DETROIT SYMPHONY ORCHESTRA
LEONARD SLATKIN *Music Director*

A COMMUNITY-SUPPORTED ORCHESTRA

Meeting of the Board of Directors
Thursday, February 13, 2014 / 4:00 p.m. – 6:00 p.m.
Robert A. and Maggie Allesee Rehearsal Hall / Max M. Fisher Music Center

AGENDA

1.	**Welcome and Introductions**	Phillip Wm. Fisher
	a. Establishment of a Quorum	Glenda Price
	b. Chairman's Remarks and Meeting Objectives	Phillip Wm. Fisher
2.	**Consent Agenda** (*action required*)	Phillip Wm. Fisher
	a. Approval of November 7, 2013 Minutes	
	b. Financial Statements as of 12/31/2013	
3.	**A board that is, to a person, fully engaged in . . .**	
	a. Fiscal Oversight	Mark Davidoff
	i. Cash Forecast as of 2/13/2014	Linda Lutz
	b. Resource Generation	Paul Hogle
	c. Strategic Thinking	Mike Keegan
	d. Governance and Human Resources	Bruce D. Peterson
4.	**Cultural Stewardship: Panel Discussion on Attracting Talent**	Janice Uhlig
5.	**A View from the Stage**	Randy Hawes Larry Hutchinson
6.	**Activating our Work Plans**	Scott Harrison
	a. Board Bingo Check In	
7.	**State of the Orchestra World: Reflections from NY & London**	Anne Parsons
8.	**Executive Session**	Phillip Wm. Fisher
9.	**Adjournment**	Phillip Wm. Fisher

Meeting: Board of Directors	Notes prepared by: Chelsea Kotula
Meeting date: Thursday, November 7, 2013	Location: Allesee Rehearsal Hall

Participants: Davidoff, DeVore, Endicott, Fisher, Fogleman, Frankel, B., Ganson, Glancy, Hawes, Hood, Horwitz, Hutchinson, Johnson, Kinglsey, Larson, Liebler, Marcero (via phone), Nelson, F., O'Reilly, Parsons, Peterson, Polk, Robertson, Savoie, Uhlig, Van Dusen and Wilder **Also present by invitation:** Evert, Harrison, Hogle, Lutz, Kotula, and Priester.

1. **Welcome and Introductions** **Phillip Wm. Fisher**
   Mr. Fisher welcomed the group and introduced new musician liaisons Randy Hawes and Larry Hutchinson. The memory of Byron "Bud" Gerson, father of Ralph Gerson, was also honored as he recently passed away. It was also confirmed that the members of the Board in attendance constituted a quorum in accordance with Article V. A. of the by-laws. Chelsea Kotula, Board & Volunteer Engagement Officer, spoke to the membership about the DSO's inaugural "Day of Service" and encouraged their participation in the event.

   Maestro Leonard Slatkin joined the meeting briefly and addressed the membership to convey his pride and optimism to return home and begin this season with new energy. He spoke about the repertoire for the concert that evening and the piece "Cyborg" that will be premiered. Maestro Slatkin also elaborated on the significance of webcasting and how it allows us to reach and diversity our audience, as well the importance of always moving forward to the next goal. He thanked the membership for their commitment to the DSO.

2. **Consent Agenda (*action required*)** **Phillip Wm. Fisher**
   A motion was duly made and supported, and the 11-7 Consent Agenda was submitted for approval. Linda Lutz, CFO, reported that the audit for Fiscal Year 2013 is not completely finished but is indicating a small surplus of $15,000. Ms. Lutz briefly reviewed the financial statement included in the Consent Agenda and summarized the fluctuations in revenues and expenses in the areas of: ticketing, rental, retail and food & beverage, and pension.
3. **A board that is, to a person, fully engaged in . . .**
   a. **Fiscal Oversight** **Mark Davidoff**
      Mr. Davidoff recapped the Fiscal Oversight session from the retreat and spoke about the focus on differentiating the roles of governance and management. He conveyed his appreciation for those who attended the session. Afterwards, Ms. Lutz returned to the podium and reviewed the cash forecast graph that was included in the materials packet. She reported that the DSO expects to draw on the line of credit in mid-November to fund payroll, pension, and other operating expense. Without additional bridge funding, we forecast to be fully drawn on the line of credit and out of cash in mid-February.

   b. **Resource Generation** **Chacona Johnson**
      Ms. Johnson thanked the membership, committee leaders and staff for helping the DSO achieve goal last year. Ms. Johnson reported that the Annual Fund is currently tracking ahead of last year with $425,000 in board commitments made already. The corporate campaign still needs help with connections and solicitations; anyone who is in a position to help raise corporate funds may contact Reimer Priester or Bill Kingsley. She then updated the membership on the status of the silent phase of the endowment campaign, reporting that almost $24M has been raised through verbal or written pledges. The solicitations have been structured around a "50/50" approach: 50% of the gift goes to operations, with the other 50% going toward permanent endowment. The Board Member solicitations are being mapped out by the campaign cabinet, but any members who feel they are in a position and ready to be solicited can contact Chacona or Anne. Mr. Fisher also returned to the podium to emphasis the importance of paying pledges early this year in terms of cash flow, and also asked the memberships to prepare itself for an endowment ask this year.

c. Strategic Thinking **Mike Keegan**

Mr. Keegan unfortunately was not able to attend the meeting, so Scott Harrison, Senior Director of Board Engagement and Strategy, shared the current work of the Board of Trustees. He reviewed the strategic options the Programming Committee is considering for proposal to the Board in December. A presentation will be made on behalf of the Programming Committee Chair Steve D'Arcy at the December 12 Annual Meeting.

d. Cultural Stewardship **Bruce D. Peterson**

i. **Discussion and approval of bylaw revisions**

The revision of the bylaws were updated to acknowledge the existence of the Governing Members program, simplify voting rights, update language about electronic communication, minimize the number of directors allowed to give less than the Governing Member level, adopt term limits, adjust the number of directors allowed to serve per the recent work of the Governance Task Force, add language about Emeritus Directors and Trustees, adjust the definition of a quorum and change the name of the one of the standing committees. A motion was duly made and supported, and the revised bylaws were submitted for recommendation to the Governing Membership at the Annual Meeting. No further discussed ensued.

ii. **Elect Directors**

A motion was duly made and supported to elect Robert Bluestein to the Board of Directors. No further discussion ensued.

iii. **Approve Trustee Nominations**

A motion was duly made and supported to appoint the eight proposed candidates to the Board of Trustees. No further discussion ensued.

e. A view from the stage **Randy Hawes/Larry Hutchinson**

Randy and Larry introduced themselves to the membership and expressed their enthusiasm and excitement to see what's happening offstage. They reviewed the successful trip to New York in September and how touring brings recognition to our orchestra, spoke about the 14 new members of the orchestra, congratulated Teddy Abrams on his new appointment as Music Director of the Louisville Symphony, and gave kudos to the staff for their incredible work with the many auditions last season and this season. They also previewed the technology component to the premier of "Cyborg" that will be performed later that evening.

4. Activating the Board Retreat

Mr. Fisher thanked those who attended the Board Retreat and spoke on the goal to convert the commitments that came out of the retreat into actions. Mr. Fisher noted the importance of holding ourselves and our peers accountable to the commitments required from the Board of Directors. He stated that the primary goals for this section of the agenda will be to consider how we many activate our goals and identify what resources are needed to be successful in accomplishing those goals. Each member was given their individual work plan and asked to work amongst his/her table to assess the two assignments.

Bernard Robertson, chair of the Nominating & Governance Committee, also spoke on the proposed draft rubric for evaluating expiring term renewals. The committee developed the rubric as a way to fulfill its duty for assessing members whose terms are expiring at the Annual Meeting, and based its contents off of the attributes that were identified by the Governance Task Force's work. The rubric was passed out to the membership for discussion and input, and they were also asked to reflect and complete a self-evaluation. The floor was opened up for discussion.

5. Executive Session Phillip Wm. Fisher

6. Adjournment Phillip Wm. Fisher

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Chairman's Report, February 2014

Happy New Year!

You may think that it's no longer respectable or even fashionable to start a greeting like that in February! Yet, in the history of the DSO, the beginning of 2014 will be seen as an epic victory by the entire family. The Joint Negotiations Committee raised the standard of our oneDSO culture another notch. They successfully proved that there's nothing we can't do when we work together. I'd like to again congratulate all members of the committee, the advisors and the entire organization for acting our way into a new reality.

We take this victory to heart, we live this culture and we insist that all of our relationships, whether internal or external, mirror what is real at the Detroit Symphony Orchestra. We no longer have patience for destructive behavior. We are one, facing challenges together with pride, spirit and persistence. I have never been more proud of the entire organization and the role each of you play in this evolution. Yet, no evolution continues without moving to the next level, a renewed spirit of generosity. Our very survival depends on this spirit. Simon Sinek, a New York Times bestseller, expresses this so well. Please accept this gift of clarity and fulfillment from me to stimulate the next phase of our success.



http://www.youtube.com/watch?v=8grVwcPZnuw&feature=youtu.be

As Simon says, generosity is doing something for someone else, expecting nothing in return. We are wired to be fulfilled when we extend ourselves to others. In our case, as lay leaders for the DSO, we committed to a fiduciary responsibility to sustain the organization and leave it better off than we found it. The more involved you are, the more fulfilled you'll be. Today's meeting will, once again, call you to action. The DSO needs you to stretch yourselves and cultivate others into our community. There has never been a better time to attach to success and lead it forward. Put your fingerprint on tomorrow's view of DSO legacy. Raise your standard of involvement.

To the future…together!

Phillip Wm. Fisher
Chairman

MAX M. FISHER MUSIC CENTER
3711 WOODWARD AVENUE · DETROIT, MI 48201
T 313.576.5100 · F 313.576.5101 · DSO.ORG

PHILLIP WM. FISHER, *Chairman*
ANNE PARSONS, *President and CEO*

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President's Report, February 2014

On the heels of DSO's triumphant announcements regarding our break-even fiscal year and the historic early settlement of our musician's contract, I have had the opportunity to spend time recently with colleagues and funders in Miami, New York (League of American Orchestra's Mid-Winter Conference) and London (Association of British Orchestras Conference). I'll speak more about this during the upcoming Board Meeting; however in the meantime, I wanted to share a few common themes and reactions.

Of course, everyone wants to hear about Detroit's bankruptcy and the fate of the DIA. I learned we are one of the most famous cities in the world right now (something we might all find a way to exploit) as well as one of the most misunderstood.

At the DSO, we have a habit of regularly asking: "What is the problem we're trying to solve?" We then say: "What's the vision we aspire to?" This usually leads to considering: "What are the barriers to success?" And we leave the best question for last: "What is the opportunity space and what possibilities can be realized as a result of this situation?"

When people successfully face challenges, we often see a consistent pattern of moving from a state of denial regarding the true nature of the crisis, to adopting short term fixes, to finally designing and implementing holistic turnaround plans with the long term in mind, which requires identifying leaders who use teams to realize a shared vision.

This observation serves as context for some common themes I experienced during my travels. I attended conference sessions that focused on audience behavior trends, digital strategies, the role of the musician in today's world, as well as conversations around diversity, pension, leadership capacity, collaboration, arts branding and messaging, and maybe most importantly, the intrinsic value of the arts in today's society.

In Great Britain, there was a prevalent fear of declining government funding and discussions centered on how to cope. The Association of British Orchestras produced a handsome pamphlet filled with 2012-13 data on orchestral activities, audiences, income and staffing. The City of London's Lord Mayor and her representatives consistently messaged the benefits of culture, crediting the arts in their assertion that London is the most sophisticated city in the world. The Chair of Arts Council England preached on the case for public support, citing the arts' impact on society, education and the economy.

In each circumstance I witnessed unwavering, passionate and intellectual expressions of deep belief in the value of arts and culture. Consistently these testimonials were veiled with a sense of fear, insecurity and doubt. Where was the tangible proof that what was said was really working? How does one find relief from the challenges brought on by an incessantly changing environment? If our value is so universally understood, why is there so much confusion and stress?

And then, the most fascinating part of all: all eyes consistently turned to Detroit! How have we managed? What was key to our success? What could others learn from us? People were inspired by our resilience, our adaptability, our willingness to honestly and transparently communicate our story. They were hungry for details, and I felt people experience what seemed like relief after hearing some of the specifics of our journey.

Never before has the world changed at a faster pace than it is happening today. I find myself caught between others' need to reflect on what has recently passed here in Detroit and my own feeling of urgency around moving forward. What is next for the DSO must be our primary focus, or the obsession with our story will quickly fade. While I continue to be considered the DSO's lightening rod, we all know that the team makes the sport and consistent wins come from having strength deep in the bench.

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As we work on what's next for us, our success depends on embodying a positive tension that will help secure results. While managing away from crisis, we will benefit from maintaining a sense of urgency. As we each deeply understand the fragility of our position, we will realize we cannot afford to lessen our pace.

I look forward to spending time together, one on one and collectively at this week's Board of Directors meeting, continuing our exploration of how the DSO leverages people, place and purpose to accomplish our vision and together (and individually) realize our goals.

In London, I closed one of my talks with the following:

Sometimes you create the wave; always ride the wave you've caught; and never stop looking for the next one!

See you Thursday,

Anne

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PHILLIP WM. FISHER, *Chairman*
ANNE PARSONS, *President and CEO*

Musicians' Report, February 2014

Auditions update

Results of recent auditions:

- **Timpani**: Two final candidates were given trial weeks (*) in January. Final decision will be made after the trial weeks.
- **Third Horn**: 2 finalists were heard in December and the winning candidate will play a trial week (*) in February.
- **Principal Oboe**: Final auditions were held in December and the winning candidate will play a trial week (*) beginning March 19.
  (*Note: Trial weeks are a critical part of the audition process when it is a titled position involving leadership concerns and significant solo exposure.)
- **Section Violin:** Auditions were held on January 20-22. There were four winning candidates that were offered contracts with the DSO. In future auditions, we hope to fill two more positions for Principal Secibd Violin and section violin.
- **DSO Fellowship:** The process for finding a new DSO fellow is ongoing. The preliminary round is done by listening to CD's submitted by candidates. Final candidates will be invited to audition in person on March 10. Our current Orchestra Fellow, Garrett McQueen recently won a bassoon position in Knoxville, TN.

Other auditions planned for this year are **Principal Clarinet** (March 17-19), **Principal Cello** (May 12-14), **Principal Bass** (May 19-20) and **section percussion** (June 16-19). If all these auditions produce winners and result in contracts being awarded, with anticipated retirements this season, we will be at 80 full-time musicians in the orchestra. Our full strength according to the contract is 85. Auditions next season will get us closer to our desired complement.

DSO Musicians out in the Community

Annual Farmington Day for Strings

The Farmington Day For Strings was started twenty-two years ago by Larry Hutchinson working with the Farmington music teachers and one of the Farmington administrators. The district string students are invited to a day of performing and coaching from DSO musicians and other local professional musicians. This first year a little over 300 students attended. This year there were 961 students participating. The picture you see is only the morning session, about half the participating students. It has grown so large that the day has to be divided into two sessions.

Om @ the Max

On January 26 the DSO held its very first Om @ the Max. This took place in the Music Box where 200 people were led through a tranquil yet challenging yoga class accompanied by live chamber music performed by a DSO string quartet consisting of violinists Jennifer Wey and Sheryl Hwangbo, violist Jim VanValkenburg and cellist Peter McCaffrey. The class was led by DSO Librarian Ethan Allen, who is also a certified yoga teacher and teaches at the Yoga Shelter in Grosse Pointe and Downtown Detroit. The event was conceived through collaboration between Ethan, DSO Patron Communications and Public Relations Manager Gabrielle Poshadlo and DSO Loyalty Programs and Strategy Manager Lindsey Evert. Despite the snow storm, the Music Box was packed with yoga that can be achieved when musicians and management come together to create new, innovative programs that utilize the vast talents of our musicians and bring people to the Hall for a truly unique experience that cannot be found anywhere else. mats and attendees enjoyed juices

and snacks afterward in the atrium lobby as well as a trunk show by Lululemon. By the end of the event 40 tickets had already been sold for the next Om @ the Max in April and social media was buzzing. This event shows the great things

IKEA Flash Mob

Shannon Orme, DSO Bass Clarinet and Gabrielle Poshaldo worked together to organize a "Flash Mob" event at the IKEA store in Canton. DSO musicians appeared out of nowhere and treated IKEA shoppers to a mini version of the last movement of Beethoven's Ninth Symphony. You can view our Flash Mob on YouTube at http://www.youtube.com/watch?v=86ukcgSnME0. This video has received over 28,000 views on YouTube!

Recognition and observations of our recent contract settlement

The settling of a contract that is mutually beneficial is always a great achievement, but this agreement is symbolic of much more.

- We settled not just early but eight months early. Never, to our knowledge, have we ever settled a contract even a few weeks early.
- The negotiations took place in an atmosphere of mutual respect, trust and openness.
- Both teams worked together to find solutions that would help resolve important issues for each side.
- The early settlement works for the benefit of the entire organization by helping us achieve our goals for both sustainability and artistic growth.

We appreciate the professionalism and dedication of our Joint Negotiations Committee. With this new contract, it is easy to recognize that the concept of oneDSO is very healthy and growing.

Randy Hawes, Third Trombone
Larry Hutchinson, Bass



Farmington Day for Strings



Om @ the Max

FY14 DSO DASHBOARD

as of February 5, 2013



An Ensemble of Distinction

target: 85
72
contracted musicians

target: 73
69
musicians participating in community engagement initiatives

target: 7
5
auditions heard

Patron Base

target: 4,500
4,470
classical subscribing households

target: 7,000
3,608
donor households

target: 250,000
56,500
webcast viewing households

target: 70,000
followers on:
26,000
15,500
2,050

The Bottom Line

target: $12.8M
$5.36M
total annual fund contributions

target: $1.8M
$1.13M
from board contributions

target: $6.75M
$5.18M
gross ticket sales

target: $4M
$500,000
cash on hand

Learning & Discovery

target: 1,350
657
Civic Youth Ensembles student musicians

target: 1,200
734
Soundcard holders

target: 70,000
5,833
children reached thru educational presentations

target: 10,000
8,424
patrons engaged in community experiences

Shining Brightly from the Woodward Corridor

target: $550,000
$122,000
net proceeds: rental/retail/ food&beverage

target: 250
84
"Live" days in The Max

target: 300,000
100,050
People engaged digitally

target: 3,000
1,274
Participants in next-gen events

target: 150
98
Nationally covered DSO stories



Dashboard Notes as of February 10, 2014

An Ensemble of Distinction

This Valentine's Day weekend (Feb. 14-16) we welcome two phenomenal artists in their DSO debuts: conductor Giancarlo Guerrero and pianist Daniil Trifonov. Trifonov was described by legendary pianist Martha Argerich as a pianist "having everything and more!"

The following week will be the last chance to hear the orchestra before our 10-day, 5-city Florida tour as we welcome back longtime favorite Hans Graf conducting Dvorak's magnificent 6th symphony. Also on that program, Benjamin Schmid makes his debut with the Korngold Violin concerto in performances both here at Orchestra Hall and on our Neighborhood Series.

The DSO continues to attract world class musicians for multiple auditions. We hope to announce a new Principal Timpani at the February 13 Board of Directors meeting. We are also pleased to report that one candidate is returning for a two week trial period for our Third Horn position. His trial period will include the Florida Tour. The Principal Oboe audition also yielded a candidate for a trial week, which is scheduled to be held in mid-March. While the Principal Second Violin audition did not result in a selection, close to ninety hopeful section violin candidates performed during twenty four hours of auditions across three days to show the committee and our Music Director what they have to offer. The final round presented six violinists, with four whose excellent performances rose above the rest – a remarkable yield of talent! The section violinists will join the orchestra starting in September.

Patron Base

Classical Subscribing Households

As of January 31, 2014, the DSO has 4,473 classical subscribing households towards a goal of 4,500 (99%), comprised of 3,488 households for Orchestra Hall and 985 households for the Neighborhood Series, including a near sold-out subscription audience at our newest venue in Canton. This compares to 4,261 classical subscribing households at the same time last year, of which 3,178 households were for Orchestra Hall and 1,083 households were for the Neighborhood Series.

Donor Households

Currently, 3,608 households have contributed to the Annual Fund. This compares to a virtually identical number of 3,637 households at this time last year.

Digital Media

Digital Media activity is off to a tremendous start in 2014. Since our November Dashboard, record engagement on our social networks garnered a 22% increase in our Facebook fans and a 41% growth in YouTube subscribers, fueled by new email campaigns and the success of our viral IKEA Flashmob video (youtu.be/86ukcgSnME0). The DSO staff extends a special thanks to bass clarinetist Shannon Orme and her colleagues for not only performing at IKEA, but for imagining and organizing the event.

Our first two Live from Orchestra Hall webcasts of the New Year showed similar progress, with approximately 5,000 viewers and listeners from a record 80 countries tuning in to hear both Hilary Hahn's performance and Carmina Burana, a substantial increase from our average fall viewership. Viewership is expected to grow further this spring due to a pilot nationwide partnership with PBS.org. Installation continues on our new robotic camera production system, generously funded by Al Glancy, the Ford Motor Company Fund, and the John S. and James L. Knight Foundation. The system, which is projected to be operational by mid-March, will raise production quality, increase distribution possibilities, and reduce operational costs.

In the coming weeks, the Digital Department will launch an exclusive DSO Florida Tour blog so patrons in Detroit and fans worldwide can follow the journey at dso.org/Florida.

The Bottom Line

Annual Fund Contributions

With very strong giving from our Boards, counterbalanced by Foundation giving which is substantially behind (driven by multi-year foundation grants expiring last year), the Annual Fund is at $5.36 million, $160,000 less than this time last year.

Individual Giving

The Boards campaign -- Directors, Directors Emeriti and Trustees -- is the brightest light in this year's Annual Fund with over $1.13 million in commitments, almost $450,000 ahead of last season.

The Gabrilowitsch Society (gifts of $10,000 or more) is also tracking strongly against last year with over $450,000 in gifts vs $300,000 at this time last year -- thanks in part to the hard work of inaugural society co-chairs Janet and Norm Ankers.

Governing Members (giving from $2,500 to $9,999), however, have been trailing for much of the year with over $333,000 from 102 households. Last season at this time saw 114 households contributing $400,000. This gap can be accounted for by a number of households increasing their giving and moving into the Gabrilowitsch Society. Major donor giving is at $783,000 compared to $700,000 at the same time last year.

Our Community Ensembles (individual gifts below $2,500), while slowly catching up, are also lagging behind last season. Currently 3,446 households are contributing $513,000, which is $18,000 behind this time last year. This is due primarily to a decrease in telefunding donations from lapsed donors and non-donating subscribers.

Institutional Giving

Corporate giving is ahead by $11,000 with $1.455 million in gifts recorded. Although slightly ahead of this time last year, with an aggressive goal of $2.4 million, corporate giving is not yet tracking at a pace necessary to achieve goal. Plans are in place to directly engage Directors and Trustees for a much-needed expansion of the solicitor base, along with a time-bound campaign to generate increased entry-level corporate gifts. **Please review the list of corporate giving prospects at the meeting.**

Foundation giving is almost $550,000 behind this time last year with just under $975,000 in total gifts reported against a goal of $3.5 million. The majority of this gap can be attributed to grant timing; however approximately $200,000 will prove difficult to renew and must be replaced by new or increased support from existing foundations. The Foundations team is submitting a number of applications over the coming months to new and lapsed prospects in an effort to fill this and the gap in Government funding. Government giving has raised $92,500 against a goal of $115,000. This number likely represents the year-end total.

Endowment

The endowment currently stands at $33 million, $11 million of which is controlled by the DSO under the direction of the Investment Committee. Fiscal year to date, we have collected approximately $4.677 million in endowment pledge payments. Blueprint 2023 assumes the collection of $15 million in endowment pledges in FY 2014.

oneDSO campaign

The oneDSO Campaign has raised $24,852,500 in gifts and pledges since September 1, 2013.

Of this total, $10,650,000 is allocated towards operations over five years ($735,000 of which is included in our annual fund numbers for FY14) and $14,202,500 towards the permanent endowment.

Current pledge schedules support $9,035,000 in contributions to be paid this year ($8,510,000 of which has already been received). This $9M in commitments will support both operations and permanent endowment.

In terms of meeting the FY14 Blueprint target for new, permanent endowment, we are currently behind plan.

	FY 14 BLUEPRINT REQUIREMENT	FY14 PLEDGED	FY14 PAID
Perm Endowment	$15,000,000	$4,955,000	$4,677,883

New oneDSO campaign gifts and pledge payments are critical to securing the DSO's short-term cash flow needs as outlined in Blueprint 2023, and campaign volunteers and staff are responding in force. Being at 30% of paid-in goal at mid-year is less than favorable. Approximately $26 million in proposals is newly pending since December 1, 2013.

The Campaign has also reinvigorated the DSO's fundraising plan towards promoting and soliciting legacy gifts. As a start, a recently developed and distributed gift confirmation form established in October 2013 resulted in the confirmation of 38 planned gifts as of January 2014. The estimated sum of these expected gifts is $11 million.

Special Events

The 2013-14 Season will see two major event initiatives in support of a $1.25 million net revenue goal:

Classical Roots

The 36th Annual Classical Roots Concert and Celebration will take place on Saturday, March 8, 2014, headlined by world-renowned soprano Kathleen Battle performing her Underground Railroad program of African American spirituals. Celebrating the contributions of African-Americans to classical music, Classical Roots 2014 will honor DSO Emeritus Director Dr. Robert E.L. Perkins and University of Michigan Professor Emeritus of Voice Dr. Willis C. Patterson. Led by Ellen Hill Zeringue of the Detroit Tigers and Janice Cosby Bridges of St. John Providence Health System, the event's Steering Committee consists of more than 30 Detroit-area citizens and corporate leaders.

In an effort to expand community engagement surrounding the project, Classical Roots activities will begin in February in honor of Black History Month with two free chamber music performances honoring Detroit's history as an important stop on the Underground Railroad: Sunday, February 16 at 2 p.m. at Second Baptist Church and Sunday, February 23 at 12:30 p.m. at the Detroit Historical Society.

With JPMorgan Chase returning as Presenting Sponsor, we have raised approximately $95,000 to date against a revenue goal of $150,000 and are on track to meet our target.

DSO Heroes Gala

[The following information is confidential in advance of a coordinated public announcement.]

We are delighted to report several recent major developments related to the annual DSO Heroes Gala. Celebrated composer and conductor John Williams is now confirmed to lead the DSO in a program of his greatest works accompanied by clips from corresponding films. On the second half of the program, Maestro Williams will be joined on stage by his long-time collaborator, the legendary director Steven Spielberg.

*******<u>Due to the artists' extremely limited availability, please note that the Heroes Gala date has changed to Saturday, June 14</u>.*******

The Heroes Gala commemorates the extraordinary men and women who impact the vision, values, and success of the DSO and Detroit. This year, we are thrilled to pay

special tribute to civic leaders and Detroit champions Dan Gilbert and Matt Cullen. In light of our newly ratified, three-year contract with our musicians, this is a particularly fitting year to recognize Dan and Matt's enormous impact on this process, dating back to their involvement in 2011.

The FY 2014 budget reflects net revenue goals of $650,000 for the Heroes Gala and $500,000 for a one-time special project. Given the significance of this year's programming, we expect a corresponding increase in event revenue and the opportunity to combine the two project goals. In addition to anticipated strong demand for gala packages and sponsorships, we plan to sell concert-only tickets for the first time in over a decade.

Volunteer Council

On November 21, 2013, the Volunteer Council held its 31st Annual Nutcracker Luncheon and Boutique at the Detroit Athletic Club. The relocation of this event from the suburbs to the city of Detroit at Michigan's premiere club brought a record crowd of 275 and a record profit in excess of $27,000, more than an 11% increase over 2012.

The 2014 Musical Feasts season begins on March 9, 2014 and features 18 events, beginning with a Classical Roots Celebration brunch. We look forward to our Celebrity Luncheon a few days later on March 11 at the DAC featuring world-renowned clarinetist Martin Fröst. The third Trumpeting Spring Fashion Show will take place on April 1 featuring fashions presented by Neiman Marcus at the Shenandoah Country Club.

To date, the Volunteer Council has raised $66,450 against a net goal of $125,000. With the launch of the 27th annual Musical Feasts and several large fundraisers slated for this spring, the VC expects to meet its goal.

Gross Ticket Sales

Through January 31, subscription and single ticket revenue is at $5.23 million towards a goal of $6.75 million.

Total subscription revenue is $3.32 million against a combined goal of $3.83 million (87%). For the third year in a row, we have grown the subscription base and subscription revenue for all products. With 2013-14 subscription sales winding down, and even with subscription sales ahead of last year's, we are projecting to be short of goal by $250,000. We will continue to repackage subscriptions to increase sales as much as possible; fortunately single ticket sales have exceeded expectations to make up part of the shortfall in subscriptions.

Subscriptions are on sale now for the 2014-2015 season with 284 packages having already been sold for a total of $70,680. Telemarketing for the new season begins immediately, focused on new acquisition efforts that aggressively grow our subscriber base, while print and electronic mailings are out for renewals. This year's subscription campaign launch marks the earliest in recent history, which will significantly expand the subscription sales calendar to support increased sales (and aid cash flow).

Cash on Hand/Financial Operations

Cash Flow: The DSO is currently in a negative cash position having borrowed $700,000 from the line of credit on January 30, 2014. We continue to conserve cash by deferring and eliminating all non-essential spending and drawing available cash from endowments. While we find ourselves in a better cash position than this time last year, we still have significant work to do to meet our FY14 operating cash needs. Without new or accelerated gifts and pledge payments, current trends suggest being fully drawn on the line of credit and effectively out of cash in mid-March. Clearly, collectively, we will not let this happen.

Operating results for the 4 months ended December 31, 2013 are positive against budget, reflecting a net operating surplus of approximately $1 million. This will normalize during the remainder of the year because the majority of this surplus is due to the timing of pledge payments as well as the timing of performance expenses. We are currently projecting to end this fiscal year with a balanced budget.

Revenue for the four months ended December 31, 2013 is approximately $270K over budget. Unfavorable variances in ticket and other earned revenue were offset by the positive variance in contributions noted above.

Operating expenses are under budget by approximately $750K due in part to the timing of performance and other indirect costs. In addition, we have permanent savings in orchestra and administrative staff costs due to savings in health care and also due to several budgeted staff positions that were intentionally unfilled as a temporary cost-saving strategy during the 1st quarter of the year.

Learning & Discovery

Individual and Small Ensemble Musician Activities

Since November, 22 DSO musicians have visited 2,813 students, grades 2-12, in 17 different schools throughout the Metro-Detroit area. In celebration of Martin Luther King Jr.'s birthday in January, the DSO traveled to the MLK High School in Detroit for the first ever in-school performance in this school, reaching 1,200 students as part of the Classical Roots educational engagement initiative. In an effort to enhance the relationships with the DSO's designated Neighborhood Residency Initiative locations, we currently have 30 educational presentations scheduled in eight communities through April.

Educational Concert Series (ECS)

2,980 students in November were provided the opportunity to experience a DSO performance at Orchestra Hall through ECS, and 6,349 students have reserved tickets to date for the March and May performances. While the same number of students will experience ECS this year, we are projecting to be $10,000 under goal. The goal was initially increased due to additional performances being added to the schedule, but due to participating schools' inability to contract afternoon busses, these performances were subsequently canceled.

Civic Youth Ensembles (CYE)

CYE remains unique among area educational youth music programs, providing exposure to world class artists and real world pre-professional performance experiences. Members from the Civic Orchestra performed along with DSO musicians for the Michael W. Smith: A Very Special Christmas show in December. International guest artist Midori continued our longstanding relationship during a visit to Detroit in December, working with the orchestra students at the University Liggett School and hosting a community master class featuring five CYE advanced string students. In February, Civic Jazz Orchestra students will perform alongside Fred A. and Barbara M. Erb Jazz Creative Director Chair Terence Blanchard for the Midwest premiere of the *Miles Davis and Gil Evans: Still Ahead* as part of the Paradise Jazz Series at Orchestra Hall.

Our Civic Youth Ensembles recruitment plan has earned a 3% increase since September 2013, with current enrollment at 657 students. Student fee revenue collection continues to exceed goal. To date, $203,900 has been collected -- a 27% increase from last season, with 89% of students paying full tuition and 11% receiving partial scholarship to ensure there are no financial barriers to Civic participation. Auditions for the 2014-15 season begin in March.

Patrons Engaged in Community Experiences

New Partner: This fall the DSO is proud to welcome another anchor partner to our community engagement initiatives in the wellness area, Oakwood Healthcare. Following several successful pilot programs during the 2012-2013 season, Oakwood has made an investment to secure DSO musicians for special performances throughout the system's four hospitals, in addition to the Oakwood Common senior living community in Dearborn. DSO ensembles will highlight special system-wide events, perform regular recitals and lobby concerts, as well as deliver special inspiration days for patients, families, doctors, nurses and hospital staff.

New Unique Projects: Two of our DSO core community engagement partnerships – American House Senior Living Communities and Detroit Medical Center Children's Hospital of Michigan – will be further enhanced through special collaboration with new DSO composer-in-residence Gabriela Lena Frank. Ms. Frank will work with a DSO string quartet and the American House choir to develop a composition that will incorporate and tell the stories of resident life experiences. Ms. Frank will also compose a reflective piece for DMC CHM that celebrates the lives of the many brave children and their families. This composition, also scored for string quartet, will be premiered at the annual DMC CHM memorial service in the spring 2015.

We encourage all directors to observe a community engagement activity. For more information or to schedule a visit, please contact Kareem George, DSO Managing Director of Community Programs at kgeorge@dso.org or (313) 576-5596.

Shining Brightly from the Woodward Corridor

Rental/Retail/Food & Beverage

As of December 31, 2013…

> Rental team has achieved net proceeds of $72,000 to date against an annual goal of $500,000. Shops at the Max has netted $34,102 to date against a goal of $50,000 and are projected to exceed goal, with staffing generously provided by the Volunteer Council.
>
> DSO Food & Beverage operation has netted $13,460 to date against a goal of $50,000.
>
> Altogether, the DSO has earned $122,000 in food and beverage, rentals and retail through December 31, 2013. We are tracking slightly behind goal due to certain recurring events being scheduled later this year than per usual. However, we are confident that sales will resume and match last year's trajectory.

The Max has been jumping this Fall with wide-ranging rentals including the Black Hip Hop Party and the Wayne Shorter & Esperanza Spaulding Jazz Festival Concert. We enjoyed two WSU Monday @ The Max Concerts, a reception for the staff of Valeo, the First Annual Flea in the D, the New MI Media Dinner, The Detroit Metropolitan Convention & Visitors Bureau Medical Advisory Council Dinner Meeting, and the Honda Holiday Party.

"Live" Days in the Max

The Max and Orchestra Hall were live 52 of the 61 days from November 1 to December 31, including 87 concerts, rental events, CYE instructional days, educational events, and conferences.

Next Generation

Under the leadership of Matt Lester, the Next Generation Committee continues to draw in new patrons through innovative events and valuable partnerships. The Mix @ The Max concert series has attracted 1,200 patrons over 4 nearly sold-out concerts. The series has earned $5K in net earned revenue to date, and is projected to net $10K by August. In January, Mix @ The Max audiences were introduced to Om @ The Max, an experience pairing a yoga class led by DSO librarian and yoga instructor Ethan Allen with tranquil chamber music performed by a DSO string quartet. With a packed house of 200 attendees and a waiting list, a second Om @ The Max has already been announced for April. This presentation was promoted in partnership with Yoga Shelter and Lululemon. Many other exciting partners are co-presenting events in February, including Cabaret 313 and the Assemble festival. These partners provide programming expertise for our expanding portfolio of @ the Max presentations in the Music Box and help us connect with new audiences not currently in our database or reached by our promotional efforts.

Opportunities for the Board of Directors to work with the Next Generation committee to host networking events will arise in the coming months.

Nationally Covered DSO Stories

Just days after the last board report issued in November, the DSO announced (in partnership with the General Motors Foundation) the $400,000 grant that will take the orchestra to Florida at

the end of this month. This announcement garnered local and national press in both the music and automotive sectors, including mentions in *The Wall Street Journal*, *Seattle Post-Intelligencer* and *Auto Remarketing.* Before the holiday, in conjunction with our Annual Meeting, the announcement of our first balanced budget in six years appeared in *The New York Times* and the Associated Press, along with extensive recognition in local media outlets. Despite staunch news competition, news of the new orchestra contract in January was well-received in local and national media. The announcement of a Minnesota Orchestra contract settlement the day before caused coverage challenges, but ultimately proved to be fertile ground for additional mentions of the DSO's successes and prominent quotes from Leonard Slatkin and Anne Parsons in major newspapers.

Recently, a video account of the DSO's flash mob at the Canton IKEA attracted interest from *Good Morning America* and ABC News in New York, along with appearances on IKEA's website and social media outlets, as well as a wealth of organic social media activity. With the majority of the season's big announcements now behind us, we believe the conception and eventual execution of similar novelty events are vital to perpetually positive, national and even international recognition.

Detroit Symphony Orchestra
Statement of Operations
For the Four Months Ended December 31, 2013

	4 Months Ended December 31, 2013				
	Actual	Budget	Variance Fav/(Unfav)	Notes	Annual Budget
Revenue:					
Ticket revenue	$ 2,331	$ 2,447	$ (115)	A	6,782
Education, Retail, Rental, and Catering	561	594	(33)		1,339
Contributions	4,433	3,856	577	B	13,041
Bridge Funding	2,238	2,400	(162)	C	4,200
Total Revenue	**9,564**	**9,298**	**266**		25,362
Operating Expense					
Orchestra	4,221	4,462	242	D	11,616
Other artistic and production	1,323	1,406	83		4,155
Education	152	167	15		478
Patron develop, engage & advancement	275	363	89	E	1,422
Advertising and marketing	567	642	75	E	1,742
Administration	2,579	2,824	245	F	7,881
Total operating expense	**9,116**	**9,865**	**749**		27,294
Net operating surplus/(deficit)	**448**	**(567)**	**1,015**		(1,932)
Non-operating items:					
Endowment income	671	627	44		1,932
Depreciation expense	(70)	(56)	(14)		-
Total non-operating income/(expense)	**601**	**571**	**30**		1,932
Net surplus/(deficit)	**$ 1,049**	**$ 4**	**$ 1,045**		-

Detroit Symphony Orchestra
Operating Income Statement
For the Four Months Ended December 31,2013
Notes

A Unfavorable variance in ticket sales is due to lower classical and pops subscriptions sales than originally budgeted. The variance will be offset in part by strong single ticket sales.

B Favorable variance in contributions is attributable to the timing of corporate and individual Annual Fund pledges and receipts.

C FY 2014 bridge funding is encorporated with the OneDSO endowment campaign. The unfavorable variance in Bridge Funding is due to the timing of the receipt of campaign pledges.

D Favorable variance in orchestra costs is due in part to the timing of orchestra payroll, and also due to savings in healthcare costs. We expect the healthcare savings to carry through to the end of the year.

E Favorable variances in non-orchestra operating expense is timing related and will normalize during the remainder of the year.

F Favorable variance in Administrative Expense primarily due to savings in health care costs and the intentional delay in filling several budgeted staff positions.