

## 1. POLICY

- 1.1 This policy is put into effect to ensure the Nature Society Singapore (NSS) is in compliance with “The Code of Governance for Charities and IPCs (2017) (Guideline 6.4) that states: “The charity should develop a reserves policy and disclose its reserves policy in its annual report.”
- 1.2 This policy shall serve as a guide for NSS to manage its financial resources. With the approval of the policy by the NSS Executive Committee (hereafter “NSS EXCO”), this policy enables the organisation to better manage its current needs and plan for future developments and to determine if the organisation is holding too much or too little reserves for its future expenditure.
- 1.3 NSS shall ensure there are adequate reserves to ensure continuity and sustainability of its programmes and operations during challenging times.

## 2. DEFINITION OF RESERVES

- 2.1 The term "Reserves" means funds that are freely available for an organisation’s operating purposes, which are not subject to prior commitments, planned expenditure and spending limits.
- 2.2 In the context of NSS, “Reserves” refer to the unrestricted funds of NSS as disclosed in the annual audit report, or for computation purposes, it refers to total assets less total liabilities less restricted funds and associated restricted expenses arising from restricted funds.

**Formula:**

**Reserve Ratio**

= Ratio of Unrestricted Funds (UF) to Annual Operating Expenditure (A/E) of Unrestricted Funds

= **Ratio of UF / AE(UF)**

= **Ratio of UF / [AE – AE(RF)]**

## 3. OBJECTIVES

- 3.1 While the objective is to maintain a constant level of reserves to ensure long-term financial sustainability, the reserves should not be excessive but at a sufficient level to create financial security amongst donors, supporters and employees.

## 4. GUIDING PRINCIPLES

- 4.1 As a guide in determining the “sufficient level” of reserves, the NSS EXCO shall consider how much reserves are needed to ensure uninterrupted operations that enable the organization to carry on with its core activities even during the most challenging situations.
- 4.2 Challenging situations are those that, to a certain extent, may threaten the continued existence of the organization such as significant reduction in donations, reduced or non-existent funding streams for core programmes, and/or annual revenue generated by other

means and any other sources that is adversely affected by events, Government directions or circumstances beyond the control of the NSS EXCO.

## **5. MANAGEMENT OF RESERVES**

- 5.1 Nature Society Singapore aims to maintain a **reserves ratio of 1 or more**, which is equivalent to more than 1 year of operating expenses.
- 5.2 From time to time, and as deemed fit, the NSS EXCO has the authority to determine the reserve ratio but the forecasted net deficit of the financial year should not exceed 30% of the audited unrestricted funds in the prior financial year.
- 5.3 All expenditure for activities incurred using restricted funds should not exceed the amount of restricted funds available at any point in time. In the event that expenditure incurred for activities may exceed the restricted funds available, NSS EXCO should convene a meeting to discuss and decide if NSS General Funds are to be utilised for the shortfall incurred, and if so, for how long.
- 5.4 Disclosure in the annual report is to be read as follows:
  - i. "Nature Society Singapore has a "Reserves Policy" to provide financial stability for the organisation and as a means for further improvement of its activities. Nature Society Singapore shall maintain reasonable reserves to enable NSS to operate for at least 1 year without any income received."
- 5.5 The above disclosure may be revised regularly as required by NSS EXCO to ensure its timeliness and appropriateness so it remains up to date as required.

## **6. REVIEW OF RESERVES POLICY**

- 6.1 The NSS EXCO shall meet once a year to review this Reserves Policy in order to maintain the reserves at a level it deems sufficient for its operating needs in consultation with the Audit and Finance Committee.

## **7. STEPS TO MANAGE POLICY BREACH**

- 7.1 In the event of a policy breach, NSS EXCO must immediately arrange a meeting to discuss the breach situation and implement a plan to bring the reserves back in line with the policy.

Revisions made by: Ningxin Huang and Joe Lim

Revisions confirmed by: Joel Leong

Revisions approved by: Two-thirds (2/3) NSS EXCO 2024/2025