UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)
☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2019

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 000-22405

Information Analysis Incorporated

(Exact name of registrant as specified in its charter)

Virginia	**54-1167364**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

11240 Waples Mill Road
Suite 201
Fairfax, Virginia 22030
(Address of principal executive offices)

(703) 383-3000
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $0.01 per share
(Title of class)

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☑
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the 7,126,368 shares of common stock held by non-affiliates of the registrant based on the closing price of the registrant's common stock on June 30, 2019, was approximately $1,425,274. For purposes of this computation, all officers, directors and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors or 10% beneficial owners are, in fact, affiliates of the registrant.

As of March 29, 2020, there were 11,211,760 outstanding shares of the registrant's common stock.

Documents Incorporated by Reference

None.

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Cautionary Statement Regarding Forward-Looking Statements

This Form 10-K contains forward-looking statements regarding our business, customer prospects, or other factors that may affect future earnings or financial results that are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties which could cause actual results to vary materially from those expressed in the forward-looking statements. Investors should read and understand the risk factors detailed here in our Form 10-K and in other filings with the Securities and Exchange Commission ("SEC"). These risks include, among others, the following:

- changes in the way the U.S. federal government contracts with businesses and changes in its budgetary priorities;
- terms specific to U.S. federal government contracts;
- our failure to keep pace with a changing technological environment;
- intense competition from other companies;
- inaccuracy in our estimates of the cost of services and the timeline for completion of contracts;
- non-performance by our subcontractors and suppliers; and
- fluctuations in our results of operations and its impact on our stock price.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expect," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "intends," "potential" and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail under the heading "Risk Factors" in Item 1A. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as required by law, we assume no obligation to update any forward-looking statements after the date of this report.

PART I

Item 1. Business

Overview of Market

Founded in 1979, Information Analysis Incorporated, which we sometimes refer to as the Company or IAI, is in the business of developing and maintaining information technology (IT) systems, modernizing client information systems, and performing professional services to government and commercial organizations. Since its inception, we have performed software development and conversion projects for over 100 commercial and government customers including, but not limited to the Department of Agriculture, Department of Defense, Department of Education, Department of Energy, Department of Homeland Security, Department of the Treasury, U.S. Small Business Administration, U.S. Army, U.S. Air Force, Department of Veterans Affairs, Citibank, and General Dynamics Information Technology (formerly Computer Sciences Corporation, CSRA). At present, we primarily apply our technology, services and experience to developing web-based and mobile device solutions (including electronic forms conversions) for various agencies of the federal government, data analytics, and legacy software migration and modernization.

Digital Solutions Marketplace

The web, digital content, and cloud solutions market continues to be one of the fastest growing segments of the information technology professional services business as small and large companies, and government agencies (state and federal) expand their presence via cloud implementations and on the Internet. The range of products and services involved in this sector is extensive and therefore, require some specialization for a small company such as IAI to make an impact. Most small web companies are involved in building websites and typically have many short duration projects. More complex web applications generally require knowledge of customers' back-end systems based on mainframe or mid-level computers. Few small companies have the expertise to develop these more sophisticated web applications. We distinguish ourselves among smaller companies by having such expertise, typically associated with larger companies, both internally and through strategic business relationships with leading-edge software firms, such as Adobe Systems.

Given executive level directives to improve outreach to its stakeholders, federal and state government agencies are now empowered to find means of facilitating dissemination of information quickly and efficiently. Government requirements are unique in that most government processes are based on forms. Many government agencies rely on thousands of internal and external forms to conduct their business. Any company that wishes to develop governmental web applications must competently address the forms issue. Adobe electronic forms related products resold and supported by IAI as a solutions partner are the predominant forms software in the federal government.

Over the last few years there has been a pronounced emphasis within the U.S. federal government to employ more form data entry and citizen communication using mobile devices such as iPhones, iPads, and mobile devices employing the Android operating system. Working with Adobe's latest version of Adobe Experience Manager (AEM), we have been able to build applications for several federal clients employing mobile devices, as well as converting paper-based forms into "dynamic" or "adaptive" forms.

Legacy Migration and Modernization

The migration and modernization market is complex and diverse as to the multiple requirements clients possess to upgrade their older systems. Many large legacy systems remain in use because of the enormous cost to re-engineer these systems. Currently, the options available to modernize these systems are many and include introduction of new hardware systems, employing advanced software languages, and utilization of the Internet or Intranet to achieve desired efficiencies. All of these options are typically very expensive and time consuming because they require starting all over in defining requirements, designing structures, programming, and testing.

Opportunities for our modernization expertise continue to exist as government agencies and private companies are being driven for various reasons, including increased funding by federal and state legislatures, to address the upgrading of their legacy systems. One reason is the difficulty of finding and retaining staff with outdated technical skills, many of which are possessed only by senior programmers nearing retirement. Hardware platforms such as Unisys are reaching the horizon of their usefulness, and consequently, older programming and data base languages are generally poorly supported by their providers. Additionally, maintenance costs are materially increasing as vendors squeeze the most out of clients before the life-cycles of hardware and software expire. In addition, the Internet has added a new level of pressure to compete in the electronic marketplace with sector rivals. We expect that the foreseeable future should see an upsurge of movement and change as organizations revamp their older legacy systems.

A segment of mainframe users is interested in simply updating their legacy systems without drastic rewritings to these systems in newer languages or adapting expensive enterprise products (such as SAP or Oracle) to their needs. These potential customers are looking for automated tools that can quickly and cost-effectively move applications onto cheaper computer platforms without the risk of failure. IAI, in conjunction with strategic partners, such as Micro Focus and Software Mining, offers its own conversion tool set and those of its partners in addressing this need and positioning us to uniquely deliver successful results. It is difficult to determine the exact size of this segment, but even a minor share of this market would represent significant prospective customers with meaningful opportunities. In December 2016, we were notified that IAI was one of a number of subcontractors that were part of a prime contractor's team that was awarded a contract with the Small Business Administration's (SBA) 504 loan program. Under the contract, IAI personnel provide analysis and modernization activities to the SBA program platform. IAI personnel worked extensively in calendar year 2017 on their assigned tasks and were significant team contributors to a successful implementation of the modernized application in the first quarter 2018. As a side benefit on this project, IAI recruited a team of exceptional programmers versed in Adobe Cold Fusion technology, which was used extensively on the SBA 504 loan program. This added capability adds to our unique set of capabilities and differentiates us from other modernization companies.

Because of IAI's unique modernization capabilities, IAI has been approached by various companies, some very large, to collaborate on modernization opportunities that are suddenly imminent for a number of federal agencies.

Description of Business and Strategy

With the advent of mobile and digital technology applications becoming widespread in everyday life, coupled with government agencies seeking better ways to improve outreach to its stakeholders, we intend to capitalize on our proven expertise in this arena and capture new business opportunities that are likely to arise in the foreseeable future. This includes the conversion of paper-based forms into digitally compatible “dynamic” and “adaptive” forms, as well as developing mobile and Internet based applications that replace cumbersome paper handling processes currently in use by diverse organizations.

We are using the experience we have acquired as an Adobe solutions partner and reseller to help secure engagements for web-based applications requiring forms. The Adobe Experience Manager products have evolved over the years into robust tools that can form the backbone of applications, especially those requiring forms and web content management. We have used this expertise to penetrate a number of federal government clients such as the Internal Revenue Service and Veterans Affairs and build sophisticated web applications at the Department of Homeland Security. One such application, a parking and transit subsidy tool, was cited for award recognition by the American Council for Technology – Industry Advisory Council (ACT-IAC) and Federal Computer Week’s Fed 100 Awards. Our knowledge of legacy system languages has been instrumental in connecting these web applications to legacy databases residing on mainframe computers. Our Company has built a core group of professionals that can continue to build this practice over the coming years. In addition, IAI, operating as a prime contractor, has teamed with Adobe Systems to provide AEM Assets govCloud services to DoD’s Defense Security Services and AEM related application consulting to the Defense Finance and Accounting Services.

Concentrating on the niche of electronic forms-related web applications (including securing digital content and documents) through our solutions partner relationship with Adobe AEM products, we have developed a cadre of professionals that can quickly and efficiently develop web applications. We will focus on federal government clients during 2020 and beyond and leverage the Company’s reputation with existing federal customers to penetrate other agencies. We will be able to reference successful projects completed or in development for various components of the Department of Homeland Security, Department of Defense, Department of Veterans Affairs, Federal Mediation and Conciliation Service, Department of Agriculture, Department of Education, General Services Administration, U.S. Army Reserve, and U.S. Air Force Logistics Command.

As a recent example of our capability, IAI was contracted by the US Citizenship and Immigration Services agency (USCIS) to provide technical and design support to complete development of an enhanced Form I-9 (Employment Eligibility Verification) that incorporates drop-down menus, helper text and hover text that embed the instructions into the form, field logic, error messages and form validation into a fillable PDF format. IAI’s successful programming of the enhanced form per our client’s requirements led to the form’s release by the government to the general public as USCIS’s official form for that designated purpose.

In an effort to increase IAI’s profile and visibility in the expanding digital technology marketplace, IAI personnel have actively participated in industry programs such as the Adobe Digital Government Assembly and the Department of Homeland Security’s Government Forms Forum, which bring together senior government officials, technology leaders and information technology leaders interested in advances in digital technology applications. IAI senior staff typically participate in related panel discussions and IAI exhibits its digital related competencies and innovative capabilities to the attendees.

We recognize the need to enhance our service and product capabilities as a means of expanding our business base and maintaining growth in the future. To that end, over the last several years, we have aggressively pursued strategic business relationships with certain technology firms in our local area that have developed unique and innovative software-based products and services. These new business areas include, but are not limited to, legacy modernization applications and expanded product opportunities. In addition, we have teamed with other local technology firms on proposal submissions to federal government agencies to gain access to Government Wide Acquisition Contracts such as the Department of the Navy’s multiple SeaPort NxG contract.

IAI recently became a reseller for UIPath, a company which specializes in software for Robotic Process Automation (RPA). RPA is a relatively new field, using artificial intelligence to automate high-volume repetitive human processes, such as calculations, report generation and distribution, recording transactions, and maintenance of records. Use of RPA is growing rapidly among government agencies and large companies.

Where appropriate, we have entered into teaming arrangements or product reseller agreements with certain of these firms. These products and services are synergistic to our present business strategy and also allow us to expand into new business areas, both within the federal government and commercial sectors, without the expenditure of significant technical development dollars. Our partners benefit by our potential to leverage their new technology developments into our existing client base, as well as utilize our expertise and credibility in developing applications around their inventive products.

Since the mid-1990's we have migrated customers, both private firms and government agencies, from older computer languages generally associated with legacy computer systems to more modern languages used with current-day computer system platforms. As part of this modernization, many organizations wish to extend these legacy systems to interface with web-based applications. Our strategy has been to develop and/or acquire tools through strategic relationships that will facilitate the modernization process and differentiate our offerings in the marketplace.

In 2004, we aligned with Micro Focus, an established company in the legacy COBOL environment, to jointly participate in the conversion of large legacy mainframe systems to PC and Unix server platforms. Micro Focus has developed a suite of products that simplify the conversion process and enable the entry screens to be Internet accessible. As an authorized reseller and installer of the Micro Focus tools, our plan is to derive revenue from software sales and installation services as well as acquire supplementary programming services that typically may occur with each engagement.

We have structured our Company to address the wide range of requirements that we envision the market will demand. We believe that the use of our proprietary ICONS legacy conversion tools suite and that of our strategic partners will give us a competitive edge in performing certain conversions and migrations faster and more economically than many other vendors. The diverse capabilities of our staff in mainframe technology and client-server implementations help to assure that our staff can analyze the original systems properly to conduct accurate and thorough conversions both from a technical and business perspective. In addition, our modernization methodology has evolved over time through the successful completion of numerous conversion projects.

Our strategy to exploit the conversion and modernization market is also predicated on continuing to form alliances with large information technology consulting firms who currently maintain the legacy systems for large government agencies and Fortune 1000 companies. These alliances have resulted in significant opportunities in the past and are likely to be important in procuring future business.

We are a small business team member on the Defense Logistics Agency's (DLA) J6 Enterprise Technical Services (JETS) contract. The DLA JETS contract is a five-year, $6.015B ceiling, base Indefinite Delivery Indefinite Quantity (IDIQ) contract vehicle for a full range of IT services as well as technical and management expertise that supports applications, software, hardware, infrastructure, and systems, across the DLA Enterprise. Additionally, this contract vehicle is available for use by other Department of Defense agencies and organizations.

Certain government contracts related to IAI's business are now limiting future awards to companies certified under designated quality management systems such as ISO 9001:2015. The ISO 9001 family of quality management systems is designed to help organizations ensure that they meet the needs of customers and other stakeholders while meeting statutory and regulatory requirements related to a product or program. Third-party certification bodies provide independent confirmation that organizations meet the requirements of ISO 9001. In the second half of 2016, IAI developed the processes and procedures required by the ISO 9001:2015 so as to be in compliance with this standard and expand our ability to bid on future contracts that require such certification. We received notice by the independent registrar in June 2017 that IAI passed its Stage Two Audit and was subsequently awarded ISO 9001:2015 certification. IAI continues to undergo periodic internal and external audits as required by regulations to ensure compliance with the ISO quality management standard. IAI has subsequently passed all such follow-on surveillance audits to date.

Backlog

As of December 31, 2019, we estimated our backlog at approximately $18.1 million over the next three years, of which $2.3 million was funded. This backlog consists of outstanding contracts and general commitments from current clients. We regularly provide services to certain clients on an as-needed basis without regard to a specific contract. General commitments represent those services which we anticipate providing to such clients during a twelve-month period.

Competition

In the ever-expanding realm of enterprise-based web content management systems, there are a number of small and large companies offering such software products and related consulting services. We believe that the Adobe Experience Manager product suite will continue to dominate in the future against such competition, including offerings such as Microsoft's SharePoint solution. AEM has performed well in the federal marketplace due to its full offering of powerful capabilities such as cloud integration and intuitive customization. Adobe Experience Manager is a solution that optimizes the authoring, management and delivery of digital media and content across owned channels, including Web, mobile, email, print and social communities. In 2018, Gartner named Adobe as a leader in multiple categories of its Magic Quadrant reporting including, but not limited to, *Digital Experience Platforms, Web Content Management, Personalization Engines and Content Marketing Platforms.*

There are hundreds of firms performing traditional information technology services, business intelligence and cybersecurity, and general consulting for the federal government. A great number of them are much larger than IAI, and are more established in the marketplace, and have more resources to pursue individual prospects.

The competition in the conversion and modernization market is very strong. Many software professional services companies have had some involvement in this area and profess proficiency in performing these projects. We also face competition from other companies that purport to substantially automate the process through software tools including Blue Phoenix Solutions, Fujitsu, and IBM. Software for enterprise resource planning, such as SAP and Oracle, provides an additional source of competition, although to date, the cost and lengthy installation time for enterprise resource planning software has slowed its implementation in the market place. No matter what type of solution is offered, many of our competitors have greater name recognition than our company, a larger, more established customer base, and significantly greater financial and market resources.

Government Regulation

We are bound by various rules and regulations promulgated by the federal government and agencies thereunder. We have not experienced undue expense beyond those expenses normally incurred in our ordinary course of business in adhering to such rules and regulations. Since historically most of our business is derived from contracts either directly with the U.S. federal government or as a subcontractor on behalf of U.S. federal government customers, most of our contracts are subject to termination at the election of the government.

Intellectual Property

We depend upon a combination of trade secret and copyright laws, nondisclosure and other contractual provisions and technical measures to protect our proprietary rights in our methodologies, databases and software. We have not filed any patent applications covering our methodologies and software. In addition, we attempt to protect the secrecy of our proprietary databases and other trade secrets and proprietary information through agreements with employees and consultants.

We also seek to protect the source code of our proprietary ICONS legacy code conversion tools suite as trade secrets. The copyright protection accorded to databases, however, is fairly limited. While the arrangement and selection of data can be protected, the actual data is not, and others are free to create software performing the same function. We believe, however, that the creation of competing databases would be very time consuming and costly.

Employees

As of December 31, 2019, we employed twenty-one full-time and three part-time individuals. In addition, we maintained subcontractor relationships with companies and individuals that add eight individuals for professional information technology services. All of our billable professional employees have at least four years of related experience. For computer related services, we believe that the diverse professional opportunities and interaction among our employees contribute to maintaining a stable professional staff with limited turnover.

We have no collective bargaining agreements or other such labor contracts with our employees and believe that our employee relationships are satisfactory. In the long-term, management will likely hire additional staff to meet its anticipated growth requirements. We do not anticipate encountering material problems in our ability to hire individuals with the requisite employee skill sets, despite a competitive market for our requisite technical skill sets and government clearances, when required. We utilize fee-based recruiting firms when it is necessary to speed up the process of locating and hiring employees with specialized skill sets and clearances.

Available Information

We make available free of charge on or through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission, or SEC. Our website address is *www.infoa.com.*

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. This discussion highlights some of the risks which may affect future operating results. These are the risks and uncertainties we believe are most important for you to consider. Additional risks and uncertainties not presently known to us which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations. If any of the following risks or uncertainties actually occurs, our business, financial condition and operating results would likely suffer.

Changes in the funding priorities of the U.S. federal government, and changes in the way the U.S. federal government contracts with businesses, may materially and adversely affect our revenue and earnings.

Since the U.S. federal government is our largest customer, both directly and with us as a subcontractor, changes in the funding priorities of the U.S. federal government may materially and adversely affect us if funding is cut or shifted away from the information technology services that we are equipped to provide. Additionally, changes in the way the government awards contracts may create a disadvantage for us to compete in certain markets.

Temporary or extended budget-related shutdowns of parts of the U.S. federal government may materially and adversely affect our revenue and earnings.

Since the U.S. federal government is our largest customer, both directly and with us as a subcontractor, budget impasses that lead to temporary or extended shutdowns of agencies of the U.S. federal government with which we contract or for which we provide services may adversely affect cash flow and earnings as we carry key personnel during periods in which they are unable to perform work which can be invoiced to the customers.

U.S. federal government contracts are generally subject to terms more favorable to the customer than commercial contracts.

U.S. federal government contracts generally contain provisions and are subject to laws and regulations that give the federal government rights and remedies not typically found in commercial contracts, including provisions permitting the federal government to:

- terminate our existing contracts;
- reduce potential future income from our existing contracts;
- modify some of the terms and conditions in our existing contracts;
- suspend or permanently prohibit us from doing business with the federal government or with any specific government agency;
- impose fines and penalties;
- subject the award of some contracts to protest or challenge by competitors, which may require the contracting federal agency or department to suspend our performance pending the outcome of the protest or challenge and which may also require the government to solicit new proposals for the contract or result in the termination, reduction or modification of the awarded contract;
- suspend work under existing multiple year contracts and related task orders if the necessary funds are not appropriated by Congress;
- decline to exercise an option to extend an existing multiple year contract; and
- claim rights in technologies and systems invented, developed or produced by us.

The U.S. federal government may terminate a contract either “for convenience” (for instance, due to a change in its perceived needs or its desire to consolidate work under another contract) or if a default occurs by failing to perform under the contract. If the federal government terminates a contract for convenience, we generally would be entitled to recover only our incurred or committed costs, settlement expenses and profit on the work completed prior to termination. If the federal government terminates a contract based upon a default, we generally would be denied any recovery for undelivered work, and instead may be liable for excess costs incurred by the federal government in procuring undelivered items from an alternative source and other damages as authorized by law.

The failure to generate a sufficient level of professional fees will cause us to sustain losses.

Although software sales constitute a significant part of our overall revenue, the gross profit we derive from such sales is very modest, generally less than three percent. Consequently, we are reliant on professional fee revenue to maintain and operate our business. Our number of professional fee engagements are limited and we have relied upon several key engagements to provide us with the level of revenue we require to breakeven or gain a modest degree of profitability. For example, in 2019, we were scheduled to commence work on a professional fee subcontract which should have enabled us to profitably operate for several years. The prime contract underlying this subcontract was protested which contributed to our loss in 2019. The protest was resolved at the contracting officer level in favor of our prime in March, 2020, but the protestor has indicated its intent to initiate a protest to the Government Accountability Office (GAO).. Even if our prime contractor prevails at GAO, the protestor can file a protest action at the Court of Federal Claims. Although the protestor and our prime contractor can resolve the protest, we are uncertain if any such resolution will occur, thereby leaving us in doubt as to when, if at all, we can commence providing services. In the absence of this subcontract, unless other professional fee engagements are obtained, we will continue to sustain losses.

The opportunities among our existing customers for forms modernization is nearing maturity.

Over the last several years, we have modernized nearly all of the forms for which modernization was needed to meet compliance standards within agencies that have been our key electronic forms customers. While we continue to assist these customers with incremental changes on their internal and external forms, we must position ourselves to find forms business within some new agencies. While we do not anticipate a material effect on our overall results of operations, we may experience a material decline in revenue.

We are currently non-compliant with regard to our bank line of credit.

At December 31, 2019, we failed to maintain a minimum tangible net worth under a covenant with our lender. We have secured a waiver of the violation of the covenant from the lender. Our line of credit currently expires May 31, 2020. We are working with the lender to renew the line of credit, and anticipate changes in terms in light of our covenant violation. Failure to agree to terms on a renewal would leave us unable to borrow working capital, should the need arise, after May 31, 2020.

Over half of our revenue is concentrated among a small number of contracts.

The loss of one or a few key contracts that represent large portions of our revenue could materially affect our revenue and our results of operations.

Failure to keep pace with a changing technological environment could negatively impact our business.

The computer industry in general, and the market for our application software offerings and services, is characterized by rapidly changing technology, frequent new technology introductions, and significant competition. In order to keep pace with this rapidly changing market environment, we must continually develop and incorporate into our services new technological advances and features desired by the marketplace at acceptable prices. The successful development and commercialization of new services and technology involves many risks, including the identification of new opportunities, timely completion of the development process, the control and recovery of development and production costs and acceptance by customers of our products and services. If we are unsuccessful in identifying, developing and marketing our services and technology or adapting our business to rapid technological change, it will have a material negative impact on our results of operations.

We are subject to intense competition from other companies engaged in software development and computer related services.

The market for our products and services is competitive, rapidly evolving, and can be affected by new product introductions and other market activities of industry participants. Some of these companies have longer operating histories, greater financial, marketing and other resources, greater name recognition in other markets and a larger base of customers than IAI. In addition, some companies have well-established relationships with our current and prospective customers. As a result, these competitors may be able to devote greater resources to the development, promotion and sale of their products and services than we can. Should we not be able to maintain our competitive advantages in light of these factors, it could have a material negative impact on our results of operations.

If we are unable to accurately estimate the cost of services and the timeline for completion of contracts, the profitability of our contracts may be materially and adversely affected.

Our commercial and federal government contracts are typically awarded on a competitive basis. Our bids are based upon, among other items, the cost to provide the services. To generate an acceptable return on our investment in these contracts we must be able to accurately estimate our costs to provide the services required by the contract and be able to complete the contracts in a timely manner. If we fail to accurately estimate our costs or the time required to complete a contract the profitability of our contracts may be materially and adversely affected.

Contracts on which we utilize subcontractors or suppliers may be adversely affected if our subcontractors or suppliers fail to perform required obligations under the contract.

We frequently utilize subcontract labor on contracts where we lack specific functional expertise or where the subcontractor has brought the opportunity to us. If our subcontractors or suppliers fail to perform as specified, it may adversely affect our contracts and subject us to loss of the contracts, unintended expenses, and/or the inability to secure future contracts due to our nonperformance.

Our federal government contracts typically have terms of one or more base years and one or more option years. Federal governmental agencies generally have the right not to exercise options to extend a contract. A decision to terminate or not to exercise options to extend our existing contracts could have a material adverse effect on our business, prospects, financial condition and results of operations.

We are dependent on key personnel to maintain our profitability and grow our business.

Our future success depends, to a significant extent, on the continued services of our key personnel. A loss of certain key personnel, both managerial and technical, would most likely have an adverse effect on our business. In addition, competition for qualified technical personnel throughout the industry is significant and we may be unable to retain our current personnel or attract, integrate or retain other highly qualified personnel in the future. If we do not succeed in retaining our current personnel or in attracting and motivating new personnel, our business could be adversely affected.

Our software sales are subject to increasing price competition, fluctuation in demand, andour relationships with third-party software and software maintenance suppliers.

Federal government customers are increasingly utilizing systems to accept software bids that make it easier for a larger number of sellers to participate in the bid process, which puts downward pressure on prices. At the same time, we obtain software licenses and related software maintenance contracts for resale from third-party suppliers. Increases in costs from these suppliers may affect our ability to bid winning prices to potential customers, which could have a material effect on software sales revenue. Also, any delay in our suppliers' fulfillment of our orders could impair our ability to deliver products and maintenance to customers and, accordingly, could have a material adverse effect on business, results of operations, financial condition, and reputation.

Health epidemics, pandemics, and other natural disasters and national emergencies may have material adverse effects on our business.

We face various risks related to widespread health emergencies and natural disasters, including the global outbreak of COVID-19 (coronavirus). If significant portions of our workforce are unable to work effectively due to illness, quarantines, government actions, facility closures or other reasons in connection with the COVID-19 pandemic, our operations will likely be impacted. Effects experienced by our customers may effect the quantity of billable work we can perform, and effects experienced by our suppliers may impact our ability to deliver on our sales contracts. Opportunities to seek new business may be delayed indefinitely.

We are working with our employees, customers, suppliers, and community to monitor and assess the developing situation, and will continue to work to mitigate the effects on all parties. The extent to which the COVID-19 outbreak will impact our business, cash flows, results of operations, and financial condition is uncertain.

Fluctuations in our results of operations from period to period may cause fluctuations in our stock price.

Our financial results vary from quarter to quarter based on certain factors such as the timing of significant orders, contract funding approvals and contract completions, some of which are beyond our control. As a consequence, our quarterly and annual revenue and operating results may fluctuate from period to period, and period comparisons may therefore not be meaningful. Such fluctuations in the future could contribute to corresponding fluctuations in our stock price and in certain cases cause the trading price of our stock to decline.

The exercise of outstanding options to purchase our common stock could substantially dilute shareholders' investments.

Under the terms of outstanding options to acquire our common stock issued to employees and others, the holders thereof are given an opportunity to profit from a rise in the market price of our common stock that, upon the exercise of such options, could result in dilution in the interests of our other shareholders.

There is a limited public market for our common stock

Our common stock is presently quoted on the Over-the-Counter Markets ("OTC") under the symbol "IAIC", and the securities are traded through broker-dealers. Because our stock trades on the OTC Markets rather than on a national securities exchange, a shareholder may find it difficult to either dispose of or obtain quotations as to the price of our common stock. There has historically been a low trading volume of our shares which may have an adverse impact on a shareholder's ability to execute transactions of our shares.

Item 2. Properties

Our offices are located at 11240 Waples Mill Road, Fairfax, VA 22030. We hold a lease for 4,434 square feet. This lease expires on June 30, 2021. We believe that our current facility is suitable and adequate to meet our current needs, and that suitable additional or substitute space will be available as needed to accommodate expansion of our operations.

Item 3. Legal Proceedings

There are presently no pending legal proceedings to which we are a party or to which any of our property is subject and, to the best of our knowledge, no such actions against us are contemplated or threatened.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Common Stock trades on the OTC Bulletin Board under the symbol IAIC. The following table sets forth, for the fiscal periods indicated, the high and low bid prices of the Common Stock:

	2019 Quarter Ended:				2018 Quarter Ended:			
	03/31/19	06/30/19	09/30/19	12/31/19	03/31/18	06/30/18	09/30/18	12/31/18
High	$ 0.26	$ 0.23	$ 0.20	$ 0.17	$ 0.50	$ 0.47	$ 0.36	$ 0.27
Low	$ 0.20	$ 0.18	$ 0.17	$ 0.08	$ 0.36	$ 0.27	$ 0.21	$ 0.14

The quotations on which the above data are based reflect inter-dealer prices without adjustment for retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

Because our stock trades on OTC Markets Pink rather than on a national securities exchange, a shareholder may find it difficult to either dispose of or obtain quotations as to the price of our common stock. There has historically been a low trading volume of our shares which may have an adverse impact on a shareholder's ability to execute transactions of our shares.

Holders

As of December 31, 2019, we had 106 holders of record of our Common Stock.

Dividends

We have never paid any cash dividends on our common stock and do not anticipate paying cash dividends within the foreseeable future. Our management anticipates that all earnings, if any, will be retained for development of our business. Any future dividends will be subject to the discretion of the board of directors and will depend on, among other things, future earnings, our operating and financial condition, our capital requirements and general business conditions.

Recent Sales of Unregistered Securities

We had no sales of unregistered securities during 2019 that have not been previously disclosed in a Current Report on Form 8-K or Quarterly Reports on Form 10-Q.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not repurchase any of our equity securities during 2019.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the attached financial statements and notes thereto. Reference is made to "Cautionary Statement Regarding Forward-Looking Statements" on page 1 hereof, which describes important factors that could cause actual results to differ from expectations and non-historical information contained herein.

Overview

In 2019 we incurred a net loss of $717,000, a $666,000 larger loss than in our 2018 net loss of $51,000. Our stockholders' equity was $1.16 million at December 31, 2019, a decrease of $710,000 from 2018's year-end balance. Our gross profit decreased by $743,000 on an increase in total revenue of $1.23 million. The revenue increase includes a $1.15 million decrease in fees for professional services and a $2.38 million increase in software sales. Our selling, general and administrative expenses increased $130,000, or 7.4%, in 2019. Our commissions expense decreased $207,000, or 45.1%, in 2019.

Cash and cash equivalents decreased $925,000, due mostly to the decrease in professional fees revenue in 2019 and decreasing the balances of commissions payable. We were able to operate throughout 2019 without borrowing against our line of credit.

The nature of our business is a mixture of fees earned for specialized professional information technology services and sales of third-party software. Our profit margins on our professional fees materially exceed our margins on software sales. While our overall revenue increased in 2019, this was solely attributed to our software sales revenue, as our professional fee revenue declined. We require a certain level of professional fee revenue to generate enough profit margin to cover our general and administrative expenses.

With regard to professional fees, in 2019, the U. S. Small Business Administration, or SBA, awarded two contracts to teams in which IAI is a subcontractor that potentially may have a material impact on our business. The revenue for IAI under these contracts could exceed $5 million per year for seven years. Unfortunately, in both cases, the incumbent contractors protested and both awards have been delayed. IAI's teams have survived the initial protests, but there is a follow-on protest on the larger of the two contracts, and the timing of the commencement of the other is uncertain. IAI feels confident that the protests will be resolved in favor of IAI's teams, and that the work will eventually commence. The delays, however, are the principal cause behind our operating losses. In the absence of new professional fee engagements or the commencement of the SBA contracts, we will continue to sustain losses.

Our management will continue to explore ways to expand our current market spaces and develop new ones that may offer more opportunity. This may take the shape of organic growth or through acquisition or merger with other companies. In 2019 IAI evaluated several merger and acquisition opportunities that could expand our company offerings. Although these particular opportunities did not result in any transactions, IAI is more aggressively pursuing its search to find potential merger or acquisition opportunities.

Results of Operations

The following table sets forth, for the periods indicated, selected information from our Statements of Operations, expressed as a percentage of revenue:

	Years ended December 31,	
	2019	2018
Revenues		
Professional fees	31.9%	49.2%
Software sales	68.1%	50.8%
Total revenues	100.0%	100.0%
Cost of revenues		
Cost of professional fees	19.5%	26.6%
Cost of software sales	66.7%	49.4%
Total cost of revenues	86.2%	76.0%
Gross profit	13.8%	24.0%
Operating expenses		
Selling, general and administrative expenses	18.5%	19.5%
Commissions expense	2.5%	5.2%
Loss from operations	(7.2%)	(0.7%)
Other income	0.1%	0.1%
Loss before provision for income taxes	(7.1%)	(0.6%)
Provision for income taxes	0.0%	0.0%
Net loss	(7.1%)	(0.6%)

2019 Compared to 2018

Revenue. Total revenue for 2019 increased $1.23 million, or 13.8%, to $10.16 million from $8.93 million in 2018. Revenue from professional services fees decreased $1.15 million or 26.1%, to $3.24 million in 2019 from $4.39 million in 2018. Revenue from professional fees decreased due primarily to the completion or expiration of certain contracts during or since 2018, our inability to secure additional professional fee revenue, and variations in the levels of activity on several other continuing contracts. Revenue from software sales increased $2.38 million, or 52.4%, to $6.92 million in 2019 from $4.54 million in 2018. The increase in our software revenue in 2019 versus the same period in 2018 is due to the non-recurring nature of many of our software sales transactions, as well as the timing of recurring orders. Software product and maintenance sales and commissions on registered sales are subject to considerable fluctuation from period to period, based on the product mix sold and customer demand. Revenue from software sales comprised 68.1% of total sales in 2019, compared to 50.8% of total sales in 2018.

Gross Profit. Gross profit decreased $743,000, or 34.7%, in 2019 versus 2018. Gross profit on professional fees revenue is substantially higher than gross profit on software sales, as gross profit on software sales is more dependent on the costs from third-party suppliers, and revenue is generally based on increasingly-competitive bidding in which identical products are offered by all bidders at very low profit margins. Overall gross profit as a percentage of revenue decreased to 13.8% of revenue in 2019 from 24.0% of revenue in 2018. Gross profit from professional fees for 2019 was $1.26 million, or 38.9% of professional fees revenue, while gross profit for 2018 from professional fees was $2.01 million, or 45.8% of professional fees revenue. Gross profit from professional fees decreased primarily due to the reduction of professional fees revenue. Where there are highly specialized skill sets needed on contracts, reductions in activity can have a material effect on our margins, since we must carry the cost of the personnel with those skill sets even when their hours are not fully billable or billable at all. For software sales, gross profit percentage decreased to 2.0% in 2019 from 2.9% in 2018. Software product sales and associated margins are subject to considerable fluctuation from period to period, based on the product mix sold and incentive payments earned. Increases and decreases in our software sales, excluding incentive payments, generally do not have a material effect on our gross profit, as the gross profit percentage on software sales averages less than 3.0%.

Selling, General and Administrative. Selling, general and administrative expense for 2019 increased $130,000 to $1.88 million, or 18.5% of revenue, from $1.75 million, or 19.5% of revenue, in 2018. These increases are the costs of exploring avenues of growth, including merger and acquisition opportunities, for which we spent $58,000 more in 2019 than in 2018, coupled with increases in the costs of non-billable labor and the fringe benefits associated with that labor, partially due to carrying salaried employees during the government shutdown in the early part of 2019. Additionally, in anticipation of the commencement of services on a subcontract award under a prime contract award that has been protested, we have hired and carried employees whose labor hours are currently only partially billable. Some of the costs associated with these employees are included in our administrative costs as overhead.

Commission Expense. Commission expense in 2019 was $253,000, or 2.5% of revenue, versus $460,000, or 5.1%, in 2018. Commissions are driven by varying factors and are earned at varying rates for each salesperson. The expiration of some higher-margin contracts contributed significantly to the decline in commissions earned.

Net loss. Net loss for 2019 was $717,000, or 7.1% of revenues, versus $51,000, or 0.6% of revenue, for the same period in 2018. We expect to continue to incur quarterly operating losses until we increase our professional fees revenue.

We have reported losses in each of the last seven first calendar quarters. In 2020, that trend has continued. We have experienced prolonged protests against awards of prime contracts under which we bid as subcontractors, the uncertainty of which has led to extra costs of carrying personnel in anticipation of the commencement of services. In the first quarter of 2020 we introduced both temporary and permanent measures to reduce administrative expenses until we can increase our revenue from professional fees to levels needed to sustain profitability. These measures included reductions in salaries among officers and other administrative personnel, the reduction or elimination of non-billable hours among hourly employees and independent consultants, reductions in the rate at which we have been paying off commissions payable balances, reductions in other administrative expenses, a thorough assessment of our fringe benefits policies and insurance contracts, and contingent plans for further reductions should they be needed.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (the “FASB”), or other standard setting bodies that the Company adopts as of the specified effective date.

For a discussion of the accounting standards recently adopted or pending adoption and the affect such accounting changes will have on our results of operations, financial position or liquidity, see Note 1 to the financial statements.

Liquidity and Capital Resources

Our beginning cash and cash equivalents balance, when combined with our cash flow from operations, were sufficient to provide financing for our operations. For 2019, net cash used in operating, investing, and finance activities was $925,000, primarily due to our net loss of $717,000 and our reduction of commissions payable by $400,000. Our net cash used, when subtracted from a beginning balance of $1.96 million, yielded cash and cash equivalents of $1.04 million at December 31, 2019.

We have a revolving line of credit with a bank providing for demand or short-term borrowings of up to $1,000,000. The line became effective December 20, 2005, and expires on May 31, 2020. As of December 31, 2019, no amounts were outstanding under this line of credit. We did not borrow against this line of credit in 2019. At December 31, 2019, we failed to maintain minimum tangible net worth under a covenant with our lender. We have secured a waiver of the violation of the covenant from our lender. We are working with our lender to renew the line of credit prior to its expiration. A renewal is likely to include modified terms to our credit agreement, including increased frequency of reporting to our lender and new covenants. We do not believe any anticipated changes in terms will have a material effect on our ability to conduct our operations. Failure to agree to terms with our lender on a renewal, however, would leave us unable to borrow working capital after the current line of credit expires, should the need arise. Given the quality of our receivables, in the absence of a bank line of credit, there are alternative methods of financing operational cash flow we will likely be able to utilize, though the terms would certainly be less favorable.

The terms of renewal of the line of credit may be adversely impacted by our projections for 2020, which take into consideration the delay in our ability to commence services on a material subcontract. The delay is due to the incumbent prime contractor protesting under another authority after losing its initial protest. Without the revenue from this subcontract, or replacement with other significant professional fee contracts, we will continue to sustain losses.

In the late first quarter of 2020 we introduced both temporary and permanent measures to reduce administrative expenses and cash outflows until we can increase our revenue from professional fees to levels needed to sustain profitability and positive cash flow.

Based on our current cash position and operating plan, including the measures we have taken and will take with regard to reducing cash outflows, we anticipate that we will be able to meet our cash requirements for at least one year from the filing date of this Annual Report on Form 10-K.

We presently lease our corporate offices on a contractual basis with certain timeframe commitments and obligations. We believe that our existing offices will be sufficient to meet our foreseeable facility requirement. Should we need additional space to accommodate increased activities, management believes we can secure such additional space on reasonable terms.

We have no material commitments for capital expenditures.

Off-Balance Sheet Arrangements

We do not have any off-balance-sheet arrangements that have or are likely to have a material current or future effect on our financial condition, or changes in financial condition, liquidity or capital resources or expenditures.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 1 to our accompanying financial statements. We consider the accounting policies related to revenue recognition to be critical to the understanding of our results of operations. Our critical accounting policies also include the areas where we have made what we consider to be particularly difficult, subjective or complex judgments in making estimates, and where these estimates can significantly impact our financial results under different assumptions and conditions. We prepare our financial statements in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. Actual results could be different from these estimates.

Revenue Recognition

We generate revenue from the sales of information technology professional services, sales of third-party software licenses and implementation and training services, sales of third-party support and maintenance contracts based on those software products, and incentive payments received from third-party software suppliers for facilitating sales directly between that supplier and a customer introduced by us. We sell through our direct relationships with end customers and under subcontractor arrangements. On January 1, 2018, we adopted Accounting Standards Update (“ASU”) No. 2014-9, *Revenue from Contracts with Customers (Topic 606)* and its related amendments (collectively known as “ASC 606”). We account for our performance obligations in accordance with ASC 606, and all related interpretations.

Revenue is recognized when all of the following steps have been taken and criteria met for each contract:

- ***Identification of the contract, or contracts, with a customer*** **-** A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party’s rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and the parties are committed to perform and, (iii) we determine that collection of substantially all consideration to which we will be entitled in exchange for goods or services that will be transferred is probable based on the customer’s intent and ability to pay the promised consideration.

- ***Identification of the performance obligations in the contract*** **-** Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, we apply judgment to determine whether promised goods or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised goods or services are accounted for as a combined performance obligation.

- ***Determination of the transaction price*** **-** The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring goods or services to the customer adjusted for estimated variable consideration, if any. We typically estimate the transaction price impact of discounts offered to the customers for early payments on receivables or rebates based on sales target achievements. Constraints are applied when estimating variable considerations based on historical experience where applicable.

- ***Allocation of the transaction price to the performance obligations in the contract*** **-** If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis. We determine standalone selling price by taking into account available information such as historical selling prices of the performance obligation, geographic location, overall strategic pricing objective, market conditions and internally approved pricing guidelines related to the performance obligations.

- ***Recognition of revenue when, or as, we satisfy performance obligations*** **-** We satisfy performance obligations either over time or at a point in time. Revenue is recognized at or over the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

Effects of Inflation

In the opinion of management, inflation has not had a material effect on our operations.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Information Analysis Incorporated

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Information Analysis Incorporated (the “Company”) as of December 31, 2019 and 2018, and the related statements of operations and comprehensive loss, stockholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United Stated of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ CohnReznick LLP

We have served as the Company’s auditor since 2012.

Tysons, Virginia
March 30, 2020

INFORMATION ANALYSIS INCORPORATED
BALANCE SHEETS

		December 31, 2019		December 31, 2018
ASSETS				
Current assets				
Cash and cash equivalents	$	1,039,442	$	1,963,956
Accounts receivable		668,712		652,839
Prepaid expenses and other current assets		500,163		393,533
Total current assets		2,208,317		3,010,328
Property and equipment, net of accumulated depreciation and amortization of $300,258 and $294,424		9,681		7,147
Right-of-use operating lease asset		149,762		-
Other assets		6,281		6,281
Total assets	$	2,374,041	$	3,023,756
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$	216,227	$	25,294
Commissions payable		108,058		508,083
Contract liabilities		464,223		318,552
Accrued payroll and related liabilities		219,350		217,751
Other accrued liabilities		54,257		81,485
Operating lease liability current portion		103,955		-
Total current liabilities		1,166,070		1,151,165
Operating lease liability non-current portion		45,595		-
Total liabilities		1,211,665		1,151,165
Stockholders' equity				
Common stock, $0.01 par value, 30,000,000 shares authorized, 12,854,376 and 12,844,376 shares issued, 11,211,760 and 11,201,760 shares outstanding as of December 31, 2019 and 2018		128,543		128,443
Additional paid-in capital		14,682,937		14,676,006
Accumulated deficit		(12,718,893)		(12,001,647)
Treasury stock, 1,642,616 shares at cost at December 31, 2019 and 2018		(930,211)		(930,211)
Total stockholders' equity		1,162,376		1,872,591
Total liabilities and stockholders' equity	$	2,374,041	$	3,023,756

The accompanying notes are an integral part of the financial statements

INFORMATION ANALYSIS INCORPORATED
STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS

	For the years ended December 31, 2019	2018
Revenues		
Professional fees	$ 3,243,790	$ 4,392,311
Software sales	6,921,191	4,541,464
Total revenues	10,164,981	8,933,775
Cost of revenues		
Cost of professional fees	1,981,231	2,380,670
Cost of software sales	6,783,771	4,410,267
Total cost of revenues	8,765,002	6,790,937
Gross profit	1,399,979	2,142,838
Selling, general and administrative expenses	1,875,255	1,745,320
Commission expense	252,511	459,863
Loss from operations	(727,787)	(62,345)
Other income	10,541	11,311
Loss before provision for income taxes	(717,246)	(51,034)
Provision for income taxes	-	-
Net loss	$ (717,246)	$ (51,034)
Comprehensive loss	$ (717,246)	$ (51,034)
Net loss per commion share - basic	$ (0.06)	$ -
Net loss per commion share - diluted	$ (0.06)	$ -
Weighted average common shares outstanding		
Basic	11,208,308	11,201,760
Diluted	11,208,308	11,201,760

The accompanying notes are an integral part of the financial statements

INFORMATION ANALYSIS INCORPORATED
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Shares of Common Stock Issued	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Total
Balances, December 31, 2017	12,844,376	$ 128,443	$ 14,646,406	$ (11,950,613)	$ (930,211)	$ 1,894,025
Net loss				(51,034)		(51,034)
Stock option compensation			29,600			29,600
Balances, December 31, 2018	12,844,376	128,443	14,676,006	(12,001,647)	(930,211)	1,872,591
Net loss				(717,246)		(717,246)
Stock option compensation			6,031			6,031
Issuance of stock from exercise of options	10,000	100	900			1,000
Balances, December 31, 2019	12,854,376	$ 128,543	$ 14,682,937	$ (12,718,893)	$ (930,211)	$ 1,162,376

The accompanying notes are an integral part of the financial statements

INFORMATION ANALYSIS INCORPORATED
STATEMENTS OF CASH FLOWS

	For the years ended December 31, 2019	2018
Cash flows from operating activities		
Net loss	$ (717,246)	$ (51,034)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	5,834	9,757
Stock-based compensation	6,031	29,600
Bad debt expense	90	-
Changes in operating assets and liabilities		
Accounts receivable	(15,963)	(37,125)
Prepaid expenses and other current assets	(115,383)	(24,907)
Accounts payable	190,933	(22,364)
Accrued payroll and related liabilities, and other accrued liabilities	(17,088)	(387,833)
Contract liabilties	145,671	(68,450)
Commissions payable	(400,025)	(204,746)
Franchise taxes payable	-	(6,400)
Net cash used in operating activities	(917,146)	(763,502)
Cash flows from investing activities		
Acquisition of property and equipment	(8,368)	(5,771)
Payments received on notes receivable	-	1,719
Net cash used in investing activities	(8,368)	(4,052)
Cash flows from financing activities		
Issuance of stock from exercise of options	1,000	-
Net cash provided by financing activities	1,000	-
Net decrease in cash and cash equivalents	(924,514)	(767,554)
Cash and cash equivalents, beginning of the year	1,963,956	2,731,510
Cash and cash equivalents, end of the year	$ 1,039,442	$ 1,963,956
Supplemental cash flow Information		
Interest paid	$ -	$ -
Franchise taxes paid	$ -	$ 7,200

The accompanying notes are an integral part of the financial statements

INFORMATION ANALYSIS INCORPORATED
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Operations

Information Analysis Incorporated ("the Company") was incorporated under the corporate laws of the Commonwealth of Virginia in 1979 to develop and market computer applications software systems, programming services, and related software products and automation systems. The Company provides services to customers throughout the United States, with a concentration in the Washington, D.C. metropolitan area.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure 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 can, and in many cases will, differ from those estimates.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09,*Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). The Company adopted ASU 2014-09 and its related amendments (collectively known as "ASC 606") effective January 1, 2018, by applying the modified retrospective transition method to all of the Company's contracts. See Note 2 for a detailed description of revenue recognition under ASC 606.

Segment Reporting

The Company has concluded that it operates in one business segment, providing products and services to modernize client information systems.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of ninety days or less at the time of purchase to be cash equivalents. Deposits are maintained with a federally insured bank. Balances at times exceed federally insured limits, but management does not consider this to be a significant concentration of credit risk.

Accounts Receivable

Accounts receivable consist of trade accounts receivable and do not bear interest. The Company typically does not require collateral from its customers. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company reviews its allowance for doubtful accounts monthly. Accounts with receivable balances past due over 90 days are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance sheet credit exposure related to its customers. No allowance for doubtful accounts has been recorded at December 31, 2019 and 2018. Prompt payment discounts in effect at December 31, 2018, that were offered and expected to be taken by customers, are reflected as a reduction in the Company's accounts receivable at December 31, 2018. No such discounts were offered at December 31, 2019.

INFORMATION ANALYSIS INCORPORATED
NOTES TO FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Furniture and fixtures are depreciated over the lesser of the useful life or five years, off-the-shelf software is depreciated over the lesser of three years or the term of the license, custom software is depreciated over the least of five years, the useful life, or the term of the license, and computer equipment is depreciated over three years. Leasehold improvements are amortized over the estimated term of the lease or the estimated life of the improvement, whichever is shorter. Maintenance and minor repairs are charged to operations as incurred. Gains and losses on dispositions are recorded in operations.

Stock-Based Compensation

At December 31, 2019, the Company had the stock-based compensation plans described in Note 10 below. Total compensation expense related to these plans was $6,031 and $29,600 for the years ended December 31, 2019 and 2018, respectively. The Company estimates the fair value of options granted using a Black-Scholes valuation model to establish the expense. When stock-based compensation is awarded to employees, the expense is recognized ratably over the vesting period. When stock-based compensation is awarded to non-employees, the expense is recognized over the period of performance.

Income Taxes

Deferred tax assets and liabilities are computed based on the difference between the financial statement and tax basis of assets and liabilities and are measured by applying enacted tax rates and laws for the taxable years in which those differences are expected to reverse. In addition, a valuation allowance is required to be recognized if it is believed more likely than not that a deferred tax asset will not be fully realized. Authoritative guidance prescribes a recognition threshold of more likely than not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those positions to be recognized in the financial statements. The Company continually reviews tax laws, regulations and related guidance in order to properly record any uncertain tax liabilities.

Loss Per Share

The Company's loss per share calculations are based upon the weighted average number of shares of common stock outstanding. The dilutive effect of stock options, warrants and other equity instruments are included for purposes of calculating diluted earnings per share, except for periods when the Company reports a net loss, in which case the inclusion of such equity instruments would be antidilutive. See Note 11 for more details.

Concentration of Credit Risk

During the year ended December 31, 2019, the Company's prime contracts with U.S. government agencies represented 76.8% of revenue, subcontracts under federal procurements represented 23.0% of revenue, and 0.2% of revenue came from commercial contracts. The terms of these contracts and subcontracts vary from single transactions to five years. Within this group of prime contracts with U.S. government agencies, one individual contract represented 19.0% of revenue. One subcontract under a federal procurement represented 17.2% of revenue.

In the year ended December 31, 2018, the Company's prime contracts with U.S. government agencies represented 68.8% of revenue, subcontracts under federal procurements represented 26.5% of revenue, 4.7% of revenue came from commercial contracts, and less than 0.05% of revenue came from state and local government contracts. The terms of these contracts and subcontracts vary from single transactions to five years. Within this group of prime contracts with U.S. government agencies, two individual contracts represented 20.5% and 12.4% of revenue, respectively. One subcontract under a federal procurement represented 22.1% of revenue.

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The Company sold third-party software and maintenance contracts under agreements with one major supplier in 2019 and 2018, accounting for 67.1% and 50.0% of total revenue, respectively.

At December 31, 2019, the Company's accounts receivable included receivables from prime contracts with two U.S. government agencies that represented 13.0% and 10.7% of the Company's outstanding accounts receivable, respectively, and receivables from one subcontract under a federal procurement that represented 43.2% of the Company's outstanding accounts receivable.

At December 31, 2018, the Company's accounts receivable included receivables from prime contracts with two U.S. government agencies that represented 16.6% and 16.3% of the Company's outstanding accounts receivable, respectively, and receivables from one subcontract under a federal procurement that represented 44.3% of the Company's outstanding accounts receivable.

Related Party Transactions

The Company's Director of Human Resources is the spouse of the Senior Vice President and Chief Operating Officer of the Company. During the years ended December 31, 2019 and 2018, the Director of Human Resources received wages and paid leave distributions totaling $131,552 and $148,932, respectively, as an employee of the Company.

Recent Accounting Pronouncements Not Yet Adopted

In December 2019, the Financial Accounting Standards Board issued ASU 2019-12,*"Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes,"* that removes certain exceptions to the general principles in Topic 740 and simplifies the application of areas of Topic 740 by clarifying and amending existing guidance. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The adoption of ASU 2019-12 is not expected to have a material effect on the Company's financial statements or cash flows.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02,*"Leases: Topic 842,"* that requires lessees to recognize assets and liabilities on the balance sheet for most leases including operating leases, and followed it up with ASUs No. 2018-10, No. 2018-11, No. 2018-20, and No. 2019-01 (collectively "Topic 842"), which clarified certain aspects of the new leases standard and provided an optional transition method.

The Company adopted Topic 842 on January 1, 2019, and elected the optional transition method to initially apply the standard at the January 1, 2019, adoption date. As a result, the Company applied the new lease standard prospectively to its leases existing or commencing on or after January 1, 2019. Comparative periods presented were not restated upon adoption. Similarly, new disclosures under the standard were made for periods beginning January 1, 2019, and not for prior comparative periods. Prior periods will continue to be reported under guidance in effect prior to January 1, 2019. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the standard, which among other things, allowed the Company to not reassess contracts to determine if they contain leases, lease classification and initial direct costs. The standard did not impact the Company's statements of operations and had no impact on its cash flows.

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The Company has an operating lease which is a real estate lease for its headquarters in Fairfax, Virginia. This lease has a fixed lease term of 49 months. The Company determines if an arrangement is a lease at inception. Operating leases are included in right-of-use operating lease assets, other current liabilities, and operating lease liabilities in the Company's balance sheet as of December 31, 2019. As of December 31, 2019, the Company does not have any sales-type or direct financing leases.

The Company's operating lease asset represents its right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Since the lease does not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease agreement includes rental payments escalating annually for inflation at a fixed rate. These payments are included in the initial measurement of the operating lease liability and operating lease asset. The Company does not have any rental payments which are based on a change in an index or a rate that can be considered variable lease payments, which would be expensed as incurred.

The Company has lease agreements which may contain lease and non-lease components, which are accounted for as a single performance obligation to the extent that the timing and pattern of transfer are similar for the lease and non-lease components and the lease component qualifies as an operating lease. The Company does not recognize lease liabilities and operating lease assets for leases with a term of 12 months or less. It recognizes these lease payments on a straight-line basis over the lease term.

Upon adoption of Topic 842 on January 1, 2019, the Company recorded a right-of-use operating lease asset of $242,696 and lease liabilities of $244,877.

The Company's lease agreement does not contain any material residual value guarantees or material restrictions or covenants.

The Company does not sublease any real estate to third parties.

The following table provides supplemental balance sheet information related to the Company's operating lease:

Balance Sheet Classification		December 31, 2019
Assets:		
Right-to-use operating lease asset	$	149,762
Liabilities:		
Operating lease liability - current	$	103,955
Operating lease liability - non-current		45,595
Total lease liabilities	$	149,550

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The following table reconciles the undiscounted cash flows to the operating lease liabilities recorded in the Company's balance sheet.

	December 31, 2019
2020	$ 110,086
2021	46,433
Total lease payments	156,519
Less: discount	(6,969)
Present value of lease liabilities	$ 149,550

As of December 31, 2019, the Company's operating lease had a weighted average lease term of approximately 1.5 years. The discount rate of the lease is equal to IAI's incremental borrowing rate at the measurement date of the lease agreement. The weighted average discount rate of the Company's operating lease is approximately 5.5%. For the year ended December 31, 2019, the Company incurred $104,487 of expense related to its operating leases. Rent expense for the year ended December 31, 2018 was $104,487. For the year ended December 31, 2019, there were no short-term leases with a term less than 12 months.

2. Revenue from Contracts with Customers

Revenue is recognized when all of the following steps have been taken and criteria met for each contract:

- ***Identification of the contract, or contracts, with a customer*** **-** A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and the parties are committed to perform and, (iii) it determines that collection of substantially all consideration to which the Company will be entitled in exchange for goods or services that will be transferred is probable based on the customer's intent and ability to pay the promised consideration.

- ***Identification of the performance obligations in the contract*** **-** Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, the Company applies judgment to determine whether promised goods or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met, the promised goods or services are accounted for as a combined performance obligation.

- ***Determination of the transaction price*** **-** The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods or services to the customer adjusted for estimated variable consideration, if any. The Company typically estimates the transaction price impact of discounts offered to the customers for early payments on receivables or rebates based on sales target achievements. Constraints are applied when estimating variable considerations based on historical experience where applicable.

- ***Allocation of the transaction price to the performance obligations in the contract*** **-** If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis. The Company determines standalone selling price by taking into account available information such as historical selling prices of the performance obligation, geographic location, overall strategic pricing objective, market conditions and internally approved pricing guidelines related to the performance obligations.

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- ***Recognition of revenue when, or as, the Company satisfies performance obligations* -** The Company satisfies performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognized at or over the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

Nature of Products and Services

The Company generates revenue from the sales of information technology professional services, sales of third-party software licenses and implementation and training services, sales of third-party support and maintenance contracts based on those software products, and incentive payments received from third-party software suppliers for facilitating sales directly between that supplier and a customer introduced by the Company. The Company sells through its direct relationships with end customers and under subcontractor arrangements.

Professional services are offered through several arrangements – through time and materials arrangements, fixed-price-per-unit arrangements, fixed-price arrangements, or combinations of these arrangements within individual contracts. Revenue under time and materials arrangements is recognized over time in the period the hours are worked or the expenses are incurred, as control of the benefits of the work is deemed to have passed to the customer as the work is performed. Revenue under fixed-price-per-unit arrangements is recognized at a point in time when delivery of units have occurred and units are accepted by the customer or are reasonably expected to be accepted. Generally, revenue under fixed-price arrangements and mixed arrangements is recognized either over time or at a point in time based on the allocation of transaction pricing to each identified performance obligation as control of each is transferred to the customer. For fixed-price arrangements for which the Company is paid a fixed fee to make itself available to support a customer, with no predetermined deliverables to which transaction prices can be estimated or allocated, revenue is recognized ratably over time.

Third-party software licenses are classified as enterprise server-based software licenses or desktop software licenses, and desktop licenses are further classified by the type of customer and whether the licenses are bulk licenses or individual licenses. The Company’s obligations as the seller for each class differ based on its reseller agreements and whether its customers are government or non-government customers. Revenue from enterprise server-based sales to either government or non-government customers is usually recognized in full at a point in time based on when the customer gains use of the full benefit of the licenses, after the licenses are implemented. If the transaction prices of the performance obligations related to implementation and customer support for the individual contract is material, these obligations are recognized separately over time, as performed. Revenue for desktop software licenses for government customers is usually recognized in full at a point in time, based on when the customer’s administrative contact gains training in and beneficial use of the administrative portal. If the transaction prices of the performance obligations related to implementing the government administrator’s use of the administrative portal and administrator support for the individual contract are material (rare), these obligations are recognized separately over time, as performed. Revenue for bulk desktop software licenses for non-government customers is usually recognized in full at a point in time, based on when the customer’s administrative contact gains training in and beneficial use of the administrative portal. For desktop software licenses sold on an individual license basis to non-government customers, where the Company has no obligation to the customer after the third-party makes delivery of the licenses, the Company has determined it is acting as an agent, and the Company recognizes revenue upon delivery of the licenses only for the net of the selling price and its contract costs.

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Third-party support and maintenance contracts for enterprise server-based software include a performance obligation under the Company's reseller agreements for it to be the first line of support (direct support) and second line of support (intermediary between customer and manufacturer) to the customer. Because of the support performance obligations, and because the amount of support is not estimable, the Company recognizes revenue ratably over time as it makes itself available to provide the support.

Incentive payments are received under reseller agreements with software manufacturers and suppliers where the Company introduces and court a customer, but the sale occurs directly between the customer and the supplier or between the customer and the manufacturer. Since the transfer of control of the licenses cannot be measured from outside of these transactions, revenue is recognized when payment from the manufacturer or supplier is received.

Disaggregation of Revenue from Contracts with Customers

Contract Type	Year ended 12/31/2019 Amount	Year ended 12/31/2019 Percentage	Year ended 12/31/2018 Amount	Year ended 12/31/2018 Percentage
Services Time & Materials	$ 2,446,439	24.1%	$ 3,010,891	33.7%
Services Fixed Price	434,058	4.3%	1,103,828	12.4%
Services Combination	231,122	2.3%	207,942	2.3%
Services Fixed Price per Unit	132,171	1.3%	69,650	0.8%
Third-Party Software	6,233,703	61.3%	3,897,421	43.6%
Software Support & Maintenance	660,926	6.5%	589,975	6.6%
Incentive Payments	26,562	0.2%	54,068	0.6%
Total Revenue	$ 10,164,981		$ 8,933,775	

Contract Balances

Accounts Receivable

Trade accounts receivable are recorded at the billable amount where the Company has the unconditional right to bill, net of allowances for doubtful accounts. The allowance for doubtful accounts is based on the Company's assessment of the collectability of accounts. Management regularly reviews the adequacy of the allowance for doubtful accounts by considering the age of each outstanding invoice, each customer's expected ability to pay and collection history, when applicable, to determine whether a specific allowance is appropriate. Accounts receivable deemed uncollectible are charged against the allowance for doubtful accounts when identified. No allowance for doubtful accounts was deemed necessary at December 31, 2019 and 2018.

Contract Assets

Contract assets consist of assets typically resulting when revenue recognized exceeds the amount billed or billable to the customer due to allocation of transaction price. There were no contract assets balances at December 31, 2019 and 2018, respectively.

Contract Liabilities

Contract liabilities consist of amounts that have been invoiced for which the Company has the right to bill, but that have not been recognized as revenue because the related goods or services have not been transferred. Contract liabilities balances were $464,223 and $318,552 at December 31, 2019 and 2018, respectively.

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Costs to Obtain or Fulfill a Contract

When applicable, the Company recognizes an asset related to the costs incurred to obtain a contract only if it expects to recover those costs and it would not have incurred those costs if the contract had not been obtained. The Company recognizes an asset from the costs incurred to fulfill a contract if the costs (i) are specifically identifiable to a contract, (ii) enhance resources that will be used in satisfying performance obligations in future and (iii) are expected to be recovered. There were $0 and $3,480 of such assets at December 31, 2019 and 2018, respectively. These costs are amortized ratably over the periods of the contracts to which those costs apply.

Financing Components

In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined its contracts do not include a significant financing component. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing its products and services, not to receive financing from its customers or to provide customers with financing. Examples include invoicing at the beginning of a software support and maintenance term with revenue recognized ratably over the contract period.

Deferred Costs of Revenue

Deferred costs of revenue consist of the costs of third-party support and maintenance contracts for enterprise server-based software. These costs are reported under the prepaid expenses caption on the Company's balance sheets. The Company recognizes these direct costs ratably over time as it makes itself available to provide its performance obligation for software support, commensurate with its recognition of revenue. Deferred costs of revenue balances included in prepaid expenses were $453,607 and $294,115 at December 31, 2019 and 2018, respectively.

3. Receivables

Accounts receivable at December 31, 2019 and 2018, consist of the following:

	2019	2018
Billed federal government	$ 668,712	$ 612,679
Billed commercial and other	-	40,160
Accounts receivable	$ 668,712	$ 652,839

Billed receivables from the federal government include amounts due from both prime contracts and subcontracts where the federal government is the end customer.

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4. Fair Value Measurements

The Company defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table represents the fair value hierarchy for the Company's financial assets (cash equivalents) measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	Level 1	Level 2	Level 3
December 31, 2019			
Money market funds	$ 940,773	$ -	$ -
Total	$ 940,773	$ -	$ -
December 31, 2018			
Money market funds	$ 1,706,376	$ -	$ -
Total	$ 1,706,376	$ -	$ -

Money market funds are highly liquid investments. The pricing information on these investment instruments are readily available and can be independently validated as of the measurement date. This approach results in the classification of these securities as Level 1 of the fair value hierarchy.

The carrying amount of financial instruments such as accounts receivable, accounts payable, and accrued liabilities approximate the related fair value due to the short-term maturities of these instruments.

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5. Property and Equipment

A summary of property and equipment at December 31, 2019 and 2018, consist of the following:

	2019	2018
Furniture and equipment	$ 75,747	$ 75,747
Computer equipment and software	227,378	219,010
Leasehold improvements	6,814	6,814
Subtotal	309,939	301,571
Less: accumulated depreciation and amortization	(300,258)	(294,424)
Total	$ 9,681	$ 7,147

Depreciation and amortization expense for the years ended December 31, 2019 and 2018, was $5,834 and $9,757, respectively.

6. Revolving Line of Credit

On December 20, 2005, the Company entered into a revolving line of credit agreement with TD Bank providing for demand or short-term borrowings up to $1,000,000. The credit agreement includes an interest rate indexed to 3.00% above the Intercontinental Exchange Benchmark Administration Ltd. London Interbank Offered Rate. The line of credit will expire on May 31, 2020. The total amount allowed to be drawn against the line is limited by varying percentages of the Company’s eligible accounts receivable. At December 31, 2019, the limit would have been approximately $446,000. The bank is granted a security interest in all of the Company’s assets if there are borrowings under the line of credit. Interest on outstanding balances is payable monthly. The effective rate at December 31, 2019 was 4.76%.

The bank has a first priority security interest in the Company’s receivables and a direct assignment of its U.S. federal government contracts. Under the line of credit agreement, the Company is bound by certain covenants, including maintaining a minimum tangible net worth and producing a number of periodic financial reports for the benefit of the bank. At December 31, 2019, the Company failed to maintain the required minimum tangible net worth under a covenant with its lender. The Company has secured a waiver of the violation of the covenant from its lender. The Company is working with its lender to renew the line of credit prior to its expiration. A renewal is likely to include modified terms to the credit agreement, including increased frequency of reporting to its lender and new covenants. Failure to agree to terms with the lender on a renewal, however, will leave the Company unable to borrow working capital after the line of credit expires, should the need arise.

There was no outstanding balance on the line of credit at December 31, 2019 or 2018.

7. Commitments and Contingencies

Operating Leases

The Company leases its facility under a long-term operating lease agreement through May 2021. Rent expense was $104,487 and $104,487 for the years ended December 31, 2019 and 2018, respectively.

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The future minimum rental payments to be made under long-term operating leases are as follows:

Year ending December 31,:	2020	$ 110,086
	2021	46,433
Total minimum rent payments		$ 156,519

The above minimum lease payments reflect the base rent under the lease agreements. However, these base rents can be adjusted each year to reflect the Company's proportionate share of increases in the building's operating costs and the Company's proportionate share of real estate tax increases on the leased property.

8. Income Taxes

The tax effects of significant temporary differences representing deferred tax assets at December 31, 2019 and 2018 are as follows:

	2019	2018
Deferred tax assets (liabilities)		
Net operating loss carryforwards	$ 916,200	$ 1,934,300
Accrued commissions	9,000	102,600
Accrued vacation	21,200	24,500
Fixed assets	(23,500)	(24,100)
Other	3,700	6,400
Subtotal	926,600	2,043,700
Valuation allowance	(926,600)	(2,043,700)
Total	$ -	$ -

The provision for income taxes is at an effective rate different from the federal statutory rate due principally to the following:

	December 31, 2019	2018
Loss before taxes	$ (717,246)	$ (51,034)
Income tax benefit on above amount at federal statutory rate	$ (150,600)	$ (10,700)
State income tax benefit, net of federal benefit	(35,900)	(2,600)
Permanent differences	2,900	8,600
Other	(1,300)	(1,900)
NOL Expirations	1,302,000	2,015,100
Change in valuation allowance	(1,117,100)	(2,008,500)
Provision for income taxes	$ -	$ -

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Income tax expense for the years ended December 31, 2019 and 2018 consists of the following:

	December 31, 2019	December 31, 2018
Current income taxes		
Federal	$ -	$ -
State	-	-
Benefit from utilization of net operating losses	-	-
Subtotal	-	-
Deferred taxes	-	-
Provision for income taxes	$ -	$ -

The Company has recorded a valuation allowance to the full extent of its currently available net deferred tax assets which the Company determined to be not more-likely-than-not realizable. The Company has net operating loss carryforwards of approximately $3.5 million, of which $2.2 million will expire, if unused, between the years 2020 and 2036.

The Company may have been deemed to have experienced changes in ownership which may impose limitations on its ability to utilize net operating loss carryforwards under Section 382 of the Internal Revenue Code. However, as the deferred tax asset is fully offset by a valuation allowance, the Company has not yet conducted a Section 382 study to determine the extent of any such limitations.

The Company has analyzed its income tax positions using the criteria required by U.S. GAAP and concluded that as of December 31, 2019 and 2018, it has no material uncertain tax positions and no interest or penalties have been accrued. The Company has elected to recognize any estimated penalties and interest on its income tax liabilities as a component of its provision for income taxes.

The income tax returns of the Company for 2016, 2017, and 2018 are subject to examination by income taxing authorities, generally for three years after each was filed.

9. Retirement Plans

The Company has a Cash or Deferred Arrangement Agreement, which satisfies the requirements of Section 401(k) of the Internal Revenue Code. This defined contribution retirement plan covers substantially all employees. Participants can elect to have up to the maximum percentage allowable of their salaries reduced and contributed to the plan. The Company may make matching contributions equal to a discretionary percentage of the participants' elective deferrals. In 2019 and 2018, the Company matched 25% of the first 6% of the participants' elective deferrals. The balance of funds forfeited by former employees from unvested employer matching contribution accounts may be used to offset current and future employer matching contributions. The Company may also make additional contributions to all eligible employees at its discretion. The Company did not make additional contributions during 2019 or 2018. Expenses for matching contributions for the years ended December 31, 2019 and 2018 were $32,162 and $30,599, respectively.

10. Stock Options and Warrants

The Company has two stock-based compensation plans. The 2006 Stock Incentive Plan was adopted in 2006 ("2006 Plan") and had options granted under it through April 12, 2016. On June 1, 2016, the shareholders ratified the IAI 2016 Stock Incentive Plan ("2016 Plan"), which had been approved by the Board of Directors on April 4, 2016.

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The Company recognizes compensation costs for those shares expected to vest on a straight-line basis over the requisite service period of the awards. Generally such options vest over periods of six months to two years. The fair values of option awards granted in 2019 and 2018 were estimated using the Black-Sholes option pricing model under the following assumptions:

	2019	2018		
Risk-free interest rate	2.31%	2.65%	-	2.92%
Dividend yield	0%		0%	
Expected term (in years)	5		5	
Expected volatility	57.90%	49.0%	-	55.1%

2016 Stock Incentive Plan

The 2016 Plan became effective June 1, 2016, and expires April 4, 2026. The 2016 Plan provided for the granting of equity awards to key employees, including officers and directors. The maximum number of shares for which equity awards may be granted under the 2016 Plan is 1,000,000. Options under the 2016 Plan expire no later than ten years from the date of grant or when employment ceases, whichever comes first, and vest over periods determined by the Board of Directors. The minimum exercise price of each option is the quoted market price of the Company's stock on the date of grant. At December 31, 2019 and 2018, there were 371,000 and 373,000 options, respectively, issued under the 2016 Plan, of which 347,500 and 224,500 were exercisable, respectively.

2006 Stock Incentive Plan

The 2006 Plan became effective May 18, 2006, and expired April 12, 2016. The 2006 Plan provides for the granting of equity awards to key employees, including officers and directors. The maximum number of shares for which equity awards could be granted under the 2006 Plan was 1,950,000. Options under the 2006 Plan expire no later than ten years from the date of grant or when employment ceases, whichever comes first, and vested over periods determined by the Board of Directors. There were 978,000 and 1,003,500 unexpired exercisable options remaining from the 2006 Plan at December 31, 2019 and 2018, respectively.

The status of the options issued under the foregoing option plans as of December 31, 2019, and changes during the year ended December 31, 2019, was as follows:

	Options outstanding			
Incentive options	Shares	Weighted average exercise price per share	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at December 31, 2018	1,376,500	$ 0.23		
Options granted	3,000	0.21		
Options exercised	(10,000)	0.10		
Options expired	(15,500)	0.10		
Options forfeited	(5,000)	0.46		
Outstanding at December 31, 2019	1,349,000	$ 0.23	3 years, 11 months	$ -
Exercisable at December 31, 2019	1,325,500	$ 0.23	3 years, 10 months	$ -

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Nonvested stock option awards as of December 31, 2019, and changes during the year ended December 31, 2019, were as follows:

	Nonvested	
	Shares	Weighted average grant date fair value
Nonvested at January 1, 2019	148,500	$ 0.20
Granted	3,000	0.11
Vested	(123,000)	0.20
Forfeited	(5,000)	0.21
Nonvested at December 31, 2019	23,500	$ 0.17

As of December 31, 2019, unrecognized compensation cost associated with non-vested share-based employee and non-employee compensation totaled $781, which is expected to be recognized over a weighted average period of 3 months.

11. Loss Per Share

Basic loss per share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, except for periods when the Company reports a net loss because the inclusion of such items would be antidilutive. The antidilutive effect of 67,312 shares and 452,724 from stock options were excluded from diluted shares for the year ended December 31, 2019 and 2018, respectively.

The following is a reconciliation of the amounts used in calculating basic and diluted net loss per common share.

	Net loss	Shares	Per share amount
Basic net loss per common share for the year ended December 31, 2019:			
Loss available to common shareholders	$ (717,246)	11,208,308	$ (0.06)
Effect of dilutive stock options	-	-	-
Diluted net loss per common share for the year ended December 31, 2019:	$ (717,246)	11,208,308	$ (0.06)
Basic net loss per common share for the year ended December 31, 2018:			
Loss available to common shareholders	$ (51,034)	11,201,760	$ -
Effect of dilutive stock options	-	-	-
Diluted net loss per common share for the year ended December 31, 2018:	$ (51,034)	11,201,760	$ -

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12. Financial Statement Captions

The following table summarizes the Company's prepaid expenses and other current assets as of December 31, 2019 and 2018:

	2019	2018
Deferred costs of software sales	$ 453,607	$ 294,115
Other	25,708	37,609
Prepaid insurance	20,791	15,499
Credit with software supplier	57	37,557
Prepaid rent	-	8,753
Total	$ 500,163	$ 393,533

The following table summarizes the Company's other current liabilities as of December 31, 2019 and 2018:

	2019	2018
Accrued accounting and auditing expense	$ 47,000	$ 48,750
Other	7,257	19,235
Accrued costs of software sales	-	13,500
Total	$ 54,257	$ 81,485

13. Subsequent Events

The outbreak of COVID-19 (coronavirus) caused by a novel strain of the coronavirus has recently been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States. The COVID-19 outbreak has had a notable impact on general economic conditions, including, but not limited to, the temporary closures of many businesses, "shelter in place" and other governmental regulations, and "work from home" directives, and there are many unknowns. Notable potential effects on the Company include U.S. government procurements may be delayed or cancelled, work on existing contracts that require personal interactions may be suspended, payment processing for customer invoices may be delayed, employees and customers may become infected, and sales meetings may not be able to take place. The Company continues to monitor the impact of the COVID-19 outbreak closely. The extent to which the COVID-19 outbreak will impact the Company's business, results of operations, financial condition, and cash flows is uncertain.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

During the last two years, for which financial statements are presented herein, there have been no changes in or disagreements with our independent registered accountants on accounting and financial disclosures.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Office and Chief Financial Officer, and people performing similar functions, has evaluated the effectiveness of the design and operation of our controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period reported in this annual report (the "Evaluation Date"). Based upon this evaluation, our Chief Executive Office and Chief Financial Officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information required to be disclosed was accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure**.**

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. A company's internal control over financial reporting is a process designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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.

Management, including the Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of the Evaluation Date, based on the criteria for effective internal control described in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management concluded that our internal control over financial reporting was effective as of the Evaluation Date.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm.

This report shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any filing of Information Analysis Incorporated, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 9B. Other Information

None.

PART III
Item 10. Directors, Executive Officers and Corporate Governance

Directors

The following table sets forth the name, age (as of March 30, 2020) and position of each of our directors.

Name of director	Age	Director since	Position with the Company
Mark T. Krial	62	2016	Director
Charles A. May, Jr.	82	1997	Director
William H. Pickle	70	2015	Director
Sandor Rosenberg	73	1979	Chairman of the Board, Chief Executive Officer and President
Bonnie K. Wachtel	64	1992	Director
James D. Wester	81	1985	Director

Mark T. Krial, 62, has been serving as president of Marathon TS, Inc., an information technology and professional services company which serves the federal government and commercial markets, since 2009. Prior to that, he served as president of Cornell Technical Services, an information technology firm, for 15 years. He holds a B.S. degree from Oklahoma A&M State University.

Mr. Krial offers over 25 years of comprehensive achievements within information technology-based and computer-based disciplines. He has developed performance-based low-cost solutions through aggressive negotiations with new and existing suppliers, and he is recognized for the ability to incorporate innovative management techniques that result in enhanced business practices, increased productivity, and profits. He has proven success in sales, marketing, and business development, and strategic planning capabilities.

Charles A. May, Jr., 82, has been serving as a national security and strategic business planning consultant for several years. In 1992, he retired as a Lt. General from the Air Force where he last served as Assistant Vice Chief of Staff, Headquarters US Air Force, Washington, D.C. He is a graduate of the U.S. Air Force Academy, where he once served as an Associate Professor of Political Science. General May has also graduated from the NATO Defense College, has a Master's degree in International Relations from Columbia University, and has completed the course work toward a Ph.D., and has completed the University of Pittsburgh's Management Program for Executives.

General May brings a world of experience relating to strategic planning, the government as a customer, assessment of trends in national security, accountability, and stability to our Board.

William H. Pickle, 70, is a government affairs/business development consultant with over 30 years of experience at senior levels within the federal government.

Since 2007, Mr. Pickle has served as President of The Pickle Group, LLC, a Washington DC-based business development company.

Mr. Pickle served as the 37th Sergeant at Arms (SAA) of the United States Senate. Mr. Pickle was nominated for this senior position by Senate Majority Leader Bill Frist and elected by the Senate in March 2003. He was re-elected in January 2005. In this position, Mr. Pickle served as the Senate's Chief Operating Officer, Chief of Protocol, Chief of Security; and managed over 950 Senate employees and an annual budget exceeding $200 million. As SAA, Mr. Pickle worked closely with Senators, Committees and senior Senate staff on a daily basis. In addition, as the SAA, he served as Chairman of the U.S. Capitol Police Board with direct oversight for a 2200 person police department with a budget of $300 million.

Prior to his Senate service, Mr. Pickle served in several Senior Executive Service (SES) positions within the Executive Branch, which included being the first SES Director of the Transportation Security Administration and a Deputy Inspector General of the Department of Labor.

The bulk of Mr. Pickle's career was spent with the United States Secret Service where he rose steadily through the ranks from Special Agent to Senior Executive. Mr. Pickle served as Executive Assistant Director responsible for the Congressional and Legislative Affairs program of the Secret Service from 1991 to 1998.

Mr. Pickle is a decorated Vietnam Veteran who served with the 1st Cavalry Division in 1968-69. Among his awards are the Bronze Star, Purple Heart, 7 Air Medals (2 for valor), 3 Army Commendation Medals, Vietnamese Cross of Gallantry, and the Combat Infantry Badge.

Mr. Pickle served on the President's Medal of Valor Award Committee and currently serves on numerous not-for-profit and corporate boards. He was a member of the 2004 Presidential Election Advisory Committee.

Sandor Rosenberg, 73, is the founder of the Company and has been Chairman of the Board and Chief Executive Officer of the Company since 1979, and President since 1998. Mr. Rosenberg holds a B.S. degree in Aerospace Engineering from Rensselaer Polytechnic Institute, and has done graduate studies in Operations Research at George Washington University.

Mr. Rosenberg is IAI's largest shareholder. He has been guiding IAI through three decades. Mr. Rosenberg has been involved in developing our core competencies.

Bonnie K. Wachtel, 64, is a principal of Wachtel & Co., Inc., a boutique investment firm based in Washington, D.C. Ms. Wachtel has been a director of several local companies since joining her firm in 1984, and currently serves on the Board of VSE Corporation, a provider of engineering services to federal government clients, and ExOne Co., a global provider of 3D printing machines, products, and services to industrial clients. Industry experience includes ten years (2006-2016) on the Hearing Panel for Nasdaq Listing Qualifications. Ms Wachtel holds B.A. and M.B.A. degrees from the University of Chicago and a J.D. from the University of Virginia. She is a Certified Financial Analyst.

Ms. Wachtel is a trusted resource with regard to business strategy, public markets, merger and acquisition opportunities, corporate governance, regulatory compliance, and risk management. Given her background and occupation, she is qualified to be the audit committee's financial expert.

James D. Wester, 81, retired, was president of Results, Inc., a computer services marketing consulting firm, for more than 15 years. Mr. Wester holds a B.M.E. degree from Auburn University and an M.B.A. from George Washington University.

Mr. Wester has a wealth of experience and knowledge as an entrepreneur and as a successful businessman.

Executive Officers

The following table sets forth the name, age (as of March 29, 2019) and position of each of our executive officers.

Name of executive officer	Age	Position with the Company
Sandor Rosenberg	73	Chairman of the Board, Chief Executive Officer and President
Richard S. DeRose	81	Executive Vice President and Chief Financial Officer
Stanley A. Reese	63	Chief Operating Officer

Sandor Rosenberg, 73, is described with our director above.

Richard S. DeRose, 81, has been Executive Vice President since 1991. Prior to that, he served as the President and CEO of DHD Services, Inc., a company he founded, from 1979 until DHD's acquisition by the Company in 1991. Prior to DHD, Mr. DeRose held several management positions in the information technology and telecommunications industries at RCA, Burroughs, and MCI. Mr. DeRose holds a B.S. degree in Science from the US Naval Academy and an M.S. degree in Computer Systems Management from the US Naval Postgraduate School, Monterey.

Stanley A. Reese, 63, joined the Company in 1993. Mr. Reese has been Senior Vice President since 1997 and Chief Operating Officer since March 1999. From 1992 to 1993, he served as Vice President, Technical Services at Tomco Systems, Inc. Prior to Tomco Systems, he served as Senior Program manager at ICF Information Technology, Inc. Mr. Reese has over 35 years of experience managing and marketing large scale mainframe and PC-based applications. Mr. Reese holds a B.A. in History from George Mason University.

Family Relationships

There are no family relationships among any of our directors or executive officers.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company, there were no officers, Directors and 10% beneficial owners who failed to file on a timely basis the forms required under Section 16(a) of the Exchange Act during our 2019 fiscal year.

Code of Business Conduct and Ethics

We have adopted a code of ethics that applies to our Chief Executive Office and all senior financial officers, including our Chief Financial Officer and Controller. The code of ethics is available on our website at *www.infoa.com* on the Investors page under the Investor Relations heading. Any amendments to the code, or any waivers of its requirements, will be disclosed on our website.

Procedures for Stockholder Nominations to the Board of Directors

There were no material changes to the procedures for nominating directors by our stockholders made in the year ended December 31, 2019.

Audit Committee

We have a separately-designated standing audit committee. This committee currently has two members, Bonnie K. Wachtel (Chairman) and Charles A. May, Jr. Our Audit Committee has the authority to retain and terminate the services of our independent registered public accountants, reviews annual financial statements, considers matters relating to accounting policy and internal controls, and reviews the scope of annual audits. All members of the Audit Committee satisfy the current independence standards promulgated by the SEC and by the NASDAQ Stock Market; as such standards apply specifically to members of audit committees. The Board has determined that Ms. Wachtel is our "audit committee financial expert," as the SEC has defined that term in Item 407 of Regulation S-K. The current audit committee charter is available for viewing on our Web site at *www.infoa.com* on the Investors page under the Investor Relations heading.

Item 11. Executive Compensation

The Summary Compensation Table below sets forth individual compensation information for the Chief Executive Officer and the other executive officers serving as executive officers as of December 31, 2019 (collectively "Named Executive Officers"):

Summary Compensation Table

Name and principal position (a)	**Year (b)**	**Salary ($) (c)**	**Bonus ($) (d)**	**Option awards[1] ($) (f)**	**All other Compensation[2] ($) (i)**	**Total ($) (j)**
Sandor Rosenberg	2019	142,000	--	--	15,335	157,335
Chairman of the Board and Chief Executive Officer	2018	142,000	--	--	31,802	173,802
Richard S. DeRose	2019	70,000	--	--	8,921	78,921
Executive Vice President and Chief Financial Officer	2018	70,000	--	--	10,344	80,344
Stanley A. Reese	2019	154,000	--	--	9,662	163,662
Chief Operating Officer	2018	153,585	10,000	21,000	27,756	212,341

[1]Assumptions used to determine the fair value of option awards can be found in Note 10 to our financial statements.
[2]References to All Other Compensation include employer matching contributions to each individual's 401(k) defined contribution account under our company-wide 401(k) Pension and Profit Sharing Plan, routine payouts of excess vacation accruals, and employer payments for long-term care insurance under an executive carve-out.

The following table sets forth the outstanding equity awards for the named executive officers of the Company as of December 31, 2019:

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

OPTION AWARDS				
Name (a)	**Number of securities underlying unexercised options (#) exercisable (b)**	**Number of securities underlying unexercised options (#) unexercisable (c)**	**Option exercise price ($) (e)**	**Option expiration date (f)**
Richard S. DeRose	20,000		0.17	01/28/2020
Richard S. DeRose	50,000		0.20	11/01/2020
Richard S. DeRose	50,000		0.35	07/17/2022
Richard S. DeRose	25,000		0.16	02/12/2023
Richard S. DeRose	50,000		0.145	10/07/2023
Richard S. DeRose	25,000		0.25	04/11/2026
Richard S. DeRose	90,000		0.30	04/11/2026
Stanley A. Reese	20,000		0.17	01/28/2020
Stanley A. Reese	50,000		0.15	03/20/2022
Stanley A. Reese	100,000		0.35	07/17/2022
Stanley A. Reese	100,000		0.16	02/12/2023
Stanley A. Reese	50,000		0.145	10/07/2023
Stanley A. Reese	25,000		0.25	04/11/2026
Stanley A. Reese	100,000		0.47	02/22/2028

Each Named Executive Officer is a salaried employee, without any guaranteed incentives. Bonuses and stock option awards are at the discretion of the Compensation Committee of the Board of Directors. Executive officers are eligible to participate in the Information Analysis Incorporated 401(k) Pension and Profit Sharing Plan under the same terms and matching percentages as other salaried employees. Vacation accruals in excess of defined limits are automatically paid out to all salaried employees annually, and may be paid other times upon request. Executive officers receive a perquisite benefit of no-cash-value long-term care insurance paid by the Company.

Effective March 1, 2020, each Named Executive Officer's salaried compensation was temporarily reduced by $40,000 per annum. This is expected to remain in effect until we either begin working under two contracts recently re-awarded after protracted protests against the awards of large prime contracts under each of which we are a key subcontractor, or until we have increased our revenue from professional fees to levels needed to sustain profitability and positive cash flow.

The Company has no outstanding stock awards to any executive officer.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

On June 18, 1997, the Company agreed in writing to provide to Richard S. DeRose, Executive Vice President, Chief Financial Officer, and Secretary, twelve months' severance pay of his full-time base salary, payable in normal payroll increments, in the event of the termination of his employment other than for cause. In the event of a change of control or the sale or transfer of substantially all of the Company's assets, the Company agreed that in the event of Mr. DeRose's termination, substantial reduction of duties, or requirement to be based at a location outside of a 30-mile radius of Fairfax, Virginia, he will receive a twelve month severance payment of base salary, payable in lump sum or monthly, at the Company's discretion. Had the event of termination or change-in-control occurred on December 31, 2019, Mr. DeRose's compensation under the agreement would have been $130,000.

Retirement Plans

The Company has a Cash or Deferred Arrangement Agreement (CODA), which satisfies the requirements of section 401(k) of the Internal Revenue Code. This defined contribution retirement plan covers substantially all employees. Participants can elect to have up to the maximum percentage allowable of their salaries reduced and contributed to the plan. The Company may make matching contributions equal to a discretionary percentage of the participants' elective deferrals. In 2019, the Company matched 25% of the first 6% of the participants' elective deferrals. The Company may also make additional contributions to all eligible employees at its discretion. The Company did not make additional contributions during 2019.

Compensation of Directors

The Company pays each non-employee director an annual fee of $2,000 to serve on the Board, payable quarterly. Options to purchase shares of common stock may be issued in addition to the director's annual fee. Expenses incurred in attending Board of Director meetings and committee meetings may be reimbursed. The following Table describes all compensation for each director for the year ended December 31, 2019.

Director Compensation							
Name (a)	**Fees earned or paid in cash ($) (b)**	**Stock Awards ($) (c)**	**Option Awards ($) (d)**	**Non-equity incentive plan compensation ($) (e)**	**Nonqualified deferred compensation ($) (f)**	**All Other Compensation ($) (g)**	**Total ($) (h)**
Mark T. Krial[1]	2,000	-	-	-	-	-	2,000
Charles A. May, Jr.[2]	2,000	-	-	-	-	-	2,000
William H. Pickle[3]	2,000	-	-	-	-	-	2,000
Bonnie K. Wachtel[2]	2,000	-	-	-	-	-	2,000
James D. Wester[2]	2,000	-	-	-	-	-	2,000

[1]Has option awards for an aggregate amount of 10,000 shares outstanding at December 31, 2019.
[2]Has option awards for an aggregate amount of 30,000 shares outstanding at December 31, 2019.
[3]Has option awards for an aggregate amount of 20,000 shares outstanding at December 31, 2019.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table contains information regarding securities authorized and available for issuance under our equity compensation plans for certain employees, directors, and consultants, as of March 15, 2020.

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants, and rights**	**Weighted average exercise price of outstanding options, warrants, and rights**	**Number of securities remaining available for future issuance**
Equity compensation plans approved by security holders[1,2]	1,349,000	$ 0.23	629,000
Equity compensation plans not approved by security holders	--	--	--
Total	1,349,000	$ 0.23	629,000

1 The Company has a stock incentive plan, which became effective June 1, 2016, and expires April 4, 2026 (the "2016 Plan"). The 2016 Plan provides for the granting of equity awards to employees and directors. The maximum number of shares for which equity awards may be granted under the 2016 Plan is 1,000,000. Options granted under the 2016 Plan expire no later than ten years from the date of grant or 90 days after employment ceases, whichever comes first, and vest over periods determined by the Board of Directors.

2 The Company had a stock incentive plan, which became effective May 18, 2006, and expired April 12, 2016 (the "2006 Plan"). The 2006 Plan provided for the granting of equity awards to employees and directors. Options granted under the 2006 Plan expire no later than ten years from the date of grant or 90 days after employment ceases, whichever comes first, and vest over periods determined by the Board of Directors.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the beneficial ownership of our common stock held as of March 15, 2020, by each person who is known by us based on Schedule 13G, Schedule 13D, and Section 16(a) filings to beneficially own more than 5% of the outstanding shares of our common stock, and as of March 15, 2020, by each current director and; (2) each of the named executive officers listed in the Summary Compensation Table included in Part III Item 10 above; and (3) by all current directors and executive officers as a group:

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS		
TITLE OF CLASS: INFORMATION ANALYSIS INCORPORATED COMMON STOCK		
Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent Of Class
Joseph P. Daly 497 Circle Freeway Cincinnati, OH 45246	1,670,500	14.9
Traditions LP 924 Ridge Drive McLean, VA 22101	1,000,000	8.9
Estate of Barry T. Brooks(2) 3843 Jamestown Road Springfield, OH 45502	735,043	6.6

SECURITY OWNERSHIP OF MANAGEMENT			
TITLE OF CLASS: INFORMATION ANALYSIS INCORPORATED COMMON STOCK			
Name of Beneficial Owner (3)	Amount and Nature of Beneficial Ownership		Percent Of Class
Sandor Rosenberg, Chairman, CEO, and Director	1,832,800		16.4
Richard S. DeRose, Executive Vice President	505,345	(4)	4.4
Stanley A. Reese, Senior Vice President	425,000	(5)	3.7
Mark T. Krial, Director	10,000	(6)	*
Charles A. May, Jr., Director	65,000	(7)	*
William H. Pickle, Director	20,000	(8)	*
Bonnie K. Wachtel, Director	243,800	(7)	2.2
James D. Wester, Director	169,947	(7)	1.5
All directors and executive officers as a group	3,271,892	(9)	27.2

(1) All shares beneficially owned are held outright by the individuals listed, except for 1,220,500 shares of common stock owned by EssigPR Inc. that are reported under Joseph P. Daly.
(2) Current ownership status of the shares of Barry T. Brooks is unknown following his death in 2014. There has been no subsequent Schedule 13G or 13D reporting.
(3) The address of all beneficial holders who are directors or management is in care of the Company.
(4) Includes 290,000 shares issuable upon the exercise of options to purchase common stock.
(5) Includes 425,000 shares issuable upon the exercise of options to purchase common stock.
(6) Includes 10,000 shares issuable upon the exercise of options to purchase common stock.
(7) Includes 25,000 shares issuable upon the exercise of options to purchase common stock.
(8) Includes 20,000 shares issuable upon the exercise of options to purchase common stock.
(9) Includes 820,000 shares issuable upon the exercise of options to purchase common stock.
* Less than 1% ownership of class.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Transactions with Related Persons

A "Related Party Transaction" is any transaction directly or indirectly involving any related party that would need to be disclosed under Item 404(a) of Regulation S-K. The Company has determined as a policy that any Related Party Transaction requires the approval by the Board of Directors.

For the year ended December 31, 2019, the Company determined that it had not engaged in related party transactions subject to reporting herein.

Independence

Our Board has determined that the following members of the Board qualify as independent under the definition promulgated by the NASDAQ Stock Market:

Mark T. Krial
Charles A. May, Jr.
William H. Pickle
Bonnie K. Wachtel
James D. Wester

There are no family relationships between any directors or executive officers of the Company.

Item 14. Principal Accounting Fees and Services

The following table presents fees for professional audit services rendered by CohnReznick LLP for the audits of the Company's annual financial statements for the years ended December 31, 2019 and 2018, respectively, and fees billed for other services rendered by our principal accountants during those periods.

Fee Category	2019 Fees	2018 Fees
Audit Fees	$ 92,284	$ 92,598
Audit-Related Fees	--	--
Tax Fees	--	4,955
All Other Fees	--	--
Total Fees and Services	$ 92,284	$ 97,553

The Audit Committee directly engages the Independent Registered Public Accountants as it relates to the audit of the Company's fiscal year and the reviews of its fiscal quarters and the associated fees. In accordance with its written charter, our Audit Committee pre-approves all audit and permissible non-audit services, including the scope of contemplated services and the related fees, that are to be performed by CohnReznick LLP, our independent registered public accounting firm, subject to the de minimis exceptions described in Section 10A(i)(1)(B) of the Exchange Act, which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee's pre-approval of non-audit services involves consideration of the impact of providing such services on CohnReznick LLP's independence. All 2019 and 2018 non-audit services were pre-approved by the Audit Committee.

PART IV
Item 15. Exhibits, Financial Statement Schedules

(a) (1) Financial Statements

(as presented in Item 8 of this Annual Report) Page

Exhibit Index

Exhibit No.	Description	Location
3.1	Amended and Restated Articles of Incorporation effective March 18, 1997	Incorporated by reference from the Registrant's Form 10-KSB/A for the fiscal year ending December 31, 1996 and filed on July 3, 1997
3.2	Articles of Amendment to the Articles of Incorporation	Incorporated by reference from the Registrant's Form 10-KSB for the fiscal year ending December 31, 1997 and filed on March 31, 1998
3.3	Amended By-Laws of the Company	Incorporated by reference from the Registrant's Form S-18 dated November 20, 1986 (Commission File No. 33-9390).
4.1	Copy of Stock Certificate	Incorporated by reference from the Registrant's Form 10-KSB for the fiscal year ending December 31, 1997 and filed on March 31, 1998
10.1	Office Lease for 18,280 square feet at 11240 Waples Mill Road, Fairfax, Virginia 22030.	Incorporated by reference from the Registrant's Form 10-KSB/A for the fiscal year ending December 31, 1996 and filed on July 3, 1997
10.2	Company's 401(k) Profit Sharing Plan through Aetna Life Insurance and Annuity Company (now VOYA).	Incorporated by reference from the Registrant's Form 10-KSB/A for the fiscal year ending December 31, 1996 and filed on July 3, 1997
10.3	Second Modification of Lease, dated February 10, 2004, to 4,434 square feet at 11240 Waples Mill Road, Fairfax, Virginia 22030	Incorporated by reference from the Registrant's Form 10-KSB for the period ended December 31, 2003, and filed on March 30, 2004
10.4	Termination and/or change in control arrangement for Richard S. DeRose dated June 18, 1997	Incorporated by reference from the Registrant's Form 10-KSB for the year ended December 31, 2004, and filed on March 30, 2005
10.5	Line of Credit Agreement with TD Bank, N.A. (formerly Commerce Bank, N.A.)	Incorporated by reference from the Registrant's Form 10-KSB for the year ended December 31, 2005, and filed on March 31, 2006
10.6	Information Analysis Incorporated 2006 Stock Incentive Plan	Incorporated by reference from the Registrant's definitive proxy statement on Schedule 14A filed on April 19, 2006
10.7	Modification Agreement regarding Line of Credit Agreement with TD Bank, N.A., successor to Commerce Bank, N.A., dated July 18, 2008.	Incorporated by reference from the Registrant's Form 10-K for the period ended December 31, 2008, and filed on March 31, 2009
10.8	Information Analysis Incorporated 2016 Stock Incentive Plan	Incorporated by reference from the Registrant's definitive proxy statement on Schedule 14A filed on April 11, 2016
10.9	Sixth Modification of Lease, dated December 9, 2016, to extend term of lease four years.	Incorporated by reference from the Registrant's Form 10-K for the year ended December 31, 2016, and filed on March 31, 2017

Exhibit No.	**Description**	**Location**
10.10	Modification Agreement regarding Line of Credit Agreement with TD Bank, N.A., successor to Commerce Bank, N.A., dated May 28, 2017.	Incorporated by reference from the Registrant's Form 10-Q for the period ended June 30, 2017, and filed on August 14, 2017
23.1	Consent of Independent Registered Public Accounting Firm, CohnReznick LLP	Filed with this Form 10-K
31.1	Rule 13a-14(a) / 15a-14(a) Certification by Chief Executive Officer	Filed with this Form 10-K
31.2	Rule 13a-14(a) / 15a-14(a) Certification by Chief Financial Officer	Filed with this Form 10-K
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed with this Form 10-K
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed with this Form 10-K
101.INS**	XBRL Instance	
101.SCH**	XBRL Taxonomy Extension Schema	
101.CAL**	XBRL Taxonomy Extension Calculation	
101.DEF**	XBRL Taxonomy Extension Definition	
101.LAB**	XBRL Taxonomy Extension Labels	
101.PRE**	XBRL Taxonomy Extension Presentation	

** XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INFORMATION ANALYSIS INCORPORATED
(Registrant)

By: /s/ Sandor Rosenberg
Sandor Rosenberg, President
March 30, 2020

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Sandor Rosenberg and Richard S. DeRose, jointly and severally, his attorney-in-fact, each with the full power of substitution, for such person, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might do or could do in person hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities 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.

Signature		Title	Date
By	/s/ Sandor Rosenberg Sandor Rosenberg	Chairman of the Board, Chief Executive Officer and President	March 30, 2020
By	/s/ Mark T. Krial Mark T. Krial	Director	March 30, 2020
By	/s/ Charles A. May, Jr. Charles A. May	Director	March 30, 2020
By	/s/ William Pickle William Pickle	Director	March 30, 2020
By	/s/ Bonnie K. Wachtel Bonnie K. Wachtel	Director	March 30, 2020
By	/s/ James D. Wester James D. Wester	Director	March 30, 2020
By	/s/ Richard S. DeRose Richard S. DeRose	Chief Financial Officer, Secretary and Treasurer	March 30, 2020
By	/s/ Matthew T. Sands Matthew T. Sands	Controller	March 30, 2020

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-138836) of our report dated March 30, 2020, on our audits of the financial statements of Information Analysis Incorporated as of December 31, 2019 and 2018 and for the years then ended, included in this Annual Report on Form 10-K of Information Analysis Incorporated for the year ended December 31, 2019.

/s/ CohnReznick LLP

Tysons, Virginia
March 30, 2020

EXHIBIT 31.1
RULE 13a-14(a) / 15d-14(a) Certification

I, Sandor Rosenberg, certify that:

1. I have reviewed this annual report on Form 10-K of Information Analysis Incorporated;

2. Based on my knowledge, this annual 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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer'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 small business issuer 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 small business issuer, 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 small business issuer’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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer’s auditors and the audit committee of the small business issuer’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 small business issuer’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 small business issuer’s internal control over financial reporting.

Date: March 30, 2020

By: /s/ Sandor Rosenberg
Sandor Rosenberg, Chairman of the Board,
Chief Executive Officer and President

A signed original of this written statement required by Section 302 has been provided to Information Analysis Incorporated and will be retained by Information Analysis Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 31.2
RULE 13a-14(a) / 15d-14(a) Certification

I, Richard S. DeRose, certify that:

1. I have reviewed this annual report on Form 10-K of Information Analysis Incorporated;

2. Based on my knowledge, this annual 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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer'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 small business issuer 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 small business issuer, 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 small business issuer’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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer’s auditors and the audit committee of the small business issuer’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 small business issuer’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 small business issuer’s internal control over financial reporting.

Date: March 30, 2020

By: /s/ Richard S. DeRose
Richard S. DeRose, Executive Vice President, Treasurer, Chief Financial Officer

A signed original of this written statement required by Section 302 has been provided to Information Analysis Incorporated and will be retained by Information Analysis Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Sandor Rosenberg, Chief Executive Officer of Information Analysis Incorporated, a Virginia corporation (the "Company"), do hereby certify, to the best of my knowledge, that:

1 the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof, (the "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 Report fairly presents, in all material respects, the financial condition and result of operations of the Company for the periods presented therein.

Date: March 30, 2020

By: /s/ Sandor Rosenberg
Sandor Rosenberg, Chairman of the
Board, Chief Executive Officer, and President

A signed original of this written statement required by Section 906 has been provided to Information Analysis Incorporated and will be retained by Information Analysis Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Richard S. DeRose, Chief Financial Officer of Information Analysis Incorporated, a Virginia corporation (the “Company”), do hereby certify, to the best of my knowledge, that:

1 the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof, (the "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 Report fairly presents, in all material respects, the financial condition and result of operations of the Company for the periods presented therein.

Date: March 30, 2020

By: /s/ Richard S. DeRose
Richard S. DeRose, Executive
Vice President, Treasurer, and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Information Analysis Incorporated and will be retained by Information Analysis Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.