Houston Symphony Society and Houston Symphony Endowment

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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.

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In performing an audit in accordance with generally accepted 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.

Blazek & Vetterling

October 20, 2023

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statements of Financial Position as of May 31, 2023 and 2022

	2023			2022		
	HOUSTON SYMPHONY SOCIETY	HOUSTON SYMPHONY ENDOWMENT	TOTAL	HOUSTON SYMPHONY SOCIETY	HOUSTON SYMPHONY ENDOWMENT	TOTAL
ASSETS						
Cash	$ 582,918		$ 582,918	$ 275,147		$ 275,147
Short-term investments designated for pension termination				2,960,928		2,960,928
Accounts receivable and other assets	330,680		330,680	282,135		282,135
Deferred production costs	447,913		447,913	351,394		351,394
Contributions receivable, net *(Note 3)*	4,732,351		4,732,351	2,441,771		2,441,771
Lease right-of-use assets, net *(Note 5)*	1,079,746		1,079,746			
Property, net *(Note 4)*	569,324		569,324	600,686		600,686
Endowment contributions receivable, net		$ 4,950,079	4,950,079		$ 3,565,641	3,565,641
Investments *(Note 6)*		79,505,121	79,505,121		83,890,469	83,890,469
TOTAL ASSETS	$ 7,742,932	$ 84,455,200	$ 92,198,132	$ 6,912,061	$ 87,456,110	$ 94,368,171
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	$ 600,368		$ 600,368	$ 784,508		$ 784,508
Accrued expenses	1,012,343		1,012,343	885,960		885,960
Refundable advances *(Note 7)*				2,000,000		2,000,000
Deferred revenue – ticketing	3,330,646		3,330,646	3,078,221		3,078,221
Deferred special event revenue	346,975		346,975	277,150		277,150
Due to (from) intercompany	61,200	$ (61,200)		(5,177)	$ 5,177	
Lease liabilities *(Note 5)*	1,074,865		1,074,865			
Notes payable *(Note 8)*	11,335,488		11,335,488	9,374,488		9,374,488
Promissory note – intercompany	1,999,422	(1,999,422)				
Accrued pension liability *(Note 13)*				991,573		991,573
Total liabilities	19,761,307	(2,060,622)	17,700,685	17,386,723	5,177	17,391,900
Net assets *(Note 10)*:						
Without donor restrictions	(14,647,723)	187,160	(14,460,563)	(12,733,150)	158,688	(12,574,462)
With donor restrictions *(Note 9)*	2,629,348	86,328,662	88,958,010	2,258,488	87,292,245	89,550,733
Total net assets	(12,018,375)	86,515,822	74,497,447	(10,474,662)	87,450,933	76,976,271
TOTAL LIABILITIES AND NET ASSETS	$ 7,742,932	$ 84,455,200	$ 92,198,132	$ 6,912,061	$ 87,456,110	$ 94,368,171

See accompanying notes to consolidated financial statements.

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statement of Activities for the year ended May 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Public support:			
Contributions:			
Federal COVID relief grants *(Note 7)*		$ 2,008,927	$ 2,008,927
Other contributions	$ 12,541,030	5,086,656	17,627,686
Nonfinancial assets *(Note 11)*	586,376		586,376
Special events	2,852,529		2,852,529
Cost of direct donor benefits	(762,563)		(762,563)
Concert, community programming, and education:			
Box office and subscription ticketing	9,748,458		9,748,458
Concert contracts and production revenues	404,558		404,558
Educational program fees	88,227		88,227
Other income	645,451		645,451
Total operating revenue	26,104,066	7,095,583	33,199,649
Net assets released from restrictions:			
Time and purpose restrictions	1,369,540	(1,369,540)	
Expenditures of government grants *(Note 7)*	2,008,927	(2,008,927)	
Endowment distribution for Society operations	4,064,848	(4,064,848)	
Total	33,547,381	(347,732)	33,199,649
OPERATING EXPENSES:			
Program services:			
Artistic production	19,760,458		19,760,458
Education and community	4,157,658		4,157,658
Total program services	23,918,116		23,918,116
Supporting activities:			
Fundraising	3,481,024		3,481,024
Marketing and advertising	5,343,912		5,343,912
Management and general	2,280,788		2,280,788
Total expenses	35,023,840		35,023,840
CHANGES IN NET ASSETS FROM OPERATIONS	(1,476,459)	(347,732)	(1,824,191)
OTHER:			
Net investment return	86,863	(244,991)	(158,128)
Pension final statement, net *(Note 13)*	(496,505)		(496,505)
CHANGES IN NET ASSETS	(1,886,101)	(592,723)	(2,478,824)
Net assets, beginning of year	(12,574,462)	89,550,733	76,976,271
Net assets, end of year	$ (14,460,563)	$ 88,958,010	$ 74,497,447

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 7)*		$ 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 7)*	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 13)*	5,240,281		5,240,281
Other pension related changes *(Note 13)*	(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 Functional Expenses for the year ended May 31, 2023

	ARTISTIC PRODUCTION	EDUCATION AND COMMUNITY	TOTAL PROGRAM SERVICES	FUNDRAISING	MARKETING AND ADVERTISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Payroll and related benefits	$ 13,841,094	$ 3,894,327	$ 17,735,421	$ 2,182,202	$ 1,606,101	$ 1,124,781	$ 22,648,505
Professional and contract fees	3,556,491	30,747	3,587,238	155,202	1,416,453	274,620	5,433,513
Marketing and advertising				122,279	1,602,043	3,286	1,727,608
Occupancy	691,986	40,709	732,695	119,293	113,075	75,947	1,041,010
Production materials and equipment	855,592	57,361	912,953		2,800		915,753
Travel	491,496	33,646	525,142	6,640	6,335	11,737	549,854
Interest						537,203	537,203
Donor and subscriber cultivation		1,408	1,408	466,459	38,697	21,925	528,489
Technology	110,000	29,272	139,272	99,941	128,610	56,328	424,151
Bank and merchant fees				79,097	310,312	16,092	405,501
Office supplies and equipment	45,284	22,999	68,283	72,934	46,544	54,833	242,594
Insurance	44,533	11,719	56,252	39,845	44,533	28,126	168,756
Depreciation	77,723	25,157	102,880	2,620	6,289	1,849	113,638
Other	46,259	10,313	56,572	134,512	22,120	74,061	287,265
Total expenses	$ 19,760,458	$ 4,157,658	$ 23,918,116	$ 3,481,024	$ 5,343,912	$ 2,280,788	35,023,840
Net periodic pension costs							2,859,638
Cost of direct donor benefits							762,563
Total							$ 38,646,041

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
Production materials and equipment	310,148	40,889	351,037		3,770		354,807
Travel	291,287	40,378	331,665	3,222	12,423	9,745	357,055
Interest						151,762	151,762
Donor and subscriber cultivation		6,766	6,766	312,715	8,742	18,369	346,592
Technology	119,404	30,179	149,583	110,958	149,717	66,438	476,696
Bank and merchant fees				59,388	231,356	17,157	307,901
Office supplies and equipment	81,877	24,947	106,824	77,862	77,306	51,331	313,323
Insurance	41,300	12,906	54,206	38,718	36,137	28,394	157,455
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 Statements of Cash Flows for the years ended May 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (2,478,824)	$ 2,726,137
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized loss on investments	1,089,536	463,533
Contributions restricted to endowment	(3,346,255)	(449,209)
Depreciation	113,638	81,014
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(48,545)	(43,006)
Deferred production costs	(96,519)	(54,170)
Contributions receivable (including Federal COVID relief)	(4,290,580)	3,037,466
Accounts payable and accrued expenses	(57,757)	389,093
Deferred revenue – ticketing	252,425	776,571
Deferred special event revenue	69,825	277,150
Lease liabilities	(4,881)	
Accrued pension liability	(991,573)	(2,596,128)
Net cash provided (used) by operating activities	(9,789,510)	4,608,451
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(21,300,197)	(18,243,444)
Proceeds from sales of investments	29,069,039	10,317,579
Net change in money market mutual funds held as investments	(1,512,102)	7,226,578
Purchases of property	(82,276)	(175,228)
Net cash provided (used) by investing activities	6,174,464	(874,515)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(19,849,000)	(27,869,000)
Proceeds from notes payable	21,810,000	23,609,000
Proceeds from contributions designated or restricted to endowment	1,961,817	641,727
Net cash provided (used) by financing activities	3,922,817	(3,618,273)
NET CHANGE IN CASH	307,771	115,663
Cash, beginning of year	275,147	159,484
Cash, end of year	$ 582,918	$ 275,147

Supplemental disclosure of cash flow information:

Cash paid for interest	$537,203	$171,498
Proceeds of donated securities	$525,802	$1,085,258

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 material 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.

Lease right-of-use assets are recognized at the present value of the lease payments at inception of the lease. Lease expense is recognized on a straight-line basis. The Society elected to not separate the lease components and the non-lease components for real estate and equipment leases.

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 Symphony's management determines the valuation policies utilizing information provided by its investment advisers, custodians, and fund managers. Contributed land held for investment is reported at historical cost based on the fair market value at the date of donation, which is lower than current market value. Purchases and sales of 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 are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized 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*. Restricted contributions whose purpose is met in the same reporting period are reported as unrestricted contributions and increase unrestricted net assets. 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, 2023, 2022, and 2021 is $3,330,645, $3,078,221 and $2,281,000, 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 for the past three years.

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.

Contributed nonfinancial assets – 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.

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 represent 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 are 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.

Adoption of accounting standard – The Symphony adopted Accounting Standards Update (ASU) No. 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. As an accounting policy, the Symphony has elected not to recognize lease assets and liabilities for leases with a term of 12 months or less or whose net present value of future lease payments are less than $10,000. Recognition, measurement, and presentation of expenses and cash flows arising from identified leases by a lessee have not changed significantly. Additional qualitative and quantitative disclosures are included in Note 5. The ASU has been applied to net assets as of June 1, 2022. There is no impact on 2022 net assets. As a result of adoption, the Society recorded $1,079,746 as right-of-use assets and $1,074,865 as lease liabilities.

Certain accounting policy elections were required for the implementation of the new lease standard. The Symphony has made the following relief package election: For leases that commenced before the effective date, the Symphony did not reassess 1) whether any expired or existing contracts contain leases, 2) the lease classification for any expired or existing leases, or 3) initial indirect costs for any existing leases.

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:

	2023	2022
Financial assets:		
Cash	$ 582,918	$ 275,147
Short-term investments designated for pension termination		2,960,928
Receivables	73,331	30,990
Contributions receivable, net	9,682,430	6,007,412
Investments	79,505,121	83,890,469
Total financial assets	89,843,800	93,164,946
Less financial assets not available for general expenditure:		
Endowment investments less distributions approved for 2024	(75,182,267)	(79,785,820)
Endowment contributions receivable	(4,950,079)	(3,565,641)
Operating contributions receivable due in more than one year	(465,000)	(95,000)
Restricted for purchase of instrument	(745,108)	(745,108)
Total financial assets available for general expenditure	$ 8,501,346	$ 8,973,377

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's goal is to maintain a balanced budget within a framework of revenue sustainability. The satisfaction of frozen pension liability in 2023 will free up future cash flows to support operations.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at May 31, 2023 consist of the following:

	SOCIETY	ENDOWMENT	TOTAL
Contributions receivable are expected to be collected as follows:			
Less than one year	$ 4,465,023	$ 656,000	$ 5,121,023
One to five years	465,000	1,000,000	1,465,000
More than five years		4,250,000	4,250,000
Total contributions receivable	4,930,023	5,906,000	10,836,023
Unamortized discount at rates ranging from 2% to 4.40%	(27,672)	(800,921)	(828,593)
Allowance for uncollectible contributions receivable	(170,000)	(155,000)	(325,000)
Contributions receivable, net	$ 4,732,351	$ 4,950,079	$ 9,682,430

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

Concentrations

At May 31, 2023, contributions receivable from four individual donors represent approximately 75% of total contributions receivable. At May 31, 2022, contributions receivable from five individual donors represent approximately 64% of total contributions receivable.

NOTE 4 – PROPERTY

Property consists of the following:

	2023	2022
Land	$ 16,915	$ 16,915
Instruments	1,880,557	1,870,752
Computers, information systems, and website development	316,538	334,307
Leasehold improvements	284,878	284,878
Furniture and equipment	114,825	114,824
Capital projects in process	72,471	
Total property, at cost	2,686,184	2,621,676
Accumulated depreciation	(2,116,860)	(2,020,990)
Property, net	$ 569,324	$ 600,686

NOTE 5 – LEASES

At May 31, 2023, operating lease right-of-use assets and lease liabilities for the Symphony included real estate and office equipment leases. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term. The Symphony utilized their incremental borrowing rate of approximately 4.7% and the average life of their leases is 4 years.

Office Rent

The Society entered into a lease agreement with CCM Cameron Esperson Owner, L. P. in October 2012 for a section of building to be utilized for office space only. The Society is assigned a proportionate share of common area maintenance as an additional cost to the base rent. Rent expense for the year ended May 31, 2023 paid to CCM Cameron Esperson Owner, L. P. was $299,976.

The Society entered into 5-year lease agreement with Houston First Corporation, for general office space in the basement level of Jones Hall for the Performing Arts in September 2022. This lease relationship has been ongoing with renewals since 1989. Rent expense for the year ended May 31, 2023 paid to Houston First Corporation was $102,467.

The Society has multiple offsite warehouse leases in which temperature-regulated space is rented for production equipment and historical records storage. The Society can terminate all of these leases with a 30-day written notice to lessor; however, there are no immediate plans to terminate these leases. Consolidated total lease expense for the year ended May 31, 2023 was $50,870.

Future scheduled minimum lease payments for office leases beginning June 1, 2024 for office rent are as follows:

2024	$ 290,176
2025	327,269
2026	260,453
2027	161,994
2028 and thereafter	50,819
Total	$ 1,090,711

Office Equipment

The Society has entered into various lease agreements for copiers, mail machines, and phones with no intent to exercise the fair value purchase option associated with each lease. Total expense for office equipment for the year ended May 31, 2023 was $23,296.

Future schedule minimum lease payments beginning June 1, 2024 for office equipment are as follows:

2024	$ 26,547
2025	25,527
2026	22,682
2027	19,489
2028 and thereafter	6,023
Total	$ 100,268

Total rental expense for 2022, prior to the adoption of the new accounting standard, totaled approximately $894,000 and includes an additional month-to-month lease on property owned by the City of Houston.

NOTE 6 – 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 Symphony'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 Symphony 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, 2023 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Mutual and exchange-traded funds:				
U. S. large-cap equity	$ 20,024,788			$ 20,024,788
International equity	12,881,765			12,881,765
U. S. Treasury and corporate bond	10,185,463			10,185,463
Money market	3,264,790			3,264,790
U. S. mid-cap equity	1,475,671			1,475,671
Real estate	703,896			703,896
Total mutual and exchange-traded funds	$ 48,536,373	$ 0	$ 0	48,536,373
Partnerships and other non-publicly traded funds at fair value using net asset value as a practical expedient (a)				30,488,748
Total investments measured at fair value				79,025,121
Land held for investment, at cost				480,000
Total investments				$ 79,505,121

Assets 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
Money market	1,752,688			1,752,688
U. S. mid-cap equity	559,965			559,965
Real estate	1,587,305			1,587,305
Managed fixed-income fund	2,960,928			2,960,928
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

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 Symphony believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

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 NAV using the practical expedient are as follows:

FUND DESCRIPTIONS	FAIR VALUE AT MAY 31, 2023	FAIR VALUE AT MAY 31, 2022	YEAR INVESTED	REDEMPTION TERMS AND RESTRICTIONS	UNFUNDED CAPITAL COMMITMENTS
Hedge fund – TKF, L.P.	$14,824,557	$15,734,099	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 4-7 years, with remaining balance to be distributed over an indefinite period.	$1,801,600*
Hedge fund – diversified strategies	$5,869,138	$7,354,398	2020	Quarterly with 70 days' notice and no further restrictions.	None
Domestic real estate and infrastructure fund	$3,471,623	$3,716,133	2021	Quarterly with 95 days' notice and no further restrictions.	None
Global private equity fund	$3,436,655	$2,357,420	2021	Redemptions only at approval of fund management upon fund termination in 2035.	$2,176,836
Offshore private credit – senior lending fund	$1,349,856	$1,343,152	2021	Redemptions only at approval of fund management upon fund termination in 2026.	$692,893
Offshore private credit – junior capital solutions fund	$576,438	$0	2022	No right to withdraw from the fund prior to dissolution, except (i) in connection with a transfer of interest that has been approved by the applicable fund management or (ii) under certain limited circumstances detailed in the partnership agreements pertaining to ERISA or material violation of applicable U.S. or non-U.S. statute, law, rule or regulation.	$1,906,809
Private equity – liquidating fund	$525,538	$828,795	2014	Full redemption has been requested with quarterly distributions expected over next 2-4 years.	None
Offshore private credit – infrastructure fund	$340,103	$127,210	2022	Withdrawals or retirements are only at approval of fund management.	$2,240,787

FUND DESCRIPTIONS	FAIR VALUE AT MAY 31, 2023	FAIR VALUE AT MAY 31, 2022	YEAR INVESTED	REDEMPTION TERMS AND RESTRICTIONS	UNFUNDED CAPITAL COMMITMENTS
Offshore private credit – real estate and secondary market fund	$94,840	$0	2022	Withdrawals or retirements are only at approval of fund management.	$4,905,159
Global private equity fund – diversified pool fund	$0	$0	2022	Redemptions only at approval of fund management upon fund termination in 2026.	$5,000,000
Investments measured at NAV using the practical expedient	$30,488,748	$31,461,207			$18,724,084

* Commitment represents balance of NRH Reserve that was distributed to the Symphony 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 7 – 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 March 2021, the Society received a second unsecured forgivable bank loan of $2,000,000 funded through the Small Business Administration's (SBA) Federal Paycheck Protection Program (PPP). This loan is reported as a refundable advance at May 31, 2022. In fiscal 2023, the PPP loan was forgiven and recognized as revenue.

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. During 2022, the Symphony recognized $1,184,908 in government grant revenue related to credits earned on eligible wages and related expenses.

Federal government funding sources that require fulfillment of certain conditions as set forth in the related contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable costs. Management believes such disallowances, if any, would not be material to the Society's financial position or changes in net assets.

NOTE 8 – NOTES PAYABLE

The Society has an available line of credit with a financial institution totaling $17 million. Interest is payable monthly at a variable rate equal to 1.30% per annum over Ameribor Term-30 (6.23227% at May 31, 2023). 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 $11,335,488 at May 31, 2023 and $9,374,488 at May 31, 2022. Interest expense totaled $535,011 in 2023 and $151,762 in 2022. Minimum future principal payments will total the line of credit balance upon maturity in 2025.

The Society has a promissory note from the Endowment with available funding of $5 million. Principal is due in full at maturity on March 25, 2025. Principal payments are calculated at 1.30% per annum, and interest at Ameribor Term-.30. Principal and interest payments are due quarterly. The initial draw on the promissory note was $2 million, with an outstanding balance as of May 31, 2023 of $1,999,422. As of May 31, 2023, total interest and principal payments due to the Endowment were $2,770.

The sum of the outstanding principal and interest on the combined notes payable may not exceed $17 million.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2023	2022
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	1,884,240	1,513,380
Endowments subject to spending policy and appropriation:		
General endowment to support operations	36,980,585	37,881,035
Education and community programs	12,950,031	13,536,187
Classical concert series	11,754,918	12,391,478
Creative initiatives	8,051,093	8,487,082
Named chairs	7,389,755	5,264,805
Woodlands concert series	5,203,268	5,596,655
Staff chairs	2,279,637	2,402,666
Chorus	817,816	811,621
Jones Hall Renovation	267,818	278,715
Ima Hogg Competition Fund	106,559	112,264
Messiah concert fund	47,182	49,737
Total endowments subject to spending policy and appropriation	85,848,662	86,812,245
Not subject to appropriation or expenditure:		
Land	480,000	480,000
Total net assets with donor restrictions	$ 88,958,010	$ 89,550,733

NOTE 10 – 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 were two funds with accumulated investment deficiencies totaling approximately $535,000 at May 31, 2023.

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 $3,754,782 for 2023 and $3,404,314 for 2022. In 2023 and 2022, approximately $32,500 and $26,800, respectively, of the approved distributions were returned for certain purpose-restricted endowments that supported activities that were not completed during the year. Total distributions also include royalty and rental income distributed for operations in accordance with the gift agreement of $87,331 in 2023 and $71,451 in 2022. Additionally, distributions to reimburse the Society for the Endowment's fundraising, accounting, legal, and other administrative expenses totaled approximately $350,000 and $400,000 in 2023 and 2022, respectively.

Endowment net asset composition as of May 31, 2023:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		$ 79,111,121	$ 79,111,121
Accumulated net investment gains		7,217,541	7,217,541
Board-designated endowment funds	$ 187,160		187,160
Endowment net assets	$ 187,160	$ 86,328,662	$ 86,515,822

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

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, 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
Approved 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
Contributions	36,193		3,346,255	3,382,448
Net investment return	86,696	(332,922)		(246,226)
Approved distributions:				
5% draw for Society operations	(7,254)	(3,714,981)		(3,722,235)
Expense reimbursement		(349,867)		(349,867)
Royalty and rental income distributions	(87,330)			(87,330)
Total distributions	(94,584)	(4,064,848)		(4,159,432)
Endowment net assets, May 31, 2023	$ 186,993	$ 7,129,610	$ 79,111,120	$ 86,427,723

NOTE 11 – CONTRIBUTED NONFINANCIAL ASSETS

The Society accepts contributed nonfinancial assets in the form of products or services that are free of charge or substantially discounted if the donation benefits the Society. Contributed services are recognized at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if not donated. The Society may receive donated services from unpaid volunteers who assist in fundraising or special projects. No amounts have been recognized in the statements of activities for these fundraising and special projects services because the criteria for recognition have not been satisfied.

For the year then ended May 31, 2023, the Society accepted professional consulting, legal, and warehouse storage services valued at $586,376.

CONTRIBUTED NON-FINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	REVENUE RECOGNIZED
Consulting services	Earned revenue ticketing strategies – marketing	None	Fair value estimated based on consulting hours and rates for similar projects.	$500,000
Consulting services	Inclusion and emotional intelligence project – executive	None	Fair value based on invoice billing.	$31,250
Public relations/media services	Professional media relations management – public relations	None	Fair value based on invoice billing.	$45,000
Other		None	Fair value based on comparative pricing.	$10,126
Total				$586,376

Contributed nonfinancial assets are reported as marketing and advertising expenses.

NOTE 12 – COMMITMENTS

Performance and artist contracts

The Society has entered into non-cancellable artist contracts for 2023 performances. As of May 31, 2023, unpaid commitments under these contracts total $1,712,376. If the Society cancels these contracts, it may remain liable for all or a portion of this amount.

NOTE 13 – DEFINED BENEFIT RETIREMENT PLAN

The Houston Symphony Musicians and Staff Employees' Retirement Plan (the Plan) was the Society's defined benefit plan that was frozen to all staff employees effective in 2017 and for all musician benefits effective 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. Effective May 31, 2022, the Society's Board of Directors approved management's plan to terminate the Society's defined benefit plan. Notice of intent to terminate the Plan was filed in November 2022 with the Pension Benefit Guaranty Corporation (PBGC). All accumulated benefit obligations have been settled by the purchase of annuity contracts and the payment of lump sums as of March 1, 2023. The Post-Distribution Certification for Standard Termination was filed with the PBGC on March 17, 2023. All pension costs recognized and reported for 2023 and 2022 are computed on the basis of accepted actuarial methods.

The Society contributed $1,828,688 and $2,847,000 to the plan during 2023 and 2022, respectively. Distributions from the plan during 2023 and 2022 were $7,967,376 and $1,487,641, respectively.

NOTE 14 – 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 $642,282 in 2023 and $595,015 in 2022 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 2023 and 2022 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, 2023 and 2022:

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
		2023	2022		2023	2022		
American Federation of Musicians and Employers' Pension Fund (AFM-EPF)	51-6120204 Plan No. 001	Red 03/31/23	Red 03/31/22	Implemented	$642,282	$595,015	Yes	10/01/26

Due to the AFM-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 $175,963 and $63,137 in 2023 and 2022, respectively.

401(k) plan

The Society 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. The Society matches up to 5% of compensation, depending on the employee contribution rate. The Society contributed $180,885 in 2023 and $125,155 in 2022 to participant accounts.

NOTE 15 – CONCENTRATION OF RISK

The Society'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 Society'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 expired July 31, 2023. Negotiations for renewing the stagehand collective bargaining agreement are in process as of May 31, 2023.

NOTE 16 – RELATED PARTY TRANSACTIONS

The Symphony has six 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 up to $60,000 in pro-bono services each fiscal year. A Governing Director is a partner at this law firm and serves as the Symphony's General Counsel. During 2023 and 2022, the Society paid approximately $21,000 and $45,000, respectively, to the law firm.

The Society 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 2023 and 2022, the Society paid approximately $308,000 and $295,000 to the firm, respectively.

Consulting and marketing services utilized by the Society for the year May 31, 2023 totaled $598,000, of which $548,000 was received as in-kind donated services. Two Governing Directors are either firm owners or partners for services rendered.

Two Governing Directors are employees for two financial institutions providing services to the Symphony. In 2023 and 2022, bank fees and interest of approximately $830,000 and $402,000, respectively, were paid to these financial institutions.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 20, 2023, 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.