Houston Symphony Society and Houston Symphony Endowment

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2020 and 2019

Houston Symphony Society and Houston Symphony Endowment

Table of Contents

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, 2020 and 2019 and the related consolidated statements of activities, functional expenses, and of 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 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, 2020 and 2019 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.

2900 Weslayan, Suite 200 Houston, Texas 77027-5132 (713) 439-5757 Fax (713) 439-5758

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 in the consolidated statements of financial position as of May 31, 2020 and 2019 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

September 9, 2020

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statements of Financial Position as of May 31, 2020 and 2019

	2020			2019		
	HOUSTON SYMPHONY SOCIETY	HOUSTON SYMPHONY ENDOWMENT	TOTAL	HOUSTON SYMPHONY SOCIETY	HOUSTON SYMPHONY ENDOWMENT	TOTAL
ASSETS						
Cash	$ 127,546		$ 127,546	$ 137,194		$ 137,194
Accounts receivable and other assets, net of allowance of $50,000 at May 31, 2019	283,755		283,755	384,662		384,662
Deferred production costs	457,952		457,952	509,481		509,481
Contributions receivable, net *(Note 3)*	5,938,194	$ 4,491,047	10,429,241	6,537,570	$ 5,526,590	12,064,160
Property, net *(Note 4)*	617,254		617,254	830,728		830,728
Investments *(Note 5)*		66,340,336	66,340,336		68,653,667	68,653,667
TOTAL ASSETS	$ 7,424,701	$70,831,383	$78,256,084	$ 8,399,635	$74,180,257	$82,579,892
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	$ 389,243		$ 389,243	$ 1,052,548		$ 1,052,548
Accrued expenses	466,227		466,227	675,433		675,433
Refundable advance *(Note 6)*	4,439,000		4,439,000			
Deferred revenue	4,388,416		4,388,416	4,059,096		4,059,096
Due to (from) intercompany	2,692,550	$ (2,692,550)		1,291,730	$ (1,291,730)	
Note payable *(Note 7)*	13,040,452		13,040,452	15,678,482		15,678,482
Accrued pension liability *(Note 11)*	8,058,309		8,058,309	7,186,613		7,186,613
Total liabilities	33,474,197	(2,692,550)	30,781,647	29,943,902	(1,291,730)	28,652,172
Net assets *(Note 9)*:						
Without donor restrictions	(29,389,010)	119,611	(29,269,399)	(24,624,337)	10,000	(24,614,337)
With donor restrictions *(Note 8)*	3,339,514	73,404,322	76,743,836	3,080,070	75,461,987	78,542,057
Total net assets	(26,049,496)	73,523,933	47,474,437	(21,544,267)	75,471,987	53,927,720
TOTAL LIABILITIES AND NET ASSETS	$ 7,424,701	$70,831,383	$78,256,084	$ 8,399,635	$74,180,257	$82,579,892

See accompanying notes to consolidated financial statements.

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statement of Activities for the year ended May 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Public support:			
Contributions	$ 13,479,502	$ 2,720,807	$ 16,200,309
Special events	918,157	180,000	1,098,157
Cost of direct donor benefits	(255,341)		(255,341)
Concert, community programming, and education:			
Box office and subscription ticketing	7,428,968		7,428,968
Concert contracts and production revenues	2,850,361		2,850,361
Education revenue	174,266		174,266
Other income	345,598		345,598
Total operating revenue	24,941,511	2,900,807	27,842,318
Net assets released from restrictions:			
Time and purpose restrictions	2,002,091	(2,002,091)	
Endowment distribution for Society operations	3,734,621	(3,734,621)	
Total	30,678,223	(2,835,905)	27,842,318
OPERATING EXPENSES:			
Program services:			
Artistic production	18,395,323		18,395,323
Education and community	6,176,971		6,176,971
Total program services	24,572,294		24,572,294
Supporting activities:			
Fundraising	3,517,285		3,517,285
Marketing and advertising	3,840,404		3,840,404
Management and general	2,310,018		2,310,018
Total expenses	34,240,001		34,240,001
CHANGES IN NET ASSETS FROM OPERATIONS	(3,561,778)	(2,835,905)	(6,397,683)
OTHER:			
Net investment return	67,013	1,037,684	1,104,697
Other pension related changes *(Note 11)*	(1,160,297)		(1,160,297)
CHANGES IN NET ASSETS	(4,655,062)	(1,798,221)	(6,453,283)
Net assets, beginning of year	(24,614,337)	78,542,057	53,927,720
Net assets, end of year	$ (29,269,399)	$ 76,743,836	$ 47,474,437

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:			
Public support:			
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)
Concert, community programming, and education:			
Box office and subscription ticketing	11,205,824		11,205,824
Concert contracts and production revenues	826,486		826,486
Education revenue	163,854		163,854
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 distribution for Society operations	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 11)*	(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 Functional Expenses for the year ended May 31, 2020

	ARTISTIC PRODUCTION	EDUCATION AND COMMUNITY	TOTAL PROGRAM SERVICES	FUNDRAISING	MARKETING AND ADVERTISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Payroll and related benefits	$ 11,969,916	$ 5,289,571	$ 17,259,487	$ 2,267,438	$ 1,430,041	$ 1,156,177	$ 22,113,143
Professional and contract fees	5,027,714	452,084	5,479,798	246,040	322,753	240,223	6,288,814
Marketing and advertising	870		870	76,395	1,433,799	751	1,511,815
Occupancy	566,333	104,642	670,975	122,613	102,370	89,559	985,517
Donor and subscriber cultivation	1,974	125	2,099	555,436	33,408	2,661	593,604
Interest						507,342	507,342
Travel	329,652	119,767	449,419	10,809	5,556	22,172	487,956
Production materials and equipment	270,568	97,853	368,421				368,421
Bank and merchant fees				67,101	236,512	59,121	362,734
Technology	60,558	40,125	100,683	59,327	76,544	59,813	296,367
Depreciation	104,834	41,065	145,899	1,340	62,936	12,578	222,753
Office supplies and equipment	21,703	6,277	27,980	41,194	86,374	17,760	173,308
Insurance	26,413	13,207	39,620	23,478	26,413	48,070	137,581
Other	14,788	12,255	27,043	46,114	23,698	93,791	190,646
Total expenses	$ 18,395,323	$ 6,176,971	$ 24,572,294	$ 3,517,285	$ 3,840,404	$ 2,310,018	34,240,001
Cost of direct donor benefits							255,341
Total							$ 34,495,342

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

	ARTISTIC PRODUCTION	EDUCATION AND COMMUNITY	TOTAL PROGRAM SERVICES	FUNDRAISING	MARKETING AND ADVERTISING	MANAGEMENT AND GENERAL	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
Professional and contract fees	3,095,691	476,862	3,572,553	141,775	362,240	301,888	4,378,456
Marketing and advertising	5,361	469	5,830	72,028	1,922,605		2,000,463
Occupancy	677,912	127,320	805,232	6,339	72,666	127,737	1,011,974
Donor and subscriber cultivation	2,095	1,057	3,152	472,346	136,430	4,901	616,829
Interest						536,747	536,747
Travel	464,953	140,532	605,485	14,061	8,831	22,465	650,842
Production materials and equipment	615,375	178,048	793,423				793,423
Bank and merchant fees		31	31	87,796	302,442	18,403	408,672
Technology	55,211	42,505	97,716	66,147	91,676	57,326	312,865
Depreciation	118,081	41,656	159,737	5,889	68,495	17,260	251,381
Office supplies and equipment	14,777	27,761	42,538	53,108	116,187	16,311	228,144
Insurance	72,584	27,201	99,785	20,741	24,890	46,896	192,312
Other	11,362	11,247	22,609	90,068	13,154	92,956	218,787
Total expenses	$ 17,379,816	$ 5,922,230	$ 23,302,046	$ 3,017,254	$ 4,638,838	$ 2,341,632	33,299,770
Cost of direct donor benefits							893,525
Total							$ 34,193,295

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, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (6,453,283)	$ (6,446,530)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net realized and unrealized gain on investments	(1,106,406)	(99,660)
Contributions designated or restricted to endowment	(2,249,272)	(322,720)
Loss on valuation of contributions receivable		987,185
Contributions restricted for purchase of violin		(750,000)
Depreciation	222,753	251,381
Changes in operating assets and liabilities:		
Accounts receivable and other assets	100,907	329,100
Deferred production costs	51,529	516,380
Contributions receivable	1,349,376	1,628,060
Accounts payable and accrued expenses	(872,511)	(715,394)
Refundable advance	4,439,000	
Deferred revenue	329,320	(5,281)
Accrued pension liability	871,696	1,121,836
Net cash used by operating activities	(3,316,891)	(3,505,643)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(59,528,639)	(2,438,423)
Proceeds from sales of investments	62,878,048	1,522,040
Net change in money market mutual funds held as investments	70,328	2,765,073
Purchases of property	(9,279)	(4,502)
Net cash provided by investing activities	3,410,458	1,844,188
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable	(23,060,000)	(19,606,432)
Proceeds from note payable	20,421,970	20,097,219
Proceeds restricted for purchase of violin	750,000	
Proceeds from contributions designated or restricted to endowment	1,784,815	1,149,642
Net cash provided (used) by financing activities	(103,215)	1,640,429
NET CHANGE IN CASH	(9,648)	(21,026)
Cash, beginning of year	137,194	158,220
Cash, end of year	$ 127,546	$ 137,194

Supplemental disclosure of cash flow information:

Cash paid for interest	$544,147	$534,631
Proceeds of donated securities	$343,081	$115,519

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 and in 2006 became a nonprofit corporation. It was created solely to support the operations of the Houston Symphony Society (the Society). The Endowment holds and invests contributed funds in perpetuity to make distributions from time to time to the Society. Such distributions must meet the stated restrictions of donors, as well as the current policies of the Endowment's Board of Directors (the Board). The Board is elected by the officers of the Board of Governing 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).

Deferred production costs related to future seasons are charged to expense when the performances are conducted.

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.

Investments other than land are reported at fair value. The Society'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 investments are recorded on a trade-date basis. Net investment return consists of interest and dividends, mineral royalties, 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 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 as revenue at fair value when an unconditional commitment is received from a donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the Endowment is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met.

Concert and education revenue recognition – Ticket sales are recognized in the consolidated statements of activities as box office revenue on a specific performance basis. Advance ticket sales, representing the receipt of payments for ticket sales for the next season, are reported as deferred revenue in the consolidated balance sheets and recognized as revenue in the subsequent year. Touring and other concert contract revenue includes certain shared ticketing agreements and ticketing that is serviced by others revenue is recognized in the year the concert takes place.

Non-cash contributions – Donated materials, use of facilities, and services are recognized at fair value as 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 the years ended May 31, 2020 and 2019, 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.

Marketing and advertising costs are expensed as incurred, except for expenditures directly related to future seasons, which are recorded as prepaid expenses.

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. 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. 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 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 staff 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.

Adoption of financial accounting pronouncements – In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 has been applied on a retrospective basis to the financial statements for the year ended May 31, 2019. Adoption of this ASU had no impact on 2019 net assets or changes in net assets.

In August 2018, the FASB issued ASU 2018-14, *Changes to the Disclosure Requirements for Defined Benefit Plans*. The Society adopted this ASU in fiscal year 2020. This ASU added additional disclosures to summarize the reasons for significant gains/losses affecting the benefit obligation and it removed the requirement to disclose amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost over the next year.

Future financial accounting pronouncements – In May 2014, the FASB issued 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 2021 and must be applied retrospectively.

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 year 2022. Upon adoption, management expects to recognize lease commitments as both a right of use asset and a lease liability in the statement of financial position for commitments that are currently only disclosed in the financial statements.

Reclassifications – Certain reclassifications between functional expense line items and between endowments subject to spending policy have been made to the prior year financial statements to conform with the current presentation.

NOTE 2 – 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 comprise the following:

	2020	2019
Financial assets:		
Cash	$ 127,546	$ 137,194
Accounts receivable	70,929	198,487
Contributions receivable, net	10,429,241	12,064,160
Investments	66,340,336	68,653,667
Total financial assets	76,968,052	81,053,508
Less financial assets not available for general expenditure:		
Endowment investments less amounts approved for appropriation in 2021	(62,937,839)	(64,901,042)
Endowment contributions receivable	(4,491,047)	(5,526,590)
Operating contributions receivable due in more than one year	(359,000)	(656,148)
Restricted for purchase of instrument	(745,108)	(750,000)
Restricted for endowment investments	(2,692,550)	(1,291,730)
Total financial assets available for general expenditure	$ 5,742,508	$ 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.

In the Spring of 2020, the COVID-19 pandemic severely impacted the performance schedule of the Society resulting in the cancelation of performances in the last quarter of the 2020 season and the need to reformat the 2021 season. Various cost cutting measures across all functional areas have been made to compensate for the impact of revenue reductions resulting in a modified balanced budget reflecting $10.3 million in revenue and expense reductions. The development department has shifted its endowment campaign to a COVID-19 relief campaign. In addition, the Society has increased the line of credit to $19.25 million through December 31, 2020 to help navigate through the near term. The Society received approximately $4.4 million through the Paycheck Protection Program (see Note 6) which is expected to be substantially forgiven in 2021. Strategically, the Society's goal is to maintain certain cost cutting measures into the future to reduce its reliance on the line of credit while maintaining the ability to maintain staff and musician levels for operations.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at May 31, 2020 consist of the following:

	SOCIETY	ENDOWMENT	TOTAL
Contributions receivable are expected to be collected as follows:			
Less than one year	$ 4,809,217	$ 713,417	$ 5,522,634
One to five years	1,198,500	185,000	1,383,500
More than five years		4,255,000	4,255,000
Total contributions receivable	6,007,717	5,153,417	11,161,134
Unamortized discount at rate of approximately 2%	(693)	(657,370)	(658,063)
Allowance for uncollectible contributions receivable	(68,830)	(5,000)	(73,830)
Contributions receivable, net	$ 5,938,194	$ 4,491,047	$ 10,429,241

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

	SOCIETY	ENDOWMENT	TOTAL
Contributions receivable are expected to be collected as follows:			
Less than one year	$ 6,032,060	$ 645,825	$ 6,677,885
One to five years	868,648	1,150,000	2,018,648
More than five years		4,500,000	4,500,000
Total contributions receivable	6,900,708	6,295,825	13,196,533
Unamortized discount at rate of approximately 2%	(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

At May 31, 2020, contributions receivable from four donors represent 64% of total contributions receivable. At May 31, 2019, contributions receivable from three donors represent 47% of total contributions receivable.

NOTE 4 – PROPERTY

Property consists of the following:

	2020	2019
Land	$ 16,915	$ 16,915
Instruments	1,743,216	1,733,937
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	3,282,474	3,273,195
Accumulated depreciation	(2,665,220)	(2,442,467)
Property, net	$ 617,254	$ 830,728

NOTE 5 – INVESTMENTS AND 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.

Investments for which fair value is measured using net asset value or its equivalent as a practical expedient are not required to be categorized in the fair value hierarchy.

Assets measured at fair value at May 31, 2020 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Mutual and exchange-traded funds:				
U. S. large-cap equity	$ 21,380,494			$ 21,380,494
International equity	14,269,255			14,269,255
U. S. treasury and corporate bonds	12,302,382			12,302,382
U. S. mid-cap equity	1,393,160			1,393,160
Money market	972,829			972,829
Total mutual and exchange-traded funds	$ 50,318,120	$ 0	$ 0	50,318,120
Limited partnership funds at fair value using net asset value as practical expedient:				
TIFF Keystone Fund, L.P. (a)				9,387,603
PMF Fund, L.P. (a)				867,230
High Vista II, L.P. (a)				287,383
Grosvenor Alternative Investment Completion Portfolio, LTD (b)				5,000,000
Total limited partnership funds				15,542,216
Total investments measured at fair value				65,860,336
Land held for investment, at cost				480,000
Total investments				$ 66,340,336

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

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Mutual funds:				
Money market	$ 1,043,157			$ 1,043,157
Multi-asset	24,456,440			24,456,440
Large-cap stock index	720,996			720,996
Total mutual funds	$ 26,220,593	$ 0	$ 0	26,220,593
Limited partnership funds at fair value using net asset value as practical expedient:				
TIFF Keystone Fund, L.P. (a)				32,696,144
PMF Fund, L.P. (a)				1,142,188
High Vista II, L.P. (a)				8,114,742
Total limited partnership funds				41,953,074
Total investments measured at fair value				68,173,667
Land held for investment, at cost				480,000
Total investments				$ 68,653,667

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

- *Mutual funds* are valued at the published net asset value.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *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 Endowment 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.

Limited partnership funds are invested with external fund managers who 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 these funds are as follows:

(a) The Endowment has requested full redemption of these limited partnership funds as of May 31, 2020 and the balances that remain are the required hold back amounts to be distributed over time as the investment portfolios are liquidated. It is expected that liquidation of these funds will occur over the next ten years.

(b) The fund invests primarily in offshore investment funds, investment partnerships, and pooled investment vehicles, which generally implement non-traditional or alternative investment strategies. The fund is valued monthly and redemptions may be made at the end of any quarter, upon no less than 70 days' notice. The payment of redemption proceeds is subject to the redemption provisions of the underlying portfolio funds in which the fund is invested, and to audit contingency and other customary reserves. The directors of the fund may suspend or defer redemptions if it is impractical or inadvisable to redeem sufficient assets to fund the requested redemptions or in order to provide an orderly liquidation of the assets of the fund. There are no unfunded commitments as of May 31, 2020 or 2019.

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 6 – REFUNDABLE ADVANCE

In April 2020, the Society received an unsecured bank loan of $4,439,000 funded through the Federal Paycheck Protection Program (PPP). The loan bears interest at 1.0% and may be repaid over 2 years. PPP loan principal and interest may be forgiven, in whole or in part, if funds are used for the intended purposes within 24 weeks of funding. The Society intends to apply for forgiveness and will recognize any forgiveness granted upon approval by the lender.

NOTE 7 – NOTE PAYABLE

The Society has a line of credit with a financial institution for $19,250,000 until January 1, 2021, at which time it will decrease to $17,750,000. Interest is payable monthly at a variable rate equal to 1.30% over LIBOR (2.4034% at May 31, 2020). Principal is due in full at maturity on March 30, 2022. The line of credit is guaranteed by the Endowment and requires 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. The outstanding balance on the line of credit is $13,040,452 at May 31, 2020 and $15,678,482 at May 31, 2019. Interest expense totaled $507,342 in 2020 and $536,747 in 2019.

Minimum future principal payments total $17,479,452 and are due in 2022.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2020	2019
Subject to expenditure for specified purpose:		
Instrument purchases	$ 745,108	$ 750,000
Education and other		26,975
Total subject to expenditure for specified purpose	745,108	776,975
Subject to passage of time:		
Contributions receivable that are not restricted by donors but which are unavailable for expenditure until due	2,594,406	2,303,095
Endowments:		
Subject to spending policy and appropriation:		
General endowment to support operations	32,789,347	33,582,001
Education and community programs	11,189,136	11,575,835
Classical concert series	10,426,205	10,853,037
Creative initiatives	7,110,392	7,401,474
Woodlands concert series	4,620,929	4,898,024
Named chairs	4,087,694	4,176,932
Staff chairs	1,996,051	1,815,375
Chorus	572,245	551,612
Ima Hogg Competition Fund	90,654	84,322
Messiah concert fund	41,669	43,375
Total endowments	72,924,322	74,981,987
Not subject to appropriation or expenditure:		
Land	480,000	480,000
Total net assets with donor restrictions	$ 76,743,836	$ 78,542,057

NOTE 9 – ENDOWMENT

The Endowment was created to support the Society to sustain, expand, and support the Houston Symphony and its educational initiatives. 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.

Donor-restricted endowment funds are maintained in accordance with explicit donor stipulations. The Endowment is subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). TUPMIFA provides guidelines about what constitutes prudent spending and explicitly requires consideration of preservation of the fund. The Board of the Endowment has interpreted TUPMIFA as requiring a focus on the entirety of donor-restricted endowment funds, including original gift amounts and net appreciation.

As a result of this interpretation, the Endowment classifies amounts specified by explicit donor stipulation to be an endowment as *net assets with donor restrictions* required to be maintained in perpetuity. This amount is not reduced by losses on investments or by approved distributions from the Endowment. The portion of the Endowment not required to be maintained in perpetuity is also classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose. Should the fair value of assets associated with the individual funds fall below the level that is required to be maintained in perpetuity, a deficiency would be reported in *net assets with donor restrictions*. The original gift value of funds with accumulated investment deficiencies at May 31, 2020 or 2019 are approximately $53 million and $13 million, respectively.

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 assist the Endowment 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 Endowment must hold in perpetuity or for 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 Endowment'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.

A 5% distribution based on the Endowment's twelve-quarter rolling average was approved in the amount of $3,294,621 for 2020 and $3,282,595 for 2019. Total distributions also include royalty and rental income distributed for operations in accordance with the gift agreement of $66,864 in 2020 and $76,552 in 2019. Additionally, distributions to reimburse the Society for the Endowment's fundraising, accounting, legal, and other administrative expenses totaled $440,000 in 2020 and $400,000 in 2019.

The intercompany receivable balance between the Society and the Endowment at May 31, 2020 and 2019 represents endowment contributions waiting to be transferred for investment.

Changes in endowment net assets 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, 2018	$ 0	$ 2,430,692	$ 75,444,789	$ 77,875,481
Contributions	10,000		322,720	332,720
Loss on valuation of contributions receivable			(987,185)	(987,185)
Net investment return	76,552	1,933,566		2,010,118
Distributions:				
5% draw for Society 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
Contributions	110,000		2,139,272	2,249,272
Donor redesignation to the Society			(1,500,000)	(1,500,000)
Net investment return	67,013	1,037,684		1,104,697
Distributions:				
5% draw for Society operations	(538)	(3,294,621)		(3,295,159)
Expense reimbursement		(440,000)		(440,000)
Royalty and rental income distributions	(66,864)			(66,864)
Total distributions	(67,402)	(3,734,621)		(3,802,023)
Endowment net assets, May 31, 2020	$ 119,611	$ (2,015,274)	$ 75,419,596	$ 73,523,933

Endowment net asset composition as of May 31, 2020:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		$ 75,419,516	$ 75,419,516
Accumulated net investment gains		661,381	661,381
Accumulated investment deficiencies		(2,676,575)	(2,676,575)
Board-designated endowment funds	$ 119,611		119,611
Endowment net assets	$ 119,611	$ 73,404,322	$ 73,523,933

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 deficiencies		(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

NOTE 10 – COMMITMENTS

Performance and artist contracts

The Symphony has entered into performance and licensing contracts with various artists for 2021 performances totaling $756,250. As of May 31, 2020, unpaid commitments under these contracts total $716,250. 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, 2020 are as follows:

2021	$ 223,202
2022	154,551
2023	158,653
2024	164,156
Thereafter	269,931
Total	$ 970,493

Total rent expense for 2020 and 2019 was approximately $858,737 and $962,000, respectively, and includes additional month-to-month lease on property owned by the City of Houston.

NOTE 11 – 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. Pension costs are computed on the basis of accepted actuarial methods. The Society's funding policy is to annually contribute at least the minimum required by the Employee Retirement Income Security Act of 1974.

Effective March 15, 2020, the Plan was amended to include a temporary offer of a single lump sum benefit payment in settlement of an eligible participant's pension obligation. Eligible participants must be terminated prior to January 1, 2020, have a benefit of $60,000 or less, and are not entitled to receive a benefit under the Society's non-qualified plan. Elections were due April 15, 2020 and payments were made by May 31, 2020. Out of seventy-two eligible participants, twenty-four elected lump sum benefit payments for a total of $619,000 in lump sum benefits were paid. The amendment reduced the Society's annual PBGC premiums by an estimated $16,000 annually.

The funded status of the Plan is as follows:

	2020	2019
Projected benefit obligation	$ 27,017,147	$ 25,782,311
Fair value of plan assets	(18,958,838)	(18,595,698)
Deficiency of plan assets under projected benefit obligation	$ 8,058,309	$ 7,186,613
Accumulated benefit obligation	$ 27,017,147	$ 25,782,311
Accumulated other pension related changes:		
Net loss	$ 12,388,103	$ 11,013,726
Components of net periodic benefit cost are as follows:		
Interest cost	$ 899,003	$ 952,313
Expected return on assets	(863,193)	(914,432)
Amortization of loss	309,322	249,045
Total net periodic benefit cost	$ 345,142	$ 286,926

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

	2020	2019
Net gain	$ 1,683,709	$ 1,613,307
Amortization of net loss	(309,332)	(249,045)
Total recognized in changes in net assets	$ 1,374,377	$ 1,364,262

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

	2020	2019
Discount rate	2.65%	3.60%

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

	2020	2019
Discount rate	3.60%	3.95%
Expected return on plan assets	6.25%	6.50%

In 2020, mortality assumptions used the mortality rates from the Pri-2012 Total Dataset Base Rate mortality table projected generationally using the MP-2019 table. In 2019, mortality assumptions used the Adjusted RP-2014 mortality table projected using the MP-2018 table. The actuarial inflation rate assumptions increased from 2.25% in 2020 and 2.00% in 2019. The retirement age assumption for 2020 and 2019 is the earlier of age 62 and 30 years of service or age 65 and 5 years of service. The actuarial assumption changes, along with the change in the discount rate used, increased the projected benefit obligation at May 31, 2020 by approximately $2,600,000.

The expected long-term rate-of-return on assets assumption was developed as a weighted-average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions for the corresponding fiscal year end.

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, 2020, by asset category are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	NAV AS PRACTICAL EXPEDIENT	TOTAL
Equity separate accounts				$ 9,624,048	$ 9,624,048
Bond separate accounts				9,334,790	9,334,790
Total	$ 0	$ 0	$ 0	$ 18,958,838	$ 18,958,838

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

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 $847,823 in 2020 and $529,352 in 2019. The Symphony expects to make a contribution to the Plan in 2021 totaling $752,459. Distributions from the Plan during 2020 and 2019 were $2,010,615 and $1,377,843, respectively.

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

2021	$1,610,000
2022	$1,620,000
2023	$1,600,000
2024	$1,580,000
2025	$1,550,000
2026 through 2030	$7,390,000

NOTE 12 – 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 $634,211 in 2020 and $635,911 in 2019 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 2020 and 2019 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, 2020 and 2019 and for the years ended May 31, 2020 and 2019:

NAME OF PENSION FUND	EIN AND PLAN NUMBER, IF AVAILABLE	PENSION PROTECTION ACT ZONE STATUS		FIP/RP STATUS	CONTRIBUTIONS FOR THE YEAR ENDED MAY 31,		SURCHARGE IMPOSED	EXPIRATION OF COLLECTIVE BARGAINING AGREEMENT
		2020	2019		2020	2019		
American Federation of Musicians and Employers' Pension Fund (APM-EPF)	51-6120204 Plan No. 001	Red 03/31/20	Red 03/31/19	Implemented	$634,211	$635,911	Yes	10/01/21

Due to the APM-EPF'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.

Subsequent to year end, the U. S. Department of the Treasury officially notified the AFM-EPF that it has denied their application for approval to reduce benefits under the Multiemployer Pension Reform Act of 2014 (MPRA). The application was filed to protect the APM-EPF's solvency by reducing benefits under the MPRA. This may cause an increase in future rehabilitative contributions to the plan.

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 $80,026 and $124,837 in 2020 and 2019, 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 $125,469 in 2020 and $120,559 in 2019 to the 401(k) plan. Effective June 1, 2020, the plan has been amended to suspend matching contributions.

NOTE 13 – 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 14 – 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 2020 and 2019, the Symphony paid $30,724 and $40,215, 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 2020 and 2019, the Symphony paid $110,952 and $48,230 to the firm, respectively.

Additional expenditures with seven related party vendors in 2020 totaled $1,753,766 and three related party vendors in 2019 totaled $1,054,692 for rent, bank fees and special event food and catering.

NOTE 15 – SUBSEQUENT EVENTS

The extent of the impact on the Society's future operational and financial performance will depend on developments such as the duration and spread of the COVID-19 outbreak, impact on the Society's subscribers, employees and vendors, all of which are uncertain and cannot be predicted. While the Society continues to plan for the situation to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

In June 2020, the Society transferred the full amount due to the Endowment that was outstanding at May 31,2020.

Management has evaluated subsequent events through September 9, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.