

# **Borders Group Foundation**

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**Financial Report**  
**December 31, 2009**

# **Borders Group Foundation**

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## Independent Auditor's Report

To the Board of Directors  
Borders Group Foundation

We have audited the accompanying balance sheet of Borders Group Foundation as of December 31, 2009 and 2008 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 audits 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Borders Group Foundation and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

February 3, 2010

# Borders Group Foundation

## Balance Sheet

	December 31, 2009	December 31, 2008
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 563,435	\$ 242,761
Investments (Note 2)	3,235,608	2,821,313
Contributions receivable - Net (Note 3)	593,393	747,847
Other receivables	1,800	6,750
Total current assets	4,394,236	3,818,671
Investments - Net of current portion (Note 2)	474,427	1,158,156
Total assets	<u>\$ 4,868,663</u>	<u>\$ 4,976,827</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 26,461	\$ 39,064
Sales tax payable	2,299	2,371
Total liabilities	28,760	41,435
<b>Net Assets</b>		
Unrestricted	3,216,906	3,225,129
Temporarily restricted (Note 4)	1,622,997	1,710,263
Total net assets	4,839,903	4,935,392
Total liabilities and net assets	<u>\$ 4,868,663</u>	<u>\$ 4,976,827</u>

# Borders Group Foundation

## Statement of Activities and Changes in Net Assets

	Year Ended					
	December 31, 2009			December 31, 2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue, Gains, and Other Support</b>						
Contributions - Employees	\$ 8,498	\$ 333,400	\$ 341,898	\$ 8,286	\$ 512,527	\$ 520,813
Contributions - Employer	-	-	-	-	13,003	13,003
Contributions - Other	1,460	-	1,460	400	-	400
In-kind contributions	902	-	902	-	-	-
Contributed services (Note 5)	44,058	-	44,058	45,638	-	45,638
Interest income	127,434	-	127,434	171,924	-	171,924
Special events - Net (Note 7)	117,523	-	117,523	39,753	-	39,753
Miscellaneous income	5,092	-	5,092	7,054	-	7,054
Net assets released from restrictions	420,666	(420,666)	-	540,400	(540,400)	-
<b>Total revenue, gains, and other support</b>	<b>725,633</b>	<b>(87,266)</b>	<b>638,367</b>	<b>813,455</b>	<b>(14,870)</b>	<b>798,585</b>
<b>Expenses</b>						
Program services:						
Financial assistance	204,968	-	204,968	263,484	-	263,484
Disaster relief assistance	1,000	-	1,000	73,000	-	73,000
Scholarship program	212,548	-	212,548	209,775	-	209,775
Assistance to other charities	5,000	-	5,000	9,040	-	9,040
Bereavement outreach	36,734	-	36,734	45,681	-	45,681
Contributed services (Note 5)	34,365	-	34,365	41,987	-	41,987
Resources and materials	7,829	-	7,829	10,124	-	10,124
Other assistance to employees	1,365	-	1,365	2,370	-	2,370
Program staffing	124,692	-	124,692	137,956	-	137,956
Support services:						
Management and general (Note 6)	83,755	-	83,755	57,846	-	57,846
Fund-raising	21,600	-	21,600	9,401	-	9,401
<b>Total expenses</b>	<b>733,856</b>	<b>-</b>	<b>733,856</b>	<b>860,664</b>	<b>-</b>	<b>860,664</b>
<b>Decrease in Net Assets</b>	<b>(8,223)</b>	<b>(87,266)</b>	<b>(95,489)</b>	<b>(47,209)</b>	<b>(14,870)</b>	<b>(62,079)</b>
<b>Net Assets - Beginning of year</b>	<b>3,225,129</b>	<b>1,710,263</b>	<b>4,935,392</b>	<b>3,272,338</b>	<b>1,725,133</b>	<b>4,997,471</b>
<b>Net Assets - End of year</b>	<b>\$ 3,216,906</b>	<b>\$ 1,622,997</b>	<b>\$ 4,839,903</b>	<b>\$ 3,225,129</b>	<b>\$ 1,710,263</b>	<b>\$ 4,935,392</b>

See Notes to Financial Statements.

# Borders Group Foundation

## Statement of Cash Flows

	Year Ended	
	December 31, 2009	December 31, 2008
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (95,489)	\$ (62,079)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Bad debt expense	34,794	-
Changes in operating assets and liabilities which provided (used) cash:		
Contributions receivable	119,660	134,182
Prepaid expenses	-	7,550
Other receivables	4,950	(6,750)
Accounts payable	(12,603)	26,663
Sales tax payable	(72)	(808)
Net cash provided by operating activities	51,240	98,758
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(7,549,800)	(5,541,658)
Proceeds from sales and maturities of investments	7,819,234	4,655,190
Net cash provided by (used in) investing activities	269,434	(886,468)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	320,674	(787,710)
<b>Cash and Cash Equivalents - Beginning of year</b>	242,761	1,030,471
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 563,435</b>	<b>\$ 242,761</b>

# Borders Group Foundation

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## Notes to Financial Statements December 31, 2009 and 2008

### Note I - Nature of Business and Significant Accounting Policies

**Nature of the Organization** - Borders Group Foundation (the "Foundation") is a nonprofit organization created for the purpose of coordinating programs and services to assist with the charitable needs of the employees of Borders Group, Inc. (the "Company"). The Foundation achieves its objectives through three basic programs: (1) the Employee Assistance Program, (2) the Scholarship Program, and (3) Community Support.

The Employee Assistance Program, which includes financial and bereavement assistance, was established in February 1996 to provide short-term financial assistance to individuals who have demonstrated financial need due to severe hardship and/or emergency circumstances. In addition to immediate financial assistance, the Foundation also makes available other tools to help affected employees deal with ongoing financial challenges.

The Scholarship Program was established in January 2002 to assist employees with the costs of higher education. The Scholarship Program is managed by an independent panel of judges who select recipients based on academic performance, leadership and participation in community and/or school activities, work experience, statement of career goals, and unusual personal circumstance.

The Foundation also provides general support to charitable organizations who are meeting the immediate needs of communities affected by widespread disasters such as hurricanes or floods.

**Cash Equivalents** - The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents, except for certain 90-day certificates of deposit which are considered part of the investment portfolio.

**Contributions** - Contributions from Company employees are recognized as temporarily restricted revenue when pledged. These contributions are restricted for use in the Employee Assistance Program for employees that pledged on or before December 31, 2006. Pledges made by employees subsequent to December 31, 2006 are not purpose restricted. The contributions receivable balance includes amounts to be contributed by Company employees through payroll deductions; such amounts are expected to be collected within one year. An estimate of uncollectible contributions is recorded as a reduction to contributions receivable. The allowance for uncollectible contributions totaled \$18,600 and \$26,000 as of December 31, 2009 and 2008, respectively.

**Classification of Net Assets** - Net assets of the Foundation are classified as unrestricted, temporarily restricted, or permanently restricted, depending on the presence and characteristics of donor-imposed restrictions limiting the Foundation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

# Borders Group Foundation

## Notes to Financial Statements December 31, 2009 and 2008

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. The Foundation had no permanently restricted net assets as of December 31, 2009 and 2008.

**Federal Tax Status** - The Foundation has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Foundation has adequate funding from nonprivate sources to be exempt from private foundation excise taxes.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including February 3, 2010, which is the date the financial statements were available to be issued.

**Concentration** - Nearly all revenue and support for the years ended December 31, 2009 and 2008 was received from the Company, its employees and its vendors.

### Note 2 - Investments

Investments consisted entirely of certificates of deposit in the amounts of \$3,710,035 and \$3,979,469 as of December 31, 2009 and 2008, respectively.

### Note 3 - Contributions Receivable

Net contributions receivable at December 31, 2009 and 2008 consist of the following:

	2009	2008
Gross contributions receivable	\$ 611,993	\$ 773,847
Less allowance for uncollectibles	(18,600)	(26,000)
Net contributions receivable	<u>\$ 593,393</u>	<u>\$ 747,847</u>

# Borders Group Foundation

## Notes to Financial Statements December 31, 2009 and 2008

### Note 3 - Contributions Receivable (Continued)

As of December 31, 2009 and 2008, there is \$211,501 of the contribution receivable balance related to amounts due from the Company for the 2007 campaign (due in 2008). The Foundation believes this balance is fully collectible and expects payment in 2010. In prior years, the Company matched employee contributions at \$0.50 per every \$1 contributed. The match contribution was discontinued after the 2007 campaign, therefore a match receivable has not been recorded for the 2009 campaign (due in 2010) or the 2008 campaign (due in 2009).

### Note 4 - Net Assets

Temporarily restricted net assets are restricted as follows at December 31:

	2009	2008
Purpose restricted - Employee financial assistance	\$ 1,225,074	\$ 1,290,437
Time restricted - Pledges	397,923	419,826
Total	<u>\$ 1,622,997</u>	<u>\$ 1,710,263</u>

Time-restricted net assets are expected to be released within one year.

### Note 5 - Contributed Services

Certain operating services are provided by the Company at no cost to the Foundation. These amounts are included in revenue and expenses as contributed services. These services have been allocated to program and support services. The fair values of these services during 2009 are as follows:

	Program	Management and General	Fundraising	Total
Office rent	\$ 28,080	\$ 3,600	\$ 4,320	\$ 36,000
Equipment	1,170	150	180	1,500
Miscellaneous	5,115	656	787	6,558
Total	<u>\$ 34,365</u>	<u>\$ 4,406</u>	<u>\$ 5,287</u>	<u>\$ 44,058</u>

The fair values of these services during 2008 are as follows:

	Program	Management and General	Fundraising	Total
Office rent	\$ 33,120	\$ 2,520	\$ 360	\$ 36,000
Equipment	1,380	105	15	1,500
Miscellaneous	7,487	570	81	8,138
Total	<u>\$ 41,987</u>	<u>\$ 3,195</u>	<u>\$ 456</u>	<u>\$ 45,638</u>

# Borders Group Foundation

## Notes to Financial Statements December 31, 2009 and 2008

### Note 6 - Management and General

Management and general expenses during 2009 and 2008 consist of the following:

	2009	2008
Accounting fees	\$ 28,199	\$ 34,258
Administrative staffing	10,606	7,297
Contributed services	4,406	3,195
Bad debts	34,794	-
Other expenses	5,750	13,096
Total	<u>\$ 83,755</u>	<u>\$ 57,846</u>

### Note 7 - Special Events

Revenue and expenses from special event activities are summarized below for the years ended December 31, 2009 and 2008:

	Revenues	Expenses	Net Revenue
2009			
Miscellaneous events	\$ 57,935	\$ (10,169)	\$ 47,766
Golf outing	94,273	(24,516)	69,757
Total	<u>\$ 152,208</u>	<u>\$ (34,685)</u>	<u>\$ 117,523</u>
2008 - Miscellaneous events	<u>\$ 43,468</u>	<u>\$ (3,715)</u>	<u>\$ 39,753</u>

### Note 8 - Related Party

The Foundation is the sole member of Borders Group Foundation United Kingdom (the "UK Foundation"). The UK Foundation was formed in 2005 for the purpose of supporting Company employees in the United Kingdom. The Foundation did not make any contributions to the UK Foundation in 2009 or 2008.