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

# FORM 10-Q

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

For the quarterly period ended March 31, 2012

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**<br>(State or other jurisdiction of incorporation or organization) | **65-0493217**<br>(I.R.S. Employer Identification No.) |
| **819 SW Federal Highway, Suite 206, STUART, FLORIDA**<br>(Address of principal executive offices) | **34990**<br>(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 X 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 X 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 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

| Class C | Outstanding at May 31, 2012 |
|---|---|
| Common Stock, $0.01 par value per share | 30,599,417 shares |

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**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

INFORMATION SYSTEMS ASSOCIATES, INC.
BALANCE SHEETS

| | As of March 31, 2012 (Unaudited) | As of December 31, 2011 |
|---|---|---|
| ASSETS | | |
| | | |
| Current Assets | | |
| Cash and cash equivalents | $ 5,652 | $ 988 |
| Accounts receivable | 61,347 | 184,232 |
| Prepaid consulting | 15,000 | 22,500 |
| Prepaid expenses | 18,103 | 16,437 |
| | | |
| Total Current Assets | 100,102 | 224,157 |
| | | |
| Property and Equipment (net) | 40,792 | 52,500 |
| | | |
| TOTAL ASSETS | $ 140,894 | $ 276,657 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| | | |
| Current Liabilities | | |
| Accounts payable | $ 168,848 | $ 139,609 |
| Notes payable - factoring | 78,628 | 115,126 |
| Note payable - line of credit | 36,619 | 35,146 |
| Note payable - insurance | 9,370 | 4,174 |
| Note payable - related party | 25,000 | 25,000 |
| Notes payable - convertible, net | 211,320 | 274,427 |
| Accrued expenses and other liabilities | 1,270 | 896 |
| Deferred revenue | | |
| | | |
| Total Current Liabilities | 531,055 | 594,378 |
| | | |
| Stockholders' Equity | | |
| | | |
| Common stock-$.001 par value, 50,000,000 shares authorized, 30,599,417 and 28,666,084 issued and outstanding for 2012 and 2011, respectively | 30,599 | 28,666 |
| Additional paid in capital | 3,314,796 | 3,164,813 |
| Accumulated deficit | (3,735,556) | (3,511,200) |
| | — | — |
| Total Stockholders' Equity | (390,161) | (317,721) |
| | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 140,894 | $ 276,657 |

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

INFORMATION SYSTEM ASSOCIATES, INC.
STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31,
(UNAUDITED)

| | 2012 | 2011 |
|---|---|---|
| Revenue | $ 75,595 | $ 127,254 |
| Cost of Sales | 18,873 | 17,030 |
| Gross Profit | 56,722 | 110,224 |
| Operating Expenses | | |
| Administrative and general | 76,232 | 84,209 |
| Salaries and employee benefits | 116,487 | 142,145 |
| Professional | 67,714 | 160,434 |
| Total Operating Expenses | 260,433 | 386,788 |
| (Loss) Before Other Income (Expense) | (203,711) | (276,564) |
| Other Income (Expense) | | |
| Miscellaneous income | — | — |
| Interest expense | (20,645) | (1,593) |
| Total Other Income (Expense) | (20,645) | (1,593) |
| Net (Loss) | (224,356) | (278,157) |
| Other Comprehensive (Loss) | | |
| Unrealized gain/(loss) on securities: | | |
| Arising during the year | — | — |
| Total other comprehensive (loss) | — | — |
| Comprehensive (Loss) | (224,356) | $ (278,157) |
| Basic and Fully Diluted (Loss) per Share: | | |
| Basic and fully diluted | $ (0.01) | $ (0.01) |
| Weighted average common shares outstanding | 29,288,795 | 25,593,973 |

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

INFORMATION SYSTEMS ASSOCIATES, INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31,
(UNAUDITED)

| | 2012 | 2011 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Net (Loss) | $ (224,356) | $ (278,157) |
| Adjustments to reconcile net (loss) to net cash provided from operating activities: | | |
| Depreciation and amortization | 11,708 | 2,116 |
| Common stock for services | 10,000 | 25,000 |
| Amortization of prepaid consulting | 17,500 | 81,691 |
| Beneficial conversion feature, net of conversion | 1,701 | |
| Original issue discount, net of conversion | 3,646 | |
| Changes in assets and liabilities | | |
| Accounts receivable | 120,516 | 18,893 |
| Prepaid expenses | 1,666 | 6,833 |
| Accounts payable | 29,239 | (28,756) |
| Accrued expenses and other liabilities | 374 | (2,395) |
| Deferred revenue | — | (1,250) |
| Net Cash (Used in) Operating Activities | (28,006) | (176,025) |
| Cash Flows from Investing Activities | | |
| Purchase of property and equipment | — | (3,964) |
| Net Cash (Used In) Investing Activities | — | (3,964) |
| Cash Flows from Financing Activities | | |
| Proceeds from line of credit | 2,158 | — |
| Payments made on line of credit | (685) | (11,414) |
| Proceeds from accounts receivable financing | 99,059 | — |
| Payments on accounts receivable financing | (135,558) | |
| Net proceeds from insurance financing | 5,196 | (4,643) |
| Proceeds from convertible notes | 62,500 | |
| Proceeds from issuance of stock | — | 155,000 |
| Net Cash Provided by Financing Activities | 32,670 | 138,943 |
| Net Change in Cash and Cash Equivalents | 4,664 | (41,046) |
| Cash and Cash Equivalents at Beginning of period | 988 | 70,326 |
| Cash and Cash Equivalents at End of Period | 5,652 | $ 29,280 |

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

**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, 2011.

**Recent Accounting Pronouncements**

Accounting Standards Updates which were not effective until after March 31, 2012 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 may have been made to the prior period financial statements presented to conform to March 31, 2012 financial statement content. 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.

**NOTE 2 – GOING CONCERN**

As reflected in the accompanying financial statements, the Company had a net operating loss for the three months ended March 31, 2012 of $224,356. The total accumulated deficit as of March 31, 2011 was $3,735,556. 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. On February 24, 2012, management received $62,500 in exchange for convertible notes amounting to $68,750 and warrants to purchase 687,500 shares of the Company's common stock. 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**

| | As of | |
|---|---|---|
| | March 30, 2012 | December 31, 2011 |
| Wells Fargo (FDIC insured to $250,000) | $ 5,475 | $ 811 |
| Petty cash | 177 | 177 |
| Total cash and cash equivalent | $ 5,652 | $ 988 |

**NOTE 4 – COMPUTER SOFTWARE DEVELOPED FOR INTERNAL USE**

Version 3 of the Company's "On Site Physical Inventory" (OSPI) product is currently under development and has been released. The Company has capitalized the cost of the OSPI software using FASB Accounting Standards Codifications 350-40 "Internal Use Software" as follows:

| | **2011** | **2010** |
|---|---|---|
| Development costs | $ 36,022 | $ 36,033 |
| Less: accumulated amortization | 18,011 | 9005 |
| | $ 18,011 | $ 27,017 |

**NOTE 5 – PROPERTY AND EQUIPMENT**

| | **As of March 31, 2012** | **As of December31,2011** |
|---|---|---|
| Computer software (developed) | $ 36,022 | $ 36,022 |
| Computer software (purchased) | 590 | 590 |
| Web site development | 10,072 | 10,072 |
| Furniture, fixtures, and equipment | 40,712 | 40,712 |
| Leasehold improvements | 1,664 | 1,664 |
| | 89,060 | 89,060 |
| Less accumulated depreciation and amortization | 48,268 | 36,560 |
| | $ 40,792 | $ 52,500 |

Depreciation and amortization expense for property and equipment was $11,708 and $2,116 for the three months ended March 31, 2012 and 2011, respectively.

**NOTE 6 – NOTE PAYABLE – FACTORING**

On December 12, 2011, the Company entered into a purchase and sale agreement with a third party account receivable factoring company. The agreement continues in effect as long as there is an outstanding balance owed by the Company. The agreement requires a payment of 3% for the first thirty days and 1/10 of 1 percent thereafter on the face amount of the accounts receivable financed. The balance at March 31, 2012 and December 31, 2011 was $78,628 and $115,126, respectively.

**NOTE 7 – NOTE PAYABLE – LINE OF CREDIT**

The Company has a line of credit with Wells Fargo Bank. The line of credit provides for borrowings up to $40,000. The balance as of March 31, 2012 and December 31, 2011 was $36,619 and $35,146, 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 8 – NOTE PAYABLE – RELATED PARTY**

On October 26, 2011, the Company entered into a promissory note with the Company's Chief Operating Officer in the amount of $100,000. The note required a one-time interest payment of $5,000 with the balance of the proceeds of $95,000 released to the Company. The note required that all receipt of funds by the Company over $999 be applied to reduce the principal of the note. The note was paid in full on December 15, 2011.

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. On January 1, 2012, the note was extended for 12 months. As of March 31, 2012, accrued interest of $1,279 is due on the note.

**NOTE 9 – 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. On March 6, 2012, one of the convertible notes in the amount of $146,361 was converted into 1,833,333 shares of common stock. On the remaining note, the Company determined there was an $0.01 intrinsic value associated with beneficial conversion feature. This feature is valued at $13,750 and is being amortized as interest expense with the corresponding amount be added to the carry value of the note.

On February 24, 2012, the Company received $62,500 from one accredited investor in exchange for a one year original issue discount note in the amount of $68,750 convertible into the Company's common stock at a conversion rate of $0.05 per share at an interest rate of 10% plus five-year warrants to purchase 687,500 shares of the Company's common stock at an exercise price of $0.10 per share. The Company determined there was an $0.03 intrinsic value associated with beneficial conversion feature on this note. This feature is valued at $41,667 and is being amortized as interest expense with the corresponding amount be added to the carry value of the note.

Original issue discount in the amount of $19,445 is being expensed as interest over the term of the notes. For the three months ending March 31, 2012, the Company has recorded interest expense in the amount of $6,146.

As of March 31, 2012, the balance on the outstanding convertible notes was $211,320.

**NOTE 10 – NOTE PAYABLE - INSURANCE**

On August 31, 2011, the Company incurred short term financing for the purchase of insurance. The note was for $9,813. The interest rate on the debt is 4.96% and is scheduled to be repaid by May 31, 2012.

On February 28, 2011, the Company incurred short term financing for the purchase of worker's compensation insurance. The note was for $3,353. Payments require a monthly service fee of $4 in lieu of a state interest rate.

On March 1, 2012, the Company incurred additional short term financings of $8,581 for the purchase of insurance. The interest rate on the financing was 6.96% and will mature in February 2013.

As of March 31, 2012, the balance on all notes for insurance financing was $9,370.

**NOTE 11 – 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.

Income taxes are provided in accordance FASB ASC 740 "Income Taxes". A deferred tax asset or liability is recorded for all temporary differences between financial and tax and net operating loss carry forwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or the entire deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

**NOTE 12 – 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 months ended March 31, 2012, outstanding warrants to purchase an aggregate of 1,487,500 shares of stock were excluded from the computation of dilutive earnings per share because the inclusion would have been anti-dilutive.

**NOTE 13 – SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental disclosures of cash flow information for the three months ended March 31, 2012 and 2011 is summarized as follows:

Cash paid during the periods for interest and income taxes:

| | 2012 | 2011 |
|---|---|---|
| Income taxes | $ — | $ — |
| Interest | $ 20,624 | $ 426 |

**NOTE 14 – OPERATING LEASE**

On April 25, 2011, the Company entered into a 3 year escalating lease agreement for 1,352 square feet commencing July, 2011. The monthly rental rate is $1,800, $1,920 and $2,040 for the lease years ending July 31, 2012, 2013 and 2014, respectively. The Company incurred $1,664 in leasehold improvements prior to occupancy and paid a security deposit of $1,800.

The Company terminated its prior lease on June 30, 2011 which required monthly lease payment of $1,278 per month.

On September 19, 2011, the Company entered into a 1 year sublease for 2,000 square feet in Las Vegas, Nevada. The sublease commenced on October 15, 2011 and requires monthly payments of $3,000. A security deposit of $3,000 was paid to the landlord.

Rent expense for the three months ended March 31, 2012 and 2011 was $16,854 and $3,834, respectively.

**NOTE 15 – COMMON STOCK**

On March 6, 2012, a convertible note in the amount of $146,361 was converted into 1,833,333 shares of common stock.

On January 6, 2012, the Company issued 100,000 shares of common stock to one accredited investor in exchange for $10,000.

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

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.

**NOTE 16– SHARE BASED PAYMENTS FOR SERVICES**

In January 2012, the Company issued 100,000 shares of common stock to an independent director 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 December 31, 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 July 14, 2011, the Company issued 250,000 shares of common stock to one accredited investor in exchange for $25,000.

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.

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.

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.

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.

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.

In January 2011, the Company issued 500,000 shares of common stock to its Chief Operating Officer in payment for services for the three months ended March 31, 2011.

To determine the valuation of the options, FASB Accounting Standards Codification 718, "Compensation – Stock Compensation" requires a valuation technique to estimate the fair value of the options issued. The Black-Sholes Model incorporates the various characteristics for proper valuation. Using the Black-Sholes model, the Company assessed the value of the outstanding options at December 31, 2011. The Company determined that due to the lack of a marketability of the Company's stock, no adjustments were deemed material to the financial statements. As of December 31, 2011, there were 800,000 options outstanding.

Following is a summary of the status of options outstanding for the three months ending March 31, 2012 and 2011, respectively:

| | For the Three Months Ended March 31, 2012 | | | For the Three Months Ended March 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Shares | | Weighted Average Exercise Price | Shares | | Weighted Average Exercise Price |
| Outstanding at beginning of period | 800,000 | $ | 0.10 | 15,000,000 | $ | 3.00 |
| Granted | 687,500 | | 0.10 | — | | — |
| Exercised | — | | — | — | | — |
| Forfeited | — | | — | — | | — |
| Expired | — | | — | — | | — |
| Outstanding at end of period | 1,487,500 | $ | 0.10 | 15,000,000 | $ | 3.00 |
| Exercisable at end of period | 487,500 | $ | 0.10 | 15,000,000 | $ | 3.00 |
| 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 | | $ — | | $ — |

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

We have been in business since May of 1994. During the first twelve (12) years of operation, the primary focus of the business was to offer for sale, through ISA's Value Added Reseller Agreements in place in several of the industry leaders, software products and services that allow companies to track and manage assets, primarily in the realm of corporate real estate and corporate IT network infrastructure including equipment maintained in corporate data centers. We refer to our product and services suite as asset management solutions. Our solutions reduced sourcing, procurement and tracking costs, improve tracking of data center assets.

In 1995, we became a Business Partner (a/k/a Value Added Reseller) with Avocent Huntsville Corp. (formerly Aperture Technologies Inc. of Stamford, CT) Huntsville, AL. At that time, Avocent's Data Center Management tools ("System"), was one of the leading solutions in the IT field. For more than five years, Avocent Huntsville Corp. provided enterprise asset management solutions to customers in the United States, Europe and Asia and Pacific Rim. During this same timeframe, we offered Advocent's enterprise asset management solutions to customers and prospects in North America.

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 (COTS) software solution to address a particular business problem. The primary focus of ISA's business is working data center operations and data center facilities departments to identify and then implement a software solution which addresses their needs based upon extensive research done prior to the selection and culminating in the purchase by the client and implementation by ISA of the chosen solution.

All of the products listed under our Value Added Reseller relationships (Vista, Vision FM, and RACKWISE DCM) are products developed by third parties.

The products obtained from third parties are done so through executed Value Added Reseller Agreements. Although each of the vendor's agreements differs to some degree, the basic understandings are the same. Information Systems Associates, Inc. is authorized by each of the vendors to offer the vendor's software as solutions to Information Systems Associates' clients. In return, Information Systems Associates Inc. receives a commission on the sale of the software. The percentage ranges between twenty (20) and thirty (35) percent of the sale. The Company also may provide pre-sales support services to the vendor's clients. In addition, Information Systems Associates, Inc. implements the software solution and provides training to its clients. On an ongoing basis, ISA can and does provide additional consulting services beyond those provided initially to the client.

The need for a better way to capture corporate IT asset information became evident to ISA's management team. After reviewing the methods and technology in use at that time ($1^{st}$ Quarter 2006) for the purpose of data collection, it was decided within ISA to define a data collection process and subsequently to design and build a software solution capable of delivering quality data (output) through the use of programming techniques that incorporated many of the much needed features and capabilities, especially real time data validation. The result was that by year end of 2007 **ON SITE PHYSICAL INVENTORY®** (OSPI® ) was available for resale.

## 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.

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. Our Chief Operating Officer resigned effective December 31, 2011.

During the three months ended March 31, 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. In December of 2011 we released version 3 of our OSPI software.

Effective May 11, 2012 Adrian Goldfarb who is currently a director, will be working closely with ISA management on a range of strategic and financial projects. Mr. Goldfarb's compensation will be based on an annual salary of $75,000 to be billed on a monthly basis in arrears

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 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 March 31, 2011.

**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.

In December of 2011, the Company released Version 3 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.

## RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

Revenues

Gross revenues were $75,595 and $127,254 for the three months ended March 31, 2012 and 2011, respectively. The decrease in 2012 revenue is due primarily to a decrease in consulting service revenue of $34,000 and the related travel expense revenue of $27,000. 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 March 31, 2012 were $260,433 as compared to $386,788 for the three months ended March 31, 2011. The decrease resulted from a decrease in salaries and employee benefits of $26,000 and professional fees of $93,000. Professional fees are amortized over the life of the contract. We contracted for less consulting services as our latest version of our OSPI software was completed

Loss from Operations

We had a loss from operations of $203,711 for the three months ended March 31, 2012 as compared to a loss of $276,564 for the three months ended March 31, 2011. The decrease in the loss resulted from 49% decline in sales which were partially offset by a 33% decrease in operating expenses as described above.

Interest Expense

Interest expense was $20,645 for the three months ended March 31, 2012 as compared to interest expense of $1,593 for the three months ended March 31, 2011. This significant increase in interest expense resulted from the amortization of interest expense associated with original issue discount and the beneficial conversion feature associated with our convertible notes payable.

Net Loss

Net loss for the three months ended March 31, 2012 was $224,356 as compared with a net loss of $278,157 for the three months ended March 31, 2011. Net loss per common share was $0.01 for the three months ended March 31, 2012 and 2011. Weighted average common shares outstanding for the three months ended March 31, 2012 and 2011 were 29,288,795 and 25,593,973, respectively.

Liquidity and Capital Resources

Cash flows used in operations were $28,006 and $176,025, respectively, during the three months ended March 31, 2012 and 2011. Cash flows used in operations during the three months ended March 31, 2012 were primarily attributable to a net loss of $224,356 partially offset by a decrease in accounts receivable of $120,516 and amortization of prepaid consulting fees of $7,500 and an increase in accounts payable of $29,239. Cash flows used in operations during the three months ended March 31, 2011 were primarily attributable to a net loss of $278,157, partially offset by the amortization of prepaid consulting expenses of $81,691 and the issuance of stock for services of $25,000.

During the three months ended March 31, 2012, we experienced no cash flow effect from investing activities. Cash flows used by investing activities were $3,964 during the three months ended March 31, 2011 which consisted entirely of the purchase of property and equipment.

Cash flows provided by financing activities were $32,670 and $138,943 for the three months ended March 31, 2012 and 2011, respectively. These cash flows were provided primarily by proceeds from accounts receivable financing, offset by payments on this financing and proceeds from the issuance of convertible notes of $62,500. Cash flows provided by financing activities for the three months ended March 31, 2011 were $138,943 and were primarily attributable to proceeds from the issuance of common stock of $155,000.

As of March 31, 2012, we had cash on hand of $5,652. If we are unable to generate revenues sufficient to support our operations we will require additional debt or equity financing to meet the working capital needs of the Company. In February of 2012, we received $62,500 from the issuance of convertible notes. We are currently seeking additional financing.

In, 2011, the our 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 our working capital needs. The promissory note was repaid in December of 2011.

Our current level of operations will require additional capital to sustain operations through 2012. Modifications to our business plans will 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.

## 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

Item 4. Controls and Procedures

**Disclosure Controls**

Our management carried out an evaluation as required by Rule 13a-15 and 15d-15 of the Securities Exchange Act of 1934 (the "Exchange Act"), with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act. Due the unexpected resignation of the Company's Chief Operating Officer on January 1st, 2012, the Company’s CEO could only spend minimal time on the regulatory aspects of the Company since he was now fulfilling all of the senior officer positions. As the Company’s current Principal Executive Officer and Principal Financial Officer, the CEO concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report. In support of this belief is that the Company was late filing this report due to confusion on the extension permitted by Rule12b-25.

**Management's Report On Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act of as a process designed by, or under the supervision of, the Company's Principal Executive and Principal Financial Officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

The matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were the failure of the Company to have sufficient financial and management resources to manage the production and filing of this report in a timely manner.

**The Company’s New Management Remediation Initiatives**

In an effort to remediate the identified material weaknesses and other deficiencies and enhance our internal controls, we have retained Mr. Adrian Goldfarb, who currently serves on the board, in a consultancy capacity to review and recommend to management a series of measures designed to prevent the issue of late filings reoccurring. Mr. Goldfarb has public company experience and knowledge of disclosure controls and implementation of such controls.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

**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 2011 Annual Report on Form 10-K. There have been no material changes from the risk factors previously disclosed in our 2011 Annual Report on Form 10-K.

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

None

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

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

None.

**ITEM 5. OTHER INFORMATION**

None.

## ITEM 6. EXHIBITS

| Exhibit No. | Description |
|---|---|
| 31.1 | Certification of Chief Executive Officer |
| 31.2 | Certification of Chief Financial Officer |
| 32.1 | Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |

**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: May 31, 2012 By: /s/ Joseph P. Coschera
Joseph P. Coschera
Chief Executive Officer

Date: May 31, 2012 By: /s/ Joseph P. Coschera
Joseph P Coschera
Chief Financial Officer

**Exhibit 31.1**

**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: May 31, 2012

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

**Exhibit 31.2**

**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: May 31, 2012

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

**Exhibit 32.1**

**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 March 31, 2012, 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: May 31, 2012

**Exhibit 32.2**

**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 March 31, 2012, 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: May 31, 2012