Houston Symphony Society and Houston Symphony Endowment

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2019 and 2018

Houston Symphony Society and Houston Symphony Endowment

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Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Governing Directors of
Houston Symphony Society:

We have audited the accompanying financial statements of Houston Symphony Society and Houston Symphony Endowment (collectively the Symphony), which comprise the consolidated statements of financial position as of May 31, 2019 and 2018 and the related consolidated statements of activities and of cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended May 31, 2019 with comparative totals for the year ended May 31, 2018, 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 our audits 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 consolidated financial position of the Symphony as of May 31, 2019 and 2018 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.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, the Symphony adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended May 31, 2019. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended May 31, 2018, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

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Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information by entity for Houston Symphony Society and Houston Symphony Endowment presented on the consolidated statements of financial position as of May 31, 2019 and 2018 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 our audits 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Blazek & Vetterling

November 5, 2019

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statements of Financial Position as of May 31, 2019 and 2018

	2019			2018		
	HOUSTON SYMPHONY SOCIETY	HOUSTON SYMPHONY ENDOWMENT	TOTAL	HOUSTON SYMPHONY SOCIETY	HOUSTON SYMPHONY ENDOWMENT	TOTAL
ASSETS						
Cash	$ 137,194		$ 137,194	$ 158,220		$ 158,220
Accounts receivable and other assets, net of allowance of $50,000 at May 31, 2019	384,662		384,662	713,762		713,762
Deferred costs	509,481		509,481	1,025,861		1,025,861
Contributions receivable, net *(Note 4)*	6,537,570	$ 5,526,590	12,064,160	7,425,630	$ 7,330,697	14,756,327
Property, net *(Note 5)*	830,728		830,728	1,077,607		1,077,607
Investments *(Notes 6 and 7)*		68,653,667	68,653,667		70,402,697	70,402,697
TOTAL ASSETS	$ 8,399,635	$74,180,257	$ 82,579,892	$10,401,080	$77,733,394	$ 88,134,474
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	$ 1,052,548		$ 1,052,548	$ 1,217,071		$ 1,217,071
Accrued expenses	675,433		675,433	1,226,304		1,226,304
Deferred revenue	4,059,096		4,059,096	4,064,377		4,064,377
Due to (from) intercompany	1,291,730	$ (1,291,730)		142,087	$ (142,087)	
Notes payable *(Note 8)*	15,678,482		15,678,482	15,187,695		15,187,695
Accrued pension liability *(Note 12)*	7,186,613		7,186,613	6,064,777		6,064,777
Total liabilities	29,943,902	(1,291,730)	28,652,172	27,902,311	(142,087)	27,760,224
Net assets *(Note 10)*:						
Without donor restrictions	(24,624,337)	10,000	(24,614,337)	(20,071,988)		(20,071,988)
With donor restrictions *(Note 9)*	3,080,070	75,461,987	78,542,057	2,570,757	77,875,481	80,446,238
Total net assets	(21,544,267)	75,471,987	53,927,720	(17,501,231)	77,875,481	60,374,250
TOTAL LIABILITIES AND NET ASSETS	$ 8,399,635	$74,180,257	$ 82,579,892	$10,401,080	$77,733,394	$ 88,134,474

See accompanying notes to consolidated financial statements.

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statement of Activities for the year ended May 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contributions	$ 10,939,280	$ 2,128,988	$ 13,068,268
Loss on valuation of contributions receivable		(987,185)	(987,185)
Special events	2,246,012	199,000	2,445,012
Cost of direct donor benefits	(893,525)		(893,525)
Ticketed revenue	11,205,824		11,205,824
Program revenue	990,340		990,340
Other income	378,650		378,650
Total operating revenue	24,866,581	1,340,803	26,207,384
Net assets released from restrictions:			
Time and purpose restrictions	1,495,955	(1,495,955)	
Endowment appropriation	3,682,595	(3,682,595)	
Total	30,045,131	(3,837,747)	26,207,384
OPERATING EXPENSES:			
Program services:			
Artistic production	17,379,816		17,379,816
Education and community	5,922,230		5,922,230
Total program services	23,302,046		23,302,046
Supporting activities:			
Fundraising	3,017,254		3,017,254
Marketing and advertising	4,638,838		4,638,838
Management and general	2,341,632		2,341,632
Total expenses	33,299,770		33,299,770
CHANGES IN NET ASSETS FROM OPERATIONS	(3,254,639)	(3,837,747)	(7,092,386)
OTHER:			
Net investment return	76,552	1,933,566	2,010,118
Other pension related changes *(Note 12)*	(1,364,262)		(1,364,262)
CHANGES IN NET ASSETS	(4,542,349)	(1,904,181)	(6,446,530)
Net assets, beginning of year	(20,071,988)	80,446,238	60,374,250
Net assets, end of year	$ (24,614,337)	$ 78,542,057	$ 53,927,720

See accompanying notes to consolidated financial statements.

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statement of Activities for the year ended May 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contributions	$ 10,976,841	$ 3,511,338	$ 14,488,179
Special events	1,771,172		1,771,172
Cost of direct donor benefits	(608,172)		(608,172)
Ticketed revenue	9,243,225		9,243,225
Program revenue	1,291,979		1,291,979
Other income	397,949		397,949
Total operating revenue	23,072,994	3,511,338	26,584,332
Net assets released from restrictions:			
Time and purpose restrictions	4,470,083	(4,470,083)	
Endowment appropriation	3,995,834	(3,995,834)	
Total	31,538,911	(4,954,579)	26,584,332
OPERATING EXPENSES:			
Program services:			
Artistic production	18,394,759		18,394,759
Education and community	4,820,329		4,820,329
Total program services	23,215,088		23,215,088
Supporting activities:			
Fundraising	3,322,430		3,322,430
Marketing and advertising	4,498,955		4,498,955
Management and general	3,208,566		3,208,566
Total expenses	34,245,039		34,245,039
CHANGES IN NET ASSETS FROM OPERATIONS	(2,706,128)	(4,954,579)	(7,660,707)
OTHER:			
Net investment return *(Note 2)*	75,278	5,921,596	5,996,874
Other pension related changes *(Note 12)*	607,767		607,767
CHANGES IN NET ASSETS	(2,023,083)	967,017	(1,056,066)
Net assets, beginning of year *(Note 2)*	(18,048,905)	79,479,221	61,430,316
Net assets, end of year	$ (20,071,988)	$ 80,446,238	$ 60,374,250

See accompanying notes to consolidated financial statements.

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statement of Functional Expenses for the year ended May 31, 2019 with comparative totals for the year ended May 31, 2018

	ARTISTIC PRODUCTION	EDUCATION AND COMMUNITY	TOTAL PROGRAM SERVICES	FUNDRAISING	MARKETING AND ADVERTISING	MANAGEMENT AND GENERAL	2019 TOTAL EXPENSES	2018 TOTAL EXPENSES
Payroll and related benefits	$ 12,246,414	$ 4,847,541	$ 17,093,955	$ 1,986,956	$ 1,519,222	$ 1,098,742	$ 21,698,875	$ 21,816,955
Professional and contract fees	3,095,691	476,862	3,572,553	141,775	362,240	301,888	4,378,456	4,618,927
Advertising		430	430	5,507	1,115,080		1,121,017	927,207
Occupancy	677,912	127,320	805,232	6,339	72,666	127,737	1,011,974	985,414
Production materials and equipment	615,375	178,048	793,423				793,423	814,408
Copy and printing	5,549	182	5,731	77,247	569,597	935	653,510	644,606
Travel	464,953	140,532	605,485	14,061	8,831	22,465	650,842	1,808,639
Donor and subscriber cultivation	2,095	1,057	3,152	472,346	136,430	4,901	616,829	534,183
Interest						536,747	536,747	395,497
Bank and merchant fees		31	31	87,796	302,442	18,403	408,672	369,790
Technology	55,211	42,505	97,716	66,147	91,676	57,326	312,865	399,864
Postage, shipping, and delivery	1,369	70	1,439	13,627	260,125	1,831	277,022	232,041
Depreciation	118,081	41,656	159,737	5,889	68,495	17,260	251,381	241,398
Insurance	72,584	27,201	99,785	20,741	24,890	46,896	192,312	202,902
Office supplies and equipment	13,220	27,548	40,768	28,755	93,990	13,545	177,058	169,235
Other	11,362	11,247	22,609	90,068	13,154	92,956	218,787	83,973
Total expenses	$ 17,379,816	$ 5,922,230	$ 23,302,046	$ 3,017,254	$ 4,638,838	$ 2,341,632	33,299,770	34,245,039
Cost of direct donor benefits							893,525	608,172
Total							$ 34,193,295	$ 34,853,211

See accompanying notes to consolidated financial statements.

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statements of Cash Flows for the years ended May 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (6,446,530)	$ (1,056,066)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net realized and unrealized gain on investments	(99,660)	(4,507,662)
Contributions restricted to endowment	(322,720)	(1,339,204)
Loss on valuation of contributions receivable	987,185	
Contributions restricted for violin	(750,000)	
Depreciation	251,381	241,398
Loss on disposal of property		15,331
Changes in operating assets and liabilities:		
Accounts receivable and other assets	329,100	(473,551)
Deferred costs	516,380	34,742
Contributions receivable	1,628,060	2,368,784
Accounts payable and accrued expenses	(715,394)	(506,247)
Deferred revenue	(5,281)	115,679
Accrued pension liability	1,121,836	(840,751)
Net cash used by operating activities	(3,505,643)	(5,947,547)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,438,423)	(2,165,562)
Proceeds from sales of investments	1,522,040	4,092,139
Net change in money market mutual funds held as investments	2,765,073	(1,014,359)
Purchases of property	(4,502)	(302,323)
Net cash provided by investing activities	1,844,188	609,895
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(19,606,432)	(17,902,744)
Proceeds from notes payable	20,097,219	22,157,585
Proceeds from contributions restricted to endowment	1,149,642	669,814
Net cash provided by financing activities	1,640,429	4,924,655
NET CHANGE IN CASH	(21,026)	(412,997)
Cash, beginning of year	158,220	571,217
Cash, end of year	$ 137,194	$ 158,220

Supplemental disclosure of cash flow information:

	2019	2018
Cash paid for interest	$534,631	$332,739
Proceeds of donated securities reflected in net cash used by operating activities	$115,519	$2,717,334

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Houston Symphony Society (the Society) was incorporated under the laws of the State of Texas in 1936 for charitable and educational purposes related to maintaining a symphony orchestra. The mission of the Society is to inspire and engage a large and diverse audience in greater Houston and beyond through exceptional orchestral and non-orchestral performances, educational programs and community activities.

Houston Symphony Endowment (the Endowment) was originally established as a trust in 1971 under the laws of the State of Texas as a part of and solely to support the operations of the Society. In June 2006, the form of organization of the Endowment was changed to a separate nonprofit corporation organized under the laws of the State of Texas, solely to support the operations of the Society. The nonprofit exemption was approved by the Internal Revenue Service in May 2007. The Endowment holds contributed funds in perpetuity, invests those funds, and makes contributions from time to time to the Society. Such contributions must meet the stated restrictions of donors, as well as the current policies of the Endowment. The Endowment is governed by a Board of Directors who is elected by the officers of the Board of Directors of the Society to serve staggered three-year terms with one-third of the directors elected each year.

Basis of presentation – These financial statements include the assets, liabilities, net assets and activities of the Society and the Endowment (collectively the Symphony). All balances and transactions between the consolidated entities have been eliminated.

Federal income tax status – The Society and the Endowment are exempt from federal income tax under §501(c)(3) of the Internal Revenue Code. The Society is classified as a public charity under §509(a)(2). The Endowment is classified as a Type I supporting organization under §509(a)(3).

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible contributions receivable is estimated based on management's periodic evaluation of past loss experience, known adverse situations that may affect the donor's ability to pay, and current economic conditions. It is possible that management's estimate regarding the collectability of these balances will change in the near term resulting in a change in the carrying value of the contributions receivable.

Property purchases greater than $1,000 that have a useful life greater than one year are capitalized at original cost if purchased and at estimated fair value at the date of gift if donated. Depreciation is provided on a straight-line basis over estimated useful lives of 3 to 10 years.

Investment valuation and income recognition – Investments in securities are reported at fair value. 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. The Symphony's management determines the valuation policies utilizing information provided by its investment advisers, custodians and fund managers. Contributed land held for investment is reported at historical cost based on the fair market value at the date of donation, which is lower than current market value. Purchases and sales of securities are recorded on a trade-date basis. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.

- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized at fair value when an unconditional commitment is received from the donor. Conditional contributions are recognized in the same manner when the conditions are substantially met. Restricted contributions whose purpose is met in the same reporting period are reported as unrestricted contributions and increase *net assets without donor restrictions*.

Revenue from ticket sales is recognized when the related services are provided. Amounts received but unearned are included in the statement of financial position as deferred revenue. Program costs are deferred when incurred and charged to expense when the related revenue is recognized.

Donated materials are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During 2019, the Symphony received donated services and materials totaling $152,634, which included approximately $53,000 for information technology services, $36,500 for fundraising events, $15,300 for artist services and instruments, and $47,800 for donated office space. During 2018, the Symphony received donated services and materials totaling $356,095, which included approximately $26,160 for information technology services, $55,185 for travel vouchers and hotel accommodations, $46,103 for fundraising events, $41,395 for artist services and instruments, $164,420 in legal and financial consulting services and $22,832 for donated office and performance space.

During the years ended May 31, 2019 and 2018, a substantial number of volunteers contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Advertising costs are expensed as incurred, except for expenditures directly related to future seasons, which are recorded as prepaid expenses. In 2019 and 2018, the Symphony expensed approximately $1,062,000 and $887,000, respectively, for advertising costs. At May 31, 2019 and 2018, deferred costs include deferred advertising costs of approximately $16,000 and $41,000, respectively.

Changes in net assets from operations – The Symphony includes in its definition of operations all revenue and expenses that are an integral part of its programs and supporting activities. Non-operating investment return and changes in the pension liability are excluded from the changes in net assets from operations.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one program or supporting activity are allocated among the activities benefitted. Salaries and related costs are generally allocated on the basis of estimated time and effort expended, while orchestra and performance related salaries are further allocated between artistic production and education and community based on the percentage total of each type of performance during the year. Depreciation, occupancy, and technology costs are allocated based on headcounts.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The ASU supersedes the revenue recognition requirements for most exchange transactions not specifically covered by other guidance. It does not apply to contributions. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and establishes a 5-step process to determine when revenue is recognized. The ASU is effective for fiscal year 2020 and must be applied retrospectively. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019. The Symphony plans to adopt this ASU for fiscal year 2021. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. The Symphony is required to apply the amendments in its fiscal year 2020 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the impact adoption of this ASU will have on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

The Symphony adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended May 31, 2019. These amendments have been applied on a retrospective basis to the financial statements for the year ended May 31, 2018, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

In preparation of the implementation of ASU 2016-14, management reviewed all endowment gift documents and determined that reported net assets with donor restrictions required to be maintained in perpetuity was $2.4 million higher than supported by the donor gift documents. This difference has been reclassified as accumulated investment return retrospectively as of May 31, 2017; however, it has no impact on total net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use within one year of May 31, 2019 comprise the following:

Financial assets at May 31, 2019:	
Cash	$ 137,194
Accounts receivable	198,487
Contributions receivable, net	12,064,160
Investments	68,653,667
Total financial assets	81,053,508
Less financial assets not available for general expenditure:	
Endowment investments less amounts appropriated for 2020	(64,901,042)
Endowment contributions receivable	(5,526,590)
Operating contributions receivable due in more than one year	(656,148)
Contributions receivable for purchase of instrument	(750,000)
Cash restricted for endowment investments	(1,291,730)
Total financial assets available for general expenditure	$ 7,927,998

The Society structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due by monitoring cash flow weekly. General expenditures are costs incurred by the Society as part of the daily operations. The Society's liquidity has seasonal variations during the year attributable to annual cash receipts for subscriptions, concentrations of cash receipts at fiscal year end, and the scheduled mix of community versus ticketed programming. To manage liquidity, the Society maintains a line of credit with Frost Bank.

The Symphony has adopted a multi-year financial plan for fiscal years 2019 through 2021. The plan returns the Symphony to surpluses and decreases the reliance on the line of credit without damage to the long-term viability of the Symphony. The plan is to accomplish this through a combination of expense reductions, increases in earned and contributed revenue, and the growth of its endowment. The plan commits to use future cash surpluses for debt service and as debt is retired, the Symphony is committed to reducing the ceiling on the line of credit.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at May 31, 2019 consist of the following:

	SOCIETY	ENDOWMENT	TOTAL
Contributions receivable expected to be collected as follows:			
Less than one year	$ 6,244,560	$ 645,825	$ 6,890,385
One to five years	656,148	1,150,000	1,806,148
More than five years		4,500,000	4,500,000
Total contributions receivable	6,900,708	6,295,825	13,196,533
Unamortized discount	(17,770)	(764,235)	(782,005)
Allowance for uncollectible contributions receivable	(345,368)	(5,000)	(350,368)
Contributions receivable, net	$ 6,537,570	$ 5,526,590	$ 12,064,160

Contributions receivable at May 31, 2018 consist of the following:

	SOCIETY	ENDOWMENT	TOTAL
Contributions receivable expected to be collected as follows:			
Less than one year	$ 5,500,521	$ 579,025	$ 6,079,546
One to five years	2,415,317	2,720,000	5,135,317
More than five years		4,500,000	4,500,000
Total contributions receivable	7,915,838	7,799,025	15,714,863
Unamortized discount	(95,000)	(17,815)	(112,815)
Allowance for uncollectible contributions receivable	(395,208)	(450,513)	(845,721)
Contributions receivable, net	$ 7,425,630	$ 7,330,697	$ 14,756,327

At May 31, 2019, contributions receivable from three donors represent 47% of total contributions receivable. At May 31, 2018, contributions receivable from four donors represent 46% of total contributions receivable.

NOTE 5 – PROPERTY

Property consists of the following:

	2019	2018
Land	$ 16,915	$ 16,915
Instruments	1,733,937	1,729,435
Computer, information systems, and website	1,108,790	1,108,790
Leasehold improvements	284,878	284,878
Furniture and equipment	128,675	128,675
Total property, at cost	3,273,195	3,268,693
Accumulated depreciation	(2,442,467)	(2,191,086)
Property, net	$ 830,728	$ 1,077,607

NOTE 6 – INVESTMENTS

Investments consist of the following:

	LIQUIDITY	REDEMPTION NOTICE	2019	2018
Investments, at fair value:				
Limited partnership funds:				
TIFF Keystone Fund, L.P. (a)	(a)	(a)	$ 32,696,144	$ 30,977,658
High Vista II, L.P. (b)	Quarterly	90 days	8,114,742	8,061,100
PMF Fund, L.P. (c)	(c)	(c)	1,142,188	1,423,571
Mutual funds	Daily	None	26,220,593	29,460,368
Total investments, at fair value			68,173,667	69,922,697
Land held for investment, at cost			480,000	480,000
Total investments			$ 68,653,667	$ 70,402,697

Limited partnership funds are invested with external investment managers who can invest in various alternative categories, including real estate, partnerships, long and short equity positions, natural resources, private equity, managed futures, emerging markets, distressed enterprises, and arbitrage positions. These investments are domestic and international in nature, may be illiquid, and may not be realized for a period of several years after the investments are made. In addition to risks associated with other investments, these investments include additional risks, resulting in a greater risk of losing invested capital. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and non-marketable investments), and nondisclosure of portfolio composition. The investment strategies of each of these funds are as follows:

(a) The TIFF Keystone Fund, L.P.'s objective is to maximize annualized returns net of all costs over rolling 10-year periods while adhering to the partnership's risk parameters. In seeking to achieve this objective and in order to manage risk, the general partner intends to deploy the partnership's assets in a manner that seeks to limit to not greater than 10% the probability of a 25% or greater decline in the partnership's inflation-adjusted unit value measured over any time period. There is no assurance that the partnership will achieve this objective. The partnership expects to invest globally in multiple asset classes and in both publicly traded and privately placed securities, properties, and other assets, either directly or through investment funds, including private equity funds, private realty funds, natural resource funds, and hedge funds. The Symphony can elect to receive annual or quarterly distributions and may change its elections in June and December of each year. The Symphony may elect to withdraw from the fund with 90 days' notice, subject to the sole discretion of the general partner.
(b) High Vista II, L.P. seeks to maximize risk-adjusted returns over a long-term horizon and may invest in a wide array of investments and strategies. Redemptions can generally be made each calendar quarter, but the fund has the sole discretion to not offer redemptions at any time.
(c) The PMF Fund, L.P. is a closed-end, non-diversified, registered investment company that invests substantially all of its assets in the Endowment PMF Master Fund, L.P. (Master Fund), which also is a closed-end, non-diversified, registered investment company. The investment objective is to manage a portfolio of investment funds and cash to preserve value while prioritizing liquidity to investors over active management, until such time as the Master Fund's portfolio has been liquidated. Distributions will occur quarterly, as available. The process to fully liquidate is expected to take up to ten years.

There are no unfunded commitments as of May 31, 2019 or 2018.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 7 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at May 31, 2019 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Mutual funds:				
Multi-asset	$ 24,456,440			$ 24,456,440
Money market	1,043,157			1,043,157
Large-cap stock index	720,996			720,996
Total mutual funds	$ 26,220,593	$ 0	$ 0	26,220,593
Investments at fair value using net asset value as practical expedient excluded from the fair value hierarchy:				
Limited partnership funds				41,953,074
Total assets measured at fair value				$ 68,173,667

Assets measured at fair value at May 31, 2018 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Mutual funds:				
Multi-asset	$ 25,253,244			$ 25,253,244
Money market	3,808,230			3,808,230
Large-cap stock index	398,894			398,894
Total mutual funds	$ 29,460,368	$ 0	$ 0	29,460,368
Investments at fair value using net asset value as practical expedient excluded from the fair value hierarchy:				
Limited partnership funds				40,462,329
Total assets measured at fair value				$ 69,922,697

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the published net asset value.
- *Limited partnership funds* are valued at net asset value as a practical expedient. The net asset value is determined by the fund based on the fair value of the underlying investments held by the fund, less any liabilities. If a fund does not provide the fair value on a timely basis, the fair value is estimated based on the most recent value provided, as well as any other relevant available information.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Symphony believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 8 – NOTES PAYABLE

Notes payable consist of the following:

	2019	2018
Line of credit with a financial institution for $16,750,000; interest payable quarterly at a variable rate equal to 1.30% over LIBOR (3.89175% at May 31, 2019); principal due at maturity on March 30, 2022.	$ 15,678,482	$ 14,845,263
Note payable to a financial institution; variable rate of 1.30% over LIBOR; quarterly principal and interest payments of $86,008 until maturity on March 30, 2019.		342,432
Total notes payable	$ 15,678,482	$ 15,187,695

Both notes are guaranteed by the Endowment and require the Society to maintain a tangible net worth of $40 million, and a ratio of liabilities to tangible net worth less than 75%. The Endowment also is required to hold a minimum balance of $20 million in marketable assets. Interest expense totaled $536,747 in 2019 and $395,497 in 2018.

Minimum future principal payments total $15,678,482 and are due in 2022.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2019	2018
Subject to expenditure for specified purpose:		
Instrument purchases	$ 750,000	$ 15,180
Education and other	26,975	53,584
Total subject to expenditure for specified purpose	776,975	68,764
Subject to passage of time:		
Contributions receivable that are not restricted by donors but which are unavailable for expenditure until due	2,303,095	2,501,993
Endowments:		
Subject to spending policy and appropriation:		
General endowment to support operations	34,830,132	36,335,659
Education and community programs	11,575,835	11,822,597
Classical concert series	10,846,145	11,092,183
Creative initiatives	6,719,584	6,918,562
Named chairs	5,443,112	5,557,558
Woodlands concert series	4,898,024	5,106,390
Chorus	551,612	442,069
Ima Hogg	74,168	75,919
Messiah concert fund	43,375	44,544
Total endowments	74,981,987	77,395,481
Not subject to appropriation or expenditure:		
Land	480,000	480,000
Total net assets with donor restrictions	$ 78,542,057	$ 80,446,238

NOTE 10 – ENDOWMENT

The Board of Directors of the Symphony has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Symphony classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as *net assets with donor restrictions* until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Symphony considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Symphony and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Symphony
- The investment policies of the Endowment

Endowment assets include donor-restricted funds that the Endowment must hold in perpetuity, as well as board-designated endowment funds of the Endowment. The Board of Directors of the Endowment is charged with preserving the corpus of the Endowment, growing the total value of the Endowment through investments and gifts, and financially supporting the mission and activities of the Society.

Return Objectives and Risk Parameters

The Endowment has adopted investment and spending policies for Endowment assets that have the primary objective of achieving a long-term rate-of-return that will permit the Endowment to assist the Symphony in meeting its operating needs while maintaining its ability to provide for future needs without subjecting the endowment funds to imprudent risks. Endowment assets include those assets of donor-restricted funds that the Symphony must hold in perpetuity or for the donor-specified periods.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Endowment relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Endowment targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

As different asset classes produce different returns during the course of the year, the portfolio's asset allocation changes accordingly. Balancing investments among asset classes is essential for maintaining the risk and return profile that has been adopted. The Endowment reviews the portfolio's actual asset allocation relative to its risk and return policy. If deemed necessary, the Endowment may rebalance the portfolio among the various asset classes or investment funds for consistency with the policy.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Endowment's standing resolution on disbursements has a total return spending rule that allows spending budgets to be funded from interest and dividend income, realized gains, unused portions of prior year spending allowances that have been reinvested, and unrealized appreciation (to use unrealized appreciation, units would have to be sold).

Under the standing resolution, expenditures are determined annually based on the Endowment's average market value of the 12 previous quarters as of the March 31 proceeding the Symphony's fiscal year in which the disbursement will be expended. New contributions for each quarter plus the new contributions for all preceding quarters used in the calculations are to be deducted from that quarter's ending fair market value to arrive at an adjusted fair market value. The cumulative new contributions for all quarters are then added to the average adjusted fair market value to form the valuation basis for the draw each year. Subject to restrictions placed by either donors or governing law, disbursements are at the discretion of the Endowment Board of Directors and may be increased or decreased at any time, and the standing policy may be suspended or altered at any time.

For 2019, a 5% distribution based on the Endowment's twelve-quarter rolling average was approved in the amount of \$3,282,595. For 2018, a 5.5% distribution based on the Endowment's twelve-quarter rolling average was approved in the amount of \$3,595,834. Total distributions also include royalty and rental income distributed for operations in accordance with the gift agreement of \$76,552 in 2019 and \$75,278 in 2018. In 2019 and 2018, \$400,000 was distributed to reimburse the Society for the Endowment's fundraising, accounting, legal, and others administrative expenses.

The intercompany receivable balance between the Society and the Endowment at May 31, 2019 and 2018 represents endowment contributions waiting to be invested.

Endowment net asset composition as of May 31, 2019:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		$ 74,780,324	$ 74,780,324
Accumulated net investment gains		1,756,217	1,756,217
Accumulated investment deficits		(1,074,554)	(1,074,554)
Board-designated endowment funds	$ 10,000		10,000
Endowment net assets	$ 10,000	$ 75,461,987	$ 75,471,987

Endowment net asset composition as of May 31, 2018:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		$ 75,444,788	$ 75,444,788
Accumulated net investment gains		3,110,477	3,110,477
Accumulated investment deficits		(679,784)	(679,784)
Endowment net assets	$ 0	$ 77,875,481	$ 77,875,481

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires the endowment to retain as a fund of perpetual duration. The Symphony has interpreted TUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of this nature result from unfavorable market fluctuations and continued appropriations. The original gift value of funds with accumulated investment deficits is $12,735,537 at May 31, 2019 and 2018.

Changes in net assets of the endowment funds are as follows:

		WITH DONOR RESTRICTIONS		
	BOARD-DESIGNATED ENDOWMENT	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, May 31, 2017		$ 504,930	$ 74,105,585	$ 74,610,515
Contributions			1,339,204	1,339,204
Net investment return	$ 75,278	5,921,596		5,996,874
Distributions:				
5.5% draw for operations		(3,595,834)		(3,595,834)
Expense reimbursement		(400,000)		(400,000)
Royalty and rental income distributions	(75,278)			(75,278)
Total distributions	(75,278)	(3,995,834)		(4,071,112)
Endowment net assets, May 31, 2018	0	2,430,692	75,444,789	77,875,481
Contributions	10,000		322,720	332,720
Change in valuation of contributions receivable			(987,185)	(987,185)
Net investment return	76,552	1,933,566		2,010,118
Distributions:				
5% draw for operations		(3,282,595)		(3,282,595)
Expense reimbursement		(400,000)		(400,000)
Royalty and rental income distributions	(76,552)			(76,552)
Total distributions	(76,552)	(3,682,595)		(3,759,147)
Endowment net assets, May 31, 2019	$ 10,000	$ 681,663	$ 74,780,324	$ 75,471,987

NOTE 11 – COMMITMENTS

Performance and artist contracts

The Symphony has entered into performance and licensing contracts with various artists for 2020 performances totaling $58,285. As of May 31, 2019, unpaid commitments under these contracts total $39,785. If the Symphony cancels these performances, it may still be liable for all or a portion of these contract amounts.

Lease commitments

The Symphony leases certain of its facilities under noncancelable operating lease agreements. Future minimum lease payments under these operating leases as of May 31, 2019 are as follows:

2020	$ 287,824
2021	171,205
2022	152,120
2023	156,377
Thereafter	428,775
Total	$ 1,196,301

Total rent expense for 2019 and 2018 was approximately $962,000 and $932,000, respectively, and includes additional month-to-month rentals.

NOTE 12 – DEFINED BENEFIT RETIREMENT PLAN

The Houston Symphony Musicians and Staff Employees' Retirement Plan (the Plan) is a defined benefit plan. It was frozen to all Staff employees effective June 1, 2017 (Musician benefits were frozen in 1998). Retirement benefits primarily are a function of a fixed amount reduced pro-rata for services less than 30 years for musicians and the employee's compensation and years of service for non-musician staff. The Symphony's current policy is to fund accrued pension costs.

The funded status of the Plan is as follows:

	2019	2018
Projected benefit obligation	$ 25,782,311	$ 24,869,188
Fair value of plan assets	(18,595,698)	(18,804,411)
Unfunded projected benefit obligation	$ 7,186,613	$ 6,064,777
Accumulated benefit obligation	$ 25,782,311	$ 24,869,188

Amounts recognized in the statement of financial position are as follows:

	2019	2018
Accrued pension liability	$ 7,186,613	$ 6,064,777

Amounts recognized in *net assets without donor restrictions* not yet recognized as periodic pension cost are as follows:

	2019	2018
Net loss	$ 11,013,726	$ 9,649,464

Components of net periodic benefit cost at May 31, 2019 and 2018 are as follows:

	2019	2018
Interest cost	$ 952,313	$ 936,216
Expected return on assets	(914,432)	(930,879)
Amortization of loss	249,045	284,125
Total net periodic benefit cost	$ 286,926	$ 289,462

Other changes in Plan assets and benefit obligations recognized in changes in net assets are as follows:

	2019	2018
Net gain	$ 1,613,307	$ (323,642)
Amortization of net gain	(249,045)	(284,125)
Total recognized in changes in net assets	$ 1,364,262	$ (607,767)

The estimated actuarial loss from the Plan that will be amortized into net periodic benefit cost over the next fiscal year is $249,045. There is no estimated transition asset or prior service credit that will be amortized over the next fiscal year.

Weighted-average assumptions used to determine benefit obligation at year end:

	2019	2018
Discount rate	3.60%	3.95%

Weighted-average assumptions used to determine net periodic benefit cost:

	2019	2018
Discount rate	3.95%	3.80%
Expected return on plan assets	6.50%	8.00%

Additionally, during 2019 and 2018, mortality assumptions used the mortality rates from the Adjusted RP-2014 Mortality Table (baseline mortality table as of 2006 based on experience study data for private pension plans underlying RP-2014) (mortality improvement scale from the MP-2018 Table was used for 2019 and the MP-2017 Table was used for 2018). The inflation rate assumptions was 2.00% in 2018. The retirement age assumption for 2019 and 2018 increased to 2.25% in 2019 from the earlier of age 62 and 30 years of service or age 65 and 5 years of service. The assumption changes, along with the change in the discount rate used, increased the projected benefit obligation at May 31, 2019 by $942,211.

The expected long-term rate-of-return on assets is established taking into account the intended asset mix and historical rates-of-return on comparable assets.

Plan assets

The Plan was established for the exclusive purpose of providing benefits for employees and beneficiaries. Consistent with this purpose, the primary goal of managing the portfolio assets is to invest the assets so as to preserve the capital and provide an acceptable rate of growth and income. The Plan shall seek the highest possible return while maintaining a prudent regard for legal considerations, fiduciary responsibility, safety of capital and minimum volatility of returns.

The Symphony's targeted pension plan asset allocation by type of asset is as follows:

Equity	50%-75%
Fixed-income	20%-50%
Cash and other	0%-20%

Plan assets measured at fair value on a recurring basis for the Plan at May 31, 2019, by asset category are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	NAV AS PRACTICAL EXPEDIENT	TOTAL
Equity separate accounts				$ 9,287,750	$ 9,287,750
Bond separate accounts				9,307,948	9,307,948
Total	$ 0	$ 0	$ 0	$ 18,595,698	$ 18,595,698

Plan assets measured at fair value on a recurring basis for the Plan at May 31, 2018, by asset category are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	NAV AS PRACTICAL EXPEDIENT	TOTAL
Equity separate accounts				$ 10,491,443	$ 10,491,443
Bond separate accounts				8,312,968	8,312,968
Total	$ 0	$ 0	$ 0	$ 18,804,411	$ 18,804,411

Investments in separate accounts are valued at net asset value as a practical expedient based on the fair value of the underlying investments held less liabilities, as determined by the fund manager.

No assets of the Plan are expected to be returned to the Symphony in the next fiscal year.

Cash flows

Contributions to the Plan provide for benefits attributed to service to date, as well as those expected to be earned in the future. The Symphony's contributions to the Plan totaled $529,352 in 2019 and $522,446 in 2018. The Symphony expects to make a contribution to the Plan in 2019 totaling $705,538. Distributions from the Plan during 2019 and 2018 were $1,377,843 and $1,247,853, respectively.

Estimated future benefit payments for the next ten years are as follows:

2020	$1,620,000
2021	$1,600,000
2022	$1,630,000
2023	$1,620,000
2024	$1,610,000
2025 through 2029	$7,750,000

NOTE 13 – OTHER EMPLOYEE BENEFIT PLANS

Multiemployer pension plans

The Society is a participating employer in a trustee-managed, multiemployer defined benefit pension plan for employees who are covered under the collective bargaining agreement of the Houston Professional Musicians Association (Local Union No. 65-699 of the American Federation of Musicians). The plan generally provides retirement benefits to employees based on years of service to the Society. The multiemployer pension plan is managed by a board of trustees with equal representation from the union and employers. Although the Society is not represented on the board of trustees, other contributing employers are members of the board of trustees.

Contributions totaling $635,911 in 2019 and $568,113 in 2018 were charged to pension expense for ongoing participation in the pension plan. The Society's contributions do not represent more than 5% of the pension plan's total contributions. Additionally, there have been no significant changes that affect the comparability of 2019 and 2018 contributions.

The risks of participating in the multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if the Society chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. In connection with ongoing renegotiation of the collective bargaining agreement, the Society may discuss and negotiate for complete or partial withdrawal from the multiemployer pension plan. Depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer plan at the time of withdrawal, the associated withdrawal liabilities could be material to the Society's change in net assets in the period of the withdrawal. The Society has no plans to withdraw from its multiemployer pension plan.

The following presents information about the Society's multiemployer pension plan as of May 31, 2019 and 2018 and for the years ended May 31, 2019 and 2018:

		PENSION PROTECTION ACT ZONE STATUS			CONTRIBUTIONS FOR THE YEAR ENDED MAY 31,			
NAME OF PENSION FUND	EIN AND PLAN NUMBER, IF AVAILABLE	2019	2018	FIP/RP STATUS	2019	2018	SURCHARGE IMPOSED	EXPIRATION OF COLLECTIVE BARGAINING AGREEMENT
American Federation of Musicians and Employers' Pension Fund	51-6120204 Plan No. 001	Red 03/31/19	Red 03/31/18	Implemented	$635,911	$568,113	Yes	10/01/21

Due to the plan's "critical" status under the Pension Protection Act of 2006, a rehabilitation plan was implemented by the union in 2010 and 2018 requiring additional employer contributions. Per the collective bargaining agreement, the Society is required to contribute 7.19% of scale wages to the plan effective October 7, 2018, which includes the 10% increase required by the 2018 rehabilitation plan. During 2018, the Society was contributing 6.54% of scale wages.

The Society also participates in a multiemployer defined contribution pension plan and a multiemployer defined contribution health and welfare plan for its stagehand employees. Total contributions to these plans were $124,837 and $114,092 in 2019 and 2018, respectively.

401(k) plan

In June 2017, the Symphony added a 401(k) plan for employees who are not members of the orchestra. The plan is administered by Principal Financial Group and eligible employees can participate after one year of service. The Symphony can match from 1% to 4% of compensation depending on the employee contribution rate. The Symphony paid $120,559 in 2019 and $125,339 in 2018 to the 401(k) plan.

NOTE 14 – CONCENTRATION OF RISK

The Symphony's musician employees who perform in the Houston Symphony Orchestra are covered by a collective bargaining agreement between the Society and the Houston Professional Musicians Association (Local Union No. 65-699), which expires in October 2021. The Symphony's stagehand employees are covered by a collective bargaining agreement between the Society and the International Alliance of Theatrical Stagehands (Local Union No. 51), which expires July 31, 2023.

NOTE 15 – RELATED PARTY TRANSACTIONS

The Symphony has four Governing Directors and three Board of Trustee members that are employed by or are partners of vendors with which the Symphony conducts business. The Symphony has a conflict-of-interest policy whereby all Board of Trustee members with conflicts recuse themselves from voting on any decision which would impact the vendor choices. The Symphony has an agreement with a local law firm to pay for the first $40,000 of legal services and receive the next $60,000 pro-bono each fiscal year. A Governing Director is a partner at this law firm and serves as the Symphony's General Counsel. During 2019 and 2018, the Symphony paid $40,215 and $62,577, respectively, to the law firm.

The Symphony also has an agreement with a local information technology consulting firm, whereby many services are provided as an in-kind contribution. The owner of the firm is a Governing Director. During 2019 and 2018, the Symphony paid $48,230 and $102,253 to the firm, respectively.

Additional expenditures with three related party vendors totaled $1,054,692 in 2019 and $761,248 in 2018 for rent, bank fees and special event food and catering.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 5, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.