

**TEXAS TRIBUNE, INC.**

**Financial Statements  
as of and for the Years Ended  
December 31, 2013 and 2012 and  
Independent Auditors' Report**

# TEXAS TRIBUNE, INC.

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MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250  
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100  
Austin, TX 78701

Round Rock: 303 East Main Street  
Round Rock, TX 78664

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Texas Tribune, Inc.:

We have audited the accompanying financial statements of Texas Tribune, Inc. (the "Tribune") (a nonprofit organization) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"  
This firm is not a CPA firm*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tribune as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Maxwell Locke + Ritter LLP*

Austin, Texas

August 21, 2014

# TEXAS TRIBUNE, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,899,037	\$ 1,303,088
Contributions receivable, net	802,690	649,408
Sponsorship receivables, net	355,581	244,672
Accounts receivable	250	3,892
Prepaid expenses	27,007	18,650
Property and equipment, net	31,716	39,041
<b>TOTAL ASSETS</b>	<b><u>\$ 4,116,281</u></b>	<b><u>\$ 2,258,751</u></b>
 <b>LIABILITIES AND NET ASSETS:</b>		
<b>LIABILITIES-</b>		
Accounts payable and accrued liabilities	\$ 153,122	\$ 127,419
<b>NET ASSETS:</b>		
Unrestricted	2,487,874	1,386,291
Temporarily restricted	1,475,285	745,041
Total net assets	3,963,159	2,131,332
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,116,281</u></b>	<b><u>\$ 2,258,751</u></b>

See notes to financial statements.

# TEXAS TRIBUNE, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
Contributions:			
Grant income	\$ 1,220,000	1,604,000	2,824,000
Corporate sponsorships	1,222,800	30,000	1,252,800
Major gifts	844,000	-	844,000
Events	775,335	18,000	793,335
Annual campaign	180,679	380,500	561,179
Donated services	320,092	-	320,092
Donated goods	33,630	-	33,630
Other	92,135	-	92,135
Total contributions	<u>4,688,671</u>	<u>2,032,500</u>	<u>6,721,171</u>
Subscriptions	125,876	-	125,876
Advertising	207,861	-	207,861
Total revenues	<u>5,022,408</u>	<u>2,032,500</u>	<u>7,054,908</u>
Net assets released from restrictions	<u>1,302,256</u>	<u>(1,302,256)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>6,324,664</u>	<u>730,244</u>	<u>7,054,908</u>
<b>EXPENSES:</b>			
Editorial	4,086,036	-	4,086,036
Fundraising	787,536	-	787,536
General and administration	349,509	-	349,509
Total expenses	<u>5,223,081</u>	<u>-</u>	<u>5,223,081</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,101,583</u>	<u>730,244</u>	<u>1,831,827</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,386,291</u>	<u>745,041</u>	<u>2,131,332</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,487,874</u>	<u>1,475,285</u>	<u>3,963,159</u>

See notes to financial statements.

# TEXAS TRIBUNE, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2012

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
Contributions:			
Grant income	\$ 137,459	355,159	492,618
Corporate sponsorships	796,273	36,000	832,273
Major gifts	833,333	16,667	850,000
Events	760,237	30,000	790,237
Annual campaign	273,935	370,000	643,935
Donated services	24,601	-	24,601
Donated goods	259,958	-	259,958
Other	2,078	-	2,078
Total contributions	<u>3,087,874</u>	<u>807,826</u>	<u>3,895,700</u>
Subscriptions	155,393	-	155,393
Advertising	214,709	-	214,709
Total revenues	<u>3,457,976</u>	<u>807,826</u>	<u>4,265,802</u>
Net assets released from restrictions	<u>1,142,139</u>	<u>(1,142,139)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>4,600,115</u>	<u>(334,313)</u>	<u>4,265,802</u>
<b>EXPENSES:</b>			
Editorial	3,512,843	-	3,512,843
Fundraising	789,274	-	789,274
General and administration	196,300	-	196,300
Total expenses	<u>4,498,417</u>	<u>-</u>	<u>4,498,417</u>
<b>CHANGE IN NET ASSETS</b>	<u>101,698</u>	<u>(334,313)</u>	<u>(232,615)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,284,593</u>	<u>1,079,354</u>	<u>2,363,947</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,386,291</u>	<u>745,041</u>	<u>2,131,332</u>

See notes to financial statements.

# TEXAS TRIBUNE, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2013 AND 2012

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	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,831,827	\$ (232,615)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	40,218	62,667
Discount on contributions receivable	-	(2,944)
Allowance for doubtful accounts	-	9,569
Changes in assets and liabilities that provided (used) cash:		
Contributions receivable	(153,282)	292,157
Sponsorship receivables	(110,909)	(33,939)
Accounts receivable	3,642	11,338
Prepaid expenses	(8,357)	(9,014)
Accounts payable and accrued liabilities	<u>25,703</u>	<u>17,687</u>
Net cash provided by operating activities	1,628,842	114,906
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>		
Purchases of property and equipment	<u>(32,893)</u>	<u>(10,416)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,595,949	104,490
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,303,088</u>	<u>1,198,598</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 2,899,037</u></u>	<u><u>\$ 1,303,088</u></u>

See notes to financial statements.



# TEXAS TRIBUNE, INC.

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2013 AND 2012

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### 1. ORGANIZATION

Texas Tribune, Inc. (the “Tribune”) was incorporated on March 19, 2009 as a nonpartisan, nonprofit media organization that promotes civic engagement and discourse on public policy, politics, government, and other matters of statewide concern. The Tribune’s vision is to serve the journalism community as a source of innovation and to build the next great public media brand in the United States.

The Tribune advances its mission in two principal ways. First, the Tribune reports, writes, compiles, records, shoots, and posts nonpartisan news and information online at its destination web site and in the pages and on the sites of distribution partners, the content of which is provided for free. The Tribune covers a full range of topics, including education, health care, human services, immigration, border issues, transportation, water, the environment, criminal justice, poverty, and energy. The Tribune also covers the major candidates and campaigns for high office, though coverage focuses less on the candidates than the issues. Second, the Tribune presents on-the-record, open-to-the-public events such as: a conversation series featuring elected officials and other newsmakers, an ideas festival, a college tour, and other mission-related educational and social events. The Tribune views the in-person experience itself as a distribution platform, and once the event is over, the audio and video content of what took place becomes available online on the web site.

Through a content partnership with The New York Times, the Tribune provides news, political reporting, opinion, arts, and entertainment coverage in expanded front sections of the Friday and Sunday print editions of The New York Times distributed in Texas. The Texas Tribune also partners with KUT Radio in Austin to provide radio journalism and collaborates with numerous Texas news organizations including 27 daily newspapers and 11 television stations.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** - The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board Accounting Standards Codification. Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Tribune and changes therein are classified and reported as follows:

Unrestricted net assets - These types of net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily restricted net assets - These types of net assets are subject to donor imposed stipulations, which limit their use by the Tribune to a specific purpose and/or the passage of time.

Permanently restricted net assets - These types of net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by the Tribune. The Tribune had no permanently restricted net assets as of December 31, 2013 or 2012.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** - The Tribune considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Contributions Receivable** - Contributions receivable reflect donation commitments to the Tribune. Pledged revenue expected to be collected in the current fiscal year is recorded as unrestricted revenue. Future collections (revenue pledges to be received and satisfied in subsequent fiscal years) are reported as temporarily restricted revenue at the present value of the estimated future cash flows using a discount rate commensurate with the risks involved even if their ultimate use is unrestricted. The Tribune performs ongoing reviews of contributions receivable for collectability. Although historically the Tribune has not experienced significant losses on contribution receivables, an allowance for doubtful accounts was created.

**Sponsorship Receivables** - Sponsorship receivables includes commitments that have not been collected from organizations that sponsor digital pages on the Tribune's website and live public events. This account includes only customers that have received an invoice from the Tribune. Sponsorship receivables are recorded at the amount the Tribune expects to collect on outstanding balances. The Tribune performs ongoing credit evaluations of its customers' financial condition. Although historically the Tribune has not experienced significant losses on receivables, an allowance for doubtful accounts was created. At December 31, 2013 and 2012, all balances were due within one year and the allowance for doubtful accounts balance was \$7,500, respectively.

**Property and Equipment** - Property and equipment acquisitions are capitalized at cost if purchased and at fair market value at the date of receipt if donated. The Tribune capitalizes all acquisitions of property and equipment in excess of \$1,000 and a useful life of more than one year. Depreciation expense for furniture, fixtures and equipment is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 3-7 years. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the asset or the related lease term.

**Contributions** - Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

**Donated Services** - Contributions of services are recognized at their estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation.

**Donated Goods** - Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as donated goods are offset by equal amounts included in expenses or additions to property and equipment.

**Functional Expenses** - The expense information contained in the statements of activities is presented on a functional basis. Accordingly, certain expenses are allocated between functional categories.

**Income Taxes** - The Tribune is a non-profit corporation that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business income, if any. The Tribune is subject to routine examinations of its returns; however, there are no examinations currently in progress. The December 31, 2010 and subsequent tax years remain subject to examination by the Internal Revenue Service.

**Reclassifications** - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net assets.

### 3. CONCENTRATIONS

Financial instruments which potentially subject the Tribune to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Tribune places its cash and cash equivalents with a limited number of high quality financial institutions and may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents. The Tribune does not maintain collateral for its receivables and does not believe significant risk existed at December 31, 2013 or 2012.

#### 4. CONTRIBUTIONS RECEIVABLE

At December 31, 2013 and 2012, a discount rate of 3% was used to discount the anticipated cash flows on long-term unconditional promises to give. At December 31, amounts due from unconditional promises to give were as follows:

	<u>2013</u>	<u>2012</u>
Contributions due in less than one year	\$ 660,633	\$ 427,351
Contributions due in one to five years	<u>171,500</u>	<u>251,500</u>
	832,133	678,851
Less allowance for doubtful accounts	(19,959)	(19,959)
Less discount to net present value	<u>(9,484)</u>	<u>(9,484)</u>
	<u>\$ 802,690</u>	<u>\$ 649,408</u>

#### 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Furniture, fixtures and equipment	\$ 236,298	\$ 211,421
Leasehold improvements	<u>1,116</u>	<u>7,411</u>
	237,414	218,832
Less accumulated depreciation and amortization	<u>(205,698)</u>	<u>(179,791)</u>
Property and equipment, net	<u>\$ 31,716</u>	<u>\$ 39,041</u>

#### 6. DONATED GOODS AND SERVICES

The Tribune received contributed professional services for the years ended December 31, 2013 and 2012, with fair values on dates of donation totaling \$320,092 and \$24,601, respectively, which were primarily marketing and legal transcription services used by the editorial department during the legislative session. The Tribune also received contributed goods for use in public relations and other events for the years ended December 31, 2013 and 2012, with fair values on dates of donation totaling \$33,630 and \$259,958, respectively.

## 7. LEASE COMMITMENTS

The Tribune leases office space and equipment under non-cancelable operating leases. Rental expenses for the office lease and office equipment for the years ended December 31, 2013 and 2012 were \$198,611 and \$51,213, respectively. The Tribune recorded a deferred rent obligation in accrued liabilities in the amount of \$35,699 as of December 31, 2013, related to the office lease that contained escalating payment provisions. There was no deferred rent obligation as of December 31, 2012. Minimum future rental payments are as follows:

2014	\$	247,264
2015		245,546
2016		249,090
2017		249,904
2018		201,323
	\$	<u>1,193,127</u>

## 8. ADVERTISING COSTS

Advertising costs, which are included in editorial expenses, are expensed as incurred. Advertising expense for the years ended December 31, 2013 and 2012 was \$270,587 and \$184,794, of which \$252,592 and \$167,904, respectively, was in-kind and is included in donated goods or services in the statement of activities.

## 9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2013</u>	<u>2012</u>
Editorial	\$ 1,032,204	\$ 174,872
Operations (time-restricted)	395,081	499,169
Corporate sponsorships (time-restricted)	30,000	36,000
Events (time-restricted)	18,000	35,000
	<u>\$ 1,475,285</u>	<u>\$ 745,041</u>

## 10. RELATED PARTY TRANSACTIONS

During 2013 and 2012, the Tribune received contributions from board members of \$26,075 and \$16,250, respectively. During the year ended December 31, 2012, the Tribune made payments of \$25,000 to related parties for services provided and expense reimbursements. No such payments were made during the year ended December 31, 2013. As of December 31, 2013 and 2012, the Tribune had outstanding receivables from board members of \$9,000 and \$15,400, respectively.

## **11. SUBSEQUENT EVENTS**

The Tribune has evaluated subsequent events through August 21, 2014 (the date the financial statements were available to be issued) and no events have occurred from the statement of financial position date through that date that would impact the financial statements.