

Edgar Filing: ILINC COMMUNICATIONS INC - Form 10-Q/A

ILINC COMMUNICATIONS INC  
Form 10-Q/A  
June 24, 2005

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

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FORM 10-Q/A  
AMENDMENT NO. 2

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2004

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 1-13725

ILINC COMMUNICATIONS, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

76-0545043  
(I.R.S. Employer  
Identification No.)

2999 NORTH 44TH STREET, SUITE 650  
PHOENIX, ARIZONA  
(Address of principal executive offices)

85018  
(Zip Code)

Registrant's telephone number, including area code: (602) 952-1200

Indicate by check mark whether the registrant: (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports) and (2) has been subject to such  
filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated file (as  
defined in Rule 12b-2 of the Act). Yes  No

The number of shares outstanding of each of the registrant's classes of  
Common Stock, as of January 31, 2005 was approximately 24,145,938, net of shares  
held in treasury.

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EXPLANATORY NOTE

## Edgar Filing: ILINC COMMUNICATIONS INC - Form 10-Q/A

Form 10-Q/A (this "Second Amendment") amends the Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2004, filed on February 17, 2005 (the "Original Filing"). iLinc Communications, Inc. ("the Company" or "iLinc") has filed this Second Amendment to revise Item 4 which revisions iLinc deems necessary to clarify language used in Item 4 of the Original Filing. Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, the complete text of Item 4 as amended is set forth below. The remainder of the Original Filing is unchanged and is not reproduced in this Second Amendment. This Second Amendment speaks as of the filing date of the Original Filing and reflects only the changes discussed above. No other information included in the Original Filing, including the Company's financial statements and the footnotes thereto, has been modified or updated in any way. This Second Amendment should be read together with other documents that iLinc has filed with the Securities and Exchange Commission subsequent to the filing of the Original Filing.

### ITEM 4. CONTROLS AND PROCEDURES

We evaluated the design and operation of our disclosure controls and procedures as of December 31, 2004 to determine whether they are effective in ensuring that we disclose the required information in a timely manner and in accordance with the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the rules and forms of the Securities and Exchange Commission. Management, including our principal executive officer and principal financial officer, supervised and participated in the evaluation. The principal executive officer and principal financial officer concluded, based on their review, that our disclosure controls and procedures, as defined by Exchange Act Rules 13a-15(e) and 15d-15(e), are effective and ensure that (i) we disclose the required information in reports that we file under the Exchange Act and that the filings are recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) information required to be disclosed in reports that we file under the Exchange Act is accumulated and communicated to the Company's management, including our principal executive officer and principal financial officer to allow timely decisions regarding disclosure. Our internal controls were modified during the quarter ended December 31, 2004 as further discussed below in response to notification of a material weakness.

The Company's disclosure and control systems are designed to provide reasonable assurance of achieving their objectives, and the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures provide reasonable assurance of achieving their objectives. However, because of the inherent limitations in all control systems no evaluation of controls can provide absolute assurance that all control issues if any, within a company have been detected.

On November 12, 2004, the Company's independent registered public accountants orally notified the Company's Audit Committee that they had identified a material weakness regarding the Company's internal controls. The identified material weakness noted was a lack of sufficient control over the sales order and revenue recognition process related to failure to communicate changes on standard forms of customer contracts. In response to this notification, during the period between November 12, 2004 and December 31, 2004, the Company implemented steps to prevent failure to communicate changes in

standard forms of customer contracts in the future and strengthen the Company's internal controls related to contract management and its impact on revenue recognition. The Company has put procedures into place to prevent modification of its standard form of software license agreements without due and proper notice to all parties, including the Company's accounting group. Those steps to correct and prevent this in the future include:

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- o New controls over the modification of electronic contracts adding limited password protection;
- o The electronic receipt of contracts from customers directly to both the sales and accounting groups simultaneously;
- o The numbering of contracts and order forms to provide a stronger audit trail;
- o The electronic storage of all customers' contracts providing real-time access;
- o The notification of the accounting department by the sales or legal departments should modification occur; and
- o Remedial training of the sales group on the impact of changes to the software license agreement.
- o A further segregation of duties was also implemented to better control contract workflow as follows:
- o A supervisor from the sales team must approve all sales orders before they are accepted by the sales department, and a supervisor from the accounting group must approve all orders that exceed \$10,000 in amount before they are accepted as a valid sale of the company.
- o An order processing clerk verifies that the appropriate Customer and Company authorizations have been obtained;
- o The approved sales order is transmitted to the customer service department for order fulfillment;
- o Notification of fulfillment of the order is sent to both the sales and accounting departments; and
- o Before revenue is recognized on any sales order, the controller verifies that the sales order was properly approved by the customer and the Company, verifies that changes, if any, to the standard license agreement have been properly documented in writing and in the customer's electronic file and thereafter records revenue based upon the approved and verified documentation.

The implementation of the foregoing steps and changes constitute modifications to the Company's internal controls over financial reporting that occurred during the quarter ended December 31, 2004. Except for the implementation of these steps and changes, no changes were made during the quarter ended December 31, 2004 to our internal controls over financial reporting that materially affected or were reasonably likely to materially affect these internal controls over financial reporting controls.

SIGNATURE

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.

Date: June 24, 2005

ILINC COMMUNICATIONS, INC.

By: /s/ JAMES M. POWERS, JR.

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James M. Powers, Jr.,  
Chairman of the Board of Directors,  
Chief Executive Officer and President

By: /s/ DAVID J. IANNINI

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David J. Iannini, Chief Financial  
Officer

## CERTIFICATION

I, James M. Powers, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of iLinc Communications, Inc., as amended;
2. Based on my knowledge, this quarterly report, as amended, 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, as amended;
3. The registrant's other certifying officer 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)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report, as amended, any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
4. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to

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adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

By: /s/ JAMES M. POWERS, JR.

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James M. Powers, Jr.  
Chairman of the Board, President and  
Chief Executive Officer  
June 24, 2005

CERTIFICATION

I, David J. Iannini, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iLinc Communications, Inc., as amended;
2. Based on my knowledge, this quarterly report, as amended, 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, as amended;
3. The registrant's other certifying officer 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)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report, as amended, any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has

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materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

4. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

By: /s/ DAVID J. IANNINI

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David J. Iannini  
Chief Financial Officer  
June 24, 2005