ISA INTERNATIONALE INC
Form 10-Q
May 17, 2012

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 March 31, 2012

Commission File Number: 001-16423

ISA INTERNATIONALE INC.

(Name of small business registrant in its charter)

Delaware	41-1925647
(State of incorporation)	(I.R.S. Employer Identification No.)

2564 Rice Street, St. Paul, MN	55113
(Mailing address of principal executive offices)	(Zip Code)

(Issuer's telephone number) (651) 484-9850

Securities registered under Section 12(g) of the Exchange Act:

Title of each class	Name of each exchange on which registered
Common Stock	OTC Bulletin Board

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [] No [X]

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 (Sec.232.405 of this chapter) 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.

Large accelerated filer []	Accelerated filer []
Non-accelerated filer []	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]

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State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

On May 17, 2012 there were 23,999,612 shares of the Registrant's common stock, par value $.0001 per share and 1,781,000 shares of Convertible Preferred Stock, par value $.0001 per share issued and outstanding.

The Convertible Preferred Stock would upon conversion at the option of the holder require the issuance of an additional 17,810,000 shares of common stock.

Transitional Small Business Disclosure Format (check one). Yes [] No [X]

ISA INTERNATIONALE INC.

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PART I FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

These consolidated financial statements have been prepared by ISA Internationale Inc. (the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with such SEC rules and regulations. In the opinion of management, the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of March 31, 2012 and its results of operations, stockholders' equity, and cash flows for the six month period ended March 31, 2012. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto as a part of the Company's annual report on Form 10-K filed on May 15, 2012.

ISA INTERNATIONALE INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2012	**September 30,2011**
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,731	$ 1,841
Restricted cash	3,520	13,491
Trade Receivables	280	580
Prepaid expenses	-	-
Total current assets	6,531	15,912
Fixed Assets		
Fixed assets at cost less depreciation	17,770	24,460
Total fixed assets	17,770	24,460
Other Assets:		
Finance contract receivables, net of collections	67,835	75,879
Deposits - Long term	-	-
Total other assets	67,835	75,879
Total assets	**$ 92,136**	**$ 116,251**

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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable - trade and taxes	$ 163,565	$ 163,101
Credit lines payable	18,035	18,360
Notes payable other - current portion	3,648	3,462
Notes payable related party - current portion	91,908	87,011
Convertible notes payable, related party secured	67,016	0
Convertible debentures payable - defaulted	50,000	50,000
Accrued interest payable debentures - defaulted	27,116	25,611
	------------	---------
Total current liabilities	421,288	347,546

Long Term Liabilities

Notes payable other - long term portion	7,187	9,127
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Total liabilities	**361,295**	**356,674**
	------------	------------

Stockholders' equity:

Preferred 12% cumulative convertible stock, par value $.0001

30,000,000 shares authorized, 1,781,000 shares

issued and outstanding at March 31, 2012

and at September 30, 2011

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Preferred ISA Acceptance Corporation, par value $25

50,000 shares authorized, 22,400 shares issued and outstanding		
at March 31, 2012 and at September 30, 2011	560,000	560,000
Common stock, $.0001 par value, 300,000,000 shares authorized;		
23,999,612 shares issued and outstanding at		
March 31, 2012 and at September 30, 2011	2,400	2,400
Additional paid-in capital	10,827,070	10,795,328
Accumulated deficit	(11,188,488)	(11,060,829)
Treasury stock	(537,500)	(537,500)
	------------	-----------
Total stockholders' equity (Deficit)	(336,339)	(240,423)
	------------	---------
Total liabilities and stockholders' equity	**$ 92,136**	**$ 116,251**
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The accompanying notes are an integral part of these consolidated financial statements.

ISA INTERNATIONALE INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	3 Months Ended		6 Months Ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Operating revenue:				
Financing income	$ 0	$ 191	$ 50	$ 1,717
Third party collections	11,294	47,679	20,542	80,742
Other collection fees	10,965	22,958	20,573	38,965
Total operating revenue	22,259	70,828	41,165	121,417
Operating expenses:				
Portfolio collection costs	16,930	71,447	39,391	162,612
General and administrative	63,055	40,721	100,661	90,186
General and Administrative-related Party	11,250	12,650	20,000	50,300
Operating expenses	91,235	124,817	160,053	303,098
Operating loss	(68,975)	(53,989)	(119,888)	(181,671)

Other expenses				
Interest expense	(2,004)	(5,251)	(3,875)	(6,633)
Interest expense-related party	(2,482)	(2,224)	(4,896)	(4,389)
	--------	-------	--------	--------
Net loss	(73,461)	(61,464)	(127,658)	(192,693)
Dividends to preferred stockholders	0	(49,029)	0	(94,066)
	---------	--------	--------	--------
Net loss attributable to common stockholders	$ (73,461)	(110,493)	(127,658)	(286,759)
	=========	========	=========	========
Basic loss per share	$ (0.003)	$ (.003)	$ (0.005)	$ (0.008)
	=========	========	========	========
Weighted average common Shares outstanding: Basic	23,999,612	23,999,612	23,999,612	23,999,612
	==========	==========	==========	==========
Dividends per share of common stock	none	none	none	none
Dividends per share of preferred stock	$0.000	0.003	$0.000	0.005

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

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ISA INTERNATIONALE INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended March 31, 2012	Six Months Ended March 31, 2011
Cash flows from operating activities:		
Net loss	$ (127,658)	$ (192,692)
Adjustments to reconcile net loss from operations to cash flow used in operating activities:		
Depreciation and amortization	6,689	3,569
Consulting fees	7,500	
Reduction of debt receivable purchase price due to gross collections received	8,044	33,153
Interest contributed to capital	0	1,497
Changes in operating assets and liabilities:		
(Increase) decrease in Trade receivables	300	(431)
Increase in accounts payable and accrued expenses	464	(22,051)
0		
Cash used in operating activities	(104,661)	(176,955)
Cash flows from investing activities:		
Purchase of debt receivables	-	(12,699)

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Cash used by investing activities	-	(12,699)
Cash flows from financing activities:		
Proceeds from bank lines of credit		4,539
Payments for bank lines of credit	(325)	(4,785)
Payments on issuance of convertible notes		
payable - related party	2,956	452
Proceeds from notes payable - other	186	2,718
Proceeds from issuance of convertible debt		
related party secured net of consulting fee	59,515	
Increase in accrued interest on defaulted debentures	1,505	0
Net proceeds from issuance of preferred stock	-	197,934
Proceeds from contributed capital-related party	31,742	
0		
	----------	----------
Cash provided by financing activities	95,579	200,858
	----------	----------
Increase (decrease) in cash and cash equivalents	(9,081)	11,204
Cash and cash equivalents at beginning of period	15,332	41,512
	----------	----------
Cash and cash equivalents at end of period	$ 6,251	$ 52,718
	==========	==========

Interest credited to paid in capital		1,497
Non-cash investing in financing transactions:		
Accrued preferred stock dividend expense	-	197,934
	----------	----------
Total non-cash transactions	$ -	$ 199,431
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The accompanying notes are an integral part of these consolidated financial statements.

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ISA INTERNATIONALE INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 NATURE OF BUSINESS AND SIGNIFICANT EVENTS

Nature of Business

ISA Internationale Inc. (the Company or ISAI) was incorporated on June 2, 1989, under the laws of the State of Delaware under a former name and became a reporting publicly held corporation on November 15, 1999. On May 8, 1998, Internationale Shopping Alliance Incorporated (Internationale), a Minnesota corporation, was merged with the Company, a Delaware corporation, pursuant to a merger agreement dated April 23, 1998. Upon consummation of the merger, Internationale became a wholly owned subsidiary of the Company. During 2000, the Company sold its International Strategic Assets, Inc. subsidiary and discontinued the operations of its ShoptropolisTV.com subsidiary. Since then, reorganization specialists, Doubletree Capital Partners LLC, has internally reorganized the Company's financial affairs and changed its direction to focus on the financial services industry.

These consolidated financial statements include the parent Company, ISA Internationale, Inc., its wholly owned subsidiary, ISA Financial Services, Inc. (formerly ISA Acquisition Corporation), and its wholly owned subsidiary, ISA Acceptance Corporation. The companies resumed operations in September 2005 as a result of a distressed consumer debt purchase agreement which commenced on May 18, 2005, and currently operate as debt collection companies.

In the opinion of management, the condensed consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of the balance sheet of the Company at March 31, 2012 and the results of its operations and cash flows for the six months ended March 31, 2012 and 2011 Results of operations reported for interim periods are not necessarily indicative of results for the entire year and should be read in conjunction with the prior year 10-K.

Critical Accounting Policies

Revenue Recognition and Finance Receivables:

The Company utilizes the cost recovery method under guidance provided by FASB ASC 310 to determine income recognized on finance receivables. The Company has determined we cannot reasonably estimate the timing of the cash flows from our portfolio receivables collections to effectively utilize the interest method of revenue recognition under FASB ASC 310.

Under the cost recovery method of revenue recognition, the Company does not recognize revenue until the original investment cost in the portfolio has been recovered by gross collections less write-offs and impairments. The Company began collecting on our own portfolios in 2005. Currently our accounting procedure is to reduce the carrying inventory asset value by the gross amount collected before fees and other collection costs are subtracted. Once the portfolio is fully amortized we report revenue. We will continue to obtain and use appropriate input data including monthly collection data and liquidation rates to evaluate our performance and project future cash flows from our portfolios of receivables.

In the event cash collections are inadequate to amortize the carrying balance and the resulting estimated remaining fair market value of the remaining portfolio debt receivables were to be less than the carrying value, an impairment charge would need to be taken with a corresponding write off of the "impaired" or deficient receivable carrying value with a corresponding charge to profit and loss of the Company at that time.

Gains on sale of debt receivables, representing the difference between sales price and the unamortized value of the debt receivables, are recognized when debt receivables are sold.

Changes in company owned portfolio debt receivables for the quarter ended March 31, 2012:

Balance at beginning of period, December 31, 2011	$71,402
Acquisition of debt receivables	0
Sale of debt receivables	0
Cash collections applied to principal	(3,567)

Balance at the end of the period, March 31, 2012	$67,835
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For our company owned portfolios revenue will be recognized based on FASB ASC 310. Since expected cash flows cannot be reasonably estimated, the Company will continue to use the "Recovery Method" under which revenues are only recognized after the initial cost of the investment has been recovered.

The cost recovery revenue recognized no income on debt receivables in the quarter ended March 31, 2012 and recorded other service fees income of $10,965. Also we had income from our third party collections operations of $11,294 for a total income of $22,259. This compares to a total income for the three months ended March 31, 2012 of $70,828 which includes $191 in income above the cost recovery method referred to as finance income, other service fee income of $11,958 and $47,679 from third party collections fees.

Basis of Presentation:

These financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America.

Management's Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Actual results may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Recent Accounting Pronouncements:

The Company s management has evaluated all recently issued accounting pronouncements through the filing date of these financial statements and has determined that these pronouncements will have no material impact on the financial statements of ISA Internationale, Inc.

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Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

Note 2 LIQUIDITY AND GOING CONCERN MATTERS

The Company has incurred losses since its inception and, as a result, has an accumulated deficit of $11,188,488 at March 31, 2012. The net loss for the three month period ended March 31, 2012 from operating activities was $73,461 compared to a net loss of $61,464 for the same period last year. The Company received loans and cash advances totaling $67,016 from a related party during the period ended March 31, 2012. These loans and cash advances have been recorded as a convertible note payable to the related party and not treated as additional contributed capital to the Company s paid in capital as had been done at December 31, 2011 for similar loans and advances in the amount of $31,742.

During the same period in 2011, the Company issued $49,029 in Convertible Preferred Stock to convert loans payable to the related party to finance continuing operations for the three month period.

As of March 31, 2012, the Company also had a principal balance due of $91,908 in Notes payable to finance portfolio purchases to related parties and $10,835 in a bank note payable related to an automobile purchase in January 2010.

The Company's ability to continue as a going concern depends upon successfully restructuring its debt, obtaining sufficient financing to maintain adequate liquidity and provide for capital expansion until such time as operations produce positive cash flow. The Company has been in reorganization and at the present time is continuing to establish itself in the debt collection business within the financial services industry. However, there can be no assurance these actions will be successful.

The accompanying consolidated financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and liabilities in the ordinary course of business. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the company cannot continue in existence.

Note 3 STOCKHOLDER S EQUITY:

Preferred Stock

As of March 31, 2012, there were 1,781,000 total preferred shares outstanding. As of that date, the total convertible preferred shares would convert into an additional 17,810,000 common stock shares.

As of March 31, 2012 and September 30, 2011, the Company s subsidiary, ISA Acceptance, has issued to a related party 22,400 shares of $25 par value 12% dividend non-convertible preferred shares, payable when declared. As of March 31, 2012, there were no dividends due the holder of these preferred shares as no dividends have been declared through March 31, 2012.

Common Stock

As of March 31, 2012, 23,999,612 shares of common stock were issued and outstanding. No additional shares were issued during the three months ended March 31, 2012. The notes payable related party of $67,016 outstanding as of March 31, 2012 (see further reference in note 4.b below)and any accrued interest payable due on these notes are convertible at the option of the related party into common stock shares of the Company. As of March 31, 2012, an additional 670,016 of common stock shares would be issuable by the Company.

Note 4 CONVERTIBLE DEBENTURES

The Company has reported a $50,000 convertible debenture and the related interest due thereon in the amount of $27,116 as of March 31, 2012. The interest rate on the remaining balance of $50,000 is 6% per annum. Currently the debenture is in default and is convertible into 25,270 common shares at the rate of $3.00 per share at the option of the holder.

Note 5 RELATED PARTY TRANSACTIONS

(5.A) NOTES PAYABLE - RELATED PARTY

Bernard L. Brodkorb, President of ISAT, has a Loan Agreement with ISAF issued on January 25, 2010 in the amount of $25,008 used to finance a portfolio purchase. The loan accrues interest at the rate of 11% per annum. No interest or principal payments have been paid toward the loan and the balance outstanding at March 31, 2012 is $31,704.

C. J. Newman, Vice President of Doubletree Capital Partners, Inc., has two loan agreements with ISAF issued on June 25, 2010 and August 3, 2010. Both loans are for $25,000 for a total of $50,000. The loans accrue interest at the rate of 11% per annum. No interest or principal payments have been paid toward the loan. The balance outstanding at March 31, 2012 is $60,204.

All of the above loans are distributed on the balance sheet as current liabilities for a total amount of $91,908.

As of April 1, 2011, the Company has suspended the issuance of future dividends on the 1,781,000 convertible 12% Series A Preferred Stock shares that are outstanding.

(5.B) CONVERTIBLE NOTES PAYABLE - RELATED PARTY

During the quarter ended March 31, 2012, the Company received $59,516 in cash loans and advances from a related party. These advances and loans and a $7,500 management fee payable to Doubletree Capital Partners, Inc., recorded as notes payable related party for a total of $67,016, are secured by a blanket collateral pledge of all of the Company s assets and bear interest at the rate of 12% per annum commencing March 31, 2012 and forward until paid in full. The convertible notes payable are due and payable on demand and convertible at the option of the related party into 670,160 common shares at the rate of $.10 per share as of March 31, 2012.

(5.C) ADDITIONAL PAID IN CAPITAL - RELATED PARTY

During the quarter ended December 31, 2011, the Company received $31,742 in cash and services rendered from a related party that have been treated as contributions made to capital. Doubletree Capital Partners contributed $26,742 in cash while Doubletree Capital Partners, Inc. provided management services valued at $5,000 for which payment was forgone to provide for the capital contribution.

Note 6 OTHER LIABILITIES

The Company has a total outstanding balance of $18,035 in Credit Lines Payable for its available bank credit lines of $20,000 as of March 31, 2012. The interest rate is 12% per annum, the lines are unsecured, payable on demand, and guaranteed by the Company s President.

The Company has a loan outstanding in the amount of $10,835 as of March 31, 2012 ($3,648 current and $7,187 Long Term). The interest rate is 5.11%. The note is personally guaranteed by an officer of the Corporation and the Company s automobile is pledged as collateral to the loan.

Note 7 SUBSEQUENT EVENTS

The management of the Company has evaluated all of the subsequent events through the date of this report and has determined the only matter that needs reporting is that defaulted debenture note payable statute of limitation expires on April 1, 2012 and the Company will after March 31, 2012 remove from its balance sheet the $50,000 debenture note payable and the related accrued interest payable in the amount of $27,116. Legal counsel for the Company determined over three years ago that the Company could remove the debt from its books due to statute of limitation expirations on the debt. The Company has waited an additional three years and now accordingly will remove the debt from its books.

The management of the Company has evaluated all other subsequent events through the date of this report and has determined there are no other matters that need reporting within this 10Q as of March 31, 2012.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Forward Looking Statements

The information herein contains certain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Investors are cautioned that all forward looking statements involve risks and uncertainties, including, without limitation, the ability of the Company to continue its present business strategy which will require it to obtain significant additional working capital, changes in costs of doing business, identifying and establishing a means of generating revenues at appropriate margins to achieve profitability, changes in governmental regulations and labor and employee benefits and costs, and general economic and market conditions. Such risks and uncertainties may cause the Company's actual results, levels of activity, performance or achievement to be materially different from those future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

Although the Company believes that the assumptions and expectations reflected in these forward looking statements are reasonable, any of the assumptions and expectations could prove inaccurate or not be achieved, and accordingly there can be no assurance the forward looking statements included in this Form 10-Q will prove to be accurate. In view of the significant uncertainties inherent in these forward-looking statements, their inclusion herein should not be regarded as any representation by the Company or any other person that the objectives, plans, and projected business results of the Company will be achieved. Generally, such forward looking statements can be identified by terminology such as "may," "could," "anticipate," "expect," "will," "believes," "intends," "estimates," "plans," or other comparable terminology.

Company History and Overview

ISA Internationale, Inc. ("ISAI") was incorporated in Delaware in 1989 under a former name, and was inactive operationally for some time prior to its May 1998 recapitalization through an acquisition with ShoptropolisTV.com, Inc. (f/k/a Internationale Shopping Alliance Inc.), which was a wholly owned subsidiary of ISAI. Shoptropolis was engaged in the development of a multimedia home shopping network generating direct retail sales of varied products from TV viewers and internet shoppers. This subsidiary was acquired when the former shareholders of this subsidiary acquired 89% of the outstanding common stock of ISAI through a stock exchange. ISAI issued 11,772,600 shares of its common stock in exchange for all of the outstanding common stock of ShoptropolisTV.com, Inc.

This merger was effected as a reverse merger for financial statement and operational purposes. Accordingly, ISA regards its inception as being the incorporation of ShoptropolisTV.com, Inc. on October 7, 1997. ISAI sold

ShoptropolisTV.com, Inc. on March 29, 2001. In January 1999, the Company redeemed and cancelled 1,650,000 shares held by three of the founding shareholders. No consideration was paid to the founding shareholders for the redemption.

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Between December 2000 and through May 2005, the Company was operationally dormant and was actively reorganizing its financial affairs and actively seeking merger or acquisition candidates offering growth and profit potential for its shareholders.

On May 11, 2005, the Company, through its wholly owned subsidiary, ISA Financial Services, Inc. (formerly named ISA Acquisition Corporation), purchased $36,097,726 of portfolio debt receivables and commenced operations in the troubled debt collection business. Upon a detailed examination of the individual debts and accounts purchased, the Company determined that it should receive replacement debt receivables from the Seller companies due to substitutions and replacement debt considered to be non-collectible, as determined by the Company prior to September 30, 2005. Accordingly, the Company was given and did receive additional consumer debt receivables considered to be replacement debt in the additional net amount of $15,183,922 bringing the total consumer debt receivable purchase to $51,281,000 as of September 30, 2005.

The substituted debts, as revised, amount to a larger face value of debt purchased but have the same computed fair market value due to different categories of debts received as well as different ages of the debts. For the most part, the new and revised group of debts received in accordance with the original purchase agreement is now considered to be older in age and of slightly less individual value. The Company, through its third party collection agent, has evaluated this overall debt purchase for its current fair market value, future collectability and estimated net realizable value in comparison to the original purchase price paid in the amount of $1,094,900 with the issuance of 1,250,000 of the Company's restricted common shares of stock.

In 2009 and 2010, the Company, through its subsidiary companies, further developed its in-house capabilities to collect debt portfolios in addition to using a network of Attorneys and third party collection agents. Our staff includes a Corporate Officer who supervises our collections operations, a Staff Accountant, an Office Administrative Assistant and six collectors in collection operations.

Currently, the Company considers itself to be operational but still in a period of financial and structural reorganization. After successful completion of its reorganization efforts, ISAI plans to pursue strategic alternatives that may include the purchase of a business or acquisition by another entity.

Results of Operations for the three months ended March 31, 2012 and 2011.

Sales and Gross Profit

The Company recorded $11,294 in Third Party collection fee revenue, $10,965 in service fee income and $0 in portfolio collection of our own inventory of debt receivables using the cost recovery method of revenue recognition income for the three months ended March 31, 2012. The Company, in addition to its in-house staff, uses third party collection companies and outside legal firms to assist in the collection efforts on the purchased debt receivables. Collection receipts applied to principal from the debt portfolios in the amount of $3,567 were collected in the three months ended March 31, 2012. Funds applied to principal received over the inventory cost are booked as revenue. The Company believes the net cash flows received from collections on the current inventory of debt receivables will not be sufficient to sustain Company operations in the future. Efforts are being expended to purchase additional debt portfolio receivables for future additional revenues.

The Company recorded $47,679 in Third Party collection fee revenue, $22,958 in service fee income and $191 in portfolio collection of our own inventory of debt receivables using the cost recovery method of revenue recognition income for the three months ended March 31, 2011. The Company, in addition to its in-house staff, used third party collection companies and outside legal firms to assist in the collection efforts on the purchased debt receivables. Collection receipts applied to principal from the debt portfolios in the amount of $45,031 were collected in the three months ended March 31, 2011. Funds applied to principal received over the inventory cost are booked as revenue. The Company believes the net cash flows received from collections on the current inventory of debt receivables will not be sufficient to sustain Company operations in the future. Efforts are being expended to purchase additional debt portfolio receivables for future additional revenues.

Operating Expenses

Operating expenses include collection costs and general and administrative expenses. Other expenses include interest expenses related to short term financing notes, convertible debenture notes and convertible notes payable. Direct collection costs incurred during the quarter were $16,930 compared to $71,447 for the three months ended March 31, 2011. General and administrative expenses were $74,305 for the three months ended March 31, 2012 compared to $53,371 for three months ended March 31, 2011. The increase is primarily due to increased staffing costs to facilitate auditing and bookkeeping costs associated with the reporting requirements for the periods involved.

Interest expense for the three months ended March 31, 2012 totaled $4,486 compared to $7,475 for the three month period ended March 31, 2011.

Additional expenses are being incurred for office, telephone, consulting, and legal and professional expenses relating to the Company's efforts in the growth and development of its direct collection business operations.

Liquidity and Capital Resources

As of March 31, 2012, the Company had total assets of $92,136 consisting of $6,251 in cash, $280 in trade receivables, $17,770 in office equipment, furniture, and vehicles net of depreciation, $67,835 in finance contracts receivables net of collections. The fixed assets were written down for an impairment in the amount of $16,825 during the year ended September 30, 2011. An impairment write-down of $135,000 was also recorded against the carrying value of the finance debt receivables during the year ended September 30, 2011.

The Company also had $421,288 in current liabilities consisting of $163,565 in accounts payable and accrued expenses, bank credit lines payable totaled $18,035, $3,648 in notes payable other-current portion, $91,908 in notes payable to a related party current portion, $67,016 in 12% convertible notes payable secured related party, and $77,116 in one defaulted convertible debenture in the amount of $50,000 and $27,116 in unpaid interest due thereon. There is an additional $7,187 in long-term liabilities for Notes payable other long term portion. Total liabilities as of March 31, 2012 were $428,475 compared to $261,935 at March 31, 2011. The major increase in liabilities is the increase in unpaid legal expenses related to legal expenses incurred over two years ago by the Company. The Company had recorded the benefit of a $50,266 discount in a bill for legal services rendered to March 31, 2008 but to date has been unable to take advantage of an agreed discount that would be due to the Company upon its related payment. There was also a liability that Company recorded as of September 30, 2011 due to the termination of an indemnification agreement that had been received by the Company in 2004 by a related party in the amount of $50,000. These two liability increases and related interest due in the amount of $27,116 more than account for the increase in liabilities since March 31, 2011.

As of March 31, 2011, the Company had total assets of $357,706 consisting of $52,716 in cash, $963 in trade receivables, $4,500 in prepaid deposits, $46,592 in office equipment, furniture, and vehicles net of depreciation, $247,935 in finance contracts receivables net of collections, and $5,000 in long-term deposits. It had $202,266 in current liabilities consisting of $146,270 in accounts payable and accrued expenses, bank credit lines payable totaled $18,202, $3,462 in notes payable other-current portion, $33,542 in notes payable to a related party current portion, $790 in convertible notes payable related party. Total liabilities as of March 31, 2011 were $261,935 and included notes payable long term of $59,669.

The Company's current capital resources are not sufficient to supports its development and operations. Additional capital will be necessary to support future growth of the Company as well as general and administrative and interest expenditures. The Company will continue its complete reorganization of financial affairs and obligations as well as support its expanded operational in-house collection agency activities and future debt receivable purchases.

The Company is currently seeking additional sources of debt or equity financing to replace the financing agreement consummated in November 2000 with Doubletree Capital Partners, Inc. Until the reorganization process is fully completed and sources of capital needs are determined and defined, the Company cannot provide assurances as to its future viability or its ability to prevent the possibility of a bankruptcy filing petition either voluntary or involuntary by creditors of the Company.

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As a result of the Company's history of operating losses and its need for significant additional capital, the reports of the Company's independent auditors on the Company's Form 10-K submission for the year ended September

30, 2011, should be read including explanatory paragraphs concerning the Company's ability to continue as a going concern.

Income Tax Benefit

The Company has an income tax benefit from net operating losses, which is available to offset any future operating profits. This benefit has not been recorded in the accompanying financial statements because of the uncertainty of future profits. The ability to utilize the net operating losses may be limited due to ownership changes.

Impact of Inflation

The Company believes that inflation has not had any material effect on its development or operations since its inception in 1997. Furthermore, the Company has no way of knowing if inflation will have any material effect for the foreseeable future. The Company forecasts a more challenging economic environment for its operations in 2011 due to a recessionary economy that is slowly recovering but still has relatively high unemployment in the work force making it difficult for millions to meet their credit obligations.

Prior Business Ventures

With respect to the business strategy of developing and launching a multimedia home shopping network, ISAI had only a very limited operating history on which to base an evaluation of its business and prospects. The Board of Directors decided in December 2000 to sell the Shoptropolis subsidiary and cease development of the home shopping network. All efforts of the Company at the present time have been directed to a complete reorganization of all of its affairs. Therefore, the Company's prospects for new business ventures must be considered in light of the many risks, expenses and difficulties encountered frequently by companies in reorganization. Such major risks include, but are not limited to, an evolving business model and the overall effective management of future growth. To address the many startup risks and difficulties the Company has encountered, it must in the future have the ability to successfully execute any of its operational and marketing strategies that it may develop in any new business venture.

There would be no assurance the Company would be successful in addressing the many risks and difficulties it could encounter and the failure to do so would continue to have a material adverse effect on the Company's business, prospects, financial condition and results of any operations it pursues or tries to develop, pending successful reorganization of its financial affairs. There can be no assurance that ISAI can find and attract new capital for any new business ventures and if successful in finding sufficient capital, that it can successfully grow and manage the business or new business venture into a profitable and successful operation. No assurance can be given on any of these developments. The Company will continue to complete its financial reorganization, attempt to develop a successful business in the debt collection business and endeavor to find suitable candidates for merger or acquisition.

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History of Losses and Anticipated Further Losses

The Company has generated only limited revenues to date and has an accumulated deficit as of March 31, 2012 of $11,488,087. Further, the Company expects to continue to incur losses until it generates revenues at appropriate margins to achieve profitability. There can be no assurance the Company will ever generate revenues or that it will achieve profitability or that its future operations will prove commercially successful or that it will establish any means of generating revenues at appropriate margins to achieve profitability.

Need for Additional Financing

The Company's current capital resources are not sufficient to support the Company's anticipated day-to-day operations. As such, the Company must obtain significant additional new capital to support the Company's anticipated day-to-day operations and fully settle the debt incurred by ISAI during its past operations until it establishes a means of generating revenues at appropriate margins to achieve profitability. The Company currently has an agreement with Doubletree Capital Partners, Inc. (hereinafter referred to as the financial company or DCP) to loan the Company, at the financial company's sole discretion, funds to meet its day-to-day operational expense and settle certain debt incurred by ISAI. The financial company is owned by two individuals, one of which is ISAI's current President, CEO and Chairman of the Board of Directors.

The financial company has commenced its best efforts to help the Company resolve, consolidate, and reorganize the Company's present debt structure and contractual liabilities. There is no assurance the financial company will provide the Company any additional capital. Additional financing is contemplated by the Company, but such financing is not guaranteed and is contingent upon pending successful settlement of the Company's problems with various creditors. There is no assurance the Company will be able to obtain additional capital and the necessary additional financing will be available when needed by the Company on terms acceptable to the Company. If the Company is unable to obtain financing sufficient to meet its operating and development needs, the Company will be unable to develop and implement a new business strategy or continue its operations. As a result of the Company's history of operating losses and need for significant additional capital, the Form 10-K reports of the Company and notes to consolidated financial statements for the fiscal year ended September 30, 2011, includes an explanatory paragraph concerning the Company's ability to continue as a going concern.

Reliance on Key Personnel

The Company's future success will be dependent upon the ability to attract and retain executive officers, board members, and certain other key persons. The inability to attract such individuals or the loss of services of one or more of such persons would have a material adverse effect on ISAI's ability to implement its current plans or continue its operations. There can be no assurance the Company will be able to attract and retain qualified personnel as needed for its business.

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Control By Existing Management

Three principal shareholders, Doubletree Capital Partners, Inc. (DCP), Doubletree Liquidation Corporation and Bernard L. Brodkorb, beneficially own approximately 93.40%, respectively of the Company's outstanding common stock at March 31, 2012. DCP's and Mr. Brodkorb's beneficial ownership includes common stock that can be converted from preferred stock owned by the one principal shareholder as well as similar conversion of convertible loans and related interest due. Brodkorb is a 50% owner of DCP and his beneficial shares represented 100% of DCP's interest. DCP and Brodkorb accordingly have complete control of the business and future development, including the ability to manage all operations, establish all corporate policies, appoint future executive officers, determine management salaries and other compensation, and elect all members of the Board of Directors of ISAI.

Effects of Trading in the Over-the-Counter Market

The Company's common stock is traded in the over-the-counter market on the OTC Electronic Bulletin Board and its stock symbol is ISAT. Consequently, the liquidity of the Company's common stock may be impaired, not only in the number of shares that may be bought and sold, but also through delays in the timing of transactions, and coverage by security analysts and the news media may also be reduced. As a result, prices for shares of the Company's common stock may be lower than might otherwise prevail if the Company's common stock were traded on a national securities exchange or listed on the NASDAQ Stock Market. Further, the recent adoption of new eligibility standards and rules for broker dealers who make a market in shares listed on the OTC Electronic Bulletin Board may limit the number of brokers willing to make a market in the Company's common stock.

Limited Market for Securities

There is a limited trading market for the Company's common stock, which is not listed on any national stock exchange or the NASDAQ stock market. The Company's securities are subject to the "penny stock rules" adopted pursuant to Section 15(g) of the Securities Exchange Act of 1934, which applies to non-NASDAQ companies whose common stock trades at less than $5 per share or has tangible net worth of less than $2,000,000. These "penny stock rules" require, among other things, that brokers who sell covered "penny stock" to persons other than "established customers" complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances.

Many brokers have decided not to trade "penny stock" because of the requirements of the "penny stock rules" and, as a result, the numbers of broker-dealers willing to act as market makers in such securities are limited. There can be no assurance that an established trading market will develop, the current market will be maintained or a liquid market for the Company's common stock will be available in the future.

Liquidity and Going Concern Matters

The Company has incurred losses since its inception and, as a result, has an accumulated deficit of $11,188,488 at March 31, 2012. The net loss for the six month period ended March 31, 2012 was $127,658.

The Company currently owes $163,566 in accounts payable and accrued expenses, bank credit lines payable totaling $18,035, $3,648 in notes payable other-current portion, $91,908 in notes payable to a related party current portion,

$67,016 in 12% convertible notes payable secured related party and $77,116 in one defaulted convertible debenture in the amount of $50,000 and $27,116 in unpaid interest due thereon. Total liabilities as of December 31, 2011 were $428,475 compared to $261,953 at March 31, 2011.

The major increase in liabilities is the increase in unpaid legal expenses related to legal expenses incurred over two years ago by the Company. The Company had recorded the benefit of a $50,266 discount in a bill for legal services rendered to March 31, 2008 but to date has been unable to take advantage of an agreed discount that would be due to the Company upon its related payment. There was also a liability that the Company recorded as of September 30, 2011 due to the termination of an indemnification agreement that had been received by the Company in 2004 by a related party in the amount of $50,000. These two liability increases and related interest due in the amount of $27,116 more than account for the increase in liabilities since March 31, 2011.

The Company's ability to continue as a going concern depends upon successfully restructuring its debt, obtaining sufficient financing to maintain adequate liquidity and provide for capital expansion until such time as operations produce positive cash flow.

The accompanying financial statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and liabilities in the ordinary course of business. The financial statements do not include any adjustments that might result if the Company was forced to discontinue its operations. The Company's current plans are to complete its reorganization efforts and expand its direct collection operations. There can be no assurance these actions will be successful.

The Company is in default under the terms of its obligation to make quarterly interest payments on convertible 12% debentures issued between September 1999 and June 2000. These debentures now in default classified as current liabilities totaled $50,000 in principal and $27,116 in accrued interest. No cash interest or principal payments were ever made by the Company on the remaining debentures to the debenture holders.

ITEM 3. QUANTITATIVE AND QUALITIATIVE DISCLOSURES ABOUT MARKET RISK

This item is not required for smaller reporting companies.

ITEM 4T. CONTROLS AND PROCEDURES

4.1 Evaluation of Controls and Procedures

The management of ISA International Inc., under the direction, supervision, and participation of, our Chief Executive Officer and Chief Financial Officer and effected by management and other personnel, has conducted an evaluation as of the end of the period covered by this report, of the effectiveness of the design and operation of disclosure controls and procedures (as defined as defined in Rules 240.13a-15(e) and 240.15d-15(e) of the Securities Exchange Act of 1934).

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer has concluded that as of March 31, 2012, the Company's disclosure controls and procedures were effective.

(b) Management's Report on Internal Control Over Financial Reporting

The management of ISA Internationale Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the direction, supervision, and participation of, our Chief Executive Officer and Chief Financial Officer and effected by management and other personnel, our management and certifying officers conducted an evaluation as of the end of the period covered by this report, of the effectiveness of internal control over financial reporting based on the framework in Internal-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO-Framework).

Based on the results of this evaluation, our Chief Executive Officer and CFO concluded that as of March 31, 2012, our controls were effective.

Part II. OTHER INFORMATION

ITEM 1. Legal Proceedings

During the three months ending March 31, 2012, the Company was names as a defendant and sued in a new legal matter regarding its collection efforts and it is assumed to be in the ordinary course of its operational business to collect purchased finance contract receivables. The Company considers small lawsuits regarding collection matters to be part of the normal course of business. The Company engages outside attorneys to represent the Company in court actions to recover funds due to the Company and obtain judgments. Occasionally one of its subsidiaries is named as a plaintiff in a civil action regarding violation of the Fair Debt Collection Practices Act ("FDCPA"). The Company has reviewed pending litigation and determined that none would have a material impact on the financial condition of the Company and the results reported. The Company has strict policies and procedures in place designed to prevent any unlawful or unethical collection practices by its employees.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None during the quarter ended March 31, 2012.

ITEM 3. Defaults Upon Senior Securities

The defaults previously present on the Convertible Debentures as of March 31, 2012 continue as of March 31, 2012, after partial conversions into common stock of the Company. These defaults arose because the Company has missed payment of quarterly interest payments since June 2000. The remaining defaults consist of short-term convertible debt principal amounting to $50,000. The accrued interest liability due on these notes combined amounting to $27,116 as of March 31, 2012 is recorded as a current liability by the Company at March 31, 2012. (See note 7 in the notes to financial statements).

ITEM 4. Submission of Matters to a Vote of Security Holders

None during the quarter ended March 31, 2012.

ITEM 5. Other Information

None during the quarter ended March 31, 2012.

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

EX-31.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

EX-32.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Form 8-K reports filed during quarter:

No reports were filed during the quarter covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated, thereunto duly authorized.

ISA INTERNATIONALE INC.

/s/ Bernard L. Brodkorb

By: Bernard L. Brodkorb

President, Chief Executive Officer, and Chief Financial Officer

Date: May 17, 2012