

**COMMISSIONER OF CHARITIES ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011**

CONTENTS

Message from the Commissioner	3
Vision and Strategies	5
Overview of the Charity Sector	6
Major Developments in 2011	14
Looking Ahead	18

MESSAGE FROM THE COMMISSIONER

The charity landscape is ever-changing. As charities grow and evolve to meet society's diverse needs, it is essential for us to constantly update our regulatory framework in order to help charities cope with new challenges, while strengthening their governance capabilities. Together with our partners, we launched many new initiatives over the past year.

In 2011, we continued to expand our guidance for charities. In response to growing interest by charities to diversify their income streams, we published the *Guidance on Charities Engaging in Business Activities*, which provides clarity on when and how charities may do so while staying true to their charitable activities. We also developed the *Guidance on Independent Examination* to assist independent examiners in reviewing and certifying financial statements of smaller charities which do not require statutory audits. By setting the standards for good governance, we aim to boost public confidence in the charity sector.

To facilitate the work of charities, the Accounting Standards Council and the office of Commissioner of Charities (COC) jointly issued the Charities Accounting Standard (CAS) in June 2011. This standard serves to lighten the burden of financial reporting, while increasing transparency and relevance to charity stakeholders. The CAS was issued with an accompanying template and explanatory notes to guide charities through the conversion process. Though some charities may encounter transitional issues in the initial stages, we believe these will be outweighed by the benefits of a fit-for-purpose reporting framework that stakeholders will appreciate. My office will provide funding support to facilitate the transition.

We worked closely with the Charity Council to refine the *Code of Governance for Charities and IPCs*, which the Council released in January 2011 following extensive consultations with various stakeholders. Many of the revisions were made in response to public feedback on the 2007 edition. It is now more flexible and relevant, and we hope that charities can apply the revised Code effectively.

The Charity Council also launched *Charity News*, a quarterly newsletter providing charities with information and resources on the latest developments in the charity sector. The Charity Council has also provided us with useful feedback gleaned from their monthly "INTouch" visits to charities. I am heartened to learn that their efforts have been warmly welcomed, and both charities and Charity Council members have benefitted greatly from the exchange.

While the above initiatives have served to improve the governance of charities, a vibrant charity sector cannot be achieved by our efforts alone. It requires the dedicated efforts of charities to continuously improve, the generosity of donors, and the encouragement of the public. In this regard, I am heartened to note that the total amount of tax deductible donations received in 2011 in aid of local charitable causes has reached a record of \$896 million, a 15% increase from the \$776 million received in 2010. With this strong support from the public, I believe we are moving closer to realising our vision of a thriving and well-governed charity sector.

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 2011, we registered 84 new charities while de-registering 19 charities, bringing the number of registered charities as at 31 December 2011 to 2,093. The breakdown of registered charities in the different sectors is shown in Table 1 below.

Table 1: Registered Charities by Charitable Purposes

Charitable Purpose	Newly registered charities as at 31 December 2011	Total number registered as at 31 December 2011	Percentage
Religion & Others	14	1245	59.5%
Social Services	22	363	17.3%
Health	4	128	6.1%
Education	5	102	4.9%
Arts & Heritage	6	109	5.2%
Community	3	87	4.2%
Sports	30	59	2.8%
Total	84	2093	100%

6. Based on financial statements submitted by charities for their financial years ending in 2010², the total income of the charity sector (which includes fees for services rendered, donations and government grants) amounted to \$10.7 billion. There were 112 large charities with annual income above \$10 million as compared to 104 in the previous year. These were mainly tertiary education institutions, health institutions, the larger voluntary welfare organisations and religious organisations. They collectively accounted for 85% of the total income of the charity sector. On the other hand, charities with annual income of less than \$250,000 made up 61% of the charity population and accounted for \$47 million or less than 1% of the total income of the charity sector. Figure 1 shows the distribution of total annual receipt by sector. Figures 2 and 3 show the distribution of charities by income level, and the distribution of total charity sector income by charity size respectively.

² Financial year ends vary between charities. Figures from charities for financial years ending in 2010 were used as charities are given up to 6 months from the end of the financial years to submit their statement of accounts.

Figure 1: Distribution of Total Receipts by Sector (Annual Receipts in 2010)

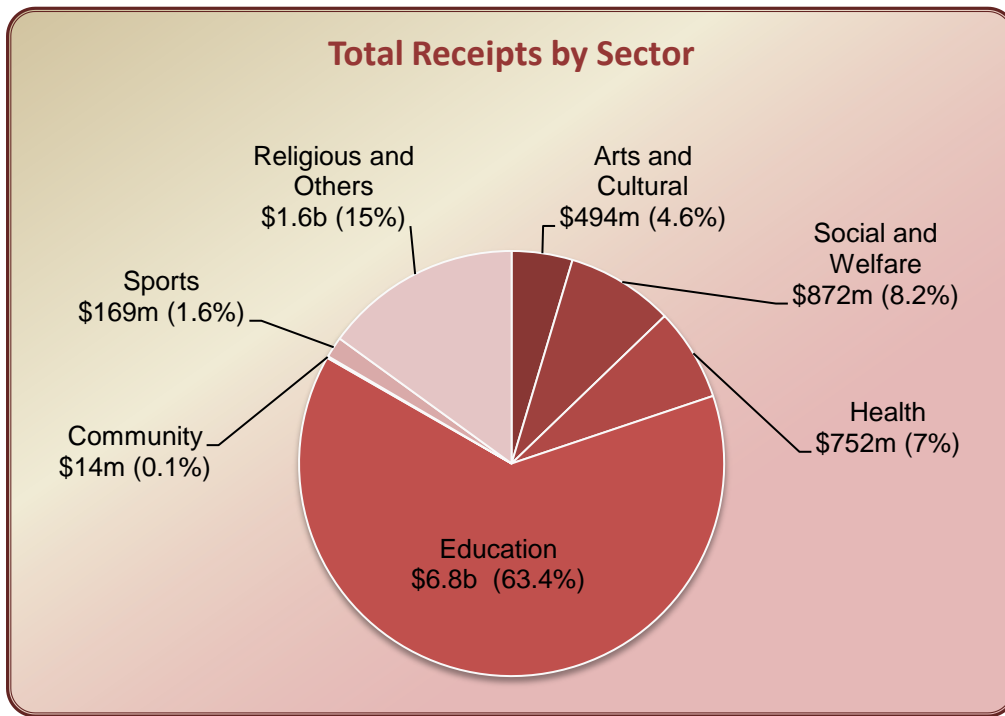
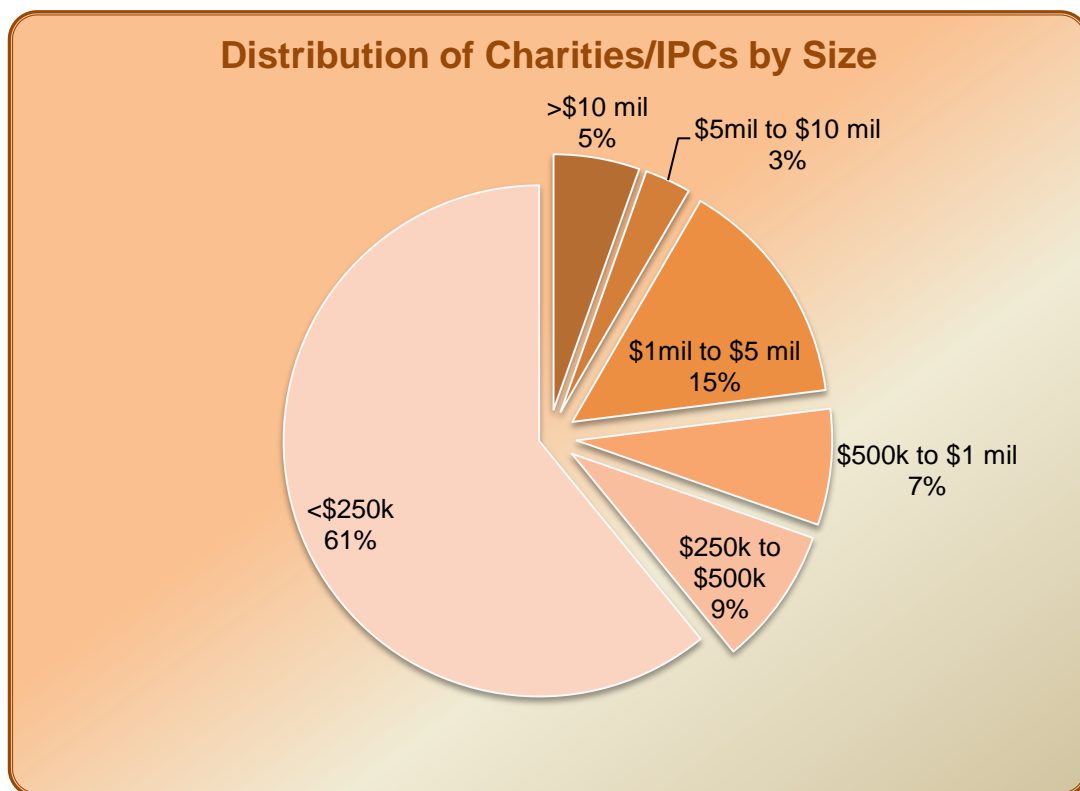
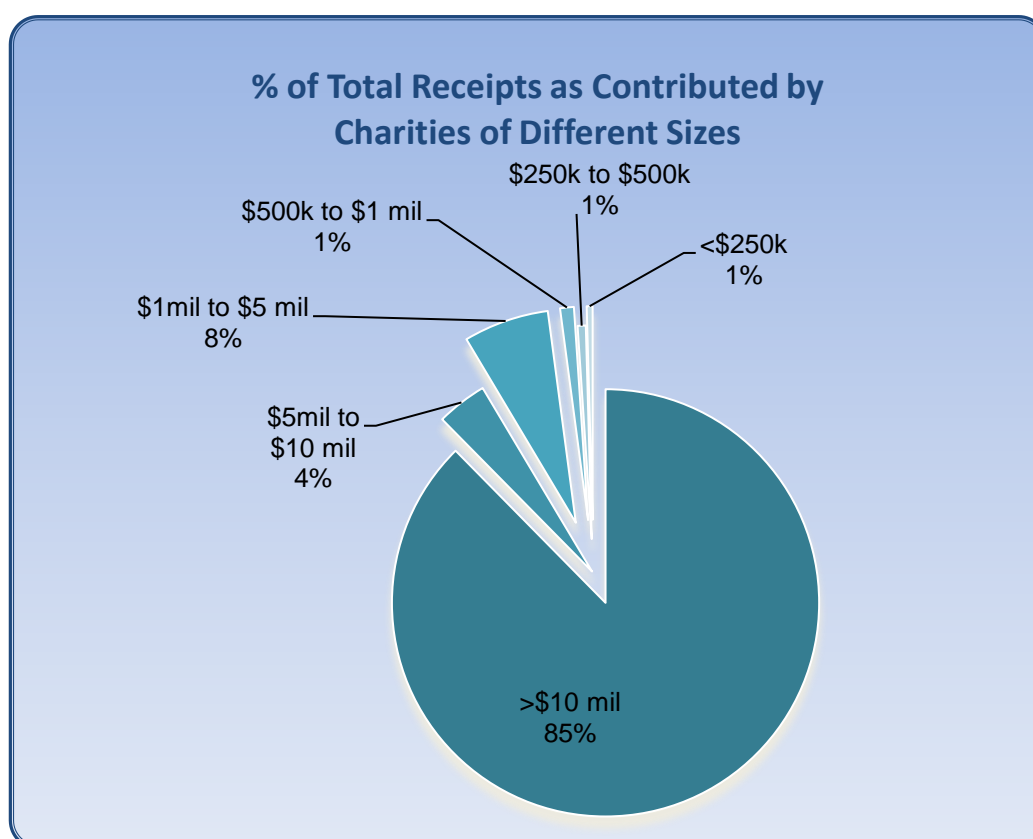


Figure 2: Distribution of Charities by Income Level (Annual Receipts in 2010³)



³ This refers to registered charities which had submitted their FY 2010 statements of accounts as at the time of this report.

Figure 3: Distribution of Total Income by Size (Annual Receipts in 2010)



Institutions of a Public Character

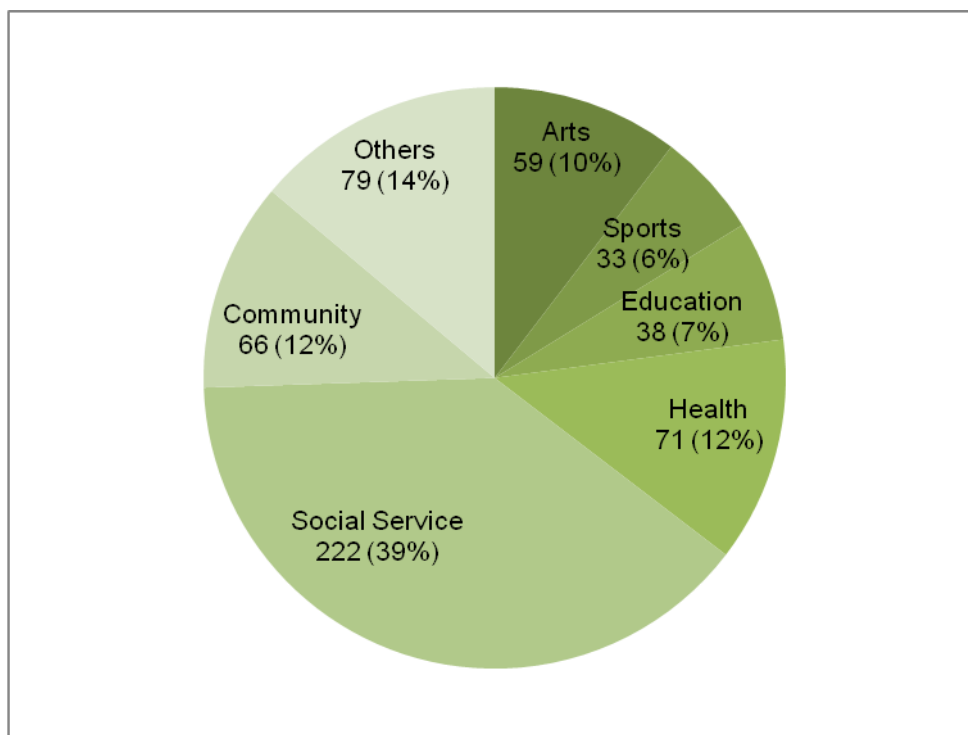
7. The Institution of a Public Character (IPC) is a status conferred onto registered charities dedicated to serving the needs of community in Singapore as a whole and are not confined to sectional interests or groups of persons based on race, belief or religion. The status allows the issuance of tax-deductible 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 2011, there were 568⁵ approved IPCs. Figure 4 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 4: Number of IPCs by Sector



9. The total value of the tax deductible donations received in 2011 is \$896 million, a 15% increase from the \$776 million received in 2010. These donations were all given in aid to local charitable causes.

10. Corporate and individual donations rose by 19% and 9% respectively, compared to the previous year. Figures 5 and 6 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. Details on the change in the amount of tax deductible donations by sector are shown in Figure 7. Figures 8 and 9 show the amount of tax deductible donations received over the past years.

Figure 5: Distribution of Tax Deductible Donations by Source

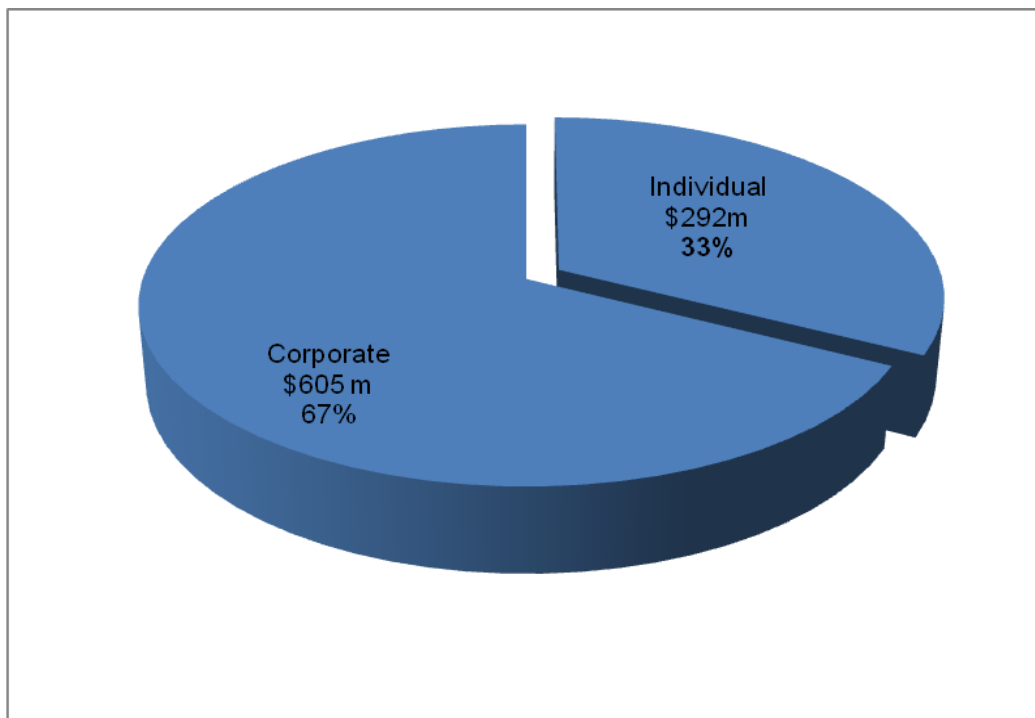


Figure 6: Distribution of Tax Deductible Donations by Sector (\$m)

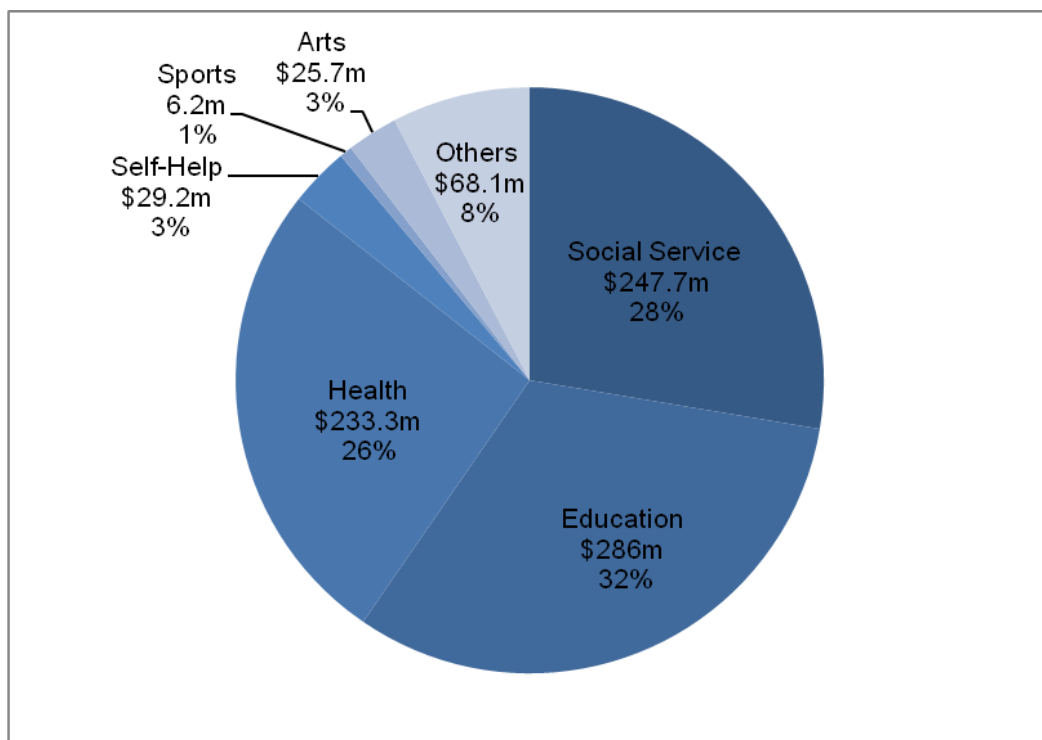


Figure 7: Trend in Tax Deductible Donations by Sector

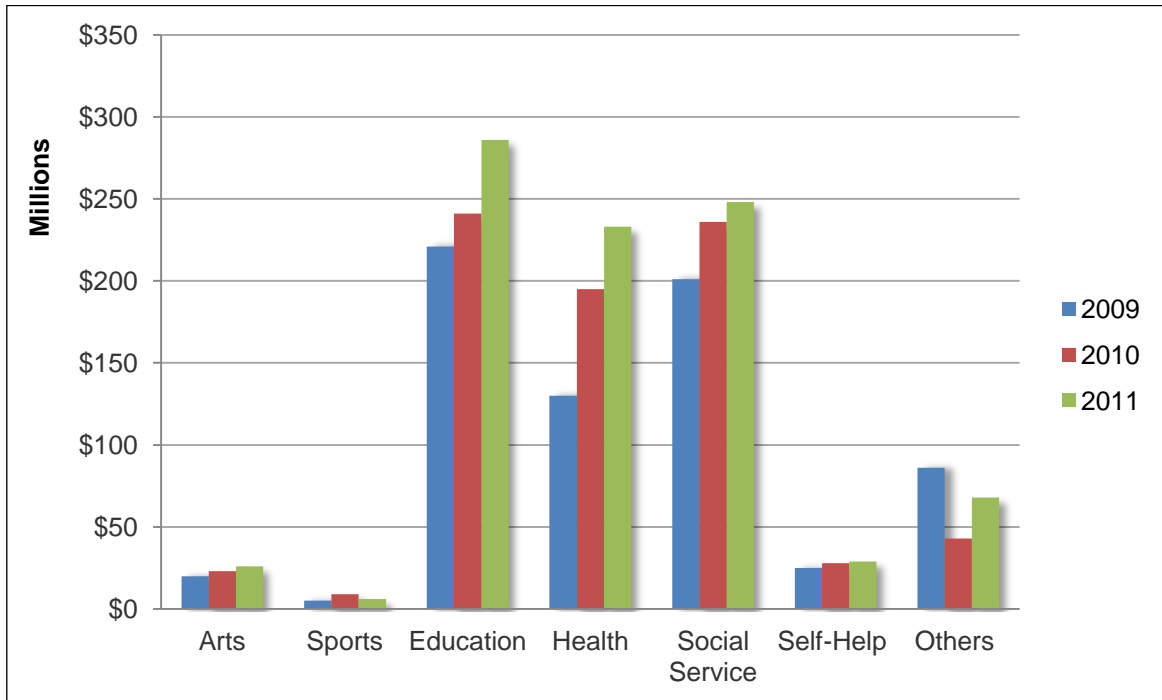


Figure 8: Trend of Tax Deductible Donations by Source

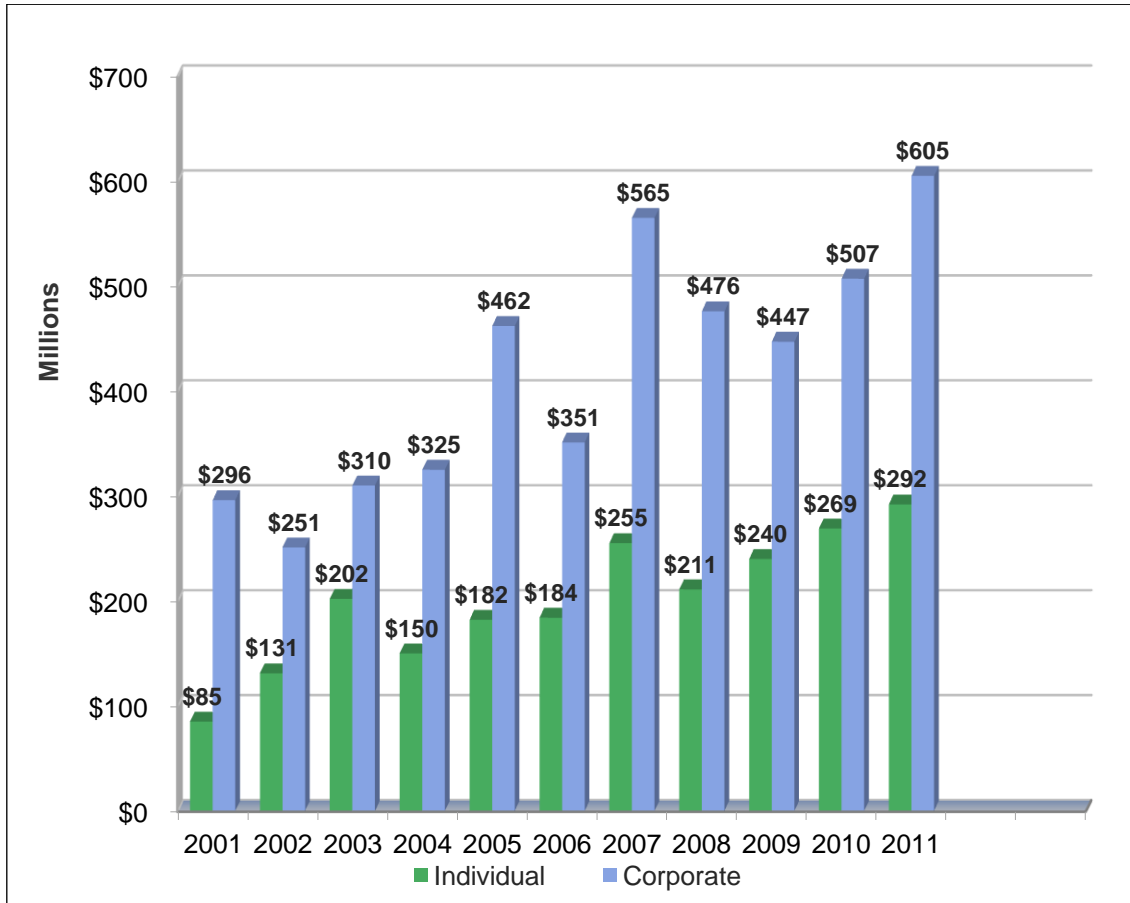
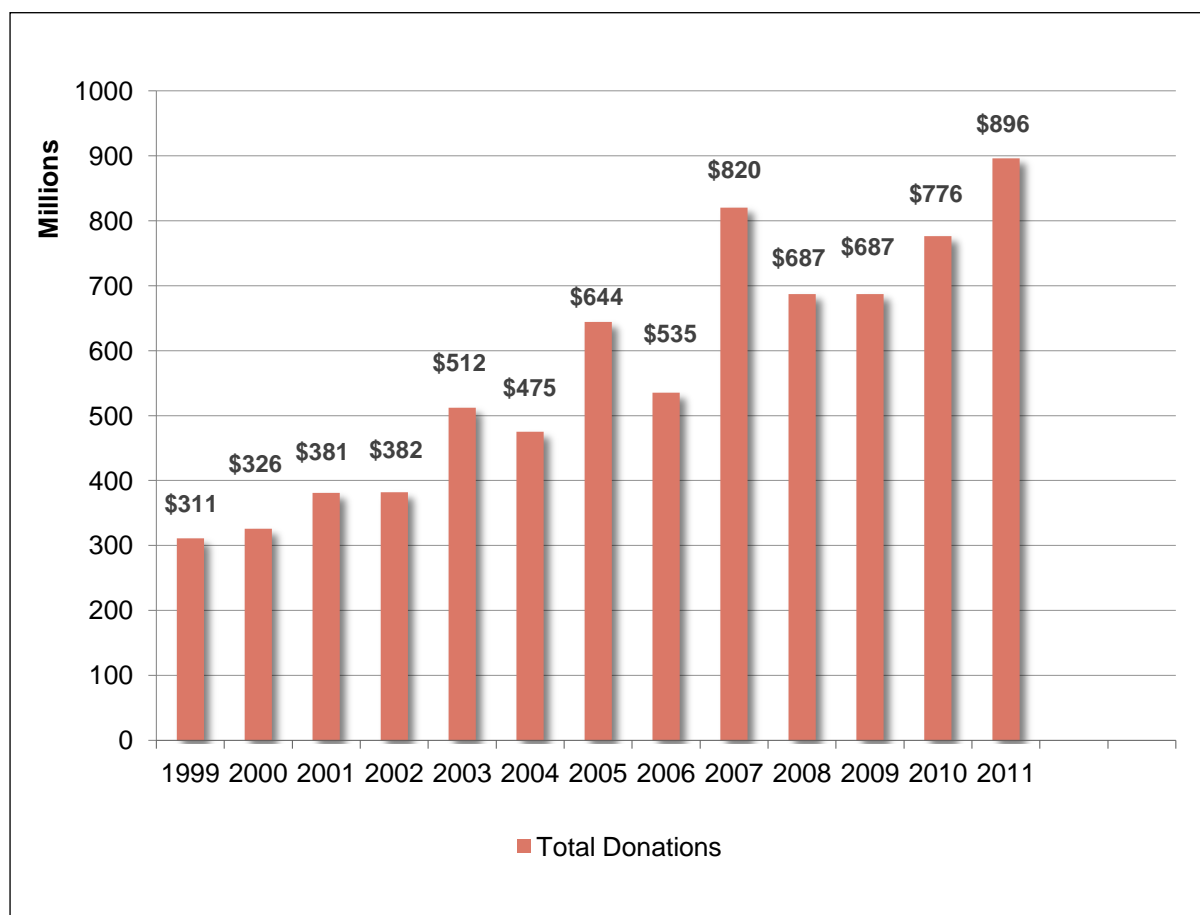


Figure 9: Trend of Total Tax Deductible Donations received by IPCs



Fund-Raising Appeals for Foreign Charitable Causes

11. In addition to the amount raised for local charitable causes, \$42.9 million⁶ was raised for foreign charitable purposes in 2011, about 86% more than the \$23.1 million raised in 2010. A total of 94 foreign fund-raising permits were granted in 2011. 36 of them were granted for efforts in aid of victims of natural disasters, such as the Japan Tsunami and flooding in Southeast Asia. Permits were also granted for the UN World Food Programme and humanitarian projects including the construction of hospitals and schools.

⁶ Large donations received for the Japan tsunami disaster accounted for the sizeable increase in the funds raised for foreign charitable purposes in 2011.

MAJOR DEVELOPMENTS IN 2011

Promote Good Governance

Refined Code of Governance

12. In January 2011, the Charity Council launched the refined Code of Governance and Governance Evaluation Checklist which came into effect on 1 April 2011 after extensive consultations with various stakeholders. First developed in 2007, the Code serves as the benchmark of good governance for the charity sector. Overall, the refined Code is now clearer, more relevant and easier to understand. The requirements were also made simpler and less onerous for small charities and IPCs.

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 provider⁷, charities can better focus on building their governance capabilities and delivering their core programmes. As of February 2012, 33 organisations have signed up for iServe. We will continue to support the Charity Council in promoting shared services to the charity sector.

Engaging Professionals

14. We also continued supporting 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) to match professionals interested to serve on charity boards. In 2011, 85 professionals were matched to 37 charities requiring board and committee volunteers. 25% of the roles required professionals with financial expertise.

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 information technology systems and shared services. Since April 2007, 850 charities and IPCs have tapped on VCF grants amounting close to \$10.5 million. The VCF was extended for another five years from 1 April 2012 to 31 March 2017.

Guidance on Charities Engaging in Business Activities

16. In Jul 2011, we developed and issued guidance for charities which were engaging or intended to engage in business activities. The Guidance provided greater clarity to charities on when and how they may engage in business activities

⁷ ST Electronics (e-Services) was appointed as the provider of the iServe services.
COC Annual Report 2011

based on three key principles, namely, i) the business activities must not undermine the charity's focus on its charitable objects, ii) do not expose the charitable assets to significant risk and iii) there must be transparency and accountability in the decision to invest in any business. It also explains when business subsidiaries should be set up to conduct such activities.

Charities Accounting Standard

17. The Charities Accounting Standard ("CAS") was jointly issued by the Accounting Standards Council ("ASC") and the office of the Commissioner of Charities in June 2011. This standard will make financial reporting simpler and more relevant for charities while enhancing disclosures for greater transparency. It will apply to charities when they prepare their financial statements for financial periods beginning on or after 1 July 2011. Most charities can choose to adopt the Singapore Financial Reporting Standards ("FRS") or the CAS based on their operations and needs. However, charities that hold significant investments in any subsidiary, associate or joint venture that is not a charity will have to adopt the FRS.

18. The Office of the Commissioner of Charities has also developed an accounting template together with explanatory notes for charities and IPCs which may need guidance on how to prepare financial statements in accordance with the CAS. Charities wishing to convert their accounting systems to CAS may apply for co-funding from VCF.

Independent Examiner's Guide

19. As part of our continuous effort to enhance public confidence in the charity sector by improving accountability and transparency, we have developed the *Guidance on Independent Examination* to assist the independent examiners in reviewing and certifying the financial statements of smaller charities which do not require statutory audits. This guidance aims to be comprehensive and provide greater clarity to independent examiners on their roles and responsibilities when carrying out the independent examination of charities' financial statements.

Ensure Regulatory Relevance and Compliance

Amendments to the Regulations

20. Following the amendments to the Charities Act in end 2010, we also made revisions to the various charity regulations to improve governance and enhance public confidence in the charity sector.

21. For instance, we amended the Charities (Accounts and Audit) Regulations to cater for the Charities Accounting Standard (CAS). The CAS is specifically tailored for the charity sector, especially the needs of smaller charities. We also amended the Charities (Annual Report) Regulations to require additional disclosures by charities with annual income or expenditure exceeding \$500k. These additional disclosures items will increase the transparency of the charity and better inform the charity's stakeholders. These include how long the key appointment holders have been serving in the charity, the charity's main source of funding, as well as when and

how the funds are spent. These two regulations were combined to form the Charities (Accounts and Annual Report) Regulations and came into force on 1 Jul 2011.

Governance Reviews

22. In 2011, 59 charities and IPCs were selected to undergo governance reviews. These charities benefitted greatly from the reviews as they received professional advice from the consultants on how to improve their internal processes. A total of 366 governance reviews have been carried out since 2006.

23. Recommendations were specifically tailored based on the needs of the charities to address weaknesses in areas such as revenue and receipts, procurement and payment, managing conflict of interests, loans to related and external parties and safeguarding of donations and charitable assets.

Be a Proactive Charity Advisory

Field Visits

24. Our Office continued to conduct field visits to charities and IPCs in 2011. 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 74 field visits were conducted in 2011 across all sectors. We have conducted almost 400 field visits since 2006.

Charity Council "INTouch" Visits

26. The Charity Council further promoted good governance practices in the charity sector by conducting visits to charities. The monthly "INTouch" visits serve as a platform for the Charity Council to dialogue and share with charities the resources available to enhance governance capabilities. The visits also help Charity Council members understand how charities are helping their beneficiaries, hear their views on the Code of Governance and understand how they are implementing good governance practices. 10 "INTouch" visits have been conducted since August 2011.

Charity Council Seminars

27. As part of our efforts to share governance best practices and capabilities with charity board and management staff, three Governance seminars were organised in 2011. More than 300 charity participants attended the two seminars on the refined Code of Governance, and the third seminar on strategic growth and social impact attracted over 110 charity participants.

Charity Council Newsletter

28. The Charity Council launched a quarterly newsletter, *Charity News* in 2011. The newsletter is intended to provide timely information on the latest

developments in the charity sector and good governance practices. Three issues were published in 2011.

Charity Portal Training for Charities

29. 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 March 2012, over 1,510 charities have updated their profiles on the Portal. We encourage all charities to continue to keep their information on the Portal up-to-date.

30. Relevant templates and guidance are published on the Portal for charities, IPCs and public to refer. These include:-

- (a) Accounting Template and Explanatory Notes for Charities Accounting Standard (CAS)
- (b) Guidance on Independent Financials Examination
- (c) Guidance on Charities Engaging in Business Activities
- (d) Fund-Raising Prohibition Order.

LOOKING AHEAD

31. 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 the Service Experience

32. We will be revamping the Charity Portal [www.charities.gov.sg] to provide more information and clearer guidelines, and a better experience for charities transacting with us. We will work towards improving the accessibility of the Portal to charities, donors and the general public.

Increase Transparency and Protect Donors' Interest

33. We will be embarking on more initiatives to improve accountability of charities and enhance public confidence. These include the requirement for all charities and IPCs to make their financial statements available for public viewing online, and for charities that are externally audited, to provide a summary of their key financial information. We will also revise the rules for third-party and commercial fund-raisers to ensure that both the interests of donors and charities are protected.

Improve Governance in Charities

34. The Charity Council launched the *Charity Governance Awards* in March 2012 to recognise charities' efforts in improving governance standards. The winners will be announced later this year and they will serve as role models for other charities.

Engage Charities and IPCs

35. The Charity Council plans to further engage charity Board members by hosting small-group networking sessions. These sessions serve as an additional platform for Council members to reach out to charities and better understand the issues they face.

Conclusion

36. While we dedicate our efforts toward improving the accountability and governance of charities, we hope that the public can work in tandem by donating with generosity and discernment. With strong support from the public, higher standards of charity governance and a progressive and effective regulatory system, we believe that together we can create a well-governed and thriving charity sector.