

NETSMART TECHNOLOGIES INC
Form 10-Q
May 11, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For Quarter Ended March 31, 2006
Commission File Number 0-21177

NETSMART TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3680154
(I.R.S. Employer Identification Number)

3500 Sunrise Highway, Great River, NY
(Address of principal executive offices)

11739
(Zip Code)

Registrant's telephone number, including area code: (631) 968-2000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

Number of shares of common stock outstanding as of April 21, 2006: 6,497,874

Netsmart Technologies, Inc. and Subsidiaries

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Item 1. Financial Statements**NETSMART TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>March 31,</u> <u>2006</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2005</u>
<i>Assets:</i>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 11,244,825	\$ 11,445,525
Accounts Receivable - Net	11,196,691	11,524,811
Costs and Estimated Profits in Excess of Interim Billings	2,394,265	1,811,986
Deferred taxes	1,289,051	1,594,863
Other Current Assets	1,713,645	1,466,577
Total Current Assets	27,838,477	27,843,762
Property and Equipment - Net	2,732,355	2,665,429
<i>Other Assets:</i>		
Goodwill	19,039,752	18,735,751
Capitalized Software Costs - Net	6,166,418	6,534,551
Customer Lists - Net	7,846,483	8,110,864
Contract Backlog - Net	251,000	379,500
Other Assets	184,009	351,997
Total Other Assets	33,487,662	34,112,663
Total Assets	\$ 64,058,494	\$ 64,621,854

See Notes to Condensed Consolidated Financial Statements.

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NETSMART TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u> <u>2006</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2005</u>
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Current Portion - Long Term Debt	\$ 666,705	\$ 833,369
Current Portion Capital Lease Obligations	44,126	61,315
Accounts Payable	2,322,691	2,013,968
Accrued Expenses	2,908,902	2,916,021
Interim Billings in Excess of Costs and Estimated Profits	7,144,958	7,938,422
Deferred Revenue	9,860,767	10,037,813
Total Current Liabilities	22,948,149	23,800,908
Long Term Debt - Less current portion	1,791,667	1,916,667
Capital Lease Obligations - Less current portion	2,431	9,521
Interest Rate Swap at Fair Value	--	7,812
Deferred Tax Liability	1,991,791	2,118,603
Deferred Rent Payable	495,364	482,048
Total Non Current Liabilities	4,281,253	4,534,651
Commitments and Contingencies		
Stockholders' Equity:		
Preferred Stock - \$.01 Par Value, 3,000,000 Shares Authorized; None issued and outstanding	--	--
Common Stock - \$.01 Par Value; Authorized 15,000,000 Shares; Issued and outstanding 6,729,937 and 6,497,724 shares at March 31, 2006 and 6,719,517 and 6,487,943 shares at December 31, 2005	67,299	67,195
Additional Paid in Capital	40,233,023	39,997,558
Accumulated Comprehensive Income (Loss) - Interest		
Rate Swap	13,655	(7,812)
Deferred Stock Compensation	(215,708)	--
Accumulated Deficit	(1,494,463)	(2,004,132)

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	38,603,806	38,052,809
Less: cost of shares of Common Stock held		
in treasury - 232,213 shares at March 31, 2006		
and 231,574 at December 31, 2005	1,774,714	1,766,514
Total Stockholders' Equity	36,829,092	36,286,295
Total Liabilities and Stockholders' Equity	\$ 64,058,494	\$ 64,621,854

See Notes to Condensed Consolidated Financial Statements.

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NETSMART TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME - (Unaudited)

Three months ended	
<u>March 31,</u>	
<u>2006</u>	<u>2005</u>