

FINANCIAL STRATEGY DRAFT FOR ELSA GROUPS

FM
2020/2021



elsa

The European Law Students' Association

FOREWORD

Dear ELSA member,

This is the Financial Strategy Draft of ELSA, a document that will provide the support for you to start your long-term financial plans. Thus, ELSA offers you additional support in implementing your Financial Strategy in your Regulations or if you require any kind of advice concerning your goals.

If you have any questions, you can always contact the Treasurer of the International Board of ELSA at treasurer@elsa.org or the Director for Financial Strategy at financialstrategy@elsa.org.

Make sure that your future will be bright!

Yours sincerely,

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Treasurer

International Board of ELSA 2020/2021

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What is a Financial Strategy?

It is a *financial plan, a roadmap, or a vision* for the successful operation of a business or an association.

For a nonprofit association, the target is not about profitability, but about the aim and the mission that the association wants to achieve, because money must be seen as a tool not a goal.

The purpose of ELSA as a nonprofit organisation is to contribute to legal education, to foster mutual understanding and to promote social responsibility among law students and young lawyers. It needs to be financially secure to be effective in accomplishing its mission.

The main goal of a Financial Strategy is to establish a long-term plan that will support in defining our use of resources and how to make them grow in the interest of the association. Also, the Financial Strategy of an ELSA Group represents a collection of ideas and actions that determines the long-term outcome of each group.

To conclude this point, we need to understand that this is a financial management tool, complementary to the long-term strategic planning in ELSA.

Sections

1. Where are we now?

This section summarises where the organisation is at the start of the strategy. This includes an assessment of the key risks facing the NGO and the opportunities and resources it has available.

2. Where would we like to be?

This section summarises key financial targets for three to five years' time and is informed by the risks and opportunities identified in the first section. It will include as a minimum:

- ☐ The **desired funding mix** – the balance and sources of restricted and unrestricted funds and grants.
- ☐ **Donor dependency** – linked to the funding mix, this is the realistic and appropriate level of funding to accept from donor agencies (expressed as a percentage of overall income).
- ☐ **Level of general reserves** – usually expressed as the number of days that the organisation could continue without external funding.

3. How do we get there?

This is the 'meat' of the financing strategy. It describes what actions you will take each year to finance the strategic plan and achieve the financial targets identified in the second section.

This might include sections on:

How to increase the mix and level of unrestricted funds.

- How to finance core costs.
- How to build up reserves.
- How to replace and maintain fixed assets.
- How to apply funds to achieve maximum benefit.

This Means ...

- **Do not Plan for Short Periods.** This means long term planning, to obtain results for future generations and to ensure the continuity of the organisation.
- **Evaluating Financial Performance.** ELSA Groups should understand the cycles of revenue and expenses. In a nonprofit organisation, this is accomplished through an understanding of the dynamics and tendencies of its donor base and the schedule of its revenue-generating activities.
- **Cash Flow Budgets.** Establishing a budget for each financial year of operating expenses, evaluating the cash flows of your ELSA Group, adjusting both using the long-term goals fixed by the Financial Strategy Plan of your ELSA Group.
- **Budgetary control activities.** Analysing the performance of the event or project is an important measurement to any ELSA Group. Budget controlling each activity will help you with this analysis.

- **Establishing Income Strategy.** ELSA settles how to obtain more revenue from other sources (Funds, Grants, Partnerships, Online Advertisement), stipulating goals and providing better information.
- **Fixing Investment Policy.** In order to be aware and retain your liquidity; invest in supply needs to generate more money.
- **Developed analysis about each Financial Accounting Report,** with the intention of improving short term financial goals.

Each area and each respective officer should participate in these processes, as the sharing of information improves decision-making and, most often, financial results.

Composition

The Financial Strategy of ELSA International is composed of 3 stages:

- 1) Implementation** (describing the way that the Financial Strategy must be adapted and maintained).
- 2) Focus** (the fundraising and expenditure focuses of the respective Financial Strategy).
- 3) Execution** (specifying the focus part on a technical level by determining the ratios, or individual amounts of the income or expenses stated, exposing which measures should be taken regarding this).

Procedures

1. General

- 1.1. The Financial Strategy of ELSAis intended to support the long-term strategic goals of ELSAand to ensure financial stability for the Network.
 - 1.1.1. This financial stability will be created by ensuring continuity in the Financial Management decisions of ELSA
- 1.2. Maintaining and adhering to the Financial Strategy of ELSA shall be the responsibility of the National Board of ELSAand, more specifically, the Treasurer of ELSA
- 1.3. A Working Group on the Financial Strategy of ELSA shall be established.

2. Working Groups

- 2.1. The purpose of the Working Group on Financial Strategy shall be to ensure that the current financial plan matches the financial situation that ELSA is in at that point of time.
- 2.2. The Working Group shall also be responsible for helping to create a new Financial Strategy in the last year of implementation to ensure that the Network's views are considered.
- 2.3. The Working Group should consist of:
 - 2.3.1. The President of ELSA, who shall ensure coherence between

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- the Draft Financial Strategy and the strategic goals of ELSA
- 2.3.2. The Treasurer of ELSA, who shall provide the Working Group with technical knowledge, relevant financial information about ELSA, and the accounting data necessary for the Group to undertake such financial analysis.
- 2.3.3. The current FM officers from Local Groups in the ELSA Network, or a representative from their Local Group in their stead.
- 2.4. The Working Group is automatically dissolved upon the closing of the second National Council Meeting of the term.

3. Drafting Procedure

- 3.1. During the final year of implementation of the ongoing Financial Strategy, ELSA shall issue an open call for the FM officers for a Working Group on Financial Strategy before the Autumn National Council Meeting.
- 3.2. The Working Group shall create a Financial Strategy proposal to be presented during the Spring National Council Meeting of the term for approval of the Council.

4. Implementation Procedure

- 4.1. During the last term of implementation of the current Financial Strategy the proposed Financial Strategy shall be adopted by a simple majority of the National Council for a period of three years.

- 4.2. Should the National Council reject the proposed Financial Strategy, the implementation of the current Financial Strategy continues until a new Financial Strategy is approved by the National Council.
 - 4.3. The Treasurer of ELSA..... Shall present a summary of the progress made in their year at each Spring National Council Meeting, alongside the presentation of the budget.
5. **Provisional changes to the Financial Strategy of ELSA**
- 5.1. Should the financial situation of ELSA change in a significant manner which would render the further implementation of the Financial Strategy unreasonable, the Treasurer of ELSA shall provide the National Council of ELSA with a justified explanation of the situation and request an approval of provisional changes.
 - 5.1.1. Should the provisional changes be approved by the National Council of ELSA, the Treasurer of ELSA shall present a summary of the changes for approval at the following National Council Meeting.

6. Evaluation of the Implementation of the Financial Strategy of ELSA

- 6.1. In the final year of implementation, the Treasurer of ELSA shall evaluate the implementation of the Financial Strategy in the Network.
- 6.2. Any recommendations arising from the evaluation shall be included in the next proposed Financial Strategy of ELSA. For the Network's benefit.
- 6.3. The evaluation shall summarise the financial situation of the National Group during the Financial Strategy term against the targets stated.
- 6.4. The Treasurer of ELSA shall distribute the evaluation to the National Network, along with the proposed Financial Strategy of ELSA..... The Network will have the opportunity to provide feedback concerning both documents before they are put to the National Council.

GUIDE

THE FINANCIAL STRATEGY OF ELSA Year x - Year y

1. Fundraising

Defining Priorities about fundraising....

(According to the current structure of the Financial Strategy of ELSA International):

- 1.1. *Partnerships should become a more prominent source of income for ELSA*
- 1.2. *ELSA shall:*
 - 1.2.1. *Option for an outreach strategy which embraces a more diverse, wider spectrum of partners.*
 - 1.2.2. *Focus on partners whose duties can reach the needs of ELSA members, including in-kind agreements.*
 - 1.2.3. *Utilise their partners' specialities and collaborate with them in their projects and campaigns.*
- 1.3. *The fundraising potential and the reputability of ELSA shall be increased.*
- 1.4. *ELSA shall:*
 - 1.4.1.1. *Research the different networking opportunities in the field of law.*
 - 1.4.1.2. *Invest in sending members of the Board of ELSAto these events.*

2. Membership Fee

Defining Priorities about Membership Fee

(According to the current structure of the Financial Strategy of ELSA International):

- 2.1. *The Membership Fee should not be considered as a common source of income. When the financial status of ELSA allows ELSA should review the current cost per local group.*
- 2.2. *ELSA shall:*
 - 2.2.1. *Reassess the Membership Fee:*
 - 2.2.2. *Link the Membership Fee amount to tangible costs of ELSA’s expenses (address, marketing needs, allowances, etc.).*

3. **Professionalisation**

Defining Priorities about Professionalisation

(According to the current structure of the Financial Strategy of ELSA International):

- 3.1. *The sustainability and transparency of ELSA shall be ensured through consulting professionals.*
- 3.2. *ELSA shall:*
 - 3.2.1. *Start a relationship with an accounting firm.*
 - 3.2.2. *Set up a reliable way to get legal advice.*
 - 3.2.3. *Invest in equipment used to produce high quality marketing materials, such as studio equipment, and reliable, job-specific hardware and software as needed.*

4. Reserve

Defining Priorities about Reserve....

(According to the current structure of the Financial Strategy of ELSA International):

- 4.1. *A reserve shall be reconstituted equal to 50% of the annual income to solve liquidity issues.*
- 4.2. *ELSA shall:*
 - 4.2.1. *Capitalise 5% of ELSA’s total income every year until this goal is reached.*
 - 4.2.2. *Update Local Groups on the state of the reserve at every National Council Meeting, alongside the presentation of the Budget.*
 - 4.2.3. *Ensure that a reserve is accounted for in each National Board Project that requires a payment.*

5. National Board Support

Defining Priorities about National Board Support....

- 5.1. *The National Board of ELSA shall gain legal responsibility for ELSA’s continued existence with the introduction of CIC.*
- 5.2. *ELSA shall:*
 - 5.2.1.
 - 5.2.2. *Investigate the possibility of remuneration for board members at a level appropriate for their time commitment to the organisation.*
 - 5.2.2.1. *This provision shall only be attempted if the financial situation of ELSA allows for it.*

6. ELSA Support Fund (For the National Groups with Internal Funds or Foundations)

Defining Priorities about National Support Funds....

- 6.1. *The increased expense of hosting and attending ELSA events domestically and abroad should not be prohibitive to potential Local Group and Individual Members.*
- 6.2. *The ELSA shall:*
 - 6.2.1. *Investigate the creation of a sustainable fund to be available to all ELSA Local Group and Individual Members upon application to the fund for support in travelling to and participating in ELSA International and ELSA events.*
 - 6.2.2. *Communicate with ELSA Alumni regarding potential contributions.*