

**COMMISSIONER OF CHARITIES ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

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MESSAGE FROM THE COMMISSIONER

2010 saw an encouraging rise in public donations as the economy recovers. Total tax deductible donations to Institutions of a Public Character (IPCs) amounted to \$776 million in 2010, an increase of 13% over 2009.

In 2010, we also made amendments to the Charities Act, bearing in mind the need to provide a balanced regulatory framework to facilitate the good work of the sector and to enable the public to continue to donate with confidence. The amendments were made to serve three purposes:

1. To facilitate the work of charities and charity board members, by providing clarity on their roles and responsibilities and to protect them from personal liability if they have acted honestly and in good faith. It is our hope that this will encourage more good and capable individuals to step forward and serve in the sector.
2. To enhance the accountability and governance in the charity sector, by establishing a broad legislative framework to put in place accounting and reporting standards for charities and IPCs.
3. To strengthen charity regulations in order to better protect donating public and maintain public confidence in the charity sector. For instance, we introduced a new provision in the Charities Act to penalise those who misrepresent themselves as registered charities or IPCs to gain support from the public.

We continued our efforts to strengthen charities' governance capabilities. Together with the Sector Administrators, we carried out 60 governance reviews over the past year to help charities and IPCs identify governance gaps, and develop implementation plans to address them. These were well-received by the charities and IPCs, which took steps to implement the recommendations made. We also conducted 52 field visits, and held small-group dialogue sessions with charities in 2010, to promote good governance practices, and to better understand their charitable work and the issues they face on the ground.

We worked with the Charity Council to refine the Code of Governance, making them clearer and more relevant to charities. The majority of charities have enhanced their board governance practices, with improvements in their internal controls and processes.

These changes and initiatives have helped charities to be more effective, transparent and accountable to their stakeholders, and enabled the public to continue to donate with confidence. I urge all charities to keep up their good work and I encourage donors to continue to exercise generosity and discernment in their giving. Together, we can create a thriving charity sector with strong public trust and support.

Low Puk Yeong
Commissioner of Charities

VISION AND STRATEGIES

Vision

2. Our Vision is “A well-governed and thriving charity sector with strong public support”.

Strategies

3. To achieve our vision, we adopt the following strategies:

(i): Promote Good Governance

We help build governance capabilities of charity board members so that they can exercise sound and responsible stewardship of public resources in fulfilling the objects of the charities.

(ii): Ensure Regulatory Relevance and Compliance

We regularly review our regulatory framework to ensure it is relevant and meets the evolving needs of the charity sector. Rules and regulations are also tiered according to the size of charities, with larger charities subjected to more stringent rules compared to smaller ones. The Commissioner of Charities and the Sector Administrators¹ also work closely with charities and IPCs to ensure that they are able to fulfil their regulatory obligations.

(iii): Be a Proactive Charity Advisory

We strive to be a transparent and responsive regulator who actively advises the public and charities on issues affecting the charity sector. We aim to improve the access to information by the charities as well as the public, to facilitate their work and giving.

¹ Five Sector Administrators assist the Commissioner of Charities to oversee the charities and IPCs in their various sectors i.e. The Ministry of Education, the Ministry of Health, the Ministry of Information, Communications and the Arts, People's Association and the Singapore Sports Council oversee the charities and IPCs in the education, health, arts and heritage, community and sports sectors respectively.

OVERVIEW OF THE CHARITY SECTOR

Charities

4. Any organisation established for exclusively charitable purposes and carries out activities to achieve these purposes must apply for registration with the Commissioner of Charities. We recognise the following categories of charitable purposes:

- a) the relief of poverty;
- b) the advancement of education;
- c) the advancement of religion; and
- d) other purposes beneficial to the community. The following purposes are potentially charitable if they benefit the community:
 - i. the promotion of health;
 - ii. the advancement of citizenship or community development;
 - iii. the advancement of arts, heritage or science;
 - iv. the advancement of environmental protection or improvement;
 - v. the relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantages;
 - vi. the advancement of animal welfare; and
 - vii. the advancement of sport, where the sport promotes health through physical skill and exertion.

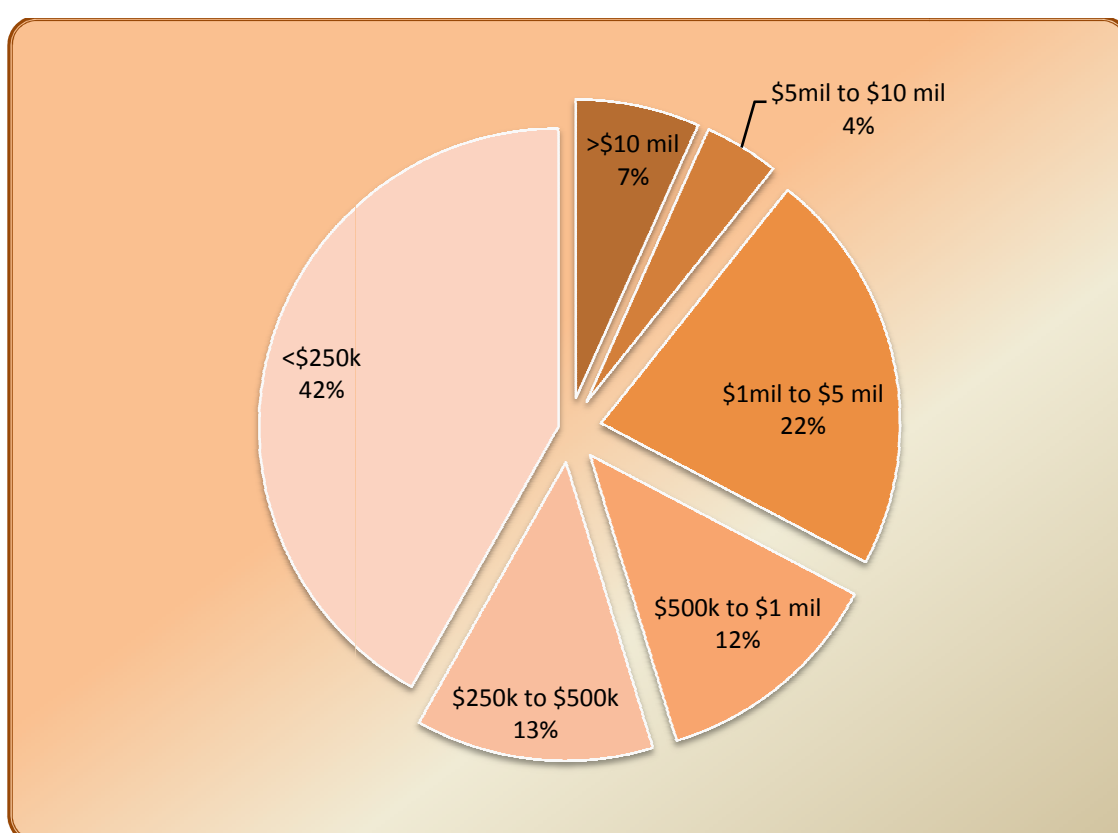
5. In 2010, we registered a total of 73 new charities while de-registering 18 charities, bringing the number of registered charities as at 31 December 2010 to 2,028. The breakdown of registered charities in the different sectors is shown in Table 1 below.

Table 1: Registered Charities by Charitable Purposes

Charitable Purpose	Number registered as at 31 December 2010	Percentage
Religion & Others	1,241	61.2%
Social Services	344	17.0%
Health	127	6.3%
Education	99	4.9%
Arts & Heritage	104	5.1%
Community	84	4.1%
Sports	29	1.4%
Total	2,028	100%

6. Based on financial statements submitted by charities for their financial years ended in 2009², the total income of the charity sector (which includes fees for services rendered, donations and government grants) amounted to \$9.4 billion. There were 104 large charities with annual income above \$10 million as compared to 98 in the previous year. These were mainly tertiary education institutions, health institutions, voluntary welfare organisations and religious organisations. They collectively accounted for 84% of the total income of the charity sector. On the other hand, charities with annual income of less than \$250,000 made up 42% of the charity population and accounted for less than 1% of the total income of the charity sector. Figures 1 and 2 show the distribution of charities by income level, and the distribution of total charity sector income by charity size respectively.

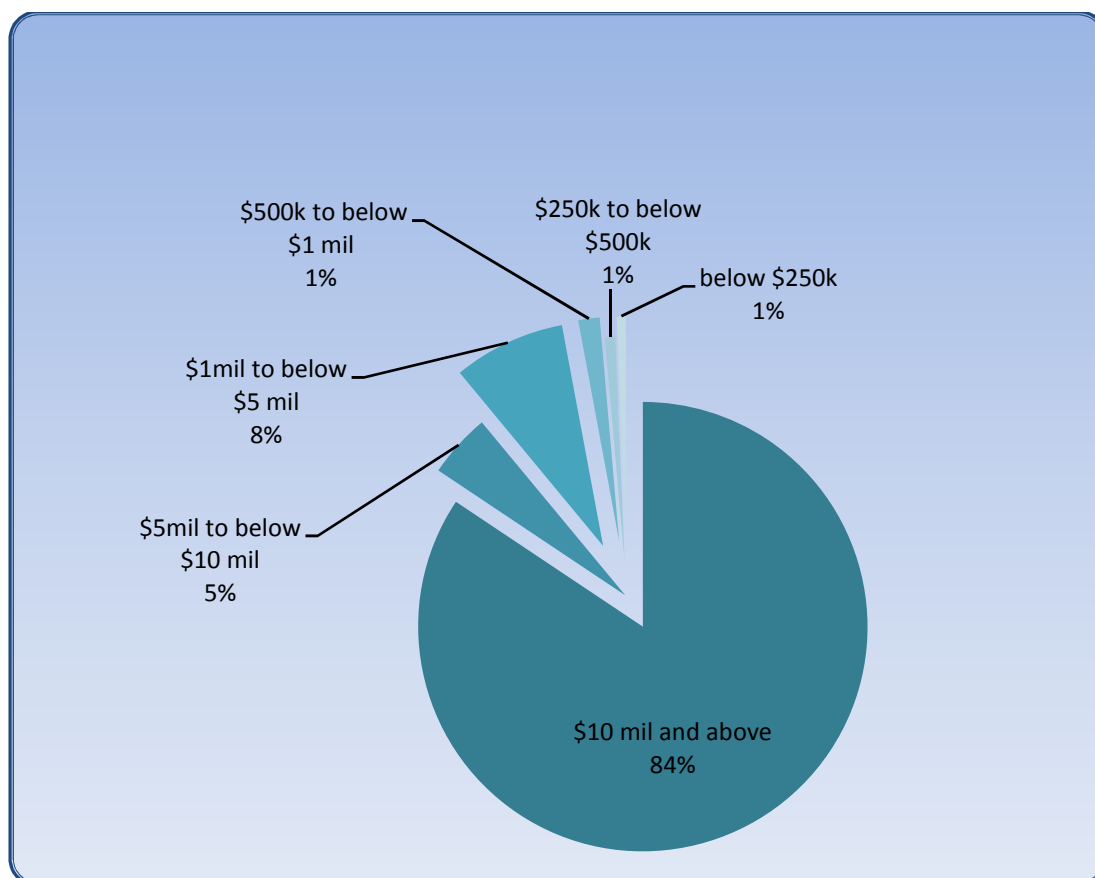
Figure 1: Distribution of Charities by Income Level (Annual Receipts in 2009³)



² Financial year ends vary between charities. Figures from charities for financial years ended in 2009 were used as charities are given up to 6 months from the end of the financial years to submit their statement of accounts.

³ This refers to registered charities which had submitted their FY 2009 statements of accounts as at the time of this report.

Figure 2: Distribution of Total Income by Charity Size (Annual Receipts in 2009)



Institutions of a Public Character

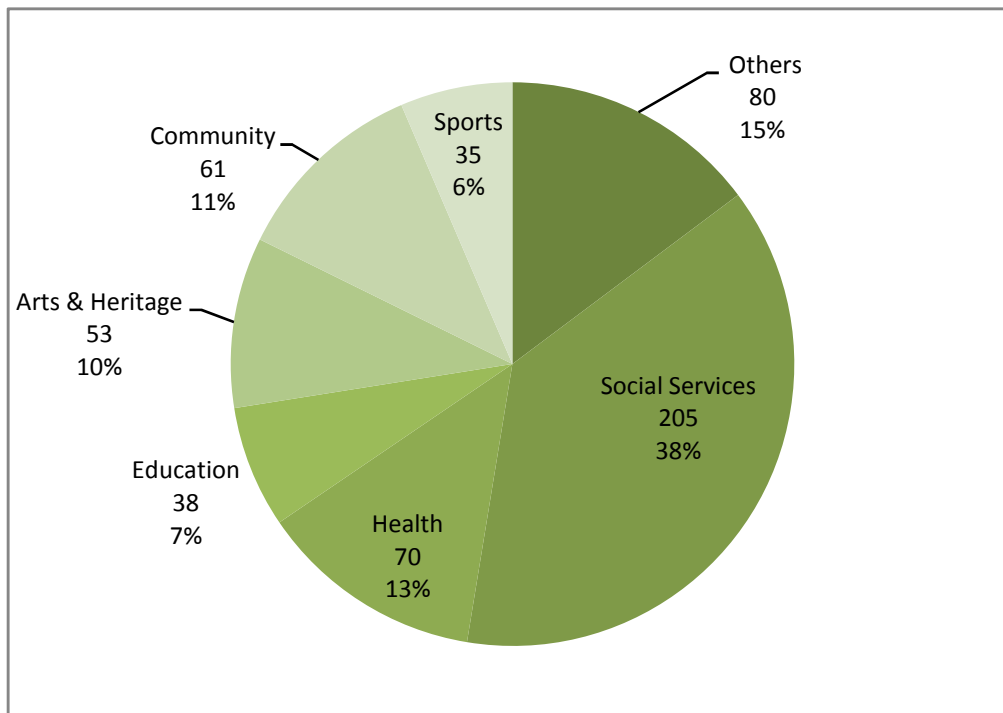
7. The Institution of a Public Character (IPC) is a status conferred onto a not-for-profit organisation serving the needs of local communities, which allows the issuance of tax-deductible receipts for donations made to it. To support greater charitable giving amidst the economic crisis, the tax deduction for donations made in 2009 was increased from 200% to 250%⁴. This increase was extended for another 5 years from 2011 to continue to encourage greater giving.

8. As of 31 December 2010, there were 542⁵ approved IPCs. Figure 3 shows the number of IPCs in the different sectors.

⁴ This means for every \$100 a donor gives to an IPC, \$250 of his/her taxable income would not be taxed.

⁵ Figures exclude the schools under the Ministry of Education and individual building funds under the People's Association Community Clubs Building Fund (PA CCBF).

Figure 3: Number of IPCs by Sector



9. The total value of the tax deductible donations received in 2010 is about \$776 million, which is approximately an increase of 13% from the amount received in 2009. These donations were all given in aid to local charitable causes.

10. Corporate and individual donations rose by 13% and 12% respectively, compared to the previous year. Figures 4 and 5 show the distribution of tax-deductible donations received by source and by sector respectively. The education, social services and health sectors accounted for 86% of the donations. The health and social services sectors also experienced the highest increase in the amount of tax deductible donations received with an increase of 50% and 17% respectively. Details on the change in amount of tax deductible donations by sector are shown in Figure 6. Figure 7 shows the amount of tax deductible donations received over the past years.

Figure 4: Distribution of Tax Deductible Donations by Source

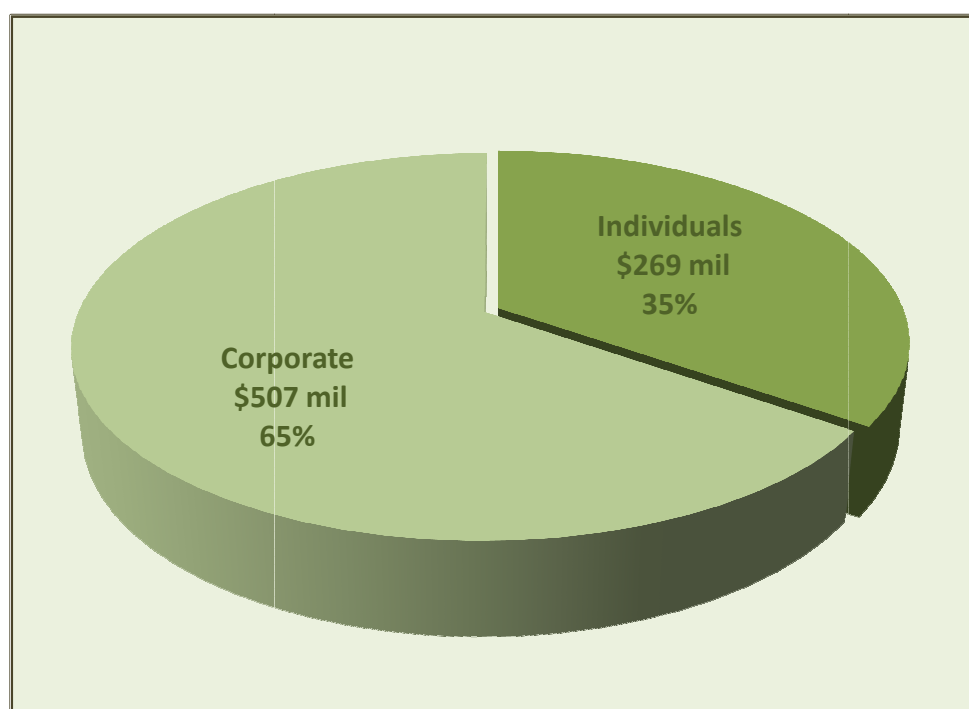


Figure 5: Distribution of Tax Deductible Donations by Sector (\$S\$m)

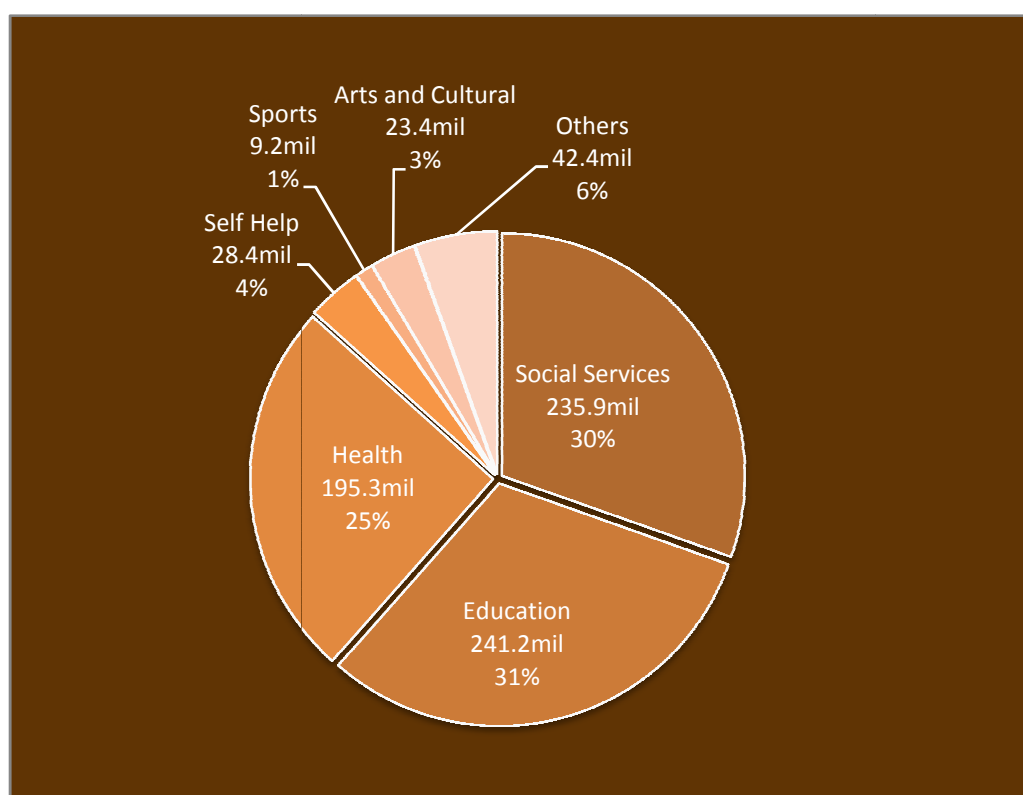


Figure 6: Change in Amount of Tax Deductible Donations by Sectors

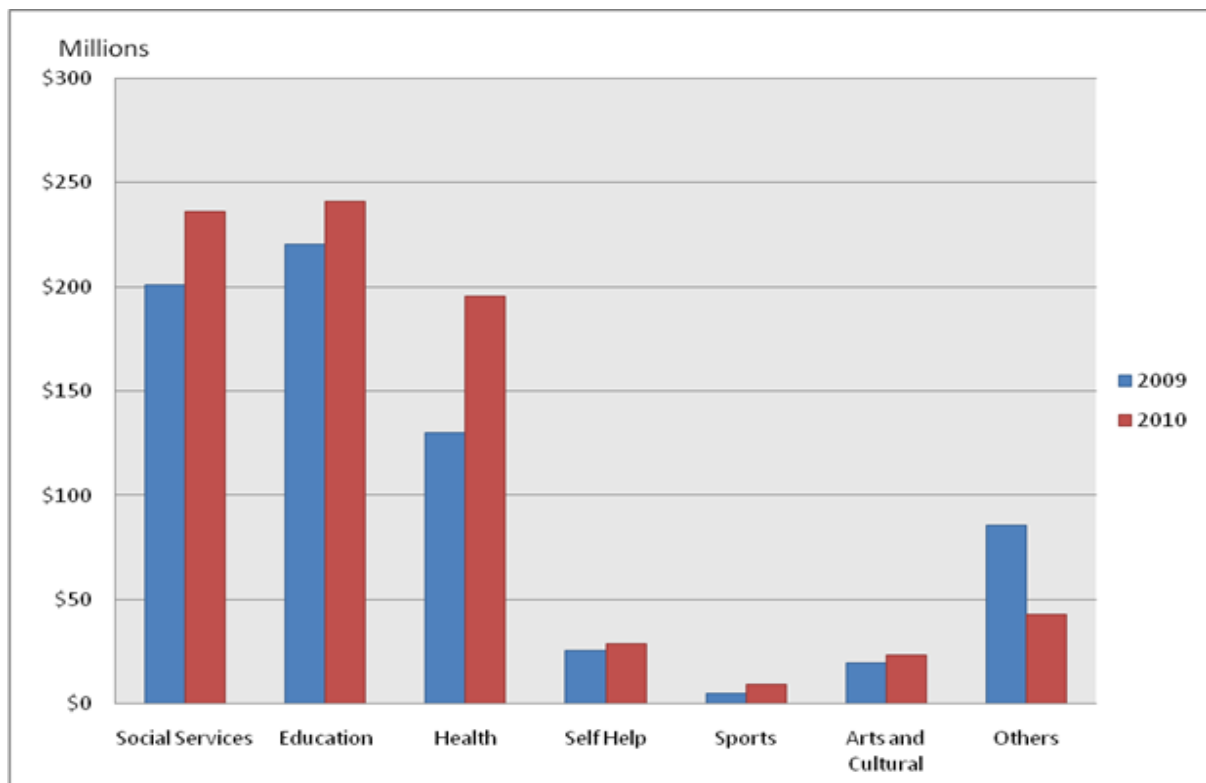
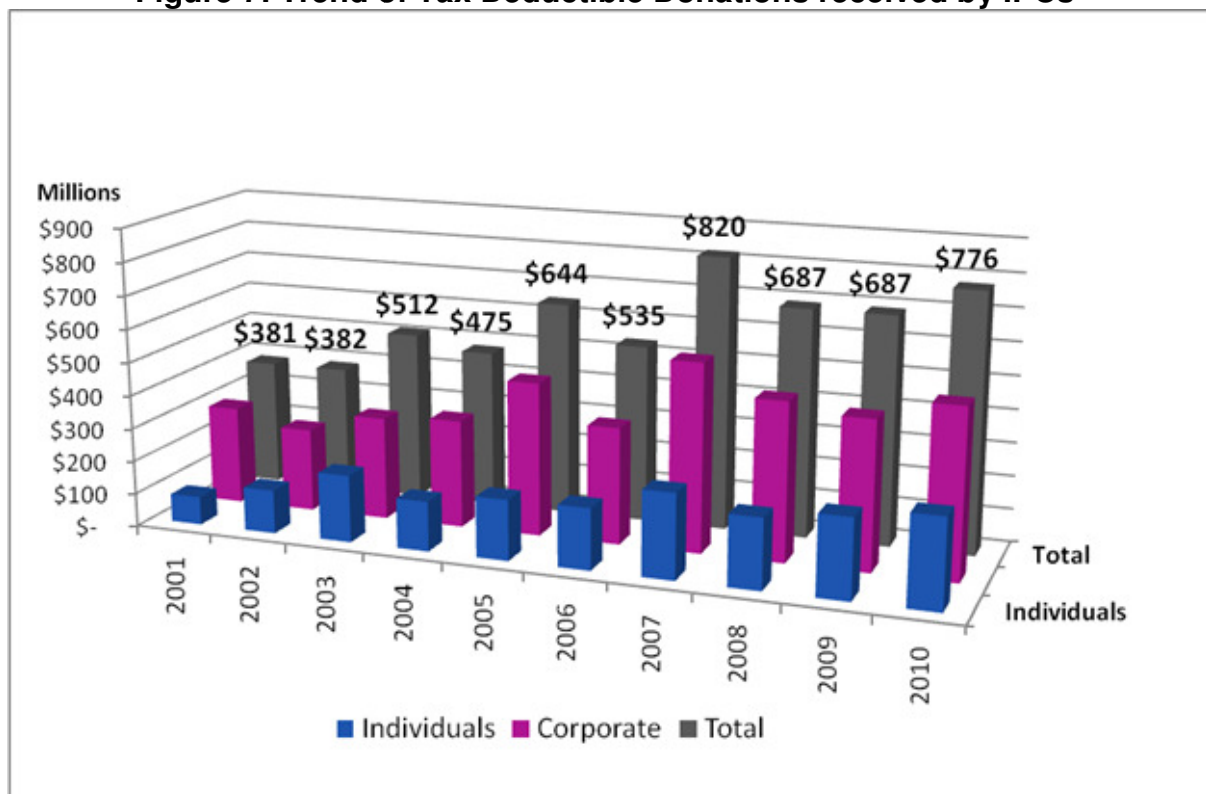


Figure 7: Trend of Tax Deductible Donations received by IPCs



Fund-Raising Appeals for Foreign Charitable Causes

11. In addition to the amount raised for local charitable causes, about \$23.1 million was raised for foreign charitable purposes in 2010, slightly less than the amount of \$25.6 million in 2009. A total of 80 foreign fund-raising permits were granted in 2010. 36 of them were granted for efforts in aid of victims of natural disasters e.g. the Haiti Earthquake and Flooding in Pakistan. Permits were also granted for foreign charitable causes such as the UN World Food Programme, environmental conservation efforts and humanitarian projects including the construction of hospitals and schools.

MAJOR DEVELOPMENTS IN 2010

Promote Good Governance

Refinement of the Code of Governance

12. Over the past year, we worked with the Charity Council to refine the Code of Governance and Governance Evaluation Checklist. The refined Code and Checklist were published in January 2011, and came into effect on 1 April 2011. First developed in 2007, the Code serves as the benchmark of good governance for the charity sector. The refinement exercise was led by a Charity Council Sub-Committee and three workgroups comprising representatives from charities, grant-makers, professional bodies, auditors and academics. A dialogue session with charities was also held to consult them on the Code refinements. Overall, the refined Code is now clearer, more relevant and easier to understand. The requirements were also made simpler for small charities.

Shared Services for Charities and IPCs

13. In September 2009, the Charity Council launched a pilot Shared Services Programme called the Integrated Shared Services for Excellence (iServe) to deliver finance, accounting, payroll and procurement shared services to the charity sector. By outsourcing their finance and accounting functions to a professional provider⁶, charities can focus on building their governance capabilities and delivering their core programmes. As of March 2011, 28 organisations have signed up for iServe. We will continue to support the Charity Council in promoting shared services to the charity sector.

Engaging the Professional Community

14. We also continued our support to the Charity Council in its engagement of professional associations to encourage their members to volunteer in the charity sector. Since 2009, the Council has been partnering the Centre for Non-Profit Leadership (CNPL) and The Kind Exchange to match professionals interested to serve on charity boards or volunteer their pro-bono services. Through CNPL's Board Match programme, 90 professionals have been matched to 42 charities that required volunteer board and committee members.

The VWOs-Charities Capability Fund

15. The VWOs-Charities Capability Fund (VCF) was made available to charities and IPCs to build up their governance and management capabilities. VCF provides co-funding of up to 80% of the project cost in training, consultancy info-communications technology systems and shared services. As of March 2011, 780 charities and IPCs have tapped on VCF grants amounting to \$8.7 million.

⁶ ST Electronics (e-Services) was appointed as the provider of the iServe services.

Ensure Regulatory Relevance and Compliance

Amendments to the Charities Act

16. In November 2010, we made further amendments to the Charities Act to enhance governance of charities as well as to maintain public confidence and facilitate the development of the charity sector.

17. For instance, a new section was introduced in the Charities Act to provide an additional layer of protection for board members, so that even if a breach of duty is established against a charity board member, the court can grant him relief from personal liability if he has acted honestly and reasonably. We hope this will encourage more well-meaning individuals to come forward and contribute their time and resources to do good work for the society. We also clarified some of the terms used in the Charities Act which may not be easily understood by the charity sector. For example, we replaced “charity trustees” with “governing board members” and the term “trusts” with “governing instruments”.

18. We also introduced a new provision to penalise institutions which misrepresent themselves as registered charities or IPCs, or persons acting or purporting to act for the institution, such as their fund-raisers. In addition, the Commissioner has also been empowered to require fund-raisers to furnish information required for investigations, which are conducted for example, in response to public complaints. All these changes took effect from 1 March 2011.

Accounts and Audit Regulations

19. To provide greater flexibility to the sector, we also revised our income thresholds on the auditing of charities’ accounts from \$250,000 to \$500,000 a year. Charities (excluding IPCs and charities set up as Companies-Limited-by-Guarantee) with income or expenditure between \$250,000 and \$500,000 will no longer need to have their accounts externally audited.⁷ Instead, their accounts can be examined by independent qualified accountants⁸. The revised thresholds will take effect from financial year ending on or after 1 March 2011.

Governance Reviews

20. A total of 307 governance reviews have been commissioned since 2006, with 60 being conducted in 2010. The aim of these governance reviews is to help charities and IPCs identify their governance gaps and develop plans to address them. Some of the common findings include lack of board independence and conflict of interest policies, lack of disclosures and transparency, no proper policy and approval for loans extended to related parties and inadequate internal control to safeguard the donations.

⁷ The accounts of IPCs and charities set up as Companies-Limited-by-Guarantee will continue to have to be externally audited.

⁸ The accountant must be someone who is registered with the Institute of Certified Public Accountants of Singapore (ICPAS) or any other bodies recognised by ICPAS.

21. The governance reviews were well received by the charities and IPCs, with many of them taking steps to implement the recommendations made, or to come up with policies to address the weaknesses identified. Most of them have also agreed to disclose their top three executives' salaries in salary bands in their financial reports. In addition, they have also agreed to ensure that there are sufficient controls in place to manage payments and cash donations.

Investigations and Inquiries

22. Over the course of the year, the office of the Commissioner of Charities also conducted investigations and inquiries. In May 2010, for example, together with the Commercial Affairs Department (CAD), we looked into certain financial transactions involving individuals and companies, related or connected to the City Harvest Church. An inquiry was instituted as we had received complaints on the possible misuse of church funds. CAD's investigation and the inquiry are ongoing.

23. In February 2010, we commenced an inquiry on Sri Siva Krishna Temple which found financial irregularities and evidence of suspected forgery of payment vouchers and misappropriation of the Temple's funds; serious lapses in the Temple's governance and management; and severe deficiencies in the Temple's internal controls. Given these inquiry findings of mismanagement, the Commissioner had removed the then President of the Temple as a charity trustee. The Commissioner had also lodged a report with CAD. CAD's investigation is ongoing.

Be a Proactive Charity Advisory

Field Visits

24. Our Office continued to conduct field visits to charities and IPCs in 2010. We use these friendly onsite visits to promote good governance practices, inform charities and IPCs of resources and grants available to them as well as to better understand their charitable work and the issues they face on the ground.

25. Together with our Sector Administrators, a total of 52 field visits were conducted in 2010 across all sectors. We have conducted almost 350 field visits since 2006.

Charity Council Seminars

26. As part of our efforts to share governance best practices and capabilities with charity board and management staff, two Governance seminars were held in 2010. These seminars which are on talent management and engaged giving were attended by more than 300 charity participants. We also had two seminars on the refined Code of Governance in 2011 which were similarly attended by more than 300 charity participants.

Charity Portal Training for Charities

27. The Charity Portal [www.charities.gov.sg] was launched in 2007 to streamline processes to facilitate the online charity registration, IPC status application and renewal, annual reporting and fund-raising requirements by charities and IPCs. It also serves as a resource centre for both charities and IPCs. As of end December 2010, about 1,110 charities have been trained on the use of the Portal. Charity staff were provided with on-site training on the various functions available on the Portal, and to do e-filing of their statutory returns. As of March 2011, over 1,400 charities have updated their profiles on the Portal. We encourage all charities to continue to keep their information on the Portal up-to-date.

LOOKING AHEAD

28. Going forward, we will continue in our efforts to improve governance and financial administration in the charity sector, closely engage charities and IPCs, and enhance charities' and the public's access to information via the Charity Portal. With this, we hope to better support the charities and IPCs in their charitable work and protect public interest.

Improving Governance in the Charity Sector

29. This year, we plan to launch the Charities Accounting Standard ("CAS"), which has been in the works for some time. The CAS is specially tailored for the charity sector to simplify the accounting needs of smaller charities. Implementation details of the accounting standard will be announced during the launch.

Engaging Charities and IPCs

30. In line with our aim to be a proactive advisory, we will continue in our new initiatives to increase our engagement with charities. For instance, we intend to host small-group networking sessions for charities over the course of the year. These informal sessions will complement our field visits, serving as an additional platform for us to reach out to charities and better understand the issues they face.

Better Accessibility to Information

31. Besides making available the English and Chinese versions of the Refined Code of Governance on the Portal, an online Guide has also been published to help our charities in their submission of the Refined Governance Evaluation Checklist from 1 April 2011.

Conclusion

32. We believe the above initiatives will lead to greater transparency and accountability of charities and enhance public confidence in the charity sector. We will also continue to facilitate charities in adopting good governance and best practices. Together with the donors and members of the public, whom we hope will continue to practise informed giving, we look forward to building a thriving charity sector.