April 17, 2007

Members of the School Board Audit Committee

Ladies and Gentlemen:

The audited financial statements for Richmond-Perrine Optimist Club, Inc., and Educational Services of America, Inc., (formally reported as Ombudsman Educational Services LTD) are attached for your review. The two organizations provide alternative education services under annual contracts with the School Board. The audit reports indicate the financial statements of the two organizations are fairly stated, in the opinion of the independent auditors (see attached schedule). In September 2005, Educational Services of America, Inc., acquired Ombudsman Educational Services LTD.

Sincerely,

Allen M. Vann, CPA, Chief Auditor
Office of Management and Compliance Audits

AMV:em
L126
Attachments

MIAMI-DADE COUNTY PUBLIC SCHOOLS
OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS
COMPILATION OF SELECTED CBO AUDITS BY INDEPENDENT AUDITORS

Organization	Financial Statements and Opinion	CPA Firm	Students per Contract	Revenue from M-DCPS
Richmond-Perrine Optimist Club, Inc.	Fairly Stated; FYE 6-30-2006	Nzeribe & Company P.A., CPAs	125	$ 394,775
Educational Services of America, Inc.	Fairly Stated; FYE 7-31-2006	Deloitte & Touche LLP, CPAs	655	$ 1,358,568

RICHMOND-PERRINE OPTIMIST CLUB, INC.
OF
MIAMI, FLORIDA

INDEPENDENT AUDITORS'

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

For the year ended June 30, 2006

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Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

To The Board of Directors of the
Richmond-Perrine Optimist Club, Inc.
Of Miami, Florida

We have audited the accompanying statement of financial position of The Richmond-Perrine Optimist Club, Inc. of Miami, Florida, (Organization) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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, and the provisions of Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 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 the Richmond-Perrine Optimist Club, Inc. of Miami, Florida as of June 30, 2006 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2006, on our consideration of Richmond-Perrine Optimist Club, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of expenditure of financial awards for the year ended June 30, 2006 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audit of State, Local Governments, and Non- Profit Organizations, and is not a required part of the basic financial statements. The schedules of state financial assistance, local financial assistance, construction financial assistance are also presented for purposes of additional analysis and are not a required part of the basic financial statements. All supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly presented in all material respect, in relation to the basic financial statement taken as a whole.

Nzeribe & Company, PA

Miami, Florida
November 2, 2006

Nzeribe & Company, P.A.

RICHMOND-PERRINE OPTIMIST CLUB, INC. OF MIAMI, FLORIDA
STATEMENT OF FINANCIAL POSITION
For the year ended June 30, 2006
With comparative totals for year 2005

	2006	2005
ASSETS		
Current Assets:		
Cash	208,006	169,446
Due from grantors	2,021,624	1,374,331
Other assets	144	942
	2,229,774	1,544,719
Non-current Assets:		
Construction in progress	2,776,217	2,766,618
Fixed assets (net)	0	1,071
Leased equipments (net)	18,783	37,707
	2,795,000	2,805,396
TOTAL ASSETS	$5,024,774	$4,350,115
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	40,709	41,338
Accrued payroll	46,534	44,709
Payroll taxes payable	3,367	2,986
Bank Loan Payable	43,632	82,000
Lease liability-current	8,395	12,768
Due to grantor	0	318
	142,637	184,119
Non-current Liabilities:		
Lease liabilities -noncurrent	12,271	10,649
TOTAL LIABILITIES	154,908	194,768
NET ASSEST		
Unrestricted	2,943,239	2,929,473
Temporarily Restricted	1,926,627	1,225,874
TOTAL NET ASSETS	4,869,866	4,155,347
TOTAL LIABILITIES AND NET ASSETS	$5,024,774	$4,350,115

See accompanying notes to financial statements

RICHMOND-PERRINE OPTIMIST CLUB, INC. OF MIAMI, FLORIDA
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2006
With comparative totals for year 2005

	2006	2005
UNRESTRICTED NET ASSETS		
Support:		
Miami-Dade County	$428,591	$506,011
State of Florida	34,421	61,781
Dade County School Board	394,775	352,848
The Children Trust	747,735	577,965
United Way of Dade County	121,785	111,414
TTI of America	0	3,545
Contributions	10,474	33,406
Total Unrestricted Revenue	1,737,781	1,646,970
Net Asset Release from restriction	39,247	22,037
Total Support	1,777,028	1,669,007
EXPENSES:		
Program Services:		
Training	328,545	388,184
Education	389,164	308,867
Youth Service (including crime/drug prevention)	871,572	806,378
	1,589,281	1,503,429
Supporting Services:		
General & Administrative	173,981	135,548
Total Expenses	1,763,262	1,638,977
Increase in Unrestricted Net Assets	13,766	30,030
TEMPORARY RESTRICTED NET ASSETS:		
For Program Activities	740,000	597,799
Net Asset release from restriction	(39,247)	(22,037)
Increase in Temporarily Restricted Net Assets	700,753	575,762
Increase in Net assets	714,519	605,792
Net assets at beginning of year	4,155,347	3,549,555
Net assets at end of year	$4,869,866	$4,155,347

See accompanying notes to financial statements

RICHMOND-PERRINE OPTIMIST CLUB, INC. OF MIAMI, FLORIDA
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2006
with comparative totals for 2005

	PROGRAM SERVICES				SUPPORT SERVICES		
	TRAINING	EDUCATION	YOUTH SERVICES	TOTAL	GENERAL ADMIN	**2006 TOTAL**	**2005 TOTAL**
Salaries	155,633	313,458	659,915	1,129,006	111,660	1,240,666	1,081,410
Fringe benefits	24,162	31,647	82,494	138,303	13,678	151,981	141,083
Total	179,795	345,105	742,409	1,267,309	125,338	1,392,647	1,222,493
Participants' wages stipends & fringes	86,622		9,431	96,053		96,053	137,538
Transportation	8,019	355	7,217	15,591	567	16,158	17,898
Equipment rentals	1,014	1,065	850	2,929	2,615	5,544	2,255
Field trip admissions	16,864	4,006	12,830	33,700	4,172	37,872	24,486
Program/Operating supplies	5,714	1,030	7,299	14,043	23	14,066	49,080
Professional fees	86	4,618	9,226	13,930	1,678	15,608	19,941
Telephone	3,079	1,488	11,018	15,585	1,608	17,193	16,142
Conference/Seminars	540			540	7,036	7,576	2,500
Office supplies	2,189	661	8,775	11,625	1,172	12,797	12,437
Office/Space rental	13,386	14,668	24,161	52,215	5,164	57,379	62,616
Client direct relief	821		10,279	11,100		11,100	18,544
Printing/Publications	1,020	117	1,890	3,027	686	3,713	4,835
Maintenance & repairs	1,989	760	8,511	11,260	1,297	12,557	10,650
Utilities	123	7,873	6,341	14,337	1,418	15,755	14,388
Insurance		1,594		1,594	158	1,752	1,266
Special services	15	3,685	2,630	6,330	520	6,850	5,418
Interest				0	18,290	18,290	2,892
Miscellaneous	94	41	132	267	90	357	1,645
Total before depreciation	321,370	387,066	862,999	1,571,435	171,832	1,743,267	1,627,024
Depreciation	7,175	2,098	8,573	17,846	2,149	19,995	11,953
Total Expenses	328,545	389,164	871,572	1,589,281	173,981	1,763,262	1,638,977

RICHMOND-PERRINE OPTIMIST
CLUB, INC. OF MIAMI, FLORIDA
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2006
With comparative totals for year 2005

CASH FLOWS FROM OPERATING ACTIVITIES

	2006	2005
Changes in net assets	714,519	605,792
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,995	11,953
(Increase) Decrease in grants receivable	(647,293)	(558,591)
(Increase) Decrease in other assets	798	2,368
Increase (Decrease) in accounts payable	(629)	14,529
Increase (Decrease) in accrued payroll	1,825	17,107
Increase (Decrease) in payroll taxes payable	381	(1,568)
Increase (Decrease) in lease payable	(4,373)	476
Increase (Decrease) in Due to Grantors	(318)	(5)
Total Adjustments	(629,614)	(513,731)
Net Cash provided by operating activities	84,905	92,061
CASH FLOWS USED IN INVESTING ACTVITIES		
Capital lease equipment	1,622	(19,686)
Construction in progress	(9,599)	(114,347)
Net Cash used in investing activities	(7,977)	(134,033)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) proceed of bank loan	(38,368)	38,000
Net cash (Used)/Provided by financing activities	(38,368	38,000
Net Increase (Decrease) in cash	38,560	(3,972)
Cash balance beginning of year	169,446	173,418
Cash balance end of year	$208,006	$169,446

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Richmond-Perrine Optimist Club, Inc. of Miami, Florida (the Organization), a corporation not-for-profit, was incorporated on January 23, 1986 by the Optimist Club of Richmond-Perrine, Florida, Inc. (The Optimist Club). The Organization sole purpose is to further certain charitable and educational purposes of the Optimist Club including crime and drug prevention; counseling; employability and educational trainings. The Board of Directors of the Optimist Club also serves as the Board of Directors of the Organization. The current list of Board of Directors are: Charles W. Bethel Jr. -President; Daisy Gardner Lester – 1st Vice President; Dr. George Battle- 2nd Vice President; Ronald E. Tookes-Secretary; Karen Harris-Treasurer; Silas Ashley-Board Member; Col. Eddie Alford-Board Member; Leonardo Stringer-Board Member; Joyce Brumby-Board Member; Omar Hassan-Board Member; Dr. Donald Hollis- Board Member; James H. Williams - Board Member and Versa Lee Sumler-Board member. The main office of the Organization is located at 9955 West Indigo Street, Miami, Florida. The significant accounting policies followed are described to enhance the usefulness of the financial statements to the reader.

Grants – Grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Grants and donors restricted contributions are reported as unrestricted support if the grant objectives or donor restrictions are met in the same reporting period.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities less than 90 days. At year-end and throughout the year, the Organization's cash balances were deposited in two banks. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Accrual Basis
The financial statements of Foundation have been prepared on the accrual basis of accounting.

Income Taxes
Richmond-Perrine Optimist Club Inc. of Miami, Florida is exempt from Federal Income taxes under Section 501(c) (3) of the Internal Revenue Code.

Donated Services
No amount has been reflected in the statements for donated services in as much as no objective basis is available to measure the value of such services.

Functional Allocation of Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fixed Assets

Fixed Assets are recorded at cost, or at estimated market value at the date of the gift, if donated. The organization follows the practice of capitalizing all expenditures of and over $1,000 for equipment with an estimated useful life of three or more years. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

2. SUPPORT – UNRESTRICTED

The funding for the Organization's programs are provided by the following sources:

Training Programs

Work Experience (W/E)

Funded by Miami-Dade County -Office of Community and Economic Development (OCED)

Youth At Work (YAW)

Summer Camp Reading (SCR)

Funded by The Children's Trust

South Dade Work Experience (SDWE)

Funded by United Way of Miami-Dade County

Youth Services (Crimes/Drugs Prevention & Youth development) Programs

Modello South Dade Neighborhood Empowerment Program (MSDNEP)

After-School Care (ASCP)

Parenting & Preservation (PPP)

Funded by Miami-Dade County. Department of Human Services.

Community Suspension Program (CSP)

Crime Prevention Program (PCPP/GYDP)

Funded by Miami-Dade County Office of Community and Economic Development (OCED)

Naranja Youth Enterprise South (NYES)

Funded by United Way of Miami-Dade County

Parent Support (PSP)

After-School House (ASHP)

Funded by The Children Trust

Partnership Program (Promoting Safe & Stable Family.)

Funded by State of Florida - Department of Children and Families.

Educational Programs

Richmond Perrine Optimist Academy (RPOA)

Richmond Perrine Optimist Club, Inc operates Richmond –Perrine Optimist Academy, a Miami-Dade County Public School Board Outreach Program. The school is currently located at 9955 W. Indigo Street, Miami, Florida, in the Perrine area. The center director is Mr. Vincent Merrell who sees the day to day running of the school. The Board of Directors of the Organization is also the Board of Directors of the school. The Board of Directors is listed in paragraph 1 of the notes. The Organization educational program is funded by Miami-Dade County School Board (DCSB).

3. FIXED ASSETS

Furniture, fixtures and equipment at June 30, 2006 and 2005 are summarized as follows:

	2006	2005
Furniture & Equipment	19,055	$19,055
Leased Equipments	54,721	54,721
Accumulated Depreciation	(54,993)	(34,998)
	$18,783	$38,778

4. CONSTRUCTION IN PROGRESS

The management expended $2,776,217 towards the building of Youth Activity Center. The building is located on 18055 Homestead Avenue in Perrine, Florida. The center is near completion and the organization plans to move its office and the school to the new center when completed.

5. BANK LOAN PAYABLE

On June 13, 2006, Richmond Perrine Optimist Club, Inc. renewed a $50,000 line of credit with a bank to be drawn upon as needed through March 25, 2007, with an interest rate of 2% above prime. This note was originally renewed on March 25, 2005 to the maturity date of March 25, 2006. The loan is secured by corporate assets. As of June 30, 2006, $43,631.50 of the line of credit had been drawn down and outstanding.

6. RESTRICTION ON NET ASSETS

Temporarily restricted net assets are available for the following purpose or periods:

Periods after June 30, 2006 for programs activities:	$1,066,627
Youth Activity Center construction	860,000
	$1,926,627

7. MATCHING REQUIREMENT

The local match is required by the State of Florida Department of Children and Families and must be properly matched to the Federal Funds expended by the end of the grant. The local match requirement for grant KJ923 for the period ended June 30, 2006 was met.

8. COMMITMENTS AND CONTINGENCIES

Lease

The Organization has a one-year lease renewal agreement on the main office facility that expires on December 31, 2006. The main office rent expense for fiscal year ended June 30, 2006 was $45,600. The Organization also has leases on various office spaces in various locations for the purpose of providing family preservation, support, youth's services and other service programs close to the communities.

The Organization is leasing some copier equipments. These leases are classified as a capital lease obligations and the assets are included in the leased assets in the financial statements. All leases expire on or before 2009. The following is a schedule by years of future minimum lease payments under capital lease as of June 30, 2006:
Year ending June 30:

2007	8,271
2008	6,815
2009	5,581
Total minimum lease payment	20,667

State and Federal Grants

The costs and unexpended funds reflected in the accompanying financial statements relating to government funding are subject to audit by the respective grantors. The possible disallowance by the funding source of any time charged to the program or request for return of any unexpended funds cannot be determined at this time. No provision, for any liability that may result, has been made in the financial statements.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS'
REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Richmond-Perrine Optimist Club, Inc.
Miami, Florida

We have audited the financial statements of Richmond-Perrine Optimist Club, Inc. (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 2, 2006. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 audit provides a reasonable basis for our opinion

Our audit was made for the purpose of forming an opinion on the basic financial statements of Richmond-Perrine Optimist Club, Inc. taken as a whole. The accompanying Schedules of Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as requires by Chapter 10.650, Rules of the Auditor General of the State of Florida, and is not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Miami, Florida
November 2, 2006

Nzeribe & Company, PA
Nzeribe & Company, PA

RICHMOND-PERRINE OPTIMIST
CLUB, INC. OF MIAMI, FLORIDA
Supplemental Schedule of Financial Awards
For The Year Ended June 30, 2006

	CFDA No. Grant No.	From	To	Award/ Contract Amount	Expenditure
Miami-Dade County Office Community & Dev. Block Grant (OCED)	14.218	1/1/05	12/31/06	530,500	252,073
State of Florida Department of Children & Families	93-556 KJ923*	7/1/04	12/31/05	95,319	34,421
Miami-Dade County Department of Human Services	cyfc13 cyff09 Cjb03	8/1/05	6/30/06	174,166	176,519
Miami-Dade County Public School_	N/A	7/1/05	6/30/06	394,775	394,775
United Way of Miami-Dade County	N/A	7/1/05	6/30/06	121,785	121,785
The Children's Trust	506/610-130	6/1/05	5/31/07	1,237,079	482,212
	51-130	11/01/04	7/31/06	718,083	265,524
TOTAL FINANCIAL AWARD				$3,271707	$1,727,309

***State Grant and Aid Appropriations**

RICHMOND-PERRINE OPTIMIST CLUB, INC. OF MIAMI, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor. Program Title	Federal CFDA Number	Contract Number	Program or Award Amount	Expenditures
Community Development Block	14.218	-----		
Crime Prevention			235,500	118,465
Community Suspension			130,000	61,437
Work Experience			165,500	72,171
Total Federal Award			$ 531,000	$ 252,073

RICHMOND-PERRINE OPTIMIST CLUB, INC. OF MIAMI, FLORIDA
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For The Year Ended June 30, 2006

State Agency and Program Title	CFSA	Contract Number	Expenditures	Transfer to Subrecipient
Department of Children And Families – Abuse Counseling & Family Preservation Program		*KJ923	$ 34,421	0
Total Financial assistance			$ 34,421	0

* Denotes a contract which contains state grants and aids appropriations and requires local match

RICHMOND-PERRINE OPTIMIST CLUB, INC. OF MIAMI, FLORIDA
SCHEDULE OF LOCAL FINANCIAL ASSISTANCE
For the Year Ended June 30, 2006

Grantor	Program Title	Contract Number	Receipts
Miami-Dade County, Florida Department of Human Services	After School Care	CYFC13	44,438
	Parenting & Preservation	CYFF09	53,199
	Youth Empowerment	CJB03	78,882
Miami-Dade County, Florida Dade County Public School	Education	N/A	394,775
United Way of Miami-Dade County	Prevention Counseling	N/A	30,000
	Youth Work experience	N/A	91,785
The Children Trust	Summer Camp Reading	506/610-130	121,918
	After School House	506/610-130	282,500
	Youth At Work	506/610-130	77,794
	Parent Support	51-130	265,524
			$1,440,815

RICHMOND-PERRINE OPTIMIST CLUB, INC. OF MIAMI, FLORIDA
SCHEDULE OF CONSTRUCTION GRANT ASSISTANCE
For the Year Ended June 30, 2006

Providers	Grant #	Award	Years To Date Expended
State of Florida- Dept of Comm. Affairs	95E0-3M-11-23-08-069	990,000	990,000
State of Florida- Dept of Children & Family (former Dept of Health & Rehab. Services)	KEC48	150,000	150,000
State of Florida- Dept of Comm. Affairs	96EM-2U-11-23 0-143	104,764	104,764
We Will Rebuild Foundation	n/a	500,000	500,000
Miami-Dade County- Office of safe Neighborhood Parks	C 98-15	866,158	866,158
		108,094	108,094
Total		2,719,016	2,719,016

RICHMOND-PERRINE OPTIMIST CLUB, INC.
SCHEDULE OF EXPENSES
For the Years Ended June 30, 2006
With comparative totals for the year 2005

	2006	2005
EXPENSES		
Salaries	1,240,666	1,081,410
Fringe benefits	151,981	141,083
Stipends & fringes	96,053	137,538
Transportation	16,158	17,898
Equipment Rental	5,544	2,255
Field trip admission	37,872	24,486
Operating/Program supplies	14,066	49,080
Professional fees	15,608	19,941
Telephone	17,193	16,142
Conference/Seminars	7,576	2,500
Office supplies	12,797	12,437
Office/Space rental	57,379	62,616
Client Direct relief	11,100	18,544
Printing/Publications	3,713	4,835
Maintenance & Repair	12,557	10,650
Utilities	15,755	14,388
Insurance	1,752	1,266
Special services	6,850	5,418
Interest	18,290	2,892
Depreciation	19,995	11,953
Miscellaneous	357	1,645
Total Expenses	$ 1,763,262	$ 1,638,977

BASIS OF ALL SCHEDULES PRESENTATION

The accompanying Schedule of Expenditures of Federal/State/Local Financial Assistance includes the State assistance activity of Richmond-Perrine Optimist Club, Inc. and presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Chapter 10.650, rules of the Auditor General of the State of Florida. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the basic financial statements.

REPORTS REQUIRED UNDER
GOVERNMENT AUDITING STANDARDS AND
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

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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

To The Board of Directors
Richmond-Perrine Optimist Club, Inc.
Miami, Florida.

We have audited the financial statements of Richmond-Perrine Optimist Club, Inc. of Miami, Florida (a non-profit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 2, 2006. We conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether Richmond-Perrine Optimist Club, Inc. of Miami, Florida 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. We also noted certain immaterial instances of noncompliance, which we have reported to management of Richmond-Perrine Optimist Club, Inc. of Miami, Florida in accompanying management letter dated November 2, 2006.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Richmond-Perrine Optimist Club, Inc. of Miami, Florida 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 weakness.
A 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 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 weakness.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Nzeribe & Company, PA

Miami, Florida
November 2, 2006

Nzeribe & Company, PA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR STATE FINANCIAL ASSISTANCE PROJECT

To the Board of Directors
Richmond-Perrine Optimist Club, Inc.
Miami, Florida

Compliance

We have audited the compliance of Richmond –Perrine Optimist Club, Inc. with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major state financial assistance project for the year ended June 30, 2006. Richmond-Perrine Optimist Club, Inc.'s major state financial assistance projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state financial assistance projects is the responsibility of Richmond-Perrine Optimist, Club, Inc.'s management. Our responsibility is to express an opinion on Richmond-Perrine optimist Club, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General of the State of Florida. Those standards and Chapter 10.650, Rules of the Auditor General of the State of Florida, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state financial assistance project occurred. An audit includes examining, on a test basis, evidence about Richmond-Perrine Optimist Club, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Richmond-Perrine Optimist Club, Inc.'s compliance with those requirements.

In our opinion, Richmond-Perrine Optimist Club, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major state financial assistance projects for the year ended June 30, 2006. However, we noted immaterial instances of noncompliance that we have reported to management of Richmond-Perrine Optimist Club, Inc. in the accompanying management Letter dated November 2, 2006.

Internal Control Over Compliance

The management of Richmond-Perrine Optimist Club, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state financial assistance projects. In planning and performing our audit, we considered Richmond-Perrine Optimist Club, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General of the State of Florida.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major state financial assistance project 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 compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management in the accompanying management letter dated November 2, 2006

This report is intended solely for the information and use of the Board of Directors and management of Richmond-Perrine Optimist Club, Inc., and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Nzeribe & Company, PA

Miami, Florida
November 2, 2006

Nzeribe & Company, PA

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INDEPENDENT AUDTIORS' REPORT ON EXAMINATION OF MANAGEMENT'S ASSERTION ABOUT COMPLIANCE WITH SPECIFIED REQUIREMENTS

To The Board of Directors
Richmond-Perrine Optimist
Club, Inc. of Miami, Florida

We have examined management's assertion about Richmond-Perrine Optimist Club, Inc. of Miami, Florida's compliance with the allowable cost, matching and eligibility requirements established in the grant agreements applicable to the state grants and aids appropriations identified on the schedule of state financial assistance for the year ended June 30, 2006, included in the accompanying financial statements. Management is responsible for Richmond-Perrine Optimist Club, Inc. of Miami, Florida's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about Richmond-Perrine Optimist Club, Inc. of Miami, Florida's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Richmond-Perrine Optimist Club, Inc of Miami, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Richmond-Perrine Optimist Club, Inc. of Miami, Florida's compliance with specified requirements.

In our opinion, management's assertion that Richmond-Perrine Optimist Club, Inc. of Miami, Florida has complied with the aforementioned requirements during the year ended June 30, 2006 is fairly stated, in all material respects.

This report is intended for the information of the Board of Directors, management, state, awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Nzeribe & Company, PA

Miami, Florida
November 2, 2006

Nzeribe & Company, PA.

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MANAGEMENT LETTER

To The Board of Directors
Richmond-Perrine Optimist Club, Inc
Miami, Florida.

We have audited the financial statements of Richmond-Perrine Optimist Club, Inc. of Miami, Florida as of and for the year ended June 30, 2006, and have issued our reported thereon dated November 2, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to Each State Financial Assistance Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 30, 2005, should be considered in conjunction with this Management Letter. Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General of the State of Florida.

The Rules of Auditor General of the State of Florida Section 10.654(1)(d) require disclosure in the Management Letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditors. Our audit disclosed the following matters to be disclosed in the following pages.

We wish to thank the management staff for their support and assistance during our audit.

Nzeribe & Company, PA

Miami, Florida
November 2, 2006

Nzeribe & Company, PA

Compliance

1. Submission of Request for payment Reports.

The Children's Trust requires a timely submission of reports requesting for payments or reimbursement along with all invoices in accordance with contract requirement, we noted that some of these reports were not submitted on time.

Recommendation

The agency must submit all invoices with payment request on a timely basis.

Management Response

The agency acknowledges that in a few instances reimbursement payment request were not submitted in a timely manner. The primary reason was that with the Children's Trust "out-of-school" program, the payment request had to include the attendance reports of the clients which could only be obtained through Tapestry(Tapestry is a Web Based Case Management System owned by the Switchboard of Miami and leased by the Children's Trust), and for a while we had technical difficulty with Tapestry. This has been resolved and the information needed is now available resulting in reports now being submitted in a timely manner.

2. Inclusion of logo

The agency agrees to include The Children's Trust (Trust) logo in all material featuring programs funded by the Trust. There were no logos on some of the forms examined.

Recommendation

To comply with publication requirement, all forms associated with the Trust should have the Trust logo.

Management Response

There were some missing logos on some forms noted on a monitoring visit conducted on April 29 and may 11, 2006 by the Children's Trust. The agency has since reviewed all material featuring the Trust funded programs and all material now feature the Children's Trust Logo as reported in our response to the Trust dated July 6, 2006

General

1. Officer's Insurance

Due to the growth of the agency, we recommend that the agency obtain a minimum insurance coverage for its Directors and Officers.

Management response

The agency has obtained Directors and officers Liability Insurance through AON Associates Services, a division of Affinity Insurance Services, Inc. The policy number is NOA 1312061 with policy period 10/2/06 – 10/02/07.

2. Youth Activity Center restricted assets

A temporarily restricted asset of $860,000 for the construction of Youth Activity Center needs to be reclassified as management is exploring another avenue for funding. Per our inquiry, this CDBG fund did not meet the amount needed to complete the building, an alternative source of more funding to complete the building is in progress. We recommend that this asset be reclassified and that a request be made to revert this fund to another project.

Management response

The agency is currently in the process of securing additional alternative funding to complete the Youth Activity Center building. In addition to that, the agency is taking all the necessary steps to revert the CDBG Capital funding at which the asset will be reclassified.

Submission of Audited Annual Financial Statement and Report.

Richmond Perrine Optimist Club (agency) is required in its major contract agreements with grantors to submit its annual audited financial statements and reports to the grantor no later than one hundred eighty (180) calendar days following the end of the agency fiscal year.

Status Update

The agency is in compliance with this general one hundred eighty (180) calendar days requirement, except in the case of the United way of Miami-Dade County where they required the audit to be submitted by October 31, 2006 but have allowed for an extension due date of December 8, 2006.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	UNQUALIFIED
Internal control over financial reporting:	
Material weakness (es) identified:	_____ yes __X_ no
Reportable condition (s) identified Not considered to be material weakness?	_____ yes __X__ no
Noncompliance material to financial statements Noted?	_____ yes __X__ no

Federal Awards

Internal Control over major programs:	
Material weakness (es) identified?	______ yes __X__ no
Reportable condition (s) identified Not considered to be material weakness?	______ yes __X__ no
Type of auditors' report issued on compliance For major programs:	UNQUALIFIED
Any audit findings disclosed that are required to be Reported in accordance with circular A-133, Section 5.10(a)?	______ yes __X__ no

Identification of Major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	__X__ yes ______ no

Section 11 – FINANCIAL STATEMENT FINDINGS

NO MATTERS WERE REPORTED

Section 111 – FEDERAL AWARDS FINDING AND QUESTIONED COSTS

NO MATTER WERE REPORTED

Educational Services of America, Inc.

Consolidated Financial Statements as of and for the Years Ended July 31, 2006 and 2005, Supplemental Schedules for the Years Ended July 31, 2006 and 2005 and the Seven Month Period Ended July 31, 2006, and Independent Auditors' Report

EDUCATIONAL SERVICES OF AMERICA, INC.

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Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Educational Services of America, Inc.
Nashville, Tennessee

We have audited the accompanying consolidated balance sheets of Educational Services of America, Inc. and subsidiaries (the "Company") as of July 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity, 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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at July 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all materials respect when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

December 22, 2006

EDUCATIONAL SERVICES OF AMERICA, INC.

CONSOLIDATED BALANCE SHEETS
AS OF JULY 31, 2006 AND 2005

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,021,655	$ 1,412,253
Accounts receivable, less allowance for doubtful accounts of $461,740 and $330,428, respectively	3,818,783	4,363,139
Prepaid expenses and other assets	948,852	785,334
Total current assets	8,789,290	6,560,726
PROPERTY, PLANT, AND EQUIPMENT—Net	27,876,378	23,022,634
OTHER ASSETS:		
Goodwill, net of accumulated amortization of $139,732, respectively	14,438,095	11,012,693
Contractual rights and student relationships, net of accumulated amortization of $1,735,225 and $380,578, respectively	7,189,512	5,549,976
Trade names	3,949,647	2,007,871
Non-compete agreements, net of accumulated amortization of $792,590 and $314,150, respectively	865,969	1,319,409
Deferred financing costs, net of accumulated amortization of $325,491 and $73,124, respectively	435,323	677,431
Deposits	568,728	367,089
Other	-	12,582
Total other assets	27,447,274	20,947,051
TOTAL	$64,112,942	$50,530,411

(Continued)

EDUCATIONAL SERVICES OF AMERICA, INC.

CONSOLIDATED BALANCE SHEETS
AS OF JULY 31, 2006 AND 2005

LIABILITIES AND SHAREHOLDERS' EQUITY	2006	2005
CURRENT LIABILITIES:		
Trade accounts payable and accrued liabilities	$ 5,107,258	$ 3,619,032
Unearned revenue	3,841,660	2,633,677
Current portion of long-term debt and capital leases	2,777,438	3,543,608
Current portion of deferred gain on sale—leaseback	164,091	164,091
Total current liabilities	11,890,447	9,960,408
NONCURRENT LIABILITIES:		
Deferred gain on sale leaseback—net of current portion	738,268	902,359
Long-term debt and capital leases—net of current portion	17,898,850	16,789,893
Total noncurrent liabilities	18,637,118	17,692,252
SHAREHOLDERS' EQUITY		
Preferred stock, $0.01 par value; authorized, 4,000,000 shares; issued and outstanding, 422,252.3 and 282,251.1, respectively, with a liquidation value of $55,253,698 at July 31, 2006	55,253,698	34,847,386
Common stock, $0.01 par value; authorized, 5,000,000 shares; issued and outstanding, 55,931.8 shares, respectively	5,593	5,593
Shareholder notes receivable	(319,973)	(308,962)
Additional paid-in capital	-	179,231
Accumulated deficit	(21,353,941)	(11,845,497)
Total shareholders' equity	33,585,377	22,877,751
TOTAL	$64,112,942	$50,530,411

See notes to consolidated financial statements.

(Concluded)

EDUCATIONAL SERVICES OF AMERICA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JULY 31, 2006 AND 2005

	2006	2005
REVENUE:		
Tuition	$56,146,430	$29,685,685
Other	9,294,123	6,043,138
Total revenue	65,440,553	35,728,823
OPERATING EXPENSES:		
Personnel costs	42,693,427	24,300,557
Purchased school services	1,503,740	1,173,732
Repairs and maintenance	1,461,584	826,244
Educational costs	1,722,024	842,172
Building and equipment leases	6,062,726	3,516,300
Utilities	1,751,632	710,666
Advertising	1,084,474	515,197
Employee travel and training	1,390,672	476,856
Depreciation and amortization	4,342,564	1,433,227
Other operating expense	5,028,478	2,555,270
Loss on trade names and goodwill impairment	316,019	198,193
Total operating expenses	67,357,340	36,548,414
LOSS FROM OPERATIONS	(1,916,787)	(819,591)
NON-OPERATING EXPENSES		
Interest expense	2,680,627	1,742,144
Interest income	(41,849)	(54,972)
Other	-	407,936
Total non-operating expenses	2,638,778	2,095,108
NET LOSS BEFORE TAXES	(4,555,565)	(2,914,699)
PROVISION FOR INCOME TAX	99,036	78,204
NET LOSS	$ (4,654,601)	$ (2,992,903)

See notes to consolidated financial statements.

EDUCATIONAL SERVICES OF AMERICA, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JULY 31, 2006 AND 2005

	Preferred Stock		Common Stock		Shareholder Notes Receivable	Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
BALANCE—August 1, 2004	-	$ -	37,530.0	$ 3,753	$ -	$ 1,485,472	$ (7,270,208)	$ (5,780,983)
Issuance of preferred stock	282,251.1	33,265,000	-	-	-	-	-	33,265,000
Issuance of common stock	-	-	18,401.8	1,840	-	2,298,162	-	2,300,002
Transaction costs associated with the issuance of preferred stock	-	-	-	-	-	(4,055,804)	-	(4,055,804)
Preferred stock dividends	-	1,582,386	-	-	-	-	(1,582,386)	-
Stock compensation expense	-	-	-	-	-	451,401	-	451,401
Receipt of shareholder notes	-	-	-	-	(300,003)	-	-	(300,003)
Accrued interest on shareholder notes	-	-	-	-	(8,959)	-	-	(8,959)
Net loss	-	-	-	-	-	-	(2,992,903)	(2,992,903)
BALANCE—July 31, 2005	282,251.1	34,847,386	55,931.8	5,593	(308,962)	179,231	(11,845,497)	22,877,751
Issuance of preferred stock	140,001.2	16,500,000	-	-	-	-	-	16,500,000
Transaction costs associated with the issuance of preferred stock	-	-	-	-	-	(179,231)	(947,531)	(1,126,762)
Preferred stock dividends	-	3,906,312	-	-	-	-	(3,906,312)	-
Accrued interest on shareholder notes	-	-	-	-	(11,011)	-	-	(11,011)
Net loss	-	-	-	-	-	-	(4,654,601)	(4,654,601)
BALANCE—July 31, 2006	422,252.3	$ 55,253,698	55,931.8	$ 5,593	$(319,973)	$ -	$ (21,353,941)	$ 33,585,377

See notes to consolidated financial statements.

EDUCATIONAL SERVICES OF AMERICA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,654,601)	$ (2,992,903)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,342,564	1,433,227
Amortization of deferred financing costs and debt discount	252,367	119,494
Allowance for doubtful accounts	279,581	219,809
Gain on disposition of property—net	(40,730)	(6,253)
Loss on trade names and goodwill impairment	316,019	198,193
Loss on early extinguishment of debt	-	233,481
Loss on early conversion of convertible debt	-	174,455
Non-cash interest under capital lease	-	52,857
Interest expense satisfied by conversion to debt	462,255	33,486
Deferred gain on sale-leaseback	(164,091)	(164,091)
Stock compensation expense	-	451,401
Interest income on shareholder notes receivable	(11,011)	(8,959)
Changes in operating assets and liabilities—net of effects of acquisitions:		
Accounts receivable	123,588	(3,186,335)
Prepaid expenses and other assets	27,284	(389,105)
Deposits	(63,023)	(31,674)
Trade accounts payable and accrued expenses	485,063	1,840,350
Unearned revenue and other liabilities	77,227	702,709
Net cash provided by (used in) operating activities	1,432,492	(1,319,858)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment—net	(4,507,227)	(913,332)
Cash paid for acquisitions—net of cash acquired	(6,597,997)	(27,561,042)
Proceeds from disposition of property	29,509	7,500
Net cash used in investing activities	(11,075,715)	(28,466,874)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	-	14,863,152
Payments under line of credit—net	(760,877)	(71,612)
Principal payments on long-term debt and capital leases	(2,349,477)	(12,012,197)
Proceeds from issuance of preferred stock—net	15,373,238	29,209,196
Deferred financing costs paid	(10,259)	(890,713)
Net cash provided by financing activities	12,252,625	31,097,826
INCREASE IN CASH	2,609,402	1,311,094
CASH—Beginning of year	1,412,253	101,159
CASH—End of year	$ 4,021,655	$ 1,412,253
SUPPLEMENTAL INFORMATION:		
Cash payments of interest	$ 1,937,828	$ 1,380,315
Cash payments of taxes	$ 134,110	$ 42,739
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Purchase of property for long-term debt and capital leases	$ 1,346,792	$ 3,738,080
Issuance of long-term debt in acquisitions	$ 500,000	$ 7,642,598

See notes to consolidated financial statements.

1. ORGANIZATION

Educational Services of America, Inc. (the "Company") is a private educational services company founded in July 1999. The Company's primary focus is to acquire or develop schools and learning centers that serve special needs or at-risk students. Special needs students include those that have an identified learning disability, cognitive deficiency, or emotional handicap. At-risk students include those who have experienced difficulty achieving success in a traditional school setting and who are at risk of dropping out of school. As of July 31, 2006, the Company operated over 100 schools and learning centers in fifteen states through its four operating divisions - ESA Exceptional, Ombudsman, College Living Experience, and Spectrum.

2. LIQUIDITY AND CAPITAL RESOURCES

Since its inception in July 1999, the Company's annual expenses have exceeded its revenues. The Company had an accumulated deficit of $21,353,941 and $11,845,497 at July 31, 2006 and 2005, respectively. Historically, the majority owner and certain officers provided funding as required to meet the Company's needs. However, in October 2004, the Company completed a private placement of preferred stock, generating net proceeds of $29,209,196. Subsequent issuances of preferred stock have generated additional net proceeds of $15,373,238. The proceeds from this offering, and subsequent issuances, were used by the Company to provide working capital and growth capital (see Note 9).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. All subsidiaries are wholly-owned by the Company. Operating results of subsidiaries are included from their respective acquisition dates.

Reclassifications—Certain reclassifications have been made to the 2005 financial statements to conform to the 2006 presentation. These reclassifications had no effect on the previously reported net loss.

Cash and Cash Equivalents—Cash and cash equivalents are comprised of demand deposits at banks and other highly liquid short-term investments purchased with an original maturity of three months or less.

Accounts Receivable—The Company receives payment for services rendered from parents, public school systems and other governmental bodies. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change.

Prepaid Expenses—Prepaid expenses consist primarily of prepaid liability insurance and prepaid rent.

Property, Plant, and Equipment—Property, plant, and equipment are stated at cost and the estimated fair value upon acquisition. Depreciation is calculated using the straight-line method over the estimated service lives of the depreciable assets, which range from three to twenty years. Maintenance and repair costs are expensed as incurred. The cost of renewals and betterments is capitalized and depreciated over the applicable estimated useful lives. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and the related gain or loss is credited or charged to income.

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

The Company assesses the recoverability of property, plant, and equipment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

Goodwill and Other Intangible Assets—Goodwill and other intangible assets consist of goodwill, contractual rights and student relationships, non-compete agreements, and trade names. Goodwill is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible net assets of businesses acquired in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. In accordance with this statement, goodwill is no longer amortized and is tested for impairment at least annually. In addition, identified intangible assets with indefinite lives are recorded and reviewed annually to assess the estimated life of the intangible asset. If the life is determined to remain indefinite the asset is tested for impairment. Intangible assets with a determinable life are amortized over the estimated period benefited, ranging from two to seven years.

In accordance with SFAS No. 142, the Company is required to allocate the purchase price of acquired entities to identifiable assets and liabilities with the residual amount being allocated to goodwill. The identifiable assets include intangible assets such as trade names, contractual rights and student relationships, and non-compete agreements that are subject to valuation. In those instances where the Company has acquired a significant amount of intangible assets, management engages an independent third party to assist in the valuation. Valuation methodologies use estimates of expected useful life, projected revenue, operating margins, and cash flows and weighted average cost of capital.

In accordance with SFAS No. 142, the Company evaluates the carrying value of goodwill as of the end of each year and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. The fair value of the reporting unit is estimated using a combination of the income or discounted cash flows approach. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. In calculating the implied fair value of reporting unit goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. The Company's evaluation of goodwill resulted in recognition of impairment losses of $265,668 and $198,193 for the years ended July 31, 2006 and 2005, respectively.

Contractual rights and student relationships (net) of $7,189,512 and $5,549,976 at July 31, 2006 and 2005, respectively, represents the portion of the purchase price associated with acquisitions allocated to these intangible assets. The related cost is being amortized on the straight-line method over the estimated useful lives of the assets, which range from two to seven years. Accumulated amortization related to these assets totaled $1,735,225 and $380,578 at July 31, 2006 and 2005, respectively. Amortization expense charged to operations was $1,354,647 and $329,493 for the years ended July 31, 2006 and 2005, respectively. Estimated amortization of contractual rights and student relationships for the five years subsequent to July 31, 2006, is as follows: $1,383,699; $1,277,618; $1,243,994; $1,203,027; and $1,124,983.

Trade names of $3,959,998 and $2,007,871 at July 31, 2006 and 2005, respectively, represents the portion of the purchase price associated with acquisitions allocated to these intangible assets. The Company has determined that the trade names have indefinite useful lives and are therefore not subject to amortization under the provisions of SFAS No. 142. The trade names are subject to annual evaluation of their estimated lives as well as testing for impairment on an annual basis in accordance with SFAS No. 142. The Company's evaluation of trade names resulted in recognition of an impairment loss of $50,351 for the year ended July 31, 2006.

Non-compete agreements (net) of $865,969 and $1,319,409 at July 31, 2006 and 2005, respectively, represents the portion of the purchase price associated with acquisitions allocated to agreements not to compete. The related cost is being amortized on the straight-line method over the terms of the agreements, which range from two to five years. Accumulated amortization related to the agreements not to compete totaled $792,590 and $314,150 at July 31, 2006 and 2005, respectively. Amortization expense charged to operations was $478,440 and $245,156 for the years ended July 31, 2006 and 2005, respectively. Estimated amortization of non-compete agreements for the five years subsequent to July 31, 2006, is as follows: $423,955; $256,415; $137,500; $48,105; and $0.

Costs relating to obtaining financing are capitalized and amortized over the term of the related debt using the straight-line method. Amortization of deferred financing costs charged to operations was $252,367 and $98,199 for the years ended July 31, 2006 and 2005, respectively. When a loan is paid in full, any unamortized financing costs are removed from the related accounts and charged to operations. In conjunction with the early retirement of certain long-term debt, the Company expensed $169,400 of unamortized financing costs during the year ended July 31, 2005.

Deposits—Deposits consist primarily of amounts paid under leases for real property.

Shareholder Notes Receivable—In October 2004, the Company issued the Chief Executive Officer 1,697 shares of $.01 par value common stock and the Chief Financial Officer 849 shares of $.01 par value common stock, respectively. The Company issued the shares in exchange for long-term notes receivable totaling $300,003. The notes are due in 2013. Interest accrues on these notes at 3.62%.

Use of Estimates in the Preparation of Financial Statements—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Unearned Revenue—The Company provides educational services to students on a tuition basis. Revenues related to tuition-based services are recognized as services are rendered. The Company records deferred revenue in the amount of tuition received to date in excess of services rendered to date.

The Company also maintains contracts with various school districts and consortiums of school districts. Revenues related to these contracts are recognized as services are rendered. The contracts are typically annual in duration. The Company expects to renew these contracts for periods consistent with the initial contract term. Contracts containing fixed per diem rates are recorded and recognized based on the per diem rate multiplied by the number of students enrolled during the respective period. The accounts receivable arising from such contracts are unsecured and are generally due within 30-45 days.

Other revenue as reported in the accompanying consolidated statements of operations consists primarily of 1:1 support services, transportation, direct instructional services such as speech and occupational therapy, rental income, before and after school care, summer school fees, activity fees, and tutoring.

Advertising Costs—Advertising and promotional costs are expensed as incurred.

Income Taxes—The Company utilizes SFAS No. 109, *Accounting for Income Taxes*, which requires an asset and liability approach for financial accounting and reporting of income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse (see Note 10).

Stock Based Compensation—The Company has adopted SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FASB Statement No. 123*. SFAS No. 148 requires prominent disclosure in the financial statements about the method for stock-based employee compensation and the effect of the method on reported results. In accordance with the SFAS No. 148, the Company has made the required disclosures below.

SFAS No. 123, *Accounting for Stock-Based Compensation*, encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to account for stock-based compensation using the intrinsic value method as prescribed in Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Under APB Opinion No. 25, the Company recognized $451,401 of compensation expense during the year ended July 31, 2005 due to the modification of certain options as further discussed in Note 9. For the year ended July 31, 2006, no compensation cost related to stock options has been recognized as no options were modified and no options were issued with exercise prices equal to or above the fair market value at the date of grant (see Note 9). The weighted average fair value of options at the date of grant during the year ended July 31, 2005 was $27.88 per share.

The following table illustrates the effect on net loss if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

	2006	2005
Net loss—as reported	$ (4,654,601)	$ (2,992,903)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(166,167)	(43,500)
Pro forma net loss	$ (4,820,768)	$ (3,036,403)

Comprehensive Loss—The Company has no items of other comprehensive income (loss) in any period presented. Therefore, net loss as presented in the Company's consolidated statements of operations equals comprehensive loss.

Financial Instruments—The Company's financial instruments are accounts receivable, shareholder notes receivable, accounts payable, notes payable, and long-term debt. The recorded values of accounts receivable, and accounts payable approximate their fair values based on their short-term nature. The recorded values of shareholder notes receivable approximate their fair values, as interest approximates market rates. The fair value of notes payable and long-term debt is disclosed in Note 7.

Recent Accounting Pronouncements—On December 16, 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123R, *Share-Based Payment*, which replaces SFAS No. 123 and supersedes APB Opinion No. 25. This statement requires compensation costs related to share-based payment transactions to be recognized in the financial statements over the period that an employee provides service in exchange for the award. SFAS No. 123R will be effective for non-public companies in the first fiscal year beginning after December 15, 2005.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets*. This statement amends the guidance in APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, to eliminate certain exceptions to the principle that exchanges of nonmonetary assets be measured based on the fair value of the assets exchanged. SFAS No. 153 eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. This statement is effective for fiscal years beginning after June 15, 2005. The adoption of SFAS No. 153 did not have a significant impact on the Company's financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, *Accounting for Changes and Error Corrections*. This statement replaces APB Opinion No. 20, *Reporting Accounting Changes in Interim Financial Statements*, and changes the requirements of accounting for and reporting a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principles and to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. The statement is effective for fiscal years beginning after December 15, 2005, and its adoption is not expected to have a material impact on the Company's financial position or results of operations.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments*, an amendment of FASB Statements No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and No. 140, *Accounting for Transfers and Servicing of Financial Assets and*

Extinguishments of Liabilities. This statement permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement No. 133; establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; amends Statement No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company does not believe that the adoption of SFAS No. 155 will have a significant impact on its financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets*, an amendment of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, with respect to the accounting for separately recognized servicing assets and servicing liabilities. This statement is effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company does not believe that the adoption of SFAS No. 156 will have a significant impact on its financial position or results of operations.

In June 2006, the FASB issued FIN No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*, an amendment of an interpretation of FASB Statement No. 109, *Accounting for Income Taxes*. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company has not completed the process of evaluating the impact that will result from adopting FIN 48. The Company is therefore unable to disclose the impact that adopting FIN 48 will have on its financial position, results of operations, and cash flows when such statement is adopted.

4. ACQUISITIONS

During fiscal year 2006, the Company acquired the following educational service providers: Ombudsman Educational Services LTD on September 16, 2005, and Bishop Eton School Inc. on May 1, 2006. Total consideration given to the educational service providers was $7,386,831 in cash and notes payable of $500,000. In connection with the purchase agreements, the Company entered into non-compete agreements with terms ranging from two to three years.

During fiscal year 2005, the Company acquired the following educational service providers: The Spectrum Center for Educational and Behavioral Development on October 1, 2004; The Humanex Academy on January 1, 2005; The Jupiter Academy on March 15, 2005; The College Living Experience on June 1, 2005; and Rossier Park Schools on July 1, 2005. Total consideration given to the educational service providers was $27,228,701 in cash and notes payable of $7,642,598. In connection with the purchase agreements, the Company entered into non-compete agreements with terms ranging from two to five years.

In accordance with the provisions of SFAS No. 141, *Business Combinations*, the acquisitions completed by the Company during its fiscal years 2006 and 2005 were all accounted for using the purchase method of accounting.

In addition to the acquisition costs mentioned above, the Company incurred $177,926 and $886,935 in transaction costs during 2006 and 2005, respectively. The allocation of the aggregate purchase price of the 2006 and 2005 acquisitions is summarized as follows:

	2006	2005
Cash	$ 966,760	$ 554,594
Other current assets	37,033	1,300,426
Property and equipment	1,492,982	17,140,645
Noncompete agreements	30,000	1,390,000
Contractual rights and student relationships	2,994,183	5,707,281
Trade names	1,992,127	1,994,092
Deposits	138,616	166,462
Goodwill	3,739,286	8,691,568
Assumed liabilities	(3,326,230)	(1,186,834)
Net purchase price	$ 8,064,757	$35,758,234

The purchase prices for the above acquisitions were allocated to the underlying assets based on their estimated relative fair values. The consolidated statements of operations include the results of operations of the acquired businesses from their respective dates of acquisition.

5. PROPERTY AND EQUIPMENT

At July 31, 2006 and 2005, property, plant, and equipment consist of the following:

	2006	2005
Buildings and land	$20,730,059	$19,404,585
Buildings under capital lease	2,414,107	2,429,575
Leasehold improvements	1,921,945	464,958
Furniture and fixtures	2,730,526	1,350,214
Computer equipment	4,667,850	344,880
Software and curriculum	2,767,543	673,602
	35,232,030	24,667,814
Less accumulated depreciation and amortization	(7,355,652)	(1,645,180)
	$27,876,378	$23,022,634

Depreciation and amortization expense related to these assets was $2,504,477 and $858,578 for the years ended July 31, 2006 and 2005, respectively. Amortization of assets under capital lease is included in depreciation expense.

6. GOODWILL

The change in the carrying value of goodwill for the years ended July 31, 2006 and 2005, is as follows:

Balance—August 1, 2004	$ 2,519,318
Goodwill acquired during the year	8,691,568
Impairment loss recognized under SFAS No. 142	(198,193)
Balance—July 31, 2005	11,012,693
Goodwill acquired during the year	3,739,286
Impairment loss recognized under SFAS No. 142	(265,668)
Goodwill adjustment	(48,216)
Balance—July 31, 2006	$ 14,438,095

7. LONG-TERM DEBT, CAPITAL LEASES, LINE OF CREDIT, AND MANDATORY CONVERTIBLE SUBORDINATED NOTES

At July 31, 2006 and 2005, long-term debt and capital leases consist of the following:

	2006	2005
Mortgage note payable, secured by property, interest at 6%, principal and interest due monthly, with a balloon payment of $322,337 due September 1, 2005	$ -	$ 326,537
Acquisition note payable, unsecured, interest at 7%, principal and interest due monthly, due July 1, 2006	-	85,296
Mortgage note payable, secured by property, interest at 7%, principal and interest due monthly, with a balloon payment of $190,244 due June 27, 2008	243,898	270,395
Vehicle note payable, secured by property, interest at Prime +2%, principal and interest due monthly, due September 2, 2006	2,205	23,831
Acquisition note payable, secured by property, interest at 7%, principal and interest of $12,102 due monthly beginning October 17, 2004, with a balloon payment of $151,081 due August 17, 2007	291,159	411,390
Acquisition note payable, secured by stock pledge, interest at 7%, principal and interest due monthly, due August 1, 2006	-	41,038
Note payable to related party, unsecured, interest at 10%, principal and interest due October 4, 2009	789,614	681,173
Note payable to related party, unsecured, interest at 10%, principal and interest due October 4, 2009	642,807	554,527

(Continued)

	2006	2005
Note payable to related party, unsecured, interest at 10%, principal and interest due October 4, 2009	$ 589,207	$ 508,288
Note payable to related party, unsecured, interest at 10%, principal and interest due October 4, 2009	380,977	328,656
Note payable to related party, unsecured, interest at 10%, principal and interest due October 4, 2009	58,426	50,402
Note payable to related party, unsecured, interest at 10%, principal and interest due October 4, 2009	904,872	780,602
Mortgage note payable, secured by property, interest at 11%, interest due monthly, with a balloon payment of $2,500,000 due June 1, 2008	2,500,000	2,500,000
Mortgage note payable, secured by property, interest at 9%, interest due monthly, with a balloon payment of $1,050,000 due June 1, 2010	1,050,000	1,050,000
Mortgage note payable, secured by property, interest at 11.5%, interest due monthly, with a balloon payment of $1,470,000 due June 1, 2010	1,470,000	1,470,000
Mortgage note payable, secured by property, interest at 11.5%, interest due monthly, with a balloon payment of $3,170,000 due June 1, 2010	3,170,000	3,170,000
Mortgage note payable, secured by property, interest at 17%, interest due monthly, with a balloon payment of $1,500,000 due November 18, 2006	1,500,000	1,500,000
Acquisition note payable, secured by property, interest at 6.5%, principal and interest due monthly, due October 1, 2005	-	56,941
Vehicle note payable, secured by property, interest at 7%, principal and interest due monthly, due June 1, 2006	-	8,159
Vehicle note payable, secured by property, interest at 7%, principal and interest due monthly, due June 1, 2006	-	8,744
Vehicle note payable, secured by property, interest at 7%, principal and interest due monthly, due August 15, 2006	921	8,514

(Continued)

	2006	2005
Vehicle note payable, secured by property, interest at 7%, principal and interest due monthly, due August 15, 2006	$ 921	$ 8,514
Vehicle note payable, secured by property, interest at 7%, principal and interest due monthly, due August 15, 2006	921	8,514
Vehicle note payable, secured by property, interest at 7%, principal and interest due monthly, due August 15, 2006	921	8,514
Vehicle note payable, secured by property, interest at 7%, principal and interest due monthly, due August 15, 2006	921	8,514
Vehicle note payable, secured by property, interest at 7%, principal and interest due monthly, due August 15, 2006	921	8,503
Vehicle note payable, secured by property, interest at 7%, principal and interest due monthly, due September 30, 2007	10,202	18,726
Vehicle note payable, secured by property, interest at 0%, principal due monthly, due July 11, 2006	-	9,445
Vehicle note payable, secured by property, interest at 6%, principal and interest due monthly, due November 16, 2007	22,222	38,889
Vehicle note payable, secured by property, interest at 6.6%, principal and interest due monthly, due January 31, 2007	10,933	18,650
Mortgage note payable, secured by property, interest at 8.5%, principal and interest due monthly, with a balloon payment of $462,600 due May 1, 2006	-	513,447
Mortgage note payable, secured by property, interest at 12%, interest due monthly, with a balloon payment of $850,000 due March 15, 2010	850,000	850,000
Mortgage note payable, secured by property, interest at 12%, principal and interest due monthly, due May 15, 2010	245,093	292,617
Acquisition note payable, secured by property, interest at 8%, interest due monthly, with a balloon payment of $250,000 due March 18, 2006	-	250,000

(Continued)

	2006	2005
Capital lease, secured by property, stated interest at 11%, principal and interest due monthly, due March 18, 2025	$ 2,356,595	$ 2,393,343
Vehicle note payable, secured by property, interest at 7.2%, principal and interest due monthly, due February 28, 2008	12,651	19,927
Acquisition note payable, secured by stock pledge, interest at 8%, principal and interest due monthly, due May 15, 2010	549,861	591,405
Acquisition note payable, secured by stock pledge, interest at 10%, principal and interest due quarterly, due June 30, 2009	1,095,000	1,460,000
Acquisition note payable, secured by stock pledge, interest at 8%, interest due monthly, due September 1, 2008	250,000	-
Acquisition note payable, secured by stock pledge, interest at 8%, interest due monthly, due September 1, 2008	75,000	-
Acquisition note payable, secured by stock pledge, interest at 8%, interest due monthly, due September 1, 2008	175,000	-
Capital lease, secured by property, interest at 12.9%, principal and interest due monthly, due December 8, 2008	319,970	-
Capital lease, secured by property, interest at 16.4%, principal and interest due monthly, due December 8, 2008	10,549	-
Capital lease, secured by property, interest at 8%, principal and interest due monthly, due September 1, 2009	542,526	-
Vehicle note payable, secured by property, interest at 7.1%, principal and interest due monthly, due December 27, 2008	67,204	-
Vehicle note payable, secured by property, interest at 7.8%, principal and interest due monthly, due May 4, 2009	278,041	-
Vehicle note payable, secured by property, interest at 7.5%, principal and interest due monthly, due September 14, 2010	16,160	-
Note payable, unsecured, interest at 3%, principal and interest due monthly, due October 1, 2007	190,590	-
	20,676,288	20,333,501
Less current portion	(2,777,438)	(3,543,608)
	$ 17,898,850	$ 16,789,893

(Concluded)

The fair market value of the long-term debt and capital leases approximated $22,891,344 at July 31, 2006.

Principal payments required on long-term debt and payments required on capital leases for the next five years beginning August 1, 2006, are as follows:

	Debt	Capital Lease	Total
2007	$ 2,421,150	$ 700,733	$ 3,121,883
2008	3,565,050	671,030	4,236,080
2009	1,083,190	547,447	1,630,637
2010	10,376,873	347,969	10,724,842
2011	391	319,236	319,627
After 2011	-	4,336,289	4,336,289
	17,446,654	6,922,704	24,369,358
Less amounts representing interest	-	(3,693,070)	(3,693,070)
Total	$17,446,654	$ 3,229,634	$20,676,288

In June 2004, the Company entered into a short-term working capital line of credit with a bank. Under the terms of the line of credit, up to $500,000 was made available to the Company. This line of credit was subsequently extended with a scheduled maturity date of September 15, 2004. The interest rate under the line of credit was the bank's Prime rate plus 2%. The amount outstanding under the line of credit was $71,612 at July 31, 2004. This line of credit was terminated during the year ended July 31, 2005. Performance by the Company under the line of credit was fully guaranteed by the Company's Chairman (see Note 12).

In March 2006, the Company entered into a short-term working capital line of credit with a bank. Under the terms of the line of credit, up to $1,000,000 was made available to the Company. The interest rate under the line of credit was the bank's Prime rate plus 3%. The line of credit matured May 22, 2006.

In fiscal 2001, the Company issued mandatory convertible subordinated notes (the "Convertible Notes") in the principal amount of $2,000,000. The Company recorded the Convertible Notes at the principal amount of $2,000,000 in the aggregate, less a discount of $574,027. The Company applied an imputed interest rate of 7% to calculate the discount on the Convertible Notes. The discount associated with the issuance of the Convertible Notes was accreted to the conversion date through interest expense using the effective interest method. Accretion of this difference between the carrying value on the principal amount totaled $445,920 for the period each Convertible Note was outstanding from the date of issue through October 8, 2004.

On October 8, 2004, the Convertible Notes were converted, prior to their maturity, into 15,856 shares of common stock, pursuant to a private placement of preferred stock. A loss of $128,107, representing the portion of the discount that had not yet been accreted to the principal of the Convertible Notes, was recognized upon their early conversion. Additionally, unamortized financing costs of $46,348 were written off upon the conversion of the Convertible Notes into stock. The total loss incurred upon the early conversion of the Convertible Notes during fiscal 2005 was $174,455.

8. COMMITMENTS AND CONTINGENCIES

Operating Leases—The Company has entered into various operating lease agreements for its school and administrative office space and certain equipment under agreements expiring at various dates through 2020, some of which contain provisions for future rent increases or periods in which rent payments are reduced (abated). In accordance with accounting principles generally accepted in the United States of America, the Company records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to a deferred rent obligation, which for financial reporting purposes is included in trade accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

Future minimum lease payments under the Company's non-cancellable leases for the next five years beginning August 1, 2006, are as follows:

Years Ending July 31	Amount
2007	$ 6,249,858
2008	4,851,160
2009	4,161,717
2010	3,375,344
2011	3,085,409
Thereafter	5,501,373
	$27,224,861

Rent expense for the years ended July 31, 2006 and 2005, was $6,062,726 and $3,516,300, respectively.

The College Living Experience Litigation—The College Living Experience ("CLE"), a wholly-owned subsidiary of the Company, has been named as a defendant in a case involving the alleged assault of a former student while at a night club on September 2004. The Company acquired the stock of CLE on June 1, 2005. The claimant alleges to have been assaulted at a night club, and a lawsuit was brought against CLE for not supervising the claimant. According to the contract between CLE and the claimant, CLE does not provide 24-hour supervision. While CLE discourages individuals from going out on school nights, it does not have the responsibility to prevent such actions. The matter under question was presented to an arbitrator, who believed that CLE had a duty to protect the claimant due to her alleged mental capacity. The arbitrator recommended that the action against CLE be sustained and set the damage amount at $500,000. The Company has disputed this outcome and has moved for the case to be set for trial before a jury. The case is presently set for trial for the four-week period commencing February 12, 2007, in Broward County, Florida. The underlying insurance policy has a stated limit of $1,000,000. However, the insurance carrier has taken the position that there is an endorsement on the policy which limits assault to $25,000 per occurrence. While the ultimate outcome is not yet determinable, based on settlement negotiations to date, the Company believes that there may be a potential exposure beyond the $25,000 asserted by the insurance carrier as the policy limit.

Other Litigation—The Company is subject to various other claims and legal actions which arise in the ordinary course of business. In the opinion of management, the ultimate resolution of such matters will not have a material adverse effect on the Company's financial position or results of operations.

9. SHAREHOLDERS' EQUITY

Reverse Stock Split—Effective September 26, 2005, the Company effected a 1 for 10 reverse stock split, whereby each ten shares of the Company's $.01 par value common stock and $.01 par value preferred stock were exchanged for one share of the Company's $.01 par value common stock or preferred stock. The number of shares and amounts per share in the consolidated financial statements have been retroactively adjusted to reflect the reverse stock split.

Private Placement of Preferred Stock—In October 2004, the Company closed on a $35,000,000 commitment for the purchase of preferred stock with Trimaran Capital Partners ("Trimaran"), a leading middle market private equity investment firm. During fiscal 2005 and 2006, pursuant to this commitment, the Company issued 296,972 shares of preferred stock ("Series A"), generating net proceeds of $30,835,709. In August 2005, the Company closed on a commitment from Trimaran for an additional $25,000,000 for the purchase of preferred stock. During fiscal 2006, pursuant to this new commitment, the Company issued 125,280 shares of Series A, generating net proceeds of $13,746,725. Trimaran earned a 4% fee on the placement of the $35,000,000 and $25,000,000 commitments for the purchase of preferred stock. As of July 31, 2006, the remaining unfunded commitment from Trimaran was $10,235,000.

Series A Convertible Preferred Stock—Holders of the Series A are entitled to vote on each matter on which the holders of common stock are entitled to vote. Each share of Series A has the number of votes equal to the number of shares of common stock into which such share is convertible. The consent of the majority of the holders of the Series A shall be necessary to create, issue, or authorize for issuance any shares of capital stock; to make, declare, or pay any dividend or distribution upon any share or shares of capital stock of the Company; to alter or change the rights, preferences, or privileges of the Series A; to effect a liquidity event; to redeem, purchase, or otherwise acquire any share or shares of capital stock of the Company (unless due to termination of employment of any employee, officer, director, or consultant); and to amend or repeal the Company's Certificate of Incorporation or Bylaws.

Series A holders shall have liquidation preference before any other holders of capital stock of the Company. Additionally, holders of Series A shall be entitled to receive cumulative preferential dividends equal to 8% per annum of the stated value, as defined, per share of the Series A.

Dividends shall accrue on a quarterly basis from the issuance date of each share of Series A by being added to the Series A Stated Value on each October 1, January 1, April 1, and July 1, whether or not earned or declared and whether or not in any fiscal year there shall be net profits or surplus available for the payment of dividends. As of July 31, 2006, the Series A Stated Value was approximately $130.85. All accrued and unpaid dividends shall become immediately due and payable in cash upon the earlier of a liquidation event or change in control.

The Series A shall be convertible into common stock. Each share of Series A shall be converted by dividing the Series A Stated Value plus the aggregate amount of accrued but unpaid dividends, if any, through such date that have not been added to the Series A Stated Value by the conversion price, as defined. The initial conversion price shall be the original stated value, subject to any adjustments.

Series A holders also have the option from time to time to cause the Company to purchase all or any part of the holders' pro rata portion of their shares at the stated value per share for cash in immediately available funds with the proceeds of any key man insurance policies received by the Company. The Company shall notify the holders upon the receipt by the Company of the proceeds of any such key man insurance policies. Holders determining to exercise the put option shall deliver to the Company up to the pro rata portion of their shares of Series A preferred stock within two business days after receipt of such notice. All such shares delivered to the Company upon exercise of the put option shall be cancelled. The Company has a $10,000,000 key man policy on the Chief Executive Officer.

Stock Option Plan—Effective October 2004, in conjunction with the Company's private placement of preferred stock, the Company's Board of Directors approved the adoption of the Educational Services of America, Inc. 2004 Stock Option Plan (the "2004 Plan"). 65,000 shares of common stock have been reserved for issuance upon the exercise of options granted under the 2004 Plan. The maximum term of an option granted pursuant to the 2004 Plan is specified in the individual option agreements. Options awarded under this plan during fiscal 2005 are exercisable as to (i) 50% of the number of shares awarded in increments of 20% per year and (ii) the remaining 50% upon the achievement of agreed upon performance milestones. Shares subject to the 2004 Plan which expire, terminate, or are cancelled without having been exercised in full become available again for future grants. The 2004 Plan superseded the Educational Services of America, Inc. Stock Option Plan (the "Plan") which was adopted by the Company effective November 20, 2000. Options outstanding under the Plan were cancelled and replaced with new options issued under the 2004 Plan. The new replacement options were issued in the same amounts and at the same exercise prices as the options cancelled. The new options were issued with a term of ten years and were immediately exercisable. The reissuance of the options under the 2004 Plan was deemed a modification due to the change in the term. The Company recorded compensation expense for the year ended July 31, 2005, of $451,401, which is reflected as a component of personnel costs in the accompanying consolidated statement of operations. No additional options will be issued under the Plan.

Information with respect to the Plan and the 2004 Plan for the periods ended July 31, 2006 and 2005, is as follows:

	Number of Shares	Price Range
Outstanding—August 1, 2004	5,010.0	$ 27.80
Cancelled under 2000 Plan	(5,010.0)	27.80
Reissued under 2004 Plan	5,010.0	27.80
Granted	24,196.2	117.86
Exercised	-	-
Expired	-	-
Forfeited	-	-
Outstanding—July 31, 2005	29,206.2	
Granted	-	-
Exercised	-	-
Expired	-	-
Forfeited	(378.1)	117.86
Outstanding—July 31, 2006	28,828.1	$27.80-$117.86
Exercisable—July 31, 2006	9,178.2	
Available for grant at the end of the year	$ 36,172.0	

In accordance with SFAS No. 123, the fair value of each option granted is estimated on the date of grant using the Black-Scholes Option-Pricing Method with the following assumptions used for grants in fiscal 2005: dividend yield of 0.0%; volatility of 0.0%; expected lives of 7 years; and risk-free interest rates of 3.99%. The Company did not grant any options in fiscal 2006.

10. INCOME TAXES

For the years ended July 31, 2006 and 2005, the historical income tax expense differs from the amounts computed by applying the federal statutory rate of 34% to loss before taxes as follows:

	2006	2005
Federal tax benefit at statutory rate	$ (1,548,892)	$ (990,998)
State income taxes	99,036	78,204
Other primarily rate differences	224,251	77,227
Non deductible expenses	54,558	(55,955)
Increase in valuation allowance	1,270,083	969,726
Total taxes	$ 99,036	$ 78,204

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of July 31, 2006 and 2005, are as follows:

	2006	2005
Deferred tax assets (liabilities):		
Amortization expense	$ (51,873)	$ (66,230)
Federal and state net operating loss carryforwards	4,032,247	3,399,522
Book over tax depreciation	314,076	(36,470)
Other	648,809	376,354
Total deferred tax assets	4,943,259	3,673,176
Valuation allowance for deferred tax assets	(4,943,259)	(3,673,176)
Total deferred tax assets	-	-
Total deferred tax liabilities	-	-
Net deferred tax asset (liability)	$ -	$ -

Management has evaluated the need for a valuation allowance for all or a portion of the deferred tax assets, as realization of the deferred tax assets is uncertain at July 31, 2006 and 2005. The Company has recorded a valuation allowance equal to 100% of the excess of net operating loss carryforwards and future deductible temporary differences over future taxable temporary differences. The valuation allowance increased $1,270,083 and $969,726 in 2006 and 2005, respectively. At July 31, 2006, the Company had net operating loss carryforwards of approximately $10,662,000, which begin to expire in 2020.

11. EMPLOYEE BENEFIT PLANS

On January 4, 2001, the Company adopted the Educational Services of America 401(k) Profit Sharing Plan and Trust (the "Plan"). The Plan is a Company-sponsored 401(k) plan to which employees may contribute up to 12% of their salaries. In order to be eligible to join the Plan, an employee must have completed six months of service with the Company and must be at least 21 years of age. Beginning in

2003, the Plan began providing for employer-matching contributions of 0.25% for each 1% of an employee's elective salary deferral, up to a maximum matching contribution of 1%. The Company's matching contribution was $76,383 and $29,505 for the years ended July 31, 2006 and 2005, respectively.

12. RELATED-PARTY TRANSACTIONS

The Company had a working capital line of credit at July 31, 2004, which was fully guaranteed by the Company's Chairman. The Company incurred a fee of $5,000 for the Chairman's guarantee which was included in accrued expenses at July 31, 2004. During 2005, this line of credit was terminated (see Note 7). The Company also owed its Chairman $11,462 for travel expenses incurred in a prior fiscal year which were included in accrued expenses at July 31, 2004. These amounts, totaling $16,462, were repaid in fiscal 2005 concurrent with the Company's private placement of preferred stock.

In July 2002, Lonsdale Holdings LLC ("Lonsdale") entered into a real estate purchase option agreement for property leased by the Company pursuant to an acquisition completed during fiscal 2002. The Company's Chairman has a significant ownership interest in Lonsdale. In exchange for its payment of $100,000, Lonsdale was granted the sole and exclusive right to purchase the subject property for $2,700,000 at any time on or before July 1, 2003. Lonsdale and the Company entered into a related agreement that provided that should the property option expire, the Company would reimburse Lonsdale for its investment in the purchase option. The option expired unexercised in fiscal 2003, and the Company recorded an obligation to Lonsdale in the amount of $100,000; this amount was included in accrued expenses at July 31, 2004. This amount was refinanced in fiscal 2005 in conjunction with the Company's private placement of preferred stock.

In fiscal 2003, the Company entered into a loan agreement with Caledonian Investments, LP ("Caledonian"). The Company's Chairman has a significant ownership interest in Caledonian. Pursuant to this loan agreement, Caledonian advanced the Company $200,000. This unsecured note carried an interest rate of 11% and a scheduled maturity date of June 10, 2004. The note was unpaid and past due as of July 31, 2004. Interest expense of $25,013 due under this note was included in accrued expenses at July 31, 2004. The total amount due under this obligation, $225,013, was refinanced in fiscal 2005 in conjunction with the Company's private placement of preferred stock.

In January 2003, the Company completed sale-leaseback transactions for two of its properties with entities owned by the Company's Chairman. Pursuant to the terms of these transactions, the Company entered into 10-year lease agreements on each of these properties; terms of the leases include 2% annual escalators. In June 2001, the Company completed a sale-leaseback transaction with a real estate investment company in which the Company's Chairman has a significant ownership interest. Pursuant to the terms of the transaction, the Company entered into a 10-year lease agreement on the property. The terms of the lease include 2% annual escalators. Rent of $19,146 due under these lease agreements was included in accrued expenses at July 31, 2004. This amount was repaid in fiscal 2005 in conjunction with the Company's private placement of preferred stock.

In November 2003, the Company entered into loan agreements with Creekview Property, LLC. ("Creekview") and Roaring Dam, LLC. ("Roaring Dam"). The Company's Chairman has a significant ownership interest in Creekview and Roaring Dam. Pursuant to these loan agreements, Creekview advanced the Company $850,000, and Roaring Dam advanced the Company $150,000. These unsecured notes carried interest rates of 11% and a scheduled maturity date of April 30, 2004. These notes were unpaid and past due as of July 31, 2004. Interest expense of $81,973 due under these notes was included in accrued expenses at July 31, 2004. Additionally, accrued expenses at July 31, 2004, included $101,972 of accrued interest payable to Lonsdale pursuant to advances made in a prior fiscal year that had been repaid as to principal but not as to interest. These amounts, totaling $1,183,945, were refinanced in fiscal 2005 in conjunction with the Company's private placement of preferred stock. Total obligations due the Company's Chairman, or entities in which he has a significant ownership interest, were $1,544,566 at July 31, 2004. Of this amount, $35,608 was repaid, and $1,508,958 was refinanced during fiscal 2005.

In July 2004, the Company's Chief Financial Officer provided a short-term advance to the Company of $300,000 at 9% interest with a stated maturity date of July 31, 2004. Also, in July 2004, the Company's Chief Executive Officer provided a short-term advance to the Company of $350,000 at 9% interest with a stated maturity date of September 30, 2004. Both these advances were made to provide working capital to the Company and remained unpaid as of July 31, 2004. Interest expense on the two loans totaled $3,278 and was included in accrued expenses as of July 31, 2004. These notes were repaid in fiscal 2005 with proceeds from the Company's private placement of preferred stock.

In October 2004, in conjunction with its private placement of preferred stock, the Company entered into a five-year loan agreement with Trimaran, Lonsdale, Caledonian, Creekview, and Roaring Dam. Under this agreement, the Company received $5,000,000 in loan proceeds from Trimaran which were used to provide a portion of the purchase price of the Company's acquisition of the assets of the Spectrum Center for Educational and Behavioral Development. Additionally, under the terms of the loan agreement, Lonsdale, Caledonian, Creekview, and Roaring Dam agreed to refinance $1,508,958 of the obligation due those entities at July 31, 2004, as well as an additional $23,507 of interest earned in fiscal 2005. The underlying notes payable were secured by real estate, carry an interest rate of 10%, and mature in October 2009. In consideration for these notes, the Company paid Trimaran an original issue discount of $250,000 (5%), which is included in deferred financing costs and is being amortized over the term of the loan.

In May 2005, the Company refinanced the outstanding debt on the properties acquired in the Spectrum acquisition referred to above. Proceeds were used to retire an obligation due the seller, as well as to pay down the obligations due Trimaran and Creekview and to retire the obligations due Lonsdale, Caledonian, and Roaring Dam. Pursuant to the terms of the refinancing, Trimaran and Creekview released their secured interests in the underlying real estate. Total principal and interest paid was $3,662,302 and $410,906, respectively. Pursuant to the terms of the loan agreement, Trimaran is entitled to a 5% fee based on the amount of any principal payments. Consequently, the Company paid Trimaran a fee of $140,158, representing 5% of the amount of principal repaid.

Under the terms of the notes, the Company has the option of paying interest quarterly or adding the interest to the unpaid principal balance of the notes. To date, the Company has not made any quarterly interest payments. Further, should the underlying notes not be repaid by the first anniversary of their issuance, the note holders are entitled to an additional interest payment of 5% of the principal amount then outstanding. In October 2005, $2,976,239 remained unpaid, and $148,812 of additional interest was added to the principal outstanding. As of July 31, 2006, the remaining obligation under these notes was $2,576,289 to Trimaran and $789,614 to Creekview. Of the amounts outstanding, $379,444 and $116,296 represent interest due Trimaran and Creekview, respectively.

The Company paid fees to Trimaran in relation to the placement of preferred stock for the years ended July 31, 2006 and 2005 of $1,000,000 and $1,400,000, respectively.

In conjunction with the private placement of preferred stock, the Company entered into a monitoring agreement with Trimaran. Annual payments due under the agreement total $250,000, payable quarterly in advance. Total payments made under this agreement were $250,000 and $203,804 in fiscal 2006 and

2005, respectively. In August 2006, the agreement was amended so as to increase the quarterly fees from $62,500 to $87,500.

13. SUBSEQUENT EVENT

In September 2006, the Company issued a series of 10% convertible notes, due in October 2009, which totaled $2,000,000. Of this amount, $1,970,803 was issued to Trimaran, and the balance, $29,197, to the Company's Chief Accounting Officer. In consideration for these notes, the Company paid an original issue discount of $100,000.

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SUPPLEMENTAL SCHEDULES

EDUCATIONAL SERVICES OF AMERICA, INC.
CONSOLIDATED SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED JULY 31, 2006 AND 2005

	2006	2005
Salaries	$ 35,533,634	$ 20,229,055
Payroll taxes	3,141,324	1,737,484
Employee benefits	3,936,733	2,260,104
Contract labor	81,736	73,914
Building leases	5,773,148	3,253,586
Repairs and maintenance	933,396	568,540
Housekeeping	421,992	219,175
Sanitation services	106,196	38,529
Educational services	609,392	308,269
Educational supplies	778,106	266,403
Books and subscriptions	123,238	147,269
Dues and memberships	211,288	120,231
Student transportation	734,153	763,260
Field trips/activities	346,200	184,410
Lunch services	423,387	226,062
Telephone	476,360	212,930
Utilities	837,536	411,003
Internet/network services	324,179	67,577
Security services	113,557	19,156
Advertising and promotion	1,084,474	515,197
Travel	1,272,965	399,355
Meetings and training	117,707	77,501
Insurance	1,272,918	802,378
Equipment rental	289,578	262,714
Bad debt expense	279,582	219,809
Legal and accounting	524,012	92,224
Consulting and professional services	1,405,357	618,413
Recruitment	169,676	109,189
Payroll/benefit plan processing fees	75,023	41,281
Office equipment and supplies	368,423	267,048
Bank fees	51,917	37,813
Postage	221,702	73,953
Gifts	60,336	17,933
Taxes, other than income	604,017	296,147
Depreciation and amortization	4,342,564	1,433,227
Other	(4,485)	(20,918)
Loss on trade names and goodwill impairment	316,019	198,193
Total operating expenses	$ 67,357,340	$ 36,548,414

MIAMI-DADE COUNTY PUBLIC SCHOOLS
EDUCATIONAL ALTERNATIVE OUTREACH PROGRAMS EXPENDITURE REPORT
FOR THE SEVEN MONTH PERIOD ENDED JULY 31, 2006

Contracting Agency: Ombudsman Educational Services, Ltd. | **Completed by: Caroline Damask**

Number of Student FTE Slots: 540 | **Reporting Period: January 1, 2006 to July 31, 2006**

Grade Levels: 9–12

		ACTUAL EXPENDITURES							
EXPENDITURES:		**100 Salaries**	**200 Fringe Benefits**	**300 Purchased Services**	**400 Energy Services**	**500 Materials & Supplies**	**600 Capital Outlay**	**700 Other Expense**	**Total**
5000	Instruction	$ 456,781	$ 74,292	$ -	$ -	$ 4,500	$ -	$ -	$ 535,573
6100	Pupil Personnel	56,456	9,182	-	-	-	-	-	65,638
6200	Instructional Media Services	-	-	19,144	-	-	5,844	-	24,988
6300	Instruction and Curr. Develop.	59,382	5,938	-	-	-	-	-	65,320
6400	Instructional Staff Training	46,659	5,184	-	-	-	-	-	51,843
7100	Board of Directors	-	-	26,453	-	-	-	-	26,453
7200	General Administration	67,936	6,794	-	-	-	-	-	74,730
7300	School Administration	80,883	8,088	40,194		11,106	-	2,463	142,734
7400	Facilities Acquisition	-	-	-	-	-	15,614	-	15,614
7500	Fiscal Services	11,667	1,167	-	-	-	-	-	12,834
7600	Food Services	-	-	-	-	-	-	-	-
7700	General Support	-	-	7,100	-	11,178	-	-	18,278
7800	Pupil Transportation	-	-	-	-	-	-	-	-
7900	Operation of Plant	-	-	288,365	19,250		6,388		314,003
8100	Maintenance of Plant	-	-	10,560	-	-	-	-	10,560
9100	Community Services	-	-	-	-	-	-	-	-
9200	Debt Service	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES:		$ 779,764	$ 110,645	$ 391,816	$ 19,250	$ 26,784	$ 27,846	$ 2,463	$ 1,358,568

/s/ Caroline Damask — December 22, 2006
Signature — **Date**