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

Form 10-Q/A

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

For Quarter Ended June 30, 2005
Commission File Number 0-21177

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

Delaware	13-3680154
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
3500 Sunrise Highway, Great River, NY	11739
(Address of principal executive offices)	(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 X No__

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes __ No X

Number of shares of common stock outstanding as of August 3, 2005: 5,390,950

Netsmart Technologies, Inc. and Subsidiary

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Part I: - Financial Information:

Item 1. Financial Statements

NETSMART TECHNOLOGIES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2005 Unaudited	December 31, 2004
Assets:		
Current Assets:		
Cash and Cash Equivalents	$16,359,627	$16,411,735
Accounts Receivable - Net	9,010,691	11,714,691
Costs and Estimated Profits in Excess of Interim Billings	831,057	636,985
Deferred taxes	1,030,000	1,111,000
Other Current Assets	772,305	596,253
Total Current Assets	28,003,680	30,470,664
Property and Equipment - Net	2,427,944	2,546,948
Other Assets:		
Software Development Costs - Net	3,561,024	1,132,453
Customer Lists - Net	3,183,411	2,179,237
Deferred taxes less current portion	1,074,000	1,284,000
Other Assets	104,246	93,599

Total Other Assets	7,922,681	4,689,289
Total Assets	$38,354,305	$37,706,901

See Notes to Condensed Consolidated Financial Statements.

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NETSMART TECHNOLOGIES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2005 (Unaudited)
Liabilities and Stockholders' Equity:	
Current Liabilities:	
Current Portion - Long Term Debt	$ 666,699
Current Portion Capital Lease Obligations	54,394
Accounts Payable	1,469,763
Accrued Expenses	1,146,917
Interim Billings in Excess of Costs and Estimated Profits	6,917,950
Deferred Revenue	1,924,311
Total Current Liabilities	12,180,034
Long Term Debt - Less current portion	--
Capital Lease Obligations - Less current portion	--
Interest Rate Swap at Fair Value	5,008
Deferred Rent Payable	475,050
Total Non Current Liabilities	480,058
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 5,599,531 and 5,371,607 shares at June 30, 2005 and 5,567,124 and 5,339,200	

shares at December 31, 2004	55,995
Additional Paid in Capital	30,137,495
Accumulated Comprehensive loss - Interest Rate Swap	(5,008)
Accumulated Deficit	(2,781,287)
	27,407,195
Less: cost of shares of Common Stock held in treasury - 227,924 shares at June 30, 2005 and December 31, 2004	1,712,982
Total Stockholders' Equity	25,694,213
Total Liabilities and Stockholders' Equity	$ 38,354,305

See Notes to Condensed Consolidated Financial Statements.

NETSMART TECHNOLOGIES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME - (Unaudited)

	Six months ended June 30		Three months June 30
	2005	2004	2005
Revenues:			
Software and Related Systems and Services:			
General	$ 8,663,661	$ 8,303,967	$ 4,422,905
Maintenance Contract Services	4,445,033	3,968,908	2,290,914
Total Software and Related Systems and Services	13,108,694	12,272,875	6,713,819
Application Service Provider Services	1,133,046	741,885	577,625
Data Center Services	946,258	997,154	467,853
Total Revenues	15,187,998	14,011,914	7,759,297
Cost of Revenues:			
Software and Related Systems and Services:			
General	4,500,663	4,552,399	2,240,336

Maintenance Contract Services	2,111,381	1,992,255	1,050,622
Total Software and Related Systems and Services	6,612,044	6,544,654	3,290,958
Application Service Provider Services	664,082	439,100	387,234
Data Center Services	449,624	430,692	218,881
Total Cost of Revenues	7,725,750	7,414,446	3,897,073
Gross Profit	7,462,248	6,597,468	3,862,224
Selling, General and Administrative Expenses	4,358,585	3,733,512	2,370,473
Research, Development and Maintenance	1,969,303	1,664,689	898,921
Total	6,327,888	5,398,201	3,269,394
Operating Income	1,134,360	1,199,267	592,830
Interest and Other Income	145,694	64,952	88,405
Interest and Other Expense	37,433	77,365	17,796
Income before Income Tax Expense	1,242,621	1,186,854	663,439
Income Tax Expense	430,000	369,000	214,000
Net Income	$ 812,621	$ 817,854	$ 449,439
Earnings Per Share ("EPS")of Common Stock:			
Basic EPS	$ .15	$ .15	$ .08
Weighted Average Number of Shares of Common Stock Outstanding	5,354,968	5,325,628	5,371,607
Diluted EPS	$ .15	$ .15	$ .08
Weighted Average Number of Shares of Common Stock and Common Stock Equivalents Outstanding	5,570,611	5,557,748	5,584,448

See Notes to Condensed Consolidated Financial Statements.

NETSMART TECHNOLOGIES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Unaudited)

	Six Months ended June 30, 2005	Six Months ended June 30, 2004
Operating Activities:		
Net Income	$ 812,621	$ 817,854
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	853,017	781,693
Provision for Doubtful Accounts	337,000	(122,733)
Deferred Income Taxes	291,000	295,000
Changes in Assets and Liabilities:		
[Increase] Decrease in:		
Accounts Receivable	2,494,698	(869,824)
Costs and Estimated Profits in Excess of Interim Billings	(194,072)	278,782
Other Current Assets	(144,004)	123,095
Other Assets	(7,730)	14,796
Increase [Decrease] in		
Accounts Payable	(103,167)	(224,875)
Accrued Expenses	(398,210)	(277,964)
Interim Billings in Excess of Costs and Estimated Profits	(579,823)	(886,784)
Deferred Revenue	22,927	168,558
Deferred Rent Payable	19,623	272,598
Total Adjustments	2,591,259	(447,658)
Net Cash Provided by Operating Activities	3,403,880	370,196
Investing Activities:		
Acquisition of Property and Equipment	(229,501)	(1,200,633)
Capitalized Software Development	--	(117,000)
Business Acquisitions	(2,914,766)	(16,263)
Net Cash Used In Investing Activities	(3,144,267)	(1,333,896)

See Notes to Condensed Consolidated Financial Statements.

NETSMART TECHNOLOGIES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Unaudited)

	Six Months ended June 30, 2005	Six Months ended June 30, 2004
Financing Activities:		
Payment of Capitalized Lease Obligations	$ (31,588)	$ (31,052)
Net Proceeds from Stock Options Exercised	53,196	107,487
Payments of Term Loan	(333,329)	(333,330)
Net Cash Used in Financing Activities	(311,721)	(256,895)
Net (Decrease) in Cash and Cash Equivalents	(52,108)	(1,220,595)
Cash and Cash Equivalents - Beginning of Period	16,411,735	15,920,993
Cash and Cash Equivalents - End of Period	$ 16,359,627	$ 14,700,398
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 39,437	$ 79,662
Income Taxes	$ 170,063	$ 173,149

Non Cash Investing and Financing Activities:
The fair value of the interest rate swap decreased by $10,144 for the six months ended June 30, 2005. The fair value of the interest rate swap decreased by $27,447 for the six months ended June 30, 2004.

During the six months ended June 30, 2005, the Company acquired for $489,238 in cash and stock software, customer lists and other assets of ContinuedLearning LLC. The consideration consisted of $252,917 in cash plus 20,000 shares of common stock, valued at $191,400, based upon the average weighted stock price of $9.57 for the period commencing three days before and ending three days after the acquisition was agreed to and announced. The consideration also included the assumption of $44,921 for certain liabilities for services to be performed in the future.

During the six months ended June 30, 2005, the Company acquired for $3,610,682 software, customer lists and other assets of Addiction Management Systems. The consideration consisted of $2,661,849 in cash and the assumption of $948,833 for certain liabilities for services to be performed in the future.

During the six months ended June 30, 2004, the Company received 4,166 shares of its common stock in consideration for the exercise of certain stock options. The value of the shares received was $53,533, which was the market value of the common stock on the date of exercise.

During the six months ended June 30, 2004, the Company acquired for $250,000 TxM software and customer lists. The consideration consisted of $16,263 in cash and the assumption of $233,707 for certain liabilities for services to be performed in the future.

See Notes to Condensed Consolidated Financial Statements.

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NETSMART TECHNOLOGIES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - (UNAUDITED)

	Common Stock		Additional Paid-in Capital		Accumulated Comprehensive Loss	
	Shares	Amount	Common Stock	Accumulated Deficit	Interest Rate Swap	Comprehensiv Income
Balance - January 1, 2005	5,567,124	$ 55,671	$29,893,223	$(3,593,908)	$(15,152)	$ --
Common Stock Issued - Exercise of Options	12,407	124	53,072	--	--	--
Change in Fair Value of Interest Rate Swap	--	--	--	--	10,144	10,144
Common Stock Issued - Business Acquisition	20,000	200	191,200	--	--	--
Net Income	--	--	--	812,621	--	812,621
						$822,765
Balance - June 30, 2005	5,599,531	$ 55,995	$30,137,495	$(2,781,287)	$(5,008)	

See Notes to Consolidated Financial Statements.

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NETSMART TECHNOLOGIES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Financial Statements

The accompanying condensed consolidated financial statements include the accounts of Netsmart Technologies, Inc. and its subsidiary (collectively, unless the context otherwise indicates, the "Company"). All intercompany balances and transactions have been eliminated in consolidation.

These unaudited, condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 2004.

(2) Earnings Per Share

The following table sets forth the components used in the computation of basic and diluted earnings per share:

	Six Months Ended June 30,		Three Mont June
	2005	2004	2005
Numerator:			
Net income	$ 812,621	$ 817,854	$ 449,439
Denominator:			
Weighted average shares	5,354,968	5,325,628	5,371,607
Effect of dilutive securities:			
Employee stock options	215,643	232,120	212,841
Denominator for diluted earnings per share-adjusted weighted average shares after assumed conversions	5,570,611	5,557,748	5,584,448

Options to purchase 9,792 shares of the Company's common stock that were outstanding as of June 30, 2005 were not included in the calculation of diluted earnings per share for the six and three months ended June 30, 2005 since such inclusion would have been antidilutive.

(3) Stock Options and Similar Equity Instruments

At June 30, 2005, the Company had three stock-based employee compensation plans. As permitted under Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure", which

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amended SFAS No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation", the Company has elected to continue to follow the intrinsic value method in accounting for its stock-based employee compensation arrangements, as defined by Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees", and related interpretations including Financial Accounting Standards Board Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation", an interpretation of APB No. 25. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation:

	Six Months Ended June 30,		Three Mont June
	2005	2004	2005
Net Income as Reported	$ 812,621	$ 817,854	$ 449,439
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effect	471,638	361,967	159,806
Pro Forma Net Income	$ 340,983	$ 455,887	$ 289,633
Basic Net Income Per Share as Reported	$ .15	$ .15	$ .08
Basic Pro Forma Net Income Per Share	$ .06	$ .09	$ .05
Diluted Net Income Per Share as Reported	$ .15	$ .15	$ .08
Diluted Pro Forma Net Income Per Share	$ .06	$ .08	$ .05

The fair value of options at date of grant was estimated using the Black-Scholes fair value based method with the following weighted average assumptions:

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Expected Life (Years)	5	5
Interest Rate	4%	4.00%
Annual Rate of Dividends	0%	0%
Volatility	67%	68%

The weighted average fair value of options at date of grant using the fair value based method during 2005 and 2004 is estimated at $5.01 and $3.95 respectively.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS No. 123R eliminates the alternative to use APB No. 25's intrinsic value method of accounting that was provided in SFAS No 123 as originally issued. SFAS No. 123R requires entities to recognize the cost of employee services in exchange for awards of equity instruments based on the grant-date fair value of those awards (with limited exceptions). That cost will be recognized over the period during

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which the employee is required to provide the service in exchange for the award. No compensation cost is recognized for equity instruments for which employees do not render the requisite service. SFAS No. 123R requires entities to initially measure the cost of employee services received in exchange for an award of liability instruments based on its current fair value; the fair value of the award will be remeasured at each reporting date through the settlement date. Changes in fair value during the requisite service period will be recognized as compensation cost over that period. The grant date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of those instruments. SFAS No. 123R is effective as of the beginning of the Company's interim reporting period that begins on January 1, 2006. The transitional provisions of SFAS No. 123R will not have a material effect on the Company's consolidated financial position or results of operations as substantially all outstanding equity instruments vest on or prior to December 31, 2005. The Company will utilize the fair value method for any future instruments issued or outstanding but not vested after the implementation date.

In March 2005, the SEC issued Staff Accounting Bulletin No. 107, "Share Based Payments" ("SAB 107"). The interpretations in SAB 107 express views of the staff regarding the interaction between SFAS 123R and certain SEC rules and regulations and provide the staff's views regarding the valuation of share-based payment arrangements for public companies. In particular, SAB 107 provides guidance related to share-based payment transactions with non-employees, the transition from non-public to public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instruments issued under share-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first-time adoption of SFAS 123R in an interim period, capitalization of compensation cost related to share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption of SFAS 123R, the modification of employee share options prior to adoption of SFAS 123R, and disclosures in Management's Discussion and Analysis subsequent to adoption of SFAS 123R.

(4) Income Taxes

The provision for income taxes for the six months ended June 30, 2005, consists of a current tax provision of $139,000 and a deferred tax provision of approximately $291,000. The provision for income taxes for the period ended June 30, 2004, consists of a current tax provision of $74,000 and a deferred tax provision of $295,000. The deferred tax provision for the six months ended June 30, 2005 was $487,000 based upon utilization of available net operating loss carry forwards offset by a reduction in the deferred tax asset valuation allowance of $192,000. The provision for income taxes for the three months ended June 30, 2005, consists of a current tax provision of $60,000 and a deferred tax provision of approximately $154,000. The provision for income taxes for the three months ended June 30, 2004 consists of a current provision of $43,000 and a deferred tax provision of $108,000. The deferred tax provision was $248,000 based upon utilization of available net operating loss carry forwards offset by a reduction in the deferred tax asset valuation allowance of $140,000.

(5) Stockholders' Equity

During the six months ended June 30, 2005, options to purchase 12,407 shares were exercised and the Company received gross proceeds of $53,196.

On April 28, 2005, the Company acquired substantially all of the assets of Continued Learning LLC (see Acquisition footnote 8). The total purchase price of $489,238 consisted of various components of consideration including 20,000 shares of the Company's common stock valued at $191,400.

(6) Operating Segments

The Company currently classifies its operations into three business segments: (1) Software and Related Systems and Services, (2) Data Center Services and (3) Application Service Provider ("ASP") Services. Software and Related Systems and Services is the design, installation, implementation and maintenance of computer

information systems that provide comprehensive healthcare information technology solutions, including billing, patient tracking and scheduling for inpatient and outpatient environments, as well as clinical documentation and medical record generation and management. Data Center Services involves Company personnel performing data entry and data processing services for customers. ASP Services involve Company offerings of each of its Avatar suite of products, CareNet products and InfoScribeR products on a virtual private network or internet delivery approach, thereby allowing its customers to rapidly deploy products and pay on a monthly service basis, thus eliminating capital intensive system requirements. Intersegment sales and sales outside the United States are not material. Information concerning the Company's business segments are as follows:

	Software and Related Systems and Services	Data Center Services	App Servic S
Six Months Ended June 30, 2005			
Revenue	$13,108,694	$ 946,258	$
Income before income taxes	927,239	266,987	
Total identifiable assets at June 30, 2005	31,735,430	2,373,467	

Six Months Ended June 30, 2004			
Revenue	$12,272,875	$ 997,154	$
Income before income taxes	837,894	341,727	
Total identifiable assets at June 30, 2004	28,182,770	2,331,048	
Three Months Ended June 30, 2005			
Revenue	$ 6,713,819	$ 467,853	$
Income before income taxes	556,626	128,475	
Three Months Ended June 30, 2004			
Revenue	$ 6,292,694	$ 509,173	$
Income before income taxes	443,161	178,300	

(7) Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications have no effect on previously reported income.

(8) Acquisitions

On April 28, 2005, the Company acquired substantially all of the assets, including computer software, customer lists and computer equipment, of ContinuedLearning LLC, a company that offered a comprehensive family of web-based training products and services, including its Learning Management System. The total purchase price, including acquisition costs, was $489,238 which consisted of cash of $252,917 including legal fees of $18,632 and broker fees of $10,000, 20,000 shares of the Company's common stock valued at $191,400, and assumed liabilities of $44,921. It also provides for a potential additional payment up to $250,000 if certain revenue targets are met in year one.
The Company also entered into a two year employment agreement at an annual salary of $100,000 per year with the principal of ContinuedLearning LLC, whereby the principal can receive an additional $300,000 in cash, to be accounted for as compensation expense, if certain revenue targets are met within a two year period. The cash portion of the purchase price was paid out of existing working capital.

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The cost of the ContinuedLearning acquisition was allocated as follows: $404,606 to purchased software, $42,632 to customer lists,$17,000 to computer hardware, and $25,000 to a covenant not to compete. The Company is amortizing the purchased software over a six-year life, the customer lists and computer hardware over a three-year life, and the covenant not to compete over a two-year life.

On June 20, 2005, the Company acquired the assets of Addiction Management Systems, Inc ("AMS"). The total purchase price, including acquisition costs, was $3,610,682 which consisted of cash of $2,641,945 plus legal fees of $19,904 and assumed liabilities for services to be provided of $948,833.

The cost of the AMS acquisition was allocated as follows: $2,173,681 to purchased software, $1,273,921 to customer lists, $127,698 accounts receivable,

$32,048 to inventory, and $3,334 to a security deposit. The Company is amortizing the purchased software over an eight-year life and the customer lists over a ten-year life.

The results of each acquisition were included in the consolidated results of operations as of the dates of the acquisitions.

The Company accounted for both of the ContinuedLearning and AMS acquisitions pursuant to the purchase method of accounting as required under Statement of Financial Accounting Standards No. 141 "Business Combination".

(9) New Pronouncements

FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47) In March 2005, the FASB issued FIN 47, which is effective for the company on December 31, 2005. FIN 47 clarifies that the phrase "conditional asset retirement obligation," as used in FASB Statement No. 143, "Accounting for Asset Retirement Obligations" (FAS 143), refers to a legal obligation to perform an asset retirement activity for which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the company. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FAS 143 acknowledges that in some cases, sufficient information may not be available to reasonably estimate the fair value of an asset retirement obligation. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The company does not expect that adoption of FIN 47 will have a significant effect on its financial position or results of operations.

In May 2005, FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" (SFAS 154). SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle. It also requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings for that period rather than being reported in an income statement. The statement will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We do not expect the adoption of SFAS 154 to have a material effect on our consolidated financial position of results of operations.

In June 2005, the EITF reached consensus on Issue No. 05-6, Determining the Amortization Period for Leasehold Improvements ("EITF 05-6"). EITF 05-6 provi