TEXAS TRIBUNE, INC.

Financial Statements
as of and for the Years Ended
December 31, 2015 and 2014 and
Independent Auditors' Report

MAXWELL
& LOCKE
RITTER

TEXAS TRIBUNE, INC.

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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, 2015 and 2014, 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.

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, 2015 and 2014, 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 17, 2016

TEXAS TRIBUNE, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS:		
Cash and cash equivalents	$ 2,010,454	$ 2,344,879
Contributions receivable, net	1,253,592	1,225,824
Sponsorships receivable, net	648,237	486,772
Accounts receivable	5,806	44,576
Prepaid expenses and other current assets	174,751	37,535
Property and equipment, net	86,263	53,088
TOTAL ASSETS	$ 4,179,103	$ 4,192,674
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 235,558	$ 184,418
Deferred revenue	68,329	179,505
Total liabilities	303,887	363,923
NET ASSETS:		
Unrestricted	1,460,030	1,912,489
Temporarily restricted	2,415,186	1,916,262
Total net assets	3,875,216	3,828,751
TOTAL LIABILITIES AND NET ASSETS	$ 4,179,103	$ 4,192,674

See notes to financial statements.

TEXAS TRIBUNE, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015
(with summarized comparative totals for the year ended December 31, 2014)

	2015			
	Unrestricted	Temporarily Restricted	Total	2014 Total
REVENUES:				
Contributions:				
Corporate sponsorships	$ 1,739,407	178,587	1,917,994	1,570,156
Grant income	81,000	1,682,563	1,763,563	1,065,000
Events	1,106,296	56,000	1,162,296	914,863
Major gifts	633,804	94,496	728,300	1,296,130
Annual campaign	283,183	411,531	694,714	506,005
Donated services	621,344	-	621,344	338,274
Donated goods	44,960	-	44,960	71,274
Other	30,540	-	30,540	52,214
Total contributions	4,540,534	2,423,177	6,963,711	5,813,916
Subscriptions	161,391	-	161,391	162,482
Advertising	59,800	-	59,800	141,783
Total revenues	4,761,725	2,423,177	7,184,902	6,118,181
Net assets released from restrictions	1,924,253	(1,924,253)	-	-
Total revenues and net assets released from restrictions	6,685,978	498,924	7,184,902	6,118,181
EXPENSES:				
Editorial	5,481,554	-	5,481,554	4,999,317
Fundraising	1,079,876	-	1,079,876	971,885
General and administration	577,007	-	577,007	281,387
Total expenses	7,138,437	-	7,138,437	6,252,589
CHANGE IN NET ASSETS	(452,459)	498,924	46,465	(134,408)
NET ASSETS, BEGINNING OF YEAR	1,912,489	1,916,262	3,828,751	3,963,159
NET ASSETS, END OF YEAR	$ 1,460,030	2,415,186	3,875,216	3,828,751

See notes to financial statements.

TEXAS TRIBUNE, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014
(with summarized comparative totals for the year ended December 31, 2013)

	2014			
	Unrestricted	Temporarily Restricted	Total	2013 Total
REVENUES:				
Contributions:				
Corporate sponsorships	$ 1,445,377	124,779	1,570,156	1,252,800
Grant income	80,000	985,000	1,065,000	2,824,000
Events	908,863	6,000	914,863	793,335
Major gifts	781,130	515,000	1,296,130	844,000
Annual campaign	229,005	277,000	506,005	561,179
Donated services	338,274	-	338,274	320,092
Donated goods	71,274	-	71,274	33,630
Other	16,806	35,408	52,214	92,135
Total contributions	3,870,729	1,943,187	5,813,916	6,721,171
Subscriptions	162,482	-	162,482	125,876
Advertising	141,783	-	141,783	207,861
Total revenues	4,174,994	1,943,187	6,118,181	7,054,908
Net assets released from restrictions	1,502,210	(1,502,210)	-	-
Total revenues and net assets released from restrictions	5,677,204	440,977	6,118,181	7,054,908
EXPENSES:				
Editorial	4,999,317	-	4,999,317	4,086,036
Fundraising	971,885	-	971,885	787,536
General and administration	281,387	-	281,387	349,509
Total expenses	6,252,589	-	6,252,589	5,223,081
CHANGE IN NET ASSETS	(575,385)	440,977	(134,408)	1,831,827
NET ASSETS, BEGINNING OF YEAR	2,487,874	1,475,285	3,963,159	2,131,332
NET ASSETS, END OF YEAR	$ 1,912,489	1,916,262	3,828,751	3,963,159

See notes to financial statements.

TEXAS TRIBUNE, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 46,465	$ (134,408)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	28,270	25,654
Discount on contributions receivable	-	16,853
Changes in assets and liabilities that provided (used) cash:		
Contributions receivable	(27,768)	(439,987)
Sponsorships receivable	(161,465)	(131,191)
Accounts receivable	38,770	(44,326)
Prepaid expenses and other current assets	(137,216)	(10,528)
Accounts payable and accrued liabilities	51,140	31,296
Deferred revenue	(111,176)	179,505
Net cash used in operating activities	(272,980)	(507,132)
CASH FLOWS FROM INVESTING ACTIVITIES -		
Purchases of property and equipment	(61,445)	(47,026)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(334,425)	(554,158)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,344,879	2,899,037
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,010,454	$ 2,344,879

See notes to financial statements.

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. The Texas Tribune collaborates with numerous Texas news organizations including daily newspapers, radio stations, and television stations as well as several national news organizations.

2. SUMMARY OF SIGNIFICANT ACCCOUNTING 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 ("FASB") Accounting Standards Codification ("ASC"). 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 **-** These 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 law.
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> Temporarily restricted **-** These 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 **-** These 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, 2015 and 2014.

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, comprised of pledge and grant receivables. 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 uncollectible accounts was created. As of December 31, 2015 and 2014, the allowance for uncollectible accounts was $19,959.

Sponsorships Receivable - Sponsorships receivable 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. Sponsorships receivable is 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 uncollectible accounts was created. As of December 31, 2015 and 2014, all balances were due within one year and the allowance for uncollectible accounts was $7,500.

Property and Equipment - Property and equipment are capitalized at cost if purchased and at fair market value on 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.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable. Management believes there was no impairment of long-lived assets as of December 31, 2015 and 2014.

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.

Subscription and Advertising Revenue – Advertising payments received in advance of the agreement period are recorded as deferred revenue and recognized ratably over the agreement period as advertising revenues. Annual subscriptions are nonrefundable and the revenue is recognized when received. Monthly subscriptions may be cancelled at any time and the revenue is also recognized when received.

Deferred Revenue - Deferred revenue consists of amounts received in advance for conditional contributions, future events, and a licensing agreement, for which revenue has not yet been earned.

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 statements of activities are offset by equal amounts included in expenses or additions to property and equipment.

Advertising Costs - Advertising costs during the years ended December 31, 2015 and 2014 totaled $364,781 and $390,774, of which $361,774 and $319,774, respectively, was in-kind and is included in donated goods or services in the statements of activities.

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.

Federal Income Taxes - The Tribune is a nonprofit organization that is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, except as it relates to unrelated business income. The Tribune did not incur any tax liabilities due to unrelated business income during the year ended December 31, 2015. The Tribune files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns; however, there are no examinations currently in progress. The 2012 and subsequent tax years remain subject to examination by the Internal Revenue Service.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued Accounting Standards Updates ("ASU") No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Tribune is currently evaluating the impact the new standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Tribune is currently evaluating the impact the standard will have on its financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern*, which provides guidance about management's responsibility to evaluate on an annual basis whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued and to provide certain related footnote disclosures. The standard is effective for fiscal years ending after December 15, 2016, and due to the change in requirements for reporting, presentation and disclosure of future evaluations of the entity's ability to continue as a going concern may be different than under current standards.

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. The Tribune does not maintain collateral for its receivables and does not believe significant risk existed as of December 31, 2015 or 2014.

4. CONTRIBUTIONS RECEIVABLE

As of December 31, 2015 and 2014, a discount rate of 3% was used to discount the anticipated cash flows on long-term unconditional promises to give. As of December 31, amounts due from unconditional promises to give were as follows:

	2015	2014
Contributions due in less than one year	$ 884,795	$ 788,100
Contributions due in one to five years	415,093	484,020
	1,299,888	1,272,120
Less allowance for uncollectible accounts	(19,959)	(19,959)
Less discount to net present value	(26,337)	(26,337)
Contributions receivable, net	$ 1,253,592	$ 1,225,824

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2015	2014
Furniture, fixtures, and equipment	$ 345,327	$ 283,324
Leasehold improvements	558	1,116
	345,885	284,440
Less accumulated depreciation and amortization	(259,622)	(231,352)
Property and equipment, net	$ 86,263	$ 53,088

6. DONATED GOODS AND SERVICES

The Tribune received contributed professional services during the years ended December 31, 2015 and 2014, with fair values at the time of donation totaling $621,344 and $338,274, respectively, which were primarily marketing, use of facilities, and financial services. The Tribune also received contributed goods for use in public relations and other events during the years ended December 31, 2015 and 2014, with fair values at the time of donation totaling $44,960 and $71,274, respectively.

7. LEASE COMMITMENTS

The Tribune leases office space and equipment under non-cancelable operating leases. Rental expense during the years ended December 31, 2015 and 2014 totaled $248,578 and $244,178, respectively. Minimum future rental payments as of December 31, 2015 were as follows:

2016	$ 256,623
2017	257,437
2018	170,739
Total	$ 684,799

8. TEMPORARILY RESTRICTED NET ASSETS

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

	2015	2014
Editorial (purpose and time-restricted)	$ 1,296,564	$ 1,446,983
Operations (time-restricted)	884,034	338,500
Corporate sponsorships (time-restricted)	178,588	124,779
Events (time-restricted)	56,000	6,000
	$ 2,415,186	$ 1,916,262

9. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2015 and 2014, the Tribune received contributions from board members totaling $25,949 and $21,732, respectively. As of December 31, 2015 and 2014, the Tribune had outstanding pledge receivables from board members of $8,198 and $2,000, respectively.

10. SUBSEQUENT EVENTS

The Tribune has evaluated subsequent events through August 17, 2016 (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.