

**TEXAS TRIBUNE, INC.**

**Financial Statements  
as of and for the Years Ended  
December 31, 2017 and 2016 and  
Independent Auditors' Report**

# 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, 2017 and 2016, 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, 2017 and 2016, 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 supplementary 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 supplementary schedule of functional expenses is fairly stated in all material respects in relation to the financial statements as a whole.



Austin, Texas  
August 7, 2018

# TEXAS TRIBUNE, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,575,867	\$ 2,092,186
Contributions and sponsorships receivable, net	1,518,234	1,978,144
Accounts receivable	11,865	12,465
Prepaid expenses and other assets	108,019	60,794
Property and equipment, net	189,056	85,182
Security deposit	119,627	-
<b>TOTAL ASSETS</b>	<b><u>\$ 3,522,668</u></b>	<b><u>\$ 4,228,771</u></b>
 <b>LIABILITIES AND NET ASSETS:</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 320,085	\$ 248,761
Deferred revenue	93,159	78,741
Total liabilities	413,244	327,502
<b>NET ASSETS:</b>		
Unrestricted	744,867	1,061,606
Temporarily restricted	2,364,557	2,839,663
Total net assets	3,109,424	3,901,269
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,522,668</u></b>	<b><u>\$ 4,228,771</u></b>

See notes to financial statements.

# TEXAS TRIBUNE, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND NET ASSETS</b>			
<b>RELEASED FROM RESTRICTIONS:</b>			
Contributions:			
Grant income and major gifts	\$ 1,127,287	1,499,716	2,627,003
Corporate sponsorships	1,589,049	121,752	1,710,801
Events	1,394,945	218,000	1,612,945
Membership contributions	465,876	341,671	807,547
Donated goods and services	469,338	-	469,338
Total contributions	5,046,495	2,181,139	7,227,634
Subscriptions	153,520	-	153,520
Advertising	59,397	-	59,397
Other	67,700	-	67,700
Total revenues	5,327,112	2,181,139	7,508,251
Net assets released from restrictions	2,656,245	(2,656,245)	-
Total revenues and net assets released from restrictions	7,983,357	(475,106)	7,508,251
<b>EXPENSES:</b>			
Editorial	6,431,571	-	6,431,571
Fundraising	1,066,039	-	1,066,039
General and administration	802,486	-	802,486
Total expenses	8,300,096	-	8,300,096
<b>CHANGE IN NET ASSETS</b>	(316,739)	(475,106)	(791,845)
<b>NET ASSETS, beginning of year</b>	1,061,606	2,839,663	3,901,269
<b>NET ASSETS, end of year</b>	\$ 744,867	2,364,557	3,109,424

See notes to financial statements.

# TEXAS TRIBUNE, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND NET ASSETS</b>			
<b>RELEASED FROM RESTRICTIONS:</b>			
Contributions:			
Grant income and major gifts	\$ 1,007,818	2,067,886	3,075,704
Corporate sponsorships	1,620,294	230,782	1,851,076
Events	1,180,557	5,000	1,185,557
Membership contributions	350,925	255,699	606,624
Donated goods and services	567,524	-	567,524
Total contributions	4,727,118	2,559,367	7,286,485
Subscriptions	149,536	-	149,536
Advertising	54,585	-	54,585
Other	31,817	-	31,817
Total revenues	4,963,056	2,559,367	7,522,423
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
<b>EXPENSES:</b>			
Editorial	5,626,104	-	5,626,104
Fundraising	1,189,649	-	1,189,649
General and administration	680,617	-	680,617
Total expenses	7,496,370	-	7,496,370
<b>CHANGE IN NET ASSETS</b>	(398,424)	424,477	26,053
<b>NET ASSETS, beginning of year</b>	1,460,030	2,415,186	3,875,216
<b>NET ASSETS, end of year</b>	\$ 1,061,606	2,839,663	3,901,269

See notes to financial statements.

# TEXAS TRIBUNE, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (791,845)	\$ 26,053
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	42,823	38,580
Changes in assets and liabilities that provided (used) cash:		
Contributions and sponsorships receivable	459,910	(76,315)
Accounts receivable	600	(6,659)
Prepaid expenses and other assets	(47,225)	113,957
Security deposit	(119,627)	-
Accounts payable and accrued liabilities	71,324	13,203
Deferred revenue	14,418	10,412
	<u>(369,622)</u>	<u>119,231</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES-</b>		
Purchases of property and equipment	<u>(146,697)</u>	<u>(37,499)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(516,319)</b>	<b>81,732</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>2,092,186</u>	<u>2,010,454</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 1,575,867</u></u>	<u><u>\$ 2,092,186</u></u>

See notes to financial statements.



# TEXAS TRIBUNE, INC.

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2017 AND 2016

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### 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 1.9 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 ACCOUNTING 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.

**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.

**Net Asset Classification** - 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 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 donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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, 2017 and 2016.

**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 and Sponsorships Receivable** - Contributions and sponsorships receivable are recorded at the amount the Tribune expects to receive from donors, comprised of pledges, grants receivable, and outstanding balances from organizations that sponsor digital pages on the Tribune's website and live public events. Contributions and sponsorships 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 and sponsorships receivable for collectability.

**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.

**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. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted support. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, the Tribune reports the support as unrestricted.

**Subscriptions and Advertising Revenue** - Subscriptions to specialty publications and advertising payments are recognized as revenue ratably over the term of the agreement.

**Deferred Revenue** - Deferred revenue consists of amounts received in advance for future events, subscriptions, and advertising agreements, for which revenue has not yet been earned.

**Donated Goods and Services** - Contributions of services are recognized at their estimated fair value if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those 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 \$220,487 and \$289,354 during the years ended December 31, 2017 and 2016, respectively, of which \$200,383 and \$265,470, 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, 2017 and 2016. 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.

**Reclassifications** - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. Net assets and changes in net assets are unchanged due to these reclassifications.

**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. Entities will be required 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. MULTI-YEAR CONTRIBUTIONS**

When an unconditional promise to give spans multiple years, the total amount of the contribution for all years is recognized as revenue on the date of the unconditional promise. Conversely, expenses are recognized in the period incurred for activities supported by the multi-year contribution. This is the application of the accrual basis of accounting in accordance with U.S. GAAP, which may result in revenue and related expenses being recognized in different reporting periods.

### **4. 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, 2017 or 2016. The Tribune received grant funding from one entity which accounted for approximately 14% of total contributions and sponsorships receivable as of December 31, 2016.

## 5. CONTRIBUTIONS AND SPONSORSHIPS RECEIVABLE

As of December 31, 2017 and 2016, 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:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 1,351,826	\$ 1,665,588
Due in one to five years	<u>220,204</u>	<u>366,352</u>
	1,572,030	2,031,940
Less allowance for uncollectible accounts	(27,459)	(27,459)
Less discount to net present value	<u>(26,337)</u>	<u>(26,337)</u>
Contributions and sponsorships receivable, net	<u>\$ 1,518,234</u>	<u>\$ 1,978,144</u>

## 6. PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Furniture, fixtures, equipment, and leasehold improvements	\$ 530,081	\$ 383,384
Less accumulated depreciation and amortization	<u>(341,025)</u>	<u>(298,202)</u>
Property and equipment, net	<u>\$ 189,056</u>	<u>\$ 85,182</u>

## 7. DONATED GOODS AND SERVICES

The Tribune received contributed professional services during the years ended December 31, 2017 and 2016, with fair values at the time of donation totaling \$439,172 and \$546,270, 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, 2017 and 2016, with fair values at the time of donation totaling \$30,166 and \$21,254, respectively.

## 8. 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, 2017 and 2016 totaled \$321,067 and \$272,430, respectively. Minimum future rental payments as of December 31, 2017 were as follows:

2018	\$	405,425
2019		383,422
2020		394,843
2021		406,608
2022		417,600
Thereafter		<u>2,479,851</u>
Total	\$	<u>4,487,749</u>

## 9. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Editorial (purpose and time-restricted)	\$ 1,459,509	\$ 1,757,967
Operations (time-restricted)	593,296	792,105
Corporate sponsorships (time-restricted)	126,752	284,591
Events (time-restricted)	<u>185,000</u>	<u>5,000</u>
Total	<u>\$ 2,364,557</u>	<u>\$ 2,839,663</u>

## 10. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2017 and 2016, the Tribune received contributions from Board members totaling \$71,784 and \$29,088, respectively. As of December 31, 2017 and 2016, the Tribune had outstanding pledge receivables due from Board members of \$26,665 and \$19,528, respectively.

## 11. SUBSEQUENT EVENTS

The Tribune has evaluated subsequent events through August 7, 2018 (the date the financial statements were available to be issued).

In June 2018, the Tribune borrowed \$500,000 under a loan agreement with a bank (the "Term Loan") which matures on June 29, 2023. The Term Loan accrues interest at a rate of 5.25% per annum, is secured by substantially all assets, and requires compliance with a minimum liquidity covenant. Principal and interest payments are due monthly beginning August 1, 2018 through maturity.

## **SUPPLEMENTARY INFORMATION**

**TEXAS TRIBUNE, INC.****SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2017**

	Editorial	Fundraising	General and Administration	Total
Personnel	\$ 4,356,383	652,346	607,454	5,616,183
Events related expenses	467,641	68,923	15	536,579
Professional fees and contracts	478,177	8,525	40,067	526,769
Occupancy	332,069	41,763	90,244	464,076
Travel	177,110	13,034	15,807	205,951
Equipment, furniture, and software	122,725	1,958	3,203	127,886
Business	80,336	9,019	23,707	113,062
Communications	72,644	7,916	6,592	87,152
Printing and duplication	39,800	4,768	1,536	46,104
Membership, subscriptions, dues, and awards	19,752	1,068	1,774	22,594
Office and event supplies	17,526	2,435	1,897	21,858
Staff development	11,128	735	25	11,888
Equipment rental and maintenance	7,747	-	86	7,833
Total expenses before depreciation and amortization	6,183,038	812,490	792,407	7,787,935
Depreciation and amortization	32,342	402	10,079	42,823
Total expenses before donated goods and services	6,215,380	812,892	802,486	7,830,758
Donated goods and services	216,191	253,147	-	469,338
<b>TOTAL EXPENSES</b>	<b>\$ 6,431,571</b>	<b>1,066,039</b>	<b>802,486</b>	<b>8,300,096</b>