



THE HOUSTON SYMPHONY

ENDOWMENT



HOUSTON SYMPHONY HISTORY



Founded in 1913 by the guiding hand of Miss Ima Hogg, the Grammy Award-winning Houston Symphony has played a central role in Houston's cultural and civic life for more than 100 years. Now, as a leading American orchestra and the largest performing arts organization in Houston, over 90 full-time musicians consistently deliver hundreds of extraordinary concerts on stage at Jones Hall each year and serve thousands of students and members of the public in schools, hospitals, and community venues.

Our Strategic Plan was adopted in December 2023, and we have been challenged to transition to an endowment-enabled business model. Now is the time to secure our financial footing to serve our great city.

THE ENDOWMENT: HOW IT WORKS

Throughout our lifetime, most of us strive to make a difference in the lives of others, providing gifts to the people and causes we value. Wouldn't it be nice to know that you could continue to change lives even after you are gone—creating a legacy of support for the causes most important to you? By creating an Endowed Fund with our organization—or adding to our existing endowment—you can give a gift that lasts forever.

- You give cash, securities, or other assets to an Endowed Fund or to an Endowed Fund that you create with our organization. If you can't give up assets today, consider making the gift in your will or other estate plan, specifying that you would like your gift to be used to fund our Endowment.
- You determine if your Endowed Fund will be designated to a specific program or given without restrictions to allow our Board of Trustees to direct your gift to our most critical needs.



ENDOWMENT OVERVIEW



ENDOWMENT SPENDING POLICY

The Endowment gives to the Symphony or otherwise spends in furtherance of its mission, an amount each year equal to 5% of the average market value of its assets over the immediately preceding 12 fiscal quarter-**ends**. The Endowment also reimburses the Symphony up to \$400,000 annually for the costs of Endowment fundraising, promoting the Legacy Society, and covering administrative expenses such as accounting, audit, and other direct expenses of maintaining the Endowment.

RECENT HOUSTON SYMPHONY ENDOWMENT GOVERNANCE ACTIVITIES

In the spring of 2020, the Endowment Board and Symphony staff analyzed the liquidity needs of the Endowment and came to a preliminary conclusion that excessive liquidity maintained by the Endowment weighed down investment returns. The Endowment Board engaged a consultant to assist them with an analysis of the risks, returns, expenses, and durations of our Endowment assets.

Based on the third-party benchmarking and analysis, a market search for an Outsourced Chief Investment Officer (OCIO) was undertaken. The OCIO candidates were evaluated by measuring alignment of their proposed investment strategy with our goals to enhance the sustainability of the Endowment by reducing fees, reducing portfolio risk, and increasing long term returns. We began our transition to a new Endowment OCIO, JP Morgan, in January 2020.

In addition to improving the portfolio's risk profile and improving the asset allocation by more closely matching liquidity to spending needs, the new approach eliminates custodian fees and reduces investment management fees by almost half through the strategic implementation of low-cost passive strategies where appropriate. Using the prior strategy, the probability of maintaining the real purchasing power of the Endowment after 10 years was 41%. Using the new strategy, the probability of maintaining the real purchasing power of the Endowment is now 75%.

This strategy has held up well since implementation. The value of the Endowment prior to the implementation of the new strategy was \$75.4 million and the value of the Endowment at March 31, 2022 was \$90.1M. Total distributions in this period to the Symphony were \$6.7M.

Beginning in FY23, the Endowment will make quarterly distributions instead of distributing in a single lump sum at the beginning of the fiscal year. This will decrease the liquidity needs of the Endowment, improve our investment horizon, decrease investment expenses due to lower investment churn, and leave distributions fully invested for a longer period. Over time, this will increase the health and value of the Endowment.

ENDOWMENT GOAL

The Houston Symphony Endowment has been key to the Society's financial stability.

Our goal is to increase the Endowment by **\$8 million** each season. Donations to the Endowment support concert activities, educational and community programs, and musician chairs. As of May 31, 2023, the value of the Endowment was **\$86 million**.

A robust Endowment allows us to make **meaningful plans** to further **enhance** our world-class music and deepen our work in our community.

Our goal is to grow the Endowment from its current value of around \$86 million to no less than \$180 million, five times our operating budget. This will ensure greater financial stability for the orchestra as it brings to Houston world-class performances and educational programs for generations to come.

As we work to grow the Endowment, our signature *Endowed Musician Chair Program* is a key institutional priority.



WHY THE ENDOWMENT NEEDS TO BE FIVE TIMES THE OPERATING BUDGET

THE HOUSTON SYMPHONY ENDOWMENT:

- Provides a significant amount (\$4.4 million) of the Houston Symphony's annual operating budget, thus helping to ensure that the quality and quantity of the orchestra's work remains outstanding.
- Provides a source of consistent income during difficult economic times.
- Provides a foundation for growth in the Houston Symphony's second century.
- Helps maintain nominal ticket price increases, thus ensuring that our artistically excellent orchestral performances remain affordable for the widest possible audience.
- Supports the Symphony's Education and Community Engagement initiatives, allowing the Symphony to serve Houstonians from every walk of life.
- Ensures the permanence of Houston's oldest and largest performing arts organization.

HOW WE COMPARE TO OTHER ORCHESTRAS

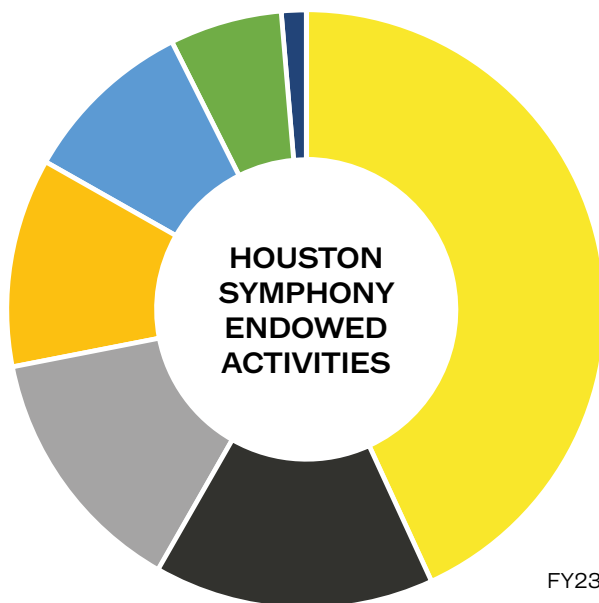
HOW WE COMPARE

NAME	BUDGET	ENDOWMENT	RATIO ENDOWMENT TO BUDGET
Chicago Symphony Orchestra	\$72.7	\$393	5.4
San Francisco Symphony	\$80.8	\$364	4.5
St. Louis Symphony	\$28.5	\$280	9.8
Cincinnati Symphony Orchestra	\$55.7	\$262	4.7
Cleveland Orchestra	\$51.1	\$261	5.1
Philadelphia Orchestra	\$50.9	\$224	4.4
Dallas Symphony	\$36.6	\$165	4.5
Pittsburgh Symphony	\$32.4	\$162	5
Houston Symphony	\$33.3	\$90	2.7

FY22 Operating Budget and Endowment of top national orchestras (in Millions)

A healthy arts organization needs its Endowment to be five times its operating budget to ensure its long-term stability and protection from the effects of financial downturn and other unforeseen events.

Now is the time to secure our financial footing to serve our great city.



PURPOSE RESTRICTION	MARKET VALUE AS OF 5.31.23	% OF TOTAL MARKET VALUE
Unrestricted	\$36,980,585	43%
Education & Community Programs	\$12,950,031	15%
Classical Concert Series	\$11,754,918	14%
Named Chairs	\$9,669,392	11%
Creative Initiatives	\$8,051,093	9%
Woodlands Concert Series	\$5,203,268	6%
Various Small Funds	\$1,149,378	1%
Total	\$85,758,665	100%

When you make a donation to our Endowment, you give a gift with **both immediate and long-term benefits**. It's a way to share your values and invest in the **longevity of our mission**.

FUNDING PRIORITIES: ENDOWED MUSICIAN CHAIRS AND NAMED FUNDS

Gifts to the Endowment, whether direct or via a planned gift, may also be made to support a **specific funding need**, such as the Classical Series Fund, Touring Fund, Education and Community, New Works, and the Music Director Fund, among others.

Endowment gifts may also be used to establish an **Endowed Chair** in the orchestra. Should you choose to endow a fund or orchestral chair, your legacy will be honored, and you will support a **specific program** or a **position of the orchestra** in perpetuity.

A chair can be named as directed by the donor, such as, for example, the *Mr. and Mrs. Jones Chair*. Should you elect to participate at this meaningful level, you will join a group of especially discerning and generous patrons who have chosen to invest in the future of the Symphony.

HOW IT WORKS:

1. Named Funds within our Endowment may be designated for general operating support or specific interests or programs, such as our Family Concert series, our New Works, or our Music and Wellness Program, among others. Support to the Houston Symphony Endowment can be made through a bequest, a gift during your lifetime, or a combination of both. When the minimum contribution of \$250,000 is funded, you can name your fund and determine its purpose.
2. Realizing more endowed musician's chairs is an institutional funding priority and we have a goal of establishing two new endowed chairs each season. A distinctive way to make a significant commitment to the Houston Symphony, each endowed chair allows the organization to become even more sustainable. It provides the Symphony with dependable funds to attract, retain, and support musicians of the highest caliber by creating a stable source of funding for our largest expense—the orchestra.

An endowed chair may be named in the donor's honor or may be supported anonymously.



AN ENDOWED ORCHESTRA CHAIR REQUIRES AN INVESTMENT OF:

- \$1.5 million for a **Section Chair**. We currently have over 60 orchestral positions in this category.
- \$2.5 million for an **Associate or Assistant Principal Chair**. We currently have 14 orchestral positions in this category.
- \$5 million for a **Principal Chair**. This position includes the Symphony's high-profile conductors and section leaders. We currently have 17 orchestral positions in this category.



ENDOW YOUR ANNUAL GIFT

Make a plan so that the programs and goals most important to you continue thriving after your lifetime.

If your annual gift is:	Amount needed to endow your gift forever:*
\$1,000	\$25,000
\$2,500	\$62,500
\$5,000	\$125,000
\$10,000	\$250,000
\$20,000	\$500,000

*At our current endowment spending level, 25 times an annual gift amount equals a perpetual gift.



A CASE STUDY OF BENEFITS

For many years, Susan has been writing a check for \$5,000 to our organization. She wants to continue this giving and create a legacy of support after her lifetime. She decides to update her estate plan and establish an Endowment gift in her will of \$125,000. When the gift is made, we use a portion of the Endowment each year to fund our programs and reinvest the remainder, allowing it to grow and support annual payouts indefinitely. This generous arrangement allows Susan to continue supporting our current needs each year during her lifetime and ensures she can support our future needs after her lifetime.

BUT WHAT IF SUSAN FAILS TO UPDATE HER ESTATE PLAN TO INCLUDE AN ENDOWMENT GIFT?

Sadly, Susan's plan will not reflect her longtime devotion to Houston Symphony. Her generous annual gift, which helped bring the beauty of classical music to our community for so many years, will no longer be available to fund important initiatives such as our programs in the community and bringing world-class guest soloists to perform with our orchestra.

WE CAN HELP

We would love to work with you to help you create a lasting legacy that honors your values for many years to come. Please contact us today to learn more about establishing an endowed fund with our organization.

ALLOCATION AND PAYMENT INFORMATION

The Symphony respectfully requests that 20% of all Endowment contributions be allocated to Campaign Operations of the current fiscal year. Campaign Operations provides immediate funding for current operational expenses.

Pledges made to the Houston Symphony Endowment may be paid out over time, ideally to be completed within four years of the pledge.

Pledges may be paid by the method of the donor's choosing, such as check, stock transfer, or another vehicle preferred by the donor.

Legal Name: Houston Symphony Endowment

Address: 615 Louisiana Street, Suite 102,
Houston, TX 77002

- Houston Symphony Endowment Federal Tax ID Number: 20-8350227
- Houston Symphony Society Federal Tax ID Number: 74-1157373



THANK YOU

A gift to the Houston Symphony is a gift to the entire Houston community. As its Endowment grows, the Symphony will be assured of continuing its century-long tradition of artistic excellence, education programming, and community engagement. By contributing to the Endowment, not only will you be taking a leadership role in it's growth, but you will also enrich the lives of Houstonians for many years to come.

NEXT STEPS

1. Seek the advice of your financial or legal advisor.
2. If you include the Houston Symphony Endowment in your plans, please use our legal name and Federal Tax ID.
3. Complete the Legacy Society Gift Intention Letter.
4. Let us celebrate your gift!



HOUSTON SYMPHONY

Jones Hall for the Performing Arts | 615 Louisiana Street, Suite 102 | houstonSymphony.org