TEXAS TRIBUNE, INC.

Financial Statements and Independent Auditors' Report as of December 31, 2010 and for the Period from Inception (March 19, 2009) to December 31, 2010

MAXWELL & LOCKE RITTER

TEXAS TRIBUNE, INC.

TABLE OF CONTENTS

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 statement of financial position of Texas Tribune, Inc. (the "Tribune") as of December 31, 2010 and the related statements of activities and cash flows for the period from inception (March 19, 2009) to December 31, 2010. These financial statements are the responsibility of the Tribune's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 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 audit provides 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 the Tribune as of December 31, 2010 and the changes in its net assets and its cash flows for the period from inception (March 19, 2009) to December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

Maxwell Locke + Ritter LLP

August 31, 2011

TEXAS TRIBUNE, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS:	
Cash and cash equivalents	$ 1,050,780
Pledges receivable, net	950,411
Sponsorship receivables, net	178,920
Prepaid expenses	26,572
Property and equipment, net	125,499
TOTAL ASSETS	$ 2,332,182
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
Accounts payable and accrued liabilities	$ 118,965
Note payable	75,000
Total liabilities	193,965
NET ASSETS:	
Unrestricted	1,623,217
Temporarily restricted	515,000
Total net assets	2,138,217
TOTAL LIABILITIES AND NET ASSETS	$ 2,332,182

See notes to financial statements.

TEXAS TRIBUNE, INC.

STATEMENT OF ACTIVITIES
PERIOD FROM INCEPTION (MARCH 19, 2009) TO DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Contributions:			
Major gifts	$ 4,452,292	400,000	4,852,292
Sponsorship - Digital Pages	421,384	-	421,384
Annual campaign	333,597	-	333,597
Events	175,167	115,000	290,167
Donated services	103,234	-	103,234
In-kind donations	70,526	-	70,526
Total contributions	5,556,200	515,000	6,071,200
Subscriptions	192,763	-	192,763
Advertising	22,787	-	22,787
Other	27,195	-	27,195
Total revenues and other support	5,798,945	515,000	6,313,945
EXPENSES:			
Editorial	2,885,256	-	2,885,256
Community events	181,248	-	181,248
Fundraising	612,123	-	612,123
General and administration	497,101	-	497,101
Total expenses	4,175,728	-	4,175,728
CHANGE IN NET ASSETS	1,623,217	515,000	2,138,217
NET ASSETS, BEGINNING OF PERIOD	-	-	-
NET ASSETS, END OF PERIOD	$ 1,623,217	515,000	2,138,217

See notes to financial statements.

TEXAS TRIBUNE, INC.

STATEMENT OF CASH FLOWS
PERIOD FROM INCEPTION (MARCH 19, 2009) TO DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 2,138,217
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	48,046
Discount on pledges receivable	12,089
Changes in assets and liabilities that provided (used) cash:	
Pledges receivable	(962,500)
Sponsorship receivable	(178,920)
Prepaid expenses	(26,572)
Accounts payable and accrued liabilities	118,965
Net cash provided by operating activities	1,149,325
CASH FLOWS FROM INVESTING ACTIVITIES-	
Purchases of property and equipment	(173,545)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Borrowings on note payable	200,000
Payments on notes payable	(125,000)
Net cash provided by financing activities	75,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,050,780
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,050,780

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 our distribution partners, to which we provide content 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 it focuses less on the candidates than the issues. Second, the Tribune presents on-the-record, open-to-the-public events: 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 of what took place becomes content of its own 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 ACCCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles 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 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. Temporarily restricted contributions and grants whose restrictions are met in the same period that the contribution revenue is recognized are classified as unrestricted.
>
> 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 has not received any permanently restricted net assets.

Use of Estimates - The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the 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.

Pledges Receivable - Pledges 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.

Management reviews the pledge status annually to determine whether remaining pledges are viable. Management has determined that all current recorded pledged amounts are fully collectible. Accordingly, no allowance for doubtful accounts was required.

Sponsorship Receivable - Sponsorship 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. 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, 2010, the allowance for doubtful accounts balance was $9,417.

Fair Value Measurements - The Tribune measures and discloses fair value measurements in accordance with authoritative literature. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three general valuation techniques that may be used to measure fair value, as described below:

A) Market approach **-** Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;

B) Cost approach **-** Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

C) Income approach **-** Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Within the three valuation techniques, the authoritative literature requires characterization of the inputs used to determine fair value into a three-level fair value hierarchy as follows:

Level 1 **-** These inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the Tribune has the ability to access. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 **-** These inputs relate to adjusting information from similar items that are traded in active markets or from identical or similar items in markets that are not active.

Level 3 **-** These inputs reflect the Tribune's own assumptions about the assumptions market participants would use in pricing the asset or liability.

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 $500 and a useful life of more than one year. Depreciation expense for furniture, fixtures and equipment is calculated using the straight-line method using 3-7 years as the estimated useful lives. Leasehold improvements are amortized 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 market 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.

In-kind Donations - Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by equal amounts included in expenses or additions to property and equipment.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. 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.

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 exists at December 31, 2010.

4. PLEDGES RECEIVABLE

At December 31, 2010, amounts due from unconditional promises to give were as follows:

Gross pledges receivable	$	962,500
Less unamortized discount		(12,089)
Net pledges receivable	$	950,411
Due in less than one year	$	664,500
Due in one to five years		298,000
	$	962,500

At December 31, 2010, a discount rate of 3% was used to discount the anticipated cash flows on long-term unconditional promises to give. Pledges receivable were classified as level 3 in accordance with the fair value hierarchy and were valued using an income approach as follows:

Balance, March 19, 2009	$	-
Receipt of new pledges		2,190,406
Payments on receivables		(1,227,906)
Discount for net present value		(12,089)
Balance, December 31, 2010	$	950,411

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2010:

Furniture, fixtures and equipment	$	166,133
Leasehold improvements		7,412
		173,545
Less accumulated depreciation		(48,046)
Property and equipment, net	$	125,499

6. NOTE PAYABLE

A public corporation provided one interest bearing promissory note for the Tribune's operations. The note bears interest at the rate which is the greater of 0.75% per annum, and then current applicable federal rate, which, at December 31, 2010, was 0.75%. The note matures on November 1, 2011. The note is payable in three installments of $50,000, $75,000, and $75,000 due in November 2009, 2010, and 2011, respectively.

7. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2010, temporarily restricted net assets were available for the following purposes or periods:

Subsequent year's activities	$	450,000
Energy reporter		55,000
Travel expenses to conferences		10,000
Total temporarily restricted net assets	$	515,000

8. DONATED SERVICES AND IN-KIND DONATIONS

The Tribune received contributed professional services during the period from inception (March 19, 2009) to December 31, 2010, with fair values on dates of donation totaling $103,234. The Tribune also received contributed goods for use in public relations and other events during the period from inception (March 19, 2009) to December 31, 2010, with fair values on dates of donation totaling $70,526.

9. LEASE COMMITMENTS

The Tribune leases office space under an operating lease. Rent expense for the period from inception (March 19, 2009) to December 31, 2010 was $31,096. The Tribune recorded a deferred rent obligation in accrued liabilities in the amount of $31,096 for the period ended December 31, 2010 related to the office lease that contains escalating payment provisions. Future minimum lease payments under the operating lease at December 31, 2010 are as follows:

2011	$	32,484
2012		21,656
	$	54,140

10. ADVERTISING COSTS

Advertising costs, which are included in editorial expenses, are expensed as incurred. Advertising expense for the period from inception (March 19, 2009) to December 31, 2010 was $7,148.

11. RELATED PARTY TRANSACTIONS

Contributions from members of the Board of Directors for the period from inception (March 19, 2009) to December 31, 2010 were $2,290,092. Pledges receivable due from board members at December 31, 2010 totaled $195,000. See also Note 12 for discussion of a conditional promise to give at December 31, 2010 from a member of the Board of Directors.

12. CONDITIONAL PROMISES TO GIVE

A founder and board member of the Tribune has pledged $1,000,000 in matching donations for all individual, non-membership gifts exceeding $5,000 and subsequently received by the Tribune, effective October 1, 2010. This pledge excludes those gifts received from Circle Members and any Foundation Grants and Gifts. Since this pledge represents a conditional promise to give, it is recorded as contribution revenue as the pledge conditions are met. Contribution revenue recorded as a result of the conditions being met totaled $185,000 for the period from inception (March 19, 2009) to December 31, 2010 and was included in pledges receivable at December 31, 2010. The remaining conditional balance at December 31, 2010 was $815,000.

13. SUBSEQUENT EVENTS

The Tribune has evaluated subsequent events through August 31, 2011 (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.