

Fwd: Financial Review Results

From:
Subject: Fwd: Financial Review Results
Date: September 5, 2013 2:29:31 PM CDT
To: Dick Bernard <dick_bernard@me.com>

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From: Minnesota Orchestra
Date: Thursday, September 5, 2013
Subject: Financial Review Results
To:

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Minnesota Orchestra

Dear

Earlier this week, we released an independent review of the Minnesota Orchestra's finances that was conducted by the New York firm AKA Strategy. This financial assessment was undertaken at the musicians' request and paid for by the Minnesota Orchestral Association in order to provide an additional objective, third-party view of the Orchestra's financials in the midst of our long labor dispute.

Conducted by AKA Strategy's Managing Director Anthony Knerr—formerly Vice President of Finance for Columbia University—the report assessed the scope of the Orchestra's financial challenges and tested the reasonableness of the financial assumptions in our Strategic Plan.

We want you to have direct access to the results of the Knerr Report, which finds:

- "The Orchestra has prepared a thoughtful and analytically reasonable Strategic Business Plan that seeks to promptly balance its operating budget and achieve financial equilibrium and thus reverse a recent pattern of growing and unsustainable annual operating deficits."
- "If not corrected, its growing operating budget deficits could ultimately result in the Orchestra completely spending down its endowment."
- "It is unrealistic to think that the Orchestra can fundraise its way out of its current financial difficulties."
- "The one expense area not substantially touched over the last several years has been total musicians' expense...While [the proposed decrease] may appear to be draconian in size and timing, the Orchestra has no other recourse but to bring that cost element in line and construct a smaller operating budget that can be supported by a realistic view of fundraising and earned revenue."
- "The Orchestra will continue to be confronted with serious and persistent budget pressures going forward."

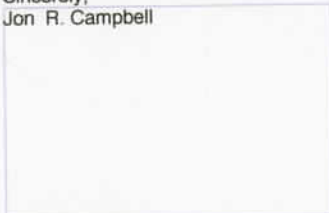
We invite you to [read the news release](#) that provides a further summary of the Review or to [access the complete text of the Review itself](#) (pdf).

This review is significant in that it is now the *third* independent financial assessment the Minnesota Orchestra has undergone over the last year that emphasizes the serious financial challenges facing our organization. (The first was our standard annual audit conducted by CliftonLarsenAllen, revealing a \$6 million deficit for FY2012, and the second was a review by the Minnesota State Legislative Auditor that confirmed the Orchestra has been a good steward of public funds.) The Board needs to address these financial challenges for the long-term good of the organization.

We have asked our musicians to acknowledge that these problems are real and join us at the negotiating table to resolve them—as so many other orchestras have done, including the Saint Paul Chamber Orchestra. There are many ways we can structure a contract, but we need to do so collaboratively. We have shared with the Union that we are ready to meet anytime, anywhere—to discuss either our compromise proposal or one that the musicians present.

We will keep you updated as this situation unfolds further. Thank you for your support.

Sincerely,
Jon R. Campbell



Jon R. Campbell
Minnesota Orchestra Board Chair

Michael Henson



Michael Henson
Minnesota Orchestra President and CEO

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