

Book Industry Charitable Foundation
(formerly Borders Group Foundation)

Financial Report
December 31, 2012

Book Industry Charitable Foundation

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Plante & Moran, PLLC

Suite 1A
111 E. Court St.
Flint, MI 48502
Tel: 810.767.5350
Fax: 810.767.8150
plantemoran.com

Independent Accountant's Review Report

To the Board of Directors
Book Industry Charitable Foundation

We have reviewed the accompanying balance sheet of Book Industry Charitable Foundation as of December 31, 2012 and the related statements of activities and changes in net assets and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of Book Industry Charitable Foundation is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The accompanying December 31, 2011 financial statements were audited by us, and we expressed an unqualified opinion on them in our report dated February 16, 2012, but we have not performed any auditing procedures since that date on the December 31, 2011 financial statements.

Plante & Moran, PLLC

February 22, 2013



Book Industry Charitable Foundation

Balance Sheet

	December 31, 2012 <u>(unaudited)</u>	December 31, 2011 <u></u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 86,065	\$ 262,123
Accounts receivable	-	2,322
Investments (Notes 2 and 7)	2,258,047	1,887,631
Prepaid expenses	<u>2,656</u>	<u>4,278</u>
Total current assets	2,346,768	2,156,354
Noncurrent Assets		
Investments - Net of current portion (Notes 2 and 7)	1,442,000	1,982,973
Security deposits	<u>1,200</u>	<u>1,200</u>
Total assets	<u>\$ 3,789,968</u>	<u>\$ 4,140,527</u>
Liabilities and Net Assets		
Current Liabilities - Accounts payable	\$ 7,713	\$ 4,074
Net Assets		
Unrestricted	2,954,737	3,249,630
Temporarily restricted	<u>827,518</u>	<u>886,823</u>
Total net assets	<u>3,782,255</u>	<u>4,136,453</u>
Total liabilities and net assets	<u>\$ 3,789,968</u>	<u>\$ 4,140,527</u>

Book Industry Charitable Foundation

Statement of Activities and Changes in Net Assets

	Year Ended					
	December 31, 2012			December 31, 2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support		(unaudited)				
Contributions - Other	\$ 6,967	\$ -	\$ 6,967	\$ 2,864	\$ -	\$ 2,864
In-kind contributions	12,775	-	12,775	-	-	-
Contributed services (Note 4)	-	-	-	37,480	-	37,480
Investment income	44,770	-	44,770	53,098	-	53,098
Unrealized gain (loss) on investments	31,430	-	31,430	(2,703)	-	(2,703)
Special events - Net (Note 6)	18,260	-	18,260	30,773	-	30,773
Miscellaneous income	-	-	-	10,847	-	10,847
Net assets released from restrictions	59,305	(59,305)	-	410,007	(410,007)	-
Total revenue, gains, and other support	173,507	(59,305)	114,202	542,366	(410,007)	132,359
Expenses						
Program services:						
Financial assistance	60,335	-	60,335	171,805	-	171,805
Scholarship program	110,900	-	110,900	137,967	-	137,967
Memorial contributions for employees	-	-	-	3,000	-	3,000
Bereavement outreach	356	-	356	18,969	-	18,969
Contributed services (Note 4)	-	-	-	29,234	-	29,234
Resources and materials	-	-	-	1,808	-	1,808
Other assistance to employees	-	-	-	1,588	-	1,588
Program staffing	116,865	-	116,865	141,149	-	141,149
Other program expenses	43,502	-	43,502	4,495	-	4,495
Support services:						
Management and general (Note 5)	89,681	-	89,681	185,957	-	185,957
Fundraising	46,761	-	46,761	22,039	-	22,039
Total expenses	468,400	-	468,400	718,011	-	718,011
Decrease in Net Assets	(294,893)	(59,305)	(354,198)	(175,645)	(410,007)	(585,652)
Net Assets - Beginning of year	3,249,630	886,823	4,136,453	3,425,275	1,296,830	4,722,105
Net Assets - End of year	<u>\$ 2,954,737</u>	<u>\$ 827,518</u>	<u>\$ 3,782,255</u>	<u>\$ 3,249,630</u>	<u>\$ 886,823</u>	<u>\$ 4,136,453</u>

See Notes to Financial Statements and
Independent Accountant's Review Report.

Book Industry Charitable Foundation

Statement of Cash Flows

	Year Ended	
	December 31, 2012 (unaudited)	December 31, 2011
Cash Flows from Operating Activities		
Decrease in net assets	\$ (354,198)	\$ (585,652)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Uncollected pledges	-	128,398
Realized and unrealized (gain) loss on investments	(31,430)	2,703
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	2,322	(2,322)
Contributions receivable	-	194,104
Prepaid expenses	1,622	(2,783)
Security deposit	-	(1,200)
Accounts payable	3,639	(6,283)
Net cash used in operating activities	(378,045)	(273,035)
Cash Flows from Investing Activities		
Purchases of investments	(1,311,968)	(2,507,029)
Proceeds from sales and maturities of investments	1,513,955	2,075,580
Net cash provided by (used in) investing activities	201,987	(431,449)
Net Decrease in Cash and Cash Equivalents	(176,058)	(704,484)
Cash and Cash Equivalents - Beginning of year	262,123	966,607
Cash and Cash Equivalents - End of year	\$ 86,065	\$ 262,123

Book Industry Charitable Foundation

Notes to Financial Statements December 31, 2012 and 2011

Note 1 - Nature of Business and Significant Accounting Policies

Nature of the Organization - Book Industry Charitable Foundation (the "Foundation"), formerly known as Borders Group 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. In July 2011, Borders Group, Inc. announced that their Chapter 11 reorganization was not successful and that Borders Group, Inc. would move to Chapter 7 liquidation. As of December 31, 2011, Borders Group, Inc. liquidated and the BGI Creditors Liquidator Trust was set up to manage the detail of the liquidation process. In October 2011, the Foundation expanded its mission to include the book industry. In addition, the Foundation changed its name to Book Industry Charitable Foundation.

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 that 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 90-day certificates of deposit and certain cash equivalents, which are considered part of the investment portfolio.

Investments - Investments include mutual funds which are measured at fair market value based on quoted market prices as described in Note 7. In addition, investments include cash equivalents and certificates of deposit that are managed as part of the investment portfolio.

Contributions - Contributions of cash and other assets are measured at fair value and reported as revenue when received. Contributions with donor-imposed time or purpose restrictions are reported as temporarily restricted support. All other contributions are reported as unrestricted or permanently restricted support.

Book Industry Charitable Foundation

Notes to Financial Statements December 31, 2012 and 2011

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

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.

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.

Temporarily restricted net assets at December 31, 2012 and 2011 are purpose-restricted for employee financial assistance. The Foundation had no permanently restricted net assets as of December 31, 2012 and 2011.

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.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of December 31, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2009.

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 22, 2013, which is the date the financial statements were available to be issued.

Book Industry Charitable Foundation

Notes to Financial Statements December 31, 2012 and 2011

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

Concentration - Nearly all revenue and support for the year ended December 31, 2011 was received from the Company, its employees, and its vendors. Due to the Company liquidating as of December 31, 2011, the Foundation will not have continued access to contributed services and other support from the Company, its vendors, and its employees.

Reclassification - Certain reclassifications were made to amounts in the 2011 financial statements to conform to the classifications used in 2012. These reclassifications had no effect on the reported net assets, changes in net assets, or cash flows for the year ended December 31, 2011.

Note 2 - Investments

Investments consisted of the following as of December 31:

	2012 <u>(unaudited)</u>	2011 <u></u>
Cash equivalents	\$ 19,516	\$ 19,750
Mutual funds	432,531	389,182
Certificates of deposit	<u>3,248,000</u>	<u>3,461,672</u>
Total	<u>\$ 3,700,047</u>	<u>\$ 3,870,604</u>

Note 3 - Leases

Beginning in November 2011, the Foundation leases office space under an operating lease agreement that expires October 31, 2014, at which time the Foundation will have an option to renew the lease for an additional three years. The lease requires the Foundation to pay a base rent of \$972 per month plus an allocable share of common area maintenance and utilities of \$252 per month. Total expense under this agreement for the years ended December 31, 2012 and 2011 was \$14,781 and \$2,453, respectively.

Future payments due under this operating lease are as follows for the years ending December 31:

2013	\$ 14,721
2014	<u>12,267</u>
Total	<u>\$ 26,988</u>

Book Industry Charitable Foundation

Notes to Financial Statements December 31, 2012 and 2011

Note 4 - Contributed Services

During 2011, certain operating services were 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 2011 are as follows (unaudited):

	Program	Management and General	Fundraising	Total
Office rent	\$ 23,400	\$ 3,000	\$ 3,600	\$ 30,000
Equipment	975	125	150	1,250
Miscellaneous	4,859	623	748	6,230
Total	<u>\$ 29,234</u>	<u>\$ 3,748</u>	<u>\$ 4,498</u>	<u>\$ 37,480</u>

Note 5 - Management and General

Management and general expenses during 2012 and 2011 consist of the following:

	2012 (unaudited)	2011
Accounting fees	\$ 21,382	\$ 28,559
Administrative staffing	36,892	12,535
Contributed services	-	3,748
Rent and utilities	7,569	1,000
Equipment	5,840	373
Brokerage fees	4,231	-
Uncollected pledges	364	128,398
Other expenses	13,403	11,344
Total	<u>\$ 89,681</u>	<u>\$ 185,957</u>

Uncollected pledges for the year ended December 31, 2011 resulted from the liquidation of the Company and the resulting inability for the previously planned contributions to be collected through payroll deductions from Company employees.

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Notes to Financial Statements December 31, 2012 and 2011

Note 6 - Special Events

Revenue and expenses from special event activities are summarized below for the years ended December 31, 2012 and 2011:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue</u>
2012 (unaudited)			
Miscellaneous events	\$ 14,102	\$ (2,287)	\$ 11,815
Major event	<u>13,163</u>	<u>(6,718)</u>	<u>6,445</u>
Total	<u>\$ 27,265</u>	<u>\$ (9,005)</u>	<u>\$ 18,260</u>
2011			
Miscellaneous events	\$ 39,346	\$ (8,573)	\$ 30,773
Major event	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 39,346</u>	<u>\$ (8,573)</u>	<u>\$ 30,773</u>

Note 7 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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Notes to Financial Statements December 31, 2012 and 2011

Note 7 - Fair Value Measurements (Continued)

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended December 31, 2012 and 2011, there were no transfers between levels of the fair value hierarchy.

The Foundation measures its investments in mutual funds at fair value on a recurring basis. The fair value of mutual funds is based primarily on Level I inputs as described above. At December 31, 2012 and 2011, the mutual funds held by the Foundation were all index-based mutual funds.