

HOME SOLUTIONS OF AMERICA INC
Form 10-Q
May 15, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

Quarterly report Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2006

Transition report under Section 13 or 15(d) of the Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 0-22388

HOME SOLUTIONS OF AMERICA, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

99-0273889
(IRS Employer
Identification No.)

1500 Dragon Street Suite B Dallas, Texas 75207
(Address of principal executive offices)

(214) 623-8446
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal Year,
if changed since last report)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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

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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 12b2 of the Exchange Act. (check one):

Large accelerated filer _____ Accelerated filer _____ Non-accelerated filer X

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

Yes _____ No X

The number of shares outstanding of the registrant's common stock, \$.001 par value per share, as of May 12, 2006 was 37,635,518.

Transitional Small Business Disclosure Format: Yes _____ No X

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

HOME SOLUTIONS OF AMERICA, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Per Share Data)
(Unaudited)

	March 31, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash	\$ 7,186	\$ 8,225
Accounts receivable, net	20,857	20,585
Current portion of notes receivable	1,375	361
Inventories	1,669	1,026
Current assets of discontinued operations held for sale	-	767
Prepaid expenses and other current assets	1,231	1,041
Assets held for sale	840	840
Total current assets	33,158	32,845
Property and equipment, net of accumulated depreciation	2,624	2,466
	9,275	
Intangibles, net of accumulated amortization		9,501
Goodwill	42,802	41,882
Notes receivable, net of current portion	2,375	525
Non-current assets of discontinued operations held for sale	-	391
Deferred tax asset	-	793
Other assets	336	264
	\$ 90,570	\$ 88,667
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,060	\$ 6,267
Current portion of debt	1,562	3,382
Deferred gain on disposal of discontinued operation assets, current	478	-
Current portion of capital lease obligations	66	76
Current liabilities of discontinued operations held for sale	-	1,216
Total current liabilities	8,166	10,941
Long-term liabilities:		
Debt, net of current portion	1,041	1,363
Non-Current liabilities of discontinued operations held for sale	-	158
Non-current portion on deferred gain on disposal of discontinued operation assets	955	-

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Minority interest	254	483
Capital lease obligations, net of current portion	120	117
Total liabilities	10,536	13,062

Commitments and contingencies

Stockholders' equity:

Common stock, \$0.001 par value, 50,000 shares authorized; 36125 and 35,510 shares issued and outstanding, respectively	36	36
Additional paid-in capital	91,428	90,122
Accumulated deficit	(11,430)	(14,553)
Total stockholders' equity	80,034	75,605
	\$ 90,570	\$ 88,667

The accompanying notes are an integral part of these consolidated financial statements

HOME SOLUTIONS OF AMERICA, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)

	Three months Ended	
	March 31,	
	2006	2005
Net sales	\$ 19,280	\$ 9,337
Costs and expenses:		
Cost of sales	9,332	4,871
Selling, general and administrative expenses	5,949	2,927
	15,281	7,798
Operating income	3,999	1,539
Other income (expense):		
Loss on sale of assets	(2)	(1)
Interest income	51	17
Interest expense	(60)	(279)
Other income	25	18
Total other expense, net	14	(243)
Income from continuing operations before income taxes and minority interest	4,013	1,296
Income taxes	(1,413)	(82)
Minority interest	(258)	(193)
Income from continuing operations	2,342	1,021
Gain on disposal (net of loss from discontinued operations of \$(465)), net of tax provision of \$293	781	-
Net income	\$ 3,123	\$ 1,021
Net income available to common shareholders per share:		
Basic:		
Income from continuing operations	\$ 0.07	\$ 0.05
Gain from discontinued operations, net of tax	0.02	-
Net income	\$ 0.09	\$ 0.05
Diluted:		
Income from continuing operations	\$ 0.06	\$ 0.04
Gain from discontinued operations, net of tax	0.02	-
Net income	\$ 0.08	\$