

**LAKE ZURICH BASEBALL
and SOFTBALL ASSOC., INC.**

Financial Statements

October 31, 2012 and 2011

(With Auditors' Report Thereon)



• CERTIFIED PUBLIC ACCOUNTANTS
• BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Lake Zurich Baseball and Softball Assoc., Inc.
Lake Zurich, Illinois:

We have audited the accompanying statements of assets, liabilities, and net assets - modified cash basis of Lake Zurich Baseball and Softball Assoc., Inc. as of October 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets - modified cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Lake Zurich Baseball and Softball Assoc., Inc. as of October 31, 2012 and 2011, and its revenues and expenses and changes in net assets for the years then ended, on the basis of accounting described in Note 2.

BIK + CO, LLP

January 21, 2013

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**LAKE ZURICH BASEBALL
and SOFTBALL ASSOC., INC.**

Statements of Assets, Liabilities
and Net Assets - Modified Cash Basis
October 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash in bank	\$ 84,769	69,115
Equipment, net of accumulated depreciation	<u>8,609</u>	<u>10,603</u>
Total assets	<u><u>93,378</u></u>	<u><u>79,718</u></u>
 Liabilities and Net Assets		
Advance Deposits Received for Travel Program	<u>7,721</u>	<u>-</u>
Total liabilities	<u>7,721</u>	<u>-</u>
Net assets - unrestricted	<u>85,657</u>	<u>79,718</u>
Total liabilities and net assets	<u><u>93,378</u></u>	<u><u>79,718</u></u>

Accompanying notes are an integral part of these financial statements.

**LAKE ZURICH BASEBALL
and SOFTBALL ASSOC., INC.**

Statements of Revenues, Expenses and
Changes in Net Assets - Modified Cash Basis
Years Ended October 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Registration fees	\$ 369,917	406,612
Sponsorships	34,827	39,546
Concession stand operations, net	2,038	4,722
Tournament fees and operations	41,872	30,540
Fundraising	44,169	43,583
Interest	408	1,224
	<u>493,231</u>	<u>526,227</u>
Expenses		
Field maintenance	133,967	118,221
Wages	61,308	57,011
Payroll taxes	4,032	4,835
Office supplies, printing and postage	16,331	18,390
Outside services	1,335	1,142
Insurance	18,702	15,070
League operating tournaments and supplies	229,282	252,161
Utilities	6,106	5,812
Depreciation	1,994	2,201
Professional fees	14,235	14,415
	<u>487,292</u>	<u>489,258</u>
Increase in net assets	5,939	36,969
Net assets at beginning of year	<u>79,718</u>	<u>42,749</u>
Net assets at end of year	<u>\$ 85,657</u>	<u>79,718</u>

Accompanying notes are an integral part of these financial statements.

**LAKE ZURICH BASEBALL
and SOFTBALL ASSOC., INC.**

Notes to Financial Statements

October 31, 2012 and 2011

1. Nature of Activities and Purpose

The Lake Zurich Baseball and Softball Assoc., Inc. (the Organization) began operations in 1997 to provide team play in boys baseball and girls softball. The Organization provides organized competitive and non-competitive leagues to approximately 1200 boys and girls (ages 5 - 18) in Lake Zurich, Illinois and the surrounding communities. The Organization is provided access to the baseball fields by the local area governmental entities and the Lake Zurich Lions Club.

2. Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Organization has not recognized receivables for registrations, accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements. The Organization follows Financial Accounting Standards Board Accounting Standards Codification (ASC) which is an aggregation of previously issued authoritative United States generally accepted accounting principles in one comprehensive set of guidance by subject area. Net assets and changes in net assets are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted net assets by the Organization. There were no contributions with donor-imposed restrictions that resulted in temporarily restricted net assets.

(continued)

**LAKE ZURICH BASEBALL
and SOFTBALL ASSOC., INC.**

Notes to Financial Statements

2. Significant Accounting Policies (continued)

a. Basis of Presentation (continued)

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There were no contributions with donor-imposed restrictions that would result in permanently restricted net assets.

b. Registration Fees

The Organization records registration fees when they are received.

c. Contributed Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs. The Organization does not record contributed services in the statement of revenues, expenses, and changes in net assets.

d. Equipment and Depreciation

Equipment is recorded at cost or at estimated fair value at the date of purchase or contribution. The Organization follows the policy of capitalizing all expenditures in excess of \$500. Donated equipment is recorded as unrestricted support at its estimated fair value at date of receipt unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided over the estimated useful lives of the assets (3-5 years) under the straight-line method.

e. Contributions

Contribution revenues are recognized when received, and are considered unrestricted unless otherwise specified by the donor.

f. Income Taxes

No provision has been made for income taxes in the financial statements. The Organization is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3). The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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**LAKE ZURICH BASEBALL
and SOFTBALL ASSOC., INC.**

Notes to Financial Statements

2. Significant Accounting Policies (continued)

g. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

h. Functional Allocation of Expenses

The costs of providing various programs and related activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net assets. All of the Organization's expenses relate to program services.

i. Advance Deposits

Funds received in advance relating to future travel program operations have been classified as advance deposits received in the statement of assets, liabilities, and net assets.

j. Subsequent Events

Based on management's evaluation, there were no subsequent event disclosures through January 21, 2013, which is the date the financial statements were available to be issued.

3. Cash in Bank

The cash amounts at October 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Cash - checking	\$ 395	\$ 149
Cash - money market	<u>84,374</u>	<u>68,966</u>
Total cash in bank	<u>\$ 84,769</u>	<u>\$ 69,115</u>

The checking account is non-interest bearing. The money market account earns interest at rates determined by the bank. The accounts are insured up to the limits provided by federal depository insurance.

(continued)

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Notes to Financial Statements

4. Equipment and Accumulated Depreciation

Equipment consists of the following at October 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets - equipment	\$ 36,473	\$ 36,473
Accumulated depreciation - equipment	<u>(27,864)</u>	<u>(25,870)</u>
Equipment, net	<u>\$ 8,609</u>	<u>\$ 10,603</u>

5. Line of Credit Payable

At October 31, 2012, the Organization has an available line of credit of \$80,000 with a local bank. The interest on the line of credit is paid monthly at an interest rate at prime (published by Wall Street Journal) plus 1/2%. There was no outstanding balance at October 31, 2012 and 2011.

6. Related Party Transactions

The Organization purchased signs and scoreboards from a business which is co-owned by an employee of the Organization. The amount paid to this related party was \$7,030 and \$8,028 for the years ended October 31, 2012 and 2011, respectively.

The Organization also received field maintenance services from a business whose field operations manager is the property management commissioner of the Organization. The amount paid to this related party was \$73,537 and \$83,058 for the years ended October 31, 2012 and 2011, respectively.

(continued)



• CERTIFIED PUBLIC ACCOUNTANTS
• BUSINESS ADVISORS

January 21, 2013

To the Board of Commissioners
Lake Zurich Baseball & Softball Assoc., Inc.

This letter is intended to inform the Board of Commissioners about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility.

We have audited the financial statements of Lake Zurich Baseball & Softball Assoc., Inc. for the year ended October 31, 2012, and have issued our report thereon dated January 21, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 18, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your financial responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Lake Zurich Baseball & Softball Assoc., Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

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Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting and discussion about planning matters on October 18, 2012.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Lake Zurich Baseball & Softball Assoc., Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the twelve months ended October 31, 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional accounting standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 21, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with the Treasurer each year prior to retention as the Organization's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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This information is intended solely for the use of the Board of Commissioners and management of Lake Zurich Baseball & Softball Assoc., Inc. and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters with you.

Very truly yours,

BIK+CO, LLP

Palatine, Illinois
January 21, 2013