

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
September 30, 2011
Unaudited

ASSETS

CURRENT ASSETS:

Cash	\$ 9,906
Accounts receivable (net of allowance of \$0)	125,866
Inventories	500
TOTAL CURRENT ASSETS	<u>136,272</u>

EQUIPMENT, net	3,960
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OTHER ASSETS:

Long term receivables	39,627
Deferred finance costs	46,875
Deposits	(403)
TOTAL OTHER ASSETS	<u>86,099</u>
	<u>\$ 226,331</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Accounts payable and accrued expenses	5,127,159
Payroll tax liability	2,111,372
Convertible debentures due in one year, net of unamortized discount of \$0	1,950,541
Notes payable	1,131,122
Notes payable - officers	35,308
Derivative instrument liability	821,670
TOTAL CURRENT LIABILITIES	<u>11,177,172</u>

STOCKHOLDERS' DEFICIT:

Preferred "A" stock, \$.0001 par value; authorized shares - 2,100,000 shares; 2,100,000 issued and outstanding	210
Preferred "B" stock, \$.0001 par value; authorized shares - 25,000,000 shares; 728,000 issued and outstanding	73
Preferred "C" stock, \$.0001 par value; authorized shares - 20,000,000 shares; 0 issued and outstanding	-
Common stock, \$.0001 par value; authorized shares - 10,000,000,000 shares; 4,329,055,308 shares issued and outstanding	349,183
Common stock to be issued	39,600
Preferred stock to be issued	1,397,225
Additional paid-in capital	861,670,114
Accumulated deficit	(874,407,246)
TOTAL STOCKHOLDERS' DEFICIT	<u>(10,950,841)</u>
	<u>\$ 226,331</u>

See notes to unaudited consolidated financial statements

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited

	Nine Months Ended September 30,	
	2011	2010
REVENUES:		
Transaction service fees	\$ 2,847	\$ 57,594
Equipment sales and installation	2,595	660
Managed services	50,772	55,356
TOTAL REVENUE	56,214	113,610
COST OF SERVICES:		
Telecommunication costs	21,643	33,232
Managed services	47,769	60,712
TOTAL COST OF SERVICES	69,412	93,944
GROSS MARGIN (LOSS)	(13,198)	19,666
OPERATING EXPENSES:		
Selling, general and administrative	(639,906)	2,001,089,599
Loss (Gain) on extinguishment of debt	-	354,254
TOTAL OPERATING EXPENSES	(639,906)	2,001,443,853
OPERATING INCOME (LOSS)	626,708	(2,001,424,187)
INTEREST EXPENSE	(352,865)	(568,989)
MARK TO MARKET - DERIVATIVE LIABILITY	(2,778)	(1,111)
NET PROFIT (LOSS)	\$ 271,066	\$ (2,001,994,287)
BASIC AND DILUTED - LOSS PER SHARE	\$ 0.00	\$ (0.63)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic and Diluted	3,763,499,752	3,197,740,703

See notes to unaudited consolidated financial statements

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	<u>For the Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit (loss)	\$ 271,066	\$ (2,001,994,287)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock issued for compensation	(837,500)	2,000,851,000
Changes in assets and liabilities:		
Accounts receivable	(4,358)	5,733
Deposits	403	-
Payroll taxes	(7,500)	37,479
Accounts payable and accrued expenses	481,504	1,004,014
Net cash used in operating activities	<u>(96,386)</u>	<u>(96,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of warrants	-	32,868
Proceeds of notes payable	2,500	-
Payments of notes payable	-	(15,643)
Proceeds of private placement	78,500	149,000
Proceeds from notes payable officers	9,383	4,975
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>90,383</u>	<u>171,200</u>
INCREASE (DECREASE) IN CASH	(6,003)	75,138
CASH - BEGINNING OF PERIOD	<u>15,909</u>	<u>23,678</u>
CASH - END OF PERIOD	<u>\$ 9,906</u>	<u>\$ 98,816</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 3,000</u>	<u>\$ 4,000</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Conversion of debentures and interest into stock	<u>\$ 25,000</u>	<u>\$ 726,615</u>

See notes to unaudited consolidated financial statements

ICOA, INC. AND SUBSIDIARIES
Notes to the Unaudited Financial Statements
For the nine months ended September 30, 2011 and 2010

1. Nature of Operations

ICOA, Inc. ("ICOA" or the "Company"), formerly known as Quintonix, Inc., was organized in Nevada in September 1983 to develop and sell credit card-operated fax machines. The Company discontinued such operations in 1993 and remained inactive through 1998.

In March 1999, the Company organized WebCenter Technologies, Inc. ("WTI"), a wholly owned subsidiary, for the purpose of developing a multi-functional public access Internet terminal.

In October 2003, the Company acquired the operating assets of QGo, LLC, a provider of Wi-Fi equipment and management services to hot spot operators. The assets were assigned to the WebCenter Technologies, Inc. subsidiary.

In December 2003, the Company acquired the outstanding shares of Airport Network Solutions, Inc., a privately held corporation, that designed and managed Wi-Fi solutions for the airport industry. It was operated as a wholly-owned subsidiary.

In June 2004, the Company acquired the operating assets of iDockUSA a provider of Wi-Fi services in marinas. The assets were assigned to the WebCenter Technologies, Inc. subsidiary.

In August 2004, the Company acquired the outstanding shares of AuthDirect, Inc., a privately held corporation, incorporated in California, which provides back office, network operating center and customer care center services for the Company's operating divisions and subsidiaries as well as for a wide variety of unaffiliated wireless service providers across the country.

In May 2005, the Company acquired the outstanding shares of Wise Technologies Inc, a privately held corporation, incorporated in Maryland, which designs and manages Wi-Fi solutions in various markets. It was operated as a wholly owned subsidiary.

In July 2005, the Company acquired the outstanding shares of LinkSpot Inc., a privately held corporation, incorporated in Virginia, which designs and manages Wi-Fi solutions in RV parks through-out the United States. It was operated as a wholly owned subsidiary.

2. Basis of Presentation

These interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles for financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for any interim period or an entire year. The Company applies the same accounting policies and methods in its interim financial statements as those in the most recent annual financial statements. The financial statements and notes included herein should be read in conjunction with the annual financial statements and notes for the year ended December 31, 2010 included in the Company's filing dated October 31, 2011.

3. Summary Of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes demand deposits, saving accounts and money market accounts. The Company considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.

Impairment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets or asset groups to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, the Company would assess the recoverability of an asset group by determining if the carrying value of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates that the carrying value of the asset group is not recoverable, the Company will estimate the fair value of the asset group using appropriate valuation methodologies which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset groups carrying amount and its estimated fair value.

Estimates

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

Accounts receivable and concentration of credit risk

Concentration of credit risk with respect to trade receivables is limited to customers dispersed across the United States of America. While trade receivables are concentrated in the quick service restaurant segment of the economy, the Company has begun to diversify its sales and has developed additional markets such as marinas, RV Parks, and Hotels for its services; accordingly the Company has reduced its exposure to business and economic risk. Although the Company does not currently foresee a concentrated credit risk associated with these trade receivables, repayment is dependent upon the financial stability of the various customers.

Allowance for doubtful accounts

The allowance for doubtful accounts is based on the Company's assessment of the collectability of customer accounts and the aging of the accounts receivable. The Company regularly reviews the adequacy of the Company's allowance for doubtful accounts through identification of specific receivables where it is expected that payments will not be received. The Company also establishes an unallocated reserve that is applied to all amounts that are not specifically identified. In determining specific receivables where collections may not have been received, the Company reviews past due

receivables and gives consideration to prior collection history and changes in the customer's overall business condition. The allowance for doubtful accounts reflects the Company's best estimate as of the reporting dates.

At December 31, 2010, the Company created an allowance for bad debts in the amount of \$0.

Income Taxes

Income taxes are provided for using the liability method of accounting. A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax loss and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides an allowance against deferred tax assets for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not.

Effective December 1, 2007, the Company adopted ASC 740 which requires that the Company recognize in the financial statements, the impact of a tax position if that position is more likely than not of being sustained on examination by taxation authorities, based on the technical merits of the position.

Financial Instruments

The Company adopted FASB ASC 820-Fair Value Measurements and Disclosures, for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements establishes a framework for measuring fair value and expands disclosure about such fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

As required by FASB ASC Topic No. 820 – 10 (formerly SFAS 157), financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. The estimated fair value of the derivative liability was calculated using the Black-Scholes option pricing model.

The following table sets forth, by level within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2011:

Description	Fair Value Measurements at September 30, 2011			Total Carrying Value
	(Level 1)	(Level 2)	(Level 3)	
	\$ -	\$ -	\$ 821,670	\$ 821,670
Derivative liability - Total	\$ -	\$ -	\$ 821,670	\$ 821,670

The Company did not have any Level 2 or Level 3 assets or liabilities as of September 30, 2011 and 2010, with the exception of its notes payable. The carrying amount of the notes payable at September 30, 2011 and 2010, approximate their respective fair value based on the Company's incremental borrowing rate.

Cash and cash equivalents include money market securities that are considered to be highly liquid and easily tradable as of September 30, 2011 and 2010, respectively. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

In addition, FASB ASC 825-10-25 Fair Value Option was effective at the time of adoption. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value options for any of its qualifying financial instruments.

Basic and Diluted Loss Per Share

Basic and diluted loss per share is based on the weighted average number of shares outstanding. Potential common shares includable in the computation of fully diluted per share results are not presented in the financial statements as their effect would be anti-dilutive.

Recently Adopted Accounting Pronouncements

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends ASC 820 to require a number of additional disclosures regarding (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company does not expect that the adoption of ASU 2010-06 will have a material impact on the Company's financial statements.

On March 5, 2010, the FASB issued authoritative guidance to clarify the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Specifically, only one form of embedded credit derivative qualifies for the exemption – one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. This guidance also has transition provisions, which permit entities to make a special one-time election to apply the fair value option to any investment in a beneficial interest in securitized financial assets, regardless of whether such investments

contain embedded derivative features. This guidance is effective on the first day of the first fiscal quarter beginning after June 15, 2010. Early adoption is permitted at the beginning of any fiscal quarter beginning after March 5, 2010. This amendment is not expected to have a material impact on the Company's financial statements

Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to our financial statements.

Inventories

Inventories consist of equipment held for resale or staged for future installation. Inventories are valued at the lower of cost or market based on specific identification. Obsolete inventory is written off and disposed of on a periodic basis.

Equipment

Equipment is recorded at cost. Depreciation is provided by the straight - line method over the estimated useful lives of the related assets, which is estimated to be from three to seven years.

Stock Based Compensation

Financial Accounting Statement No. 123R, Accounting for Stock Based Compensation, encourages, but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. The Company has adopted the "disclosure only" alternative described in SFAS 123 and SFAS 148, which require pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied.

Revenue Recognition

The Company recognizes revenue on arrangements in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" and 104 "Revenue Recognition," and Emerging Issues Task Force Issue 00-21, "Revenue Arrangements with Multiple Deliverables." In all cases, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectability of the resulting receivable is reasonably assured.

Revenue generated for Internet access via Wi-Fi or Internet terminals (transaction service fees) is recognized at the time the service is used. Costs associated with providing the services are expensed as incurred.

Revenue generated from the sale and configuration of Wi-Fi equipment is recognized at time of shipment FOB to the customer. Costs associated with the equipment sold are expensed at the time of shipment. Configuration and setup labor is expensed as incurred.

Revenue generated from managed services (both help desk and network management) is recognized at the time of billing. Services are billed at the beginning of each month's activity.

Revenue from technology licensing is recognized on receipt. These licenses do not carry any long term obligations on the part of the Company

4. Capital Stock

a) Authorized

Authorized capital stock consists of:

2,100,000 preferred A shares with a par value of \$0.0001 per share; and

25,000,000 preferred B shares with a par value of \$0.0001 per share; and

20,000,000 preferred C shares with a par value of \$0.0001 per share; and

10,000,000,000 common shares with a par value of \$0.0001 per share

In April 2011, the Company did a reverse stock split issuing 1 share for every 5,000 issued and outstanding.

b) Share Issuances

In January 2011, the Company issued 277,777,777 common shares in connection with the conversion of \$5,000 of convertible debentures and \$20,000 of accrued interest. The conversion was at an average price of \$0.00009 per share.

In April 2011, the Company cancelled 600,000,000 common shares previously issued to the Company's CEO, President, and a director. The shares were issued at a price of \$0.50 per share which was the market price of the stock on the date of issuance. The issuance was subject to an absolute recall provision by the Company.

In April 2011, the Company cancelled 600,000,000 common shares previously issued to the Company's CFO, and a director. The shares were issued at a price of \$0.50 per share which was the market price of the stock on the date of issuance. The issuance was subject to an absolute recall provision by the Company.

In April 2011, the Company cancelled 475,000,000 common shares previously issued to a Director of the Company. The shares were issued at a price of \$0.50 per share which was the market price of the stock on the date of issuance. The issuance was subject to an absolute recall provision by the Company.

In May 2011, the Company raised \$24,000 through the issuance 220,000,000 shares at a price of \$0.0001091 through a Reg D, 504 offering.

In June 2011, the Company raised \$22,000 through the issuance 340,000,000 shares at a price of \$0.0000647 through a Reg D, 504 offering.

In October 2011, the Company raised \$19,000 through the issuance 380,000,000 shares at a price of \$0.00005 through a Reg D, 504 offering.

5. Subsequent Events

None