

**TEXAS TRIBUNE, INC.**

**Financial Statements  
as of and for the Years Ended  
December 31, 2014 and 2013 and  
Independent Auditors' Report**

# TEXAS TRIBUNE, INC.

## TABLE OF CONTENTS

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	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



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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, 2014 and 2013, 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, 2014 and 2013, 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 31, 2015

# TEXAS TRIBUNE, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2014 AND 2013

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	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,344,879	\$ 2,899,037
Contributions receivable, net	1,225,824	802,690
Sponsorship receivables, net	486,772	355,581
Accounts receivable	44,576	250
Prepaid expenses	37,535	27,007
Property and equipment, net	53,088	31,716
<b>TOTAL ASSETS</b>	<b><u>\$ 4,192,674</u></b>	<b><u>\$ 4,116,281</u></b>
 <b>LIABILITIES AND NET ASSETS:</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 184,418	\$ 153,122
Deferred revenue	179,505	-
Total liabilities	363,923	153,122
<b>NET ASSETS:</b>		
Unrestricted	1,912,489	2,487,874
Temporarily restricted	1,916,262	1,475,285
Total net assets	3,828,751	3,963,159
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,192,674</u></b>	<b><u>\$ 4,116,281</u></b>

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			2013 Total
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUES:</b>				
Contributions:				
Corporate sponsorships	\$ 1,445,377	124,779	1,570,156	1,252,800
Major gifts	781,130	515,000	1,296,130	844,000
Grant income	80,000	985,000	1,065,000	2,824,000
Events	908,863	6,000	914,863	793,335
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
<b>EXPENSES:</b>				
Editorial	4,999,317	-	4,999,317	4,086,036
Fundraising	996,885	-	996,885	787,536
General and administration	256,387	-	256,387	349,509
Total expenses	6,252,589	-	6,252,589	5,223,081
<b>CHANGE IN NET ASSETS</b>	(575,385)	440,977	(134,408)	1,831,827
<b>NET ASSETS, BEGINNING OF YEAR</b>	2,487,874	1,475,285	3,963,159	2,131,332
<b>NET ASSETS, END OF YEAR</b>	\$ 1,912,489	1,916,262	3,828,751	3,963,159

See notes to financial statements.

**TEXAS TRIBUNE, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2013**

**(with summarized comparative totals for the year ended December 31, 2012)**

	2013			2012 Total
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUES:</b>				
Contributions:				
Corporate sponsorships	\$ 1,222,800	30,000	1,252,800	832,273
Major gifts	844,000	-	844,000	850,000
Grant income	1,220,000	1,604,000	2,824,000	492,618
Events	775,335	18,000	793,335	790,237
Annual campaign	180,679	380,500	561,179	643,935
Donated services	320,092	-	320,092	24,601
Donated goods	33,630	-	33,630	259,958
Other	92,135	-	92,135	2,078
Total contributions	4,688,671	2,032,500	6,721,171	3,895,700
Subscriptions	125,876	-	125,876	155,393
Advertising	207,861	-	207,861	214,709
Total revenues	5,022,408	2,032,500	7,054,908	4,265,802
Net assets released from restrictions	1,302,256	(1,302,256)	-	-
Total revenues and net assets released from restrictions	6,324,664	730,244	7,054,908	4,265,802
<b>EXPENSES:</b>				
Editorial	4,086,036	-	4,086,036	3,512,843
Fundraising	787,536	-	787,536	789,274
General and administration	349,509	-	349,509	196,300
Total expenses	5,223,081	-	5,223,081	4,498,417
<b>CHANGE IN NET ASSETS</b>	1,101,583	730,244	1,831,827	(232,615)
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,386,291	745,041	2,131,332	2,363,947
<b>NET ASSETS, END OF YEAR</b>	\$ 2,487,874	1,475,285	3,963,159	2,131,332

See notes to financial statements.

# TEXAS TRIBUNE, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (134,408)	\$ 1,831,827
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	25,654	40,218
Discount on contributions receivable	16,853	-
Changes in assets and liabilities that provided (used) cash:		
Contributions receivable	(439,987)	(153,282)
Sponsorship receivables	(131,191)	(110,909)
Accounts receivable	(44,326)	3,642
Prepaid expenses	(10,528)	(8,357)
Accounts payable and accrued liabilities	31,296	25,703
Deferred revenue	179,505	-
Net cash (used in) provided by operating activities	(507,132)	1,628,842
<b>CASH FLOWS FROM INVESTING ACTIVITIES -</b>		
Purchases of property and equipment	(47,026)	(32,893)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(554,158)	1,595,949
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	2,899,037	1,303,088
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,344,879</u>	<u>\$ 2,899,037</u>

See notes to financial statements.



# TEXAS TRIBUNE, INC.

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2014 AND 2013

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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. The Texas Tribune 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 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 net assets - 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.

Temporarily restricted net assets - 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 net assets - 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, 2014 or 2013.

**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. At December 31, 2014 and 2013, all balances were due within one year and the allowance for uncollectible accounts was \$19,959.

**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 uncollectible accounts was created. At December 31, 2014 and 2013, 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 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.

**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, 2014 or 2013.

**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.

**Deferred Revenue** - Deferred revenue consists of amounts received in advance for conditional contributions, the future Gala event 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 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, 2011 and subsequent tax years remain subject to examination by the Internal Revenue Service.

**Recently Issued Accounting Pronouncements** - In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes 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 for fiscal years beginning after December 15, 2017, and is to be applied retrospectively, with early application permitted for fiscal years beginning after December 15, 2016. The Tribune is in the process of evaluating the impact the new 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.

### 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, 2014 or 2013.

### 4. CONTRIBUTIONS RECEIVABLE

At December 31, 2014 and 2013, 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:

	2014	2013
Contributions due in less than one year	\$ 788,100	\$ 660,633
Contributions due in one to five years	484,020	171,500
	1,272,120	832,133
Less allowance for uncollectible accounts	(19,959)	(19,959)
Less discount to net present value	(26,337)	(9,484)
Contributions receivable, net	\$ 1,225,824	\$ 802,690

### 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2014	2013
Furniture, fixtures and equipment	\$ 283,324	\$ 236,298
Leasehold improvements	1,116	1,116
	284,440	237,414
Less accumulated depreciation and amortization	(231,352)	(205,698)
Property and equipment, net	\$ 53,088	\$ 31,716

## 6. DONATED GOODS AND SERVICES

The Tribune received contributed professional services during the years ended December 31, 2014 and 2013, with fair values at the time of donation totaling \$338,274 and \$320,092, respectively, which were primarily marketing and financial services. The Tribune also received contributed goods for use in public relations and other events during the years ended December 31, 2014 and 2013, with fair values at the time of donation totaling \$71,274 and \$33,630, respectively.

## 7. LEASE COMMITMENTS

The Tribune leases office space and equipment under non-cancelable operating leases. Rental expense for the years ended December 31, 2014 and 2013 were \$244,178 and \$198,611, respectively. The Tribune records a deferred rent obligation in accrued liabilities related to the office lease that contains escalating payment provisions. The deferred rent obligation was \$28,049 and \$35,699 at December 31, 2014 and 2013, respectively. Minimum future rental payments as of December 31, 2014 were as follows:

2015	\$	249,373
2016		252,917
2017		253,731
2018		168,269
	\$	<u>924,290</u>

## 8. ADVERTISING COSTS

Advertising costs, which are included in editorial expenses, are expensed as incurred. Advertising expense for the years ended December 31, 2014 and 2013 was \$390,774 and \$270,587, of which \$319,774 and \$252,592, respectively, was in-kind and is included in donated goods or services in the statements of activities.

## 9. TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
Editorial (purpose and time-restricted)	\$ 1,446,983	\$ 1,032,204
Operations (time-restricted)	338,500	395,081
Corporate sponsorships (time-restricted)	124,779	30,000
Events (time-restricted)	6,000	18,000
	<u>\$ 1,916,262</u>	<u>\$ 1,475,285</u>

## **10. RELATED PARTY TRANSACTIONS**

During the years ended 2014 and 2013, the Tribune received contributions from board members of \$21,732 and \$26,075, respectively. As of December 31, 2014 and 2013, the Tribune had outstanding receivables from board members of \$2,000 and \$9,000, respectively.

## **11. SUBSEQUENT EVENTS**

The Tribune has evaluated subsequent events through August 31, 2015 (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.