Quick Cash

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The Chicago Area Runners Association (CARA) had already tumbled into a financial abyss by the time I was hired--its fourth CEO in as many years. The annual budget was wildly optimistic, the insurance settlement from a recent office fire was 25 percent lower than anticipated, payables were three months in arrears, and the computerized membership and financial records had been destroyed in the fire. Revenue for the small organization (with a budget of less than $500,000) had shrunk by more than half, customer service had deteriorated, and the association quickly sank into debt. We needed money, and we needed it quickly.

So we embarked on a hopeful plan to cut expenses, increase income, and improve member services. In the process, we downsized three times during my first year until I was the only staffer remaining. In an effort to find creative ways to rebuild with other people's money, I suggested selling bonds to begin financing our turnaround.

Legally, the "bond" was no more than an unsecured loan, but we marketed and administered it as if it were a bond. An attorney drafted a bond certificate and ensured we didn't run afoul of securities law. Two-year bonds were sold in $1,000 increments with eight percent annual interest (two points higher than conventional investments at the time) paid at maturity. We were advised to have no more than 40 bonds outstanding at any time.

We published the bond sale in our newsletter and sent a brochure and solicitation letter to a target group--long-time members, members residing in high-income ZIP codes, members engaged in high-income occupations, and members identified by a past president as prospects. The results were unexpected. One member bought five bonds in his child's name. An out-of-state financial advisor directed a member client to purchase two bonds.

Most bond holders renewed their investments, and those who chose to cash out were paid. We sold $48,000 in bonds during a four-year period, and some investors were disappointed when we finally called in the outstanding bonds seven years after the initial offer. One member converted his investment to a donation.

The bond sale accomplished two things: It raised cash unavailable from other sources, and it built member confidence in our turnaround strategy by demonstrating our financial savvy and our ability to conduct unique activities to grow the association.

Ultimately, CARA's turnaround was extremely successful. We wiped out a horrendous debt, more than doubled membership and special-event attendance, tripled revenue, increased sponsorship income, and vastly expanded our educational programs. The bond program was only a small part of our financial recovery, but it was a critical first step in the subsequent growth of a now-vibrant member association.

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