MONEY CENTERS OF AMERICA, INC.
Form 10QSB
November 14, 2005

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 September 30, 2005

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 No.)

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 November 14, 2005, 25,206,978 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 SEPTEMBER 30, 2005

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2005
UNAUDITED

ASSETS

Current assets:	
Cash and cash equivalents	$ 456,259
Restricted cash	4,014,124
Accounts receivable	824,165
Prepaid expenses and other current assets	485,990
Total current assets	5,780,538
Property and equipment, net	702,613
Intangible assets, net	1,232,362
Goodwill	203,124
Deferred financing costs	79,118
	$ 7,997,755

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:	
Accounts payable	$ 1,107,139
Accrued expenses	152,421
Current portion of capital lease	135,710
Notes payable	685,964
Lines of credit	8,220,590
Due to officer	375,626
Commissions payable	1,208,561
Total current liabilities	11,886,011
Long-term liabilities:	
Capital lease, net of current portion	212,207
Total long-term liabilities	212,207
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 25,206,978 shares issued and outstanding	252,070
Additional paid-in capital	11,145,728
Accumulated deficit	(15,498,261)
Total Stockholders' Deficit	(4,100,463)
	$ 7,997,755

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

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	THREE MONTHS ENDED SEPTEMBER 30,		
	2005	2004	20
Revenues	$ 4,547,708	$ 4,767,853	$ 15,
Cost of revenues	3,485,400	4,040,955	12,
Gross profit	1,062,308	726,898	3,
Selling, general and administrative expenses	428,097	561,901	1,
Noncash Compensation	15,666	6,425	
Depreciation and amortization	163,539	454,282	
Operating income (loss)	455,006	(295,710)	
Other income (expenses):			
Interest income	4,012	-	
Interest expense	(451,170)	(488,029)	(1,
Total interest expense, net	(447,158)	(488,029)	(1,
Other income	-	-	
Other expenses	-	-	
Total other expense, net	-	-	
Net Income (loss)	$ 7,848	$ (783,739)	$ (
Net income (loss) per common share basic	$ 0.00	$ (0.14)	$
Net income (loss) per common share diluted	$ 0.00	$ (0.14)	$
Weighted Average Common Shares Outstanding -Basic	25,206,978	5,524,530	25,
-Diluted	28,470,605	5,524,530	25,

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

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MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Nine months ended September 30, 2005	Nine months ended September 30, 2004
Cash flows from operating activities:		
Net loss	$ (687,231)	$ (8,040,389)
Adjustments used to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	502,264	1,031,390
Inventory write-down	-	130,833
Loss on impairment of intangibles	-	417,880
Issuance of options to employees	-	4,877,050
Issuance of common stock and warrants to consultants	64,791	481,800
Increase (decrease) in:		
Accounts payable	42,727	763,703
Accrued expenses	(22,546)	108,727
Commissions payable	116,229	926,356
(Increase) decrease in:		
Prepaid expenses and other current assets	(86,555)	210,407
Accounts receivable	(15,999)	(850,107)
Inventory	-	1,515
Net cash provided by (used in) operating activities	(86,320)	59,166
Cash flows from investing activities:		
Cash received in acquisition	-	27,398
Purchases of property and equipment	(411,350)	(45,019)
Cash paid for acquisition of intangible assets	(467,891)	(1,946,430)
Net cash used in investing activities	(879,241)	(1,964,051)
Cash flows from financing activities:		
Decrease (increase) in restricted cash	173,652	(378,604)
Net change in line of credit	56,974	3,194,381
Capital lease obligation	246,560	-
Payments on capital lease obligations	(40,153)	(13,620)
Increase (decrease) in loans payable	(500,000)	2,000,000
Advances to officer	(115,529)	(25,213)
Increase in notes payable	753,173	201,154
Payments on notes payable	(110,004)	(1,858,500)
Decrease (increase) in loans receivable	43,000	(58,000)
Increase in dividends payable	-	25,000
Sale of common stock, net	479,450	-
Exercise of stock options	1,800	25,000
Dividends	-	(270,010)

Net cash provided by financing activities	988,923	2,841,588
NET INCREASE IN CASH	23,362	936,703
CASH, beginning of period	432,897	273,397
CASH, end of period	456,259	1,210,100
Supplemental disclosures:	$ 889,156	$ 1,483,497
Cash paid during the period for interest	$ 1,418,097	$ 1,117,037

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

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MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARY

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Money Centers of America Inc. (the "Company"), a Delaware corporation, was incorporated in October 1997. The Company is a single source provider of cash access services to the gaming industry. 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, and merchant card processing.

On January 2, 2004, pursuant to an Amended and Restated Agreement and Plan of Merger (the "Merger Agreement") by and among the Company, Christopher M. Wolfington, iGames Entertainment, Inc., a Nevada corporation ("iGames"), Michele Friedman, Jeremy Stein and Money Centers Acquisition, Inc., a wholly-owned subsidiary of iGames, Money Centers Acquisition, Inc. was merged with and into the Company and the Company, as the surviving corporation, became a wholly-owned subsidiary of iGames (the "Merger"). For accounting purposes, the transaction was treated as a recapitalization and accounted for as a reverse acquisition. Therefore, the financial statements reported herein and accompanying notes thereto reflect the assets, liabilities and operations of the Company as if it had been the reporting entity since inception. In connection with the Merger, all of the issued and outstanding shares of capital stock of the Company were tendered to iGames and iGames issued to the Company stockholders an aggregate of 1,351,640 shares of iGames Series A Convertible Preferred Stock, $.001 par value per share, and warrants to purchase an aggregate of 2,500,000 shares of iGames common stock, par value $.004 per share, at an exercise price of $.01 per share. Each share of Series A Convertible Preferred Stock was entitled to ten votes in all matters submitted to a vote of iGames shareholders and was convertible at the option of the holders into ten shares of common stock at any time after the date on which iGames amended its articles of incorporation to increase the number of authorized shares of its common stock to at least 125,000,000. In

October 2004 iGames was merged into the Company, and each share of Series A Convertible Preferred Stock was exchanged for 11.5 shares of the Company's common stock.

Pursuant to the terms of a Stock Purchase Agreement between iGames, Helene Regen and Samuel Freshman dated January 6, 2004 (the "Stock Purchase Agreement"), iGames acquired all of the issued and outstanding shares of capital stock of Available Money, Inc., a provider of ATM cash access services based in Los Angeles, California. The purchase price of this transaction was $3,850,000, $2,000,000 of which was paid in cash at closing and $1,850,000 of which was paid in cash on April 12, 2004. $2,100,000 of the purchase price was assigned to contract rights. 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. MCA ("the Company") expects the period to be 1 to 4 years. The contract rights will also be subject to periodic impairment tests. The remaining $1,750,000 was assigned to Goodwill. As a result of the July 2005settlement of litigation Equitex, Inc. and Chex Services, Inc. Goodwill was reduced by $1,500,000 to approximately $250,000.

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 consolidated financial statements for the interim periods are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the consolidated financial position and operating results for the periods presented. These consolidated financial statements should be read in connection with the consolidated financial statements and related footnotes for the year ended December 31, 2004 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 nine months ended September 30, 2005 are not necessarily indicative of the results for the full year ending December 31, 2005.

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3. LOANS AND NOTES PAYABLE

Notes payable at September 30, 2005 consisted of the following:

	2005
On September 10, 2004, the Company borrowed $210,000 from a family member of our chief executive officer to pay an advance on commissions to an unrelated third party. This note is shown net of debt discount totaling $8,846 for the value of various warrants issued in connection with the note along with the corresponding amortization of the note discount of $4,683. The discount of $8,846 is amortized over 17 months beginning October 1, 2004. The note bears interest at 10% per annum and is payable monthly. At September 30, 2005, the Company had recorded $710 as accrued interest payable in connection with this note. The principal amount of this note is repayable in monthly payments based on certain amounts received by the Company from the Angel of the Winds Casino on the 1st day of each month . Per the	$ 82,398

contract between the Company and Angel of the Winds Casino, this note's interest is deductible from the commission that the Company pays the Casino on a monthly basis. At September 30, 2005, the Company had recorded $710 as accrued interest payable in connection with this advance.	
From September 23, through September 30, 2005 the Company issued three promissory notes in the aggregate amount of $600,000 to three individuals, including the uncle and the brother of its Chief Executive Officer, in exchange for loans in the same amount. These notes are shown net of a debt discount totaling $166,948. Of this total, $17,342 represented a debt discount for a related note payable totaling $100,000. The $17,342 was computed pursuant to SFAS No. 123 and related fair value accounting in connection with the Black-Scholes model. The remaining $149,606 represented a debt discount in connection with the beneficial conversion feature on all convertible notes payable issued during 2005 totaling $600,000. in connection with the notes issued during 2005, along with the corresponding amortization of the note discount of $514 the Company had a remaining debt discount of $166,434. The discount of $166,948 is amortized over 9 months beginning September 23, 2005. These notes bear interest at 10% per annum and all principal and interest is due at maturity between June 22 and June 26, 2006 or earlier at the option of each holder upon a Change in Control (as defined in these notes). At September 30, 2005, the Company had recorded $1,041 as accrued interest payable in connection with these notes. Each Note is convertible into shares of the Company's 's common stock at an exercise price equal to 85% of the average of the mean of the closing "bid" and "ask" prices of the Company's common stock for the ten (10) trading days immediately prior to the date of exercise. At September 30, 2005, there had been no conversions.	433,566
The Company issued a $170,000 note to a former customer in exchange for a mutual release and settlement of a disputed $286,043 in commissions. The note bears interest at 19.75% per annum. All accrued interest from November 1, 2004 through and including November 1, 2005 is payable (i) $10,000 on the date the Company signed the note (ii) the balance of accrued interest due on November 1, 2005. Continuing on the first day of each month thereafter to and including May 1, 2007 payments of principal and interest in the amount of $10,989.32.	170,000
	$ 685,964

4. CAPITAL LEASES

On February 1, 2005 the Company entered into a new capital lease for 6 ATM machines at the Sandia Casino. The capitalized cost of the ATM machines is $105,938. The terms of this lease require approximately $30,000 down payment 90 days from installation and the remaining balance of approximately $75,000 will

be financed over 59 months, at 8.211% for $1,500 per month. This note is collateralized by the equipment.

Between June 15, 2005 and July 31, 2005 the Company entered into a new capital lease for 5 ATM machines at the Tropicana Casino in Las Vegas. The approximate capitalized cost of the ATM machines is $88,400. The terms of this lease require approximately $25,000 down payment 90 days from installation and the remaining balance of approximately $63,000 will be financed over 59 months, at 8.211% for approximately $1,330 per month. This note is collateralized by the equipment.

In 2005 the Company entered into a new capital lease for 1 ATM machine at a software development office located in Boca Raton, Florida. The capitalized cost of the ATM machines is $18,000. The terms of this lease require approximately $5,000 down payment 90 days from installation and the remaining balance of approximately $13,000 will be financed over 59 months, at 8.211% for $266 per month. This note is collateralized by the equipment.

On July 16, 2005 the Company entered into a new capital lease for 2 ATM machines at Jerry's Nugget Casino in Las Vegas. The capitalized cost of the ATM machines is $34,500. The terms of this lease require approximately $10,000 down payment 90 days from installation and the remaining balance of approximately $24,500 will be financed over 59 months, at 8.211% for $530 per month. This note is collateralized by the equipment.

5. LINES OF CREDIT

Lines of credit at September 30, 2005 consisted of the following:

Line of credit, maximum availability of $7,000,000, maturity date June 30, 2006. Subject to various restrictive covenants, interest is payable monthly at 17.5% per annum, borrowings are collateralized by restricted cash and guaranteed by the majority 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. The line of credit is also collateralized by all the assets of the Company. At September 30, 2005, the Company had recorded related accrued interest payable of $62,239 in connection with this line of credit.	$ 4,014,124
Line of credit, interest is payable monthly at 9% per annum, the line is unsecured and due on demand.	388,000
Lines of credits, non-interest bearing, the lines are unsecured and due on demand.	856,401
Lines of credits, , the lines are 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.	327,500

On December 1, 2003, the Company entered into a $250,000 line of credit, due on demand with an asset based lender. The Company has received a one year extension, with renewal subject to the lender's discretion. This extension expires June 30, 2006. Beginning June 30, 2005 the Company began reducing this liability	92,201

by making monthly payments in the amount of $68,428. This debt bears interest at the prime rate of interest plus 10%, floating with daily resets, for the actual number of days that the loan remains outstanding, provided that the minimum rate on this loan is 14.5% per annum. At September 30, 2005, the Company had recorded related accrued interest payable of $2,148_in connection with this line of credit. The Company prepaid the lender a facility fee of $25,000 on June 30, 2005 for the next twelve months. In order to secure the performance of the Company's obligation under this loan, the Company granted the lender a continuing lien on and security interest in and to 250,000 newly issued shares of the Company's common stock. In addition, upon an event of default under the loan, the Company is obligated to register the resale of these pledged shares of common stock. Upon payment in full of all amounts due under the loan, the lender is obligated to deliver all stock certificates evidencing the ownership of these shares to the Company for cancellation.	
On April 12, 2004, the Company borrowed $2,050,000 from an asset-based lender to make the second Available Money payment. The Company has received a one year extension, with renewal subject to the lender's discretion. This extension expires June 30, 2006. The note bears interest at 17% per annum and once the $250,000 line of credit is paid off this note will begin to amortize over 5 years at $68,428 per month. At September 30, 2005, the Company had recorded related accrued interest payable of $35,514 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. Unpaid interest has been added to the balance, increasing the balance of the note to $2,542,364.	2,542,364
	$ 8,220,590

6. STOCKHOLDERS' DEFICIT

In January 2005, the Company issued 75,000 shares of common stock to its board of directors for services rendered. The Company valued the shares at the fair value on the date of issuance which was $.77 per share based on the quoted closing trading price and recorded non-cash compensation of $57,750.

In January 2005, the Company raised $479,450, net of offering costs of $22,500, from the sale of 989,314 shares of common stock at $0.51 per share. Offering costs have been recorded as a reduction of additional paid in capital.

Pursuant to the terms of a common stock offering with registration rights, the company has accrued penalties in the amount of 120,000 shares. The Company has valued these shares at $72,598 based on the quoted closing trading price every two weeks when the penalty accrues. The fair value of the penalty has been recorded as an accrued expense.

7. STOCK OPTIONS

The company follows fair value accounting and the related provisions of SFAS 123 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 options and warrants granted to employees and non-employees:

In January 2005, the Company issued options to purchase 150,000 shares of our common stock at an exercise price of $.77 per share, the fair market value at the date of the issuance, to its board of directors pursuant to the terms of the directors 2004 and 2005 agreements. These options were issued under our stock option plan in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof.

(i) Stock options granted to employees - 2005

a. Employee awards - 350,000 stock options (Director)

i. On January 18, 2005, the Company granted 150,000 stock options to certain members of its board of directors for services rendered in 2004 and 2005. The option grant was valued pursuant to SFAS 123 and totaled $57,750.

The Company recognized noncash compensation expense of $57,750 in the nine months ended September 30, 2005

ii. The weighted average assumptions used by management were as follows:

Stock price on grant date	$0.77
Exercise price on grant date	$0.77
Dividend yield	0%
Expected volatility	204.64%
Risk free interest rate	3.%
Expected life of option	10 years

iii. These stock options are issued pursuant to the Company's Equity Incentive Plan.

In June 2005, the Company issued 200,000 options to purchase common stock to one of its employees at an exercise price of $.42 per share, pursuant to the terms of this executive's employment contract. These options vest over 2 years. No compensation expense was recognized during the nine months ended September 30, 2005 since the Company follows the provisions of APB No. 25.

In June 2005, an employee exercised 30,000 options at $.01 per share. The Company received proceeds of $300 from the transaction.

In August 2005, 6,250 shares of a previous employee's option with an exercise price of $.40 expired.

Employee stock option activity for the period ended September 30, 2005 (unaudited) is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2004	3,161,250	$ .15
Granted	350,000	.57
Exercised	(30,000)	(.01)
Cancelled	(6,250)	(.40)
Outstanding at September 30, 2005	3,475,000	$ .19

The following table summarizes the Company's employee stock options outstanding at September 30, 2005:

Range of Exercise Price	Options and Warrants Outstanding Number	Weighted Average Remaining Life	Weighted Average Exercise Price
.01	2,875,000	8.26-8.32	.01
.42	200,000	8.71	.42
.70-.77	212,500	8.59-9.31	.75
2.00-2.28	187,500	7.67-8.09	2.11
	3,475,000		

All outstanding employee stock options are exercisable at September 30, 2005 except for 150,000 options at $.42, 50,000 of which vest in June 2006 and 100,000 of which vest in June 2007.

The exercise prices of all options granted by the Company equal the market price at the dates of the grant. No compensation expense has been recognized. Had compensation cost for the stock option plan been determined based on the fair value of the options at the grant dates consistent with the method of "SFAS 123, "Accounting for Stock Based Compensation", the Company's net loss and loss per share would have been changed to the pro forma amounts indicated below for the nine months ended September 30, 2005.

8. WARRANTS

In February 2005, the Company's former chief executive officer and an affiliate exercised 150,000 options at $.01 per share. The Company received proceeds of $1,500 from the transaction.

On July 21, 2005, as part of a settlement agreement, the Company agreed to deliver to Fastfunds Financial Corporation, Chex Services, Inc.'s corporate parent, a contingent warrant to purchase up to 500,000 shares of the Company's common stock at a purchase price of $0.50 per share. The warrant is not exercisable until the Company achieves $1,000,000 in net income during a fiscal year. This warrant has a term of ten years and expires upon a change in control of the Company.

In September, 2005, the Company issued 15,000 warrants to purchase common stock to a consultant at an exercise price of $.47 per share, as consideration for services rendered.

a. Warrants - 2005

i. On September 1, 2005, the Company granted 15,000 warrants to a consultant per our consulting agreement for services rendered in September 2005. The warrant grant was valued pursuant to SFAS 123 and totaled $7,041.

The Company recognized noncash compensation expense of $7,041 in the nine months ended September 30, 2005.

ii. The weighted average assumptions used by management were as follows:

Stock price on grant date	$0.47
Exercise price on grant date	$0.47
Dividend yield	0%
Expected volatility	200.25%
Risk free interest rate	4%
Expected life of option	10 years

In September, 2005, the Company borrowed $600,000 from three individuals, including the uncle and the brother of its Chief Executive Officer evidenced by convertible notes. The Company issued to one of the lenders warrants to purchase 50,000 shares of its common stock at an exercise price of $.01 per share. (See Note 3)

Warrant activity for the period ended September 30, 2005 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2004	2,079,438	$ 3.13
Granted	565,000	.46
Exercised	(150,000)	(.01)
Cancelled	-	-
Outstanding at September 30, 2005	2,494,438	$ 2.71

The following table summarizes the Company's warrants outstanding at September 30, 2005:

	Warrants Outstanding	
Range of Exercise Price	Number	Weighted Average Remaining Life
.01	265,000	6.98-8.32
.33-.35	125,000	3.95-9.05
.47-.50	515,000	4.81-9.93
1.00	75,000	2.75
2.40	112,500	3.08-7.50
4.00-6.00	1,401,938	.25-2.75
	2,494,438	

All outstanding warrants are exercisable at September 30, 2005:

	NINE MONTHS ENDED September 30, 2005
Net loss as reported	$ (687,231)
Add: total stock based compensation expense determined under fair value based method, net of related tax effect	(136,355)
Pro forma net loss	$ (823,586)
Basic loss per share	
As reported	$ (.03)
Pro forma	$ (.03)

The above pro forma disclosures may not be representative of the effects on reported net earnings for future years as options vest over several years and the Company may continue to grant options to employees.

The fair value of each option and warrant is estimated on the date of grant using Black-Scholes option-pricing model with the following weighted average assumptions used for grants:

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2005	
Dividend yield	0%
Expected volatility range	201%
Risk-free interest rat	3.00%
Expected holding periods	10 Years

9. COMMITMENTS

a. LEASE COMMITMENTS

The Company leases office space in Minnesota on a month to month basis for $738 per month.

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 $45,000 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.

The Company's total rent expense under operating leases was $36,326 and $33,791 for the nine months ended September 30, 2005 and 2004, respectively.

Estimated rent expense under operating leases over the next five years is

as follows:

Year	Amount
2005	$40,476
2006	$40,476
2007	$40,476
2008	$40,476
2009	$40,476

b. 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:

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

ii. A percentage of the Company's profits at the respective location.

As of September 30, 2005 the Company has recorded $1,044,473 of accrued commissions on casino contracts.

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

c. EMPLOYMENT AGREEMENT

In January 2004, the Company entered into a five-year employment agreement with its 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

Money Centers of America, Inc. (the "Company") and the Company's Vice President - Finance and Chief Financial Officer. entered into an employment agreement dated June 14, 2005 (the "Employment Agreement") The employment term commences 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

10. CONCENTRATION OF CREDIT RISK

The Company maintains cash in bank accounts that exceed federally insured limits. At September 30, 2005, the Company had deposits in excess of federally insured amounts aggregating approximately 3,9 million dollars at various financial institutions. The Company believes it has its cash deposits at high quality financial institutions. 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.

For the nine months ended September 30, 2005, approximately 41 % of total revenues were derived from operations at two full service casinos. An additional 11 % was derived from one ATM contract that has been terminated as part of the Company's elimination of unprofitable contracts. No other customers represented more than ten percent of the Company's our total revenues for the nine months ended September 30, 2005.

11. DUE TO OFFICER

Amounts due to officer are evidenced by notes in the aggregate amount of $375,626 that bear an interest rate of 10% per annum, payable monthly, and are due on demand. This consists of $100,000 loaned to the Company by the officer in fiscal year 2004. This amount also includes monies due the officer in the amount of $6,771 from 2002, sales commissions due the officer in the amount of $21,029 from 2001, sales commissions due the officer in the amount of $5,000 from fiscal year 2003, the officer's sign on bonus per his employment agreement in the amount of $200,000, the officer's 2004 bonus of $175,000. Payments in the amount of $132,174 paid to the officer have been netted to this note. The officer has been paid $34,347 in interest on this note during the nine months ended September 30, 2005.

12. 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 September 30, 2005 was approximately $10.3 million. The interest rate on the $10.3 million is 5.625% per annum.

13. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has a working capital deficit of $6,105,473 and an accumulated deficit of $15,498,261 at September 30, 2005 and had a net loss of $687,231 and net cash used in operations of $86,320, respectively for the nine months ended September 30, 2005. 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.

14. 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. The suit also raises claims for fraudulent misrepresentation and intentional interference with contractual relations. 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. This matter is still in the pleadings stage and iGames has moved to dismiss the plaintiff's claims for fraudulent misrepresentation and intentional interference with contractual relations, as well as to strike all claims for punitive damages. We are vigorously defending this action and believe that Lake Street's claims lack merit.

Effective July 21, 2005, the Company entered into a Settlement Agreement and Mutual Release (the "Settlement Agreement") with Chex Services, Inc.("Chex"), the wholly owned operating subsidiary of FastFunds Financial Corporation and Equitex, Inc. ("Equitex"), pursuant to which the parties agreed to resolve all pending litigation between them and release all claims related to such litigation. The subject litigation is described in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004. No party to the Settlement Agreement admitted any wrongdoing or liability related to the litigation. The litigation was dismissed with prejudice on July 22, 2005.

Under the Settlement Agreement, Equitex and Chex agreed to cancel the Company's outstanding $2,000,000 principal liability under a $2,000,000 promissory note from the Company to Chex, dated January 6, 2004, as well as any liability for accrued but unpaid interest under that promissory note. The Company agreed to pay Chex $500,000 within 60 days of July 21, 2005. This amount was paid in September 2005. In addition, the Company, agreed to deliver to Fastfunds Financial Corporation a ten year warrant to purchase up to 500,000 shares of the Company's common stock at a purchase price of $0.50 per share. The warrant is not exercisable until the Company achieves $1,000,000 in net income during a fiscal year.

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

15. SUBSEQUENT EVENTS

From October 3, through October 19, 2005, the Company issued four promissory notes in the aggregate amount of $100,000 to three individuals, including its Chief Financial Officer, in exchange for loans in the same amount. These notes bear interest at 10% per annum and all principal and interest is due at maturity between July 3, 2005 and July 19, 2006 or earlier at the option of each holder upon a Change in Control. "Change in Control" is defined as (i) a consolidation or merger of the Company with or into any other corporation or corporations or

any other transaction in which the holders of the Company's outstanding shares of capital stock immediately before such consolidation or merger do not, immediately after such consolidation or merger, retain stock representing a majority of the voting power of the surviving corporation of such consolidation or merger, (ii) the sale of all or substantially all of the assets of the Company or (iii) any occurrence as a result of which more than 50% of the voting capital stock of the Company is held by a person or persons other than a current holder or current holders of more than 50% of the voting capital stock of the Company.

In the event that a Note is not repaid in full within ninety (90) days following the maturity date, additional interest is due and payable in an amount equal to twenty-five percent (25%) of the unpaid amount. Thereafter, additional interest accrues each sixty (60) days in an amount equal to twenty-five percent (25%) of the unpaid amount.

Each Note is convertible into shares of the Company's common stock at an exercise price equal to 85% of the average of the mean of the closing "bid" and "ask" prices of the Company's common stock for the ten (10) trading days immediately prior to the date of exercise.

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 15, 2005. 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 our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to the risks discussed in this report.

History

We are a single source provider of cash access services 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. Our business plan is to identify fragmented segments of the market to capitalize on merger and acquisition targets of synergistic companies that support our business model.

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 first version of our 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. We currently provide services at 20 locations across the United States.

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.

Our business model is to be an innovator and industry leader in cash access and transfer management systems 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, outsourced cash access services in the gaming industry was the major source of our revenue and profits in 2005 and we expect it to continue to be the major source of revenue and profits in 2006. We have launched several new services in the last 18 months, such as CreditPlus and the Cash Services Host Program, that have begun to create new revenue streams and have helped to differentiate our product offering in the marketplace, and are poised to launch our Transaction Management System.

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.

The January 2004 acquisition of Available Money has started to produce positive results for us now that litigation related to the acquisition has ended favorably for us and we have renegotiated or terminated some unprofitable contracts. Furthermore our ATM conversion is nearly complete, which combined with our new Transaction Management System processing platform will lower our operating costs. The combined result is a short term reduction in quarterly revenue in exchange for sustainable long term profitability.

The Transaction Management System is a an enterprise payment software solution for the Gaming Industry consisting of a unified transaction gateway that allows us to initiate, execute and control all transactions executed through our installed customer base. By channeling all incoming transactions through the gateway, and transmitting transaction information out to banks, ATM networks and others from the gateway, we can achieve faster integration and installation of new accounts. In order to create the Transaction Management System, we entered into an exclusive gaming industry partnership with Mosaic Software utilizing Mosaic's Postilion payment processing platform. and our own proprietary supplementary software for the gaming industry. The Postilion platform is recognized around the globe as the premier platform for "in-house"

payment solutions and is currently used in various industry sectors internationally, including financial services, banking, retail, telcomm and processing.

We met our September goal for installing the back end infrastructure for utilizing the Transaction Management System for our internal processing needs. We anticipate that all point of sale transactions from our current contracts will be processed on our Transaction Management System processing platform by the second quarter 2006.

In addition, we now offer the Transaction Management System to our customers as a "turn-key" solution that they can use to process and facilitate their own transactions without using a vendor. The Transaction Management System 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.

Operationally, we include all our policies and procedures for every aspect of our business as part of the Transaction Management System package. This insures that the "operations" aspect of taking these services in-house is as solid and dependable as the Postilion Processing Platform.

We will generate revenues from licensing fees and ongoing support fees rather than providing cash access services. Although our 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.

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. Historically these services are 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.

Our Transaction Management System is the only "do it yourself" deployment option on the market. Management plans to roll out its marketing plan for the Transaction Management System in the first quarter of 2006. In order to market the Transaction Management System, we have developed an Internal Rate of Return model to help casinos determine if taking cash access services in-house with the Transaction Management System makes economic sense. By providing transaction and commission data we can quickly determine the economic benefit a gaming operator should anticipate.

Though we feel confident that The Transaction Management System will differentiate us from our competitors and create new sources of revenue for the company, there is no guarantee that the market will accept this new deployment strategy. Regardless of the markets acceptance of this new deployment strategy, The Transaction Management System enables Money Centers of America to gain complete control over our cash access booth operations and ATMs. The Transaction

Management System will "drive" the ATMs and teller applications and process all transactions through our central system allowing for quicker customer interactions which translate to greater revenue at less cost from our current book of business. The Transaction Management System permits Money Centers of America to negotiate network processing contracts based on sound business decisions versus technology requirements so that the cost per transaction may be reduced, once again translating to greater revenue potential from our current book of business. Once all of the properties have been converted to the Transaction Management System, general operating procedures, field support, and internal accounting processes will also be streamlined. The costs savings could be a much as $1.1 million annually.

Our current cost of capital remains high as we have been distracted in our efforts to recapitalize our balance sheet due to ongoing litigation and our focused efforts to deploy The Transaction Management System on schedule. Now that both of these distractions have been removed management considers recapitalization of our balance sheet a major priority for the remainder of 2005. The success of this recapitalization will reduce the interest rates we pay on our lines of credit, which will lower our expenses and contribute to our profitability. Mercantile Capital has been a strong finance partner to the company, however, the ability to continue our growth is largely dependent on our ability to identify and secure capital at reasonable rates.

We seek to avoid litigation and to minimize our exposure to potential claims arising in the normal course of our business. When we are confident that it is in our best interests to defend these claims and to pursue counterclaims we believe that we are likely to obtain a favorable result. During the nine month period ended September 30, 2005, we have incurred approximately $528,696 in legal fees related to two major lawsuits which were settled on favorable terms to us. As a result, we do not anticipate incurring material additional legal fees related to these legal proceedings.

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 a 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. This is why we are we think the timing is right for the market to embrace our Transaction Management System.

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 to customers with our Transaction Management System. Our size makes us uniquely capable of adapting to this change. 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. Furthermore, by utilizing the Transaction Management System to manage ticket redemption services a gaming operator can further leverage existing resources.

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 a revenue generating service 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.

Organic growth through sales by internal salespeople is usually the most efficient and profitable growth strategy in the cash services business. Much of our historical growth has occurred in this manner. We realize that recognizing industry trends is no assurance of success. We have also complimented our internal sales strategy by creating relationships with independent sales organizations that have established relationships with gaming operators nationwide. Although our sales commissions will be higher at gaming establishments entered through this sales channel, we will not be burdened with the up-front salary, travel and entertainment costs associated with the traditional internal sales approach. We continue to view strategic acquisitions as part of our business plan to obtain the critical mass we believe is necessary to compete effectively in our industry.

This parallel strategy of sales, acquisitions and product development is capital intensive and presents substantial risk. There is no guarantee that we will be able to manage all three strategies effectively.

We believe that it is necessary to increase our working capital position so that we can capitalize on the profitable trends in the industry 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.

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. This conservative accounting policy may at times overstate the impact of bad checks on our financial results, and adoption of a different accounting policy could have a material impact on our reported results.

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.

Stock Based Compensation. We account for stock based compensation utilizing Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), which encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. We have chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations.

Accordingly, compensation cost for stock options is measured as the excess, if any, of the estimated fair market value of our stock at the date of the grant over the amount an employee must pay to acquire the stock. We have adopted the "disclosure only" alternative described in SFAS 123 and SFAS 148 (See New Accounting Pronouncements), which require pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied.

Results of Operations

Three Months Ended September 30, 2005 vs. Three Months Ended September 30, 2004 (Unaudited)

	Three Months Ended September 30, 2005 ($)	Three Months Ended September 30, 2004 ($)	C
Net Income (Loss)	$ 7,848	$ (783,739)	$
Revenues	4,547,708	4,767,853	
Operating Expenses	3,485,400	4,040,955	
Gross Profit	1,062,308	726,898	
Selling, General and Administrative Expenses	428,097	561,901	
Noncash Compensation	15,666	6,425	
Depreciation and amortization	163,539	454,282	
Interest Expense, net	$ 447,158	$ 488,029	$

Our net income increased by $791,587 during the three months ended September 30, 2005, primarily due to an increase in gross profit of approximately $335,000, a decrease in selling, general and administrative expenses of approximately $133,000, and a decrease in depreciation and amortization of approximately $290,000 due to reduced amortization of casino contracts, reflecting the termination of certain contracts in 2004.

Our revenues decreased by approximately 5% during the three months ended September 30, 2005 as compared to the three months ended September 30, 2004. Revenues were reduced by approximately $1,300,000 due to cancellations and non-renewals from our Available Money portfolio and by approximately $353,000 by the termination of the Valley View Casino contract. This was offset by approximately $96,500 in increased revenues from contracts in place at the

beginning of the third quarter of 2004 and $1,336,295 in revenues from new contracts. Our operating expenses decreased during the three months ended September 30, 2005 by approximately $1,260,000 due to savings from the cancelled and non-renewed Available Money contracts and approximately $213,000 due to the Valley View Casino termination, which was offset in part by approximately $9150,000 in operating expenses from new Money Centers full service business.

Our selling, general and administrative expenses decreased during the three months ended September 30, 2005 primarily due to our CEO agreeing to forego compensation due to him under his employment agreement of approximately $50,000. Legal expenses related to litigation proceedings were lower by approximately $133,000 as compared to the same quarter last year. Since we have settled our two major lawsuits we have begun to see legal expenses decrease significantly. However in an effort to increase sales and strengthen our management team we had an increase in trade show expenses of $25,000 and seminars $12,000.

Nine Months Ended September 30, 2005 vs. Nine Months Ended September 30, 2004 (Unaudited)

	Nine Months Ended September 30, 2005 ($)	Nine Months Ended September 30, 2004 ($)	C

Net Income (Loss)	$ (687,231)	$ (8,040,389)	$
Revenues	15,348,705	11,538,072	
Operating Expenses	12,334,290	9,696,598	
Gross Profit	3,014,415	1,841,474	
Selling, General and Administrative Expenses	1,700,274	1,886,789	
Noncash Compensation	92,066	5,298,053	
Depreciation and amortization	502,264	1,031,390	
Interest expense, net	1,404,229	1,117,037	
Other income (expenses)	$ (2,812)	$ (548,593)	$

Our net loss decreased by $7,353,158 during the nine months ended September 30, 2005 primarily due to a decrease in noncash compensation of approximately $5,200,000 reflecting one-time charges for noncash compensation during 2004 that were not repeated in 2005, an increase in gross profit of approximately $1,173,000, due to our success in lowering various operating expenses, a decrease in depreciation and amortization of approximately $529,000 due to reduced amortization of casino contracts reflecting the termination of certain contracts in 2004. Other expenses decreased due to the fact that there were no impairments of intangible assets or write-offs of obsolete inventory in 2005.

Our revenues increased by approximately 33% during the nine months ended September 30, 2005 as compared to the nine months ended September 30, 2004. Approximately $311,000 of this increase represented increased volume under contracts in place at the beginning of 2004 and $3,732,311 represented revenues from new contracts. Approximately $1,990,000 of the increase in revenue was due to the recognition in our financial statements of gross revenues rather than net revenues from the Available Money portfolio in 2005 following a change of ATM processors. These increases were offset by the loss of approximately $2,025,000 in revenues due to cancellations and non-renewals from our Available Money portfolio and approximately $210,815 in revenues from the Valley View Casino. Our operating expenses increased during the nine months ended September 30, 2005 due to a $158,000 increase in bad debt expense primarily resulting from having additional full service casinos with check cashing, commissions paid to casinos increased by approximately $200,000 although as a percentage of revenue, the commissions stayed relatively level as compared to the same period in 2004. In addition, approximately $2,075,000 of various other expenses increased due to the recognition in our financial statements of all operating expenses from the Available Money portfolio in 2005 following a change in ATM processors.

Our selling, general and administrative expenses decreased slightly during the nine months ended September 30, 2005 primarily due to decreased legal expenses related to pending litigation and reduced insurance expenses. Otherwise the remaining selling, general and administrative expenses have remained relatively the same as compared to the quarter ended September 30, 2004. The

Company has settled our two major lawsuits and have experienced a significant decrease in legal expenses beginning in the middle of the third quarter of 2005. Our depreciation and amortization expenses decreased during the nine months ended September 30, 2005 primarily due to the elimination of amortization that otherwise would have been realized on contracts that terminated in 2004.

Our interest expense increased $287,192 during the nine months ended September 30, 2005 mostly due to an increase in the use of capital for our new full service casinos and increased variable interest rates on our credit facilities that have increased our cost of capital.

Our other expenses decreased $544,301 during the nine months ended September 30, 2005 due to the fact that we had one time write offs in 2004 in the amount of $548,763 for loss on impairment of intangibles and obsolete inventory.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the fiscal quarter ended June 30, 2005 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 (Unaudited)

	Nine Months Ended September 30, 2005 ($)	Nine Months Ended September 30, 2004 ($)	Ch
Net Cash Provided by (Used in) Operating Activities	$ (86,320)	$ 59,166	$
Net Cash Used in Investing Activities	(879,241)	(1,964,051)	(
Net Cash Provided by Financing Activities	$ 988,923	$ 2,841,588	$ (

Net cash provided by operations decreased by $145,486, primarily due to a $100,000 deposit we made with a casino to secure more favorable financing from the casino as opposed to our main lender.

Net cash used in investing activities decreased by $1,084,810 during the nine months ended September 30, 2005 due to the fact that we did not make any acquisitions in the first half of 2005 and acquired Available Money in the first quarter of 2004. We have used cash in 2005 to purchase some of the Available Money ATM's and to complete the Transaction Management System.

Net cash provided by financing activities decreased by $1,852,665 during the nine months ended September 30, 2005 primarily because we had no need for acquisition financing.

Our available cash equivalent balance at September 30, 2005 was approximately $456,259 and was approximately $562,355 at October 31, 2005.

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 has a maturity date of June 30, 2006. 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 Prime minus 5/8%.

We incurred $3,850,000 of debt associated with the acquisition of Available Money. $2,000,000 of this indebtedness was 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 order to fund the payment to Chex Services, Inc., in September 2005 we borrowed $600,000 from individuals, including the uncle and the brother of our Chief Executive Officer, pursuant to convertible notes that bear interest at 10% per annum and mature in June 2006. Each Note is convertible into shares of our common stock at an exercise price equal to 85% of the trading price at the time of exercise.

The remaining $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 amortizating 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 still intend to refinance this obligation in 2005 and are making every effort to do so. We paid a facility fee of $41,000 in connection with this loan.

On December 1, 2003, we obtained a $250,000 line of credit from Mercantile Capital, L.P., due on demand. This debt bears interest at the prime rate of interest plus 10%, floating, provided that the minimum rate on this loan is 14.5% per annum. As of June 30, 2005, this loan was also converted to a 5 year amortizing loan with annual renewals at the lender's discretion. The Company paid a $25,000 facility fee on June 30, 2005 when the loan began to be amortized. This loan is secured by 250,000 shares of the Company's common stock.

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, 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 principal balance outstanding as of August 15, 2005 is $95,000. In addition, we issued the lender warrants to purchase 50,000 shares of our common stock at an exercise price of $.33 per share. In the event that the principal amount of this loan plus all accrued interest thereon is paid in full on or before March 1, 2006, then we shall have the right to cancel warrants to purchase 25,000 shares.

Though 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 had originally 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 approximately 35. We have converted approximately 20 of these ATM's to date. The remaining capital lease agreement will require us to incur an upfront charge of approximately $90,000 and monthly rental expense of approximately $4,600 over the remaining 59 months of the lease term.

Our goal is to change the way our customers view cash access services by transforming the way casinos find, serve and retain their customers. We will strive to assist our customers by continuing to grow and improve everything we do. We require significant capital to meet these objectives. Our capital requirements are as follows:

- Equipment: Each new account requires hardware at the location level and some additions to network infrastructure at our central server farm.

- Vault Cash: All contracts in which we provide full service money centers and ATM accounts for which we are responsible for cash replenishment require vault cash. Vault cash is the money necessary to fund the float that exists when we pay money to patrons but have yet to be reimbursed from the Debit, Credit Card Cash Advance, or ATM networks for executing the transactions.

- Acquisition Financing: We presently have no cash for use in completing additional acquisitions. To the extent that we cannot complete acquisitions through the use of our equity securities, we will need to obtain additional indebtedness or seller financing in order to complete such acquisitions.

- Working Capital: We will require substantial working capital to pay the costs associated with our expanding employee base and to service our growing base of customers.

- Technology Development: We will continue to incur development costs related to the design and development of our new products and related technology. We presently do not have an internal staff of engineers or software development experts and have outsourced this function to IntuiCode, LLC, a company operated by Jeremy Stein, a member of our

board of directors.

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 $14,811,030 as of December 31, 2004 and our net losses and cash used in operations of $11,841,753 and $907,217, respectively, for the year ended December 31, 2004, 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 for the remainder of 2005 or at any time in the future.

Item 3 - 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 September 30, 2005 (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 September 30, 2005.

Disclosure controls and procedures (as defined in the Exchange Act Rules 13a-14(c) and 15d-14(c)) 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. 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.

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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. The suit also raises claims for fraudulent misrepresentation and intentional interference with contractual relations. 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. This matter is still in the pleadings stage and iGames has moved to dismiss the plaintiff's claims for fraudulent misrepresentation and intentional interference with contractual relations, as well as to strike all claims for punitive damages. We are vigorously defending this action and believe that Lake Street's claims 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 - Changes in Securities and Use of Proceeds

Pursuant to the terms of a common stock offering with registration rights, the company has accrued penalties in the amount of 120,000 shares. The company has valued these shares at $72,598.

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 (incorporated by reference to Exhibit 4.1 of Form 10-KSB filed on April 15, 2005).

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 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).

10.4 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).

10.5 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).

10.6 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).

10.7 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).

14 Code of Ethics (incorporated by reference to Exhibit 14 of Form 10-KSB filed on July 13, 2004).

31.1 Certification dated November 14, 2005 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.

31.2 Certification dated November 14, 2005 pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) of the Principal financial 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 November 14, 2005 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, thereto duly authorized.

MONEY CENTERS OF AMERICA, INC.

Date: November 14, 2005

By: /s/ Christopher M. Wolfington

Christopher M. Wolfington
Chief Executive Officer
(principal financial officer)

By: /s/ Jason P. Walsh

Jason P. Walsh
Chief Financial Officer
(principal accounting officer)