

**COMMISSIONER OF CHARITIES ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

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MESSAGE FROM THE COMMISSIONER

The importance of charities in our society cannot be understated. They help to bring out the caring and compassionate side of our people, and play a critical role in making our society inclusive. I am heartened to note that support and confidence in our charities remained high in 2012, as seen by the record high of \$1 billion in tax deductible donations made to Institutions of a Public Character (IPCs). This is an increase of 12% over 2011 and has outpaced GDP growth. This is indeed encouraging as the government and our partners have continued in our efforts to help charities improve their governance and regulatory compliance so as to uphold high levels of public trust and confidence in charities.

For instance, my office revised the charity regulations to better protect charities and donors. To increase financial transparency and accountability in the charity sector, we amended the Charities (Accounts and Annual Report) Regulations to require externally audited charities to post a summary of their financial information on the Charity Portal. We will also make available the financial statements of all charities on the Charity Portal as well. These changes will take effect with a new Portal to be rolled-out in second half of 2013.

We also put in place measures to better regulate the conduct of commercial and third-party fund-raisers and commercial participators and safeguard the interest of charities. For instance, commercial fund-raisers and participators are now required to have a written agreement with their beneficiary charity, and have to be more transparent in their solicitation materials. We are continuing to review the fundraising landscape and will look to do more to facilitate informed giving.

We have also worked closely with the Charity Council and would like to congratulate them on the successful launching of the inaugural Charity Governance Awards in November 2012. I have always advocated that good governance is essential for a charity to flourish and that the good efforts of charities in this area should be given recognition and to serve as role model for other charities. This award recognises charities that have adopted leading standards of governance and provides inspiration for others to emulate the best governance practices.

This year also saw a change to the regulatory structure. From 1 November 2012, the Office of the Commissioner of Charities came under the purview of the Ministry of Culture, Community and Youth (MCCY). A Sector Administrator was set-up under the Ministry of Social and Family Development (MSF) to oversee charities and IPCs in the Social & Welfare sector, whilst that for the Arts & Heritage sector was absorbed from the former Ministry of Information, Communications and the Arts (MICA) into MCCY. MCCY has envisioned Singapore as a fulfilled and engaged people, a cohesive and caring society and a confident and resilient nation, and my office will continue to sharpen its focus on nurturing a well-governed charitable sector that remains driven by the community.

To develop a well-governed and thriving charity sector with strong public support

All in all, we hope that these initiatives will create an environment where donors can give with ease and confidence that their donations are put to a worthy cause. Correspondingly, charities will be able to sustain and thrive with the support of the public and further their charitable causes to meet the needs of a diverse society. Together, we can make a difference to develop the landscape of informed giving and help build a gracious and caring society where we are proud to call home.

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 Social and Family Development, People’s Association and the Singapore Sports Council oversee the charities and IPCs in the education, health, social and welfare, 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.

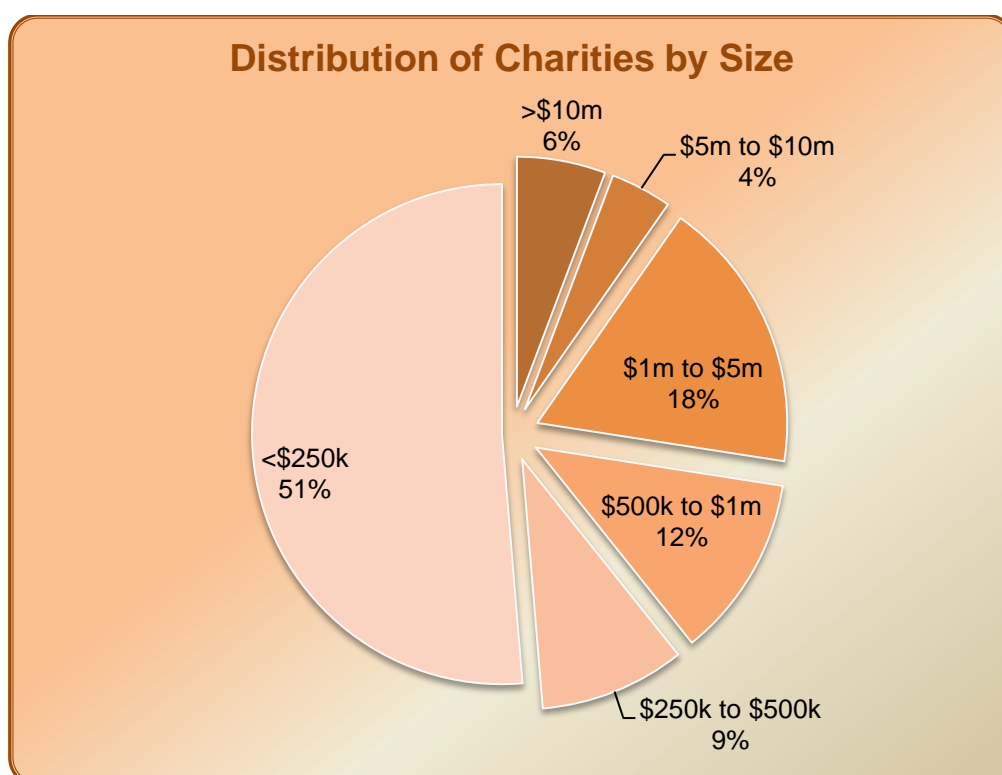
5. In 2012, we registered 55 new charities while de-registering 15 charities, bringing the number of registered charities as at 31 December 2012 to 2,130². The breakdown of registered charities in the different sectors is shown in Table 1 below. Figure 1 shows the distribution of charities by income level.

² An adjustment was made to prior year's figures as at 31 December 2011 to reflect the number of registered charities, excluding exempt charities.

Table 1: Registered Charities by Charitable Purposes

Charitable Purpose	Newly registered charities as at 31 December 2012	Total number registered as at 31 December 2012	Percentage
Religious & Others	14	1,261	59.2%
Social & Welfare	18	371	17.4%
Health	4	127	5.9%
Education	9	111	5.2%
Arts & Heritage	5	112	5.3%
Community	1	87	4.1%
Sports	4	61	2.9%
Total	55	2,130	100%

Figure 1: Distribution of Charities by Income Level (Annual Receipts in 2011)



6. In 2011³, the total receipts (which include government grants, donations and fees and charges for services rendered) of the charity sector amounted to \$11.3 billion, of which approximately \$2 billion were donations (both tax deductible and non-tax deductible) to these charitable organisations.

³The financial year varies among charities. Figures are based on annual returns submitted for financial years ending in 2011. Charities are required to submit their annual returns within 6 months of the close of their financial year.

7. There were 120 large charities with annual income above \$10 million as compared to 112 in the previous year. These were mainly tertiary education institutions, health institutions, the larger 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 51% of the charity population and accounted for \$63 million or less than 1% of the total income of the charity sector.

8. Figures 2 and 3 show the distribution of total annual receipts by sector, and the distribution of total donations by sector respectively. Figure 4 shows the distribution of total charity sector income by charity size. Figure 5 shows the breakdown of income by source.

Figure 2: Distribution of Total Receipts by Sector (Annual Receipts in 2011)

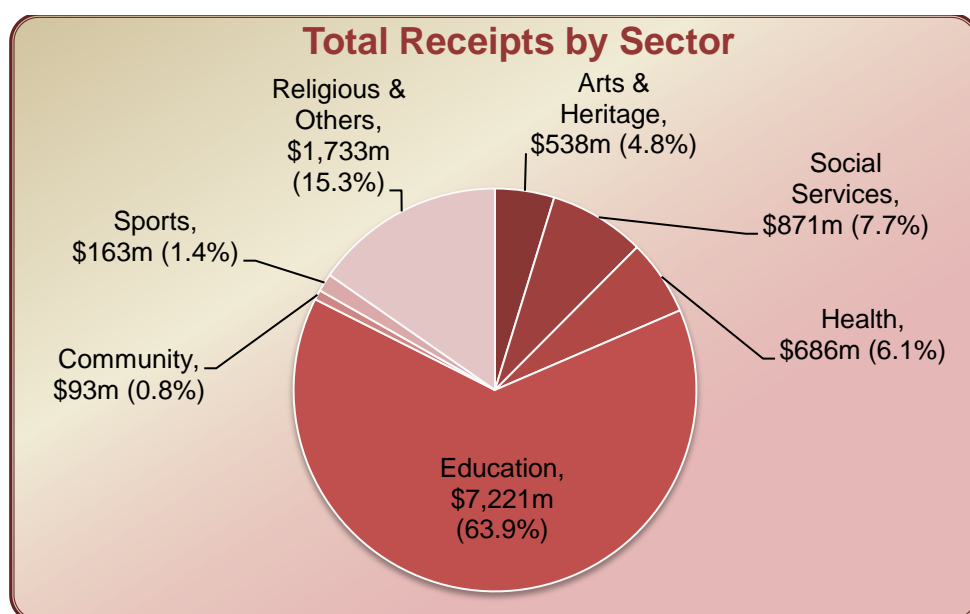


Figure 3: Distribution of Total Donations by Sector

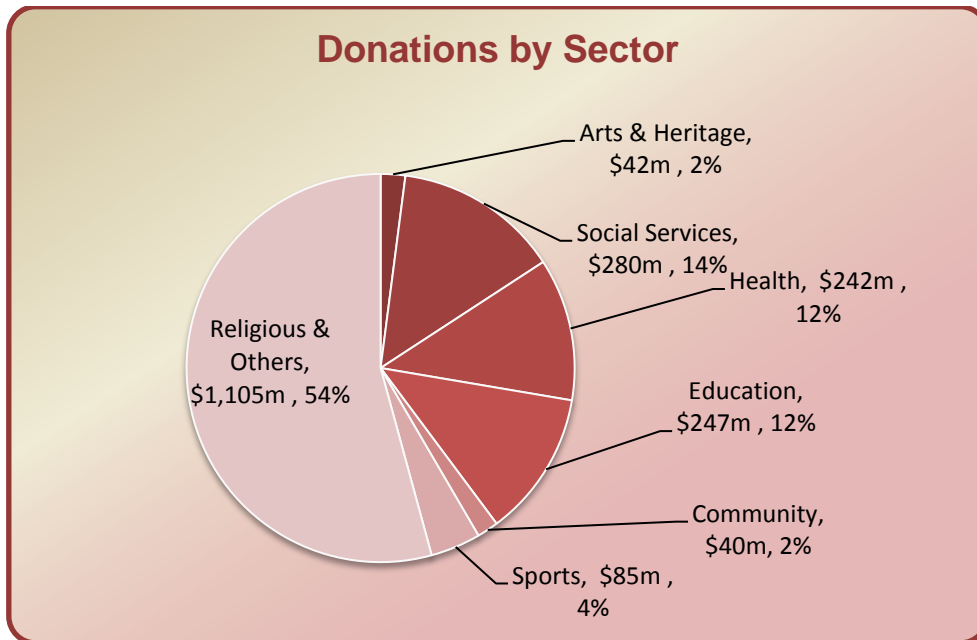


Figure 4: Distribution of Total Income by Size (Annual Receipts in 2011)

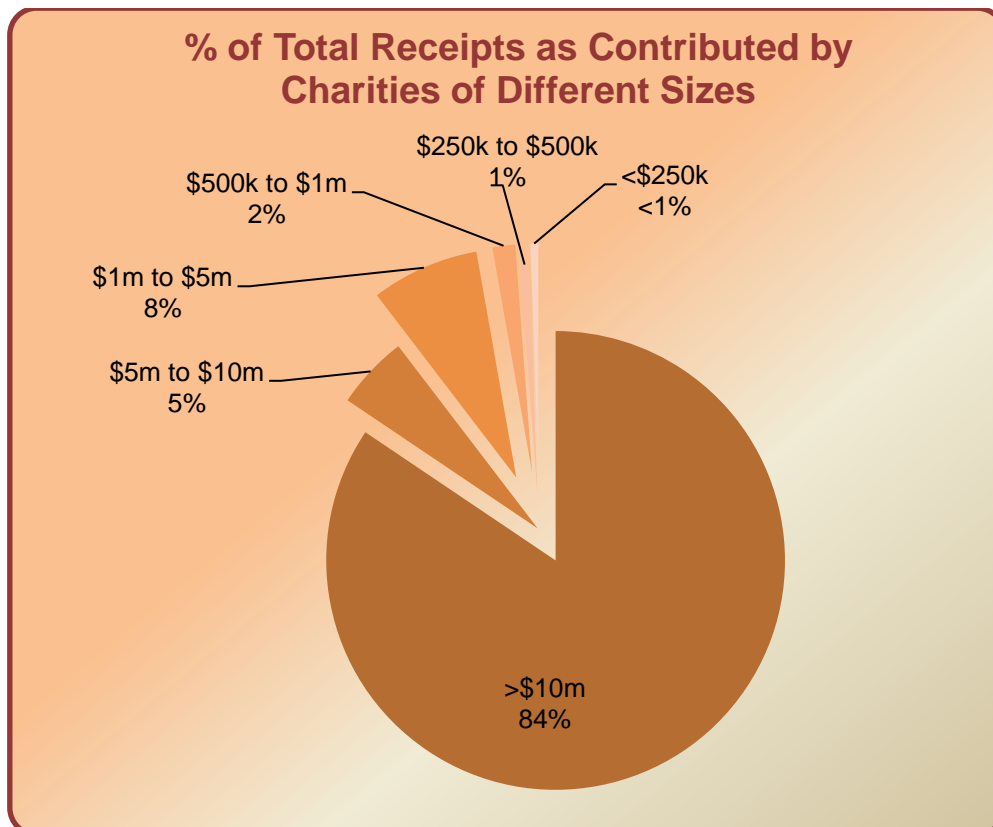
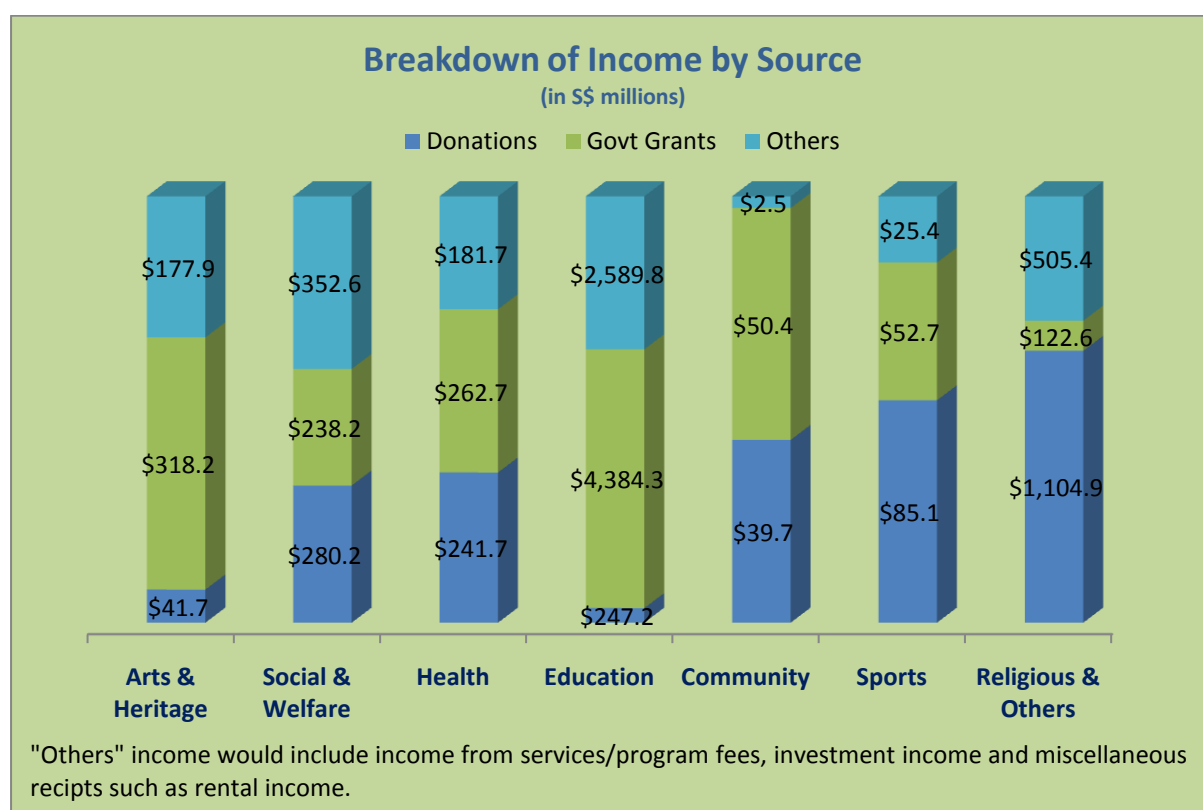


Figure 5: Breakdown of Income by Source



Institutions of a Public Character

9. 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 IPCs to issue tax-deductible receipts to donors so that they may enjoy tax relief based on the amount of qualifying donations made⁴. To support greater charitable giving amidst the economic crisis, the tax deduction for donations made in 2009 was increased from 200% to 250%⁵. This increased tax incentive was extended for another 5 years from 2011 to continue to encourage greater giving.

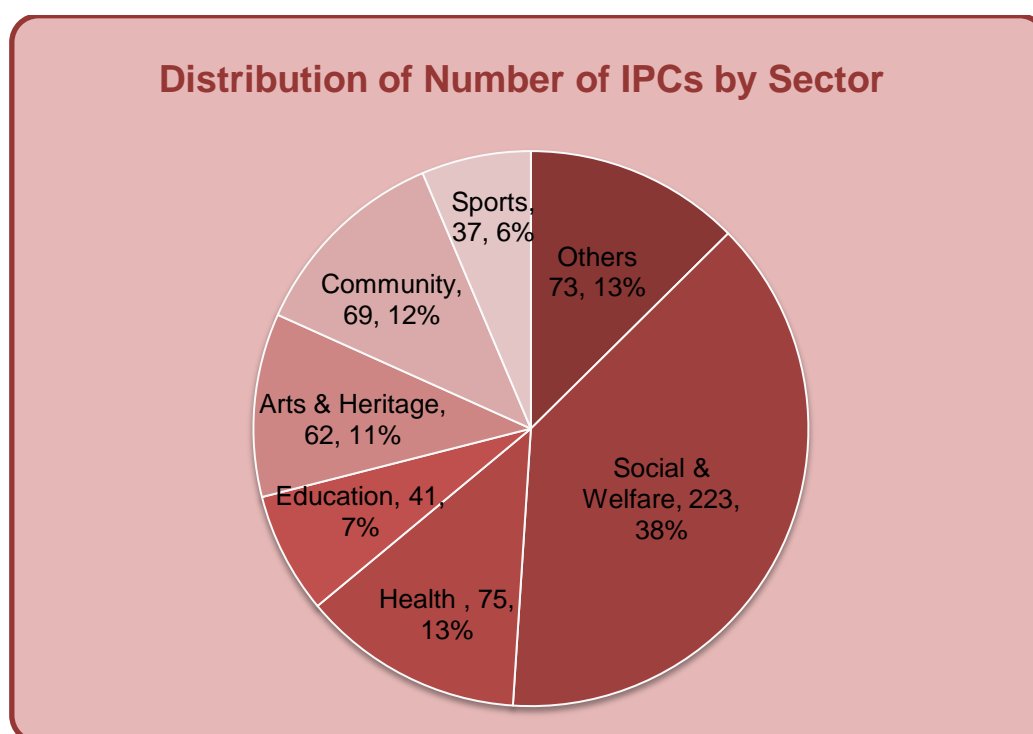
10. As of 31 December 2012, there were 580⁶ approved IPCs. Figure 6 shows the number of IPCs in the different sectors.

⁴ Under the Income Tax Act, outright cash donations, donations of shares by individual donors, donations of computers (including hardware, software, accessories and peripherals) by corporate, artefacts donations, donations under the Public Art Tax Incentive Scheme, and land and building donations will qualify for tax deduction.

⁵ For every \$100 in tax deductible donations, \$250 of the donors' assessable income would not be taxed.

⁶ 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 6: Number of IPCs by Sector



11. The total value of the tax deductible donations received by IPCs in 2012 has reached a record high of \$1,031 million, a 12% increase from the \$896 million received in 2011. These donations were all given in aid to local charitable causes.

12. Corporate and individual donations rose by 16% and 13% respectively, compared to the previous year. Figures 7 and 8 show the distribution of tax-deductible donations received by source and by sector respectively.

13. The education, social & welfare and health sectors collectively accounted for 87% of the donations. Within the education sector, donors were particularly generous to the universities as well as the Education and Library Funds.

14. Details on the change in the amount of tax deductible donations by sector in the last 3 years are shown in Figure 9. Figures 10 and 11 show the amount of tax deductible donations received over the past 12 years.

Figure 7: Distribution of Tax Deductible Donations by Source

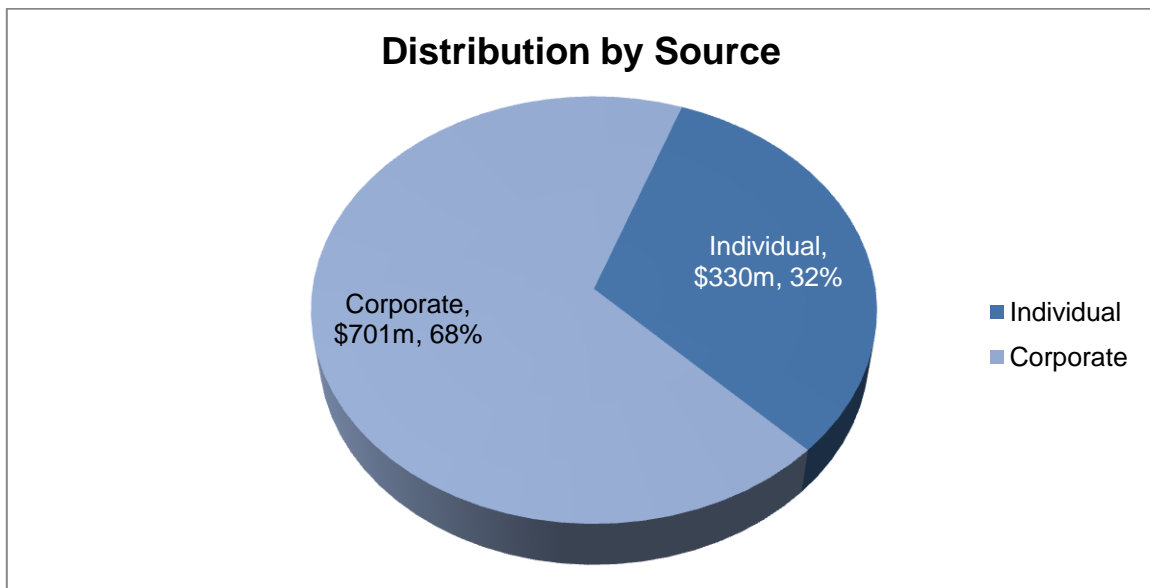


Figure 8: Distribution of Tax Deductible Donations by Sector

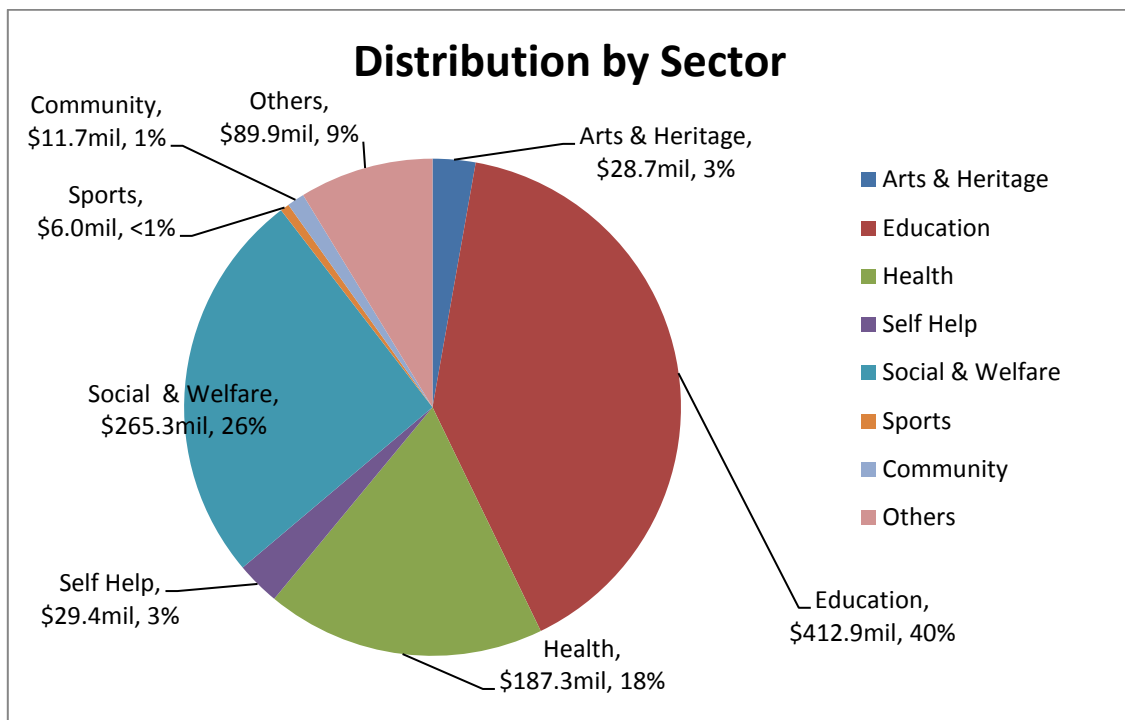


Figure 9: Trend of Tax Deductible Donations by Sector

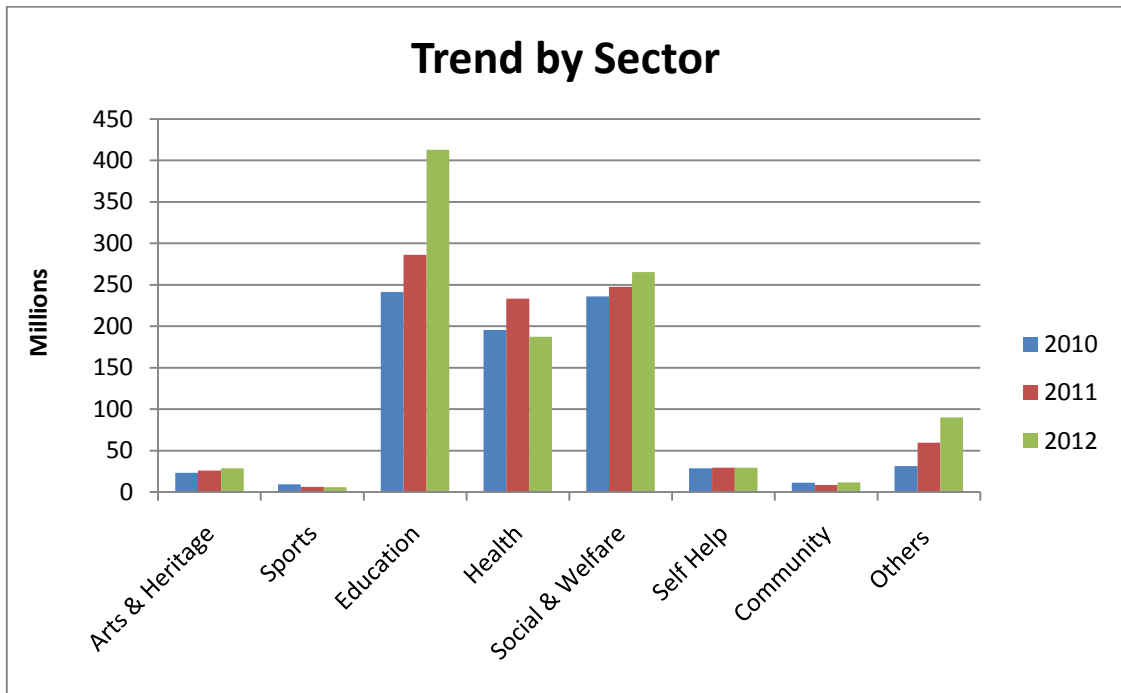


Figure 10: Trend of Tax Deductible Donations by Source

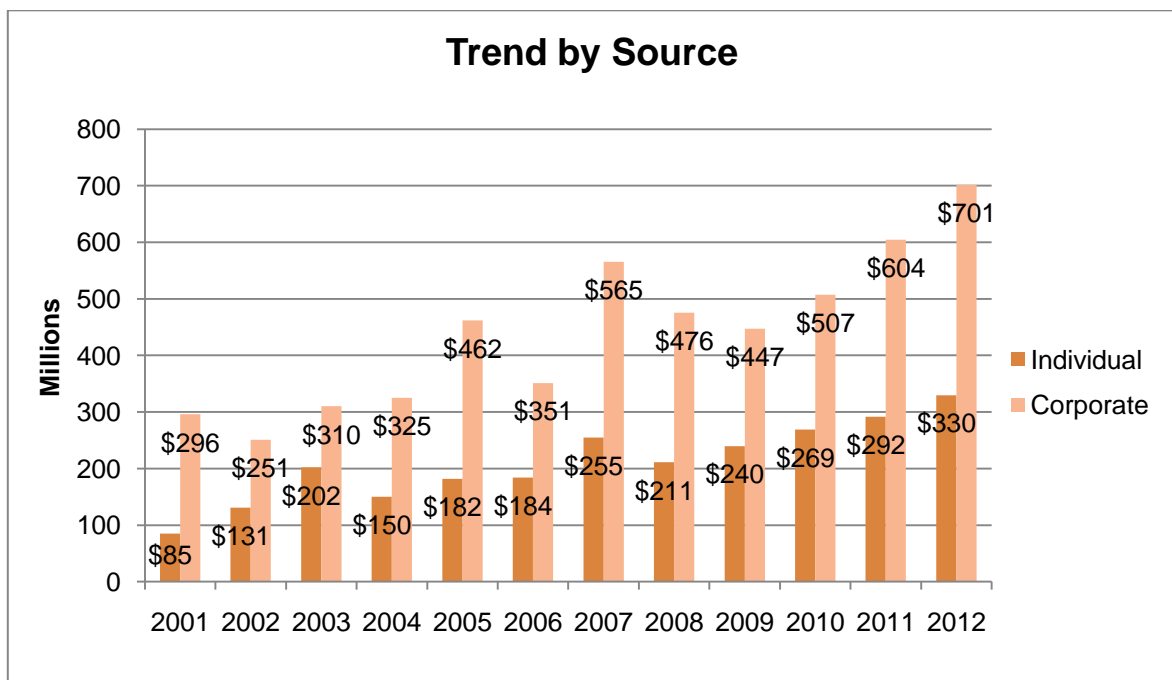
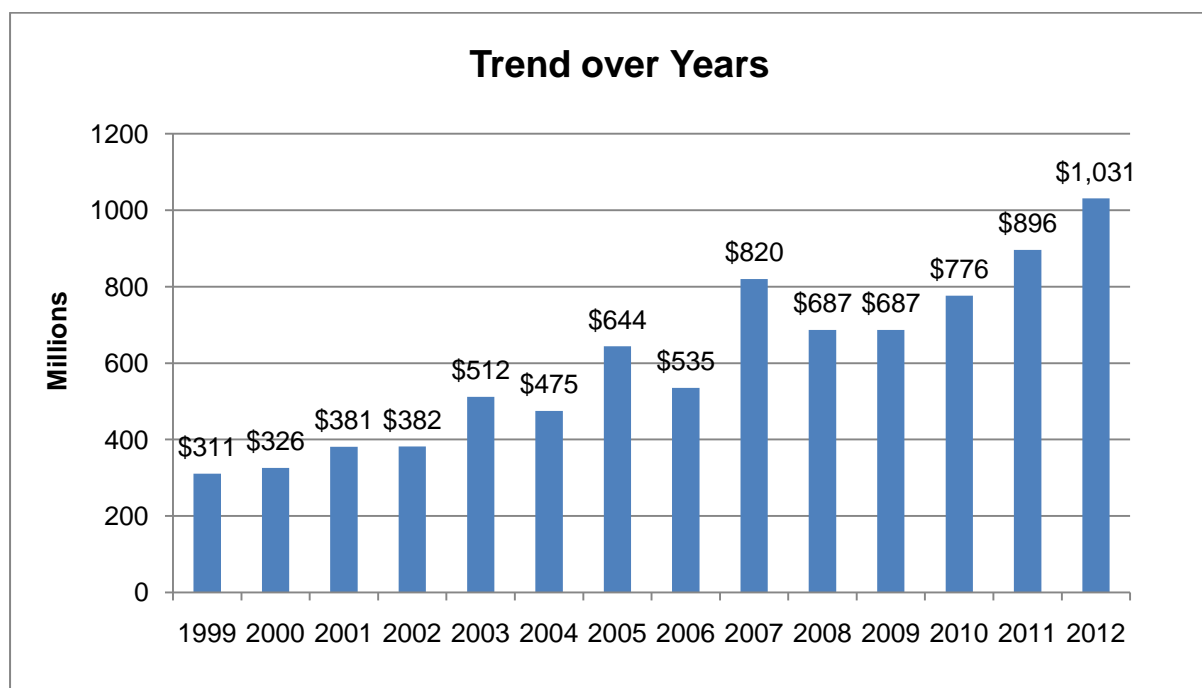


Figure 11: Trend of Total Tax Deductible Donations received by IPCs



Fund-Raising Appeals for Foreign Charitable Causes

11. In addition to the amount raised for local charitable causes, a total of 61 permits were granted in 2012 for organisations to conduct fund raising appeals for foreign charitable causes. The amount raised from the permits granted is \$8.4 million. 7 of the permits granted were for efforts in aid of victims of natural disasters, such as Typhoon Pablo in Philippines and Hurricane Sandy in United States. Permits were also granted for the UN World Food Programme and humanitarian projects including the construction of hospitals and schools.

MAJOR DEVELOPMENTS IN 2012

Changes to the Regulatory Structure

12. In November 2012, the Office of the Commissioner of Charities was transferred to the newly established Ministry of Culture, Community and Youth (MCCY). The Ministry of Information, Communication and Arts relinquished its Sector Administrator role as charities in the arts and heritage sector came under the Office of the Commissioner of Charities. The Ministry of Social and Family Development was appointed Sector Administrator for the social and welfare charities.

Promote Good Governance

Charity Governance Awards

13. The Charity Council launched the Charity Governance Awards in 2012 with the aim of promoting good governance in the charity sector by acknowledging the excellent work of charities, while inspiring others to emulate their best practices. Two award categories – one for small and medium charities and IPCs with gross annual receipts of up to \$10 million, and another for large charities and IPCs with gross annual receipts of more than \$10 million, were introduced. The Singapore Association for Mental Health and the Society for the Physically Disabled emerged the winners of the two categories respectively, and will serve as ambassadors of good governance and role models for other charities.

The VWOs-Charities Capability Fund

14. The VWOs-Charities Capability Fund (VCF) was made available to charities and IPCs to build up their governance and management capabilities since April 2007. VCF provides co-funding of up to 80% of the project cost in training, consultancy info-communications technology systems and shared services. As of December 2012, 870 charities and IPCs have tapped on VCF grants amounting close to \$12.4 million. Almost 20,000 training places in governance related courses have also been taken up by board members and staff of charities. The VCF was extended for another five years from 1 April 2012 to 31 March 2017.

Guidelines on Public and Private Fund-raising

15. In October 2012, we revised our guidelines on public and private fund-raising. This set of guidelines better distinguish between public and private fund-raising appeals, so as to provide clarity on waiver of the 80:20 rule⁷ to private fund-raising appeals for foreign charitable causes.

⁷ If a person or organisation wishes to conduct fund-raising appeals for foreign charitable, benevolent and philanthropic purposes, a permit is needed from the COC. Granting of the permit is conditional upon the applicant undertaking to apply 80% of the funds raised through the fund-raising appeal, on charitable objects in Singapore

Ensure Regulatory Relevance and Compliance

Amendments to the Regulations

16. As part of our on-going efforts to develop a well-governed charity sector that enjoys the confidence and support of the public, we also made revisions to the various charity regulations.

17. To streamline fund-raising provisions, we combined the Charities (Fund-raising Appeals) Regulations and the Charities (Fund-raising Appeals for Foreign Charitable Purposes) Regulations to form the Charities (Fund-raising Appeals for Local and Foreign Charitable Purposes) Regulations. We also put in place measures to better regulate the conduct of commercial and third-party fund-raisers and commercial participators to ensure that both the interests of donors and charities are protected.

18. In addition, to increase financial transparency and accountability in the charity sector, we amended the Charities (Accounts and Annual Report) Regulations to require externally audited charities⁸ to post a summary of their financial information online on the Charity Portal. We will also make available the financial statements of all charities on the Charity Portal as well. The Regulations will apply for financial years of a charity or an IPC ending on or after 1 Jan 2013, and will take effect with a new Charity Portal to be rolled-out in second half of 2013.

Governance Reviews

19. 22 charities and IPCs were selected to undergo governance reviews in 2012. The reviews were welcomed by these charities. They have benefitted from the professional advice provided by the consultants on the suggested improvements to their internal processes. Since 2006, a total of 388 governance reviews have been carried out on the charities in the sector.

20. The recommendations made are tailored based on the specific findings arising from the reviews. Examples of the findings include improvements to the procurement and payment process, management of conflict of interests and safeguarding of donations and charitable assets.

Be a Proactive Charity Advisory

Field Visits

21. Our Office and the Sector Administrators continued to conduct field visits to charities and IPCs in 2012. 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.

⁸ These include all charities set up as companies, and all other charities with annual income/expenditure over \$500,000.

22. Together with the Sector Administrators, a total of 46 field visits were conducted in 2012 across all sectors. We have conducted more than 400 field visits since 2006.

Charity Council “INTouch” Visits

23. 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. 16 “INTouch” visits have been conducted since August 2011.

Charity Council Networking Sessions

24. To provide a platform for charity board members to share and learn, the Charity Council launched the Charity Council Networking Sessions in 2012. Supported by the Sector Administrators, the sessions provide charity board members an opportunity to mingle in an informal setting, and hear from experts on topics specific to their sector’s needs. Two networking sessions were conducted by Charities Unit and the Singapore Sports Council in 2012.

Charity Council Seminars

25. As part of the Charity Council’s efforts to share governance best practices and capabilities with charity board and management staff, a governance seminar was organised in 2012 on the topic, “Good Governance Keeps the Regulator Away”. The seminar was attended by more than 150 charity participants from 97 charities.

Charity Council Newsletter

26. The Charity Council continued to engage charities through their quarterly newsletter, *Charity News*. The newsletter provides timely information on the latest developments in the charity sector and good governance practices. Six issues have been published since 2011.

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 Dec 2012, over 1,500 charities have updated their profiles on the Portal. We encourage all charities to continue to keep their information on the Portal up-to-date.

28. Besides publishing the updated regulations, relevant templates and guidance are also reviewed and updated on the Portal for charities, IPCs and public to refer. These include:-

- (a) Guidance for Charities Engaging in Business Activities
- (b) Guidance on Public and Private Fund-raising

LOOKING AHEAD

29. Our Office will continue in our efforts to improve governance, accountability and transparency in the charity sector. We will also closely engage charities and IPCs and enhance their access, along with the public's, to information via the revamped Charity Portal.

Promoting Informed Giving

30. Fund-raising efforts have been on the rise and we are heartened to observe that Singaporeans have responded generously. In tandem with the trend of increased giving, there is also growing concern over suspect fund-raising activities. We have revised the fund-raising regulations, but at the same time we cannot have an overly complex set of rules that dampen the spontaneity of giving and the community's spirit of philanthropy. We will step up our efforts in empowering individuals to make informed donation decisions, through more transparency, education and knowledge sharing⁹.

Improving the Service Experience

31. We are 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.

Working with the Charity Council

32. We look forward to the Charity Council's efforts this coming year to provide more targeted outreach to different segments of the charity sector. We will support them in their initiative to organise breakfast sessions for the executive directors of charities and work with them to explore online engagement with charities.

Conclusion

33. Good governance and strong level of public trust in the charity sector is not easily attained. It is an on-going effort which also requires the support of the public. With increased transparency of charities, we hope to equip donors with more information to practise discernment in giving and together, we can build a well governed and thriving charity sector where donations are well managed and flow to their intended purposes.

⁹ Members of the public can check if a fund-raising appeal has a valid license from the Police by sending a SMS to 79777, using the following format "FR<space><license/certificate number or organisation name>". The public can also utilise the Charity Portal (www.charities.gov.sg) for additional information such as the approved locations for the fund-raising activity as well as the purposes for which the funds will be used.