	14,994	-	32,350	21,710
Office and Warehouse Supplies	9,670	6,441	2,314	18,425	19,343
Utilities	82,148	4,011	-	86,159	81,680
Telephone	15,864	1,533	-	17,397	18,442
Depreciation	91,244	-	-	91,244	91,200
Equipment Rental	16,921	-	-	16,921	17,585
Repairs and Maintenance	50,011	-	-	50,011	57,092
Trash Removal	5,975	-	-	5,975	12,025
Advertising	2,500	-	-	2,500	268
Computer Consultation	2,884	-	-	2,884	3,767
Computer Expense	2,231	-	-	2,231	2,335
Internet Expense	1,010	-	-	1,010	247
Bank Charges	-	2,575	-	2,575	4,197
Sales Expense	20,655	-	-	20,655	12,865
Contributions	-	-	-	-	250
Dues and Subscriptions	400	1,227	400	2,027	6,611
Employee Training	675	-	-	675	975
<b>Total Operating Expense</b>	<b>\$ 2,769,596</b>	<b>\$ 132,339</b>	<b>\$ 110,725</b>	<b>\$ 3,012,660</b>	<b>\$ 2,787,449</b>

The accompanying notes are an integral part of this statement.