

**EXHIBIT A
TO THE KINDERDANCE
UNIFORM FRANCHISE OFFERING CIRCULAR**

Financials

KINDERDANCE INTERNATIONAL, INC.

Financial Statements

December 31 2005, 2004 and 2003

KINDERDANCE INTERNATIONAL, INC.

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Shareholders
Kinderdance International, Inc.
Melbourne, Florida

We have audited the balance sheets of Kinderdance International, Inc. as of December 31 2005 and 2004 and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Kinderdance International, Inc. as of December 31, 2003 was audited by another auditor whose report dated March 15, 2004, expressed an unqualified opinion on the statement.

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 audits 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 provides 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 Kinderdance International, Inc. as of December 31 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'George Beck & Koetter, CPA, P.C.A.' The signature is written in a cursive, flowing style.

Melbourne, Florida
February 16, 2006

Financial Statements

KINDERDANCE INTERNATIONAL, INC.

Balance Sheets

December 31, 2005, 2004 and 2003

ASSETS	<u>2005</u>	<u>2004</u>	<u>2003</u>
Current assets:			
Cash	\$ 228,218	\$ 155,447	\$ 129,287
Accounts receivable - trade, net of \$3,000 allowance	39,297	40,467	30,953
Employee receivables	1,650	1,594	1,216
Shareholder loan receivable	10,500	3,739	-
Merchandise inventories	70,130	44,370	55,354
Current portion of notes receivable	9,820	18,473	20,544
Total current assets	<u>359,615</u>	<u>264,090</u>	<u>237,354</u>
Property and equipment:			
Furniture and equipment	23,348	23,348	37,248
Less accumulated depreciation	<u>(7,716)</u>	<u>(190)</u>	<u>(32,036)</u>
Net property and equipment	15,632	23,158	5,212
Other assets:			
Notes receivable	6,685	10,823	8,123
Shareholder loan receivable	-	3,467	-
Security deposits	<u>3,358</u>	<u>3,358</u>	<u>1,102</u>
Total other assets	<u>10,043</u>	<u>17,648</u>	<u>9,225</u>
Total Assets	<u>\$ 385,290</u>	<u>\$ 304,896</u>	<u>\$ 251,791</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 4,912	\$ 8,238	\$ 17,905
Accrued expenses and advertising fund liability	95,224	75,129	15,861
Deferred insurance proceeds	20,186	20,186	-
Stock repurchase payable	<u>50,466</u>	<u>-</u>	<u>-</u>
Total current liabilities	170,788	103,553	33,766
Shareholders' Equity:			
Common stock, authorized 10,000 shares no par value; issued and outstanding 1,070, 1,340 and 1,000 shares in 2005, 2004 and 2003 respectively	55,357	55,357	50
Additional paid in capital	7,314	7,314	7,314
Treasury stock - 270 shares	(50,466)	-	-
Retained earnings	<u>202,297</u>	<u>138,672</u>	<u>210,661</u>
Total Equity	<u>214,502</u>	<u>201,343</u>	<u>218,025</u>
Total liabilities and shareholder's equity	<u>\$ 385,290</u>	<u>\$ 304,896</u>	<u>\$ 251,791</u>

See accompanying notes and auditor's report

KINDERDANCE INTERNATIONAL, INC.

Statements of Operations

For the Years Ended December 31, 2005, 2004 and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Income:			
Royalties	\$ 346,104	\$ 332,727	\$ 285,477
Franchise sales, transfer and upgrade fees	235,000	218,650	287,100
Boutique sales	170,364	157,715	184,294
Tuition income	5,464	6,780	7,446
Other income	<u>33,637</u>	<u>19,698</u>	<u>15,674</u>
Total income	790,569	735,570	779,991
Expenses:			
Cost of operations	94,412	99,535	110,043
Salaries and related expenses paid to officers and stockholders	226,868	279,529	133,134
Selling, general and administrative expenses	<u>345,664</u>	<u>310,036</u>	<u>362,192</u>
Total expenses	<u>666,944</u>	<u>689,100</u>	<u>605,369</u>
Gain on involuntary conversion	<u>-</u>	<u>19,541</u>	<u>-</u>
Net income	<u><u>\$ 123,625</u></u>	<u><u>\$ 66,011</u></u>	<u><u>\$ 174,622</u></u>

KINDERDANCE INTERNATIONAL, INC.

Statements of Stockholder's Equity

Years Ended December 31, 2005, 2004 and 2003

	Common Stock		Treasury Stock	Additional Paid in Capital	Retained Earnings
	Shares	Amount			
Balances, December 2002	100	\$ 50	\$ -	\$ 7,314	\$ 208,039
Stock Split	900	-	-	-	-
Distributions of earnings	-	-	-	-	(172,000)
Net income for the year	-	-	-	-	174,622
Balances, December 2003	1,000	50	-	7,314	210,661
Stock compensation issued	340	55,307	-	-	-
Distributions of earnings	-	-	-	-	(138,000)
Net income for the year	-	-	-	-	66,011
Balances, December 2004	1,340	55,357	-	7,314	138,672
Distributions of earnings	-	-	-	-	(60,000)
Treasury stock repurchase	(270)	-	(50,466)	-	-
Net income for the year	-	-	-	-	123,625
Balances, December 2005	1,070	\$ 55,357	\$ (50,466)	\$ 7,314	\$ 202,297

KINDERDANCE INTERNATIONAL, INC.

Statements of Cash Flows

For the Years Ended December 31, 2005, 2004 and 2003

	2005	2004	2003
Cash flows from operating activities:			
Net income	\$ 123,625	\$ 66,011	\$ 174,622
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	7,526	3,223	3,142
Bad debt	3,000	-	-
Stock compensation	-	55,307	-
Gain on involuntary conversion	-	(19,541)	-
(Increase) decrease in:			
Accounts receivable - trade	(1,830)	(9,514)	(6,271)
Merchandise inventories	(25,760)	10,984	3,445
Notes receivable from franchise sales	12,791	(629)	-
Security deposits	-	(2,256)	340
Increase (decrease) in:			
Accounts payable	(3,326)	(9,667)	(2,037)
Accrued expenses and advertising advertising fund liability	20,095	59,268	1,575
Deferred insurance proceeds	-	20,186	-
Total adjustments	<u>12,496</u>	<u>107,361</u>	<u>194</u>
Net cash provided by operating activities	136,121	173,372	174,816
Cash flows from investing activities:			
Purchase of property and equipment	-	(23,350)	(2,244)
Insurance proceeds	-	21,722	-
Decrease (increase) in loans to employees	(56)	(378)	(155)
Shareholder's loan receivable	<u>(3,294)</u>	<u>(7,206)</u>	<u>-</u>
Net cash used by investing activities	(3,350)	(9,212)	(2,399)
Cash flows from financing activities:			
Distributions of earnings	<u>(60,000)</u>	<u>(138,000)</u>	<u>(172,000)</u>
Net increase in cash	72,771	26,160	417
Cash, beginning of year	<u>155,447</u>	<u>129,287</u>	<u>128,870</u>
Cash, end of year	<u>\$ 228,218</u>	<u>\$ 155,447</u>	<u>\$ 129,287</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Supplemental schedule of non-cash investing and financing activities:			
Issuance of common stock as additional compensation	<u>\$ -</u>	<u>\$ 55,307</u>	<u>\$ -</u>
Acquisition of treasury stock with a payable	<u>\$ 50,157</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and auditor's report

KINDERDANCE INTERNATIONAL, INC.

Notes to Financial Statements

December 31, 2005, 2004 and 2003

1. Organization and summary of significant accounting policies

Organization

The Company is engaged in developing and providing dance programs to young children. The programs are principally provided by franchisees located in numerous states across the nation to students through agreements with day care centers.

The Company receives royalties from franchisees. Royalty fees range from 6% to 15% of gross receipts. Those businesses that have signed franchise agreements are required to pay 3% of gross receipts to be used to provide national and regional advertising and promotion for the benefit of the franchisees.

Revenue recognition

Franchise fees are recorded as income upon completion of all significant obligations of the Company under the franchise of license agreement. These obligations consist principally of distributing franchise material and training franchise personnel.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of the contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash equivalents

Cash equivalents are time deposits, certificates of deposit, and other highly liquid debt instruments with original maturities of three months or less.

Accounts receivable

Accounts are charged to bad debt expense as they are deemed uncollectible. At December 31, 2005, 2004 and 2003, the allowance for uncollectible accounts was \$3,000, \$0 and \$0, respectively.

Merchandise inventories

Merchandise inventories are stated at the lower of cost or market, determined on a first-in, first-out basis and consists of boutique items held for sale to franchisees.

Property and equipment

Property and equipment are stated at cost and are being depreciated on the declining balance and straight line methods over the estimated useful lives of the assets.

Income taxes

The stockholders of the Company have elected to be taxed as an S Corporation under the provisions of the appropriate Internal Revenue Code section whereby the stockholders report their share of corporate income, losses and tax credits in their individual tax return. Therefore, the accompanying financial statements do not provide for federal or state income taxes.

KINDERDANCE INTERNATIONAL, INC.

Notes to Financial Statements

December 31, 2005, 2004 and 2003

2. Notes receivable

The Company finances portions of franchise sales, renewal fees and sales of boutique items at interest rate of 15% per annum. At December 31, 2005, 2004 and 2003, there was \$16,505, \$29,296 and \$28,667, outstanding under these arrangements.

3. Franchises

Listed below is the company's activity regarding its franchises for the years ended December 31, 2005, 2004 and 2003.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Franchises in operation, beginning of year	104	97	85
Franchises sold	17	20	23
Franchises terminated or not renewed	<u>(16)</u>	<u>(13)</u>	<u>(11)</u>
Franchises in operation, end of year	<u>105</u>	<u>104</u>	<u>97</u>

4. Commitments

The company leases office space under a non-cancelable lease expiring October 30, 2007. For the year ended December 31, 2005 and 2004, rental expense under this lease was \$32,592 and \$5,400. Rental expense under a similar lease agreement for the year ended December 31, 2003 was \$16,218. The future minimum lease payments under this lease are shown below.

2006	\$ 24,914
2007	<u>21,330</u>
	<u>\$ 46,244</u>

5. Profit sharing plan

The company has a SEP-IRA plan for eligible employees. Contributions to the plan are set by the Board of Directors. The Company incurred expenses under this plan of \$0 for 2005, \$15,594 for 2004, \$13,801 for 2003.

6. Advertising funds

The company has restricted cash of \$48,511 at December 31, 2005, for the payment of advertising costs. At December 31, 2004 and 2003, the restricted cash was \$34,490 and \$15,885, respectively. For the year ended December 31, 2005 and 2004, the Company incurred \$28,590 and \$16,394 of advertising costs. The amounts incurred for the year ended December 31, 2003 is not available.

KINDERDANCE INTERNATIONAL, INC.

Notes to Financial Statements

December 31, 2005, 2004 and 2003

7. Credit risk

The company's financial instruments exposed to concentrations of credit risk consist primarily of cash. The Company maintains its bank accounts at two financial institutions located in the Melbourne area. Cash balances in the financial institutions are insured by the FDIC up to \$100,000 per institution. At December 31, 2005, the Company's cash balance on deposit per the banks records were in excess of insured limits in the amount of \$46,831.

8. Shareholder loan receivable

The Company issued an interest bearing note to a shareholder. The note bears interest at 6% per annum with monthly payments of \$443 each. The entire amount was repaid during the year.

9. Insurance proceeds

During 2004, the Company experienced damages for which the Company received an insurance settlement of \$50,000. At December 31, 2005, the Company had spent \$29,184 of the insurance proceeds and the remaining \$20,186 has been reflected as deferred insurance proceeds on the balance sheet until all items are replaced.

10. Stockholder's equity

In January 1, 2004 the Company issued 340 shares of the corporation stock to two employees in consideration for their services. The net book value as of January 1, 2004 was used to compute the value of the shares issued. Accordingly, \$55,307 is reflected as additional compensation and common stock in the financial statements.

During 2005 the Company repurchased 270 shares from one of the employees at the book value of the Company as of November 30, 2005. The repurchase shares are reflected as treasury stock at December 31, 2005. Also, the majority shareholder purchased all of the outstanding shares from the second employee (70 shares) for \$10,500 with a note to the Company. The note with accrued interest of 3.54% is due on demand, and is reflected as a receivable at December 31, 2005.

11. Stock compensation plan

The Company has an employment agreement with two employees to issue additional shares designed to maintain their percentage ownership at approximately 25% of the then issued and outstanding common stock on January 1, 2005, 2006 and 2007. Both agreements were rescinded in January 2005 (see Note 10).

12. Gain on involuntary conversion

The Company assets were impaired during the 2004 hurricanes. Insurance proceeds (Note 9) were used to replace assets impaired and accordingly, a gain was recognized due to the carrying value being less than the insurance proceeds.