

EXHIBIT J TO THE OFFERING CIRCULAR
FINANCIAL STATEMENTS





Huntington Learning Centers, Inc.

Report on Financial Statements

Years Ended December 31, 2005, 2004 and 2003



HUNTINGTON LEARNING CENTERS, INC.

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Report of Independent Public Accountants

To the Board of Directors
Huntington Learning Centers, Inc.

We have audited the accompanying balance sheets of Huntington Learning Centers, Inc. as of December 31, 2005, 2004 and 2003, and the related statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Huntington Learning Centers, Inc. as of December 31, 2005, 2004 and 2003, and its results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

J.H. Cohn LLP

Roseland, New Jersey
February 23, 2006

HUNTINGTON LEARNING CENTERS, INC.

BALANCE SHEETS DECEMBER 31, 2005, 2004 AND 2003

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Current assets:			
Cash and cash equivalents	\$1,775,293	\$ 995,462	\$ 335,465
Accounts receivable, net of allowance for doubtful accounts of \$82,000, \$82,000 and \$28,000	1,006,380	740,689	737,801
Prepaid expenses and other current assets	67,455	15,948	218,512
Current portion of notes receivable	97,520	146,263	84,323
Due from affiliates	2,104,639	2,202,530	2,270,459
Cash held in escrow		1,050,000	
Deferred tax assets	1,100	1,200	300
Total current assets	<u>5,052,387</u>	<u>5,152,092</u>	<u>3,646,860</u>
 Furniture and equipment, at cost, net of accumulated depreciation of \$65,582, \$40,709 and \$20,909	 93,397	 35,112	 54,208
Notes receivable, net of current portion	5,655	76,857	94,217
Deferred tax assets		15,300	12,000
 Totals	 <u>\$5,151,439</u>	 <u>\$5,279,361</u>	 <u>\$3,807,285</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 126,075	\$ 283,873	\$ 286,463
Deferred franchise fees	955,282	685,821	675,806
Other liabilities		1,050,000	900,000
Total liabilities	<u>1,081,357</u>	<u>2,019,694</u>	<u>1,862,269</u>
 Contingencies			
Stockholders' equity:			
Common stock, par value \$.50 per share; 200 shares authorized, issued and outstanding	100	100	100
Additional paid-in capital	99,900	99,900	99,900
Retained earnings	3,970,082	3,159,667	1,845,016
Total stockholders' equity	<u>4,070,082</u>	<u>3,259,667</u>	<u>1,945,016</u>
 Totals	 <u>\$5,151,439</u>	 <u>\$5,279,361</u>	 <u>\$3,807,285</u>

See Notes to Financial Statements.

HUNTINGTON LEARNING CENTERS, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenue:			
Initial franchise and option fees	\$ 2,069,965	\$ 1,601,256	\$1,402,100
Continuing franchise fees	11,119,592	9,198,941	7,989,891
Equipment and materials	<u>302,136</u>	<u>159,458</u>	<u>92,289</u>
Totals	<u>13,491,693</u>	<u>10,959,655</u>	<u>9,484,280</u>
Costs and expenses:			
Franchise sales and administrative expenses	6,166,680	4,803,410	4,097,899
Advertising and promotion	320,876	190,014	91,888
Allocated general and administrative expenses	<u>4,546,525</u>	<u>3,920,909</u>	<u>4,060,635</u>
Totals	<u>11,034,081</u>	<u>8,914,333</u>	<u>8,250,422</u>
Income from operations	2,457,612	2,045,322	1,233,858
Other income	<u>14,845</u>	<u>11,270</u>	<u>21,597</u>
Income before income taxes	2,472,457	2,056,592	1,255,455
Provision for state income taxes	<u>37,750</u>	<u>36,100</u>	<u>23,600</u>
Net income	2,434,707	2,020,492	1,231,855
Retained earnings, beginning of year	3,159,667	1,845,016	2,329,128
Less distribution to stockholders	<u>(1,624,292)</u>	<u>(705,841)</u>	<u>(1,715,967)</u>
Retained earnings, end of year	<u>\$ 3,970,082</u>	<u>\$ 3,159,667</u>	<u>\$1,845,016</u>

See Notes to Financial Statements.

HUNTINGTON LEARNING CENTERS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating activities:			
Net income	\$ 2,434,707	\$2,020,492	\$1,231,855
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,873	19,800	5,230
Deferred income taxes	15,400	(4,200)	5,800
Bad debts	131,520	54,706	12,770
Changes in operating assets and liabilities:			
Accounts receivable	(265,691)	(57,594)	(245,371)
Notes receivable	(11,575)	(44,580)	(108,740)
Prepaid expenses and other current assets	(51,507)	202,564	(210,067)
Cash held in escrow	1,050,000	(1,050,000)	
Accounts payable and accrued expenses	(157,798)	(2,590)	131,418
Deferred franchise fees	269,461	10,015	60,081
Other liabilities	(1,050,000)	150,000	
Net cash provided by operating activities	<u>2,389,390</u>	<u>1,298,613</u>	<u>882,976</u>
Investing activities:			
Purchase of furniture and equipment	(83,158)	(704)	(55,460)
Due from affiliates	97,891	67,929	1,130,974
Net cash provided by investing activities	<u>14,733</u>	<u>67,225</u>	<u>1,075,514</u>
Financing activities - distribution to stockholders	<u>(1,624,292)</u>	<u>(705,841)</u>	<u>(1,715,967)</u>
Net increase in cash and cash equivalents	779,831	659,997	242,523
Cash and cash equivalents, beginning of year	<u>995,462</u>	<u>335,465</u>	<u>92,942</u>
Cash and cash equivalents, end of year	<u>\$ 1,775,293</u>	<u>\$ 995,462</u>	<u>\$ 335,465</u>
Supplemental disclosure of cash flow data:			
Income taxes paid	<u>\$ 62,140</u>	<u>\$ 37,127</u>	<u>\$ 250</u>

See Notes to Financial Statements.

HUNTINGTON LEARNING CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Business and organization:

Huntington Learning Centers, Inc. (the "Company") franchises remedial and enrichment instruction centers which offer reading, writing, mathematics, phonics, study skills and other subjects to elementary and secondary school children and, to a limited extent, adults. Franchised centers generally also offer one to one instruction for standardized college entrance examinations.

Note 2 - Summary of significant accounting policies:

Use of estimates:

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk:

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Cash and cash equivalents includes all cash balances and highly liquid investments, including money market funds, with a maturity of three months or less when acquired. At times, the Company's cash and cash equivalents exceed the current insured amounts of \$100,000 under the Federal Deposit Insurance Corporation ("FDIC") and \$500,000 under the Securities Investor Protection Corporation.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of franchisees and the payment terms extended are generally short. The Company closely monitors the extension of credit to its franchisees while maintaining allowances for potential credit losses. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit considerations.

Revenue recognition:

Income from the sale of franchises and franchise options, which grant exclusive rights for a limited period and geographic area to open additional centers, is recognized when the Company has substantially performed all material services and obligations related to the sale. Fees for options are nonrefundable and are recognized as income when received. Refundable deposits received for franchise purchases are deferred until the Company has performed all material services and obligations related to the sale. Income on nonrefundable deposits is recognized when received. Continuing franchise fees (based upon a percentage of gross revenue of the franchisee) are recorded as revenue when earned. Income from the sale of franchises and franchise options for the years ended December 31, 2005, 2004 and 2003 are as follows:

HUNTINGTON LEARNING CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued): Revenue recognition (concluded):

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Initial franchises	<u>\$1,727,000</u>	\$1,287,000	\$1,196,000
Franchise options	<u>342,965</u>	<u>314,256</u>	<u>206,100</u>
Totals	<u>\$2,069,965</u>	<u>\$1,601,256</u>	<u>\$1,402,100</u>

Furniture and equipment:

Furniture and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed based upon the estimated useful lives of the respective assets, generally five years, using the straight-line method for financial reporting and accelerated methods for income tax purposes.

Advertising:

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations amounted to \$320,876, \$190,014 and \$91,888 in 2005, 2004 and 2003, respectively.

Income taxes:

The Company, with the consent of its stockholders, has elected to be treated as an "S" Corporation under certain sections of the Internal Revenue Code. Under these sections, corporate income or loss, in general, is allocated to the stockholders for inclusion in their personal income tax returns. Accordingly, there is no provision for Federal income tax in the accompanying financial statements.

The Company has also elected to be treated as an "S" Corporation for New Jersey state income tax purposes. However, the State of New Jersey does impose a tax on "S" Corporation income at a reduced rate and, accordingly, such tax has been provided in the accompanying financial statements.

The Company accounts for state income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

HUNTINGTON LEARNING CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3 - Notes receivable:

The notes, due through February 2007, bear interest at 10% and are from franchisees of the Company.

Note 4 - Accounts payable and accrued expenses:

Accounts payable and accrued expenses consist of the following:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Recruiting fee	\$ 10,000		
Professional fees	88,812	\$129,925	\$125,400
Advertising	5,974	28,265	9,000
Printing	5,856	2,639	5,856
Convention			40,000
Accreditation fees		34,200	
Travel		64,936	35,222
Furniture and equipment		1,529	48,018
Other	<u>15,433</u>	<u>22,379</u>	<u>22,967</u>
Totals	<u>\$126,075</u>	<u>\$283,873</u>	<u>\$286,463</u>

Note 5 - Income taxes:

The provision for state income taxes consists of the following:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Current	\$22,350	\$40,300	\$17,800
Deferred (credit)	<u>15,400</u>	<u>(4,200)</u>	<u>5,800</u>
Totals	<u>\$37,750</u>	<u>\$36,100</u>	<u>\$23,600</u>

Deferred tax assets result primarily from recording certain accrued expenses and bad debts differently for financial statement and income tax purposes.

Note 6 - Related party transactions:

The Company is affiliated with companies having common ownership and has extensive transactions with affiliates. Because of this relationship, it is possible that the terms of these transactions are not the same as those which would result from transactions among unrelated parties.

HUNTINGTON LEARNING CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6 - Related party transactions (concluded):

Certain employees of the Company performed duties for related parties and, similarly, the Company received the benefit of certain services performed by employees of related parties. Total costs and expenses, including rental of premises, to be recorded and paid by the Company are determined based upon allocations of expenses incurred by related parties.

The Company performs certain services for the affiliate-owned centers at a fixed fee. Included in continuing franchise fees is \$424,961, \$347,630 and \$289,029 in 2005, 2004 and 2003, respectively, earned from such services.

Note 7 - Contingencies:

Litigation:

In September 2001, the Company entered into an Initial Settlement Agreement with a group representing a majority of the Company's franchisees regarding the Company's liability to The Huntington Learning Center Advertising Fund (the "Fund"). During 2001, the Company accrued management's estimate of the Company's liability to the Fund in the amount of approximately \$1,800,000. During 2002, approximately \$900,000 of the estimated liability was paid by the transference of the net assets of the Fund to an independent organization, Huntington Advertising Fund, Inc. (the "Advertising Fund"). The estimated liability to the Advertising Fund of approximately \$900,000 is included in other liabilities in the accompanying balance sheet at December 31, 2003.

In September 2002, the Company filed a Demand for Arbitration as to the Company's liability for monies owed to the Advertising Fund. In February 2003, the Company amended its demand for arbitration. In response to the Company's original demand for arbitration, the defendant in the arbitration demand, the Association of Remedial Educators Franchisee Trust, filed a counterclaim against the Company regarding the Company's liability to the Advertising Fund. In December 2004, the Company remitted \$1,050,000 to an escrow account for its subsequent payment to the Advertising Fund upon execution of a Final Settlement Agreement by the parties to the arbitration. In January 2005, the Company and the Association of Remedial Educators Franchisee Trust executed the Final Settlement Agreement which settled all disputes between them, and the \$1,050,000 that had been placed in escrow was paid to the Advertising Fund pursuant to that agreement. The liability to the Advertising Fund of \$1,050,000 is included in other liabilities in the accompanying balance sheet at December 31, 2004.

The Company is a party to other lawsuits and claims arising out of the conduct of its business. While the ultimate outcome of these proceedings cannot be predicted with certainty, management believes the overall effect of these lawsuits will not be material to the Company's financial position or results of operations.

HUNTINGTON LEARNING CENTERS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7 - Contingencies (concluded):

Guarantee:

The Company, along with an affiliated company, has guaranteed approximately \$3,237,000 of the debt of certain affiliated partnerships, which is due in installments through June 2014. The Company has also guaranteed approximately \$110,000 of the debt of the affiliated company, which is due in installments through February 2007. The Company would be obligated to perform under the guarantees if the affiliated partnerships and the affiliated company failed to pay principal and interest payments to the lenders when due. Including accrued interest, the maximum potential amount of future (undiscounted) payments under the guarantees would be approximately \$4,716,000. However, if the Company were required to honor the guarantees, it would be entitled to property owned by the affiliated partnerships and the affiliated company that collateralizes the loans. As of December 31, 2005, the affiliated partnerships and the affiliated company are current with their debt payments.