MONEY CENTERS OF AMERICA, INC.
Form 10QSB
August 21, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-QSB

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

For the Fiscal Quarter ended June 30, 2006

OR

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

For the transition period from _____________ to ______________

Commission File No. 000-49723

Money Centers of America, Inc.

(Exact Name of Small Business Issuer as Specified in its Charter)

Delaware	23-2929364
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification)

700 South Henderson Road, Suite 325, King of Prussia, PA 19406

(Address of Principal Executive Offices)

(610) 354-8888

(Issuer's Telephone Number, Including Area Code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 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 X No ___

As of August 18, 2006, 25,331,136 shares of the registrant's common stock, par value $0.01 per share, were issued and outstanding.

MONEY CENTERS OF AMERICA, INC.
QUARTERLY PERIOD ENDED MARCH 31, 2006
INDEX TO FORM 10-QSB

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
JUNE 30, 2006
UNAUDITED

ASSETS

Current assets:	
Restricted cash	$ 3,369,485
Accounts receivable	132,588
Prepaid expenses and other current assets	217,149

Total current assets	3,719,222
Property and equipment, net	834,672
Other assets	
Intangible assets, net	1,038,023
Goodwill	203,124
Deferred financing costs	40,512
Deposits	183,476
Total other assets	1,465,135
Total assets	$ 6,019,029
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable	$ 750,265
Accrued interest	158,355
Accrued expenses	331,109
Current portion of capital lease	179,500
Convertible notes payable, net of debt discount	700,000
Notes payable, net of debt discount	241,855
Lines of credit	8,091,076
Due to officer	250,024
Commissions payable	1,019,793
Total current liabilities	11,721,977
Long-term liabilities:	
Capital lease, net of current portion	355,598
Total long-term liabilities	355,598
Total Liabilities	12,077,575
Stockholders' Deficit:	
Preferred stock; $.001 par value, 20,000,000 shares authorized 0 shares issued and outstanding	-
Common stock; $.01 par value, 150,000,000 shares authorized 25,331,136 shares issued and outstanding	253,311
Additional paid-in capital	11,230,155
Accumulated deficit	(17,542,012)
Total stockholders' deficit	(6,058,546)
Total liabilities and stockholders' deficit	$ 6,019,029

See accompanying notes to unaudited consolidated financial statements.

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MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDEDSIX MON JUNE 30,		
	2006	2005	2
Revenues	$ 3,060,386	$ 5,427,270	$ 6
Cost of revenues	2,483,274	4,131,744	5
Gross profit	577,112	1,295,526	1
Selling, general and administrative expenses	500,975	628,329	1
Noncash Compensation	26,462	6,550	
Depreciation and amortization	85,229	157,074	
Operating income (loss)	(35,554)	503,573	
Other income (expenses):			
Interest income	4,040	4,992	
Interest expense	(434,456)	(461,579)	
Noncash interest expense	(66,357)	-	
Other expenses	(128,376)	(4,462)	
Total interest expense, net	(625,149)	(461,049)	(1
Other income	-	1,650	
Total other income	-	1,650	
Net income (loss)	$ (660,703)	$ 44,174	$ (1
Net income (loss) per common share - basic	$ (0.03)	$ 0.00	
Net income (loss) per common share - diluted	$ (0.03)	$ 0.00	
Weighted Average Common Shares Outstanding During the period -Basic	25,321,805	25,180,012	25
-Diluted	25,321,805	28,355,887	25

See accompanying notes to unaudited consolidated financial sta

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS

UNAUDITED

	Six Months Ended June 30, 2006	200
Cash flows from operating activities:		
Net loss	$ (1,065,010)	$ (695
Adjustments used to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	160,338	338
Amortization of debt discount	131,585	
Issuance of warrants for services	3,241	
Issuance of common stock for services	3,938	
Issuance of stock options for services	23,221	57
Changes in operating assets and liabilities:		
Increase (decrease) in:		
Accounts payable	(268,928)	407
Accrued interest	41,394	
Accrued expenses	145,508	28
Commissions payable	(99,683)	262
(Increase) decrease in:		
Prepaid expenses and other current assets	24,115	34
Accounts receivable	210,154	172
Deposits	(2,579)	
Net cash used in operating activities	(692,706)	607
Cash flows from investing activities:		
Purchases of property and equipment	(9,579)	(325
Cash paid for acquisition and intangible assets	(117,500)	(379
Net cash used in investing activities	(127,079)	(705
Cash flows from financing activities:		
Net change in lines of credit	(1,909,153)	304
Capital lease obligation	-	183
Payments on capital lease obligations	(40,372)	(38
Advances to officer	(120,306)	(20
Proceeds from notes payable	75,000	
Payments on notes payable	(81,897)	(103
Decrease in loans receivable	-	30
Sale of common stock, net of $22,500 of offering costs	-	479
Exercise of stock options and warrants	1,150	1
Net cash provided by (used in) financing activities	(2,075,578)	835
NET INCREASE (DECREASE) IN CASH	(2,895,363)	737
CASH, beginning of period	6,264,848	4,620
CASH, end of period	$ 3,369,485	$ 5,358

Supplemental disclosure of cash flow information:

Cash paid during the period for interest	$ 881,988	$ 966
Cash paid during the period for taxes	$ -	

Supplemental disclosure on non-cash investing and financing activities:

Acquisition of equipment under capital lease	$ 292,915	
Reduction of loan payable officer in exchange for related accrual	$ 43,750	
Record beneficial conversion feature for convertible debt and freestanding warrants	$ 10,305	

See accompanying notes to unaudited consolidated financial statements.

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2006

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Money Centers of America Inc. (the "Company" or "MCA"), a Delaware corporation, was incorporated in October 1997. The Company is a single source provider of cash access services, OnSwitch TM Transaction Management System, and the Omni Network TM. The Company has combined advanced technology with personalized customer services to deliver ATM, Credit Card Advance, POS Debit, Check Cashing Services, CreditPlus (outsourced marker services), cash access host program, customer data sharing and merchant card processing.

(A) Basis of Presentation

The unaudited consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated. The Company and its subsidiaries have fiscal years ending on December 31.

(B) Principles of Consolidation

The Company consolidates its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

(C) Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods presented. Actual results may differ from these estimates.

Significant estimates during 2006 and 2005 include depreciable lives on equipment, the valuation of stock options granted for services, the value of warrants issued in connection with debt related financing, valuation of intangible assets not having finite lives and the valuation allowance for deferred tax assets since the Company had continuing operating losses.

(D) Reclassification

Certain prior periods balances have been reclassified to conform to the current period's financial statement presentation. These reclassifications had no impact on previously reported results of operations or stockholders' deficit.

(E) Cash and Cash Equivalents and Compensating Balances

For purposes of the statements of cash flows, the Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At June 30, 2006, the balance did not exceed the federally insured limits. In addition, the Company maintains a significant amount of cash at each of the casinos. Management believes that the Company has controls in place to safeguard these on-hand amounts, and that no significant credit risk exists with respect to cash.

Additionally, the Company had $20,000 maintained under a compensating balance agreement. The $20,000 is retained due to potential dishonorment of bad checks that are unforeseen. There is an informal agreement between our bank and our lender that requires this compensating balance agreement.

(F) Restricted Cash

Restricted cash is the balance of cash that is in the Company's bank accounts and network that is used as collateral for our asset based lender (See Note 6). The Company does not have access to this cash unless there is an amount over and above the required amount of collateral. In order to pay operating expenses, the Company requests that the asset based lender transfer funds into the Company's unrestricted cash accounts. The restricted cash balance at June 30, 2006 was $3,369,485.

(G) Accounts Receivable

Accounts receivable arise primarily from ATM, credit card advances and check cashing services provided at casino locations. Concentration of credit risk related to ATM and credit card advances are limited to the processors who remit the cash advanced back to the Company along with the Company's allocable share of fees earned. The Company believes these processors are financially stable and no significant credit risk exists with respect to accounts receivable arising from credit card advances. Accordingly, no allowance was considered necessary at June 30, 2006 and 2005.

(H) Equipment

Equipment is stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred. Equipment consists primarily of cash access devices and computer equipment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from three to seven years.

(I) Long Lived Assets

The Company accounts for long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell the asset. There were no impairment charges taken during the periods ended June 30, 2006 and 2005.

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(J) Goodwill, Intangibles and Related Impairment

Based on the discounted estimated cash flows of the Company over the remaining amortization period, the Company's carrying values of the assets would be reduced to their estimated fair values. Goodwill is assumed to have an indefinite life pursuant to statement of Financial Accounting Standards No. SFAS 142, "Goodwill and Other Intangible Assets" and accordingly is not amortized but subject to periodic impairment tests. Acquired contract rights are considered to have a finite life, pursuant to SFAS 142, to be amortized over the period the asset is expected to contribute to future cash flows. The Company expects the period to be 1 to 4 years. The contract rights will also be subject to periodic impairment tests. In accordance with SFAS No. 142, the Company is required to evaluate the carrying value of its intangible assets (goodwill) subsequent to their acquisition.

(K) Internal Use Software and Website Development Costs

The Company has adopted the provisions of AICPA Statement of Position ("SOP") 98-1, "Accounting for the Costs of Software Developed or Obtained for Internal Use", and Emerging Issues Task Force ("EITF") Consensus #00-2. "Accounting for Website Development Costs." The type of costs incurred by the Company in developing its internal use software and Website include, but are not limited to payroll-related costs (e.g. fringe benefits) for employees who devote time to the internal use computer software or Website project, consulting fees, the price of computer software purchased from third parties and travel expenses incurred by employees or consultants in their duties directly associated with developing the software. These costs are either expensed or capitalized depending on the type of cost and the stage of development of the software and Website.

The Company makes ongoing evaluations of the recoverability of its capitalized internal use software and Web site by comparing the amount capitalized for each module or component of software to their estimated net realizable values. If such evaluations indicate that the unamortized costs exceed the net realizable values, the Company writes off the amount by which the unamortized costs exceed the net realizable values. At June 30, 2006 and 2005, no such write-offs were required.

At June 30, 2006, the net book value of capitalized software was $998,987. Amortization expense for the periods ended June 30, 2006 and 2005 was $3,916 and $3,916, respectively.

(L) Deferred Financing Costs

Deferred financing costs are capitalized and amortized over the term of the related debt. At June 30, 2006, the gross amount of deferred financing costs was $ 176,283 and related accumulated amortization was $ 135,771. At June 30, 2006 the company reflects in the accompanying consolidated balance sheet net deferred financing costs of $40,512. Amortization of deferred financing costs was $24,836 and $21,959 at June 30, 2006 and 2005, respectively.

(M) Derivative Liabilities

In order to determine whether the Company has derivative liabilities, the Company reviewed SFAS No. 133, SFAS No. 150, EITF No. 00-19 and EITF No. 05-02, "The Meaning of Convertible Debt Instrument in Issue No. 00-19".

Pursuant to the terms of the Company's outstanding convertible debt and the associated detachable freestanding warrants, management determined that no instruments should be classified as a derivative liability. Additionally, there are no other issued and outstanding instruments which require the application of the aforementioned accounting guidance.

(N) Revenue Recognition

The Company follows the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin No. 104 for revenue recognition. In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. The following policies reflect specific criteria for the various revenues streams of the Company:

(1) ATM's and Credit Cards

Fees earned from ATM and credit card advances are recorded on the date of transaction.

(2) Check Cashing

Revenue is recorded from fees on check cashing services on the date the check is cashed. If a customer's check is returned by the bank on which it is drawn, the full amount of the check is charged as bad debt loss. The check is subsequently resubmitted to the bank for payment. If the bank honors it, the amount of the check is recognized as a negative bad debt expense. Based on the quick turnaround of the check being returned by the bank on which it is drawn and the resubmission to the bank for payment, the Company feels this method approximates the allowance method, which is a Generally Accepted Accounting Principle. Based upon past history no allowance was considered necessary at June 30, 2006 and 2005, respectively.

(O) Cost of Revenues

The cost of revenues primarily includes commissions paid, non management wages, employee benefits, bad debts, rents paid to contract lessors, transaction processing costs, cash replenishment fees, non-capitalizable operating lease fees for ATM's and repairs and maintenance of ATM's.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(P) Advertising

In accordance with Accounting Standards Executive Committee Statement of Position 93-7, ("SOP 93-7") costs incurred for producing and communicating advertising of the Company, are charged to operations as incurred. Advertising expense for the periods ended June 30, 2006 and 2005 were $38,103 and $17,405, respectively.

(Q) Income Taxes

The Company accounts for income taxes under the Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("Statement 109"). Under Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period, which includes the enactment date.

(R) Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosures of information about the fair value of certain financial instruments for which it is practicable to estimate the value. For purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

The carrying amounts of the Company's short-term financial instruments, including accounts receivable, accounts payable and accrued expenses, commissions payable, notes payable, convertible notes payable, net of debt discount, line of credit and due to related party approximate fair value due to the relatively short period to maturity for these instruments.

(S) Earnings per Share

In accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share", basic earnings per share is computed by dividing the net income (loss) less preferred dividends for the period by the weighted average number of shares outstanding. Diluted earnings per share is computed by dividing net income (loss) less preferred dividends by the weighted average number of shares outstanding including the effect of share equivalents. Common share equivalents consist of shares issuable upon the exercise of certain common stock purchase warrants, stock options, and convertible preferred stock. The Company has excluded these common share equivalents from its computation of earnings per share due to their antidilutive effect as the Company has reflected a net loss at June 30, 2006 and 2005, respectively. Accordingly, the basic and diluted EPS are the same.

At June 30, 2006 and 2005 there were 6,588,056 and 5,410,688 shares of issuable common stock underlying the options, warrants and convertible debt securities, respectively.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The following table summarizes all common stock equivalents outstanding at June 30, 2006 and 2005, respectively.

	2006	2005
Common stock options	3,492,500	3,331,250
Common stock warrants	1,540,000	2,079,438
Convertible notes payable	1,555,556	-
Total Common Stock Equivalents	6,588,056	5,410,688

(T) Stock Based Compensation

We previously accounted for stock-based compensation issued to our employees using the intrinsic value method. Accordingly, compensation cost for stock options issued was measured as the excess, if any, of the fair value of our common stock at the date of grant over the exercise price of the options. The pro forma net loss per share amounts are presented as if the fair value method had been used during the six months ended June 30, 2005 in accordance with the Company's adoption of SFAS 123(R) effective January 1, 2006.

For purposes of the following disclosures during the transition period of adoption of SFAS 123(R), the weighted-average fair value of options has been estimated on the date of grant using the Black-Scholes options-pricing model with the following weighted-average assumptions used for grants for the six months ended June 30, 2006: expected dividend yield of 0%; expected volatility of 150%; risk-free interest rate of 4%; and an expected term of 7 to 10 years for options and warrants granted. Had the compensation cost for the quarter ended June 30, 2005 been determined based on the fair value at the grant, our net income (loss) and basic and diluted earnings (loss) per share would have been reduced to the pro forma amount for that period indicated below. For the quarter ending June 30, 2006, the net income and earnings per share reflect the actual deduction for option expense as compensation. Compensation recorded for stock options is a non-cash expense item.

	Six Months Ended June 30	
	2006	2005
Net income (loss) - as reported	$(1,065,010)	$(695,079)
Less: stock-based employee compensation determined under the fair value method	-	(136,355)
Add: stock-based employee compensation determined under the intrinsic value method (APB #25)	-	-
Net income (loss)	(1,065,010)	(831,434)
Basic and Diluted earnings (loss) per share-as reported	$ (0.04)	$ (0.03)
Basic and Diluted earnings (loss) per share-pro forma	$ (0.04)	$ (0.03)

2. UNAUDITED INTERIM INFORMATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The accompanying unaudited consolidated financial statements for the interim periods reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the unaudited consolidated financial position, operating results and cash flows for the periods presented. These unaudited consolidated financial statements should be read in conjunction with the financial statements and related footnotes for the year ended December 31, 2005 and notes thereto contained in the annual report on Form 10-KSB as filed with the Securities and Exchange Commission. The results of operations for the six months ended June 30, 2006 are not necessarily indicative of the results for the full year ending December 31, 2006.

3. CONVERTIBLE NOTES PAYABLE, NET OF DEBT DISCOUNT AND NOTES PAYABLE

(A) Convertible Notes Payable, net of debt discount

At June 30, 2006, the Company had the following outstanding convertible notes payable:

Convertible notes payable	$175,000
Convertible notes payable - related party	525,000
Total convertible notes payable	700,000
Less: debt discount	-
Convertible notes payable, net of debt discount	$700,000

At June 30, 2006, the Company had the following outstanding accrued interest payable for all convertible and non-convertible debt instruments:

Convertible notes payable - accrued interest	$8,551
Convertible notes payable - related party - accrued interest	41,605
Interest accrued on Notes Payable and Lines of Credit	95,009
Interest accrued on non convertible related note (see Note 5(B))	13,190
Total accrued interest payable	$158,355

In March 2006, the Company granted 25,000 warrants to a related party lender pursuant to a promissory note requiring the issuance of such warrants provided the original principal and interest was not paid in full by March 1, 2006. The payment represents additional interest as consideration for extending the note. Based upon the following factors used to determine the fair value of these warrants, the Company attributed a fair value to these warrants of $9,300 and recorded them as non cash interest.

(B) Notes Payable, net of debt discount

In March 2006 the Company borrowed an aggregate $50,000 evidenced by two separate $25,000 promissory notes. The Company recorded a debt discount of

$6,682 related to the beneficial conversion feature attributed to the 25,000 warrants issued in connection with these notes. At March 31, 2006, the Company recorded amortization of debt discount for these notes totaling $742 as a component of interest expense. The remaining $5,940 of debt discount is being amortized over the life of the promissory note.

In May 2006 The Company borrowed, from a related party, an aggregate $25,000 evidenced by a promissory note. The Company recorded a debt discount of $3,623 related to the beneficial conversion feature attributed to the 12,500 warrants issued in connection with this note. At June 30, 2006, the Company recorded amortization of debt discount for these notes totaling $684 as a component of interest expense. The remaining $2,939 of debt discount is being amortized over the life of the promissory note.

The following Weighted Average Assumptions reflect all 2006 Option/Warrant Grants

Exercise price on grant date	$0.01- $0.33
Expected dividend yield	0%
Expected Volatility	150% - 200%
Risk free interest rate	4%
Expected life of option	7- 10 years

During 2006, the Company reflected aggregate principal repayments of $81,897 for all non-convertible promissory notes.

At June 30, 2006, the Company had the following outstanding notes payable:

Notes payable	$184,912
Notes payable - related party	65,000
Total notes payable	249,912
Less: debt discount	(8,057)
Note payable, net of debt discount	$241,855

4. CAPITAL LEASES

In February 2006, the Company entered into a new capital lease for 4 ATM machines at a Casino in California. The capitalized cost of the ATM machines is $63,685. The terms of this lease require an approximately $19,000 down payment 90 days from installation with the remaining balance of approximately $44,685 financed over 59 months, at 15.15% for $949 per month.
This note is collateralized by the equipment.

In February 2006, the Company entered into a new capital lease for 1 additional ATM machine at a Casino in New Mexico. The capitalized cost of the ATM machine is $15,894. The terms of this lease require an approximately $5,000 down payment 90 days from installation with the remaining balance of approximately $10,894 financed over 59 months, at 14.53% for $237 per month. This note is collateralized by the equipment.

In April 2006, the Company entered into a new capital lease for 4 additional ATM machines at a Casino in Wisconsin. The capitalized cost of the ATM machines is $63,574. The terms of this lease require an approximately $19,000 down payment 90 days from installation with the remaining $44,574 financed over 59 months, at 8.61% for $928 per month. This note is collateralized by the equipment.

In April 2006, the Company entered into a new capital lease for 2 ATM machines at a Casino in California. The capitalized cost of the ATM machines is $39,644. The terms of this lease require an approximately $12,000 down payment 90 days from installation with the remaining $27,644 financed over 59 months, at 8.61% for $579 per month. This note is collateralized by the equipment.

In April 2006, the Company entered into a new capital lease for 4 additional ATM machines at a Casino in Colorado. The capitalized cost of the ATM machines is $77,129. The terms of this lease require an approximately $23,000 down payment 90 days from installation with the remaining $54,129 financed over 59 months, at 8.61% for $1,126 per month. This note is collateralized by the equipment.

In April 2006, the Company entered into a new capital lease for 2 ATM machines at retail locations in New York, New York. The capitalized cost of the ATM machine is $32,986. The terms of this lease require an approximately $10,000 down payment 90 days from installation with the remaining $22,986 financed over 59 months, at 8.61% for $482 per month. This note is collateralized by the equipment.

Capital lease obligations at June 30, 2006 consisted of the following:

Obligation under capital lease, imputed interest rate at 12.78%; due May 2007; collateralized by equipment	$ 27,358
Obligation under capital lease, imputed interest rate at 8.21%; due December 2009; collateralized by equipment	30,237
Obligation under capital lease, imputed interest rate at 8.21%; due December 2009; collateralized by equipment	30,237
Obligation under capital lease, imputed interest rate at 7.95%; due March 2010; collateralized by equipment	63,669
Obligation under capital lease, imputed interest rate at 8.3%; due March 2010; collateralized by equipment	11,411
Obligation under capital lease, imputed interest rate at 11.63%; due July 2010; collateralized by equipment	22,163
Obligation under capital lease, imputed interest rate at 9.74%; due July 2010; collateralized by equipment	57,111
Obligation under capital lease, imputed interest rate at 14.53%; due March 2011; collateralized by equipment	15,894
Obligation under capital lease, imputed interest rate at 15.15%; due March 2011; collateralized by equipment	63,685

Obligation under capital lease, imputed interest rate at 8.61%; due April 2011; collateralized by equipment	63,574

Obligation under capital lease, imputed interest rate at 8.61%; dueApril 2011; collateralized by equipment	39,644
Obligation under capital lease, imputed interest rate at 8.61%; due March 2011; collateralized by equipment	77,129
Obligation under capital lease, imputed interest rate at 8.61%; due March 2011; collateralized by equipment	32,986
Less: current maturities	(179,500)
Long term obligation, net of current portion	$ 355,597

5. DUE TO OFFICER

During 2006, the Company issued a note to its CEO totaling $43,750. The note was issued in payment of the CEO's 2005 guaranteed bonus. This loan and other notes to our CEO bear interest at 10%, are unsecured and due on demand. The outstanding principal and related accrued interest balance at June 30, 2006 was $250,024. Of the total, $2,650 represented accrued interest payable.

6. LINES OF CREDIT

Lines of credit at June 30, 2006 consisted of the following:

Line of credit, maximum availability of $7,000,000, maturity date May 31, 2006. Subject to various restrictive covenants, interest is payable monthly at Prime plus 10.75% per annum, borrowings are collateralized by restricted cash, all the assets of the Company, 250,000 shares of common stock, and guaranteed by the principal shareholder of the Company. The Company is required to pay a monthly facility fee equal to 1/12% of the highest balance of the line during the month. At June 30, 2006, the Company had recorded related accrued interest payable of $60,945 in connection with this line of credit.	$ 4,812,813
Line of credit, interest is payable monthly at 9% per annum, the line is unsecured and due on demand. This line has been established with one of our casino customers.	328,000
Line of credit, non-interest bearing, unsecured and due on demand. This line has been established with one of our casino customers.	495,313
Line of credit, unsecured and due on demand. The Company pays a fixed stated amount of interest totaling $1,000 per month. The payments are recorded and charged to interest expense. This line has been established with one of our casino customers. At June 30, 2006, the Company had recorded related accrued interest payable of $1,000 in connection with this line of credit.	187,200
On April 12, 2004, the Company borrowed $2,050,000 from an asset-based lender to make the second payment for the Available Money acquisition. From April 12, 2004 until June 30, 2005 all interest was accrued and added to the principal balance. The Company has received a one year extension, with renewal subject to the lender's discretion. This extension expired May 31, 2006. Although this loan has not been formally renewed, we are in discussions with Mercantile regarding the terms of a renewal and Mercantile has continued to finance our vault cash on the current terms. The note bears interest at 17% per annum. This note is amortized over 5 years at $68,428 per month. At June 30, 2006,	2,267,750

the Company had recorded related accrued interest payable of $33,064 in connection with this line of credit. The note is guaranteed by the majority shareholder of the Company and also collateralized by all the assets of the Company.	
	$ 8,091,076

7. STOCKHOLDERS' DEFICIT

Six Months Ended June 30, 2006

(A) Common Stock Issuances

(1) Cash

None

(2) Services

In February 2006, the Company issued 9,158 shares of common stock to employees for services rendered. The Company valued the shares at the fair value on the date of issuance which was $.43 per share based on the quoted closing trading price and recorded non-cash compensation expense of $3,938.

(3) Exercise of Options/Warrants

In February 2006, an employee and a consultant exercised an aggregate 75,000 options and warrants at $.01 per share. The Company received proceeds of $750 from the transaction and issued 75,000 shares.

(B) Accrued Penalty Shares

At June 30, 2006, pursuant to the terms of a prior common stock offering with registration rights, the Company has accrued penalties in the amount of 142,500 shares. The Company has valued these shares at $81,048 based on the quoted closing trading price every two weeks when the penalty accrues. The fair value of the penalty has been recorded as a component of accrued expenses. In February 2006, the Company's Form SB-2 was declared effective. Pursuant to the terms of the original agreement once a registration statement had been declared effective, accrual of penalty shares is no longer required. As of February 2006, the penalty shares have ceased accruing.

(C) Stock Options

The Company follows SFAS No. 123(R) for all share based payment awards. The fair value of each option or warrant granted is estimated on the date of grant using the Black-Scholes option pricing model. The following is a summary of all stock option and warrant activity with employees and non-employees during 2006:

(1) Option Grants - Employees

In May, 2006, 12,500 options at an exercise price of $0.33 per share issued to an employee vested according to their stock option agreement. The Company valued these shares at $4,266 and accordingly booked a noncash compensation expense in the same amount.

In June 2006 50,000 options at an exercise price of $0.42 per share issued to the Company's Chief Financial Officer vested according to the executives employment agreement. The Company valued these shares at $18,955 and accordingly booked a noncash compensation expense in the same amount.

(2) Options/ Warrants Exercised - Employees

In February 2006, a consultant exercised 5,000 warrants at $.01 per share. The Company received proceeds of $50 from the transaction and issued 5,000 shares of common stock.

In February 2006, an employee exercised 70,000 options at $.01 per share. The Company received proceeds of $700 from the transaction and issued 70,000 shares of common stock.

In April 2006, an employee exercised 15,000 options at $.01 per share, The Company received proceeds of $150 from the transaction and issued 15,000 shares of common stock.

In April 2006, an employee exercised 25,000 options at $.01 per share, The Company received proceeds of $250 from the transaction and issued 25,000 shares of common stock.

(3) Option Forfeitures - Employees

None

(4) Weighted Average Assumptions for 2006 Option Grants - Employees

None

Employee stock option activity for the six months ended June 30, 2006 and 2005 are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2004	3,161,250	$.15
Granted	477,500	.49
Exercised	(30,000)	.01
Cancelled/Expired	(6,250)	.40
Outstanding at December 31, 2005	3,602,500	$.19
Granted	-	-
Exercised	(110,000)	.01
Cancelled/Expired	-	-
Outstanding at June 30, 2006	3,492,500	$.20

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The following table summarizes the Company's employee stock options outstanding at June 30, 2006:

Options Outstanding

Range of Exercise Price	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
.01	2, 765,000	7.52-7.57	.01
.33	127,500	1.50-2.47	.30
.42	200,000	7.96	.42
.70-.77	212,500	7.84-8.56	.75
2.00-2.28	187,500	6.92-7.35	2.11
	3,492,500		.20

At June 30, 2006 3,492,500 stock options are exercisable with a weighted average exercise price of $.20.

(D) Warrants

(1) Warrant Grants - Consultants

In May, 2006, the Company issued 20,000 warrants to purchase the Company's stock at an exercise price of $0.33 per share to a consultant for services rendered. According to the issuance 10,000 warrants vested June 29, 2006 and the remaining 10,000 warrants will vest August 28, 2006. The Company valued the 10,000 vested shares at $3,241 and accordingly booked a noncash compensation expense in the same amount.

Also in May 2006, the company issued 12,500 warrants to purchase the Company's stock at $0.01 to a lender as described in Note 3 (B).

Warrant activity for the period ended June 30, 2006 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2004	2,079,438	$ 3.13
Granted	172,500	.16
Exercised	(150,000)	.01
Cancelled	(644,438)	4.00
Outstanding at December 31, 2005	1,457,500	$2.72
Granted	87,500	.14
Exercised	(5,000)	.01
Cancelled	-	-
Outstanding at June 30, 2006	1,540,000	$2.58

Warrants Outstanding

Range of Exercise Price	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
.01	365,000	6.24-7.57	.01

.33-.35	170,000	3.20-8.31	.32
.40	15,000	9.26	.40
.44	15,000	9.26	.44
.47-.51	30,000	9.18-9.26	.49
1.00	75,000	2.00	1.00
2.40	112,500	2.33-6.76	2.40
4.00-6.00	757,500	.75-2.00	4.68
	1,540,000		

All outstanding warrants are exercisable at June 30, 2006.

8. COMMITMENTS AND CONTINGENCIES

(1) Operating Leases

In connection with converting all of the Available Money ATM's, the Company now pays rent to various mall properties where it has ATM machines. These monthly rents average $36,000 per month.

The Company is party to a 39-month lease agreement pursuant to which it rents office space in Pennsylvania at a monthly rent of $2,635. This Lease expires February 2008.

The Company's total rent expense under operating leases was $238,823 and $270,337 for the six months ended June 30, 2006 and 2005, respectively.

(2) Casino Contracts

The Company operates at a number of Native American owned gaming establishments under contracts requiring the Company to pay a rental fee to operate at the respective gaming locations.

Typically, the fees are earned by the gaming establishment over the life of the contract based on one of the following scenarios:

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(A) A dollar amount, as defined by the contract, per transaction volume processed by the Company.

(B) A percentage of the Company's profits at the respective location.

As of June 30, 2006 the Company has recorded $782,210 of accrued commissions on casino contracts.

Pursuant to the contracts, the Native American owned casinos have not waived their sovereign immunity.

(3) Employment Agreements

(A) CEO

(1) Employment Agreement

In January 2004, the Company entered into a five-year employment agreement with it's Chairman, President and Chief Executive Officer. In addition to an annual salary of $350,000 per year (subject to annual increases at the discretion of the Board of

Directors) (the "Base Salary"), the employment agreement provides for a $200,000 signing bonus, a guaranteed bonus equal to 50% of his Base Salary in any calendar year (the "Guaranteed Bonus") and a discretionary incentive bonus of up to 50% of his Base Salary in any calendar year pursuant to a bonus program to be adopted by the Board of Directors (the "Incentive Bonus"). Pursuant to his employment agreement, the officer is entitled to fringe benefits including participation in retirement plans, life insurance, hospitalization, major medical, paid vacation, a leased automobile and expense reimbursement. Effective March, 2006, the Company amended the executive's agreement to reduce his guaranteed bonus for 2005 from 50% of his salary to 12.5% of his salary. At June 30, 2006, the Company had accrued $87,500 for bonus.

(2) Commissions Payable

The Company pays sales commissions to sales persons closing various contracts. The CEO was paid $18,960 in sales commissions for the first six months of 2006.

(B) CFO

The Company entered into an agreement with its Vice President of Finance and Chief Financial Officer (CFO) dated June 14, 2005 (the "Employment Agreement") The employment term commenced on June 14, 2005 and continues until the close of business on December 31, 2006, with automatic annual renewals thereafter unless either party gives notice of non-renewal at least thirty days prior to automatic renewal. The officer's annual salary during the term of employment under the Employment Agreement shall be no less than $120,000. In addition, the officer was granted options to purchase 200,000 shares of the Company's common stock with an exercise price of $.42 per share under the Company's Amended and Restated 2003 Stock Incentive Plan, pursuant to an Award Agreement for Non-Qualified Stock Option dated June 14, 2005 entered into between the Company and the officer. The options have a term of ten years and are exercisable as follows: (a) 50,000 shall be exercisable immediately on the date of grant; (b) 50,000 shall be exercisable on June 1, 2006; and (c) 100,000 shall be exercisable on June 1, 2007. On October 20, 2005, the CFO's employment agreement was amended to increase his annual salary to $145,000 and decrease his maximum annual bonus compensation to $25,000. At June 30, 2006, the Company had accrued $12,500 for bonus.

(4) Litigation

On or about October 14, 2004, Lake Street Gaming, LLC ("Lake Street") filed a Complaint against iGames Entertainment, Inc. and Money Centers of America, Inc. ("MCA") (collectively referred to hereinafter as "iGames") in the United States District Court for the Eastern District of Pennsylvania, alleging that iGames breached an Asset Purchase Agreement ("APA") that the parties executed on or about February 14, 2003. By virtue of the APA, Lake Street sold to iGames all of Lake Street's right, title and interest in a casino game called "Table Slots." Lake Street alleges that it is entitled to additional compensation for the game that exceeds what was agreed to. We are vigorously defending this action and believe that Lake Street's claims for additional compensation and damages lack merit.

9. CUSTOMER CONCENTRATIONS

For the six months ended June 30, 2006, approximately 55% of total revenues were derived from operations at two full service casinos. No other customers represented more than ten percent of our total revenues for the six months ended June 30, 2006.

In May 2006, the Company ceased operations with the Sycuan Casino, a casino customer that did not renew its contract which ended May 6, 2006. The Sycuan Casino accounted for approximately $5.3 million in revenue and approximately $460,000 in gross profit for the year ended December 31, 2005.

In the second quarter of 2006 the Sycuan Casino generated $597,242 in revenue and $128,921 in net loss for operations. The net loss included $128,376 related to the closing down of our operations at the Sycuan Casino.

10. CASH RENTAL PROGRAM AND RELATED INTEREST EXPENSE

Included in interest expense are monies owed to an unrelated vendor for interest charges. The interest is based on the amount of cash in the Company's Available Money ATM machines and network and is calculated on a daily basis. The balance of this cash funded by the bank in the Company's ATM machines at June 30, 2006 was approximately $6 million. The interest rate on the $6 million is prime plus zero. Effectively the Company rents this cash. The Company does not reflect this cash as an asset or the loan as a liability on its balance sheet at June 30, 2006. Interest expense from this cash was $145,105 for the six months ended June 30, 2006.

11. GOING CONCERN

The accompanying unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has a working capital deficit of $8,002,755, a stockholders' deficit of $6,058,546 and an accumulated deficit of $17,542,012 at June 30, 2006. The Company also reflected a net loss of $1,065,010 and net cash used in operations of $692,706, for the six months ended June 30, 2006. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

Management is in the process of implementing its business plan. Additionally, management is actively seeking additional sources of capital, but no assurance can be made that capital will be available on reasonable terms. Management believes the actions it is taking allow the Company to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

12. SUBSEQUENT EVENTS

None

CAUTIONARY STATEMENT FOR FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-QSB includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements 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. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expect," "plan," anticipate," believe," estimate," continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those included in our Annual Report on Form 10-KSB filed on April 14, 2006. The following discussion should be read in conjunction with our Consolidated Financial Statements and related Notes thereto included elsewhere in this report.

Item 2 - Management's Discussion and Analysis or Plan of Operation

The following discussion and analysis of the results of operations, financial condition and liquidity should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this report. These statements have been prepared in accordance with accounting principles generally accepted in the United States. These principles require us to make certain estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and related liabilities. On a going forward basis, we evaluate our estimates based on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the result of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

History

We are a single source provider of cash access services, the ONSwitch(TM) transaction management system and the Omni Network to the gaming industry. We combine advanced technology with personalized customer services to deliver ATM, Credit Card Advance, POS Debit, Check Cashing Services, CreditPlus outsourced marker services, and merchant card processing.

We were formed as a Delaware corporation in 1997. Prior to March 2001, we were a development company focusing on the completion of a Point of Sale ("POS") transaction management system for the gaming industry. In March 2001, we commenced operations with the launch of the POS system at the Paragon Casino in Marksville, LA.

On January 2, 2004, iGames Entertainment, Inc. acquired us pursuant to our merger with and into a wholly-owned subsidiary of iGames formed for that purpose. In addition, on January 6, 2004, iGames acquired Available Money, Inc., an operator of free-standing ATM machines in casinos. The business operations of Available Money were combined with our business operations. As a result of the acquisition of Available Money and our continued growth, we currently provide services in 34 locations across the United States and the Caribbean.

Our acquisition by iGames was treated as a recapitalization and accounted for as a reverse acquisition. Although iGames was the legal acquirer in the merger, we were the accounting acquirer since our shareholders acquired a majority ownership interest in iGames. Consequently, our historical financial information is reflected in the financial statements prior to January 2004. All significant intercompany transactions and balances have been eliminated. We do not present pro forma information, as the merger was a recapitalization and not a business combination.

On October 15, 2004, pursuant to an Agreement and Plan of Merger dated as of August 10, 2004 (the "Merger Agreement") by and between iGames and us, iGames was merged with and into us. Pursuant to the Merger Agreement, the holder of each share of iGames' common stock received one share of our common stock, and each holder of shares of iGames' Series A Convertible Preferred Stock received 11.5 shares of our common stock. Options and warrants to purchase iGames' common stock, other than warrants issued as part of the merger consideration in iGames' January 2004 acquisition of us (the "Merger Warrants"), are deemed options and warrants to purchase the same number of shares of our common stock with no change in exercise price. The Merger Warrants were cancelled in exchange for 1.15 shares of our common stock for each share of common stock purchasable thereunder.

As a result of this merger, we have retained our December 31 fiscal year end.

Our business model is to be an innovator and industry leader in cash access and financial management services for the gaming industry. Within the funds transfer and processing industries there exists niche markets that are capable of generating substantial operating margins without the requirement to process billions of dollars in transactions that is the norm for the industry. We believe there is significant value to having a proprietary position in each phase of the transaction process in the niche markets where management has a proven track record. The gaming industry is an example of such a market and is currently where we derive the majority of our revenues. We have identified other markets with similar opportunities, however we have not executed any plans to exploit these markets at this time.

Current Overview

Our core business of providing single source full service cash access services in the gaming industry is the source of our revenue and profits in 2006. We have also launched several new services in the last 2 years, such as our ONSwitch(TM) Transaction Management System, CreditPlus, Cash Services Host Program, and the Omni Network(TM) that have helped to differentiate our product offering in the marketplace.

Our core business generates revenues from transaction fees associated with each unique service we provide, including ATMs, credit card advances, POS Debit, check cashing, markers and various other financial instruments. We receive our fees from either the casino operator or the consumer who is requesting access to their funds. The pricing of each transaction type is determined by evaluating risk and costs associated with the transaction in question. Accordingly, our transaction fees have a profit component built into them. Furthermore, reimbursement for electronic transactions are guaranteed by the credit or debit networks and associations that process the transactions as long as procedures are followed, thereby reducing the period of time that trade accounts receivable are outstanding to several days.

Companies providing cash access services to the gaming industry face some unique challenges and opportunities in the next ten years. Many companies in the industry have merged, been acquired or have recapitalized in order to capitalize on the trends identified in the gaming industry.

Historically, providers of cash access services to the gaming industry had cash flow margins that were generally higher than those experienced in the funds transfer and processing industries. Growing competition and the maturing of the market has resulted in a decline in these margins as companies have begun marketing their services based on price rather than innovation or value added services. This trend is highlighted by the number of companies that promote revenue growth and an increased account base but experience little increase in net income. This trend is magnified by the fact that the largest participant in the industry has close to 65% market share and has begun to forgo margin in order to retain business. Companies that can adapt to the changing market and can create innovative products and services stand at the forefront of a new wave in revenue and profit growth.

Substantially all gaming facilities provide ATM services, credit card cash advances, debit, and/or check cashing services to their customers. Services are typically outsourced and provided on an exclusive basis for an average of two to five years. Each year, approximately 400 accounts totaling $300 million in revenue are put out to bid. Currently there are five major companies, including us, that have proprietary systems to compete for this business. Although this market has matured from a pricing perspective, the demand for the services from the end user is still strong.

Like most maturing markets, the companies that succeed are those that are capable of reinventing themselves and the markets they serve. We believe that smaller gaming properties will always look to have cash access services provided in the traditional manner. However, there are several major trends occurring in the gaming industry that will have a major impact on our industry and will determine which companies emerge as industry leaders:

1. Consolidation of major casino companies that will put pressure on other major casino companies to follow suit and will put pressure on smaller casino companies to focus on service and value added amenities in order to compete.

The trend towards consolidation of the major gaming companies has continued and will make it difficult to continue to offer our services in the traditional manner. The economics are too compelling for the gaming operators not to consider internalizing these operations in order to generate additional revenue and profits to service the debt associated with the consolidation. Our preparation has continued to position us to capitalize on this trend. We have prepared for this change and have already begun to offer our systems and services through the issuance of Technology and Use Agreements for our ONSwitch(TM) Transaction Management System. Instead of outsourcing the cash services operations, ONSwitch(TM) offers turn-key processing capabilities for internal use by the casino. This means casinos will license our technology so they can operate and maintain their own cash access services, including the addition of their merchant card processing. Our size makes us uniquely capable of adapting to this change. Though the license agreements do not have the same revenue potential as a traditional cash services contract, the net income derived from these agreements is higher and the user agreements are for a longer period of time. For instance, the standard outsourced contract is from one to three years in length, while we offer ONSwitch(TM) only under five to ten year licenses. It is in the casino's interest to license ONSwitch(TM) for the longer period of time as well. Also, we will not have the same capital expenditures or vault cash requirements that we experience in performing traditional cash access services. Furthermore, our larger competitors have spent years trying to conceal the economic benefits of this type of offering because their large infrastructure is designed to only support an outsourced solution.

2. Ticket In-Ticket Out technology growth exceeding expectations.

The first major casino company to remove coins from the casino floor was Caesars Palace in Atlantic City, NJ. Since then, slot machine manufacturers have developed a technology that prints and accepts bar-coded tickets at the slot machine instead of accepting or dispensing coins. It was originally anticipated that it would take 10-15 years for the industry to fully adopt this technology. It appears it may only take half this amount of time. This presents a problem to casino operators. They now have tens of thousands of bar-coded tickets a day that need to be redeemed for cash. This has paved the way for self-service ticket redemption technology so customers do not have to go to the casino cage in order to redeem their tickets. The initial ticket redemption machines placed in service have proven to be too big and too expensive. Most casino operators have to wait until budget season to appropriate the necessary funds in order to even consider the acquisition of the required equipment. We believe this functionality will ultimately reside on the ATM machine thus eliminating the requirement to purchase new equipment and eliminating the need to remove a slot machine to make room for a stand-alone ticket redemption device. We are developing technology that will allow ticket-redemption functionality on our cash access devices. There is still the problem of security with the bar-coded ticket, which is as good as cash. Many casino operators will refuse to allow vendors to handle the tickets for security and fraud concerns. This is an additional economic benefit of our plan to have the casino operator internalize their cash access services because only the casino's personnel will handle the tickets in the situations where they are licensing our services.

3. Execution of long-term and stable compacts for Indian Casinos in numerous state jurisdictions has made traditional capital more readily available paving the way for a new wave of expansion and the resulting need for new sources of revenue and customer amenities.

Recent shortfalls in state budgets have brought the tribal and state governments together to execute long-term compacts that meet the financial needs of both parties. In recent years, California, Arizona, New Mexico and Wisconsin are just a few examples of this development. The added financial stability for Indian casinos has made traditional capital more readily available to tribes, leading many tribes to undertake expansion of casino facilities and operations.

In order to support this expansion, Indian casino operators will seek new sources of revenues and new amenities to attract and retain more quality customers. One of the most critical customer amenities in casino operations is the availability of credit. Traditional gaming markets, such as Las Vegas and Atlantic City, rely on credit issuance for up to 40% of their revenues. These markets issue credit internally and rely on specialized credit reporting in their risk management decisions. Significant capital investment in technology is required for these transactions to be executed efficiently. However, within the $15 billion dollar Indian Gaming market there are virtually no credit services currently available. Approximately 26 of 29 states that have approved Indian Gaming do not allow the Tribes or their respective casinos to issue credit. The lack of credit play is also due to the lack of a third party credit issuer that is capable of facilitating the transactions. Our CreditPlus platform allows Indian casinos to issue credit to players, providing Indian casinos with a guest amenity that is already widely accepted in traditional jurisdictions. Our ability to convert this market opportunity into revenue is largely dependent on the success of our sales efforts in educating casinos in the Indian Gaming market regarding the advantages of CreditPlus and its compliance with the regulatory requirements.

Our Cash Services Host Program is uniquely aimed at capitalizing on the need for new profitable guest amenities. Where most guest amenities require additional expenses, this service helps the casino operator generate more revenues. This service allows customers to facilitate cash access transactions from the slot machine or gaming table. Our hosts are available to bring the transaction to the guest, which is viewed as a valuable customer amenity, while driving more money to the gaming floor for the casino operator.

The acquisition of Available Money continues to provide challenges for management in terms of the longer than expected conversion of this portfolio to our processing platform and the renegotiation or termination of nonprofitable contracts. We have been successful in renegotiating several of the Available Money contracts to increase the fees that we can charge under those contracts, the benefits of which we began to recognize in September 2005. In addition, due to interest rate increases, we again increased our fees on some Available Money locations in July 2006. Certain other contracts that were not profitable and that we were unable to renegotiate have been terminated. Although this has resulted in decreased revenues, it has had a positive effect on cash flow and gross profit.

We launched our ONSwitch(TM) Transaction Management System in January 2006 and we began to offer ONSwitch(TM) to our customers as a "turn-key" solution that they can use to process and facilitate their own transactions without using a vendor. ONSwitch(TM) allows a gaming operator to leverage existing infrastructure to internalize the delivery and operation of cash access services, retail merchant card processing, automated ticket redemption, and player's club redemptions.

With ONSwitch(TM), we will generate revenues from licensing fees and ongoing support fees rather than providing cash access services ourselves. Although our recurring revenues from a particular casino will be substantially reduced, we will no longer incur the costs associated with on-site personnel and equipment and interest expense on the substantial working capital required for vault cash to support our current services. This will enable us to support a much larger customer base.

We believe that the economics of our business are too compelling for gaming operators not to consider internalizing cash access operations in order to generate additional revenue and profits, especially when these operations are virtually identical to a gaming operator's core competencies. Substantially all gaming facilities provide ATM services, credit card cash advances, debit, and/or check cashing services to their customers.

In January 2006 we also made a conscious effort to increase our sales team, both inside sales and independent sales and step up our marketing in conjunction with the marketing of ONSwitch(TM) and the Omni Network(TM). The positive effects of this effort are beginning to bear fruit. We have signed 10 new contracts since April of 2006 and we have increased our sales pipeline by 400%. Our increased investment in sales and marketing in the first six months was approximately $100,000. 84% of this increase was related to trade show expenses to launch our new products. Although we think this was a wise investment, with the loss of our contract at the Sycuan Casino (discussed below), management has been forced to spend less in trade shows and marketing. Management believes we can be just as effective with such an decrease in the tradeshow budget as we have illustrated with the recently signed contracts. We feel that the most important piece of our increased sales activity is our added sales personnel.

In April 2006 we were notified that our contract with the Sycuan casino would not be renewed at its May 2006 expiration. We did not lose this contract based on service or diversity of products, but rather due to very aggressive pricing by a competitor. We feel that our competitor irresponsibly bid for the business and will either lose money or provide poor customer service and less money to the casino floor.

This contract represented approximately 27.3% of our gross revenues and 12.7% of our gross profit for the year ended December 31, 2005. Although we had hoped to retain this customer, we recognized that our contract might not be renewed and made appropriate cost reduction plans. We have been able to offset most if not all of the lost cash flow by curtailing expenses, deferring certain software development, reduction in nonsales personnel, repositioning employees, deferring certain planned investor relations activities, and reducing trade show expenses. In addition, management is working to get the 10 newly signed contracts installed and generating revenue as soon as possible. The cost reductions and new contract revenue will help improve our cash flow dramatically.

None of the personnel reductions have been in sales. We feel our sales team has proven themselves with 10 new contracts signed since April 2006 and 2 contract extensions. In addition, our sales pipeline is as full as it has ever been As a result of these efforts and the extremely positive reception of ONSwitch(TM) and the Omni Network, we are confident that we will execute one or more letters of intent for ONSwitch(TM) shortly. ONSwitchTM is currently being tested by a large casino that is not a current customer. Our current cost of capital remains high as we were initially delayed in our efforts to recapitalize our balance sheet due to our focused efforts to deploy ONSwitch(TM) on schedule and our new sales and marketing of ONSwitch(TM). Management has completed most of cost reductions after the loss of Sycuan. Management is now simultaneously focused on installing our newly signed contracts and the recapitalization of our balance sheet; a major priority for the remainder of 2006. The success of this recapitalization will reduce the interest we pay on our lines of credit, which will lower our expenses and contribute to our profitability. We are also attempting to move to a more long-term lender, so our debt will not all be short term in nature. The ability to continue our growth will be largely dependent on our ability to identify and secure capital at reasonable rates, although our new customers have all agreed to finance their vault cash needed at their casinos.

We believe that it is necessary to increase our working capital position so that we can capitalize on the profitable trends in the industry, expansion into the Caribbean and South America while maintaining and servicing our current customer base and integrating acquired operations such as Available Money. Without sufficient working capital, we would be forced to utilize working capital to support revenue growth at the expense of executing on our integration and conversion plans. This would result in substantially higher operating costs without the assurance of additional revenues to support such costs.

Critical Accounting Policies

In presenting our financial statements in conformity with accounting principles generally accepted in the United States, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. However, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavorable change to current conditions, it will likely result in a material adverse impact to our consolidated results of operations, financial position and in liquidity. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. Presented below are those accounting policies that we believe require subjective and complex judgments that could potentially affect reported results.

Revenue Recognition. In general, we record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. The following policies reflect specific criteria for the various revenue streams of the Company:

ATM's and Credit Cards: Fees earned from ATM and credit card advances are recorded on the date of transaction.

Check Cashing: Revenue is recorded from the fees on check cashing services on the date the check is cashed. If a customer's check is returned by the bank on which it is drawn, the full amount of the check is charged as bad debt loss. The check is subsequently resubmitted to the bank for payment. If the bank honors it, the amount of the check is recognized as negative bad debt expense.

Check Cashing Bad Debt. The principal source of bad debts that we experience are due to checks presented by casino patrons that are ultimately returned by the drawer's bank for insufficient funds. We account for these check cashing bad debts on a cash basis. Fees charged for check cashing are recorded as income on the date the check is cashed. If a check is returned by the bank on which it is drawn, we charge the full amount of the check as a bad debt loss. If the bank subsequently honors the check, we recognize the amount of the check as a negative bad debt. Based on the quick turnaround of the check being returned by the bank on which it is drawn and our resubmission to the bank for payment, we feel this method approximates the allowance method, which is a Generally Accepted Accounting Principle.

Goodwill and Long-Lived Intangible Assets. The carrying value of goodwill as well as other long-lived intangible assets such as contracts with casinos is reviewed if the facts and circumstances suggest that they may be impaired. With respect to contract rights in particular, which have defined terms, this will result in an annual adjustment based on the remaining term of the contract. If this review indicates that the assets will not be recoverable, as determined based on our discounted estimated cash flows over the remaining amortization period, then the carrying values of the assets are reduced to their estimated fair values. Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, "Goodwill And Other Intangible Assets" which eliminates amortization of goodwill and certain other intangible assets and requires annual testing for impairment. The calculation of fair value includes a number of estimates and assumptions, including projections of future income and cash flows, the identification of appropriate market multiples and the choice of an appropriate discount rate. In our experience, forecasts of cash flows based on historical results are relatively dependable. We use the remaining contract term for estimating contract periods, which may vary from actual experience due to early termination that cannot be forecast. We use our current cost of funds, which is a variable rate, as the discount rate. Use of a higher discount rate would have the effect of reducing the calculated fair value, while use of a lower rate would increase the calculated fair value. In connection with the acquisition of Available Money (our only acquired reporting unit), goodwill was allocated based on the excess of the final purchase price over the value of the acquired contract rights, determined as described above.

Stock Based Compensation. We previously accounted for stock-based compensation issued to our employees using the intrinsic value method. Accordingly, compensation cost for stock options issued was measured as the excess, if any, of the fair value of our common stock at the date of grant over the exercise price of the options.

Results of Operations

Three Months Ended June 30, 2006 (Unaudited) vs. Three Months Ended June 30, 2005 (Unaudited)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	C
Net Income (Loss)	$ (660,703)	$ 44,174	$ (70
Revenues	3,060,386	5,427,270	(2,36
Cost of revenues	2,483,274	4,131,744	(1,64
Commissions & Rents Paid	1,401,814	2,654,935	(1,25
Wages & Benefits	558,734	525,823	3
Processing Fee & Service Charges	319,215	472,701	(15
Bad Debts	48,732	141,172	(9
ATM Lease Fees & Maintenance	49,302	146,392	(9
Cash Replenishment Services	33,802	121,497	(8
Other	71,675	69,224	
Gross Profit	577,112	1,295,526	(71
Selling, General and Administrative Expenses	500,975	628,329	(12
Contributions	4,000	3,700	
Management Compensation	173,750	40,000	13
Marketing	12,879	3,176	
Professional Fees	69,638	332,380	(26
Seminars	-	-	
Trade Show & Sponsorships	46,651	21,602	2
Travel	58,778	64,188	(
Other	135,279	163,281	(2
Noncash Compensation	26,462	6,550	1
Depreciation and amortization	85,229	157,074	(7
Interest expense, net	(496,773)	(456,587)	(4
Other income (expenses)	(128,376)	(2,812)	(12

Our net loss increased by approximately $700,000 during the three months ended June 30, 2006 primarily due to a decrease in revenue from the loss of the Sycuan contract in May of this year and the Valley View contract in 2005. This loss in revenue resulted in a decrease in gross profit of approximately $700,000

Our revenues as a whole decreased by approximately 43.7% during the three months ended June 30, 2006 as compared to the three months ended June 30, 2005. The Money Centers portfolio (consisting primarily of full-service casino contracts) decreased 30% or $1.1 million. We lost approximately $725,000 in revenues from the loss of the Sycuan contract which de-installed on May 9, 2006 and approximately $450,000 from the loss of the Valley View contract in 2005, while the remaining Money Centers casinos had increased same store sales of 5% from same quarter last year. The Available Money portfolio (consisting of ATM contracts) decreased 70% or $1.276 million. Our selling, general and administrative expenses decreased by approximately $127,000 during the three months ended June 30, 2006 primarily due to decreased legal and accounting expenses reflecting the settlement of litigation in 2005 and less use of outside accountants, offset by increases in management compensation due to having our CFO for the entire second quarter in 2006 and payment to our CEO of the full guaranteed bonus under his employment agreement. Our depreciation and amortization expenses decreased during the three months ended June 30, 2006 primarily due to the elimination of amortization that otherwise would have been realized on contracts that terminated in 2005.

Our interest expense increased by $40,186 during the three months ended June 30, 2006. Lower borrowing levels resulting from the termination of unprofitable contracts were offset by approximately $66,000 of non-cash interest expense related to certain bridge loans we took out in the latter part of 2005 and the effect of higher interest rates. Our interest rate is variable and has increased approximately 200 basis points in the last year.

Other income (expenses) in the second quarter of 2006 consisted of expenses related to the closing down of our operations at the Syuan Casino of approximatly $130,000.

Six Months Ended June 30, 2006 (Unaudited) vs. Six Months Ended June 30, 2005 (Unaudited)

	Six Months Ended June 30, 2006 ($)	Six Months Ended June 30, 2005 ($)	C
Net Loss	(1,065,010)	(695,079)	
Revenues	6,899,453	10,810,853	(
Cost of services	5,540,018	8,801,522	(
Commissions & Rents Paid	3,311,938	5,595,340	(
Wages & Benefits	1,176,903	1,033,608	
Processing Fee & Service Charges	688,868	929,143	
Bad Debts	61,939	491,387	
ATM Lease Fees & Maintenance	105,215	340,134	
Cash Replenishment Services	43,188	266,512	
Other	151,967	145,398	
Gross Profit	1,359,435	2,009,331	
Selling, General and Administrative Expenses	1,108,632	1,319,546	
Contributions	13,500	3,700	
Management Compensation	347,500	170,769	
Marketing	38,103	17,405	
Professional Fees	163,538	607,036	
Seminars	10,597	-	
Trade Show & Sponsorships	114,072	29,440	
Travel	130,364	143,169	
Other	290,958	348,027	
Noncash Compensation	32,650	76,400	
Depreciation and amortization	160,338	338,725	
Interest expense, net	(1,013,600)	(966,927)	
Other income (expenses)	(109,224)	(2,812)	

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Our net loss increased by approximately $370,000 during the six months ended June 30, 2006 primarily due to a decrease in revenue from the loss of the Sycuan contract in May of this year and the Valley View contract in 2005. This loss in revenue resulted in a decrease in gross profit of approximately $650,000. However we still have a better gross profit percentage for the six months ended June 30, 2006 as compared to same period last year primarily due to a significant reduction in bad debt expense due to better adherence to our check cashing and collection polices and the conscious canceling of unprofitable contracts. We offset this loss in gross profit with a reduction in Legal and professional fees of approximately $440,000.

Our revenues as a whole decreased by approximately 36% during the six months ended June 30, 2006 as compared to the six months ended June 30, 2005. The Money Centers portfolio (consisting primarily of full-service casino contracts) decreased 15% or approximately $1 million, We lost approximately $660,000 in revenues from the loss of the Sycuan contract which de-installed in May 9, 2006 and approximately $845,000 from the loss of the Valley View contract in 2005, while the remaining Money Centers casinos had increased same store sales of 15%, from same period last year. While the Available Money portfolio (consisting of ATM contracts) decreased 72% or $2.9 million. This reflected a conscious effort to terminate unprofitable contracts from the Available Money portfolio as demonstrated by the fact that gross profit increased. Our cost of services decreased as a percentage of revenues from 81.4% to 80%, primarily due to a significant reduction in bad debt expense due to better adherence to our check cashing and collection policies.

Our selling, general and administrative expenses decreased by approximately $210,000 during the six months ended June 30, 2006 primarily due to decreased legal and accounting expenses reflecting the settlement of litigation in 2005 and less use of outside accountants, offset by increases in management compensation, due to having a CFO for the entire second quarter in 2006 and and payment to our CEO of the full guaranteed bonus under his employment agreement.and by increases in our trade show and marketing of new products, and sponsorship of various tribal activities. Our depreciation and amortization expenses decreased during the six months ended June 30, 2006 primarily due to the elimination of amortization that otherwise would have been realized on contracts that terminated in 2005.

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Our interest expense increased by approximately $47,000 during the six months ended June 30, 2006. Lower borrowing levels resulting from the termination of unprofitable contracts were offset by approximately $140,000 of non-cash interest expense related to certain bridge loans we took out in the latter part of 2005 and the effect of higher interest rates. Our interest rate is variable and has increased approximately 200 basis points in the last year.

Other income (expenses) decreased by approximatly $106,000 primarily because of approximatly $130,000 in expenses related to the closing down of our operations at the Syuan Casino offset by approximatly $19,000 received that related to the 2005 settlement of the Available Money lawsuit.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the fiscal quarter ended March 31, 2006 that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our investors.

Changes in Financial Position, Liquidity and Capital Resources

	Six Months Ended	Six Months Ended

	June 30, 2006 (Unaudited)	June 30, 2005 (Unaudited)	Chan
Net Cash Provided by (Used in) Operating Activities	$ (692,706)	$ 607,316	$
Net Cash Used in Investing Activities	(127,079)	(705,762)	
Net Cash Provided by (Used in) Financing Activities	(2,075,578)	835,890	

Net cash used in operations decreased by approximately $1,300,000, primarily due to a increase in our net loss combined with payment of our accounts and commissions payable. Net cash used in investing activities decreased due to the fact we have financed our new ATM purchases in the first six months of 2006.

Net cash used by financing activities increased during the six months ended June 30, 2006 primarily due to reductions in the outstanding balance of our vault cash facility because we require less vault cash after the expiration of the Sycuan contract, combined with the fact we did not raise any capital in 2006.

A significant portion of our existing indebtedness is associated with our vault cash line of credit of $7,000,000 with Mercantile Capital, L.P., which we use to provide vault cash for our casino operations. Vault cash is not working capital but rather the money necessary to fund the float, or money in transit, that exists when customers utilize our services but we have yet to be reimbursed from the Debit, Credit Card Cash Advance, or ATM networks for executing the transactions. Although these funds are generally reimbursed within 24-48 hours, a significant amount of cash is required to fund our operations due to the magnitude of our transaction volume. Our vault cash loan accrues interest at the base commercial lending rate of Wilmington Trust Company of Pennsylvania plus 10.75% per annum on the outstanding principal balance, with a minimum rate of 15% per annum, and had a maturity date of May 31, 2006. Although this loan has not been formally renewed, we are in discussions with Mercantile regarding the terms of a renewal and Mercantile has continued to finance our vault cash on the current terms. Our obligation to repay this loan is secured by a first priority lien on all of our assets. The outstanding balance on our vault cash line of credit fluctuates significantly from day to day based on activity and collections, especially over weekends. Vault cash for our ATM operations at locations where we do not provide full cash access services (primarily Available Money customers) is provided by our ATM processing provider under the terms of the ATM processing agreement, at a cost equal to the ATM processor's cost of funds, which currently is the Prime Rate.

We incurred $3,850,000 of debt associated with the acquisition of Available Money. $2,000,000 of this indebtedness is a loan provided by Chex Services, Inc. As a result of the settlement of our lawsuit with Equitex, Inc. and Chex Services, Inc. related to our terminated acquisition of Chex Services, Equitex and Chex Services agreed to cancel our outstanding $2,000,000 principal liability as well as any liability for accrued but unpaid interest under that promissory note and we agreed to pay Chex $500,000 within 60 days of July 21, 2005. We paid this amount in September 2005. In part in order to fund the payment to Chex Services, Inc., in September and October 2005 we borrowed $800,000 from individuals, including the uncle and brother of our Chief Executive Officer, pursuant to convertible notes that bear interest at 10% per annum and mature in September and October of 2006. Many of the Notes are convertible into shares of our common stock at an exercise price equal to 85% of the trading price at the time of exercise, with a floor of $.45 per share. We are confident we will repay these bridge loans before their maturity.

The final $1,850,000 of this indebtedness is part of a $2,050,000 bridge loan provided by Mercantile Capital, L.P. This bridge loan was accruing interest until June 30, 2005 when it was converted into a 5 year amortizing loan subject to annual renewal at the lender's discretion. Our obligation to repay this loan is secured by a first priority lien on all of our assets. We intend to refinance this obligation in 2006 and are making every effort to do so. We paid a facility fee of $41,000 in connection with this loan.

On September 10, 2004, we borrowed $210,000 from the father of our chief executive officer to pay an advance on commissions to a new casino customer. This loan bears interest at 10% per annum, which is payable monthly. The principal amount of this loan is repayable in monthly payments payable on the 1st day of each month commencing with the second month following the month in which we commence operations at Angel of the Winds Casino, and continuing on the 1st day of each month thereafter, provided that, upon any merger of our company, sale of substantially all of our assets or change in majority ownership of our voting capital stock, the lender has the right to accelerate this loan and demand repayment of all outstanding principal and all unpaid accrued interest thereon. We currently are making $5,000 principal payments per month. The current balance outstanding is $45,000. In addition, we issued the lender warrants to purchase 50,000 shares of our common stock at an exercise price of $.33 per share.

Although we anticipate our operating profits will be sufficient to meet our current obligations under our credit facilities, if we become unable to satisfy these obligations, then our business may be adversely affected as Mercantile Capital will have the right to sell our assets to satisfy any outstanding indebtedness under our line of credit loan or our term loan that we are unable to repay.

We also have a substantial amount of accounts payable and accrued expenses. To the extent that we are unable to satisfy these obligations as they come due, we risk the loss of services from our vendors and possible lawsuits seeking collection of amounts due. In addition, we have an existing obligation to redeem 37,500 shares of our common stock from an existing stockholder at an aggregate price of $41,250. This obligation arose in connection with iGames' purchase of certain gaming software products for 75,000 shares of our common stock. In order to complete this transaction under these terms, our former management granted this stockholder the option to have 37,500 shares of his stock redeemed. This stockholder has elected to exercise this redemption option.

We are also in the process of replacing all of the former Available Money ATMs with new ATMs that will be processed on more favorable economic terms. We have entered into a capital lease agreement to acquire 71 ATMs and related equipment necessary to complete this conversion. We have reduced the number of ATM's we will acquire to 33. We have converted approximately 25 of these ATM's to our processing platform to date. The remaining capital lease agreement will require us to incur an upfront charge of approximately $50,000 and monthly rental expense of approximately $1,500 over the remaining 59 months of the lease term.We are actively seeking various sources of growth capital and strategic partnerships that will assist us in achieving our business objectives. We are also exploring various potential financing options and other sources of working capital. There is no assurance that we will succeed in finding additional sources of capital on favorable terms or at all. To the extent that we cannot find additional sources of capital, we may be delayed in fully implementing our business plan.

We do not pay and do not intend to pay dividends on our common stock. We believe it to be in the best interest of our stockholders to invest all available cash in the expansion of our business.

Due to our accumulated deficit of $17,542,012 as of June 30, 2006 and our net losses and cash used in operations of $1,065,010 and $692,706, respectively, for the six months ended June 30, 2006, our independent auditors have raised substantial doubt about our ability to continue as a going concern While we believe that our present plan of operations will be profitable and will generate positive cash flow, there is no assurance that we will generate net income or positive cash flow in 2006 or at any time in the future.

Item 3 - Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2006 (the "Evaluation Date"), and, based on their evaluation, our chief executive officer and chief financial officer have concluded that these controls and procedures were effective as of the Evaluation Date. There were no significant changes in our internal controls or in other factors that could significantly affect these controls during the quarter ended June 30, 2006.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There were no significant changes in our internal controls or, to our knowledge, in other factors that could significantly affect our disclosure controls and procedures subsequent to the date we carried our this evaluation.

The Certifying Officers have also indicated that there were no significant changes in our internal controls or other factors that could significantly affect such controls subsequent to the date of their evaluation, and there were no corrective actions with regard to significant deficiencies and material weaknesses.

Our management, including each of the Certifying Officers, does not expect that our disclosure controls or our internal controls will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and their can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

On or about October 14, 2004, Lake Street Gaming, LLC ("Lake Street") filed a Complaint against iGames Entertainment, Inc. and Money Centers of America, Inc. ("MCA") (collectively referred to hereinafter as "iGames") in the United States District Court for the Eastern District of Pennsylvania, alleging that iGames breached an Asset Purchase Agreement ("APA") that the parties executed on or about February 14, 2003. By virtue of the APA, Lake Street sold to iGames all of Lake Street's right, title and interest in a casino game called "Table Slots." Lake Street alleges that it is entitled to additional compensation for the game that exceeds what was agreed to. We are vigorously defending this action and believe that Lake Street's claims for additional compensation and damages lack merit.

In addition, we are, from time to time during the normal course of our business operations, subject to various litigation claims and legal disputes. We do not believe that the ultimate disposition of any of these matters will have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

In February, 2006, we issued an aggregate of 9,158 shares of our common stock to 8 employees in lieu of a portion of cash bonuses otherwise due to them at an effective price of $.43 per share in a transaction under Rule 701 under the Securities Act.

In May, 2006, the Company issued 20,000 warrants to purchase the Company's stock at an exercise price of $0.33 per share to a consultant for services rendered in a transaction under Section 4(2) of the Securities Act. According to the issuance 10,000 warrants vested June 29, 2006 and the remaining 10,000 warrants will vest August 28, 2006.

Also in May 2006, the company issued 12,500 warrants to purchase the Company's stock at $0.01 to a lender in a transaction under Section 4(2) of the Securities Act.

Item 3 - Defaults Upon Senior Securities

None.

Item 4 - Submissions of Matters to a Vote of Security Holders

None.

Item 5 - Other Information

None.

Item 6 - Exhibits

3.1 Money Centers of America, Inc. Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed on October 19, 2004).

3.2 Money Centers of America, Inc. Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K filed on October 19, 2004).

4.1 Form of Specimen Stock Certificate.

10.1 Amended and Restated 2003 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of Form 10-KSB filed on July 13, 2004).

10.2 Employment Agreement dated as of January 2, 2004 by and between iGames Entertainment, Inc. and Christopher M. Wolfington (incorporated by reference to Exhibit 10.1 of Form 10-KSB filed on July 13, 2004).

10.3 Amendment to Employment Agreement dated as of March 20, 2006 by and between Money Centers of America, Inc. and Christopher M. Wolfington (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 2006 filed on May 19, 2006).

10.4 Employment Agreement dated as of June 14, 2005 by and between Money Centers of America, Inc. and Jason P. Walsh (incorporated by reference to Exhibit 10.1 to the current Report on Form 8-K filed on June 17, 2005).

10.5 Amendment to Employment Agreement dated as of October 20, 2005 by and between Money Centers of America, Inc. and Jason P. Walsh (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 2006 filed on May 19, 2006).

10.6 Loan and Security Agreement by and between iGames Entertainment, Inc. and Mercantile Capital, L.P. dated November 26, 2003 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-QSB for the fiscal quarter ended December 31, 2003 filed on February 17, 2004).

10.7 Demand Note payable to the order of Mercantile Capital, L.P in the principal amount of $250,000 dated November 26, 2003 (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-QSB for the fiscal quarter ended December 31, 2003 filed on February 17, 2004.)

10.8 Amended and Restated Agreement and Plan of Merger By and Among Money Centers of America, Inc., Christopher M. Wolfington, iGames Entertainment, Inc., Michele Friedman, Jeremy Stein and Money Centers Acquisition, Inc., dated as of December 23, 2003 (incorporated by reference to Exhibit 2.1 of Current Report on Form 8-K filed on January 20, 2004).

10.9 Stock Purchase Agreement For the Acquisition of Available Money, Inc. By iGames Entertainment, Inc., from Helene Regen and Samuel Freshman dated January 6, 2004 (incorporated by reference to Exhibit

1.1 of Current Report on Form 8-K filed on January 21, 2004).

10.10 Software Development Agreement effective September 1, 2004 by and between Money Centers of America, Inc. and Intuicode LLC. (Incorporated by reference to Exhibit 10.8 to the Registration Statement on Form SB-2 filed on February 14, 2004 (File No. 333-122819).

31.1 Certification dated August 21, 2006 pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) of the Principal Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Christopher M. Wolfington, Chief Executive Officer and Chief Financial Officer.

31.2 Certification dated August 21, 2006 pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) of the Principal Accounting Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Jason P. Walsh, Chief Financial Officer.

32.1 Certification dated August 21, 2006 pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, made by Christopher M. Wolfington, Chief Executive Officer and Jason P. Walsh, Chief Financial Officer.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MONEY CENTERS OF AMERICA, INC.

Date: August 21, 2006 By: /s/ Christopher M. Wolfington

Christopher M. Wolfington
Chief Executive Officer

Date: August 21, 2006 By: /s/ Jason P. Walsh

Jason P. Walsh
Chief Financial Officer