

OMBUDSMAN EDUCATIONAL SERVICES, LTD.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

**Reicin, Pollack & Co., Ltd.
Certified Public Accountants**

OMBUDSMAN EDUCATIONAL SERVICES, LTD.
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

MANAGEMENT AND
FINANCIAL STATEMENT
AUDIT
2006 MAY 30 AM 9:2

OMBUDSMAN EDUCATIONAL SERVICES, LTD.

**FINANCIAL STATEMENTS &
SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ombudsman Educational Services, Ltd.
Libertyville, Illinois

Jeffrey D. Bronswick
Jack P. Knopoff
Murray J. Pollack
Leonard H. Reicin (1936-2001)

We have audited the accompanying balance sheets of Ombudsman Educational Services, Ltd. (a wholly owned subsidiary of ESA Corporation as of September 16, 2005) as of December 31, 2005 and 2004, and the related statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Ombudsman Educational Services, Ltd. as of December 31, 2005 and 2004 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, certain errors resulting in the understatement of previously reported amortization as of January 1, 2004, were discovered by the management of the Company during the current year. Accordingly, the 2004 financial statements have been restated to correct the error.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2006 on our consideration of Ombudsman Educational Services, Ltd.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of operating expenses and Dade County expenditures on pages 10 and 11 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statement taken as a whole.

This report is intended solely for the information and use of the School Board of Miami-Dade County and the Board of Directors and management of Ombudsman Educational Services, Ltd. and is not intended to be and should not be used by anyone other than those specified parties.

May 11, 2006
Buffalo Grove, Illinois

FINANCIAL STATEMENTS

OMBUDSMAN EDUCATIONAL SERVICES, LTD.
BALANCE SHEETS
DECEMBER 31, 2005 AND 2004

	<u>ASSETS</u>	
	2005	2004
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,257,774	\$ 438,214
Accounts receivable, net of allowance of \$25,000 and \$23,000, respectively	1,848,757	2,469,508
Receivable from insurance company	14,445	-
Prepaid expenses	147,876	76,685
Total current assets	<u>3,268,852</u>	<u>2,984,407</u>
FIXED ASSETS		
Net of accumulated depreciation of \$3,514,661 and \$2,872,209, respectively (Notes 2 and 4)	1,320,752	1,458,027
OTHER ASSETS		
Goodwill (Note 5)	8,642,260	-
Security deposits	<u>152,176</u>	<u>124,610</u>
TOTAL ASSETS	<u><u>\$ 13,384,040</u></u>	<u><u>\$ 4,567,044</u></u>
	<u>LIABILITIES AND EQUITY</u>	
CURRENT LIABILITIES		
Bank line of credit (Note 5)	\$ -	\$ 253,500
Current portion of long-term debt (Note 7)	196,443	198,787
Accounts payable	205,942	140,151
Unearned revenue	2,752,600	2,576,447
Accrued liabilities	475,721	489,986
Intercompany accounts payable (Note 8)	1,348,193	-
Due to shareholders	-	185,708
Total current liabilities	<u>4,978,899</u>	<u>3,844,579</u>
LONG-TERM LIABILITIES		
Security deposit payable	4,125	-
Long-term debt-net of current portion (Note 7)	<u>122,790</u>	<u>315,418</u>
Total liabilities	<u>5,105,814</u>	<u>4,159,997</u>
SHAREHOLDER'S EQUITY		
Common stock, no par value, 1,000 shares authorized, 500 shares issued and outstanding	1,000	1,000
Revaluation capital (Note 5)	8,014,042	-
Retained earnings	<u>263,184</u>	<u>406,047</u>
Total Shareholder's Equity	<u>8,278,226</u>	<u>407,047</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 13,384,040</u></u>	<u><u>\$ 4,567,044</u></u>

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

**OMBUDSMAN EDUCATIONAL SERVICES, LTD.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
REVENUES	\$ 15,181,063	\$ 14,182,883
OPERATING EXPENSES	<u>15,691,058</u>	<u>13,709,918</u>
(LOSS) INCOME FROM OPERATIONS	<u>(509,995)</u>	<u>472,965</u>
OTHER (INCOME) EXPENSE:		
Loss on disposition of fixed assets	41,995	7,356
Interest expense	17,579	18,410
Interest (income)	(13,439)	(6,915)
Miscellaneous income	<u>(31,240)</u>	<u>(16,092)</u>
Total other (income) expense	<u>14,895</u>	<u>2,759</u>
(LOSS) INCOME BEFORE TAXES	(524,890)	470,206
PROVISION FOR INCOME TAXES (Note 1)	<u>174,992</u>	<u>14,240</u>
NET (LOSS) INCOME	<u><u>(699,882)</u></u>	<u><u>455,966</u></u>
RETAINED EARNINGS, BEGINNING OF YEAR		
As Previously Reported	-	876,319
Adjustment for correction of leasehold improvement amortization (Note 2)	<u>-</u>	<u>(454,728)</u>
Balance at beginning of year, restated	406,047	421,591
Net (Loss) Income (2004 is as restated)	(699,882)	455,966
Distributions to Shareholders	(71,198)	(471,510)
Elimination of pre-acquisition retained deficit (Note 5)	<u>628,217</u>	<u>-</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 263,184</u></u>	<u><u>\$ 406,047</u></u>

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

OMBUDSMAN EDUCATIONAL SERVICES, LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (699,882)	\$ 455,966
ADJUSTMENTS TO RECONCILE NET INCOME TO CASH PROVIDED BY OPERATIONS:		
Depreciation	829,124	619,412
Loss on disposal of fixed assets	41,995	7,356
CHANGES IN ASSETS AND LIABILITIES:		
Accounts receivable	620,751	(1,319,393)
Receivable from insurance company	(14,445)	-
Prepaid expenses	(71,191)	(53,446)
Security deposits	(27,567)	(15,466)
Accounts payable	65,791	(53,820)
Intercompany accounts payable	1,348,193	-
Accrued liabilities	(14,265)	(41,241)
Due to shareholders	(185,708)	185,708
Security deposit payable	4,125	-
Unearned revenue	176,153	159,876
Net cash provided by (used in) operating activities	2,073,074	(55,048)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(775,996)	(1,127,930)
Proceeds from disposal of fixed assets	42,152	-
Net cash (used in) investing activities	(733,844)	(1,127,930)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New borrowings:		
Line of credit	(253,500)	253,500
Short-term debt	-	128,949
Long-term debt	-	245,580
Debt reduction:		
Short-term debt	(2,344)	-
Long-term debt	(192,628)	(69,838)
Distributions to shareholders	(71,198)	(471,510)
Net cash (used in) provided by financing activities	(519,670)	86,681
Net increase (decrease) in cash and cash equivalents	819,560	(1,096,297)
Cash and cash equivalents, beginning of period	438,214	1,534,511
Cash and cash equivalents, end of period	<u>\$ 1,257,774</u>	<u>\$ 438,214</u>
Supplemental disclosures-non-cash investing transaction:		
Goodwill push-down resulting from ESA's acquisition of Ombudsman:		
Goodwill	\$ 8,642,260	
Revaluation capital	(8,014,042)	
Elimination of pre-acquisition retained (deficit)	(628,218)	
Net cash	<u>\$ -</u>	

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

**OMBUDSMAN EDUCATIONAL SERVICES, LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

1. Organization and Summary of Significant Accounting Policies

Nature of Operations

Ombudsman Educational Services, Ltd. ("Ombudsman" or the "Company") operates 68 accredited alternative education programs in nine states and charter schools in Arizona and New Hampshire that serve students in grades six through twelve. Not all locations serve all grade levels.

Effective September 16, 2005, the Company was acquired by Educational Services of America, Inc. ("ESA") and became a wholly-owned subsidiary of ESA.

Ombudsman's alternative education programs help school districts prevent drop outs by providing an alternative approach to educating students who have difficulty being successful in a traditional school setting. Ombudsman's charter schools in Arizona and New Hampshire provide parents and students with an individualized approach to learning.

Total enrollment in the alternative programs and charter schools was 2,787 as of December 31, 2005.

The number of alternative and charter school locations by state is as follows:

	Number of Alternative Locations	Number of Charter Locations
Arizona	3	5
Florida	11	-
Georgia	7	-
Illinois	20	-
Indiana	1	-
Missouri	8	-
New Hampshire	2	2
Ohio	5	-
Pennsylvania	1	-
South Carolina	2	-
Texas	1	-
Total	61	7

Accounting Method

The Company's financial statements are prepared using the accrual method of accounting.

Cash and cash equivalents

Cash equivalents are comprised of certain highly liquid investments with original maturities of less than three months.

Accounts receivable

Accounts receivable are stated at the amount that management expects to collect from outstanding balances. The Company maintains allowances for potential credit losses which, when realized, have been within the range of management's expectations. Bad debts have been minimal.

**OMBUDSMAN EDUCATIONAL SERVICES, LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

1. Organization and Summary of Significant Accounting Policies, continued

Revenue Recognition

The Company recognizes revenues from school district contracts as it is earned over the term of each individual contract.

Fixed Assets

Property and equipment are carried at cost less accumulated depreciation. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset. For leases with renewal periods at the Company's option, the Company generally uses the original lease term, excluding renewal option periods to determine estimated useful lives. Depreciation of property and equipment is provided on straight-line and accelerated methods over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Leasehold Improvements	1-5
Furniture & Fixtures	7
Equipment & Computers	5-7
Computer Software	3

Maintenance, repairs and renewals, which neither materially add to the value of property nor appreciably prolong its useful life, are expensed as incurred.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than the carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value.

Goodwill

Goodwill is recognized for the excess of the purchase price over fair value of tangible and identifiable intangible net assets of businesses acquired. The Company implemented Financial Accounting Standard Board's Statement No. 142, Accounting for Goodwill and Intangible Assets; therefore, goodwill will be tested annually for impairment and has not been amortized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Advertising

Advertising costs are charged to expense when incurred.

Income Taxes

Prior to September 16, 2005, the Company elected to be taxed under the subchapter S provisions of the Internal Revenue Code. Therefore, income of the Company was taxable to the individual shareholders. The income taxes provided for the period ended December 31, 2004 are corporation taxes from the various states that the Company does business in.

**OMBUDSMAN EDUCATIONAL SERVICES, LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

Income Taxes, continued

Effective September 16, 2005, income taxes are provided for at the prevailing corporate income tax rates for Federal and State purposes. Any liability for income taxes payable is reflected in the intercompany account balance as all income taxes are the obligation of the parent in a consolidated income tax return.

2. Restatements

In April 2006, it was determined, after analyzing the views expressed by the Office of the Chief Accountant of the Securities and Exchange Commission in a letter issued in February 2005 to the American Institute of Certified Public Accountants guiding companies regarding certain operating lease accounting issues and their application under generally accepted accounting principles, that the Company's accounting treatment of the amortization of leasehold improvements was incorrect in previously issued audited financial statements. Therefore, a restatement of the Company's financial statements was required. Under the previous accounting treatment, leasehold improvements were generally amortized over 15 to 39 years without regard to the term of the underlying operating lease. The Company should have amortized leasehold improvements over the shorter of the term of the lease or the economic life of the asset.

The impact of this restatement on the Company's financial statements as of December 31, 2003, was a decrease in retained earnings of \$454,728, a decrease in leasehold improvements of \$96,136 and an increase in accumulated amortization of leasehold improvements of \$358,592.

The impact of this restatement on the Company's financial statements for the year ended December 31, 2004, was a decrease in earnings of \$52,094, an increase in leasehold improvements of \$11,110 and an increase in accumulated amortization of leasehold improvements of \$63,204.

3. Cash and Cash Equivalents

The Company had cash and cash equivalents of \$1,257,774 and \$438,214 as of December 31, 2005 and 2004, respectively. Included in cash and cash equivalents were deposits in a money market account of \$688,804 and \$3,726 as of December 31, 2005 and 2004, respectively. The money market account is insured up to \$100,000 through the Federal Deposit Insurance Corporation ("FDIC") and accordingly, at December 31, 2005, the remaining \$588,804 was not insured by the FDIC. The Company's policy is to maintain its cash accounts in what they believe to be high quality banks. Nevertheless, there is exposure where the balances exceed the federally insured limits.

4. Fixed Assets

Details of fixed assets as of December 31, 2005 and 2004 were as follows:

	2005	2004
Machinery and equipment	\$ 1,859,124	\$ 1,605,890
Computer software	1,307,140	1,276,535
Leasehold improvements	836,483	725,110
Furniture and fixtures	726,015	630,850
Building equipment	61,194	46,824
Signs	45,457	45,027
Total fixed assets	4,835,413	4,330,236
Less: Accumulated depreciation	(3,514,661)	(2,872,209)
Net fixed assets	<u>\$ 1,320,752</u>	<u>\$ 1,458,027</u>

**OMBUDSMAN EDUCATIONAL SERVICES, LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

5. Goodwill and Revaluation Capital

Effective September 16, 2005, the Company was acquired by Educational Services of America, Inc. ("ESA"). As a result of the acquisition, the Company recorded goodwill of \$8,642,260, revaluation capital of \$8,014,043 and eliminated the pre-acquisition retained deficit of \$628,217. ESA is in the process of obtaining third-party valuations of certain intangible assets; thus the purchase price allocation and goodwill are subject to modification.

6. Line of Credit

Prior to September 20, 2005, the Company maintained a \$1,500,000 revolving line of credit with a bank. The line was secured by accounts receivable and fixed assets. The interest rate on the line was prime floating less one-half percent. The Company's parent, ESA, paid the balance of the line in full as of September 20, 2005 and the facility was cancelled. Therefore, as of December 31, 2005 and 2004, the Company had an outstanding balance on the line of \$0 and \$253,500, respectively.

7. Long-term Debt

Long-term debt consisted of the following at December 31, 2005 and 2004:

	December 31,	
	2005	2004
Long-term vendor payable for various purchases of software, payable in annual installments, including interest at 3%	\$ 319,233	\$ 514,205
Less: Current portion	<u>196,443</u>	<u>198,787</u>
Long-term debt	<u><u>\$ 122,790</u></u>	<u><u>\$ 315,418</u></u>

The future principal payments as of December 31, 2005 are summarized as follows:

<u>December 31,</u>	
2006	196,443
2007	<u>122,790</u>
Total	<u><u>\$ 319,233</u></u>

8. Intercompany Accounts Payable

As a result of the acquisition of the Company by Educational Services of America, Inc., the Company has recorded certain intercompany transactions related to cash transfers and income taxes. It is the Company's intention to pay amounts due to ESA on a periodic basis.

9. Profit Sharing Retirement Plan Contributions

The Company maintains a profit sharing retirement plan covering all eligible employees. Contributions to the profit sharing retirement plan were \$100,000 and \$107,000 for 2005 and 2004, respectively. Contributions to the plan are made solely at the Company's discretion.

10. Related Party Transactions

The Company leases facilities, under various operating leases, from Sweeney/Boyle LLC, an entity under the sole control of Loretta B. Sweeney, the controlling shareholder of the Company prior to September 16, 2005. Rent expense under those leases was \$187,202 and \$189,997 in 2005 and 2004, respectively.

**OMBUDSMAN EDUCATIONAL SERVICES, LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

11. Supplemental Disclosures for Cash Flow Statements

Cash payments for interest were \$5,360 and \$18,410, respectively for 2005 and 2004. Cash payments for income taxes were \$7,398 and \$14,240, respectively for 2005 and 2004.

12. Customer Data

The Company's accounts receivable are primarily comprised of amounts due from school districts. The Company's three largest customers accounted for approximately 75.4% and 70.0% of total trade accounts receivable at December 31, 2005 and 2004, respectively. Revenue generated from these three customers amounted to approximately 39.3% and 41.2% of net sales for the years ended December 31, 2005 and 2004, respectively.

13. Concentration of Credit Risk

The Company is exposed to credit risk in the event of default by any of its customers to the extent of amounts recorded on the balance sheet. The Company performs ongoing credit evaluations of its customers' financial condition and maintains reserves for estimated credit losses; such actual losses have been within management's expectations.

14. Advertising Costs

Advertising costs including literature, printing and participation in industry conferences and are charged to expense in the period incurred. Advertising costs included in operating expenses were \$97,677 and \$239,115 for the years ended December 31, 2005 and 2004, respectively.

15. Commitments

The Company rents space for its alternative programs, charter schools and administrative offices in the various states in which it does business. Rent expense for the years ended December 31, 2005 and 2004 was \$2,019,861 and \$1,722,444, respectively.

The Company also leases equipment under operating leases that end in 2008 and 2009.

Future minimum lease payments under all operating leases for the year ended December 31, 2005 were as follows:

2006	\$	1,703,973
2007		1,084,316
2008		749,696
2009		324,181
2010 and thereafter		<u>129,590</u>
Total	\$	<u><u>3,991,756</u></u>

SUPPLEMENTARY INFORMATION

OMBUDSMAN EDUCATIONAL SERVICES, LTD.
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004


	<u>2005</u>	<u>2004</u>
Advertising and promotion	\$ 97,677	\$ 239,115
Automobile expenses	-	6,682
Auto lease	14,459	16,756
Bad debts	12,644	15,450
Computer services	246,632	244,311
Computer supplies	14,234	46,936
Commissions	19,456	11,615
Conferences and seminars	8,372	4,026
Depreciation	829,124	619,412
Donations	4,794	3,850
Dues and subscriptions	38,554	51,285
Educational supplies	84,962	11,603
Employee gifts and flowers	5,834	3,749
Employment fees and expenses	15,889	25,068
Entertainment and meals	73,294	130,823
Equipment rental	18,896	11,898
Freight	26,953	26,032
Insurance expense	356,377	316,043
Legal and accounting	157,876	211,918
Licenses and fees	6,450	5,786
Office expenses	98,436	109,010
Operating supplies	163,676	209,124
Outside consultants	591,036	440,726
Penalties and fines	0	144
Postage	39,104	44,944
Profit sharing contribution and administration	110,184	107,000
Rents	2,019,861	1,722,444
Repairs and maintenance	123,271	204,205
Salaries	8,792,953	7,429,569
Scavenger service	11,478	10,962
Security	26,604	18,109
Taxes, other than income	726,907	699,076
Telephone	197,853	164,666
Temporary services	55,329	13,401
Travel	444,417	311,591
Utilities	<u>257,472</u>	<u>222,589</u>
Total operating expenses	<u>\$ 15,691,058</u>	<u>\$ 13,709,918</u>

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

MIAMI-DADE COUNTY PUBLIC SCHOOLS
Educational Alternative Outreach Programs
Annual Expenditure Report

Contracting Agency: Ombudsman Educational Services, Ltd.		Completed by: Caroline Damask	
Number of Student FTE Slots:		Annual Reporting Period: January - December 2005	
Grade Levels: 9-12			

EXPENDITURES:	ACTUAL EXPENDITURES							TOTAL
	100 Salaries	200 Fringe Benefits	300 Purchased Services	400 Energy Services	500 Materials & Supplies	600 Capital Outlay	700 Other Expense	
5000 Instruction	905,109	121,402			7,674			1,034,185
6100 Pupil Personnel	111,867	15,005						126,872
6200 Instructional Media Services			42,187			9,326		51,513
6300 Instruction and Curr. Develop.	132,207	13,221						145,428
6400 Instructional Staff Training	92,745	10,305						103,050
7100 Board of Directors			25,000					25,000
7200 General Administration	131,326	13,133						144,459
7300 School Administration	185,123	18,512	45,432		27,377		5,964	282,408
7400 Facilities Acquisition						4,600		4,600
7500 Fiscal Services	20,000	2,000						22,000
7600 Food Services								-
7700 General Support			18,141		8,488			26,629
7800 Pupil Transportation								-
7900 Operation of Plant			402,801	30,000				432,801
8100 Maintenance of Plant			12,474					12,474
9100 Community Services								-
9200 Debt Service								-
TOTAL EXPENDITURES:	1,578,377	193,578	546,035	30,000	43,539	13,926	5,964	2,411,419



5/25/06

Date

Signature



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Jeffrey D. Bronswick
Jack P. Knopoff
Murray J. Pollack
Leonard H. Reicin (1936-2001)

Board of Directors
Ombudsman Educational Services, Ltd.
Libertyville, Illinois

We have audited the financial statements of Ombudsman Education Services, Ltd. (a wholly owned subsidiary of ESA Corporation as of September 16, 2005), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated May 11, 2006. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Ombudsman Educational Services, Ltd.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ombudsman Educational Services, Ltd.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In the attached management letter dated May 11, 2006 we have reviewed our comments reported to the management of Ombudsman Educational Services, Ltd. in our letter dated March 8, 2005

This report is intended solely for the information and use of the School Board of Miami-Dade County and the Board of Directors and management of Ombudsman Educational Services, Ltd. and is not intended to be and should not be used by anyone other than those specified parties.

May 11, 2006
Buffalo Grove, Illinois



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Board of Directors
Ombudsman Educational Services, Ltd.
Libertyville, Illinois

Jeffrey D. Bronswick
Jack P. Knopoff
Murray J. Pollack
Leonard H. Reicin (1936-2001)

In planning and performing our audits of the financial statements of Ombudsman Educational Services, Ltd. (a wholly owned subsidiary of ESA Corporation as of September 16, 2005) for the years ended December 31, 2005 and 2004, we considered the Company's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be a material weakness under standards established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

Status of prior year's management letter comments

Our prior year's management letter dated March 8, 2005 disclosed two matters that were opportunities for the strengthening of internal control and operating efficiency. One of the management comments were corrected, the other, the company action plan for a written policy in regards to the capitalization of assets was not implemented. We did find however, that the Company does follow a consistent and reasonable pattern of capitalization of assets. We have been informed by management that a written policy for the capitalization of assets is in progress.

We have already discussed these comments and suggestions with various Company personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations.

May 11, 2006
Buffalo Grove, Illinois



Reicin, Pollack & Co., Ltd.
2150 E. Lake Cook Road, Suite 430
Buffalo Grove, IL 60089


RE: Management Letter Responses
December 31, 2005

Capitalization of Fixed Assets

A written policy for the capitalization of fixed assets was not implemented due to the acquisition of the Company by Educational Services of America, Inc. ("ESA") on September 16, 2005. The Company is in the process of adopting ESA's policy for capitalization of fixed assets.



Martha Wilson
Director of Accounting



Caroline Damask
Director of Finance