TEXAS TRIBUNE, INC.

Financial Statements for the Year Ended December 31, 2011 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 statement of financial position of Texas Tribune, Inc. (the "Tribune") as of December 31, 2011 and the related statements of activities and cash flows for the year then ended. 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Maxwell Locke + Ritter LLP

August 23, 2012

TEXAS TRIBUNE, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS:	
Cash and cash equivalents	$ 1,198,598
Contributions receivable, net	948,190
Sponsorship receivable, net	210,733
Accounts receivable	15,230
Prepaid expenses	9,636
Property and equipment, net	91,292
TOTAL ASSETS	$ 2,473,679
LIABILITIES AND NET ASSETS:	
LIABILITIES-	
Accounts payable and accrued liabilities	$ 109,732
NET ASSETS:	
Unrestricted	1,284,593
Temporarily restricted	1,079,354
Total net assets	2,363,947
TOTAL LIABILITIES AND NET ASSETS	$ 2,473,679

See notes to financial statements.

TEXAS TRIBUNE, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Contributions:			
Major gifts	$ 1,132,500	45,000	1,177,500
Events	537,859	90,000	627,859
Grant income	140,208	451,231	591,439
Corporate sponsorship	570,709	3,500	574,209
Annual campaign	109,137	285,501	394,638
Donated goods	303,471	-	303,471
Donated services	203,192	-	203,192
Other	119,866	-	119,866
Total contributions	3,116,942	875,232	3,992,174
Subscriptions	154,906	-	154,906
Advertising	53,961	-	53,961
Total revenues	3,325,809	875,232	4,201,041
Net assets released from restrictions	938,528	(938,528)	-
Total revenues and net assets released from restrictions	4,264,337	(63,296)	4,201,041
EXPENSES:			
Editorial	3,015,156	-	3,015,156
Community events	509,824	-	509,824
Fundraising	772,541	-	772,541
General and administration	305,440	-	305,440
Total expenses	4,602,961	-	4,602,961
CHANGE IN NET ASSETS	(338,624)	(63,296)	(401,920)
NET ASSETS, BEGINNING OF YEAR, as restated	1,623,217	1,142,650	2,765,867
NET ASSETS, END OF YEAR	$ 1,284,593	1,079,354	2,363,947

See notes to financial statements.

TEXAS TRIBUNE, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (401,920)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	70,938
Discount on contributions receivable	(5,549)
Allowance for doubtful accounts	29,528
Changes in assets and liabilities that provided (used) cash:	
Contributions receivable	605,892
Sponsorship receivable	(31,813)
Accounts receivable	(15,230)
Prepaid expenses	16,936
Accounts payable and accrued liabilities	(9,233)
Net cash provided by operating activities	259,549
CASH FLOWS FROM INVESTING ACTIVITIES -	
Purchases of property and equipment	(36,731)
CASH FLOWS FROM FINANCING ACTIVITIES -	
Payments on notes payable	(75,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	147,818
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,050,780
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,198,598

See notes to financial statements.

1. ORGANIZATION

Texas Tribune, Inc. (the "Tribune") was incorporated on March 19, 2009 as a nonpartisan, nonprofit media organization that promotes civic engagement and discourse on public policy, politics, government, and other matters of statewide concern. The Tribune's vision is to serve the journalism community as a source of innovation and to build the next great public media brand in the United States.

The Tribune advances its mission in two principal ways. First, the Tribune reports, writes, compiles, records, shoots, and posts nonpartisan news and information online at its destination web site and in the pages and on the sites of distribution partners, to which is provided 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. 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. As of December 31, 2011, all of the temporarily restricted net assets were restricted for events and activities in future years.

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 of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these 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. 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 doubtful accounts was created.

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, 2011, the allowance for doubtful accounts balance was $7,500.

Fair Value Measurements - The Tribune measures and discloses fair value measurements in accordance with the 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. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 **-** Inputs based on quoted market prices in active markets for identical assets or liabilities. 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 **-** Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 **-** Unobservable inputs that reflect the Tribune's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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.

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 Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement 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, 2011.

4. CONTRIBUTIONS RECEIVABLE

At December 31, 2011, amounts due from unconditional promises to give were as follows:

Gross contributions receivable	$ 984,258
Less: unamortized discount	(6,540)
Less: allowance for doubtful accounts	(29,528)
Net contributions receivable	$ 948,190
Due in less than one year	$ 784,966
Due in one to five years	199,292
	$ 984,258

At December 31, 2011, a discount rate of 3% was used to discount the anticipated cash flows on long-term unconditional promises to give. Contributions receivable were classified as level 3 in accordance with the fair value hierarchy and were valued using an income approach as follows:

Balance, December 31, 2010, as restated	$ 1,578,061
Receipt of new promises to give	903,900
Payments on receivables	(1,475,709)
Change in discount for net present value	5,549
Write-offs	(34,083)
Change in allowance for doubtful accounts	(29,528)
Balance, December 31, 2011	$ 948,190

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2011:

Furniture, fixtures and equipment	$ 201,005
Leasehold improvements	7,411
	208,416
Less accumulated depreciation and amortization	(117,124)
Property and equipment, net	$ 91,292

6. DONATED GOODS AND SERVICES

The Tribune received contributed professional services for the year ended December 31, 2011, with fair values on dates of donation totaling $203,192, which were primarily legal transcription services used by the editorial department. The Tribune also received contributed goods for use in public relations and other events for the year ended December 31, 2011, with fair values on dates of donation totaling $303,471.

7. LEASE COMMITMENTS

The Tribune leases office space under an operating lease. Rent expense for the year ended December 31, 2011 was $34,416. The Tribune recorded a deferred rent obligation in accrued liabilities in the amount of $19,924 as of December 31, 2011 related to the office lease that contains escalating payment provisions. Future minimum lease payments under the operating lease at December 31, 2011 are $21,655 due in 2012.

8. ADVERTISING COSTS

Advertising costs, which are included in editorial expenses, are expensed as incurred. Advertising expense for the year ended December 31, 2011 was $200,689, of which $197,824 was in-kind and is included in donated goods in the statement of activities.

9. RELATED PARTY TRANSACTIONS

Contributions from members of the Board of Directors for the year ended December 31, 2011 were $66,210. Pledges receivable due from board members at December 31, 2011 totaled $30,000. See Note 10 for discussion of a conditional promise to give at December 31, 2011 from a member of the Board of Directors.

10. 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 $505,000 for the year ended December 31, 2011. The remaining conditional balance at December 31, 2011 was $310,000.

11. PRIOR PERIOD ADJUSTMENT

The previously issued financial statements have been restated to correct errors in recording certain pledges and a grant. Contributions receivable, temporarily restricted contribution revenues, and temporarily restricted net assets were understated by $627,650 as of and for the year ended December 31, 2010.

12. SUBSEQUENT EVENTS

The Tribune has evaluated subsequent events through August 23, 2012 (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.