Houston Symphony Society and Houston Symphony Endowment

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2022 and 2021

Houston Symphony Society and Houston Symphony Endowment

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Independent Auditors' Report

To the Board of Governing Directors of
Houston Symphony Society:

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022 and 2021, and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Symphony as of May 31, 2022 and 2021, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our audit of the financial statements as of and for the year ended May 31, 2022 was also performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Symphony and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Symphony's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Symphony's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Symphony's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022 on our consideration of the Symphony's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Symphony's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Symphony's internal control over financial reporting and compliance.

Blazek & Vetterling

October 24, 2022

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statements of Financial Position as of May 31, 2022 and 2021

	2022			2021		
	HOUSTON SYMPHONY SOCIETY	HOUSTON SYMPHONY ENDOWMENT	TOTAL	HOUSTON SYMPHONY SOCIETY	HOUSTON SYMPHONY ENDOWMENT	TOTAL
ASSETS						
Cash	$ 275,147		$ 275,147	$ 159,484		$ 159,484
Short-term investments designated for pension termination *(Note 11)*	2,960,928		2,960,928			
Accounts receivable and other assets	282,135		282,135	239,129		239,129
Deferred production costs	351,394		351,394	297,223		297,223
Federal COVID relief grants receivable *(Note 6)*				1,578,232		1,578,232
Contributions receivable, net *(Note 3)*	2,441,771	$ 3,565,641	6,007,412	3,901,004	$ 3,758,159	7,659,163
Property, net *(Note 4)*	600,686		600,686	506,473		506,473
Investments *(Note 5)*		83,890,469	83,890,469		86,615,644	86,615,644
TOTAL ASSETS	$ 6,912,061	$87,456,110	$94,368,171	$ 6,681,545	$90,373,803	$97,055,348
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	$ 784,508		$ 784,508	$ 552,234		$ 552,234
Accrued expenses	885,960		885,960	729,141		729,141
Refundable advances *(Note 6)*	2,000,000		2,000,000	2,000,000		2,000,000
Deferred revenue – ticketing	3,078,221		3,078,221	2,301,650		2,301,650
Deferred special event revenue	277,150		277,150			
Due to (from) intercompany	(5,177)	$ 5,177		45,249	$ (45,249)	
Note payable *(Note 7)*	9,374,488		9,374,488	13,634,488		13,634,488
Accrued pension liability *(Note 11)*	991,573		991,573	3,587,701		3,587,701
Total liabilities	17,386,723	5,177	17,391,900	22,850,463	(45,249)	22,805,214
Net assets *(Note 9):*						
Without donor restrictions	(12,733,150)	158,688	(12,574,462)	(19,460,949)	152,802	(19,308,147)
With donor restrictions *(Note 8)*	2,258,488	87,292,245	89,550,733	3,292,031	90,266,250	93,558,281
Total net assets	(10,474,662)	87,450,933	76,976,271	(16,168,918)	90,419,052	74,250,134
TOTAL LIABILITIES AND NET ASSETS	$ 6,912,061	$87,456,110	$94,368,171	$ 6,681,545	$90,373,803	$97,055,348

See accompanying notes to consolidated financial statements.

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statement of Activities for the year ended May 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Public support:			
Contributions:			
Federal COVID relief grants *(Note 6)*		$ 8,710,282	$ 8,710,282
Other contributions	$ 10,808,591	1,643,132	12,451,723
Special events	2,156,855		2,156,855
Cost of direct donor benefits	(643,691)		(643,691)
Concert, community programming, and education:			
Box office and subscription ticketing	7,131,056		7,131,056
Concert contracts and production revenues	2,649,039		2,649,039
Educational program fees	57,844		57,844
Other income	149,781		149,781
Total operating revenue	22,309,475	10,353,414	32,662,889
Net assets released from restrictions:			
Time and purpose restrictions	2,227,467	(2,227,467)	
Expenditures of government grants *(Note 6)*	8,710,282	(8,710,282)	
Endowment distribution for Society operations	3,727,855	(3,727,855)	
Total	36,975,079	(4,312,190)	32,662,889
OPERATING EXPENSES:			
Program services:			
Artistic production	18,734,141		18,734,141
Education and community	2,794,537		2,794,537
Total program services	21,528,678		21,528,678
Supporting activities:			
Fundraising	2,948,139		2,948,139
Marketing and advertising	4,045,642		4,045,642
Management and general	1,621,214		1,621,214
Total expenses	30,143,673		30,143,673
CHANGES IN NET ASSETS FROM OPERATIONS	6,831,406	(4,312,190)	2,519,216
OTHER:			
Net investment return	71,992	304,642	376,634
Net periodic pension costs *(Note 11)*	5,240,281		5,240,281
Other pension related changes *(Note 11)*	(5,409,994)		(5,409,994)
CHANGES IN NET ASSETS	6,733,685	(4,007,548)	2,726,137
Net assets, beginning of year	(19,308,147)	93,558,281	74,250,134
Net assets, end of year	$ (12,574,462)	$ 89,550,733	$ 76,976,271

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 of government grants *(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 Functional Expenses for the year ended May 31, 2022

	ARTISTIC PRODUCTION	EDUCATION AND COMMUNITY	TOTAL PROGRAM SERVICES	FUNDRAISING	MARKETING AND ADVERTISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Payroll and related benefits	$ 12,950,825	$ 2,187,994	$ 15,138,819	$ 1,880,833	$ 1,345,329	$ 892,322	$ 19,257,303
Professional and contract fees	4,249,464	338,023	4,587,487	149,468	634,898	272,734	5,644,587
Marketing and advertising		280	280	98,937	1,439,582	1,178	1,539,977
Occupancy	593,365	90,782	684,147	109,119	91,959	78,309	963,534
Technology	119,404	30,179	149,583	110,958	149,717	66,438	476,696
Travel	291,287	40,378	331,665	3,222	12,423	9,745	357,055
Production materials and equipment	310,148	40,889	351,037		3,770		354,807
Donor and subscriber cultivation		6,766	6,766	312,715	8,742	18,369	346,592
Office supplies and equipment	81,877	24,947	106,824	77,862	77,306	51,331	313,323
Bank and merchant fees				59,388	231,356	17,157	307,901
Insurance	41,300	12,906	54,206	38,718	36,137	28,394	157,455
Interest						151,762	151,762
Depreciation	64,207	12,451	76,658	1,609	1,567	1,180	81,014
Other	32,264	8,942	41,206	105,310	12,856	32,295	191,667
Total expenses	$ 18,734,141	$ 2,794,537	$ 21,528,678	$ 2,948,139	$ 4,045,642	$ 1,621,214	30,143,673
Net periodic pension costs							5,240,281
Cost of direct donor benefits							643,691
Total							$ 36,027,645

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
Marketing and advertising				40,826	204,039		244,865
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
Travel	118,342	44,257	162,599	1,464	1,344	2,665	168,072
Production materials and equipment	203,322	76,227	279,549				279,549
Donor and subscriber cultivation		172	172	76,767	729	4,165	81,833
Office supplies and equipment	26,800	13,832	40,632	56,510	58,716	29,293	185,151
Bank and merchant fees				51,986	71,965	17,397	141,348
Insurance	29,559	10,557	40,116	31,671	29,559	25,337	126,683
Interest						260,228	260,228
Depreciation	75,589	31,773	107,362	3,203	28,532	2,562	141,659
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 Statements of Cash Flows for the years ended May 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 2,726,137	$ 26,775,697
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized gain (loss) on investments	463,533	(19,197,068)
Contributions restricted to endowment	(449,209)	(396,060)
Depreciation	81,014	141,659
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(43,006)	44,626
Deferred production costs	(54,170)	160,729
Contributions receivable (including Federal COVID relief)	3,037,466	958,958
Accounts payable and accrued expenses	389,093	425,905
Refundable advance		(2,439,000)
Deferred special event revenue	277,150	
Deferred revenue – ticketing	776,571	(2,086,766)
Accrued pension liability	(2,596,128)	(4,470,608)
Net cash provided (used) by operating activities	4,608,451	(81,928)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(18,243,444)	(14,103,214)
Proceeds from sales of investments	10,317,579	21,031,411
Net change in money market mutual funds held as investments	7,226,578	(8,006,437)
Purchases of property	(175,228)	(30,878)
Net cash used by investing activities	(874,515)	(1,109,118)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable	(27,869,000)	(14,462,964)
Proceeds from note payable	23,609,000	15,057,000
Proceeds from contributions designated or restricted to endowment	641,727	628,948
Net cash provided (used) by financing activities	(3,618,273)	1,222,984
NET CHANGE IN CASH	115,663	31,938
Cash, beginning of year	159,484	127,546
Cash, end of year	$ 275,147	$ 159,484

Supplemental disclosure of cash flow information:

Cash paid for interest	$171,498	$305,183
Proceeds of donated securities	$1,085,258	$489,269

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 consolidated 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).

Operating measure – 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.

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.

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 recognized as revenue as the performance occurs. All performance obligations are normally satisfied within the symphony season, which occurs within the fiscal year. Subscription fees 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 ticketing revenue. Deferred revenue from ticketing at May 31, 2022, 2021 and 2020 is $3,078,221, $2,281,000 and $4,245,461, respectively.

Concert contracts and production revenues – 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. Accounts receivable relate to the Symphony's right to consideration for which the Symphony expects to be entitled to for service obligations already satisfied. Amounts received in advance are recognized as deferred co-production and shared contract revenue and no amounts are reported as accounts receivable, contract assets or deferred revenue at May 31, 2022, 2021 and 2020.

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 public via various marketing campaigns. Ticketing revenues are reported net of the discounts.

The Symphony received donated tickets related to canceled performances of $215,567 and $902,069 for the years ended May 31, 2022 and 2021, respectively, which were recorded as contributions. Customers had until May 31, 2021 to request a refund on cancelled concerts; however, late requests for refunds may still be honored at the discretion of the Society.

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, 2022 and 2021, 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 events revenue is recognized when an event occurs. Cost of direct donor benefits provided at fundraising events represents the cost of goods and services provided to attendees of an event. Contributions received related to attendance at a special event are deferred until the event occurs and is recorded as deferred special events revenue.

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 benefitting activities. 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.

Future adoption of financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (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 2023. 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.

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:

	2022	2021
Financial assets:		
Cash	$ 275,147	$ 159,484
Short-term investments designated for pension termination	2,960,928	
Receivables	30,990	1,581,381
Contributions receivable, net	6,007,412	7,659,163
Investments	83,890,469	86,615,644
Total financial assets	93,164,946	96,015,672
Less financial assets not available for general expenditure:		
Endowment investments less amounts approved for appropriation in 2023	(79,785,820)	(82,715,644)
Endowment contributions receivable	(3,565,641)	(3,758,159)
Operating contributions receivable due in more than one year	(95,000)	(314,457)
Restricted for purchase of instrument	(745,108)	(745,108)
Restricted for endowment investments		(45,249)
Total financial assets available for general expenditure	$ 8,973,377	$ 8,437,055

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 daily operations. The Society has included short-term investments designated to make final payments as the pension plan is terminated as part of general expenditures within the next year.

The impact of the COVID-19 pandemic has had a continuing negative impact on earned revenue, which has been offset by support from various government relief programs. Since the beginning of the pandemic, the Society has received $6.4 million in forgivable Paycheck Protection Program loans, $7.5 million in Shuttered Venue Operators Grant, and approximately $3.9 million in other federal, state, and local aid, including employee retention tax credits, credits for unemployment insurance for reimbursing employers, federal leave credits and COBRA subsidies. The Society's goal is to maintain a balance budget as earned revenue recovers, restoring positions and salary reductions within a framework of revenue sustainability.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at May 31, 2022 consist of the following:

	SOCIETY	ENDOWMENT	TOTAL
Contributions receivable are expected to be collected as follows:			
Less than one year	$ 2,485,154	$ 212,000	$ 2,697,154
One to five years	95,000		95,000
More than five years		4,250,000	4,250,000
Total contributions receivable	2,580,154	4,462,000	7,042,154
Unamortized discount at rate of approximately 2%	(152)	(741,359)	(741,511)
Allowance for uncollectible contributions receivable	(138,232)	(155,000)	(293,232)
Contributions receivable, net	$ 2,441,770	$ 3,565,641	$ 6,007,411

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

At May 31, 2022, contributions receivable from five individual donors represent 64% of total contributions receivable. At May 31, 2021, contributions receivable from four donors represent 72% of total contributions receivable.

NOTE 4 – PROPERTY

Property consists of the following:

	2022	2021
Land	$ 16,915	$ 16,915
Instruments	1,870,752	1,740,936
Computer, information systems, and website	334,307	1,108,790
Leasehold improvements	284,878	284,878
Furniture and equipment	114,824	128,675
Total property, at cost	2,621,676	3,280,194
Accumulated depreciation	(2,020,990)	(2,773,721)
Property, net	$ 600,686	$ 506,473

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 and other non-publicly traded funds, 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 (including short-term investments) measured at fair value at May 31, 2022 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Mutual and exchange-traded funds:				
U. S. large-cap equity	$ 23,032,920			$ 23,032,920
International equity	15,586,616			15,586,616
U. S. Treasury and corporate bond	9,429,768			9,429,768
Managed fixed-income fund	2,960,928			2,960,928
Money market	1,752,688			1,752,688
Real estate	1,587,305			1,587,305
U. S. mid-cap equity	559,965			559,965
Total mutual and exchange-traded funds	$ 54,910,190	$ 0	$ 0	54,910,190
Partnerships and other non-publicly traded funds at fair value using net asset value as a practical expedient (a)				31,461,207
Total investments measured at fair value				86,371,397
Land held for investment, at cost				480,000
Total investments				$ 86,851,397

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
U. S. Treasury and corporate bond	6,557,134			6,557,134
Money market	8,979,266			8,979,266
U. S. mid-cap equity	600,889			600,889
Total mutual and exchange-traded funds	$ 59,921,441	$ 0	$ 0	59,921,441
Partnerships and other non-publicly traded 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

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, 2022	FAIR VALUE AT MAY 31, 2021	YEAR INVESTED	REDEMPTION TERMS AND RESTRICTIONS	UNFUNDED CAPITAL COMMITMENTS
Hedge fund – TKF, L.P.	$15,734,099	$13,019,738	2016	Liquid portion of fund was redeemed in 2020. Remaining illiquid investment will be redeemed as assets can be liquidated. 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.	$2,620,300*
Hedge fund – diversified strategies	$7,354,398	$7,474,875	2020	Quarterly with 70 days' notice and no further restrictions.	None
Domestic real estate and infrastructure fund	$3,716,133	$3,000,000	2021	Quarterly with 95 days' notice and no further restrictions.	None
Global private equity fund	$2,357,420	$1,016,595	2021	Redemptions only at approval of fund management upon fund termination in 2035.	$3,095,002
Private equity – liquidating fund	$828,795	$988,086	2014	Full redemption has been requested with quarterly distributions expected over next 2-4 years.	None
Offshore private credit – senior lending fund	$1,343,152	$427,526	2021	Redemptions only at approval of fund management upon fund termination in 2026.	$673,944

FUND DESCRIPTIONS	FAIR VALUE AT MAY 31, 2022	FAIR VALUE AT MAY 31, 2021	YEAR INVESTED	REDEMPTION TERMS AND RESTRICTIONS	UNFUNDED CAPITAL COMMITMENTS
Offshore private credit – infrastructure fund	$127,210	$0	2022	Interest may not be resold or transferred, except under the Securities Act of 1933.	$2,372,789
Other	$0	$287,383	2013	Full redemption requested in 2020; full distribution occurred in June 2021.	None
Total investments measured at NAV using the practical expedient	$31,461,207	$26,214,203			$8,762,035

*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 Undertaking Agreement.

NOTE 6 – FEDERAL COVID RELIEF GRANTS

Shuttered Venue Operators Grants – The Society received a combined amount totaling $7,521,385 in Shuttered Venue Operators Grants in 2022. These grants were provided as support for eligible salaries, fringe benefits, artist fees and other allowable expenses of the Society between March 15, 2020 and June 30, 2022. The Society expended its funding by May 31, 2022 and recognized this grant revenue in 2022.

Paycheck Protection Program – In April 2020, the Society received an unsecured forgivable 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 were used for the intended purposes within 24 weeks of funding. The Society 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, 2022 and 2021. The Society has applied for and expects to receive full forgiveness for this loan. The loan bears interest at 1.0% and may be repaid over 2 years. The Society will recognize a contribution upon approval of forgiveness by the SBA in fiscal year 2023.

Employee Retention Tax Credits 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 2022 and 2021, the Symphony recognized $1,184,908 and $2,696,808, respectively, in government grant revenue related to credits earned on eligible wages and related expenses.

NOTE 7 – NOTE PAYABLE

The Society has an available line of credit with a financial institution totaling $17,000,000. Interest is payable monthly at a variable rate equal to 1.30% per annum over AMERIBOR-Term 30 (1.8% at May 31, 2022). Principal is due in full at maturity on March 25, 2025. 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 $9,374,488 at May 31, 2022 and $13,634,488 at May 31, 2021. Interest expense totaled $151,762 in 2022 and $260,228 in 2021.

Minimum future principal payments total $9,374,488 and are due in 2025.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2022	2021
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 expenditures until due	1,513,380	2,546,923
Endowments subject to spending policy and appropriation:		
General endowment to support operations	37,881,035	39,420,362
Education and community programs	13,536,187	13,998,229
Classical concert series	12,391,478	12,952,533
Creative initiatives	8,487,082	8,840,538
Woodlands concert series	5,596,655	5,936,242
Named chairs	5,264,805	4,989,088
Staff chairs	2,402,666	2,497,722
Chorus	811,621	737,449
Jones Hall Renovation	278,715	245,624
Ima Hogg Competition Fund	112,264	116,655
Messiah concert fund	49,737	51,808
Total endowments subject to spending policy and appropriation	86,812,245	89,786,250
Not subject to appropriation or expenditure:		
Land	480,000	480,000
Total net assets with donor restrictions	$ 89,550,733	$ 93,558,281

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, 2022.

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 $3,404,314 for 2022 and $3,002,497 for 2021. In 2022 and 2021, approximately $450,000 and $26,800, respectively, of the approved distributions were 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 $71,451 in 2022 and $73,393 in 2021. Additionally, distributions to reimburse the Society for the Endowment's fundraising, accounting, legal, and other administrative expenses totaled $400,000 in 2022 and 2021.

Any intercompany receivables or payables between the Society and the Endowment at May 31, 2022 and 2021 represents endowment contributions waiting to be transferred for investment or in transit distributions.

Endowment net asset composition as of May 31, 2022:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		$ 75,764,865	$ 75,764,865
Accumulated net investment gains		11,527,380	11,527,380
Board-designated endowment funds	$ 158,688		158,688
Endowment net assets	$ 158,688	$ 87,292,245	$ 87,450,933

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

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, 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
Contributions	10,000		449,209	459,209
Net investment return	71,992	304,642		376,634
Distributions:				
5% draw for Society operations	(4,656)	(3,327,856)		(3,332,512)
Expense reimbursement		(400,000)		(400,000)
Royalty and rental income distributions	(71,450)			(71,450)
Total distributions	(76,106)	(3,727,856)		(3,803,962)
Endowment net assets, May 31, 2022	$ 158,688	$ 11,527,380	$ 75,764,865	$ 87,450,933

NOTE 10 – COMMITMENTS

Performance and artist contracts

The Symphony has entered into non-cancellable artist contracts for 2022 performances. As of May 31, 2022, unpaid commitments under these contracts total $687,844. If the Symphony cancels these contracts, it may remain 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, 2022 are as follows:

2023	$ 315,031
2024	323,259
2025	278,654
2026	104,809
2027	102,491
Total	$ 1,124,244

Total rent expense for 2022 and 2021 was approximately $894,000 and $780,000, respectively, and includes an 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.

Effective May 31, 2022, the Society's Board of Directors approved management's plan to terminate the Society's defined benefit plan. The Society transferred the liability for plan participants with a status of receiving benefits as of May 1 to Mutual of Omaha totaling approximately $13.9 million. Remaining plan participants may elect to receive a lump sum or an annuity in the fall of 2022. An actuarial analysis estimates the likely remaining plan liability to be in the range of $1.25 million to $3.06 million, depending on benefit elections selected by plan participants. The plan's termination liability may be affected by benefits payments, plan expenses, the market value of plan assets, changes in liability interest rates and non-market liability changes and assumptions. The Society has set aside approximately $2.96 million in a separate short-term investment account to cover the costs of closing out the Plan.

The funded status of the Plan is as follows:

	2022	2021
Projected benefit obligation	$ 7,401,255	$ 25,028,555
Fair value of Plan assets	(6,409,682)	(21,440,854)
Deficiency of Plan assets under projected benefit obligation	$ 991,573	$ 3,587,701
Accumulated benefit obligation	$ 7,401,255	$ 25,028,555
Accumulated other pension related changes:		
Net loss	$ 2,859,639	$ 8,099,921
Components of net periodic benefit cost are as follows:		
Interest cost	$ 649,201	$ 694,622
Expected return on assets	(786,007)	(906,120)
Amortization of loss	217,966	385,912
Total net periodic benefit cost	$ 81,160	$ 174,414

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

	2022	2021
Net (gain) loss	$ 387,678	$ (3,902,270)
Amortization of net loss	(217,966)	(385,912)
Total recognized in changes in net assets	$ 169,712	$ (4,288,182)

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

	2022	2021
Discount rate	4.40%	2.80%

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

	2022	2021
Discount rate	2.80/4.40%	2.65%
Expected return on plan assets	5.25%	6.25%

In 2022, mortality assumptions used the mortality rates from the Pri-2012 Total Dataset Base Rate mortality table projected generationally using the MP-2021 table. In 2021, 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 2022 and 2021. The retirement age assumption in 2020 was changed to utilize various probability of retirement percentages from ages 60 to 67. 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, 2022 by approximately $2,200,000.

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

Plan assets measured at fair value on a recurring basis for the Plan at May 31, 2022, by asset category are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	NAV AS PRACTICAL EXPEDIENT	TOTAL
Bond separate accounts				$ 6,409,682	$ 6,409,682
Total	$ 0	$ 0	$ 0	$ 6,409,682	$ 6,409,682

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

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 $2,847,000 in 2022 and $356,840 in 2021. Distributions from the Plan during 2022 and 2021 were $1,487,641 and $1,399,873, respectively. Estimated future benefit payments in the next 12 months are expected to range from $1 to $3 million in final distributions.

NOTE 12 – OTHER EMPLOYEE BENEFIT 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 $595,015 in 2022 and $530,895 in 2021 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 2022 and 2021 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, 2022 and 2021:

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
		2022	2021		2022	2021		
American Federation of Musicians and Employers' Pension Fund (APM-EPF)	51-6120204 Plan No. 001	Red 03/31/22	Red 03/31/21	Implemented	$595,015	$530,895	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 $63,137 and $52,001 in 2022 and 2021, 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. At the beginning of fiscal year 2021, the plan was amended to suspend employer matching contributions until June 1, 2021. Effective June 1, 2021, the Symphony reinstated the employer match up to 4% of compensation, depending on the employee contribution rate. The Symphony paid $125,155 in 2022 and $8,860 in 2021 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 five 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 2022 and 2021, the Symphony paid approximately $45,000 and $79,000, 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 2022 and 2021, the Symphony paid approximately $295,000 and $286,000 to the firm, respectively.

Additional related party transactions in 2022 and 2021 include bank fees and interest of approximately $402,000 and $393,000, respectively, and special event food and catering of approximately $23,000 and $31,000, respectively.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 24, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.