

**Houston Symphony Society and
Houston Symphony Endowment**

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended May 31, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, 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.

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.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information provided for Houston Symphony Society and Houston Symphony Endowment in the consolidated statements of financial position as of May 31, 2025 and 2024 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Blazek & Vetterling

November 10, 2025

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statements of Financial Position as of May 31, 2025 and 2024

	2025			2024		
	HOUSTON SYMPHONY SOCIETY	HOUSTON SYMPHONY ENDOWMENT	TOTAL	HOUSTON SYMPHONY SOCIETY	HOUSTON SYMPHONY ENDOWMENT	TOTAL
ASSETS						
Cash	\$ 648,522		\$ 648,522	\$ 337,587		\$ 337,587
Receivable and other assets	516,727		516,727	321,655		321,655
Deferred production costs and other	538,676		538,676	878,663		878,663
Contributions receivable, net (Note 3)	3,203,722		3,203,722	9,499,053		9,499,053
Lease right-of-use assets, net (Note 5)	674,013		674,013	813,909		813,909
Property, net (Note 4)	1,210,861		1,210,861	1,214,759		1,214,759
Endowment contributions receivable, net (Note 3)		\$ 9,827,980	9,827,980		\$ 11,135,983	11,135,983
Investments (Note 6)		91,878,976	91,878,976		86,291,398	86,291,398
TOTAL ASSETS	\$ 6,792,521	\$101,706,956	\$108,499,477	\$ 13,065,626	\$97,427,381	\$110,493,007
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	\$ 1,211,862		\$ 1,211,862	\$ 1,223,383		\$ 1,223,383
Accrued expenses	1,504,982		1,504,982	1,228,471		1,228,471
Deferred revenue – ticketing	4,113,155		4,113,155	3,985,003		3,985,003
Deferred special event revenue	626,417		626,417	413,110		413,110
Due to (from) intercompany	300	\$ (300)		265,002	\$ (265,002)	
Notes payable (Note 7)	2,192,000		2,192,000	13,359,488		13,359,488
Lease liabilities (Note 5)	698,415		698,415	796,438		796,438
Promissory note – intercompany (Note 7)	1,947,847	(1,947,847)		1,973,513	(1,973,513)	
Total liabilities	12,294,978	(1,948,147)	10,346,831	23,244,408	(2,238,515)	21,005,893
Commitments (Note 6)						
Net assets (Note 9):						
Without donor restrictions	(8,859,084)	207,197	(8,651,887)	(13,998,863)	201,286	(13,797,577)
With donor restrictions (Note 8)	3,356,627	103,447,906	106,804,533	3,820,081	99,464,610	103,284,691
Total net assets	(5,502,457)	103,655,103	98,152,646	(10,178,782)	99,665,896	89,487,114
TOTAL LIABILITIES AND NET ASSETS	\$ 6,792,521	\$101,706,956	\$108,499,477	\$ 13,065,626	\$97,427,381	\$110,493,007

See accompanying notes to consolidated financial statements.

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statement of Activities for the year ended May 31, 2025

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Public support:			
Contributions	\$ 22,909,912	\$ 3,171,472	\$ 26,081,384
Contributed nonfinancial assets <i>(Note 10)</i>	95,289		95,289
Special events	2,313,463		2,313,463
Cost of direct donor benefits	(778,938)		(778,938)
Concert, community programming, and education:			
Box office and subscription ticketing	13,025,221		13,025,221
Concert contracts and production revenues	1,020,162		1,020,162
Educational program fees	110,245		110,245
Other income	<u>509,985</u>		<u>509,985</u>
Total operating revenue	39,205,339	3,171,472	42,376,811
Net assets released from restrictions:			
Time and purpose restrictions	1,994,462	(1,994,462)	
Endowment distribution for Society operations	<u>4,482,403</u>	<u>(4,482,403)</u>	
Total	<u>45,682,204</u>	<u>(3,305,393)</u>	<u>42,376,811</u>
OPERATING EXPENSES:			
Program services:			
Artistic production	22,671,347		22,671,347
Education and community	<u>4,795,160</u>		<u>4,795,160</u>
Total program services	27,466,507		27,466,507
Supporting activities:			
Fundraising	4,537,958		4,537,958
Marketing and advertising	6,072,399		6,072,399
Management and general	<u>2,590,150</u>		<u>2,590,150</u>
Total expenses	<u>40,667,014</u>		<u>40,667,014</u>
CHANGES IN NET ASSETS FROM OPERATIONS	5,015,190	(3,305,393)	1,709,797
OTHER NONOPERATING:			
Net investment return – endowment	<u>130,500</u>	<u>6,825,235</u>	<u>6,955,735</u>
CHANGES IN NET ASSETS	5,145,690	3,519,842	8,665,532
Net assets, beginning of year	<u>(13,797,577)</u>	<u>103,284,691</u>	<u>89,487,114</u>
Net assets, end of year	<u>\$ (8,651,887)</u>	<u>\$ 106,804,533</u>	<u>\$ 98,152,646</u>

See accompanying notes to consolidated financial statements.

Houston Symphony Society and Houston Symphony Endowment

Consolidated Statement of Activities for the year ended May 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Public support:			
Contributions	\$ 17,830,393	\$ 10,663,712	\$ 28,494,105
Contributed nonfinancial assets <i>(Note 10)</i>	107,418		107,418
Special events	2,553,198		2,553,198
Cost of direct donor benefits	(783,687)		(783,687)
Concert, community programming, and education:			
Box office and subscription ticketing	10,678,793		10,678,793
Concert contracts and production revenues	667,035		667,035
Educational program fees	129,518		129,518
Other income	<u>353,228</u>		<u>353,228</u>
Total operating revenue	31,535,896	10,663,712	42,199,608
Net assets released from restrictions:			
Time and purpose restrictions	1,469,774	(1,469,774)	
Donor designation from Endowment to Society for capital projects	286,708	(286,708)	
Endowment distribution for Society operations	<u>4,314,460</u>	<u>(4,314,460)</u>	
Total	<u>37,606,838</u>	<u>4,592,770</u>	<u>42,199,608</u>
OPERATING EXPENSES:			
Program services:			
Artistic production	19,969,391		19,969,391
Education and community	<u>5,046,608</u>		<u>5,046,608</u>
Total program services	25,015,999		25,015,999
Supporting activities:			
Fundraising	4,049,360		4,049,360
Marketing and advertising	5,304,271		5,304,271
Management and general	<u>2,683,073</u>		<u>2,683,073</u>
Total expenses	<u>37,052,703</u>		<u>37,052,703</u>
CHANGES IN NET ASSETS FROM OPERATIONS	554,135	4,592,770	5,146,905
OTHER NONOPERATING:			
Net investment return – endowment	<u>108,851</u>	<u>9,733,911</u>	<u>9,842,762</u>
CHANGES IN NET ASSETS	662,986	14,326,681	14,989,667
Net assets, beginning of year	<u>(14,460,563)</u>	<u>88,958,010</u>	<u>74,497,447</u>
Net assets, end of year	<u>\$ (13,797,577)</u>	<u>\$ 103,284,691</u>	<u>\$ 89,487,114</u>

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, 2025

	ARTISTIC PRODUCTION	EDUCATION AND COMMUNITY	TOTAL PROGRAM SERVICES	FUNDRAISING	MARKETING AND ADVERTISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Payroll and related benefits	\$ 15,992,791	\$ 4,472,239	\$ 20,465,030	\$ 2,707,085	\$ 1,874,478	\$ 1,143,041	\$ 26,189,634
Professional and contract fees	4,024,188	42,720	4,066,908	311,473	1,149,885	429,982	5,958,248
Marketing and advertising				115,096	2,020,034	1,143	2,136,273
Occupancy	763,404	51,998	815,402	155,359	150,914	84,411	1,206,086
Production materials and equipment	816,560	61,972	878,532		17,625		896,157
Travel	665,274	46,007	711,281	32,461	10,765	35,942	790,449
Donor and subscriber cultivation – food and event supplies				652,755	63,514	8,718	724,987
Interest						601,646	601,646
Technology and communication	131,779	31,376	163,155	156,059	197,962	63,127	580,303
Bank and merchant fees				79,806	424,516	17,170	521,492
Office supplies and equipment	40,478	36,251	76,729	86,689	64,498	29,415	257,331
Depreciation	115,889	35,498	151,387	17,485	33,107	9,471	211,450
Insurance	41,377	9,404	50,781	45,138	47,019	24,450	167,388
Other	<u>79,607</u>	<u>7,695</u>	<u>87,302</u>	<u>178,552</u>	<u>18,082</u>	<u>141,634</u>	<u>425,570</u>
Total expenses	<u>\$ 22,671,347</u>	<u>\$ 4,795,160</u>	<u>\$ 27,466,507</u>	<u>\$ 4,537,958</u>	<u>\$ 6,072,399</u>	<u>\$ 2,590,150</u>	40,667,014
Cost of direct donor benefits – meals and venue							<u>778,938</u>
Total							<u>\$ 41,445,952</u>

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, 2024

	ARTISTIC PRODUCTION	EDUCATION AND COMMUNITY	TOTAL PROGRAM SERVICES	FUNDRAISING	MARKETING AND ADVERTISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES
Payroll and related benefits	\$ 14,319,003	\$ 4,713,759	\$ 19,032,762	\$ 2,585,192	\$ 1,753,517	\$ 1,169,655	\$ 24,541,126
Professional and contract fees	3,284,732	54,798	3,339,530	219,926	1,016,997	250,844	4,827,297
Marketing and advertising				105,585	1,702,848	661	1,809,094
Occupancy	704,814	44,721	749,535	113,946	102,169	63,881	1,029,531
Production materials and equipment	748,410	61,991	810,401		8,550		818,951
Travel	546,261	49,573	595,834	11,742	15,716	22,686	645,978
Donor and subscriber cultivation – food and event supplies		1,940	1,940	516,767	47,446	13,339	579,492
Interest						975,709	975,709
Technology and communication	114,780	33,376	148,156	141,695	147,089	52,738	489,678
Bank and merchant fees				86,119	374,585	27,793	488,497
Office supplies and equipment	53,624	35,088	88,712	70,730	59,004	34,476	252,922
Depreciation	89,442	32,708	122,150	11,668	23,712	6,668	164,198
Insurance	36,208	10,345	46,553	36,208	36,208	20,690	139,659
Other	<u>72,117</u>	<u>8,309</u>	<u>80,426</u>	<u>149,782</u>	<u>16,430</u>	<u>43,933</u>	<u>290,571</u>
Total expenses	<u>\$ 19,969,391</u>	<u>\$ 5,046,608</u>	<u>\$ 25,015,999</u>	<u>\$ 4,049,360</u>	<u>\$ 5,304,271</u>	<u>\$ 2,683,073</u>	37,052,703
Cost of direct donor benefits – meals and venue							<u>783,687</u>
Total							<u>\$ 37,836,390</u>

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 8,665,532	\$ 14,989,667
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized gain on investments	(5,855,154)	(8,562,434)
Contributions restricted to endowment	(1,640,464)	(8,003,205)
Depreciation and amortization	570,835	458,158
Loss on sale of assets		71,250
Changes in operating assets and liabilities:		
Receivable and other assets	(195,072)	9,025
Deferred production costs and other	339,987	(430,750)
Contributions receivable	6,295,331	(4,766,702)
Accounts payable and accrued expenses	264,990	839,143
Deferred revenue – ticketing	128,152	654,357
Deferred special event revenue	213,307	66,135
Lease liabilities	(317,512)	(306,550)
Net cash provided (used) by operating activities	<u>8,469,932</u>	<u>(4,981,906)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(21,107,697)	(17,760,096)
Proceeds from sales of investments	21,741,274	19,206,976
Net change in money market mutual funds held as investments	(366,001)	329,277
Proceeds from sale of assets		40,000
Purchases of property	(207,552)	(920,883)
Net cash provided by investing activities	<u>60,024</u>	<u>895,274</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(34,106,488)	(22,838,000)
Proceeds from notes payable	22,939,000	24,862,000
Proceeds from contributions restricted to endowment	2,948,467	1,817,301
Net cash provided (used) by financing activities	<u>(8,219,021)</u>	<u>3,841,301</u>
NET CHANGE IN CASH	310,935	(245,331)
Cash, beginning of year	<u>337,587</u>	<u>582,918</u>
Cash, end of year	<u>\$ 648,522</u>	<u>\$ 337,587</u>
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid for interest	\$505,173	\$869,474
Proceeds of donated securities	\$6,648,934	\$498,343

See accompanying notes to consolidated financial statements.

Houston Symphony Society and Houston Symphony Endowment

Notes to Consolidated Financial Statements for the years ended May 31, 2025 and 2024

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 of the Endowment is 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 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 utilizes its incremental borrowing rate. The Society elected to not separate the lease components and the non-lease components for real estate and equipment leases. 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.

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 40 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, and is evaluated regularly by management for impairment to cost. 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 net assets without 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. Ticket sales collected in advance of the symphony season are contract liabilities and are reported as deferred ticketing revenue. Deferred revenue from ticketing at May 31, 2025, 2024, and 2023 is \$4,113,155, \$3,985,003, and \$3,330,646, 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. 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 number of staff.

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.

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:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash	\$ 648,522	\$ 337,587
Receivables	271,752	63,311
Contributions receivable, net	13,031,702	20,635,036
Investments	<u>91,878,976</u>	<u>86,291,398</u>
Total financial assets	105,830,952	107,327,332
Less financial assets not available for general expenditure:		
Endowment investments less distributions approved for next fiscal year	(87,321,487)	(82,158,690)
Endowment contributions receivable	(9,827,980)	(11,135,983)
Operating contributions receivable due in more than one year	(635,359)	(1,093,423)
Restricted for purchase of instrument	(737,246)	(737,246)
Proceeds on endowment contributions not yet invested	<u>(300)</u>	<u>(265,002)</u>
Total financial assets available for general expenditure	<u>\$ 7,308,580</u>	<u>\$ 11,936,988</u>

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.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at May 31, 2025 consist of the following:

	<u>SOCIETY</u>	<u>ENDOWMENT</u>	<u>TOTAL</u>
Contributions receivable are expected to be collected as follows:			
Less than one year	\$ 2,609,407	\$ 4,473,952	\$ 7,083,359
One to five years	635,359	2,000,000	2,635,359
More than five years	<u> </u>	<u>4,250,000</u>	<u>4,250,000</u>
Total contributions receivable	3,244,766	10,723,952	13,968,718
Unamortized discount at rates ranging from 2% to 4.7%	(36,044)	(890,972)	(927,016)
Allowance for uncollectible contributions receivable	<u>(5,000)</u>	<u>(5,000)</u>	<u>(10,000)</u>
Contributions receivable, net	<u>\$ 3,203,722</u>	<u>\$ 9,827,980</u>	<u>\$ 13,031,702</u>

Contributions receivable at May 31, 2024 consist of the following:

	<u>SOCIETY</u>	<u>ENDOWMENT</u>	<u>TOTAL</u>
Contributions receivable are expected to be collected as follows:			
Less than one year	\$ 8,440,630	\$ 1,707,902	\$ 10,148,532
One to five years	1,169,334	6,500,000	7,669,334
More than five years	<u> </u>	<u>4,250,000</u>	<u>4,250,000</u>
Total contributions receivable	9,609,964	12,457,902	22,067,866
Unamortized discount at rates ranging from 4.4% to 4.70%	(75,911)	(1,316,919)	(1,392,830)
Allowance for uncollectible contributions receivable	<u>(35,000)</u>	<u>(5,000)</u>	<u>(40,000)</u>
Contributions receivable, net	<u>\$ 9,499,053</u>	<u>\$ 11,135,983</u>	<u>\$ 20,635,036</u>

Concentrations

At May 31, 2025, contributions receivable from five individual donors represent approximately 71% of total contributions receivable. At May 31, 2024, contributions receivable from four individual donors represent approximately 54% of total contributions receivable.

NOTE 4 – PROPERTY

Property consists of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 16,915	\$ 16,915
Instruments	2,375,409	2,118,439
Computers, information systems, and website development	409,285	401,352
Leasehold improvements	265,797	265,797
Furniture and equipment	154,034	154,034
Capital projects in progress	<u>28,066</u>	<u>155,211</u>
Total property, at cost	3,249,506	3,111,748
Accumulated depreciation	<u>(2,038,645)</u>	<u>(1,896,989)</u>
Property, net	<u>\$ 1,210,861</u>	<u>\$ 1,214,759</u>

NOTE 5 – LEASES

At May 31, 2025, operating lease right-of-use assets and lease liabilities for the Symphony included real estate and office equipment leases.

Office Rent

The Society entered into a lease agreement with CCM Cameron Esperson Owner, L. P. in October 2012 for a section of the building to be utilized for office space only. During the fiscal year, ownership of the lease transitioned to Interra Esperson, LP. Lease terms did not change as part of this transition. The Society is assigned a proportionate share of common area maintenance as an additional cost to the base rent.

In September 2022, 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. This lease relationship has been ongoing with renewals since 1989.

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.

The following table shows the components of lease costs for the year ended May 31:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 345,860	\$ 307,939
Variable lease cost	<u>186,862</u>	<u>139,409</u>
Total lease costs	<u>\$ 532,722</u>	<u>\$ 447,348</u>

Future scheduled minimum lease payments beginning June 1, 2025 for office rent are as follows:

2026	\$ 334,632
2027	267,569
2028	56,819
2029 and beyond	<u>24,000</u>
Total undiscounted cash flows	683,020
Less present value discount	<u>(30,268)</u>
Total present value of lease liabilities	<u>\$ 652,752</u>

Other information for office rent leases:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$322,961	\$326,999

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.

The following table shows the components of lease costs for the year ended May 31:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 32,792	\$ 32,899
Short-term lease cost	<u>1,298</u>	<u>1,298</u>
Total lease costs	<u>\$ 32,792</u>	<u>\$ 34,197</u>

Future schedule minimum lease payments beginning June 1, 2025 for office equipment are as follows:

2026	\$	22,682
2027		19,489
2028		6,023
2029		<u>0</u>
Total undiscounted cash flows		48,194
Less present value discount		<u>(2,531)</u>
Total present value of lease liabilities	\$	<u>45,663</u>

Other information for equipment leases:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$25,527	\$27,715

The weighted-average term and discount rate for operating leases outstanding are as follows:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term	2.9 years	2.5 years
Weighted-average discount rate	5.2%	4.7%

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 measured at fair value at May 31, 2025 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Mutual and exchange-traded funds:				
U. S. large-cap equity	\$ 26,468,000			\$ 26,468,000
International equity	15,116,820			15,116,820
U. S. Treasury and corporate bond	9,980,325			9,980,325
Money market	<u>3,301,514</u>			<u>3,301,514</u>
Total mutual and exchange-traded funds	<u>\$ 54,866,659</u>	<u>\$ 0</u>	<u>\$ 0</u>	54,866,659
Partnerships and other non-publicly traded funds at fair value using NAV as a practical expedient				<u>36,532,317</u>
Total investments measured at fair value				91,398,976
Land held for investment, at cost				<u>480,000</u>
Total investments				<u>\$ 91,878,976</u>

Assets measured at fair value at May 31, 2024 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Mutual and exchange-traded funds:				
U. S. large-cap equity	\$ 23,956,591			\$ 23,956,591
International equity	13,291,621			13,291,621
U. S. Treasury and corporate bond	10,532,820			10,532,820
Money market	2,935,513			2,935,513
U. S. mid-cap equity	1,735,494			1,735,494
Real estate	<u>347,807</u>			<u>347,807</u>
Total mutual and exchange-traded funds	<u>\$ 52,799,846</u>	<u>\$ 0</u>	<u>\$ 0</u>	52,799,846
Partnerships and other non-publicly traded funds at fair value using NAV as a practical expedient				<u>33,011,552</u>
Total investments measured at fair value				85,811,398
Land held for investment, at cost				<u>480,000</u>
Total investments				<u>\$ 86,291,398</u>

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

- *Mutual funds* are valued at the published NAV.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Partnerships and other non-publicly traded funds* are valued at net asset value as a practical expedient. The NAV is determined by the fund management based on the fair value of the underlying assets held by the fund. 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.

Partnerships and other non-publicly traded funds measured at NAV using the practical expedient are as follows:

<u>FUND DESCRIPTIONS</u>	<u>FAIR VALUE AT MAY 31, 2025</u>	<u>FAIR VALUE AT MAY 31, 2024</u>	<u>YEAR INVESTED</u>	<u>REDEMPTION TERMS AND RESTRICTIONS</u>	<u>UNFUNDED CAPITAL COMMITMENTS</u>
Hedge fund – global private equity and early stage venture capital	\$13,572,659	\$14,227,852	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 3 to 6 years, with remaining balance to be distributed over an indefinite period.	\$1,799,700*
Hedge fund – diversified strategies	\$7,380,479	\$6,594,929	2020	Quarterly with 70 days' notice and no further restrictions.	None
Global private equity fund	\$4,675,000	\$4,147,722	2021	Redemptions only at approval of fund management or upon fund termination in 2035.	\$1,762,471
Domestic real estate and infrastructure fund	\$2,801,196	\$2,885,269	2021	Quarterly with 95 days' notice and no further restrictions.	None
Three offshore private credit funds dealing in junior and senior lending	\$3,316,076	\$2,689,537	2021-2022	Redemptions only at approval of fund management or upon fund termination in 2026.	\$4,098,519
Global private equity fund – diversified pool fund	\$1,468,925	\$799,304	2022	Redemptions only at approval of fund management or upon fund termination in 2026.	\$3,781,250
Four offshore private equity funds dealing in private credit in infrastructure, real estate, secondary markets, middle and upper credit markets	\$3,283,080	\$1,274,898	2022-2024	Redemptions only at approval of fund management or upon termination. Funds terminate from 2026 to 2034.	\$8,250,320

<u>FUND DESCRIPTIONS</u>	<u>FAIR VALUE AT MAY 31, 2025</u>	<u>FAIR VALUE AT MAY 31, 2024</u>	<u>YEAR INVESTED</u>	<u>REDEMPTION TERMS AND RESTRICTIONS</u>	<u>UNFUNDED CAPITAL COMMITMENTS</u>
Private equity – technology and government	\$34,902	\$0	2024	No redemption terms as this is a closed end vehicle. Fund term end expected in October 2034 subject to two 1-year extensions.	\$2,965,097
Distressed estate and infrastructure	\$0	N/A	2025	No redemption terms as this is a closed end vehicle. Fund term end expected 10 years from final closing, with potential 2-year extension.	\$3,000,000
Domestic real estate and infrastructure fund	\$0	N/A	2025	Indefinite term subject to earlier dissolution and termination under certain circumstances.	\$2,500,000
Other	\$0	\$392,041	2014	Fund fully redeemed by May 31, 2025.	\$0
Investments measured at NAV using the practical expedient	<u>\$36,532,317</u>	<u>\$33,011,552</u>			<u>\$28,157,357</u>

*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 7 – NOTES PAYABLE

The Society has an available line of credit with a financial institution totaling \$13 million. Interest is payable monthly at a variable rate equal to 1.35% per annum over 1-Month Term SOFR (5.68% at May 31, 2025). Principal is due in full at maturity on March 25, 2028. The line of credit is guaranteed by the Endowment and requires the Symphony 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 \$2,192,000 and \$13,359,488 at May 31, 2025 and 2024, respectively. Interest expense totaled \$505,173 and \$869,474 for the years ended May 31, 2025 and 2024, respectively. Minimum future principal payments will total the line of credit balance upon maturity in 2028.

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, 2028. Principal payments are calculated at 1.35% per annum, and interest at 1-Month Term SOFR. Principal and interest payments are due quarterly. The initial draw on the promissory note was \$2 million, with an outstanding intercompany balance as of May 31, 2025 and 2024 of \$1,947,847 and \$1,973,513, respectively. As of May 31, 2025 and 2024, total interest and principal payments due to the Endowment were \$0 and \$8,819, respectively. The balance of this loan eliminates upon consolidation.

The sum of the outstanding principal and interest on the combined notes payable may not exceed \$13 million.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose:		
Instrument purchases	\$ <u>737,246</u>	\$ <u>737,246</u>
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>2,619,381</u>	<u>3,082,835</u>
Endowments subject to spending policy and appropriation:		
General endowment to support operations	44,579,998	43,639,321
Education and community programs	14,619,082	13,946,081
Named Chairs	13,012,605	11,391,167
Classical Concert Series	12,867,992	12,545,546
Creative initiatives	8,865,101	8,642,960
Woodlands concert series	5,482,482	5,438,827
Staff chairs	2,495,608	2,433,062
Chorus	<u>1,045,038</u>	<u>947,646</u>
Total endowments subject to spending policy and appropriation	102,967,906	98,984,610
Not subject to appropriation or expenditure:		
Land	<u>480,000</u>	<u>480,000</u>
Total net assets with donor restrictions	<u>\$ 106,804,533</u>	<u>\$ 103,284,691</u>

NOTE 9 – ENDOWMENT NET ASSETS

The Endowment was created to sustain, expand, and support the Society and its educational initiatives. Endowment assets include approximately 120 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 significant accumulated investment deficiencies at May 31, 2025 and 2024.

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, distributions 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 \$4,092,131 for 2025 and \$3,976,345 for 2024. In 2025 and 2024, \$40,579 and \$0, 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 \$114,861 in 2025 and \$86,330 in 2024. Additionally, distributions to reimburse the Society for the Endowment's fundraising, accounting, legal, and other administrative expenses totaled approximately \$400,000 and \$346,500 in 2025 and 2024, respectively.

Endowment net asset composition as of May 31, 2025:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		\$ 88,492,290	\$ 88,492,290
Accumulated net investment gains		14,955,616	14,955,616
Board-designated endowment funds	\$ 207,197		207,197
Endowment net assets	\$ 207,197	\$ 103,447,906	\$ 103,655,103

Endowment net asset composition as of May 31, 2024:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		\$ 86,851,826	\$ 86,851,826
Accumulated net investment gains		12,612,784	12,612,784
Board-designated endowment funds	\$ 201,286		201,286
Endowment net assets	\$ 201,286	\$ 99,464,610	\$ 99,665,896

Changes in endowment net assets are as follows:

	BOARD- DESIGNATED ENDOWMENT	WITH DONOR RESTRICTIONS ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, May 31, 2023	\$ 187,160	\$ 7,217,541	\$ 79,111,121	\$ 86,515,822
Contributions			8,003,205	8,003,205
Donor redesignation to the Society		(24,208)	(262,500)	(286,708)
Net investment return	108,851	9,733,911		9,842,762
Approved distributions:				
5% draw for Society operations	(8,395)	(3,967,950)		(3,976,345)
Expense reimbursement		(346,510)		(346,510)
Royalty and rental income distributions	<u>(86,330)</u>	<u></u>		<u>(86,330)</u>
Total distributions	<u>(94,725)</u>	<u>(4,314,460)</u>		<u>(4,409,185)</u>
Endowment net assets, May 31, 2024	201,286	12,612,784	86,851,826	99,665,896
Contributions			1,640,464	1,640,464
Net investment return	130,500	6,825,235		6,955,735
Approved distributions:				
5% draw for Society operations	(9,728)	(4,082,403)		(4,092,131)
Expense reimbursement		(400,000)		(400,000)
Royalty and rental income distributions	<u>(114,861)</u>	<u></u>		<u>(114,861)</u>
Total distributions	<u>(124,589)</u>	<u>(4,482,403)</u>		<u>(4,606,992)</u>
Endowment net assets, May 31, 2025	<u>\$ 207,197</u>	<u>\$ 14,955,616</u>	<u>\$ 88,492,290</u>	<u>\$ 103,655,103</u>

NOTE 10 – 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 has not been satisfied.

For the years ended May 31, 2025 and 2024, the Society accepted professional consulting, legal, and warehouse storage services valued at \$95,289 and \$107,418, respectively.

CONTRIBUTED NON-FINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	2025 REVENUE RECOGNIZED	2024 REVENUE RECOGNIZED
Legal	Professional legal services	None	Fair value based on comparative pricing.	\$45,289	\$57,418
Public relations/media services	Professional services – public relations	None	Fair value based on invoice billing.	\$50,000	\$45,000
Other		None	Fair value based on comparative pricing.		\$5,000
Total				<u>\$95,289</u>	<u>\$107,418</u>

Contributed nonfinancial assets are reported as supporting activities expenses.

NOTE 11 – COMMITMENTS

The Society has entered into non-cancellable artist contracts for 2026 performances. As of May 31, 2025, unpaid commitments under these contracts total \$1,247,474. If the Society cancels these contracts, it may remain liable for all or a portion of this amount.

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 \$740,387 and \$691,335 in 2025 and 2024, respectively, 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 2025 and 2024 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, 2025 and 2024:

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
		2025	2024		2025	2024		
American Federation of Musicians and Employers' Pension Fund (AFM-EPF)	51-6120204 Plan No. 001	Red 12/31/24	Red 12/31/23	Implemented	\$740,387	\$691,355	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.

On August 12, 2024, the AFM-EPF received approximately \$1.5 billion in Special Financial Assistance (SFA) through the American Rescue Plan Act of 2021 (ARPA). Under the rules for receiving SFA, the plan is still considered to be in critical status through the plan year ending 2051, even if it would otherwise not be in critical status based on the funding measures that apply to plans without SFA. That means that in future years, no matter its financial health, the plan is required to provide a Notice of Critical Status each year, and the plan's Annual Funding Notice will describe the plan as in critical status.

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 \$222,631 and \$182,325 in 2025 and 2024, 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 \$204,650 and \$201,473 in 2025 and 2024, respectively, to participant accounts.

NOTE 13 – 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 were completed and extended through July 31, 2027.

NOTE 14 – RELATED PARTY TRANSACTIONS

The Symphony has five Governing Directors and two Board of Trustee members that are employed by or are partners of vendors with which the Symphony conducts business. The Symphony has a conflict-of-interest policy whereby all Board of Trustee members with conflicts recuse themselves from voting on any decision which would impact the vendor choices. The Symphony has an agreement with a local law firm that provides the first \$20,000 pro-bono, with a 25% discount on the next \$20,000 each fiscal year. A Governing Director is a partner at this law firm and serves as the Symphony's General Counsel. During 2025 and 2024, the Society paid approximately \$76,000 and \$33,000, 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 2025 and 2024, the Society paid approximately \$79,000 and \$341,000, respectively, to the firm.

Consulting and marketing services utilized by the Society for the years ended May 31, 2025 and 2024 totaled \$107,000 and \$107,000, respectively, of which \$109,461 and \$45,000, respectively, 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 2025 and 2024, bank fees and interest of approximately \$914,000 and \$1,230,000, respectively, were paid to these financial institutions.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 10, 2025, 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.