MONEY CENTERS OF AMERICA, INC.
Form 10QSB
November 19, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-QSB

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

For the Fiscal Quarter ended September 30, 2007

OR

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

For the transition period from ____________ to ____________

Commission File No. 000-49723

Money Centers of America, Inc.

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

Delaware	23-2929364
(State or Other Jurisdiction of Incorporation or Organization	(I.R.S. Employer Identification No.)

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

(Address of Principal Executive Offices)

(610) 354-8888

(Issuer's Telephone Number, Including Area Code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

As of November 19, 2007 30,711,832 shares of the registrant's common stock, par value $0.01 per share, were issued and outstanding.

MONEY CENTERS OF AMERICA, INC.
QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2007
(UNAUDITED)

ASSETS

Current assets:	
Restricted cash	$ 3,404,749
Accounts receivable	16,895
Prepaid expenses and other current assets	327,335

Total current assets	3,748,979
Property and equipment, net	878,352
Other assets:	
Intangible assets, net	1,326,857
Deferred financing costs	714,249
Deposits	55,397
Total other assets	2,096,503
Total assets	$ 6,723,834

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:	
Accounts payable	$ 543,255
Accrued interest	107,115
Accrued expenses	599,026
Current portion of capital lease	122,382
Lines of credit	3,036,400
Due to officer	227,703
Commissions payable	771,545
Total current liabilities	5,407,426
Long-term liabilities:	
Capital lease, net of current portion	552,908
Note payable, related party	5,040,864
Notes payable, net of debt discount	2,532,598
Total long-term liabilities	8,126,370
Total Liabilities	13,533,796
Stockholders' Deficit:	
Preferred stock; $.001 par value, 20,000,000 shares authorized 0 shares issued and outstanding	-
Common stock; $.01 par value, 150,000,000 shares authorized 30,771,832 shares issued and outstanding	307,718
Additional paid-in capital	16,204,517
Accumulated deficit	(23,322,197)
Total stockholders' deficit	(6,809,962)
Total liabilities and stockholders' deficit	$ 6,723,834

See accompanying notes to unaudited consolidated financial statements.

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

	THREE MONTHS ENDED SEPTEMBER 30,		
	2007	2006	20
Revenues	$ 2,194,391	$ 2,598,863	$ 6
Cost of revenues	1,718,472	2,069,719	5
Gross profit	475,919	529,144	1
Selling, general and administrative expenses	412,554	433,080	1
Noncash Compensation	195,984	5,044	
Depreciation and amortization	224,327	81,416	
Settlement expenses	5,000	-	
Operating income (loss)	(361,946)	9,604	(1
Other income (expenses):			
Interest income	5,187	4,104	
Interest expense	(390,635)	(453,499)	(1
Noncash interest expense	-	(6,572)	
Other expenses	-	-	
Total interest expense, net	(385,448)	(455,967)	(1
Other income	28,046	3,500	
Total other income	28,046	3,500	
Net loss	$ (719,348)	$ (442,863)	$(2
Net loss per common share - basic	$ (0.02)	$ (0.02)	$
Net loss per common share - diluted	$ (0.02)	$ (0.02)	$
Weighted Average Common Shares Outstanding During the period -Basic	30,771,832	27,385,409	30
-Diluted	30,771,832	27,385,409	30

See accompanying notes to unaudited consolidated financial statements.

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Ni
	200
Cash flows from operating activities:	
Net loss	$ (2,50
Adjustments used to reconcile net loss to net cash (used in) provided by operating activities:	
Depreciation and amortization	67
Amortization of debt discount	
Issuance of warrants for services	
Issuance of common stock for services	
Issuance of stock options for services	81
Changes in operating assets and liabilities:	
Increase (decrease) in:	
Accounts payable	4
Accrued interest	3
Accrued expenses	(5
Commissions payable	3
(Increase) decrease in:	
Prepaid expenses and other current assets	(5
Accounts receivable	1
Deposits	
Net cash used in operating activities	(98
Cash flows from investing activities:	
Purchases of property and equipment	(4
Cash paid for acquisition and intangible assets	(15
Net cash used in investing activities	(20
Cash flows from financing activities:	
Net change in lines of credit	(
Payments on capital lease obligations	(1
Advances to officer	(6
Proceeds from notes payable	8
Payments on notes payable	(1
Sale of common stock, net of $161,620 and $22,500 of offering costs, respectively	
Exercise of stock options and warrants	
Net cash used in financing activities	(2
NET DECREASE IN CASH	(1,21
CASH, beginning of period	4,61
CASH, end of period	$ 3,40
Supplemental disclosure of cash flow information:	
Cash paid during the period for interest	$ 1,11
Supplemental disclosure on non-cash investing and financing activities:	

Acquisition of software	$
Acquisition of equipment under capital lease	$
Exchange for reduction in note payable due to litigation	$
Exchange for reduction in loan payable due to litigation	$
Reduction of loan payable officer in exchange for related accrual	$ 17
Record beneficial conversion feature for convertible debt Detachable warrants	$
Settlement with vendor	$
Record beneficial conversion feature for convertible debt and detachable warrants	$
Issuance of warrants to lender	$

See accompanying notes to unaudited consolidated financial statements.

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) Basis of Presentation

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

(B) Principles of Consolidation

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

(C) Use of Estimates

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

Significant estimates during 2007 and 2006 include depreciable lives on equipment, the valuation of stock options granted for services, the value of warrants issued in connection with debt related financing, valuation of intangible assets not having finite lives and the valuation allowance for deferred tax assets since the Company had continuing operating losses.

(D) Reclassification

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

(E) Cash and Cash Equivalents and Compensating Balances

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

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At September 30, 2007, the balance exceeded the federally insured limit by $3,980,442. In addition, the Company maintains a significant amount of cash at each of the casinos. Management believes that the Company has controls in place to safeguard these on-hand amounts, and that no significant credit risk exists with respect to cash.

Additionally, the Company had $30,000 maintained under a compensating balance agreement. The $30,000 is retained due to potential dishonorment of bad checks that are unforeseen. There is an informal agreement between our bank and our lender that requires this compensating balance agreement.

(F) Restricted Cash

Restricted cash is the balance of cash that is in the Company's bank accounts and network that is used as collateral for our asset based lender (See Note 3). The Company does not have access to this cash unless there is an amount over and above the required amount of collateral. In order to pay operating expenses, the Company requests that the asset based lender transfer funds into the Company's unrestricted cash accounts. The restricted cash balance at September 30, 2007 was $3,404,749.

(G) Accounts Receivable

Accounts receivable arise primarily from ATM, credit card advances and check cashing services provided at casino locations. Concentration of credit risk related to ATM and credit card advances are limited to the processors who remit the cash advanced back to the Company along with the Company's allocable share of fees earned. The Company believes these processors are financially stable and no significant credit risk exists with respect to accounts receivable arising from credit card advances. Accordingly, no allowance was considered necessary at September 30, 2007 and 2006.

(H) Equipment

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

(I) Long Lived Assets

The Company accounts for long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell the asset. There were no impairment charges taken during the periods ended September 30, 2007 and 2006.

(J) Intangibles and Related Impairment

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

(K) Internal Use Software and Website Development Costs

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

The Company makes ongoing evaluations of the recoverability of its capitalized internal use software and Web site by comparing the amount capitalized for each module or component of software to their estimated net realizable values. If such evaluations indicate that the unamortized costs exceed the net realizable values, the Company writes off the amount by which the unamortized costs exceed the net realizable values. At September 30, 2007 and 2006, no such write-offs were required.

At September 30, 2007, the net book value of capitalized software was $1,326,857. Amortization expense for the periods ended September 30, 2007 and 2006 was $4,579 and $5,411, respectively.

(L) Deferred Financing Costs

Deferred financing costs are capitalized and amortized over the term of the related debt. At September 30, 2007, the gross amount of deferred financing costs was $1,299,183 and related accumulated amortization was $584,934. At September 30, 2007 the Company reflects in the accompanying consolidated balance sheet net deferred financing costs of $714,249. Amortization of deferred financing costs was $435,297 and $32,210 at September 30, 2007 and 2006, respectively.

(M) Derivative Liabilities

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

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

(N) Revenue Recognition

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

(1) ATM's and Credit Cards

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

(2) Check Cashing

Revenue is recorded from fees on check cashing services on the date the check is cashed. If a customer's check is returned by the bank on which it is drawn, the full amount of the check is charged as bad debt loss. The check is subsequently resubmitted to the bank for payment. If the bank honors it, the amount of the check is recognized as a negative bad debt expense. Based on the quick turnaround of the check being returned by the bank on which it is drawn and the resubmission to the bank for payment, the Company feels this method approximates the allowance method, which is a Generally Accepted Accounting Principle. Based upon past history no allowance was considered necessary at September 30, 2007 and 2006, respectively.

(O) Cost of Revenues

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

(P) Advertising

In accordance with Accounting Standards Executive Committee Statement of Position 93-7, ("SOP 93-7") costs incurred for producing and communicating advertising of the Company, are charged to operations as incurred. Advertising expense for the periods ended September 30, 2007 and 2006 were $20,868 and $41,400, respectively.

(Q) Income Taxes

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

(R) Fair Value of Financial Instruments

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

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

(S) Earnings per Share

In accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share", basic earnings per share is computed by dividing the net income (loss) less preferred dividends for the period by the weighted average number of shares outstanding. Diluted earnings per share is computed by dividing net income (loss) less preferred dividends by the weighted average number of shares outstanding including the effect of share equivalents. Common share equivalents consist of shares issuable upon the exercise of certain common stock purchase warrants, stock options, and convertible preferred stock. The Company has excluded these common share equivalents from its computation of earnings per share due to their antidilutive effect as the Company has reflected a net loss at September 30, 2007 and 2006, respectively. Accordingly, the basic and diluted EPS are the same.

At September 30, 2007 and 2006 there were 13,213,280 and 6,218,611 shares of issuable common stock underlying the options, warrants and convertible debt securities, respectively.

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

The following table summarizes all common stock equivalents outstanding at September 30, 2007 and 2006, respectively.

	2007	2006
Common stock options	9,393,280	3,492,500
Common stock warrants	3,820,000	1,615,000
Convertible notes payable	-	1,111,111
Total Common Stock Equivalents	13,213,280	6,218,611

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(T) Stock Based Compensation

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123(R), "Share-Based Payment," under the modified prospective method. SFAS No. 123(R) eliminates accounting for share-based compensation transactions using the intrinsic value method prescribed under APB Opinion No. 25 "Accounting for Stock Issued to Employees," and requires instead that such transactions be accounted for using a fair-value-based method. Under the modified prospective method, the Company is required to recognize compensation cost for share-based payment to employees based on their grant date fair value from the beginning of the fiscal period in which the recognition provisions are first applied. For periods prior to adoption, the financial statements are unchanged, and the pro forma disclosures previously required by SFAS No. 123, as amended by SFAS No. 148, will continue to be required under SFAS No. 123(R) to the extent those amounts differ from those in the Statement of Operations.

During the first nine months of 2007, the Company granted 1,645,000 options to employees that were accounted for pursuant to SFAS No. 123(R).

During the first nine months of 2007, the Company granted 900,000 warrants to non-employees that were accounted for pursuant to SFAS No. 123(R).

	Nine Months Ended September 30 2007	2006
Net loss - as reported	$(2,502,533)	$(1,507,872)
Add: stock-based employee compensation determined under the fair value method	-	-
Less: stock-based employee compensation determined under the intrinsic value method (APB #25)	-	-
Net loss	(2,502,533)	(1,507,872)
Basic and Diluted loss per share-as reported	$ (0.08)	$ (0.05)
Basic and Diluted loss per share-pro forma	$ (0.08)	$ (0.05)

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

2. UNAUDITED INTERIM INFORMATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The accompanying unaudited consolidated financial statements for the interim periods reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the unaudited consolidated financial position, operating results and cash flows for the periods presented. These unaudited consolidated financial statements should be read in conjunction with the financial statements and related footnotes for the year ended December 31, 2006 and notes thereto contained in the annual report on Form 10-KSB as filed with the Securities and Exchange Commission. The results of operations for the nine months ended September 30, 2007 are not necessarily indicative of the results for the full year ending December 31, 2007.

3. NOTES PAYABLE

Notes payable at September 30, 2007 consisted of the following:

In December 2006 the Company borrowed an aggregate $4,750,000 from a related party, Baena Advisors, LLC ("Baena"), evidenced by a promissory note. Baena is owned by Sean Wolfington, the brother of our Chief Executive Officer and Chairman. Interest on the note is payable monthly and bears interest at 30-day LIBOR plus 13% per annum. In April 2007, the Lender paid off a bridge loan in the amount of $290,864 which included principal and all accrued interest, and added it to the principal amount of this note. Monthly payments consist of interest only with the full amount of the note due on February 28, 2009.	
In December 2006 the Company borrowed an aggregate $2,525,000 from Mercantile Capital, LLP, as evidenced by a promissory note. Interest on the note is payable monthly and bears interest at a rate of 12.75% per annum. Monthly payments consist of interest only with the full amount of the note due at the end of the two year term.	
In June 2007 the Company borrowed $9,000 from a family member of our chief executive officer. The note bears interest at 8% per annum and is payable monthly, beginning June 1, 2007.	
Notes Payable	

During the first nine months of 2007, the Company reflected aggregate principal repayments of $16,402 for all non-convertible promissory notes.

At September 30, 2007, the Company had the following outstanding accrued interest payable for all debt instruments:

Interest accrued on Notes Payable and Lines of Credit	105,241
Interest accrued on non convertible related note	1,874
Total accrued interest payable, Convertible notes	$107,115

4. CAPITAL LEASES

During the third quarter of 2007, the Company refinanced its outstanding capital leases with its ATM machine lender. Obligations under capital lease of $692,883 are now payable in sixty monthly installments of $15,000 beginning July 2007. The imputed interest rate on this lease refinance is 10.81%

Capital lease obligations at September 30, 2007 consisted of the following:

Obligation under capital lease, imputed interest rate at 10.81%; due June 2012; collateralized by equipment	$ 675,290
Less: current maturities	(122,382)
Long term obligation, net of current portion	$ 552,908

5. DUE TO OFFICER

During the first quarter of 2007, the Company issued a note to its CEO totaling $175,000. The note was issued in payment of the CEO's 2006 guaranteed bonus. This loan and other notes to our CEO bear interest at 10%, are unsecured and due on demand. The outstanding principal and related accrued interest balance at September 30, 2007 was $229,577. Of the total, $1,874 represented accrued interest payable.

6. LINES OF CREDIT

Lines of credit at September 30, 2007 consisted of the following:

Line of credit, interest is payable monthly at 9% per annum, the line is unsecured and due on demand. This line has been established with one of our former casino customers. This line is currently being disputed and is in litigation. See note 8 (4).	$922,827
Line of credit, non-interest bearing, the line is unsecured and due on demand. This line has been established with one of our casino customers.	1,501,718
Line of credit, the line is unsecured and due on demand. The Company pays a fixed stated amount of interest totaling $1,000 per month. The payments are recorded and charged to interest expense. This line has been established with one of our casino customers. At September 30, 2007, the Company had recorded related accrued interest payable of $1,000 in connection with this line of credit.	611,855
Lines of Credit	$3,036,400

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

7. STOCKHOLDERS' DEFICIT

Nine Months Ended September 30, 2007

(A) Common Stock Issuances

(1) Cash

None

(2) Services

In February 2007, the Company issued 1,979 shares of common stock to employees for services rendered. The Company valued the shares at the fair market value on the date of issuance which was $0.50 per share based on the quoted closing trading price and recorded non-cash compensation expense of $990.

(3) Exercise of Options/Warrants

In February 2007, 2 directors exercised 200,000 options at $0.01 per share. The Company received proceeds of $2,000 from the transaction and issued 200,000 shares of common stock.

In February 2007, our CFO/COO exercised 12,500 warrants at $0.01 per share. The Company received proceeds of $125 from the transaction and issued 12,500 shares of common stock.

In March 2007, a former employee exercised 12,500 options at $0.33 per share. The Company received proceeds of $4,125 from the transaction and issued 12,500 shares of common stock.

In March 2007, a director exercised 20,000 options at $0.01 per share. The Company received proceeds of $200 from the transaction and issued 20,000 shares of common stock.

(B) Accrued Penalty Shares

At September 30, 2007, pursuant to the terms of a prior common stock offering with registration rights, the Company has accrued penalties in the amount of 142,500 shares with respect to a delay in registering shares sold in a prior common stock offering. The Company has valued these shares at $81,048 based on the quoted closing trading price every two weeks when the penalty accrued. The fair value of the penalty has been recorded as a component of accrued expenses.

(C) Stock Options

The Company follows SFAS No. 123(R) for all share based payment awards. The fair value of each option or warrant granted is estimated on the date of grant using the Black-Scholes option pricing model. The following is a summary of all stock option and warrant activity with employees and non-employees during 2007:

(1) Option Grants - Employees

In February 2007, 500,000 options at an exercise price of $0.38 per share were issued to the Company's CFO/COO pursuant to his employment agreement. 250,000 options vested July 1, 2007 and 250,000 options vest December 31, 2007. The Company valued the July 1, 2007 shares using the Black-Scholes valuation model at $86,050 and accordingly booked a non-cash compensation expense in the same amount.

In February 2007, 100,000 options at an exercise price of $0.38 per share were issued to an employee and vested immediately. The Company valued these shares using the Black-Scholes valuation model at $52,200 and accordingly booked a non-cash compensation expense in the same amount.

In March 2007, 400,000 options at an exercise price of $0.01 per share were issued to our non-employee directors according to their compensation arrangements. The Company valued these shares using the Black-Scholes valuation model at $246,800 and accordingly booked a non-cash compensation expense in the same amount.

In March 2007, 265,000 options at an exercise price of $0.38 per share were issued to 5 employees according to management and the board of directors for additional compensation. The Company valued these shares using the Black-Scholes valuation model at $158,205 and accordingly booked a non-cash compensation expense in the same amount.

In June 2007, 100,000 options at an exercise price of $0.42 per share vested according to an executive's employment agreement. The Company valued these shares using the Black-Scholes valuation model at $35,000 and accordingly booked a non-cash compensation expense in the same amount.

In September 2007, 380,000 options at an exercise price of $0.01 per share were issued to a former director according to his compensation arrangements prior to his retirement from the board of directors. The Company valued these shares using the Black-Scholes valuation model at $109,934 and accordingly booked a non-cash compensation expense in the same amount.

(2) Options/ Warrants Exercised - Employees

In February 2007, 2 directors exercised 200,000 options at $0.01 per share. The Company received proceeds of $2,000 from the transaction and issued 200,000 shares of common stock.

In February 2007, our CFO/COO exercised 12,500 warrants at $0.01 per share. The Company received proceeds of $125 from the transaction and issued 12,500 shares of common stock.

In March 2007, a former employee exercised 12,500 options at $0.33 per share. The Company received proceeds of $4,125 from the transaction and issued 12,500 shares of common stock.

(3) Option Forfeitures - Employees

None

(4) Weighted Average Assumptions for 2007 Option Grants - Employees

None

Employee stock option activity for the nine months ended September 30, 2007 are summarized as follows:

	Number of Shares	Weighted Average Exercise P
Outstanding at December 31, 2006	7,960,780	$.10
Granted	1,645,000	.15
Exercised	(212,500)	.01
Cancelled/Expired	-	-
Outstanding at September 30, 2007	9,393,280	$.11

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

The following table summarizes the Company's employee stock options outstanding at September 30, 2007:

Options Outstanding

Range of Exercise Price	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
.01	7,625,780	6.26-9.25	.01
.26 - .33	302,500	0.25-9.13	.28
.38 - .42	1,065,000	6.71-9.42	.21
.70 - .77	212,500	6.57-7.31	.75
2.00 - 2.28	187,500	5.67-6.09	2.11
	9,393,280		.10

At September 30, 2007, 9,393,280 stock options are exercisable with a weighted average exercise price of $.10 except 250,000 at $0.38.

(D) Warrants

(1) Warrant Grants - Consultants

In January 2007, the Company issued 300,000 warrants to purchase the Company's stock at an exercise price of $0.35, $0.37 and $0.70 respectively per share to a consultant for services rendered. According to the issuance 300,000 warrants at $0.35 vested January 31, 2007, 300,000 warrants at $0.37 vest January 31, 2008 and the remaining 300,000 warrants at $0.70 will vest January 31, 2009. The Company valued the 300,000 vested shares at $127,800 and accordingly booked a non-cash compensation expense in the same amount.

Warrant activity for the period ended September 30, 2007 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2006	3,565,000	$ .64
Granted	900,000	.12
Exercised	(12,500)	.01
Cancelled	(632,500)	4.75
Outstanding at September 30, 2007	3,820,000	$0.28

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Warrants Outstanding

Range of Exercise Price	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
.01	2,277,500	5.04-9.25	.01
.30-.37	870,000	1.95-9.35	.23
.40	15,000	8.01	.40
.44	15,000	8.01	.44
.47-.51	30,000	7.93-8.01	.49
.70	300,000	9.35	.00
1.00	75,000	0.75	1.00
2.40	112,500	1.08-5.50	2.40
4.00-6.00	125,000	0.75	4.00
	3,820,000		

All outstanding warrants are exercisable at September 30, 2007 except for 300,000 at $0.37 vesting in January 2008, 300,000 at $0.70 vesting in January 2009, and 1,000,000 at $0.01 vesting in December 2007.

8. COMMITMENTS AND CONTINGENCIES

(1) Operating Leases

In connection with converting all of the Available Money ATM's, the Company now pays rent to various mall properties where it has ATM machines. These monthly rents average $24,000 per month.

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

The Company's total rent expense under operating leases was $264,668 and $354,413 for the nine months ended September 30, 2007 and 2006, respectively.

(2) Casino Contracts

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

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

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

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

As of September 30, 2007 the Company has recorded $458,271 of accrued commissions on casino contracts.

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

(3) Employment Agreements

(A) CEO

(1) Employment Agreement

In January 2004, the Company entered into a five-year employment agreement with its Chairman, President and Chief Executive Officer. In addition to an annual salary of $350,000 per year (subject to annual increases at the discretion of the Board of Directors) (the "Base Salary"), the employment agreement provides for a $200,000 signing bonus, a guaranteed bonus equal to 50% of his Base Salary in any calendar year (the "Guaranteed Bonus") and a discretionary incentive bonus of up to 50% of his Base Salary in any calendar year pursuant to a bonus program to be adopted by the Board of Directors (the "Incentive Bonus"). Pursuant to his employment agreement, the officer is entitled to fringe benefits including participation in retirement plans, life insurance, hospitalization, major medical, paid vacation, a leased automobile and expense reimbursement. Effective March 2006, the Company amended the executive's agreement to reduce his guaranteed bonus for 2005 from 50% of his salary to 12.5% of his salary. At September 30, 2007, the Company had accrued $131,250 for bonus.

(2) Commissions Payable

The Company pays sales commissions to sales persons closing various contracts. The CEO was paid $4,533 in sales commissions for the first nine months of 2007.

(B) CFO/COO

In March 2007, the Company entered into an amended and restated employment agreement, dated March 1, 2007 which amended and restated the employment agreement, dated June 14, 2005, by and between the Company and its Chief Financial Officer. Mr. Walsh shall serve as the Company's Chief Financial Officer and Chief Operating Officer.

The term of the Employment Agreement was retroactive to December 31, 2006 and continues until the earlier of CFO's death or termination by either the Company or the CFO. The CFO/COO annual salary shall be no less than $170,000. Upon termination of the Employment Agreement within six (6) months following a change in control of the Company either by the Company without cause or by the CFO/COO, the CFO/COO will receive severance pay equal to one year's salary.

In addition, the CFO was granted options to purchase 500,000 shares of the Company's common stock with an exercise price of $0.38 per share. The Options have a term of ten years and are exercisable as follows: (i) options to purchase 250,000 shares of the Company's common stock are exercisable on July 1, 2007; and (ii) options to purchase 250,000 shares of the Company's common stock are exercisable on December 31, 2007, in each case as long as the CFO is employed by the Company. The Options are immediately exercisable following a change in control of the Company. If CFO's employment by the Company is terminated by the Company without good cause or CFO elects early termination with good reason, all unvested Options automatically vest.

(4) Litigation

On or about August 28, 2007 , The Campo Band of Kumeyaay Indians d/b/a The Golden Acorn Casino (the "Casino"), commenced an Arbitration proceeding before the JAMS Arbitration service in San Diego. In its Demand for Arbitration, the Casino alleges that Money Centers of America, Inc. ("MCA") breached its Financial Services Agreement with the Casino. The Casino seeks damages in excess of $922,826. MCA believes the Casino's claims lack merit and intends to vigorously defend them. MCA believes the Casino wrongfully terminated the Financial Services Agreement almost three years prior to the conclusion of its contractually agreed upon renewal term. MCA has therefore filed a counterclaim against the Casino to recover its significant damages which resulted from the Casino's wrongful early termination of the Financial Service Agreement. MCA seeks damages in excess of the amount claimed by the Casino.

MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

9. CUSTOMER CONCENTRATIONS

For the nine months ended September 30, 2007, approximately 47% of total revenues were derived from operations at one full service casino. In addition, three other full service casinos represented 16%, 10% and 10% of total revenue respectively for the nine months ended September 30, 2007.

10. CASH RENTAL PROGRAM AND RELATED INTEREST EXPENSE

Included in interest expense are monies owed to an unrelated vendor for interest charges. The interest is based on the amount of cash in the Company's Available Money ATM machines and network and is calculated on a daily basis. The balance of this cash funded by the bank in the Company's ATM machines at September 30, 2007 was approximately $886,500. The interest rate on the $886,500 is prime plus zero. Effectively the Company rents this cash. The Company does not reflect this cash as an asset or the loan as a liability on its balance sheet at September 30, 2007. Interest expense from this cash was $106,380 for the nine months ended September 30, 2007.

11. GOING CONCERN

The accompanying unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has a working capital deficit of $1,658,447, a stockholders' deficit of $6,809,962 and an accumulated deficit of $23,322,197 at September 30, 2007. The Company also reflected a net loss of $2,502,533 and net cash used in operations of $988,841, for the nine months ended September 30, 2007. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

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

12. SUBSEQUENT EVENTS

In November 2007, a former board member exercised his options to purchase 200,000 shares of the Company's common stock which were granted to him as part of the Company's Amended and Restated 2003 Stock Incentive Plan.

In November 2007, a former board member exercised his options to purchase 780,000 shares of the Company's common stock which were granted to him as part of the Company's Amended and Restated 2003 Stock Incentive Plan.

CAUTIONARY STATEMENT FOR FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-QSB includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expect," "plan," anticipate," believe," estimate," continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those included in our Annual Report on Form 10-KSB filed on April 17, 2007. The following discussion should be read in conjunction with our Consolidated Financial Statements and related Notes thereto included elsewhere in this report.

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

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

History

We are a single source provider of cash access services to the gaming industry. We combine advanced technology with personalized customer services to deliver ATM, credit card advance, POS debit card advance, Check Cashing Services and CreditPlus marker services on an outsourcing basis to casinos, license our OnSwitchTM transaction management system to casinos and merchant card processing.

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

Current Overview

Our core business of providing single source full service cash access services in the gaming industry continues to be the major source of our revenue and profits in 2007. We have also launched several new services in the last 24 months, such as OnSwitchTM and Omni Network that have helped to differentiate our product offering in the marketplace. Our core business generates revenues from transaction fees associated with each unique service we provide, including ATMs, credit card advances, POS Debit, check cashing, markers and various other financial instruments. We receive our fees from either the casino operator or the consumer who is requesting access to their funds. The pricing of each transaction type is determined by evaluating risk and costs associated with the transaction in question. Accordingly, our transaction fees have a profit component built into them. Furthermore, reimbursement for electronic transactions are guaranteed by the credit or debit networks and associations that process the transactions as long as procedures are followed, thereby reducing the period of time that trade accounts receivable are outstanding to several days.

We deployed our OnSwitchTM Transaction Management System (OnSwitchTM) in January 2006. Though we feel confident that OnSwitchTM will differentiate us from our competitors and create new sources of revenue for us, there is no guarantee that the market will accept this new deployment strategy. Regardless of the markets acceptance of this new deployment strategy, OnSwitchTM enables us to gain complete control over our cash access booth operations and ATMs. OnSwitchTM will "drive" the ATMs and teller applications and process all transactions through our central system allowing for quicker customer interactions which translate to greater revenue at less cost from our current book of business. OnSwitchTM permits us to negotiate network processing contracts based on sound business decisions versus technology requirements so that the cost per transaction may be reduced, once again translating to greater revenue potential from our current book of business. Once all of the properties have been converted to OnSwitchTM, general operating procedures, field support, and internal accounting processes will also be streamlined.

Our management focused on improving our capital structure during 2006. In August 2006 we raised $1.2 million in equity in a successful private placement. In addition, at the end of 2006 we refinanced most of our outstanding debt on a favorable basis, converting most of it from short term to long term, reducing our interest rates and obtaining "interest only" payment terms. In combination, these efforts have allowed us to pay off our highest cost capital and increase our cash flow by over $700,000 per year.

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

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

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

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

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

The trend towards consolidation of the major gaming companies has continued and will make it difficult to continue to offer our services in the traditional manner. The economics are too compelling for the gaming operators not to consider internalizing these operations in order to generate additional revenue and profits to service the debt associated with the consolidation. Our preparation has continued to position us to capitalize on this trend. We have prepared for this change and have already begun to offer our systems and services through licensing OnSwitchTM , our transaction management system. In addition to outsourcing the cash services operations, we now offer turn-key processing capabilities for internal use by the casino. This means casinos will license our technology so they can operate and maintain their own cash access services, including the addition of their merchant card processing. Our size makes us uniquely capable of adapting to this change. Though the license agreements do not have the same revenue potential as a traditional cash services contract, the net income derived from these agreements is higher, the user agreements are for a longer period of time and we do not have the same capital expenditures or vault cash requirements that we experience in performing traditional cash access services. Furthermore, our larger competitors have spent years trying to conceal the economic benefits of this type of offering because their large infrastructure is designed to only support an outsourced solution.

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

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

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

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

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

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

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

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

We believe that it is necessary to increase our working capital position so that we can capitalize on the profitable trends in the industry while maintaining and servicing our current customer base and integrating acquired operations such as Available Money, Inc. ("Available Money"), which we acquired in April of 2004. Without sufficient working capital, we would be forced to utilize working capital to support revenue growth at the expense of executing on our integration and conversion plans. This would result in substantially higher operating costs without the assurance of additional revenues to support such costs.

Critical Accounting Policies

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

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

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

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

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

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

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Stock Based Compensation. Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123(R), "Share-Based Payment," under the modified prospective method. SFAS No. 123(R) eliminates accounting for share-based compensation transactions using the intrinsic value method prescribed under APB Opinion No. 25 "Accounting for Stock Issued to Employees," and requires instead that such transactions be accounted for using a fair-value-based method. Under the modified prospective method, the Company is required to recognize compensation cost for share-based payment to employees based on their grant date fair value from the beginning of the fiscal period in which the recognition provisions are first applied. For periods prior to adoption, the financial statements are unchanged, and the pro forma disclosures previously required by SFAS No. 123, as amended by SFAS No. 148, will continue to be required under SFAS No. 123(R) to the extent those amounts differ from those in the Statement of Operations.

Results of Operations

Three Months Ended September 30, 2007 (Unaudited) vs. Three Months Ended September 30, 2006 (Unaudited)

	Three Months Ended September 30, 2007		Three Months Ended September 30, 2006		Ch
Net Loss	(719,348)	$	(442,863)	$	(27
Revenues	2,194,391		2,598,863		(40
Cost of revenues	1,718,472		2,069,719		(35
Commissions & Rents Paid	952,601		1,110,700		(15

Wages & Benefits	391,726	479,266	(8
Processing Fee & Service Charges	257,012	288,806	(3
Bad Debts	12,559	33,859	(2
ATM Lease Fees & Maintenance	38,272	56,005	(1
Cash Replenishment Services	23,032	40,157	(1
Other	43,270	60,926	(1
Gross Profit	475,919	529,144	(5
Selling, General and Administrative Expenses	412,554	433,080	(2
Contributions	4,660	3,050	
Management Compensation	173,750	173,750	
Marketing	619	3,297	(
Professional Fees	73,844	64,614	
Travel	50,176	48,226	
Other	109,505	140,143	(3
Noncash Compensation	195,984	5,044	19
Depreciation and amortization	224,327	81,416	14
Settlement Expenses	5,000	-	
Interest expense, net	(385,448)	(455,967)	7
Other income (expenses)	28,046	3,500	2

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Our net loss increased by approximately $277,000 during the three months ended September 30, 2007 primarily due to an increase in non cash expenses (noncash compensation and amortization expense resulting from amortization of deferred financing costs in connection with the refinance of our vault cash) offset by decreases in interest expense and Selling, General and Administrative expenses.

Our revenues as a whole decreased by approximately 15.5% during the three months ended September 30, 2007 as compared to the three months ended September 30, 2006. The Money Centers portfolio (consisting primarily of full-service casino contracts) decreased 8% or $167,990. We lost approximately $215,000 in revenues from the loss of the Campo contract in the 4th quarter 2006. We had the addition of $50,000 in revenues from new contracts, while the remaining Money Centers casinos same store sales remained relatively unchanged from same quarter last year. The Available Money portfolio (consisting of ATM contracts) decreased 42% or $235,398 due to termination of contracts.

Our selling, general and administrative expenses decreased by approximately $21,000 during the three months ended September 30, 2007 primarily due to a decrease in other expenses. Our depreciation and amortization expenses increased during the three months ended September 30, 2007 primarily due to the amortization of our financing cost related to the refinancing in December of 2006.

Our interest expense decreased by approximately $70,000 during the three months ended September 30, 2007. Lower borrowing levels resulting from the termination of unprofitable contracts and the favorable refinancing in December 2006.

Nine Months Ended September 30, 2007 (Unaudited) vs.
Nine Months Ended September 30, 2006 (Unaudited)

	Nine Months Ended September 30, 2007 ($)	Nine Months Ended September 30, 2006 ($)	Ch
Net Loss	(2,502,533)	(1,507,872)	
Revenues	6,573,827	9,498,316	(
Cost of services	5,151,128	7,609,738	(
Commissions & Rents Paid	2,815,278	4,422,638	(
Wages & Benefits	1,220,002	1,656,169	
Processing Fee & Service Charges	781,545	977,674	
Bad Debts	72,677	95,798	
ATM Lease Fees & Maintenance	54,078	161,211	
Cash Replenishment Services	69,938	83,346	
Other	137,610	212,892	
Gross Profit	1,422,699	1,888,578	
Selling, General and Administrative Expenses	1,372,817	1,541,713	
Contributions	14,290	16,550	
Management Compensation	519,559	521,250	
Marketing	20,868	41,400	
Professional Fees	257,546	228,152	
Seminars	-	10,597	
Trade Show & Sponsorships	53,669	114,072	
Travel	142,314	178,590	
Other	364,571	431,102	
Noncash Compensation	816,979	37,694	
Depreciation and amortization	670,031	241,753	
Settlement Expenses	5,000	-	
Interest expense, net	(1,105,076)	(1,469,566)	
Other income (expenses)	44,671	(105,724)	

Our net loss increased by approximately $995,000 for the nine months ended September 30, 2007 primarily due to a decrease in revenue from the loss of the Sycuan and Campo contracts in 2006. In addition, an increase in amortization expense resulted from a substantial increase in deferred financing costs in connection with the refinance of our vault cash. Also, noncash compensation increased substantially as a result of the issuance of options to purchase our common stock and the vesting of previously issued options.

Our revenues as a whole decreased by approximately 30.7% during the nine months ended September 30, 2007 as compared to the nine months ended September 30, 2006. The Money Centers portfolio (consisting primarily of full-service casino contracts) decreased 28% or $2,178,023. Approximately $2,000,000 of this reflected the loss of the Sycuan contract which de-installed on May 9, 2006 and approximately $625,000 reflected the loss of the Campo contract in the 4th quarter of 2006. We had the addition of $142,000 in revenues from new contracts, while the remaining Money Centers casinos had increased same store sales of 6% from same period last year. The Available Money portfolio (consisting of ATM contracts) decreased 44% or $744,464.

Our selling, general and administrative expenses decreased by approximately $169,000 during the nine months ended September 30, 2007 due to decreases in every category except legal. Our depreciation and amortization expenses increased during the nine months ended September 30, 2007 primarily due to the recapitalization in December of 2006.

Our interest expense decreased $364,490 during the nine months ended September 30, 2007 mostly due to a decrease in the interest rate we are paying on our long-term debt as a result of the refinance that took place in December 2006. In addition, we did not incur any non-cash interest expense in 2007 as we did in 2006 relating to the bridge loans in 2005.

Other income (expenses) in 2007 were approximatly $150,000 less because we did not have expenses in 2007 equivalent to the one time expenses incurred in 2006 related to the closing down of our operations at the Syuan Casino.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the fiscal quarter ended September 30, 2007 that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our investors.

Changes in Financial Position, Liquidity and Capital Resources

	Nine Months Ended September 30, 2007 ($) (Unaudited)	Nine Months Ended September 30, 2006 ($) (Unaudited)	Change ($)
Net Cash Used in Operating Activities	(988,841)	(1,111,793)	122,952
Net Cash Used in Investing Activities	(204,599)	(343,306)	138,707
Net Cash Used in Financing Activities	(22,194)	(487,326)	(465,132)

Net cash used in operations decreased by approximately $123,000, primarily due to an increase in non-cash expenses, such as amortization and non cash compensation, and a reduction in payment of accounts payable.

Net cash used in investing activities decreased during the nine months ended September 30, 2007 primarily due to decreased investment in our postilion platform for OnSwitchTM in the third quarter of 2007.

Net cash used in financing activities decreased during the nine months ended September 30, 2007 primarily due to reductions in the utilization of short-term lines of credit.

A significant portion of our existing indebtedness prior to December 28, 2006 was associated with our vault cash line of credit of $7,000,000 with Mercantile Capital, L.P., which we used to provide vault cash for our casino operations at most locations. Vault cash is the money necessary to fund the float, or money in transit, that exists when customers utilize our services but we have yet to be reimbursed from the Debit, Credit Card Cash Advance, or ATM networks for executing the transactions. Although these funds are generally reimbursed within 24-48 hours, a significant amount of cash is required to fund our operations due to the magnitude of our transaction volume. Our vault cash loan accrued interest at the base commercial lending rate of Wilmington Trust Company of Pennsylvania plus 10.75% per annum on the outstanding principal balance, with a minimum rate of 15% per annum. Vault cash for our ATM operations at locations where we do not provide full cash access services (primarily Available Money customers) is provided by our ATM processing provider under the terms of the ATM processing agreement, at a cost equal to the ATM processor's cost of funds, which currently is the Prime Rate.

On December 28, 2006, the Mercantile line of credit was converted to a $2,525,000 term loan maturing December 31, 2008 and bearing interest at 12.75%, payable monthly. The principal balance due to Mercantile above $2,525,000 was repaid with a portion of the proceeds from a $4,750,000 term loan from Baena Advisors, LLC. This loan bears interest at 30-day LIBOR plus 13%, payable monthly, and is due February 28, 2009.

In September and October 2005 we borrowed $800,000 from individuals, including the uncle and brother of our Chief Executive Officer, pursuant to convertible notes that bore interest at 10% per annum and matured in September and October of 2006. All of this amount has been repaid, in part through a $300,000 increase in the Baena Advisors credit facility in April 2007.

In addition, two of our casino customers provide vault cash lines of credit for our activities at their casinos. These facilities are unsecured and bear interest rates ranging from zero to 9%. Our debt is used primarily to provide vault cash for our casino operations. Vault cash for our ATM operations at locations where we do not provide full cash access services (primarily Available Money customers) is provided by our ATM processing provider under the terms of the ATM processing agreement, at a cost equal to the ATM processor's cost of funds, which currently is Prime minus 5/8%.

On June 1, 2007, we borrowed $9,000 from a family member of our chief executive officer. The note bears interest at 8% per annum and is payable monthly, beginning June 1, 2007.

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

We also have a substantial amount of accounts payable and accrued expenses. To the extent that we are unable to satisfy these obligations as they come due, we risk the loss of services from our vendors and possible lawsuits seeking collection of amounts due.

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

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

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

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

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

We are actively seeking various sources of growth capital and strategic partnerships that will assist us in achieving our business objectives. We are also exploring various potential financing options and other sources of working capital. There is no assurance that we will succeed in finding additional sources of capital on favorable terms or at all. To the extent that we cannot find additional sources of capital, we may be delayed in fully implementing our business plan.

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

Due to our accumulated deficit of $23,322,197 as of September 30, 2007 and our net losses and cash used in operations of $2,502,533 and $988,841, respectively, for the period ended September 30, 2007, our independent auditors have raised substantial doubt about our ability to continue as a going concern. While we believe that our present plan of operations will be profitable and will generate positive cash flow, there is no assurance that we will generate net income or positive cash flow for 2007 or at any time in the future.

Item 3 - Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of September 30, 2007, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) under the supervision and with the participation of our management, including Christopher M. Wolfington, our Chief Executive Officer and Jason P. Walsh, our Chief Financial Officer. Based upon that evaluation, Mr. Wolfington and Mr. Walsh concluded that our disclosure controls and procedures are effective.

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

Changes in Internal Controls

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

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

On or about August 28, 2007 , The Campo Band of Kumeyaay Indians d/b/a The Golden Acorn Casino (the "Casino"), commenced an Arbitration proceeding before the JAMS Arbitration service in San Diego. In its Demand for Arbitration, the Casino alleges that Money Centers of America, Inc. ("MCA") breached its Financial Services Agreement with the Casino. The Casino seeks damages in excess of $922,826. MCA believes the Casino's claims lack merit and intends to vigorously defend them. MCA believes the Casino wrongfully terminated the Financial Services Agreement almost three years prior to the conclusion of its contractually agreed upon renewal term. MCA has therefore filed a counterclaim against the Casino to recover its significant damages which resulted from the Casino's wrongful early termination of the Financial Service Agreement. MCA seeks damages in excess of the amount claimed by the Casino.

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

Item 2 - Changes in Securities and Use of Proceeds

Pursuant to the terms of a common stock offering with registration rights, we have accrued penalties in the amount of 142,500 shares, of which 7,500 shares were accrued in the first quarter of 2006. The Company has valued these shares at $81,048.

In February, 2007, we issued an aggregate of 1,979 shares of our common stock to 2 employees in lieu of a portion of cash bonuses otherwise due to them at an effective price of $0.54 per share in a transaction under Rule 701 under the Securities Act.

Item 3 - Defaults Upon Senior Securities

None.

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

None.

Item 5 - Other Information

None.

Item 6 - Exhibits

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

3.2 Money Centers of America, Inc. Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of the Current Report on

	Form 8-K filed on October 19, 2004).
4.1	Form of Specimen Stock Certificate.
10.1	Amended and Restated 2003 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of Form 10-KSB filed on July 13, 2004).
10.2	Employment Agreement dated as of January 2, 2004 by and between iGames Entertainment, Inc. and Christopher M. Wolfington (incorporated by reference to Exhibit 10.1 of Form 10-KSB filed on July 13, 2004).
10.3	Amendment to Employment Agreement dated as of March 20, 2006 by and between Money Centers of America, Inc. and Christopher M. Wolfington(incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 2006 filed on May 22, 2006).
10.4	Amended and Restated Employment Agreement dated as of March 1, 2007, but effective December 31, 2006 by and between Money Centers of America, Inc. and Jason P. Walsh (incorporated by reference to Exhibit 10.4 to the Post Effective Amendment No. 1 to the Registration Statement on Form SB-2 filed on June 21, 2007 (File No. 333-138150.
10.5	Credit and Security Agreement dated December 28, 2006 between Money Centers of America, Inc. and Baena Advisors, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed January 8, 2007).

10.6	$4,750,000 Promissory Note dated December 28, 2006 from Money Centers of America, Inc. to Baena Advisors, LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed January 8, 2007).
10.7	Amendment to Credit and Security Agreement dated December 28, 2006 between Money Centers of America, Inc. and Mercantile Capital, L.P. (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed January 8, 2007).
10.8	$2,525,000 Amended and Restated Promissory Note dated December 28, 2006 from Money Centers of America, Inc. to Mercantile Capital, L.P. (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed January 8, 2007).
14	Code of Ethics (incorporated by reference to Exhibit 14 of Form 10-KSB filed on July 13, 2004).
31.1	Certification dated August 20, 2007 pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) of the Principal Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, by Christopher M. Wolfington, Chief Executive Officer and Chief Financial Officer.
31.2	Certification dated August 20, 2007 pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) of the Principal Accounting Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Jason P. Walsh, Chief Financial Officer.

32 Certification dated August 20, 2007 pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, made by Christopher M. Wolfington, Chief Executive Officer and Jason P. Walsh, Chief Financial Officer.

SIGNATURES

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

MONEY CENTERS OF AMERICA, INC.

Date: November 19, 2007 By: /s/ Christopher M. Wolfington

Christopher M. Wolfington
Chief Executive Officer

Date: November 19, 2007 By: /s/ Jason P. Walsh

Jason P. Walsh
Chief Financial Officer