

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

**FORM 10-Q**

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

For the quarterly period ended September 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 333-14229

**INFORMATION SYSTEMS  
ASSOCIATES, INC.**

(Exact name of registrant as specified in its charter)

**FLORIDA**

(State or other jurisdiction of  
incorporation or organization)

**65-0493217**

(I.R.S. Employer  
Identification No.)

**819 SW Federal Highway, Suite 206, STUART,  
FLORIDA**

(Address of principal executive offices)

**34994**

(Zip Code)

Registrant's telephone number, including area code: **(772) 403-2992**

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Class

Common Stock, \$0.01 par value per share

Outstanding at November 14, 2011

28,666,084 shares



**TABLE OF CONTENTS**

	Page
<b>PART I – FINANCIAL INFORMATION</b>	
<u>Item 1.</u> <u>Condensed Financial Statements (unaudited)</u>	3
<u>Condensed Balance Sheets (unaudited)</u>	3
<u>Condensed Statements of Operations (unaudited)</u>	4
<u>Condensed Statements of Cash Flows (unaudited)</u>	5
<u>Notes to Condensed Financial Statements (unaudited)</u>	6
<u>Item 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>Item 3.</u> <u>Qualitative and Quantitative Disclosures about Market Risk</u>	17
<u>Item 4.</u> <u>Controls and Procedures</u>	17
<b>PART II – OTHER INFORMATION</b>	
<u>Item 1.</u> <u>Legal Proceedings</u>	18
<u>Item 1A.</u> <u>Risk Factors</u>	18
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	18
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	18
<u>Item 4.</u> <u>(Removed and Reserved)</u>	18
<u>Item 5.</u> <u>Other Information</u>	18
<u>Item 6.</u> <u>Exhibits</u>	19
<u>SIGNATURES</u>	20

## PART 1. FINANCIAL STATEMENTS

INFORMATION SYSTEMS ASSOCIATES, INC.  
CONDENSED BALANCE SHEETS

ASSETS	As of September 30, 2011	As of December 31, 2010
<b>Current Assets</b>	(Unaudited)	
Cash and cash equivalents	\$ 85,167	\$ 70,326
Accounts receivable	18,337	92,893
Prepaid consulting	37,500	109,187
Prepaid expenses	36,954	7,622
Total Current Assets	177,958	280,028
Property and Equipment (net)	64,940	19,684
Deposits	1,690	—
<b>TOTAL ASSETS</b>	<b>\$ 244,588</b>	<b>\$ 299,712</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 101,885	\$ 68,568
Accrued expenses and other liabilities	518	2,405
<b>Note payable - line of credit</b>	34,507	36,141
<b>Note payable - related party</b>	25,000	—
Note payable - convertible	253,267	—
Note payable - insurance	7,582	3,204
Deferred revenue	—	3,192
Total Current Liabilities	422,759	113,510
<b>Stockholders' Equity (Deficit)</b>		
Common stock-\$.001 par value, 50,000,000 shares authorized, 28,166,084 and 22,266,084 issued and outstanding at September 30, 2011 and December 31, 2010, respectively	28,166	22,266
Additional paid in capital	3,167,812	2,781,213
Accumulated deficit	(3,374,149)	(2,617,277)
Accumulated other comprehensive (loss)	—	—
Total Stockholders' Equity (Deficit)	(178,171)	186,202
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 244,588</b>	<b>\$ 299,712</b>

The accompanying notes are an integral part of these unaudited condensed financial statements

(3)

**INFORMATION SYSTEM ASSOCIATES, INC.**  
**CONDENSED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenue</b>	\$ 160,003	\$ 305,933	\$ 361,878	\$ 797,573
<b>Cost of Sales</b>	<u>17,562</u>	<u>10,698</u>	<u>44,476</u>	<u>25,138</u>
Gross Profit	142,441	295,235	317,402	772,435
<b>Operating Expenses</b>				
Administrative and general	112,682	164,680	281,955	456,628
Salaries and employee benefits	148,634	48,355	434,989	184,146
Professional	99,028	194,221	339,420	664,414
Total Operating Expenses	<u>360,344</u>	<u>407,256</u>	<u>1,056,364</u>	<u>1,305,188</u>
(Loss) Before Other Income (Expense)	(217,903)	(112,021)	(738,962)	(532,753)
<b>Other Income (Expense)</b>				
Other income (expense)	258	—	21	—
Loss on sales of security	—	(31,194)	—	(47,347)
Interest expense	(14,101)	—	(17,932)	30
Total Other Income (Expense)	<u>(13,843)</u>	<u>(31,194)</u>	<u>(17,911)</u>	<u>(47,317)</u>
Net (Loss)	(231,746)	(143,215)	(756,873)	(580,070)
<b>Other Comprehensive (Loss)</b>				
Unrealized gain/(loss) on securities:				
Arising during the year	<u>—</u>	<u>17,794</u>	<u>—</u>	<u>13,399</u>
Total other comprehensive (loss)	<u>—</u>	<u>17,794</u>	<u>—</u>	<u>13,399</u>
Comprehensive (Loss)	<u>\$ (231,746)</u>	<u>\$ (125,421)</u>	<u>\$ (756,873)</u>	<u>\$ (566,671)</u>
<b>Basic and Fully Diluted (Loss) per Share:</b>				
Basic and fully diluted	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>
Weighted average common shares outstanding				
	<u>28,122,606</u>	<u>21,016,086</u>	<u>26,851,432</u>	<u>19,245,253</u>

The accompanying notes are an integral part of these unaudited condensed financial statements



**INFORMATION SYSTEMS ASSOCIATES, INC.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>For the Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash Flows from Operating Activities</b>		
Net (Loss)	\$ (756,873)	\$ (580,070)
Adjustments to reconcile net (loss) to net cash provided from operating activities:		
Depreciation and amortization	12,664	127,353
Common stock for services	25,000	314,624
Amortization of prepaid consulting	131,687	—
Loss on sale of investment	—	47,347
Changes in assets and liabilities		
Accounts receivable	74,556	(163,759)
Prepaid expenses	(4,332)	(4,024)
Other assets	(1,690)	—
Accounts payable	33,317	9,413
Accrued expenses and other liabilities	(1,887)	68,946
Deferred revenue	(3,192)	2,563
Net Cash (Used in) Operating Activities	<u>(490,750)</u>	<u>(177,607)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investment	—	10,000
Investment in software development	(36,022)	—
Purchase of property and equipment	(16,130)	(666)
Net Cash (Used In) Investing Activities	<u>(52,152)</u>	<u>9,334</u>
<b>Cash Flows from Financing Activities</b>		
Payments on line of credit	(1,635)	17,808
Borrowings from note payable - shareholder	25,000	25,000
Net proceeds from insurance financings	4,378	2,229
Proceeds from convertible notes payable	250,000	—
Proceeds from issuance of stock	280,000	160,000
Net Cash Provided by Financing Activities	<u>557,743</u>	<u>205,037</u>
Net Change in Cash and Cash Equivalents	14,841	36,764
Cash and Cash Equivalents at Beginning of period	<u>70,326</u>	<u>21,047</u>
Cash and Cash Equivalents at End of Period	<u>\$ 85,167</u>	<u>\$ 57,811</u>
Supplemental disclosure of non-cash and cash investing and financing activities:		
Reduction in convertible notes payable-beneficial conversion	<u>\$ 27,500</u>	<u>—</u>
Interest amortization-original issue discount	<u>\$ 5,243</u>	<u>—</u>

Interest amortization-beneficial conversion feature	<u>\$ 5,767</u>	<u>          </u>
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The accompanying notes are an integral part of these unaudited condensed financial statements

**INFORMATION SYSTEM ASSOCIATES, INC.**  
**NOTES TO CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

**NOTE 1 – NATURE OF OPERATIONS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business Activity**

Information Systems Associates, Inc. (Company) was incorporated under the laws of the State of Florida on May 31, 1994. The Company provides Mobile Data Center Management™ systems and turnkey data center management solutions to customers. Our products and services include data center asset/inventory management, data center management software and data center data collection. Utilizing its proprietary and patented technology, OSPI® (On Site Physical Inventory®), customers are able to manage data centers on a mobile basis, bringing data center management out of the office and into the data center.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and with the rules and regulations of the U.S Securities and Exchange Commission for interim financial information. 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. The unaudited condensed consolidated financial statements reflect all normal recurring adjustments, which, in the opinion of management, are considered necessary for a fair presentation of the results for the periods shown. The results of operations for the periods presented are not necessarily indicative of the results expected for the full fiscal year or for any future period. The information included in these unaudited condensed consolidated financial statements should be read in conjunction with Management's Discussion and Analysis and Plan of Operation contained in this report and the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

**Recent Accounting Pronouncements**

Accounting Standards Updates which were not effective until after September 30, 2011 are not expected to have a significant effect on the Company's condensed consolidated financial position or results of operations.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Certain reclassifications have been made to the prior period financial statements presented to conform to 2011. Such reclassifications have no effect on reported income.

**Convertible Debt**

In accordance with ASC 470-20, the Company calculated the value of any beneficial conversion features embedded in its convertible debts. If the debt is contingently convertible, the intrinsic value of the beneficial conversion feature is not recorded until the debt becomes convertible.

Convertible debts are split into two components: a debt component and a component representing the embedded derivatives in the debt. The debt component represents the Company's liability for future interest coupon payments and the redemption amount. The embedded derivatives represent the value of the warrant that debt holders have to convert into ordinary shares of the Company. If the number of shares that may be required to be issued upon conversion of the convertible debt is indeterminate, the embedded conversion option of the convertible debt is accounted for as a derivative instrument liability rather than equity in accordance with ASC 815-40.

The debt component of the convertible debt is measured at amortized cost and therefore increases as the present value of the interest coupon payments and redemption amount increases, with a corresponding charge to interest. The debt component decreases by the cash interest coupon payments made. The embedded derivatives are measured at fair value at each balance sheet date, and the change in the fair value is recognized in the income statement.

(6)

**INFORMATION SYSTEM ASSOCIATES, INC.**  
**NOTES TO CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

**NOTE 2 – GOING CONCERN**

As reflected in the accompanying financial statements, the Company had a net operating loss for the nine months ended September 30, 2011 of \$756,873. The total accumulated deficit as of September 30, 2011 was \$3,374,149. The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan and raise additional capital. In July 2011, management received \$250,000 in exchange for convertible notes amounting to \$275,000 and warrants to purchase 2,500,000 shares of the Company's common stock and received \$25,000 in exchange for 250,000 shares of common stock in a private placement with an accredited investor. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

	<b>As of September 30, 2011</b>	<b>As of December 30, 2010</b>
Wachovia Bank (FDIC insured to \$250,000)	\$ 84,990	\$ 70,149
Petty cash	177	177
Total cash and cash equivalent	<u>\$ 85,167</u>	<u>\$ 70,326</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

	<b>As of September 30, 2011</b>	<b>As of December 31, 2010</b>
Computer software (developed)	\$ 36,022	\$ 162,346
Computer software (purchased)	590	590
Web site development	10,072	10,072
Furniture, fixtures, and equipment	43,084	27,752
	<u>81,281</u>	<u>200,760</u>
Less accumulated depreciation and amortization	24,828	181,076
	<u>\$ 64,940</u>	<u>\$ 19,684</u>

Depreciation and amortization expense for property and equipment was \$6,897 and \$84,902 for the nine months ended September 30, 2011 and 2010, respectively.

**INFORMATION SYSTEM ASSOCIATES, INC.  
NOTES TO CONDENSED UNAUDITED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

**NOTE 5 – INVESTMENT**

On April 17, 2009, the Company entered into a strategic alliance agreement with Rubicon Software Group, LPC (a company registered under the laws of England and Wales). The Company will be Rubicon's exclusive agent in the United States for reselling Rubicon's software and services. In return, Rubicon will be a software development partner and provide consulting services to the Company.

The Company agreed to purchase 2,500,000 ordinary shares for a subscription price of £.02 (two pence) a share. The total cost of the subscription was \$73,958. Within ninety days of the subscription date, the Company could purchase an additional 2,500,000 shares at the same subscription price in British pounds. The Company did not purchase the additional shares.

On April 30, 2010 the Company entered into an agreement whereby 2,500,000 shares of stock held in Rubicon Software Group, LPC were sold to Rubicon. In remuneration for this stock the Company received \$10,000 and was relieved from paying \$16,611 worth of outstanding invoices. In connection with this transaction, the Company recorded a loss on sale of security of \$47,347.

**NOTE 6 – NOTE PAYABLE – LINE OF CREDIT**

The Company has a line of credit with Wachovia Bank N.A. The line of credit provides for borrowings up to \$40,000. The balance as of September 30, 2011 and December 31, 2010 was \$34,507 and \$36,141, respectively. The interest rate is the Prime Rate plus 3%. The President of the Company is a personal guarantor on the line of credit.

**NOTE 7 – NOTE PAYABLE – RELATED PARTY**

On May 28, 2011, the Company's Chairman and Chief Executive Officer advanced the Company \$25,000 in exchange for a promissory note, bearing an annual interest of 6% and a repayment term of seven months, in order to fund the working capital needs of the Company. As of September 30, 2011, accrued interest of \$519 is due on the note.

**NOTE 8 – NOTES PAYABLE – CONVERTIBLE**

On July 15 and July 18, 2011, the Company received a total of \$250,000 from two accredited investors in exchange for one year original issue discount notes in the aggregate amount of \$275,000, convertible into the Company's common stock at a conversion rate of \$0.10 per share and bearing interest of 10%, plus five-year warrants to purchase 2,500,000 shares of the Company's common stock at an exercise price of \$0.10 per share. The market value of the stock at the date of issuance of the warrants was \$0.10. The warrants are issued as a result of a financing transaction and contain a beneficial conversion feature. As of September 30, 2011, the balance was \$253,267.

**NOTE 9 – NOTE PAYABLE - INSURANCE**

During the Nine months ended September 30, 2011, the Company incurred short term financings of \$16,016 for the purchase of insurance. The interest rate on the financing was 6.96% and will mature in July 2012. The balance as of September 30, 2011 was \$7,582.

**INFORMATION SYSTEM ASSOCIATES, INC.**  
**NOTES TO CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

**NOTE 10 – INCOME TAXES**

The Company files income tax returns in the U.S. federal jurisdiction and various states. The Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2007. None of the tax years subject to examination are currently under examination by a tax authority and the Company has not received notice of the intent by any tax authority to commence an examination.

The Company adopted the provisions of FIN No. 48 on January 1, 2007. As a result of the implementation of FIN No. 48, the Company did not recognize any liability for unrecognized tax benefits, since the Company has concluded that all of its tax positions are highly certain of being upheld upon examination by federal or state tax authorities.

**NOTE 11 – NET (LOSS) PER SHARE**

Basic earnings per share (EPS) is computed by dividing net (loss) by the weighted average number of common shares outstanding. The dilutive EPS adds the dilutive effect of stock options, warrants and other stock equivalents. During the three and nine months ended September 30, 2011, outstanding warrants to purchase an aggregate of 2,500,000 shares of stock were excluded from the computation of dilutive earnings per share because the inclusion would have been anti-dilutive.

**NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental disclosures of cash flow information for the Nine months ended September 30, 2011 and 2010 is summarized as follows:

	<b>2011</b>	<b>2010</b>
Cash paid the periods for interest and income taxes:		
Income taxes	\$ -	\$ -
Interest	\$8,334	\$ -

**NOTE 13 – OPERATING LEASE**

The Company leased its Palm City, Florida facility. On March 2, 2009 the lease was renewed for \$1,200 per month. The Company held an additional option to renew the lease “at the market price.” This renewed lease went into effect June 1, 2009.

In April 2011, the Company entered into a new three year lease for office space in Stuart. The lease begins in August and provides for minimum monthly lease payments of \$1,690, \$1,803 and \$1,915 for years one, two and three, respectively. Rent expense for the nine months ended September 30, 2011 and 2010 was \$8,712 and \$7,668, respectively.

**INFORMATION SYSTEM ASSOCIATES, INC.  
NOTES TO CONDENSED UNAUDITED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

**NOTE 14 – COMMON STOCK**

In January 2011, the Company issued 50,000 shares of common stock in exchange for \$5,000 in a private placement with an accredited investor.

In January 2011, the Company issued 3,000,000 shares of common stock in exchange for \$150,000 in a private placement with its new director and Chief Operating Officer. In addition, the Chief Operating Officer was granted 500,000 shares of common stock in lieu of salary for the three months ended March 31, 2011.

On April 1, 2011, the Company issued 500,000 shares of common stock to its Chief Operating Officer in payment for services for the three months ended September 30, 2011.

On April 2, 2011, the Company issued 300,000 shares of common stock in connection with a one year investor relations agreement. The shares were valued at \$0.10 per share based upon the market value of the Company's common stock on the date of the grant.

In May 2011, the Company issued 100,000 shares of common stock in connection with a one year financial communications agreement. The shares were valued at \$0.10 per share based upon the market value of the Company's common stock on the date of the grant.

In May 2011, the Company issued 500,000 shares of common stock to three accredited investors in exchange for \$50,000.

In June 2011, the Company issued 200,000 shares of common stock to its two independent directors in payment of director fees for the coming year. The shares were value at \$0.10 per share based upon the market value of the Company's common stock on the date of the grant.

On July 1, 2011, the Company issued 500,000 shares of common stock to its Chief Operating Officer in payment for services for the three months ended September 30, 2011.

On July 14, 2011, the Company issued 250,000 shares of common stock to one accredited investor in exchange for \$25,000.

**INFORMATION SYSTEM ASSOCIATES, INC.**  
**NOTES TO CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

**NOTE 15– SHARE BASED PAYMENTS FOR SERVICES**

In May 2010, the Company issued 200,000 shares of restricted common stock to two directors. The stock will vest in May 2011. Shares were valued at the current market price of \$.20 per share.

On May 1, 2010 the Company entered into an agreement to receive website design and development, internet marketing and search engine optimization for one year. The consultants received 100,000 shares of company common stock. Shares were valued at a current market price of \$.20 per share.

On April 29, 2010 the Company entered into an agreement to receive assistance in the development of new data center management technologies. The consultants will also investigate a variety of associated topics regarding data center management. This agreement will run for one year. The consultants received 1,000,000 shares of company common stock. Shares were valued at a current market price of \$.20 per share.

On April 15, 2010 the Company entered into an agreement to receive marketing strategies, digital media and social media strategies to expand the Company’s investor base and improve shareholder communication. The consultants received 400,000 shares of company common stock. Shares were valued at the then current market price of \$.15 per share.

The following is a summary of the status of options outstanding as of September 30, 2011 and 2010 respectively:

	For the Nine Months Ended September 30, 2011		For the Nine Months Ended September 30, 2010	
	Shares	Weighted Average Exercise Price	Shares	Shares Weighted Average Exercise Price
Outstanding at beginning of period	15,000,000	\$ 3.00	15,000,000	\$3.00
Granted	2,500,000	0.10	—	-
Exercised	—	—	—	-
Forfeited	—	—	—	-
Expired	15,000,000	3.00	—	-
Outstanding at end of period	<u>2,500,000</u>	<u>\$ 0.10</u>	<u>15,000,000</u>	<u>\$3.00</u>
Exercisable at end of period	<u>2,500,000</u>	<u>\$ 0.10</u>	<u>15,000,000</u>	<u>\$3.00</u>
Outstanding				
Weighted average remaining contractual term		0.10		1.09
Aggregated intrinsic value		\$ —		\$-
Weighted average grant date fair value		N/A		N/A
Exercisable				
Weighted average remaining contractual term		0.10		1.09
Aggregated intrinsic value		\$ —		\$-

**NOTE 16 – SUBSEQUENT EVENTS**

On October 1, 2011, the Company issued 500,000 shares of common stock to its Chief Operating Officer in payment for services for the three months ended December 31, 2011.

On October 26, 2011, the Company's President and Chief Operating Officer advanced the Company \$95,000 in exchange for a promissory note, bearing interest of \$5,000 and a repayment term of three months, in order to fund the working capital needs of the Company.

## **INFORMATION SYSTEM ASSOCIATES, INC.**

As used herein the terms “we”, “us”, “our”, the “Registrant,” “ISA” and the “Company” means, Information Systems Associates, Inc., a Florida corporation.

### **GENERAL DESCRIPTION OF BUSINESS**

#### **BUSINESS OVERVIEW**

Information Systems Associates, Inc. (Company) was incorporated under the laws of the State of Florida on May 31, 1994. The Company is a leading provider of Mobile Data Center Management™ systems and turnkey data center management solutions. The suite of products and services include data center asset/inventory management, data center management software and data center data collection. Utilizing its proprietary and patented technology, OSPI® (On Site Physical Inventory®), customers manage data centers on a mobile basis, bringing data center management out of the office and into the data. Our solutions can reduce sourcing, procurement and tracking costs, improve tracking and monitoring of asset performance and reduce operational downtime.

The typical Value Added Reseller Agreement allows the vendor’s partner/subcontractor (in this case ISA) the ability to offer to its client’s and prospects a Commercial Off the Shelf software solution to address a particular business problem. ISA’s customers are primarily working data centers, network management departments and corporate real estate departments. We help these customers to identify and then implement a software solution which addresses their needs based. Once the client chooses a software solution, ISA assists the client in implementing the software.

In 2007, ISA developed and began marketing its own software product, ON SITE PHYSICAL INVENTORY™ (OSPI).

#### **RELATED SERVICES**

In connection with our software offerings, we provide the following services to our customers:

##### Consulting

A significant number of our customers request our advice regarding their business and technical processes, often in conjunction with a scoping exercise conducted both before and after the execution of a contract. This advice can relate to development or streamline assorted business processes, such as sourcing or procurement activities, assisting in the development of technical specifications, and recommendations regarding internal workflow activities.

##### Customization and Implementation

Based generally upon the up-front scoping activities, we are able to customize our solutions as required to meet the customer’s particular needs. This process can vary in length depending on the degree of customization, the resources applied by the customer and the customer’s business requirements. We work closely with our customers to ensure that features and functionality meet their expectations. We also provide the professional services work required for the implementation of our customer solutions, including loading of data, identification of business processes, and integration to other systems applications.

##### Training

Upon completion of implementation (and often during implementation), we train customer personnel to utilize our Solutions through our administrative tools. Training can be conducted in one-on-one or group situations. We also conduct “train the trainer” sessions.

##### Maintenance and Support

We provide regular software upgrades and ongoing support to our customers.

We have been providing consulting, customization and implementation, training, maintenance and support services to our

customers since 1994.

(12)

## INFORMATION SYSTEM ASSOCIATES, INC.

### CURRENT DEVELOPMENTS

In January, 2011, the Company hired a new Chief Operating Officer who has been charged with identifying, and overseeing improvements and enhancements to our OSPI software. This person will also direct the development and implementation of the Company's marketing plan and is responsible for building and managing the Company's sales force. During the Nine months ended September 30, 2011, the Company prepared a software requirements analysis and begun development of a new and enhanced version of OSPI, and has begun building the Company's sales network.

### FORWARD LOOKING STATEMENTS

Certain statements in this report, including statements of our expectations, intentions, plans and beliefs, including those contained in or implied by "Management's Discussion and Analysis" and the Notes to Financial Statements, are "forward-looking statements", within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are subject to certain events, risks and uncertainties that may be outside our control. The words "believe", "expect", "anticipate", "Optimistic", "intend" "will", and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date on which they are made. We undertake no obligation to update or revise any forward-looking statements.

These forward-looking statements include statements of management's plans and objectives for our future operations and statements of future economic performance, information regarding our expansion and possible results from expansion, our expected growth, our capital budget and future capital requirements, the availability of funds and our ability to meet future capital needs, the realization of our deferred tax assets, and the assumptions described in this report underlying such forward-looking statements.

Actual results and developments could differ materially from those expressed in or implied by such statements due to a number of factors, including, without limitation, those described in the context of such forward-looking statements.

### CRITICAL ACCOUNTING POLICIES

#### **Revenue recognition**

We recognize revenue in accordance with ASC 605-10 "Revenue Recognition" and ASC 605-25 "Revenue Arrangements with Multiple Deliverables".

Consulting services and training revenues are accounted for separately from subscription and support revenues when these services have value to the customer on a standalone basis and there is objective and reliable evidence of fair value of each deliverable. When accounted for separately, revenues are achieved and accepted by the customer for fixed price contracts. The majority of our consulting service contracts are on a time and material basis. Training revenues are recognized after the services are performed. For revenue arrangements with multiple deliverables, we allocate the total customer arrangement to the separate units of accounting based on their relative fair values, as determined by the price of the undelivered items when sold separately.

In determining whether the consulting services can be accounted for separately from subscription and support revenues, we consider the following factors for each consulting agreement: availability of the consulting services from other vendors, whether objective and reliable evidence for fair value exists for the undelivered elements, the nature of the consulting services, the timing of when the consulting contract was signed in comparison to the subscription service start date, and the contractual dependence of the subscription service on the customer's satisfaction with the consulting work. If a consulting arrangement does not qualify for separate accounting, we recognize the consulting revenue ratably over the remaining term of the subscription contract. Additionally, in these situations we defer the direct costs of the consulting arrangement and amortize these costs over the same time period as the consulting revenue is recognized. We did not have any revenue arrangements with multiple deliverables for the period ending September 30, 2011.



## INFORMATION SYSTEM ASSOCIATES, INC.

### **Property, Plant, and Equipment**

Property and equipment is stated at cost. Depreciation is provided by the straight-line method over the estimated economic life of the property and equipment (three to ten years). When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of operations.

We recognize an impairment loss on property and equipment when evidence, such as the sum of expected future cash flows (undiscounted and without interest charges), indicates that future operations will not produce sufficient revenue to cover the related future costs, including depreciation, and when the carrying amount of the asset cannot be realized through sale. Measurement of the impairment loss is based on the fair value of the assets.

### **Software Development Costs**

The Company accounts for costs incurred to develop computer software for internal use in accordance with FASB Accounting Standards Codification 350-40 "Internal-Use Software". As required by ASC 350-40, we capitalize the costs incurred during the application development state, which include costs to design the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary project along with post-implementation stages of internal use computer software are expensed as incurred. Capitalized development costs are amortized over the estimated useful life. Costs incurred to maintain existing product offerings are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

After the development of the internal-use "ON SITE PHYSICAL INVENTORY®" software (OSPI®) was complete, we decided to market the software. Proceeds from the licenses of the computer software, net of direct incremental costs of marketing, such as commissions, software reproduction cost, warranty and service obligations, and installation cost, are applied against the carrying cost of that software. No profit will be recognized until aggregate net proceeds from licenses and amortization have reduced the carrying amount of the software to zero. Subsequent proceeds will be recognized in revenue as earned.

On December 1, 2009, the Company released Version 2 of the "ON SITE PHYSICAL INVENTORY®" software (OSPI®) for sale in the marketplace. The Company accounts for internally produced software with FASB Accounting Standard Codification 985-20 "Cost of Software to Be Sold, Leased, or Otherwise Marketed". Costs were capitalized when the second version was established as technically feasible and will be written off on a straight line method over the estimated useful life.

## INFORMATION SYSTEM ASSOCIATES, INC.

### **RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**

The following discussion should be read in conjunction with the unaudited condensed financial statements included in this report.

#### Revenues

Gross revenues were \$361,878 and \$797,573 for the nine months ended September 30, 2011 and 2010, respectively. The decrease in 2011 revenue is due primarily to a decrease in consulting service revenue of \$277,000 and the related travel expense revenue of \$149,000 and a decrease of \$72,000 in OSPI software revenue due to the expiration of a multi-year license agreement. We recognize professional services revenue, which includes installation, training, consulting and engineering services, upon delivery of the services.

#### Operating Expenses

Operating expenses for the nine months ended September 30, 2011 were \$1,056,364 as compared to \$1,305,188 for the nine months ended September 30, 2010. The decrease resulted from a decrease in general and administrative expenses of \$175,000 which resulted from a decline in software amortization of \$122,000 because the cost of OSPI Version 2 was fully amortized in 2010, a decline in travel expenses of \$93,000 because there were fewer consulting engagements, partially offset by increases of \$18,000 in marketing expenses and an increase of \$11,000 in vehicle expense. In addition, professional fees declined \$324,000 which resulted from lower consulting fees for investor relations and the use of outside consultants. These decreases were partially offset by an increase of \$251,000 in salaries and employee benefits due to the addition of the new Chief Operating Officer, Director of Product Strategy and a product salesman.

#### Loss from Operations

We had a loss from operations of \$738,962 for the nine months ended September 30, 2011 as compared to a loss of \$532,753 for the nine months ended September 30, 2010. The increase in the loss resulted from the sales decline which was partially offset by a decrease in operating expenses as described above.

#### Interest Expense

Interest expense was \$17,932 for the nine months ended September 30, 2011 as compared to interest income of \$30 for the nine months ended September 30, 2010.

#### Net Loss

Net loss for the nine months ended September 30, 2011 was \$756,873 as compared with a net loss of \$566,671 for the nine months ended September 30, 2010. Net loss per common share was \$0.03 for the nine months ended September 30, 2011 and 2010. Weighted average common shares outstanding for the nine months ended September 30, 2011 and 2010 were 26,851,432 and 19,245,253, respectively.

## INFORMATION SYSTEM ASSOCIATES, INC.

### RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

The following discussion should be read in conjunction with the unaudited condensed financial statements included in this report.

#### Revenues

Gross revenues were \$160,003 and \$305,933 for the three months ended September 30, 2011 and 2010, respectively. The decrease in 2011 revenue is due primarily to a decrease in consulting service revenue and the related travel expense revenue of \$23,000 and a decrease of \$45,000 in OSPI software revenue. We recognize professional services revenue, which includes installation, training, consulting and engineering services, upon delivery of the services.

#### Operating Expenses

Operating expenses for the three months ended September 30, 2011 were \$360,344 as compared to \$407,256 for the three months ended September 30, 2010. The decrease resulted from declines in general and administrative expenses of \$52,000 due to lower software amortization of \$41,000 and a decrease in professional fees of \$95,000. These decreases were partially offset by an increase in salaries and employee benefits of \$100,000 which resulted for the addition of the new Chief Operating Officer, Director of Product Strategy and a product salesman.

#### Loss from Operations

We had a loss from operations of \$217,903 for the three months ended September 30, 2011 as compared to a loss of \$112,021 for the three months ended September 30, 2010. The increase in the loss resulted from the sales decline which was partially offset by a decrease in operating expenses as described above.

#### Interest Expense

Interest expense was \$14,101 for the three months ended September 30, 2011 as compared to \$0 interest expense for the three months ended September 30, 2010. The increase in interest resulted from the addition of related party notes payable and convertible notes payable.

#### Net Loss

Net loss for the three months ended September 30, 2011 was \$231,746 as compared with a net loss of \$143,215 for the three months ended September 30, 2010. Net loss per common share was \$0.01 for the three months ended September 30, 2011 and 2010. Weighted average common shares outstanding for the three months ended September 30, 2011 and 2010 were 28,122,606 and 21,016,086, respectively.

#### Liquidity and Capital Resources

Cash flows used in operations were \$490,750 and \$177,607, respectively, during the nine months ended September 30, 2011 and 2010. Cash flows used in operations during the nine months ended September 30, 2011 were primarily attributable to a net loss of \$756,873, partially offset by an increase in accounts payable of \$33,317, a increase in accounts receivable of \$74,556 and amortization of prepaid consulting costs of \$131,687. Cash flows used in operations during the nine months ended September 30, 2010 were primarily attributable to a net loss of \$580,070, partially offset by an increase in accrued expenses of \$68,946 and the issuance of stock for services of \$314,624.

Cash flows used by investing activities were \$52,152 as compared to cash flows provided by investing activities of \$9,334 during the nine months ended September 30, 2011 and 2010, respectively. Cash flows used in investing activities in 2011 were attributable to \$36,022 in costs incurred for software development (OSPI, v3) and purchases of computers and furniture of \$16,130. Cash flows provided by investing activities in 2010 were attributable primarily to the sale of an investment.

Cash flows provided by financing activities were \$557,743 and \$205,037 for the nine months ended September 30, 2011 and

2010, respectively. Cash flow provided by financing during the nine months ended September 30, 2011 resulted primarily from the proceeds of issuing common stock of \$280,000 and proceeds from two convertible notes of \$250,000. Cash flows provided by financing activities for the nine months ended September 30, 2010 were primarily attributable to the issuance of common stock.

As of September 30, 2011, the Company had cash on hand of \$85,167. If the Company is unable to generate revenues sufficient to support the operations of the Company, the Company will require additional debt or equity financing to meet the working capital needs of the Company. In July 2011, the Company received \$250,000 in connection with a convertible debt financing and an additional \$25,000 from a private placement of its common stock.

In October 2011, the Company's President and Chief Operating Officer advanced the Company \$95,000 in exchange for a promissory note, bearing interest of \$5,000 and a repayment term of three months, in order to fund the working capital needs of the Company.

Our current level of operations would require additional capital to sustain operations through 2011. Modifications to our business plans may require additional capital for us to operate. Management has identified the need for additional financing of up to \$160,000 in order to fund the programming of the software enhancements and the market rollout of the new software product and is currently exploring various equity and debt financing alternatives. There can no assurance that these efforts will be successful. No significant amount of our trade payables has been unpaid within the stated trade term. We are not subject to any unsatisfied judgments, liens or settlement obligations.

## INFORMATION SYSTEM ASSOCIATES, INC.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information to be reported under this item is not required of smaller reporting companies.

### ITEM 4. CONTROLS AND PROCEDURES

#### DISCLOSURE CONTROLS AND PROCEDURES

Our management, including our Principal Executive Officer and Principal Financial Officer, have evaluated the design, operation, and effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the “Exchange Act”). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon the evaluation performed by our management, including its Principal Executive Officer and Principal Financial Officer, it was determined that, as of the end of the period covered by this quarterly report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports filed or submitted pursuant to the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including its Principal Executive Officer and Principal Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding disclosures

#### Changes in Internal Control Over Financial Reporting

Our Principal Executive Officer and Principal Financial Officer have determined that, during the period covered by this quarterly report, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. They have also concluded that there were no significant changes in our internal controls after the date of the evaluation.

## INFORMATION SYSTEM ASSOCIATES, INC.

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

From time to time we are involved in legal proceedings arising in the ordinary course of our business. On April 24, 2009, Phuture World, Inc. filed a complaint in the case captioned Phuture World, Inc. v. Information Systems Associates, Inc. and Joseph Coschera, Case No. 562009 CA 3086, 19th Judicial Circuit in and for St. Lucie County Florida. Phuture World originally alleged that the Company and its President breached the terms of a certain software development contract, and it sought damages in excess of \$15,000. The plaintiff dropped all claims against the President and eliminated some of its other claims against the Company. The Company terminated the software contract at issue in the case prior to the filing of the case, and it no longer uses the services of Phuture World. The Company is contesting this lawsuit and believes that it has defenses to the claims made by Phuture World. The Company is vigorously defending itself and has filed and is pursuing damage claims of its own against Phuture World for Phuture World's failure to provide the software required under the contract between Phuture World and the Company. The Company believes that the outcome of this lawsuit will not have a material adverse effect on our financial condition, cash flows or results of operations.

#### ITEM 1A. RISK FACTORS

Information regarding risk factors appears in Part I, "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" under the captions "General Description of Business" and "Cautionary Note Regarding Forward-Looking Statements" contained in this Quarterly Report on Form 10-Q and in "Item 1A. RISK FACTORS" of our 2010 Annual Report on Form 10-K. There have been no material changes from the risk factors previously disclosed in our 2010 Annual Report on Form 10-K.

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

<b>Name or Class of Investor</b>	<b>Date of Sale</b>	<b>No. of Securities</b>	<b>Reason for Issuance</b>
Director & Officer	7/1/2011 and 10/1/2011	500,000 shares of common stock	Payment for Services
Private Placement Investors	7/14/2011	250,000 shares of common stock	Investment totaling \$25,000

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

#### ITEM 5. OTHER INFORMATION

None.

**INFORMATION SYSTEM ASSOCIATES, INC.**

**ITEM 6. EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
<a href="#"><u>31.1</u></a>	<a href="#"><u>Certification of Chief Executive Officer</u></a>
<a href="#"><u>31.2</u></a>	<a href="#"><u>Certification of Chief Financial Officer</u></a>
<a href="#"><u>32.1</u></a>	<a href="#"><u>Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2	Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

**INFORMATION SYSTEM ASSOCIATES, INC.**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

Information Systems Associates, Inc.

Date: November 14, 2011

By: /s/ Joseph P. Coschera  
Joseph P. Coschera  
Chief Executive Officer

Date: November 14, 2011

By: /s/ Joseph P. Coschera  
Joseph P Coschera  
Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Joseph P. Coschera, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Information Systems Associates, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

/s/ Joseph P. Coschera

Joseph P. Coschera  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Joseph P. Coschera, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Information Systems Associates, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

/s/ Joseph P. Coschera

Joseph P. Coschera  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Information Systems Associates, Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof, I, Joseph P. Coschera, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and
2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph P. Coschera

Joseph P. Coschera  
Chief Executive Officer  
(Principal Executive Officer)  
Dated: November 14, 2011

In connection with the quarterly report of Information Systems Associates, Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof, I, Joseph P. Coschera, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and
2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph P. Coschera

Joseph P. Coschera  
Chief Financial Officer  
(Principal Financial Officer)  
Dated: November 14, 2011