Houston Symphony Society and Houston Symphony Endowment

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2021 and 2020

Houston Symphony Society and Houston Symphony Endowment

Table of Contents

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, 2021 and 2020 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, 2021 and 2020 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, 2021 and 2020 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 2, 2021

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statements of Financial Position as of May 31, 2021 and 2020

	2021			2020		
	HOUSTON SYMPHONY SOCIETY	HOUSTON SYMPHONY ENDOWMENT	TOTAL	HOUSTON SYMPHONY SOCIETY	HOUSTON SYMPHONY ENDOWMENT	TOTAL
ASSETS						
Cash	$ 159,484		$ 159,484	$ 127,546		$ 127,546
Accounts receivable and other assets	239,129		239,129	283,755		283,755
Deferred production costs	297,223		297,223	457,952		457,952
Federal COVID relief grants receivable *(Note 6)*	1,578,232		1,578,232			
Contributions receivable, net *(Note 3)*	3,901,004	$ 3,758,159	7,659,163	5,938,194	$ 4,491,047	10,429,241
Property, net *(Note 4)*	506,473		506,473	617,254		617,254
Investments *(Note 5)*		86,615,644	86,615,644		66,340,336	66,340,336
TOTAL ASSETS	$ 6,681,545	$90,373,803	$97,055,348	$ 7,424,701	$70,831,383	$78,256,084
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	$ 552,234		$ 552,234	$ 389,243		$ 389,243
Accrued expenses	729,141		729,141	466,227		466,227
Refundable advance *(Note 6)*	2,000,000		2,000,000	4,439,000		4,439,000
Deferred revenue	2,301,650		2,301,650	4,388,416		4,388,416
Due to (from) intercompany	45,249	$ (45,249)		2,692,550	$ (2,692,550)	
Note payable *(Note 7)*	13,634,488		13,634,488	13,040,452		13,040,452
Accrued pension liability *(Note 11)*	3,587,701		3,587,701	8,058,309		8,058,309
Total liabilities	22,850,463	(45,249)	22,805,214	33,474,197	(2,692,550)	30,781,647
Net assets *(Note 9)*:						
Without donor restrictions	(19,460,949)	152,802	(19,308,147)	(29,389,010)	119,611	(29,269,399)
With donor restrictions *(Note 8)*	3,292,031	90,266,250	93,558,281	3,339,514	73,404,322	76,743,836
Total net assets	(16,168,918)	90,419,052	74,250,134	(26,049,496)	73,523,933	47,474,437
TOTAL LIABILITIES AND NET ASSETS	$ 6,681,545	$90,373,803	$97,055,348	$ 7,424,701	$70,831,383	$78,256,084

See accompanying notes to consolidated financial statements.

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statement of Activities for the year ended May 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Public support:			
Contributions:			
Federal COVID relief grants *(Note 6)*		$ 7,135,808	$ 7,135,808
Other contributions	$ 11,646,913	1,945,510	13,592,423
Special events	1,633,858		1,633,858
Cost of direct donor benefits	(426,926)		(426,926)
Concert, community programming, and education:			
Box office and subscription ticketing	2,558,644		2,558,644
Concert contracts and production revenues	68,044		68,044
Educational program fees	6,550		6,550
Other income	156,699		156,699
Total operating revenue	15,643,782	9,081,318	24,725,100
Net assets released from restrictions:			
Time and purpose restrictions	1,596,933	(1,596,933)	
Expenditures government grant *(Note 6)*	7,135,808	(7,135,808)	
Donor redesignation from Endowment to Society operations	500,000	(500,000)	
Endowment distribution for Society operations	2,942,252	(2,942,252)	
Total	27,818,775	(3,093,675)	24,725,100
OPERATING EXPENSES:			
Program services:			
Artistic production	11,259,077		11,259,077
Education and community	4,659,489		4,659,489
Total program services	15,918,566		15,918,566
Supporting activities:			
Fundraising	2,565,353		2,565,353
Marketing and advertising	2,063,345		2,063,345
Management and general	1,532,667		1,532,667
Total expenses	22,079,931		22,079,931
CHANGES IN NET ASSETS FROM OPERATIONS	5,738,844	(3,093,675)	2,645,169
OTHER:			
Net investment return	108,640	19,908,120	20,016,760
Net periodic pension costs *(Note 11)*	(174,414)		(174,414)
Other pension related changes *(Note 11)*	4,288,182		4,288,182
CHANGES IN NET ASSETS	9,961,252	16,814,445	26,775,697
Net assets, beginning of year	(29,269,399)	76,743,836	47,474,437
Net assets, end of year	$ (19,308,147)	$ 93,558,281	$ 74,250,134

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
Educational program fees	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 Functional Expenses for the year ended May 31, 2021

	ARTISTIC PRODUCTION	EDUCATION AND COMMUNITY	TOTAL PROGRAM SERVICES	FUNDRAISING	MARKETING AND ADVERTISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Payroll and related benefits	$ 9,335,651	$ 3,927,579	$ 13,263,230	$ 1,882,885	$ 1,150,897	$ 840,479	$ 17,137,491
Professional and contract fees	1,013,927	386,396	1,400,323	157,597	322,700	204,600	2,085,220
Occupancy	375,044	138,725	513,769	102,361	90,611	83,000	789,741
Technology	69,462	23,303	92,765	85,294	99,966	55,790	333,815
Production materials and equipment	203,322	76,227	279,549				279,549
Interest						260,228	260,228
Marketing and advertising				40,826	204,039		244,865
Insurance	29,559	10,557	40,116	31,671	29,559	25,337	126,683
Office supplies and equipment	26,800	13,832	40,632	56,510	58,716	29,293	185,151
Travel	118,342	44,257	162,599	1,464	1,344	2,665	168,072
Depreciation	75,589	31,773	107,362	3,203	28,532	2,562	141,659
Bank and merchant fees				51,986	71,965	17,397	141,348
Donor and subscriber cultivation		172	172	76,767	729	4,165	81,833
Other	11,381	6,668	18,049	74,789	4,287	7,151	104,276
Total expenses	$ 11,259,077	$ 4,659,489	$ 15,918,566	$ 2,565,353	$ 2,063,345	$ 1,532,667	22,079,931
Net periodic pension costs							174,414
Cost of direct donor benefits							426,926
Total							$ 22,681,271

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
Occupancy	566,333	104,642	670,975	122,613	102,370	89,559	985,517
Technology	60,558	40,125	100,683	59,327	76,544	59,813	296,367
Production materials and equipment	270,568	97,853	368,421				368,421
Interest						507,342	507,342
Marketing and advertising	870		870	76,395	1,433,799	751	1,511,815
Insurance	26,413	13,207	39,620	23,478	26,413	48,070	137,581
Office supplies and equipment	21,703	6,277	27,980	41,194	86,374	17,760	173,308
Travel	329,652	119,767	449,419	10,809	5,556	22,172	487,956
Depreciation	104,834	41,065	145,899	1,340	62,936	12,578	222,753
Bank and merchant fees				67,101	236,512	59,121	362,734
Donor and subscriber cultivation	1,974	125	2,099	555,436	33,408	2,661	593,604
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 Statements of Cash Flows for the years ended May 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 26,775,697	$ (6,453,283)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Net realized and unrealized gain on investments	(19,197,068)	(1,106,406)
Contributions restricted to endowment	(396,060)	(2,249,272)
Depreciation	141,659	222,753
Changes in operating assets and liabilities:		
Accounts receivable and other assets	44,626	100,907
Deferred production costs	160,729	51,529
Contributions receivable (including Federal COVID relief)	958,958	1,349,376
Accounts payable and accrued expenses	425,905	(872,511)
Refundable advance	(2,439,000)	4,439,000
Deferred revenue	(2,086,766)	329,320
Accrued pension liability	(4,470,608)	871,696
Net cash used by operating activities	(81,928)	(3,316,891)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(14,103,214)	(59,528,639)
Proceeds from sales of investments	21,031,411	62,878,048
Net change in money market mutual funds held as investments	(8,006,437)	70,328
Purchases of property	(30,878)	(9,279)
Net cash provided (used) by investing activities	(1,109,118)	3,410,458
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable	(14,462,964)	(23,060,000)
Proceeds from note payable	15,057,000	20,421,970
Proceeds restricted for purchase of violin		750,000
Proceeds from contributions designated or restricted to endowment	628,948	1,784,815
Net cash provided (used) by financing activities	1,222,984	(103,215)
NET CHANGE IN CASH	31,938	(9,648)
Cash, beginning of year	127,546	137,194
Cash, end of year	$ 159,484	$ 127,546

Supplemental disclosure of cash flow information:

Cash paid for interest	$305,183	$544,147
Proceeds of donated securities	$489,269	$343,081

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 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 taxes 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 – Expenses for musicians, directors and stage properties are reported as deferred production costs if specifically related to productions of future seasons. These costs are expensed in the year the production is performed.

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 $5,000 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.

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.

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 the 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 Symphony is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met.

Revenues from concerts, community programming and education

Box office and subscription ticketing revenues are derived from the sale of season subscriptions and individual tickets for symphony performances. Subscriptions are recognized over the symphony season using the output method or as the performance occurs. Individual ticket sales are also recognized as revenue as the performance occurs. All performance obligations are normally satisfied within the symphony season, which is contained within their fiscal year. At May 31, 2021 and 2020, subscription holders have been allowed to defer the use of their season tickets due to the pandemic. Subscription fees are due prior to the symphony season and individual ticket sales are due at the point of sale. Contract assets relate to the Symphony's right to consideration for services performed at the reporting date. There are no contract assets for box office and subscription ticketing for the last three seasons. Subscriptions collected in advance of the symphony season are contract liabilities and are reported as deferred subscription revenue. At May 31, 2021, 2020, and 2019, deferred subscription revenue is $2,301,650, $4,388,416, and $4,206,500, respectively.

Concert contracts and production revenue – The Symphony enters into co-production agreements with other companies or associations for the purpose of sharing performance production revenues and expenses. Revenue is recognized as performance obligations are met. Amounts are due based on the payment plan outlined in the executed contracts. There are no contract assets at May 31, 2021, 2020, and 2019. Accounts receivable relate to the Symphony's right to consideration for which the Symphony expects to be entitled to for service obligations already satisfied. Accounts receivable was $0, $68,317, and $189,195 at May 31, 2021, 2020, and 2019, respectively. Amounts received in advance are recognized as deferred co-production and shared contract revenue. There are no amounts reported as deferred revenue at May 31, 2021, 2020, and 2019.

Educational program fees – The Symphony offers music educational experiences for students, teachers, and young musicians. Educational program fees are due prior to the scheduled event.

Discounts provided to Symphony subscribers, musicians, staff, guest artists, chorus volunteers and students reduce the amount of consideration the Symphony expects to be entitled to receive and the related revenue is presented net of discounts. Admission discounts also are provided to schools, educational and community partners, and corporate partners. Periodically, discounts may be offered to patrons or the general public via various marketing campaigns. Ticketing revenues are reported net of the discounts.

The Symphony received donated tickets related to canceled performances of $902,069 and $170,354 for the years ended May 31, 2021 and 2020, respectively, which were recorded as contributions. Customers had until May 31, 2021 to request a refund on cancelled concerts; however, any late requests for refunds will still be honored. Approximately $341,000 remains in deferred ticket revenue at May 31, 2021 as an estimate for possible future refunds on cancelled performances.

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, 2021 and 2020, 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.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when an event occurs. Direct donor benefits provided at fundraising events represents the cost of goods and services provided to attendees of an event.

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

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 pronouncement – The Symphony adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the new guidance is that the 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 using a 5-step process to determine when performance obligations are satisfied and revenue is recognized and requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. This ASU has been applied on a retrospective basis to the financial statements for the year ended May 31, 2021 and resulted in additional disclosures. Adoption of this ASU had no impact on 2020 net assets or changes in net assets.

Future financial accounting pronouncements – In February 2016, the Financial Accounting Standards Board (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.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. This ASU is effective for fiscal years beginning after June 15, 2021 and should be applied on a retrospective basis. Upon adoption, management expects to expand the disclosures related to contributed nonfinancial assets.

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:

	2021	2020
Financial assets:		
Cash	$ 159,484	$ 127,546
Receivables	1,581,381	70,929
Contributions receivable, net	7,659,163	10,429,241
Investments	86,615,644	66,340,336
Total financial assets	96,015,672	76,968,052
Less financial assets not available for general expenditure:		
Endowment investments less amounts approved for appropriation in 2022	(82,715,644)	(62,937,839)
Endowment contributions receivable	(3,758,159)	(4,491,047)
Operating contributions receivable due in more than one year	(314,457)	(359,000)
Restricted for purchase of instrument	(745,108)	(745,108)
Restricted for endowment investments	(45,249)	(2,692,550)
Total financial assets available for general expenditure	$ 8,437,055	$ 5,742,508

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.

On March 13, 2020, a national emergency was declared due to the COVID-19 pandemic. This significantly impacted the Society's ability to perform the planned 2020-2021 season. The Society experienced mandatory closures through September 9, 2021 and restrictions related to gathering size throughout the remainder of the fiscal year. The Symphony responded by reformatting performances to support social distancing with musicians and audiences, and a new weekly live-streamed option to expand its reach. To mitigate the impact of reduced live audience sizes and the lower price point of streamed concerts, the Society continues to implement cost-cutting measures across all functional areas. As discussed further in Note 6, the Society received approximately $6.4 million in Paycheck Protection Program loans in 2021 and 2020, and was also eligible for approximately $2.6 million in other federal aid, including employee retention tax credits, credits for unemployment insurance for reimbursing employers, federal leave credits, and credits for COBRA subsidies. In June 2021, the Society received notification that an initial fiscal year 2020 Paycheck Protection Program loan of $4.4 million had been fully forgiven. In August 2021, the Society received approximately $3.9 million from the Shuttered Venue Operators Grant fund. Strategically, the Society's goal is to maintain a balanced budget as earned revenue recovers, restoring musician and staff salary reductions within a framework of revenue sustainability.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at May 31, 2021 consist of the following:

	SOCIETY	ENDOWMENT	TOTAL
Contributions receivable are expected to be collected as follows:			
Less than one year	$ 3,660,260	$ 218,167	$ 3,878,427
One to five years	315,000	5,000	320,000
More than five years		4,250,000	4,250,000
Total contributions receivable	3,975,260	4,473,167	8,448,427
Unamortized discount at rate of approximately 2%	(543)	(710,008)	(710,551)
Allowance for uncollectible contributions receivable	(73,713)	(5,000)	(78,713)
Contributions receivable, net	$ 3,901,004	$ 3,758,159	$ 7,659,163

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

At May 31, 2021, contributions receivable from five donors represent 72% of total contributions receivable. At May 31, 2020, contributions receivable from four donors represent 64% of total contributions receivable.

NOTE 4 – PROPERTY

Property consists of the following:

	2021	2020
Land	$ 16,915	$ 16,915
Instruments	1,740,936	1,743,216
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	3,280,194	3,282,474
Accumulated depreciation	(2,773,721)	(2,665,220)
Property, net	$ 506,473	$ 617,254

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 categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Society's perceived risk of that instrument. 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.

For investments with limited marketability, including investments in certain partnerships, the Society has adopted the concept of the practical expedient under generally accepted accounting principles, whereas fair value is calculated using net asset values (NAV) as of the most recent audited and interim financial statements, as estimated by the investments' general partner and reviewed by management. These net asset values are based on underlying securities and investment holdings, which may be valued at quoted market prices, based on comparable instruments, at appraised value, or by discounted cash flows. Investments for which fair value is measured using NAV 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, 2021 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Mutual and exchange-traded funds:				
U. S. large-cap equity	$ 27,016,903			$ 27,016,903
International equity	16,767,249			16,767,249
Money market	8,979,266			8,979,266
U. S. Treasury and corporate bond	6,557,134			6,557,134
U. S. mid-cap equity	600,889			600,889
Total mutual and exchange-traded funds	$ 59,921,441	$ 0	$ 0	59,921,441
Limited partnership funds at fair value using net asset value as a practical expedient (a)				26,214,203
Total investments measured at fair value				86,135,644
Land held for investment, at cost				480,000
Total investments				$ 86,615,644

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
Money market	972,829			972,829
U. S. Treasury and corporate bond	12,302,382			12,302,382
U. S. mid-cap equity	1,393,160			1,393,160
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 a practical expedient (a)				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

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 by management 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.

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.

Limited partnerships and other non-publicly traded funds utilize 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.

(a) Investments measured at net asset value (NAV) using the practical expedient are as follows:

FUND DESCRIPTIONS	FAIR VALUE AT MAY 31, 2021	FAIR VALUE AT MAY 31, 2020	YEAR INVESTED	REDEMPTION TERMS AND RESTRICTIONS	UNFUNDED CAPITAL COMMITMENTS
Hedge fund – TKF, L.P.	$13,019,738	$9,387,603	2016	Liquid portion of fund was redeemed in 2020. Remaining illiquid balance will be redeemed as assets can be liquidated and realized. Approximately 80% of balance is expected to be redeemed over the next 5 to 8 years, with remaining balance to be distributed over an indefinite period.	$5,567,000*
Hedge fund – diversified strategies	$7,474,875	$5,000,000	2020	Quarterly with 70 days' notice and no further restrictions.	
Domestic real estate and infrastructure fund	$3,000,000		2021	Quarterly with 95 days' notice and no further restrictions.	
Global private equity fund	$1,016,595		2021	Redemptions only at approval of fund management upon fund termination in 2035.	$4,034,280
Private equity – liquidating fund	$988,086	$867,230	2014	Full redemption requested in 2014 with quarterly distributions expected over next 10 years.	
Offshore private credit – senior lending fund	$427,526		2021	Redemptions only at approval of fund management upon fund termination in 2026.	$1,749,117

FUND DESCRIPTIONS	FAIR VALUE AT MAY 31, 2021	FAIR VALUE AT MAY 31, 2020	YEAR INVESTED	REDEMPTION TERMS AND RESTRICTIONS	UNFUNDED CAPITAL COMMITMENTS
Hedge fund – other	$287,383	$287,383	2013	Full redemption requested in 2020; full distribution expected in 2022 upon completion of the fund's audit.	
Total investments measured at NAV using the practical expedient	$26,214,203	$15,542,216			$11,350,397

*Commitment represents balance of NRH Reserve that was distributed to the Society in lieu of being retained by the fund. The partnership may draw down all or a portion of the capital commitment at any time by issuing a notice to the Society under the terms of the NRH Reserve Underaking agreement.

NOTE 6 – FEDERAL COVID RELIEF GRANTS

Paycheck Protection Program – In April 2020, the Society received an unsecured bank loan of $4,439,000 funded through the Small Business Administration's (SBA) Federal Paycheck Protection Program (PPP). Principal and interest may be forgiven, in whole or in part, if the funds are used for the intended purposes within 24 weeks of funding. The Society had met the filing requirements with the SBA prior to May 31, 2021 and was given notice of full forgiveness in June 2021. The PPP loan proceeds were recognized as government grant contribution revenue for the year ended May 31, 2021. In March 2021, the Society received a second PPP loan in the amount of $2,000,000, which is reported as a refundable advance at May 31, 2021, until such time as the completed filing requirements and forgiveness are complete. The loan bears interest at 1.0% and may be repaid over 2 years. The Society intends to apply for forgiveness in 2022 and will recognize a contribution upon approval of forgiveness by the SBA.

Employee Retention Tax Credit and other credits – Section 2301 of the Coronavirus Aid, Relief, and Economic Security Act, with amendments from the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (collectively CARES Act), provides for an employee retention tax credit to eligible employers that pay qualified wages to some or all employees for specified pay periods in calendar years 2020 and 2021. For calendar year 2020 wages, a 50% tax credit can be claimed on qualified wages of up to $10,000 for each eligible employee. For calendar year 2021 wages, a 70% tax credit can be claimed for up to $10,000 per quarter for each eligible employee. In addition, there were credits available for unemployment insurance costs, COVID-19 leave, and COBRA subsidies under other government relief programs. During 2021, the Symphony recognized $2,696,808 in government grant revenue related to credits earned on eligible wages and related expenses. As these credits require certain eligible expenditures, the government grant contribution is recorded with donor restrictions and then fully released, as all eligible expenses have been incurred as of May 31, 2021. At May 31, 2021, $1,578,232 has been reported as grants receivable related to these federal programs.

NOTE 7 – NOTE PAYABLE

The Society has a line of credit with a financial institution for $17,750,000. Interest is payable monthly at a variable rate equal to 1.30% over LIBOR (1.8% at May 31, 2021). 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 is required to hold a minimum balance of $20 million in marketable assets. The outstanding balance on the line of credit is $13,634,488 at May 31, 2021 and $13,040,152 at May 31, 2020. Interest expense totaled $260,228 in 2021 and $507,342 in 2020.

Minimum future principal payments total $13,634,488 and are due in 2022.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2021	2020
Subject to expenditure for specified purpose:		
Instrument purchases	$ 745,108	$ 745,108
Subject to passage of time:		
Contributions receivable that are not restricted by donors but which are unavailable for expenditure until due	2,546,923	2,594,406
Endowments:		
General endowment to support operations	39,420,362	32,789,347
Education and community programs	13,998,229	11,189,136
Classical concert series	12,952,533	10,426,205
Creative initiatives	8,840,538	7,110,392
Woodlands concert series	5,936,242	4,620,929
Named chairs	4,989,088	4,087,694
Staff chairs	2,497,722	1,996,051
Chorus	737,449	572,245
Jones Hall Renovation	245,624	
Ima Hogg Competition Fund	116,655	90,654
Messiah concert fund	51,808	41,669
Total endowments subject to spending policy and appropriation	89,786,250	72,924,322
Not subject to appropriation or expenditure:		
Land	480,000	480,000
Total net assets with donor restrictions	$ 93,558,281	$ 76,743,836

NOTE 9 – ENDOWMENT

The Endowment was created to sustain, expand, and support the Society 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 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*. There are no funds with accumulated investment deficiencies at May 31, 2021.

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 invested are eligible for inclusion in the distribution base proratably 25% each quarter until fully included after one year of investment. Subject to restrictions placed by either donors or governing law, disbursements are at the discretion of the Endowment's Board 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 $3,002,497 for 2021 and $3,294,621 for 2020. In 2021, approximately $450,000 of the approved distribution was returned for certain purpose-restricted endowments that supported activities cancelled during the COVID-19 pandemic. Total distributions also include royalty and rental income distributed for operations in accordance with the gift agreement of $73,393 in 2021 and $66,864 in 2020. Additionally, distributions to reimburse the Society for the Endowment's fundraising, accounting, legal, and other administrative expenses totaled $400,000 in 2021 and $440,000 in 2020.

The intercompany receivable balance between the Society and the Endowment at May 31, 2021 and 2020 represents endowment contributions waiting to be transferred for investment.

Endowment net asset composition as of May 31, 2021:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		$ 75,315,656	$ 75,315,656
Accumulated net investment gains		14,950,594	14,950,594
Board-designated endowment funds	$ 152,802		152,802
Endowment net assets	$ 152,802	$ 90,266,250	$ 90,419,052

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 deficits		(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

Changes in endowment net assets are as follows:

	BOARD-DESIGNATED ENDOWMENT	WITH DONOR RESTRICTIONS		TOTAL
		ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	
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
Contributions			396,060	396,060
Donor redesignation to the Society			(500,000)	(500,000)
Net investment return	108,640	19,908,120		20,016,760
Distributions:				
5% draw for Society operations	(2,056)	(2,542,252)		(2,544,308)
Expense reimbursement		(400,000)		(400,000)
Royalty and rental income distributions	(73,393)			(73,393)
Total distributions	(75,449)	(2,942,252)		(3,017,701)
Endowment net assets, May 31, 2021	$ 152,802	$ 14,950,594	$ 75,315,656	$ 90,419,052

NOTE 10 – COMMITMENTS

Performance and artist contracts

The Symphony has entered into non-cancellable artist contracts for 2022 performances. As of May 31, 2021, unpaid commitments under these contracts total $521,500. If the Symphony cancels these contracts, it may still be liable for all or a portion of this amount.

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, 2021 are as follows:

2022	$ 207,240
2023	162,330
2024	166,433
2025	171,935
Thereafter	101,030
Total	$ 808,968

Total rent expense for 2021 and 2020 was approximately $780,000 and $859,000, 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 were required to be terminated prior to January 1, 2020, have a benefit of $60,000 or less, and 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 paid. The amendment reduced the Society's annual PBGC premiums by an estimated $16,000.

The funded status of the Plan is as follows:

	2021	2020
Projected benefit obligation	$ 25,028,555	$ 27,017,147
Fair value of plan assets	(21,440,854)	(18,958,838)
Deficiency of plan assets under projected benefit obligation	$ 3,587,701	$ 8,058,309
Accumulated benefit obligation	$ 25,028,555	$ 27,017,147
Accumulated other pension related changes:		
Net loss	$ 8,099,921	$ 12,388,103
Components of net periodic benefit cost are as follows:		
Interest cost	$ 694,622	$ 899,003
Expected return on assets	(906,120)	(863,193)
Amortization of loss	385,912	309,322
Total net periodic benefit cost	$ 174,414	$ 345,142

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

	2021	2020
Net (gain) loss	$ (3,902,270)	$ 1,683,709
Amortization of net gain (loss)	(385,912)	(309,332)
Total recognized in changes in net assets	$ (4,288,182)	$ 1,374,377

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

	2021	2020
Discount rate	2.80%	2.65%

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

	2021	2020
Discount rate	2.65%	3.60%
Expected return on plan assets	6.25%	6.25%

In 2021, mortality assumptions used the mortality rates from the Pri-2012 Total Dataset Base Rate mortality table projected generationally using the MP-2020 table. In 2020, mortality assumptions used the Pri-2012 Total Dataset Base Rate mortality table projected generationally using the MP-2019 table. The actuarial inflation rate assumption was 2.25% in 2021 and 2020. The retirement age assumption in 2020 was changed to utilize various probability of retirement percentages from ages 60 to 67. In 2020, the retirement age assumption was the earlier of age 62 and 30 years of service or age 65 and 5 years of service. Turnover and disability assumptions were also changed in the 2021 valuation. The actuarial assumption changes, along with the increase in the discount rate used, decreased the projected benefit obligation at May 31, 2021 by approximately $1,500,000.

The expected long-term rate-of-return on plan 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, 2021, by asset category are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	NAV AS PRACTICAL EXPEDIENT	TOTAL
Equity separate accounts				$ 11,270,199	$ 11,270,199
Bond separate accounts				10,170,655	10,170,655
Total	$ 0	$ 0	$ 0	$ 21,440,854	$ 21,440,854

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

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 $356,840 in 2021 and $847,823 in 2020. The Symphony expects to make contributions to the Plan in 2022 totaling $257,000. Distributions from the Plan during 2021 and 2020 were $1,399,873 and $2,010,615, respectively.

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

2022	$1,520,000
2023	$1,530,000
2024	$1,530,000
2025	$1,510,000
2026	$1,510,000
2027 through 2031	$7,100,000

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 $530,895 in 2021 and $634,211 in 2020 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 2021 and 2020 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 and for the years ended May 31, 2021 and 2020:

		PENSION PROTECTION ACT ZONE STATUS			CONTRIBUTIONS FOR THE YEAR ENDED MAY 31,			
NAME OF PENSION FUND	EIN AND PLAN NUMBER, IF AVAILABLE	2021	2020	FIP/RP STATUS	2021	2020	SURCHARGE IMPOSED	EXPIRATION OF COLLECTIVE BARGAINING AGREEMENT
American Federation of Musicians and Employers' Pension Fund (APM-EPF)	51-6120204 Plan No. 001	Red 03/31/21	Red 03/31/20	Implemented	$530,895	$634,211	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.

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 $52,001 and $80,026 in 2021 and 2020, respectively.

401(k) plan

The Symphony sponsors 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. Prior to June 1, 2020, the Symphony matched up to 4% of compensation, depending on the employee contribution rate. Effective June 1, 2020 the plan was amended to suspend employer matching contributions until June 1, 2021. The Symphony paid $8,860 in 2021 and $125,469 in 2020 to the 401(k) plan.

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). During September 2021, the Society completed negotiations for a five year extension of the collective bargaining agreement to expire in October 2026. 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 two 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 2021 and 2020, the Symphony paid approximately $79,000 and $30,700, respectively, to the law firm.

The Symphony also has a lease agreement with a local investment and property management firm, which provides leased office space. A major shareholder of the firm is a Trustee. During 2021 and 2020, the Symphony paid approximately $286,000 and $383,000 to the firm, respectively.

Additional related party transactions in 2021 and 2020 includes bank fees and interest of approximately $393,000 and $741,000, respectively, and special event food and catering of approximately $31,000 and $39,000, respectively.

NOTE 15 – SUBSEQUENT EVENTS

In September 2021, the Society approved to terminate the Plan effective May 31, 2022 and made a $2.76 million contribution to the Plan to eliminate future Pension Benefit Guaranty Corporation penalties and to begin preparation for the Plan's termination.

Management has evaluated subsequent events through November 2, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events, except as disclosed above and in Notes 2 and 13, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.