TEXAS TRIBUNE, INC.

**Financial Statements
as of and for the Years Ended
December 31, 2016 and 2015 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, 2016 and 2015, 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, 2016 and 2015, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of functional expenses is fairly stated in all material respects in relation to the financial statements as a whole.

Maxwell Locke + Ritter LLP

Austin, Texas
August 8, 2017

TEXAS TRIBUNE, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS:		
Cash and cash equivalents	$ 2,092,186	$ 2,010,454
Contributions receivable, net	1,507,307	1,253,592
Sponsorships receivable, net	470,837	648,237
Accounts receivable	12,465	5,806
Prepaid expenses and other current assets	60,794	174,751
Property and equipment, net	85,182	86,263
TOTAL ASSETS	$ 4,228,771	$ 4,179,103
LIABILITIES AND NET ASSETS:		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 248,761	$ 235,558
Deferred revenue	78,741	68,329
Total liabilities	327,502	303,887
NET ASSETS:		
Unrestricted	1,061,606	1,460,030
Temporarily restricted	2,839,663	2,415,186
Total net assets	3,901,269	3,875,216
TOTAL LIABILITIES AND NET ASSETS	$ 4,228,771	$ 4,179,103

See notes to financial statements.

TEXAS TRIBUNE, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
(with summarized comparative totals for the year ended December 31, 2015)

	2016			
	Unrestricted	Temporarily Restricted	Total	2015 Total
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:				
Contributions:				
Grant income	$ 305,000	1,944,186	2,249,186	1,763,563
Corporate sponsorships	1,620,294	230,782	1,851,076	1,917,994
Events	1,180,557	5,000	1,185,557	1,162,296
Major gifts	702,818	123,700	826,518	728,300
Annual campaign	350,925	255,699	606,624	694,714
Donated services	546,270	-	546,270	621,344
Donated goods	21,254	-	21,254	44,960
Other	31,817	-	31,817	30,540
Total contributions	4,758,935	2,559,367	7,318,302	6,963,711
Subscriptions	149,536	-	149,536	161,391
Advertising	54,585	-	54,585	59,800
Total revenues	4,963,056	2,559,367	7,522,423	7,184,902
Net assets released from restrictions	2,134,890	(2,134,890)	-	-
Total revenues and net assets released from restrictions	7,097,946	424,477	7,522,423	7,184,902
EXPENSES:				
Editorial	5,626,104	-	5,626,104	5,481,554
Fundraising	1,189,649	-	1,189,649	1,079,876
General and administration	680,617	-	680,617	577,007
Total expenses	7,496,370	-	7,496,370	7,138,437
CHANGE IN NET ASSETS	(398,424)	424,477	26,053	46,465
NET ASSETS, BEGINNING OF YEAR	1,460,030	2,415,186	3,875,216	3,828,751
NET ASSETS, END OF YEAR	$ 1,061,606	2,839,663	3,901,269	3,875,216

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 AND NET ASSETS RELEASED FROM RESTRICTIONS:				
Contributions:				
Grant income	$ 81,000	1,682,563	1,763,563	1,065,000
Corporate sponsorships	1,739,407	178,587	1,917,994	1,570,156
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.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 26,053	$ 46,465
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	38,580	28,270
Changes in assets and liabilities that provided (used) cash:		
Contributions receivable	(253,715)	(27,768)
Sponsorships receivable	177,400	(161,465)
Accounts receivable	(6,659)	38,770
Prepaid expenses and other current assets	113,957	(137,216)
Accounts payable and accrued liabilities	13,203	51,140
Deferred revenue	10,412	(111,176)
Net cash provided by (used in) operating activities	119,231	(272,980)
CASH FLOWS FROM INVESTING ACTIVITIES -		
Purchases of property and equipment	(37,499)	(61,445)
NET CHANGE IN CASH AND CASH EQUIVALENTS	81,732	(334,425)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,010,454	2,344,879
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,092,186	$ 2,010,454

See notes to financial statements.

1. ORGANIZATION

Texas Tribune, Inc. (the "Tribune") was incorporated on March 19, 2009 as a nonpartisan, nonprofit media organization devoted to promoting civic engagement through innovative public data applications, statewide events, and intensive enterprise reporting on Texas public policy, politics, and government. The Tribune publishes nonpartisan news and information on a full range of topics, including public and higher education, health and human services, immigration, border issues, transportation, criminal justice, the environment, water, and energy. This 21st century storytelling includes traditional written stories, multimedia reporting, and interactive data applications for approximately 1.4 million monthly readers on the Tribune's website, as well as the audiences of more than 100 Texas news organizations who distribute Tribune content through their print, online, and broadcast channels across the state.

Each year, the Tribune provides over 50 on-the-record, open-to-the-public events featuring elected officials and other newsmakers. In addition, the Tribune presents the annual Texas Tribune Festival (the "Festival"), an innovative and engaging three-day event for people who are passionate about the issues that affect all Texans. Each year, the Festival brings together some of the biggest names in politics to explore the state's and nation's most pressing issues. The Tribune views the in-person events experience itself as a distribution platform, and once the event is over, the audio and video content of what took place becomes available online.

2. SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting 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 and changes therein are classified and reported as follows:

Unrestricted **-** Net assets that 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 that are subject to donor-imposed stipulations, which limit their use by the Tribune to a specific purpose and/or the passage of time. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted - Net assets that 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, 2016 and 2015.

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 are recorded at the amount the Tribune expects to receive from donors, comprised of pledges and grants receivable. Contributions receivable balances include amounts pledged over a period of one to five years. The Tribune records a discount to reflect the present value of receivables using approximate market rates applicable to the years in which the pledge is included in contribution revenue. Pledges or grants expected to be collected in the same fiscal year as the date the unconditional promises were received are recorded as unrestricted revenue, unless restricted by donor stipulation for a specific purpose. The Tribune performs ongoing reviews of contributions receivable for collectability. Although historically the Tribune has not experienced significant losses, an allowance for uncollectible accounts was created.

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 are recorded at the amount the Tribune expects to collect on outstanding balances. The Tribune performs ongoing credit evaluations of its sponsors’ financial condition. Although historically the Tribune has not experienced significant losses on receivables, an allowance for uncollectible accounts was created. As of December 31, 2016 and 2015, 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 with 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 estimated life of the asset or the related lease term. Repairs and maintenance costs are charged to expense as incurred.

Impairment of Long-Lived Assets - Long- lived assets are reviewed for impairment whenever events or changes in circumstances indicate that 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 has been no impairment of such assets as of December 31, 2016 or 2015.

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.

Subscriptions and Advertising Revenue - 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. Advertising payments received in advance of the agreement period are recorded as deferred revenue and recognized ratably over the agreement period as advertising revenues.

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 and Goods - 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. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the statements of activities are offset by equal amounts included in expenses or additions to property and equipment.

Advertising Costs - Advertising costs are expensed as incurred and totaled $289,354 and $364,781 during the years ended December 31, 2016 and 2015, of which $265,470 and $361,774, respectively, was in-kind and is included in donated goods or services in the statements of activities.

Functional Expenses - The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Federal Income Taxes - The Tribune is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. The Tribune did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2016 and 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.

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 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statement of activities the amount of the change in each of these two classes of net assets. The standard will no longer require the presentation or disclosure of the indirect method of reporting cash flows if an entity elects to use the direct method, however it will be required for an entity to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Tribune is currently evaluating the impact the standard will have on its financial statements.

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, 2016 or 2015. The Tribune received grant funding from one entity which accounted for approximately 14% of total receivables at December 31, 2016.

4. CONTRIBUTIONS RECEIVABLE

As of December 31, 2016 and 2015, 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:

	2016	2015
Contributions due in less than one year	$ 1,187,251	$ 884,795
Contributions due in one to five years	366,352	415,093
	1,553,603	1,299,888
Less allowance for uncollectible accounts	(19,959)	(19,959)
Less discount to net present value	(26,337)	(26,337)
Contributions receivable, net	$ 1,507,307	$ 1,253,592

5. PROPERTY AND EQUIPMENT

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

	2016	2015
Furniture, fixtures, equipment, and leasehold improvements	$ 383,384	$ 345,885
Less accumulated depreciation and amortization	(298,202)	(259,622)
Property and equipment, net	$ 85,182	$ 86,263

6. DONATED GOODS AND SERVICES

The Tribune received contributed professional services during the years ended December 31, 2016 and 2015, with fair values at the time of donation totaling $546,270 and $621,344, 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, 2016 and 2015, with fair values at the time of donation totaling $21,254 and $44,960, respectively.

7. LEASE COMMITMENTS

The Tribune leases office space and equipment under non-cancelable operating leases. Rental expense, including common area maintenance charges, during the years ended December 31, 2016 and 2015 totaled $272,430 and $248,578, respectively. Minimum future rental payments, including common area maintenance charges, as of December 31, 2016 were as follows:

2017	$ 368,809
2018	812,797
2019	673,983
2020	685,461
2021	697,282
Thereafter	4,609,953
Total	$ 7,848,285

In June 2017, the Tribune executed a lease agreement for a new office space, commencing in October 2017. The future minimum rental payments for this lease have been included above.

8. TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
Editorial (purpose and time-restricted)	$ 1,757,967	$ 1,296,564
Operations (time-restricted)	792,105	884,034
Corporate sponsorships (time-restricted)	284,591	178,588
Events (time-restricted)	5,000	56,000
	$ 2,839,663	$ 2,415,186

9. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2016 and 2015, the Tribune received contributions from Board members totaling $29,088 and $25,949, respectively. As of December 31, 2016 and 2015, the Tribune had outstanding pledge receivables due from Board members of $19,528 and $8,198, respectively.

10. SUBSEQUENT EVENTS

The Tribune has evaluated subsequent events through August 8, 2017 (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 except as disclosed in Note 7.

SUPPLEMENTARY INFORMATION

TEXAS TRIBUNE, INC.

SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Editorial	Fundraising	General and Administration	Total
Personnel	$ 3,823,062	$ 723,115	$ 537,544	$ 5,083,721
Events related expenses	355,203	49,277	-	404,480
Occupancy	292,328	51,859	52,988	397,175
Professional fees and contracts	364,545	8,101	10,027	382,673
Travel	181,754	12,044	22,601	216,399
Business expense	50,389	77,817	31,281	159,487
Equipment, furniture, and software	70,974	3,697	8,991	83,662
Communications	55,704	10,189	6,030	71,923
Printing and duplication	32,496	11,426	2,594	46,516
Office and event supplies	12,353	2,083	2,083	16,519
Staff development	15,259	250	187	15,696
Membership, subscriptions, dues, and awards	8,183	2,100	1,436	11,719
Equipment rental and maintenance	246	50	-	296
Total expenses before depreciation and amortization	5,262,496	952,008	675,762	6,890,266
Depreciation and amortization	34,226	2,499	1,855	38,580
Subtotal	5,296,722	954,507	677,617	6,928,846
Donated goods and services	329,382	235,142	3,000	567,524
TOTAL EXPENSES	$ 5,626,104	$ 1,189,649	$ 680,617	$ 7,496,370