

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

ILINC COMMUNICATIONS INC  
Form 10-Q/A  
May 12, 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 SEPTEMBER 30, 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 October 12, 2004 was approximately 24,145,938, net of shares  
held in treasury.

EXPLANATORY NOTE

Form 10-Q/A (this "2nd Amendment") amends the Quarterly Report on Form 10-Q  
for the quarterly period ended September 30, 2004, filed on November 18, 2004  
(the "Original Filing"). iLinc Communications, Inc. ("the Company" or "iLinc")  
has filed this Amendment to revise Item 4 which revisions iLinc deems necessary

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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 Amendment. This 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 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 September 30, 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-14(c) and 15d-14(c), 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 despite the material weakness identified by our independent registered public accountants identified below 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 required disclosure. The principal executive officer and principal financial officer reached this conclusion after giving consideration to the communications received from the Company's independent registered public accountants on November 12, 2004, further described below, because the existing internal disclosure controls and procedures were effective in the manner described above. The Company's principal executive officer and principal financial officer considered the following factors in their determination that the internal controls and procedures were effective in the manner described above despite the identified material weakness:

- o The small number of sales transactions processed by the Company during period;
- o The direct and individual oversight and review by accounting staff and senior management, including the CEO and CFO, of almost all of the transactions regardless of the transaction size;
- o The integral involvement of all senior staff in each sales transaction and the sign-off procedures that had been in place before the identification of the weakness;
- o The nature of the identified material weakness and the fact that it related to a unique and isolated set of factors that were not likely to arise again; and
- o The changes to the accounting and reporting staff that had occurred and been implemented during the prior quarter.

Additionally, the Company notes that changes in the sales order

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documentation, approval and storage processes were implemented and changes were made to further segregate the duties associated with the sales order process and the corresponding revenue recognition process related to those sales orders.

Our internal controls were modified during the quarter ended September 30, 2004, as outlined below following the previously reported August 11, 2004 notification to the Company's Audit Committee of significant deficiencies in accounting controls related to management oversight and proper segregation of duties in the accounting department:

- o The Company hired a new CFO and a new controller replacing the interim-CFO and replacing the VP of Finance;
- o The Company hired a new A/P clerk and added a dedicated A/R clerk to supplement the accounting staff, further segregating functions to the extent possible in a small organization;
- o The Company restructured the roles of the new controller in combination with a change in the reporting procedures for the A/P clerk and A/R clerk to strengthen the reporting structures and internal control procedures;
- o The Company implemented new sign-off procedures for sales agreements to require multiple party sign-off from both the sales and finance departments; and
- o The Company added to its CRM software the ability to gain access to view sales contracts and recorded purchase information in that system as well as the accounting systems.

Except as outlined above, no significant changes were made during the quarter ended September 30, 2004 to our internal controls over financial reporting that materially affected or were reasonably likely to materially affect these controls subsequent to the date of their evaluation.

The Company's disclosure controls and procedures 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 material weakness noted was the lack of sufficient control over the sales order and revenue recognition process. Management of the Company has informed the Audit Committee that it is in the process of changing procedures to correct this weakness. The Company is implementing a new procedure which requires a documented secondary review of all sales orders to assure proper revenue recognition and completeness of customer sales files.

### 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.

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Date: May 12, 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, Senior Vice President and  
Chief Financial Officer