MONEY CENTERS OF AMERICA, INC.
Form 10QSB
May 23, 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 March 31, 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 May 19, 2005, 25,176,978 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 MARCH 31, 2005
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

BALANCE SHEET
MARCH 31, 2005
UNAUDITED

ASSETS

Current assets:	
Cash and cash equivalents	$ 535,264
Restricted cash	4,959,883
Accounts receivable	922,859
Loans receivable	28,000
Prepaid expenses and other current assets	384,246
Total current assets	6,830,252

Property and equipment, net	554,948
Intangible assets, net	1,074,787
Goodwill	1,681,104
Deferred financing costs	86,405
	$ 10,227,496

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:	
Accounts payable	$ 1,347,319
Accrued expenses	173,624
Current portion of capital lease	29,460
Loans payable	2,000,000
Notes payable	188,280
Lines of credit	6,405,454
Payroll liabilities	821
Due to officer	482,590
Commissions payable	1,403,301
Total current liabilities	$ 12,030,849
Long-term liabilities:	
Capital lease	190,047
Lines of credit, net of current portion	2,333,324
Total long-term liabilities	2,523,371
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 25,176,978 shares issued and outstanding	251,770
Additional paid-in capital	10,971,789
Accumulated deficit	(15,550,283)
Total stockholders' deficit	(4,326,724)
	$ 10,227,496

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

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

STATEMENTS OF OPERATIONS
UNAUDITED

	THREE MONTHS ENDED MARCH 31,	
	2005	2004
Revenues	$ 5,378,591	$ 2,155,661

Operating expenses	4,669,778	1,648,116
Gross profit	708,813	507,545
Selling, general and administrative expenses	783,937	949,212
Noncash Compensation	69,850	5,283,703
Depreciation and amortization	181,651	252,676
Operating income (loss)	(326,625)	(5,978,046)
Other income (expenses):		
Interest expense, net	(505,348)	(106,980)
Other income	92,720	-
Other expenses	-	(548,763)
	(412,628)	(655,743)
Net loss	$ (739,253)	$ (6,633,789)
Net loss per common share basic	$ (0.03)	$ (1.64)
Net loss per common share diluted	$ (0.03)	$ (1.64)
Weighted Average Common Shares Outstanding -Basic	25,126,978	4,053,804
-Diluted	25,126,978	4,053,804

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

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MONEY CENTERS OF AMERICA, INC.

STATEMENTS OF CASH FLOWS
UNAUDITED

	Periods Ended March 31, 2005	
Cash flows from operating activities:		
Net loss	$ (739,253)	$ (6,6
Adjustments used to reconcile loss to net cash provided (used) by operating activities:		
Depreciation and amortization	181,651	2

Interest on note discount	1,561	
Inventory write-down	-	1
Loss on impairment of intangibles	-	4
Issuance of options to employees and consultants	57,750	5,3
Common stock issued for services	-	
Increase (decrease) in:		
Accounts payable	282,907	4
Accrued expenses	(1,343)	
Commissions payable	310,969	2
Payroll liabilities	821	
(Increase) decrease in:		
Prepaid expenses and other current assets	15,189	1
Accounts receivable	(114,693)	(8
Inventory	-	
Net cash used in operating activities	(4,441)	(5
Cash flows from investing activities:		
Cash received in acquisition	-	
Purchases of property and equipment	(148,569)	
Cash paid for acquisition of intangible assets	(105,000)	(2,0
Net cash used in investing activities	(253,569)	(1,9
Cash flows from financing activities:		
Decrease (increase) in restricted cash	(772,107)	8
Net change in line of credit	575,163	(1
Capital lease obligation	116,515	
Payments on capital lease obligations	(38,690)	
Increase (decrease) in loans payable	-	2,0
Advances to officer	(8,565)	
Payments on notes payable	(7,939)	
Decrease in loans receivable	15,000	(
Increase in dividends payable	-	
Sale of common stock, net	479,500	
Exercise of stock options	1,500	
Dividends	-	(2
Net cash provided by financing activities	360,377	2,4
NET INCREASE (DECREASE) IN CASH	102,367	(
CASH, beginning of period	432,897	2
CASH, end of period	$ 535,264	$ 2
Supplemental disclosures:		
Cash paid during the period for interest	$ 505,348	$ 1

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

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Money Centers of America Inc. (the "Company"), a Delaware corporation, was incorporated in October 1997.

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.

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.

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, $1,850,000 of which was paid in cash on April 12, 2004. (See note 13)

On October 15, 2004 the Company formally changed its name from iGames Entertainment, Inc. to Money Centers of America, Inc. additionally, management believed that calendar year reporting was more transparent. Accordingly, on October 15, 2004 the company changed its Fiscal year from March 31, to December 31.

2. UNAUDITED INTERIM INFORMATION

The accompanying unaudited 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 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 financial position and operating results for the periods presented. These financial statements should be read in conjunction with the 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 three months ended March 31, 2005 are not necessarily indicative of the results for the full year ending December 31, 2005.

3. LOANS AND NOTES PAYABLE

Notes payable at March 31, 2005 consisted of the following:

	2005
The Company borrowed $2,000,000 from Chex Services, Inc. on January 6, 2004 to pay the first $2,000,000 to the former owners of Available Money. The loan bore interest at a rate of 15% per annum from January 6, 2004 until February 1, 2004 (25 days), and at a rate of 10% per annum thereafter. The Company has not recorded interest, because there are various significant offsets related to the cancellation of the Company's acquisition of Chex Services. This note is currently in litigation, (See Note 13).	$ 2,000,000
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 the Angel of the Winds casino. This note is shown net of a discount of $8,846 for the value of various warrants issued in conjunction with the loan along with the corresponding amortization of the note discount of $1,561. 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, beginning October 1, 2004. The principal amount of this note is repayable in monthly payments payable on the 1st day of each month commencing with the second month following the month in which the Company commences operations at Angel of the Winds Casino and continuing on the 1st day of each month thereafter through April 30, 2005. Per the 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.	188,280
	$ 2,188,280

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.

5. LINES OF CREDIT

Lines of credit at March 31, 2005 consisted of the following:

Line of credit, maximum availability of $3,000,000. Subject to various restrictive covenants, interest is payable monthly at 16.5% per annum, borrowings are collateralized by restricted cash and guaranteed by the

majority shareholder of the Company. The line of credit is also collateralized by all the assets of the Company. The lender has allowed the Company to draw in excess of the credit limit to fund an increased level of transactions. Due to the addition of 3 new casinos from September 2004 through February 2005 the Company requires additional funds for vault cash at new casino operations. The Company is in the process of negotiating its renewal terms to seek to increase the available credit and lower the interest rate.	$ 4,959,883
Line of credit, interest is payable monthly at 9% per annum, the line is unsecured and due on demand.	302,500
Line of credits, non-interest bearing, the line is unsecured and due on demand	830,507
On December 1, 2003, the Company entered into a $250,000 line of credit, due on demand with an asset based lender. 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. The Company is obligated to pay the lender a collateral management fee equal to one percent of the principal balance of the loan for each month that the loan is outstanding. 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.	312,564
On April 12, 2004, the Company borrowed $2,050,000 from an asset-based lender to make the second Available Money payment. The note bears interest at 17% per annum and is payable over a 24 month period. 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 $2,333,324.	2,333,324
	$ 8,738,778

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 the issuance and recorded non-cash compensation of $57,750.

In January 2005, the Company raised $479,500, net of offering costs of $22,500, from the sale of 984,314 shares of common stock at $0.51 per share.

Pursuant to the terms of a common stock offering with registration rights, the company has accrued penalties in the amount of 87,500 shares. The Company has valued these shares at $57,423.

7. STOCK OPTIONS AND WARRANTS

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 our 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.

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

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Stock option and warrant activity for the period ended March 31, 2005 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2004	5,240,688	$ 1.33
Granted	150,000	.77
Exercised	(150,000)	(.01)
Cancelled	-	-
Outstanding at March 31, 2005	5,240,688	$1.35

The following table summarizes the Company's stock options and warrants outstanding at March 31, 2005:

	Options and Warrants Outstanding		
Range of Exercise Price	Number	Weighted Average Remaining Life	We E
.01	3,120,000	8.75-8.90	
.33-.40	131,250	.42-9.56	
.70-.77	212,500	9-10	
1.00	75,000	3.25	
2.00-2.40	300,000	3.58-8.60	
4.00-6.00	1,401,938	.75-3.25	
	5,240,688		

All outstanding options and warrants are exercisable at March 31, 2005.

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 three months ended March 31, 2005.

THREE MONTHS ENDED

	MARCH 31, 2005
Net loss as reported	$ (739,253)
Add: total stock based consultant compensation expense determined under fair value based method, net of related tax effect	(115,380)
Pro forma net loss	$ (854,633)
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 grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants:

	2005
Divided yield	0%
Expected volatility range	205%
Risk-free interest rate	3.00%
Expected holding periods	10 Years

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8. COMMITMENTS

a. LEASE COMMITMENTS

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

In conjunction 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 $42,000 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 approximately $10,500 and $17,000 for the three months ended March 31, 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 March 31, 2005 the Company has recorded $1,272,976 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 Christopher M. Wolfington, our 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"), Mr. Wolfington's 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, Mr. Wolfington is entitled to fringe benefits including participation in retirement plans, life insurance, hospitalization, major medical, paid vacation, a leased automobile and expense reimbursement.

9. CONCENTRATION OF CREDIT RISK

The Company maintains cash in bank accounts that exceed federally insured limits. At March 31, 2005, the Company had deposits in excess of federally insured amounts aggregating approximately $12,500,000 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 three months ended March 31, 2005, approximately 34.3% of total revenues were derived from operations at 2 casinos. No other customers represented more than ten percent of our total revenues for the three months ended March 31, 2005.

10. DUE TO OFFICER

Amounts due to officer are evidenced by notes in the aggregate amount of $482,590 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 and dividends declared while an S corporation in the amount of $23,710. Payments in the amount of $48,920 paid to the officer have been netted to this note. The officer has been paid $12,310 in interest on this note during the three months ended March 31, 2005.

11. INTEREST EXPENSE

Included in interest expense are monies owed to a vendor for interest charges. The interest is based on the amount of cash in our Available Money ATM machines and network and is calculated on a daily basis. The balance of this cash funded by the bank in our ATM machines at March 31, 2005 was approximately $16 million. The interest rate on the $16 million is 4.875% per annum.

12. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has an accumulated deficit of $15,550,283 as of March 31, 2005 and had net losses and cash used in operations of $739,253 and $4,441 respectively, for the three months ended March 31, 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.

13. LITIGATION

On March 24, 2004, we filed a complaint in United States District Court for the District of Delaware against Equitex, Inc. and its wholly-owned subsidiary, Chex Services, Inc. d/b/a Fastfunds ("Chex"). In the complaint, we allege that Equitex and Chex committed numerous breaches of the terms of the November 3, 2003 Stock Purchase Agreement pursuant to which we were to have acquired Chex from Equitex, including (i) false representations and warranties related to terminated Chex casino contracts and over $600,000 in bad debts, (ii) material misrepresentations in SEC filings, (iii) entering into a material financing transaction in violation of the covenant not to enter into transactions outside the ordinary course of business, and (iv) failure to proceed in good faith

toward closing, including secretly entering into a reverse merger in violation of the express terms of the Stock Purchase Agreement. These breaches entitled us to terminate the Stock Purchase Agreement and receive a $1,000,000 termination fee and reimbursement of our transaction costs (estimated at over $300,000) from Equitex and Chex. Our complaint also states that Chex wrongfully and tortuously declared a default under the $2,000,000 promissory note that we issued to Chex in connection with our acquisition of Available Money, and that Equitex and Chex

tortuously interfered with our relationship with our senior lender. We seek to recover the $1,000,000 termination fee and transaction and collection costs (which currently exceed $600,000) together with significant damages that resulted from the defendants' breaches and tortuous conduct.

On March 23, 2004, Equitex filed an action in Delaware state court concerning the same Stock Purchase Agreement at issue in the Delaware federal action that we filed, alleging that Equitex was entitled to terminate the Stock Purchase Agreement and receive a $1,000,000 termination fee and reimbursement of transaction costs. We removed this action to the Delaware federal district court and had it consolidated with our action. We are vigorously defending this action and believe that Equitex's and Chex's claims are unfounded. We have filed a counterclaim that restates the claims made in the federal action that we filed.

On March 15, 2004, Chex filed a complaint in the District Court of the State of Minnesota for the County of Hennepin against us alleging that we defaulted on interest payments on a $2,000,000 promissory note evidencing our obligation to repay a loan that Chex extended to us in connection with our acquisition of Available Money (the "Minnesota Complaint"). The Minnesota Complaint seeks payment of the principal balance of the loan and accrued interest thereon. Chex initially alleged that we are liable to them for a penalty fee of $1,000,000 as the result of the alleged termination by Equitex of the November 3, 2003 Stock Purchase Agreement, but have since waived their claims to the penalty fee. We subsequently removed the Minnesota Complaint to the United States District Court for the District of Minnesota. On June 23, 2004, the United States District Court for the District of Minnesota transferred this action to the United States District Court for the District of Delaware. This case and the two Delaware federal court actions described above have since been consolidated by the United States District Court for the District of Delaware. On November 12, 2004, the Delaware District Court judge denied Chex's motion for summary judgment for sums allegedly due on the $2,000,000 promissory note on the basis that the facts surrounding the alleged default on the note and the termination of the Stock Purchase Agreement were substantially interrelated and that resolution of the issues raised by Chex's motion would have to await trial. We are vigorously defending this action and believe that Chex's claims lack merit. Discovery in this matter is complete and all parties have filed their dispositive motions. Trial is set to begin on August 15, 2005.

On July 15, 2004, the former stockholders of Available Money, Inc. filed a lawsuit in the United States District Court for the District of Delaware against us and Christopher M. Wolfington, our Chief Executive Officer. The complaint arose out of our purchase of the capital stock of Available Money, Inc. pursuant to the Stock Purchase Agreement and alleged that we failed to make required payments of the purchase price set forth in the Stock Purchase Agreement. In addition, the former stockholders of Available Money also filed a Motion for a Standstill Order/Temporary Restraining Order that the court denied without a hearing. We filed a separate action against Howard Regen in the United States District Court for the District of Delaware which sought a substantial reduction in the purchase price and other damages and remedies based on fraud and misrepresentations by him in connection with the transaction. In the action against Howard Regen, we also filed a motion for temporary restraining order and for injunctive relief prohibiting him from soliciting Available Money's customers or competing with Available Money. Howard Regen immediately entered into a Consent Order, which gave us the immediate relief we were seeking pending a bench trial on our motion for more permanent injunctive relief. The court held the trial and granted our request for injunctive relief on March 11, 2005. On April 21, 2005, we settled these pending suits. Pursuant to the terms of the Settlement Agreement, all lawsuits among the parties shall be dismissed with prejudice, and the parties entered into mutual releases. In addition, the parties agreed that the final purchase price for Available Money was equal to the cash amount of $3,850,000 already paid, that no further amounts were due to the former shareholders and that our previous cancellation of shares of our

common stock issued to them was proper. The former Available Money shareholders agreed to pay us an aggregate of approximately $178,000 in expenses, legal fees and court-ordered sanctions and agreed to assign to us certain ATM servicing contracts. We agreed to release the former Available Money shareholders and their affiliates from most of the non-competition and right of first refusal provisions of the original purchase agreement, subject to certain conditions and limitations.

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.

19. SUBSEQUENT EVENTS

In the past months, the San Pasqual Band of Mission Indians (the "Tribe"), operators of the Valley View casino (the "Casino"), have made various attempts to renegotiate the terms of our contract to provide cash services at the Casino in order to obtain terms more favorable to the Tribe. In order to resolve these issues, we and the Tribe agreed on May 20, 2005 to terminate our contract at the Casino, effective immediately, in exchange for consideration from the Tribe of approximately $430,000, consisting of a cash payment and forgiveness of commissions due to the Tribe. This amount, based on the average net income over the life of the contract (gross profit less interest expense and other expenses directly attributed to operations at the Casino), represents approximately 16 months' worth of net income from our operations at the Casino.

Additionally, we are currently in negotiation with one of our ATM-only customers regarding the buy-out of the remaining terms of their agreement.

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 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 26 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 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 continues to grow and be the major source of our revenue and profits in 2005. We have also launched several new services in the last 18 months, such as CreditPlus, Our Cash Services Host Program, and our Transaction Management System that have begun to create new revenue and have helped to differentiate our product offering in the marketplace. The addition of our new product offerings have assisted us in obtaining three new contracts that will be a major part of our revenue and cash flow in 2005.

The acquisition of Available Money that was completed in January 2004 continues to provide challenges for management in terms of the legal matters associated with the transactions and the longer than expected conversion of the processing of the Available Money cash services business over to the systems we utilize. We have completed our new ATM processing agreement which has lowered our operating costs, provided needed capacity for our vault cash needs, and will help facilitate the completion of the Available Money conversion.

We have also finalized our agreement with Mosaic Software which is a major component to our Transaction Management System. Our deployment is scheduled for July 2005. 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.

We are confident that we have sufficient capacity to handle additional customer accounts using our current systems and infrastructure. We commenced operations at three new full service casino locations, in September 2004, October 2004 and February 2005, with no increase in recurring general and administrative expenses. While our interest expense has been higher than we anticipated, we are in the process of re documenting our current lines of credit and to identify new lower costs sources to provide for new capacity associated with our new locations and to 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 and as a result of our acquisitions. Despite these efforts, we have been named as a defendant in several legal proceedings, described in Part II, Item 1, Legal Proceedings, beginning on page 24 of this report. We are confident that it is in our best interests to defend these claims and to pursue counterclaims where we believe that we are likely to obtain a favorable result. During the three month period ended March 31, 2005, we have incurred approximately $265,000 in legal fees related to these legal proceedings and anticipate incurring a substantial amount of additional legal fees related to these legal proceedings throughout 2005.

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 70% 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 a transaction management system. Instead of outsourcing the cash services operations, we have begun to offer 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, the user agreements are for a longer period of time and we do 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.

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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 Credit Plus 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 internal sales. Other barriers within the casino operation itself may also have a negative impact on our ability to generate revenue from our CreditPlus product.

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.

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 March 31, 2005 vs. Three Months Ended March 31, 2004

	Three Months Ended March 31, 2005 ($)	Three Months Ended March 31, 2004 ($)	C
Net Income (Loss)	(739,253)	(6,633,789)	
Revenues	5,378,591	2,155,661	
Operating Expenses	4,669,778	1,648,116	
Gross Profit	708,813	507,545	
Selling, General and Administrative Expenses	783,937	949,212	
Noncash Compensation	69,850	5,283,703	(
Depreciation and amortization	181,651	252,676	
Other Income (Expenses)	412,628	655,743	

Our net loss decreased by $5,894,536 during the three months ended March 31, 2005 due to an increase in gross profit of approximately $200,000 primarily due to an increase in revenue, a decrease in noncash compensation of approximately $5,200,000 due to one-time charges for noncash compensation during 2004 that were not repeated in 2005, a decrease in depreciation and amortization of approximately $70,000 due to reduced amortization of casino contracts reflecting the termination of certain contracts in 2004 and other expenses decreased due to a decrease in intangible write off.

Our revenues increased by approximately 149% during the three months ended March 31, 2005 as compared to the three months ended March 31, 2004. Approximately $214,000 of this increase represented increased volume under contracts in place at the beginning of 2004, $1,040,000 represented revenues from new contracts, and approximately $2,000,000 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. Our operating expenses increased during the three months ended March 31, 2005 due to a $214,143 increase in bad debt expense primarily resulting from a $90,000 loss at one casino, a $43,712 increase in cash compensation expenses due to an increase in operations personnel, and a $155,695 increase in transaction processing expenses as the result of increased transaction volume. Commissions paid to casinos increased from $772,497 (35.8% of revenue) in the first quarter of 2004 to $2,814,362 (52.3% of revenue) in the first quarter of 2005 primarily as the result of higher commission rates under the Sycuan and Sandia contracts. We believe that the higher commission payments under the Sycuan and Sandia casino contracts reflect the size and desirability of the particular business opportunity and are not reflective of a trend. Commission rates in future contracts and contract renewals may be higher or lower than current rates. If we are forced to pay higher commissions to other casino customers, our commission expenses will increase and the impact on

revenues and income will depend on our ability to pass the higher commissions on to customers in the form of higher transaction fees. In addition, approximately $750,000 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. As part of the integration the company receives the ATM revenue on a monthly basis and pays all related expenses. Based on our higher level of operations, we had 68 operations employees at March 31, 2005 as compared to 38 operations employees at March 31, 2004, which resulted in the additional compensation and benefits expenses.

Our selling, general and administrative expenses decreased during the three months ended March 31, 2005 primarily due to $189,112 decrease in management compensation. Otherwise the remaining selling, general and administrative expenses have remained relatively the same as compared to the quarter ended March 31, 2004. Legal expenses related to ongoing litigation proceedings are expected to continue in 2005, although one case has settled and settlement discussions are ongoing in the other case, and therefore it is not possible to estimate the amount of these expenses or their impact on our future results of operations and financial condition. Our depreciation and amortization expenses decreased during the three months ended March 31, 2005 primarily due to the elimination of amortization that otherwise would have been realized on contracts that terminated in 2004.

Our other expenses decreased during the three months ended March 31, 2005 mostly due to a non-recurring loss in the first quarter of 2004 due to impairment of intangibles and inventory write off of $417,880 and 130,883 respectively, offset by a $379,922 increase in interest expense. This increase resulted from higher line of credit borrowing levels ($8,738,778 at March 31, 2005 compared to $2,438,038 at March 31, 2004). We paid slightly higher interest rates (an average interest rate of 16.5% during 2005 compared to an average interest rate of 15% during 2004). At March 31, 2005 we were paying interest on approximately $16 million of vault cash for the Available Money business. The interest rate on this $16 million is 4.875% per annum. We are negotiating to re-finance our casino vault cash facility. We anticipate completing this in the second quarter of 2005.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the fiscal quarter ended March 31, 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

	Three Months Ended March 31, 2005 ($)	Three Months Ended March 31, 2004 ($)	C
Net Cash Used in Operating Activities	(4,441)	(506,629)	
Net Cash Used in Investing Activities	(253,569)	(1,982,861)	(1
Net Cash Provided by Financing Activities	360,377	2,448,111	(2

Net cash used in operations decreased by $502,188, primarily due to a significant decrease in our net loss and as a result of the fact that we experienced a temporary delay in collections of accounts receivable from the Available Money portfolio following its acquisition in January 2004.

Net cash used in investing activities decreased during the quarter ended March 31, 2005 due to the fact that we did not make any acquisitions in the first quarter of 2005 and acquired Available Money in the first quarter of 2004.

Net cash provided by financing activities decreased during the quarter March 31, 2005 primarily because we had no need for acquisition financing.

Our available cash equivalent balance at March 31, 2005 was approximately $535,264 and was approximately $1,300,000 at April 30, 2005. Since our formation we have raised an aggregate of approximately $3,000,000 in capital through the sale of our equity securities. In addition, we issued two 10% convertible promissory notes in the aggregate principal amount of $250,000 to one investor. In October 2002, this investor converted a $150,000 note into 300,000 shares of our common stock, and the remaining balance of this note has been repaid.

A significant portion of our existing indebtedness is associated with our vault cash line of credit of $3,000,000 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 May 31, 2005. We are currently in the underwriting process of our renewal. The lender is adjusting our line of credit limit to accommodate our current borrowing needs. We are also negotiating to have our Available Money Loan merged into this line so we have one line of credit with the same 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. On peak days, the outstanding amount frequently is in excess of $3,000,000. However, our lender has funded, and indicated that it is

willing to continue to fund, these overadvances. We are in the process of negotiating with several parties for new vault cash facilities that we expect will include higher borrowing limits and reduced interest expense.

Vault cash for our ATM operations at locations where we do not provide full cash access services (primarily former 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 is a loan provided by Chex Services, Inc. We have filed suit against Chex Services regarding certain breaches to the term note evidencing our obligation to repay this loan and breaches to a Stock Purchase Agreement entered into by the parties in November 2003, including (i)

false representations and warranties related to terminated Chex casino contracts and over $600,000 in bad debts, (ii) material misrepresentations in SEC filings, (iii) entering into a material financing transaction in violation of the covenant not to enter into transactions outside the ordinary course of business, (iv) failure to proceed in good faith toward closing, including notifying iGames that Equitex could not close on the transaction as structured, and (v) failure to provide all funding that Chex committed to provide under the terms of the term note. It is our position that the amounts due to us from Chex, including a $1,000,000 termination fee due under the Stock Purchase Agreement, transaction and collection costs due under the Stock Purchase Agreement, and additional damages we suffered as a result of the breaches by Chex Services, Inc., exceed the principal amount of this loan. We will continue to record this note as a liability until a judgment is rendered in the lawsuit.

The final $1,850,000 of this indebtedness is part of a $2,000,000 bridge loan provided by Mercantile Capital, L.P. This bridge loan accrues interest at an annual rate of 17% and has a maturity date of May 1, 2006. 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 2005. 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. In addition, Mercantile receives a collateral management fee equal to one percent of the principal balance of the loan per month. 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, which is payable monthly beginning October 1, 2004. 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 through April 30, 2005, 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. The amount of the principal payment due in any month is equal to the amount of lease fee advances that we receive from this casino customer during that month. 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 have entered into a capital lease agreement to acquire 71 ATMs and related equipment necessary to complete this conversion. This capital lease agreement will require us to incur an upfront charge of approximately $350,000 and monthly rental expense of approximately $21,000 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:

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

o 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.

o 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.

o 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.

o 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. We presently have a liability for dividends payable of $23,710 related to prior declared dividends that have not yet been paid.

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 in 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 March 31, 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 March 31, 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.

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 March 24, 2004, we filed a complaint in United States District Court for the District of Delaware against Equitex, Inc. and its wholly-owned subsidiary, Chex Services, Inc. d/b/a Fastfunds ("Chex"). In the complaint, we allege that Equitex and Chex committed numerous breaches of the terms of the November 3, 2003 Stock Purchase Agreement pursuant to which we were to have acquired Chex from Equitex, including (i) false representations and warranties related to terminated Chex casino contracts and over $600,000 in bad debts, (ii) material misrepresentations in SEC filings, (iii) entering into a material financing transaction in violation of the covenant not to enter into transactions outside the ordinary course of business, and (iv) failure to proceed in good faith toward closing, including secretly entering into a reverse merger in violation of the express terms of the Stock Purchase Agreement. These breaches entitled us to terminate the Stock Purchase Agreement and receive a $1,000,000 termination fee and reimbursement of our transaction costs (estimated at over $300,000) from Equitex and Chex. Our complaint also states that Chex wrongfully and tortiously declared a default under the $2,000,000 promissory note that we issued to Chex in connection with our acquisition of Available Money, and that Equitex and Chex tortiously interfered with our relationship with our senior lender. We seek to recover the $1,000,000 termination fee and transaction and collection costs (which currently exceed $600,000) together with significant damages that resulted from the defendants' breaches and tortuous conduct.

On March 23, 2004, Equitex filed an action in Delaware state court concerning the same Stock Purchase Agreement at issue in the Delaware federal action that we filed, alleging that Equitex was entitled to terminate the Stock Purchase Agreement and receive a $1,000,000 termination fee and reimbursement of transaction costs. We removed this action to the Delaware federal district court and had it consolidated with our action. We are vigorously defending this action and believe that Equitex's and Chex's claims are unfounded. We have filed a counterclaim that restates the claims made in the federal action that we filed.

On March 15, 2004, Chex filed a complaint in the District Court of the State of Minnesota for the County of Hennepin against us alleging that we defaulted on interest payments on a $2,000,000 promissory note evidencing our obligation to repay a loan that Chex extended to us in connection with our acquisition of Available Money (the "Minnesota Complaint"). The Minnesota Complaint seeks payment of the principal balance of the loan and accrued interest thereon. Chex initially alleged that we are liable to them for a penalty fee of $1,000,000 as the result of the alleged termination by Equitex of the November 3, 2003 Stock Purchase Agreement, but have since waived their claims to the penalty fee. We subsequently removed the Minnesota Complaint to the United States District Court for the District of Minnesota. On June 23, 2004, the United States District Court for the District of Minnesota transferred this action to the United States District Court for the District of Delaware. This case and the two Delaware federal court actions described above have since been consolidated by the United States District Court for the District of Delaware. On November 12, 2004, the Delaware District Court judge denied Chex's motion for summary judgment for sums allegedly due on the $2,000,000 promissory note on the basis that the facts surrounding the alleged default on the note and the termination of the Stock Purchase Agreement were substantially interrelated and that resolution of the issues raised by Chex's motion would have to await trial. We are vigorously defending this action and believe that Chex's claims lack merit. Discovery in this matter is complete and all parties have filed their dispositive motions. Trial is set to begin on August 15, 2005.

On July 15, 2004, the former stockholders of Available Money, Inc. filed a lawsuit in the United States District Court for the District of Delaware against us and Christopher M. Wolfington, our Chief Executive Officer. The complaint arose out of our purchase of the capital stock of Available Money, Inc. pursuant to the Stock Purchase Agreement and alleged that we failed to make required payments of the purchase price set forth in the Stock Purchase Agreement. In addition, the former stockholders of Available Money also filed a Motion for a Standstill Order/Temporary Restraining Order that the court denied without a hearing. We filed a separate action against Howard Regen in the United States District Court for the District of Delaware which sought a substantial reduction in the purchase price and other damages and remedies based on fraud and misrepresentations by him in connection with the transaction. In the action against Howard Regen, we also filed a motion for temporary restraining order and for injunctive relief prohibiting him from soliciting Available Money's customers or competing with Available Money. Howard Regen immediately entered

into a Consent Order, which gave us the immediate relief we were seeking pending a bench trial on our motion for more permanent injunctive relief. The court held the trial and granted our request for injunctive relief on March 11, 2005. On April 21, 2005, we settled these pending suits. Pursuant to the terms of the Settlement Agreement, all lawsuits among the parties shall be dismissed with prejudice, and the parties entered into mutual releases. In addition, the parties agreed that the final purchase price for Available Money was equal to the cash amount of $3,850,000 already paid, that no further amounts were due to the former shareholders and that our previous cancellation of shares of our common stock issued to them was proper. The former Available Money shareholders agreed to pay us an aggregate of approximately $178,000 in expenses, legal fees and court-ordered sanctions and agreed to assign to us certain ATM servicing contracts. We agreed to release the former Available Money shareholders and their affiliates from most of the non-competition and right of first refusal provisions of the original purchase agreement, subject to certain conditions and limitations.

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 87,500 shares. The Company has valued these shares at $57,423.

In January 2005, we sold 984,314 shares of our common stock at $0.51 per share to three investors. These shares were sold pursuant to Rule 506 of Regulation D.

Item 3 - Defaults Upon Senior Securities

None.

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

None.

Item 5 - Other Information

In the past months, the San Pasqual Band of Mission Indians (the "Tribe"), operators of the Valley View casino (the "Casino"), have made various attempts to renegotiate the terms of our contract to provide cash services at the Casino in order to obtain terms more favorable to the Tribe. In order to resolve these issues, we and the Tribe agreed on May 20, 2005 to terminate our contract at the Casino, effective immediately, in exchange for consideration from the Tribe of approximately $430,000, consisting of a cash payment and forgiveness of commissions due to the Tribe. This amount, based on the average net income over the life of the contract (gross profit less interest expense and other expenses directly attributed to operations at the Casino), represents approximately 16 months' worth of net income from our operations at the Casino.

Additionally, we are currently in negotiation with one of our ATM-only customers regarding the buy-out of the remaining terms of their agreement.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-B

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 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).

10.7 Term Loan Note in the principal amount of $4,000,000 dated January 6, 2004 issued to Chex Services, Inc. (incorporated by reference to Exhibit 10.7 of Form 10-KSB filed on July 13, 2004)

10.8 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)

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

31.1 Certification dated May 19, 2005 pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) of the Principal Executive Officer and Principal Financial 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.

32.1 Certification dated May 19, 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 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: May 23, 2005   By: /s/ Christopher M. Wolfington

Christopher M. Wolfington
Chief Executive Officer and
Chief Financial Officer (Principal
Financial Officer and Principal
Accounting Officer