

THE SOCIAL SERVICE SECTOR IN SINGAPORE

An Exploratory Study on the Financial Characteristics of
Institutions of a Public Character (IPCs) in the Social
Service Sector.



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TABLE OF CONTENTS

LIST OF FIGURES	i
LIST OF TABLES	i
FOREWORD BY CIMA	ii
FOREWORD BY DEPARTMENT OF SOCIAL WORK, FACULTY OF ARTS AND SOCIAL SCIENCES, NATIONAL UNIVERSITY OF SINGAPORE	iii
Executive Summary	iv
1 Introduction	1
2 Five Pillars of Singapore's Social Safety Net	3
3 Many Helping Hands (MHH) Approach	9
4 Stakeholders and Funding Environment in Singapore	11
5 Challenges of MHH Approach in the Social Service Sector	18
6 Exploratory Research on Financial Characteristics of VWOs with IPC status in the Social Service Sector	20
7 Research Sample	23
8 Research Findings	26
9 Discussions, Limitations and Future Research	42
10 Conclusion	44
Endnotes	45
Bibliography	46
Appendix - Glossary of Accounting Terms	51
Acknowledgements	52
Notes	53
About The Authors	55
About This Report	56

LIST OF FIGURES

Figure 1:	Stakeholders in Singapore’s Social Service Sector	11
Figure 2:	Tax Deductible Donations (2005 to 2014)	17
Figure 3:	VWOs with IPC status (FY 2011 to FY 2013) - Adoption of Accounting Standards across Years	25
Figure 4:	Breakdown of Total Assets by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)	34
Figure 5:	Breakdown of Total Liabilities by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)	36
Figure 6:	Breakdown of Surpluses by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)	37
Figure 7:	Breakdown of Reserves by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)	39
Figure 8:	Ratio of Unrestricted Funds to Annual Operating Expenditure by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)	41

LIST OF TABLES

Table 1:	Five Pillars of Singapore’s Social Safety Net	3
Table 2:	Examples of Funding Schemes Available to the Social Service Sector	16
Table 3:	Total Donations by Charity Sector (2009 to 2013)	17
Table 4:	Key Differences across Organisation Types	22
Table 5:	Differences between Financial Reporting Standards (FRS) and Charities Accounting Standards (CAS)	23
Table 6:	VWOs with IPC status (FY 2013) – Distribution based on Registration Types and Total Operating Expenditure (TOE) Size	24
Table 7:	VWOs with IPC status (FY 2011 to FY 2013) – Distribution based on Total Operating Expenditure (TOE) Size	24
Table 8:	VWOs with IPC status (FY 2011 to FY 2013) – Adoption of Charities Accounting Standards (CAS) by Total Operating Expenditure (TOE) Size	25
Table 9:	Breakdown by Percentage of Income by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)	29
Table 10:	Breakdown by Percentage of Expenses by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)	32



FOREWORD BY CIMA



I wish to congratulate the National University of Singapore (NUS) on the release of this research report on the social service sector in Singapore. We are proud to be part of this research that is sponsored by the CIMA Centre of Excellence South East Asia.

The forces affecting how social service organisations operate have changed a great deal over the decades. Today, such organisations are often confronted with the need to be more sensitive to the competitive nature of acquiring funds. As a consequence, they need to demonstrate that they have particular competencies to deliver services to those in need of support.

We strongly believe that it is vital for such organisations to embed good financial and management accounting practices with a strong emphasis on accountability and transparency. This will then promote an effective and efficient delivery of service and give donors the confidence that the funds are well managed for the benefit of the beneficiaries.

Once again, my sincere congratulations to the NUS team.

Irene Teng

Regional Director, South Asia and Australasia

Chartered Institute of Management Accountants (CIMA)

About CIMA

The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of management accountants, with over 227,000 members and students operating in 179 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for-profit organisations. CIMA works closely with employers and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially-trained business leaders.

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CIMA has formed a joint venture with the American Institute of CPAs (AICPA) to establish the Chartered Global Management Accountant (CGMA) designation. CGMA is the global quality standard that further elevates the profession of management accounting. The designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance.

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FOREWORD BY DEPARTMENT OF SOCIAL WORK, FACULTY OF ARTS AND SOCIAL SCIENCES, NATIONAL UNIVERSITY OF SINGAPORE



The Department of Social Work, Faculty of Arts and Social Sciences, National University of Singapore, is pleased to support its Centre for Social Development (Asia) (CSDA) in their research on the social service sector in Singapore. We would like to express our appreciation to all team members who have worked tirelessly on this project.

Voluntary Welfare Organisations (VWOs) in the social service sector are encouraged to adopt best practices recommended by the Code of Governance for Charities and Institutions of Public Character (IPCs) (2011). As members of the public donate and volunteer their services, it is important that VWOs adopt and maintain good standards of corporate governance. VWOs can maintain and further boost public confidence by being effective, transparent and accountable to their donors and beneficiaries.

This report provides a general picture of the social service sector in Singapore, which can be used as a guide for those new to the sector. Furthermore, the exploratory study on financial characteristics of IPCs provides initial findings in understanding the sector's financial management challenges. Going forward, we believe that this report will be useful to all stakeholders in the social service sector.

Again, we would like to congratulate the team on the release of this report and look forward to future research and publications.

Dr. Rosaleen Ow

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About Department of Social Work

Social Work as a subject in the University first started in 1952, when it offered the first professional social work qualification in Singapore – the two-year Diploma in Social Studies of the Department of Social Work, at the then Singapore University. Since then, the department has evolved with the changing times, circumstances and requirements of the country into its present form.

The department's vision is to be a leading educational and research institution within the international social work community, providing a distinctive Asian perspective in social work and social development. Its mission is:

1. To produce and develop competent social work graduates who can contribute to the wellbeing of society by
 - Promoting the social functioning of people within the environment from the perspectives of the individual, family and community;
 - Enabling the development of human potential to the fullest;
 - Providing effective social work leadership;
 - Undertaking research and creating awareness and understanding of social issues and social change
2. To lead in the development and promotion of regional social work education, practice and research in collaboration with Asian and other international partners.

For more information on the Department of Social Work, please visit: <http://www.fas.nus.edu.sg/swk/>



EXECUTIVE SUMMARY

The objective of this report is to give a snapshot of the current state of Singapore's social service sector. It is carried out in two parts. The first part covers Singapore's social service landscape and the second part is an exploratory research on the financial characteristics of Voluntary Welfare Organisations (VWOs) with Institution of a Public Character (IPC) status from FY 2011 to FY 2013

Singapore is not a welfare state. The Government provide initiatives and policies to ensure that Singaporeans are self-sufficient. The Singapore's Social Safety Net is made up of five pillars – asset building, home ownership, healthcare, employment and education. For Singaporeans who have slipped through the cracks, they are served by various stakeholders and funders in the social service industry. The Many Helping Hands (MHH) approach is a community-based framework where government bodies, enablers, grantmakers, donors, volunteers and VWOs, provide social assistance to the poor, vulnerable and disadvantaged.

The VWOs play an important role in delivering the social services in Singapore. They serve the poor, vulnerable and disadvantaged. They are non-profit making entities and are dependent on public funding for their operations. They receive financial support from the Government, grant makers, corporations and individuals. To boost their fund-raising effort, VWOs can apply for Institution of a Public Character (IPC) status with the Commissioner of Charities, which will allow them to issue tax-deductible receipts to donors.

With the aim of understanding the social service sector's financial management practices and the industry's financial well-being, an exploratory research on the financial characteristics of VWOs with IPC status in the social service sector was carried out. The research data consists of 202 VWOs with IPC status in the social service sector (thereafter known as charities) from FY 2011 to FY 2013. The research studied the charities' profile, income, expenses, assets, liabilities, surplus and reserves. The charities are classified into six categories according to their Total Operating Expenditure (TOE) sizes: SGD 0 - 250k, SGD 250k - 500k, SGD 500k - 1m, SGD 1m - 5m, SGD 5m - 10m, and SGD 10m and above.





The key findings over the three-year period (FY 2011 to FY 2013) are summarised as follow.

- **Income**

The charities' major sources of income are from donations, fund-raising income and government grants. This is true for charities across all TOE sizes.

- **Expense**

Manpower expenses dominate the charities' expenditures. This is true for charities across all TOE sizes.

- **Assets**

Larger charities (SGD 1m - 5m and above) hold about half of their total assets in non-current assets, while smaller charities (SGD 0 - 250k) hold their assets in cash and cash equivalents.

- **Liabilities**

Larger charities (SGD 1m - 5m and above) have both current and non-current liabilities, while smaller charities (SGD 0 - 250k) have only current liabilities.

- **Surpluses**

Larger charities (SGD 1m and above) showed a steady increase in surplus, while smaller charities (SGD 500k and below) showed decline in their level of surpluses.

- **Reserves**

Larger charities (SGD 1m above) keep their reserves distributed in unrestricted funds, restricted funds and endowment funds, while smaller charities (below SGD 500k) keep most of their reserves in unrestricted funds.

- **Reserves Level**

With exception of the small charities with TOE size of SGD 0 – 250k, all other charities have sufficient unrestricted funds to maintain themselves about 1.19 to 1.88 times of their annual operating expenses. Small charities (TOE size of SGD 0 – 250k) maintain sufficient unrestricted funds to cover about 2 times of their annual operating expenses.

The findings provide an insight on the sector's financial management practices and financial sustainability issues. The research is exploratory in nature and there are limitations to our research. Suggestions for future research have been included in the report.



Singapore's Social Safety Net



5 Pillars:

1. Asset Building
2. Home Ownership
3. Healthcare
4. Employment
5. Education

The Social Safety Net in Singapore is built on 3 key principles, namely self-reliance, family as the first line of support, and the Many Helping Hands (MMH) approach (Lim, 2007). State agencies including Central Provident Fund Board, Housing & Development Board, Ministry of National Development, Ministry of Education, Ministry of Social and Family Development, Ministry of Health and Workforce Development Agency, implement policies and schemes for asset building, employment, education, healthcare and home ownership. More details are available in Section 2.

Helping the Poor, Vulnerable and Disadvantaged in Singapore: Stakeholders in the Social Service Sector



Social Service Agencies: Consists of Voluntary Welfare Organisations (VWOs), Family Service Centres (FSCs), Social Service Offices (SSOs) and Community Development Councils (CDCs).

Government Bodies: Involved with funding, regulation, and monitoring of service standards for the Social Service Sector.

Enablers: Organisations that provide support to enable Social Service Agencies to deliver services to the poor, vulnerable and disadvantaged in our community.

Grants and Grantmakers: This refers to government bodies, private and family foundations, corporate foundations that provide funding to social service agencies for running approved social service programmes or schemes.

Donors and Donations: Corporations and individuals provide donation in cash and donation in kind, to social service agencies, to support their work in helping the poor, vulnerable and disadvantaged in our community.

Volunteers: Corporations and individuals volunteer their services to social service agencies.

Financial Characteristics of VWOs with IPC status in the Social Service Sector (FY 2013)

TOE Sizes (FY 2013)	SGD 0 - 250k	SGD 250k - 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Sample Size = 202	13	17	30	84	28	30
Internal Income	14.86%	30.61%	19.49%	24.84%	27.69%	31.46%
External Income	85.14%	69.39%	80.51%	75.16%	72.31%	68.54%
Fixed Costs	81.22%	76.82%	76.23%	75.32%	67.70%	64.91%
Variable Costs	18.78%	23.18%	23.77%	24.68%	32.30%	35.09%
Assets	\$403,451	\$595,710	\$1,716,505	\$5,067,674	\$17,403,472	\$49,448,257
Liabilities	\$8,572	\$36,222	\$307,661	\$837,591	\$2,548,204	\$7,819,866
Surplus/ (Deficit)	\$24,206	\$75,675	\$90,255	\$370,567	\$1,756,732	\$2,862,837
Reserves	\$394,879	\$529,269	\$1,408,843	\$4,149,570	\$13,753,777	\$41,410,971

Notes: This exploratory research looks at a sample of 202 VWOs with IPC status in the social service sector. By categorizing these charities according to their Total Operating Expenditure (TOE) size, the study provides the financial characteristics of these charities in terms of income, expenses, assets, liabilities, surplus and reserves. In the table above, income and expenses are shown as a percentage of the total income and expenses, while assets, liabilities, and reserves are expressed as average value in Singapore dollars for each TOE size.

Income are classified into internal and external income. **Internal Income** can be further broken down into programme income, social enterprise income, investment gains and income, and other income. **External Income** includes donations and fundraising activities, sponsorships, government grants, and other grants.

Expenses include fixed and variable costs. **Fixed Costs** includes manpower expenses and administrative expenses while **Variable Costs** includes programme, fundraising, social enterprise and investment expenses.

Assets include cash and cash equivalents, other current assets and non-current assets while liabilities is made up of current and non-current liabilities. **Surplus** refers to the profit generated by the charity in excess of expense. **Reserves** refer to the sum of restricted funds, unrestricted funds and endowment funds.



1. Introduction

This report aims to give a snapshot of the current state of Singapore's social service sector and is divided into two sections. In the first section, the report gives an overview of Singapore's social welfare policies by explaining the five pillars of Singapore's social safety net and examining the "Many Helping Hands" (MHH) approach in serving the poor, vulnerable and disadvantaged in the community. Discussion on the sector's stakeholders and funding environment has been included to provide a picture of the sector's current operating environment. In the second section, the report provides the findings from the exploratory study on the financial characteristics of VWOs with IPC status. This is carried out to establish the sector's financial management practices and sustainability issues.

Hence, this report may be useful to those new to the sector as it gives a general picture of the social service industry. The findings from the financial characteristics of VWOs with IPC status provide the starting point for further dialogue on the sector's financial management issues.

1.1 The Social Service Sector in Singapore and Worldwide

In Singapore, the aim of social services is to promote the well-being of people and communities. It seeks to help individuals to be self-sufficient and less dependent, and restore individuals, families or communities to successfully function in the society (National Council of Social Service, 2015). Some examples of social services in Singapore include providing care and support for the elderly and persons with disabilities, counseling for individuals and families in need, accommodation and support in kind for the destitute and help for low income families, counseling and activities for children and adolescents with behavioural problems, and therapy and rehabilitation for drug addicts (Vasoo, 2001).

In other countries, social services are termed differently. They are known as human services in the United States. In the United Kingdom, they are referred as social care services or care and support services. Different countries may also term the social service sector as the voluntary sector, nonprofit sector, charitable sector, third sector, civil society, community-based sector, and independent sector (Hall et al., 2003). While the names and organisation of the sector may vary by country, nevertheless, the general goals of social services worldwide remain largely similar to that of Singapore's.



1.2 Common Social Issues

Extant literature reveals that there are several social issues that are common across the Organisation for Economic Co-operation and Development (OECD) nations. These include an ageing population, homelessness and high unemployment rates. While homelessness and unemployment are not serious issues in Singapore, it is not spared from having an ageing population. The low level of homelessness and unemployment in Singapore can be credited to the Singapore Government's sound economic and housing policies, both of which are important pillars of the social safety net. This will be further elaborated in the next two sections.

1.3 Three Principles of Singapore's Social Safety Net

Singapore is not a welfare state. The social safety net in Singapore is built on three key principles, namely self-reliance, family as the first line of support, and the Many Helping Hands (MMH) approach (Lim, 2007). Individuals are encouraged to be self-reliant in the long run through various schemes that make up the social safety net. When the individual is no longer able to be self-reliant, the family should always be whom they turn to for help as the first line of support. Lastly, for those who fall through the social safety net and are in need of social assistance, the MHH approach will ensure that the vulnerable in society will receive assistance from the community and the government for their needs.



2. Five Pillars of Singapore's Social Safety Net

As mentioned earlier, Singapore's social safety net is based on three key principles, with encouraging self-reliance as the first priority. To achieve this, the Singapore Government has implemented many policies in various sectors to ensure that Singaporeans can be financially prepared for the different stages in their life. Collectively, these policies make up the social safety net and can be divided into five broad categories that will be covered in this section.

Table 1: Five Pillars of Singapore's Social Safety Net

	State Agencies	Schemes
1. Asset Building	<ul style="list-style-type: none"> • Central Provident Fund Board (CPF) • Early Childhood Development Agency (ECDA) • Ministry of Education (MOE) • Ministry of Social and Family Development (MSF) 	<ul style="list-style-type: none"> • Baby Bonus Scheme • Central Provident Fund (CPF) • Child Development Account (CDA) • Edusave Account • Post Secondary Education Account
2. Home Ownership	<ul style="list-style-type: none"> • Central Provident Fund Board (CPF) • Housing Development Board (HDB) • Ministry of National Development (MND) 	<ul style="list-style-type: none"> • CPF Housing Grant • Fresh Start Housing Scheme • Lease Buyback Scheme (LBS) • Married Child Priority Scheme (MCPS) • Multi-Generation Priority Scheme (MGPS) • Parenthood Priority Scheme (PPS) • Parenthood Provisional Housing Scheme (PPHS) • Proximity Housing Grant • Public Housing Scheme (PHS) • Silver Housing Bonus Scheme (SHBS) • Special CPF Housing Grant • Staggered Downpayment Scheme
3. Healthcare	<ul style="list-style-type: none"> • Health Promotion Board (HPB) • Ministry of Health (MOH) 	<ul style="list-style-type: none"> • 3M Healthcare Framework • Community Health Assist Scheme (CHAS) • Eldershield • Seniors' Mobility and Enabling Fund (SMF) • Pioneer Generation Package (PGP)
4. Employment	<ul style="list-style-type: none"> • Economic Development Board (EDB) • Ministry of Manpower (MOM) • Ministry of Trade and Industry (MTI) • Singapore Corporation of Rehabilitative Enterprise (SCORE) • Workforce Development Authority (WDA) 	<ul style="list-style-type: none"> • SkillsFuture • Silver Support Scheme • Workfare Income Supplement (WIS) Scheme • Work Support Programme (WSP) • Workfare Training Support (WTS) Scheme
5. Education	<ul style="list-style-type: none"> • Early Childhood Development Agency (ECDA) • Ministry of Education (MOE) • Ministry of Social and Family Development (MSF) 	<ul style="list-style-type: none"> • Child Care Subsidy • Edusave Account • CPF Education Scheme • MOE Financial Assistance • Post Secondary Education Account



2.1 The First Pillar: Asset Building

Singapore's asset building policies have been credited globally as the most comprehensive and generous asset building policies, and the expertise in the design and implementation of these policies is also unmatched by others (Sherraden, 2014). Currently, the Central Provident Fund (CPF) is one major component of Singapore's social policy, employing asset building to support retirement security, home ownership, health care, education, insurances and investments. According to Sherraden (2014), no other country has a social policy that is based so extensively on asset building.

By having both employer and employee contribute a monthly sum to the CPF account of the employee, the CPF started off as a compulsory old age savings scheme. Today, apart from providing retirement income, it has been expanded to provide for health expenses, housing, education and more. Furthermore, account holders can also utilize their CPF savings to pay for the medical expenses or tertiary education of their family members (Mehta, 2006). In Budget 2015, it was announced that both the CPF contributions during the working years and the Extra Interest feature for smaller CPF balances for older Singaporeans would be increased (Ministry of Finance, 2015).

Apart from the CPF Scheme, every Singaporean child also receives substantial asset-based funding from young. The Child Development Account (CDA) policies contribute largely to asset building for Singaporeans and have also been described as the most inclusive policies worldwide (Sherraden, 2014). Under the Baby Bonus Scheme, parents of newborns will receive a cash gift of \$8,000 for the first and second child, and \$10,000 for each subsequent child. In addition, parents receive one-to-one government matching for savings in their CDA, which can be used for child development expenses at Baby Bonus Approved Institutions, including child care centres, kindergartens, special education schools, hospitals and clinics, pharmacies and more. When children begin their education in the later years, asset building policies also extend into their schooling years in the form of the Edusave Account and the Post-Secondary Education Account (Sherraden, 2014).

2.2 The Second Pillar: Home Ownership

“ Today, with over 90% home ownership, Singapore boasts the highest housing asset ownership rates worldwide (Sherraden, 2014). ”

As mentioned previously, effective public housing policies have successfully provided Singaporeans with home ownership. More Singaporeans were able to purchase a flat or upgrade from renting to owning a house, resulting in a significant increase in home ownership rates from 58.8% in 1980 to 90.3% in 2014 (Singapore Department of Statistics, 2015). Today, with over 90% home ownership, Singapore boasts the highest housing asset ownership rates worldwide (Sherraden, 2014).



Based on the belief that housing is an asset that not only contributes to family, community and national development and stability but also promotes a sense of belonging, public housing policies were formulated to provide affordable housing for the mass population. The provision of housing was supported with the introduction of various policies, such as Public Housing Scheme (PHS) and the CPF Housing Grant. In addition, the Special CPF Housing Grant and the Staggered Down Payment Scheme also aim to make home ownership more affordable for first-time flat buyers¹.

As for those who have bought a flat but sold it and are now back in a rental unit, the new Fresh Start Housing Scheme will help them to own a two-room flat which will have a shorter lease and stricter resale conditions, making the flats more affordable and reducing the chances of people reselling them. With due effort from the family, they may also qualify for the Fresh Start Housing Grant which will help them pay for their flat (Prime Minister's Office, 2015).

Another new policy announced during the National Day Rally 2015 is the Proximity Housing Grant. Every Singaporean household owner, whether a first timer or not, will be eligible for the one-time grant when they buy a resale flat with or near their parents, or when they buy a resale flat with their married children or near their married children (Prime Minister's Office, 2015).

Besides the affordability of flats, the Singapore Government has also made efforts to improve their availability. For young couples, 100,000 flats were rolled out since 2011 and almost all first-timers can now select a flat in a non-mature estate on their first try (The Straits Times, 2015). Besides building more flats, numerous priority schemes were implemented, such as the Parenthood Priority Scheme (PPS), Parenthood Provisional Housing Scheme (PPHS), Married Child Priority Scheme (MCPS) and Multi-Generation Priority Scheme (MGPS), among others (The Straits Times, 2015)².

As for the elderly, studio apartments were built to cater specially to them. For elderly staying in 4-room or smaller flats, they also have an option to monetise their housing asset to provide an additional income source in their retirement years through the Silver Housing Bonus Scheme (SHBS) and the Lease Buyback Scheme (LBS), depending on whether they choose to downsize to a smaller flat or continuing to live in their current flats (Housing and Development Board, 2015).

2.3 The Third Pillar: Healthcare

With regards to healthcare, the Singapore Government is committed to providing quality and affordable basic medical services for all. Over the past 50 years, healthcare in Singapore has greatly improved, and this has resulted in a substantial fall in infant mortality rate and increase in average life expectancy at birth nationwide (Lim, 1998; Singapore Department of Statistics, 2014)³. Singapore's healthcare system has been designed to allow everyone access to different

levels of healthcare in a timely, cost-effective and seamless manner (Ministry of Health, 2013). As such, policies have been implemented to ensure that Singaporeans are able to afford basic healthcare facilities and medical treatments as much as possible, such as the 3M Healthcare Framework (Medisave, MediShield and Medifund), Eldershield, Community Health Assistance Scheme (CHAS) and more.

Under the CPF, the Medisave account enables account holders to pay for approved hospitalisation and other medical expenses for themselves or for their immediate family members, especially those without employee medical benefits or private personal health insurance. Savings in each Medisave account come from compulsory monthly CPF contributions from members and their employers, as well as occasional government top-ups.

“ Singapore’s healthcare system has been designed to allow everyone access to different levels of healthcare in a timely, cost-effective and seamless manner ” (Ministry of Health, 2013).

MediShield is a low-cost national medical insurance scheme that was introduced as a complementary plan alongside Medisave, in order to supplement the payment of costly expenses arising from long-term medical treatment. In end 2015, MediShield Life will replace MediShield and offer (i) better protection and higher payouts, so that patients pay less Medisave or cash for large hospital bills, (ii) protection for all Singapore Citizens and Permanent Residents, including those who are very old and/or have pre-existing illnesses and (iii) lifelong protection. Inevitably, with better coverage, MediShield Life premiums will increase. However, the government will provide substantial support to ensure the affordability of premiums, such as premium subsidies for the lower to middle income, Pioneer Generation subsidies for pioneers, transitional subsidies to ease the shift to MediShield Life for Singapore Citizens and additional premium support for those who are unable to afford their premiums even after premium subsidies (Ministry of Health, 2015).

Those without a Medisave or MediShield account, who have insufficient funds in their accounts to cover their hospital bills, or who do not have immediate family members to help pay for their medical expenses, can apply for Medifund assistance. Medifund is a government endowment fund that offers aid to needy Singaporeans by paying for their hospitalisation expenses in the heavily government-subsidised wards. It shows the government’s commitment to ensure that all Singaporeans will have access to basic medical care, whether or not they can afford it (Mehta and Wee, 2011).

Other healthcare schemes include Eldershield, an affordable severe disability insurance scheme, various Marriage and Parenthood Schemes, the Interim Disability Assistance Programme for the Elderly (IDAPE), Seniors’ Mobility and Enabling Fund (SMF) and the more recently implemented Community Health Assist Scheme (CHAS)⁴ and the Pioneer Generation Package (PGP)⁵ (Ministry of Health, 2015).



2.4 The Fourth Pillar: Employment

Back in 1965 when Singapore first declared its independence, unemployment was one of the pressing issues that the government had to address in order to drive economic development (Singapore Economic Development Board, 2015). From 1960 to 2000, Singapore's real GDP per capita increased 9.7 times within 40 years, achieving the highest growth performance out of 107 countries. This phenomenon is frequently cited as an "economic miracle" (Sugimoto, 2011). Today, Singapore has developed into a globally competitive economy. As a result of the strong economic performance, Singapore experiences one of the lowest unemployment rates in the world⁶.

However, while Singapore enjoys low unemployment rates, there are concerns over a widening income gap and the challenges of raising the wages of low-skilled labour. In response to these challenges, the Singapore Government introduced a workfare bonus in 2006, which became a permanent Workfare Income Supplement (WIS) Scheme in 2007, the Work Support Programme (WSP) and the Workfare Training Support (WTS) Scheme.

“ As a result of the strong economic performance, Singapore experiences one of the lowest unemployment rates in the world⁶. ”

The WIS Scheme supplements the income of low income Singaporeans who meet the criteria⁷ in the form of cash bonus and CPF contribution. This is not only to ensure current social security but also provide for medical or housing needs in old age. The amount of payout varies by age, income level and employment status (Mehta and Wee, 2011). In addition, the WTS Scheme is meant to complement WIS by encouraging Singaporean workers to undergo training and upgrade their skills, and supporting employers in sending their employees for training (Ministry of Manpower, 2015). The WSP is also targeted at helping the needy households to obtain employment and be financially independent. In 2008, ComCare Transitions (CCT) was introduced to provide interim assistance for those who are unable to work temporarily (Mehta, 2006).

In 2014, the SkillsFuture Council was also set up as part of the national movement to provide Singaporeans with opportunities to develop to their fullest potential throughout life based on their skills mastery (Singapore Workforce Development Agency, 2015). Initiatives by SkillsFuture start in school, where students will receive education and career guidance to help them make informed choices about the pathways available to them. They will be able to engage in deeper and more structured internship programmes, particularly while enrolled at Institutes of Higher Learning.

Once in the workforce, Singaporeans will be able to acquire deeper skills relevant to their jobs, as well as renew themselves by going back to education in the course of their careers. Support will be provided by the government in the form of enhanced subsidies for courses, as well as special support through SkillsFuture Study Awards and SkillsFuture Fellowships (Ministry of Finance, 2015).



The SkillsFuture Earn-and-Learn Programme will also give fresh ITE and Polytechnic graduates a head start in their careers. They can earn a full-time salary and at the same time learn new skills and upgrade to higher jobs. These specific initiatives will be underpinned by a lifelong SkillsFuture Credit which every Singaporean will receive. There will be top-ups at regular intervals with credits that Singaporeans can use to help pay for courses of their choice and to take charge of their own learning over the course of their lives (Prime Minister's Office, 2015).

In Budget 2015, the government also introduced the Silver Support Scheme which will help Singaporeans who end up with less resources than others in their retirement years. It will supplement their incomes, just as Workfare provides systematic top-ups to the incomes of the bottom 20% to 30% of Singaporeans when they are working. The Silver Support Scheme will complement Workfare as part of the fourth pillar of the social safety net (Ministry of Finance, 2015).

2.5 The Fifth Pillar: Education

In Singapore, the government has dedicated its effort to ensuring equal educational opportunities for all, regardless of family background. In the 1960s, the government had strived to provide a universal primary education for all by building more schools. As a result of the educational reforms, Singapore's national literacy rate has increased from 72.7% in 1970 to 96.7% in 2014. Furthermore, 75.8% of annual cohorts of students entered universities or polytechnics in 2013, as compared to only 9% in the early 1980s (Goh and Gopinathan, 2008; Singapore Department of Statistics, 2015b). Today, education in Singapore remains heavily subsidised to ensure equal access to educational opportunities for all Singaporean children, regardless of their financial backgrounds (Ministry of Education, 2011).

“ Today, education in Singapore remains heavily subsidised to ensure equal access to educational opportunities for all Singaporean children, regardless of their financial background (Ministry of Education, 2011). ”

The Edusave Account for students aged 6 to 16 provides a total of \$4,000 for educational enrichment such as learning trips or external courses throughout the years. Additionally, the Post-Secondary Education Account, which aims to help parents save for their children's post-secondary education, provides a savings match on of up to \$12,000 for students aged 7 to 20 (Sherraden, 2014). The CPF Education Scheme is a loan scheme that allows members to fund their own, children's or spouse's subsidised tuition fees using their Ordinary Account (OA) savings (Central Provident Fund, 2015). For needy students, the Ministry of Education (MOE) also provides financial assistance or additional subsidies through the MOE Financial Assistance Scheme (Ministry of Education, 2015).

Recently, heavy government subsidies have also been extended to child development at preschool level in a bid to make child and infant care services more affordable for lower and middle-income families (Ministry of Social and Family Development, 2013a). All parents with Singapore Citizen children enrolled in childcare centres licensed by the Early Childhood Development Agency (ECDA) are eligible for a Basic Subsidy, while families with monthly household incomes of \$7,500 and



below are eligible for an Additional Subsidy, with lower income families receiving larger subsidies. Other financial assistance schemes for childcare services include the Kindergarten Fee Assistance Scheme (KiFAS), ComCare Student Care Subsidies and Baby Bonus Entitlement (Early Childhood Development Agency, 2015).

3. Many Helping Hands (MHH) Approach

Despite the social safety net in place, certain vulnerable and disadvantaged groups in society are not sufficiently protected by the social safety net, hence requiring social assistance. These groups can be collectively termed the beneficiaries of the charity sector, which provide them with the assistance they need. To address their needs, the Singapore Government has adopted the Many Helping Hands (MHH) approach, which emphasizes a community-based approach to the provision of social assistance. Thus, the MHH approach serves to support the poor, vulnerable and disadvantaged in Singapore.

3.1 Beneficiaries

According to Sygne (2015), the term “beneficiaries” may cover many different groups from a legal perspective, apart from those who live in poverty. Under the Common Law, charity targets four main issues, namely “the relief of poverty”, “the advancement of education”, “the advancement of religion” and “other purpose beneficial to the community not falling under any of the heads”. The last clause has been expanded over time to include almost anything to do with community good, including youth, elderly, arts, health, the environment, heritage, animals and sports. These four broad charitable causes could help to form a definition of charity jurisdictions, and could apply in Singapore and other countries that inherited the common law system of England (Ministry of Culture, Community and Youth, 2014c).

3.2 Social Legislation Protecting the Vulnerable and Disadvantaged

In Singapore, various social legislations aimed at protecting the vulnerable and disadvantaged in the society have been introduced and subsequently reviewed over the years. For example, the Children and Young Persons Act protects children from abuse and neglect and punishes persons who lead the children and youth on the pathway to delinquency (Ang, 2015).

With regards to the elderly, the Maintenance of Parents Act seeks to protect elderly Singapore residents aged 60 years old and above by allowing them to claim maintenance from their children who are capable of supporting them but are not doing so (Goh, 2011).

Other social legislations protecting the vulnerable include the Women’s Charter, Probation of Offenders Act, Destitute Persons Act, Homes for the Aged Act, Mental Capacity Act and the Community Care Endowment Fund Act⁸.

“ In Singapore, various social legislations aimed at protecting the vulnerable and disadvantaged in the society have been introduced and subsequently reviewed over the years (Ang, 2015). ”

3.3 Many Helping Hands (MHH) Approach

In line with its stance against a welfare state approach, the Government has come up with the MHH approach, a framework aimed at empowering individuals and families in need to become decision-makers of their own lives. Recognizing these individuals as a social investment with long-term benefits, the MHH approach is based on the values of mutual help, reciprocity and social capital (Ang, 2015).

MHH is Singapore's approach to help that small segment of our community who cannot keep pace with the rest of the population. The focus is in coordinating different parties who intend to help in a way that ensures adequate and timely delivery of services (Ong, 2010).

“ The MHH approach hinges on the belief that the responsibility for helping the vulnerable groups in the population should be shared by various segments of society, and that it is not the sole responsibility of the state to care for those in need of assistance (Mehta, 2006) ”

The MHH approach hinges on the belief that the responsibility for helping the vulnerable groups in the population should be shared by various segments of society, and that it is not the sole responsibility of the state to care for those in need of assistance (Mehta, 2006).

This partnership in social service provision allowed the Government to increase and build on social welfare using its own brand of strong state-supported welfare without making Singapore a traditional welfare state (Lim, 2007). Under the MHH approach, self-help initiatives put forth by community organisations would make up for areas in which the government was less effective in providing.

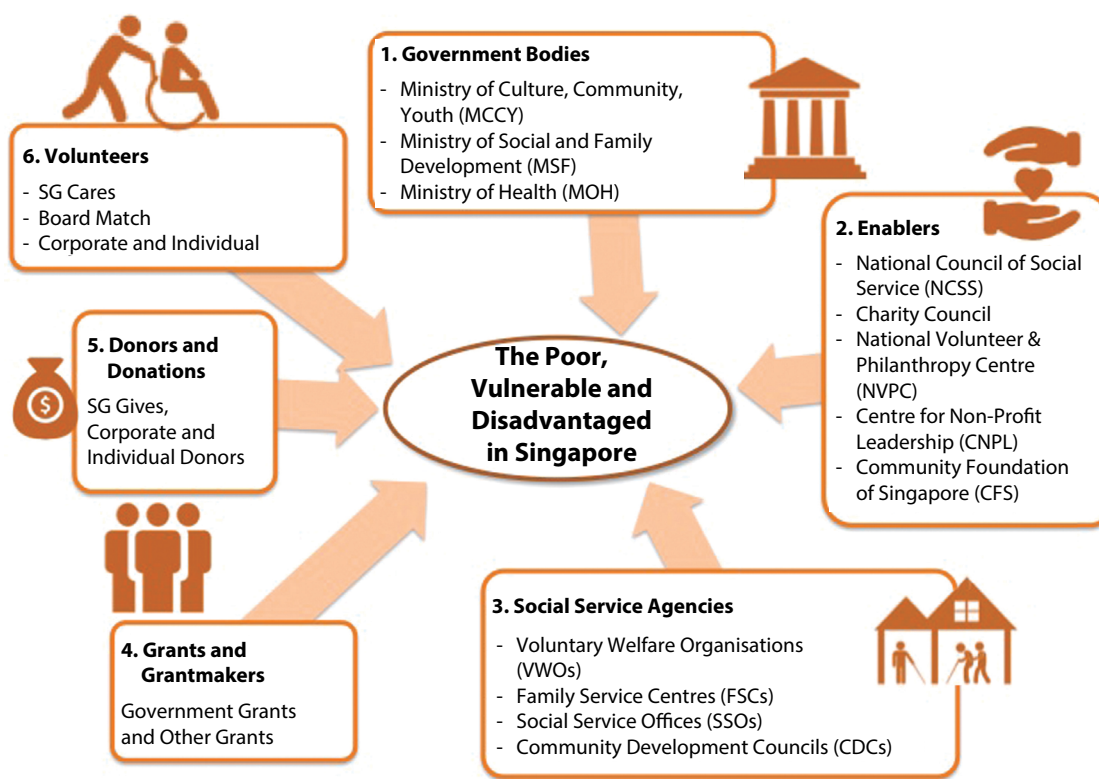
This is in line with the underlying belief that caring for the needy and provision of social services would be best done by dedicated, passionate people in the community and non-governmental organisations rather than by civil servants. With family and community help in place, the government would then provide the necessary support to make MHH work (Ong, 2010).

Under the MHH approach, various stakeholders are involved. Details about the stakeholders in the social service sector will be discussed in the next section.



4. Stakeholders and Funding Environment in Singapore

Figure 1: Stakeholders in Singapore's Social Service Sector



4.1 Government Bodies

The Government provides the resource inputs and funds, and exercise regulatory control over VWOs (Jones, 2002). For instance, in recent years, the Singapore Government has intervened to address growing manpower challenges of the social service sector by raising the status and job conditions of social workers through measures such as salary revisions, sabbatical leave and awards for outstanding social workers (Ng & Sim, 2012). The Government can also directly provide social services that some VWOs may consider their domain (Ang, 2015). For example, MSF runs two juvenile residential homes, the Singapore Boys' Home and Singapore Girls' Home. The Government may also provide social services with statutory services such as the Office of Public Guardian (Office of the Public Guardian, 2014).

The Government is involved at three levels in Singapore's social service sector, namely regulatory, funding and monitoring of service standards. From the angle of charity regulatory purposes, Commissioner of Charities (COC) works with sector administrators to maintain public trust and confidence in charities, promote compliance of charities, promote effective use of charitable resources and enhance the accountability of charities to donors, beneficiaries and the general public (Charities Unit, 2014).



Under the funding perspective, three government bodies are involved:

- Ministry of Culture, Community and Youth (MCCY): MCCY seeks to inspire Singaporeans through the arts and sports, deepen a sense of identity and belonging to the nation, strengthen community bonds, engage youths and promote volunteerism and philanthropy, and to build a gracious and caring society that Singaporeans are proud to call home (Ministry of Culture, Community and Youth, 2015).
- Ministry of Social and Family Development (MSF): MSF aims to enhance the current social safety net, improve delivery of welfare services and create a more conducive environment for family formation (Ministry of Social and Family Development, 2012).
- Ministry of Health (MOH): MOH seeks to promote good health and reduce illness, ensure access to good and affordable healthcare, and pursue medical excellence (Ministry of Health, 2015).

The role of enablers is to help and enable VWOs to provide improved services to clients, such as by providing funding, and building both capability and capacity for the sector.

4.2 Enablers

4.2.1 National Council of Social Service (NCSS)

National Council of Social Service (NCSS) provides leadership and direction in social services, enhances the capabilities of VWOs, promotes strategic partnerships for social services and administers and allocates a range of funding and resources to VWOs (National Council of Social Service, 2015a).

The Social Service Institute of NCSS is the focal point for an integrated social service learning hub for training, practice, resource, career service and the building of manpower capability to a higher level for the sector.

Community Chest (ComChest) is a fund-raising and engagement arm of NCSS. It was established in 1983 to raise funds from the community for the nation's many charities. It currently supports more than 80 charities in Singapore, allowing them to focus on caring for the less fortunate. The funds disbursed by ComChest have been rising steadily at 6.3% from FY 2008 to FY 2013, on a year-on-year basis (Obtained from Annual Reports of ComChest). Similarly, the number of charities supported by ComChest has been rising steadily at 6.6% from FY 2005 to FY 2013.

Examples of funds provided by NCSS are ComChest Funding, Tote Board Social Service Fund, VWOs-Charities Capability Fund, and MOE Special Education Grant.

4.2.2 Charity Council

The Charity Council was legally appointed on 1 March 2007 to promote and encourage the adoption of good governance standards and best practices in the charity sector (Charities Unit, 2015). It helps to build the governance capabilities of charities to enable them to comply with



regulatory requirements and be more accountable to the public (Charity Council, 2015). Charity Council also advises the Commissioner of Charities on key regulatory issues, such as proposals on new regulations where there may be broad-ranging impact on the charity sector.

4.2.3 National Volunteer & Philanthropy Centre (NVPC)

The National Volunteer & Philanthropy Centre (NVPC) is the nation's leading connector of volunteers and donors with giving opportunities with the non-profits and community (SG Gives, 2013). NVPC is committed to help people and organisations give well. It aims to deepen the engagement and strengthen the commitment in how people give. NVPC champions the culture of giving by identifying giving champions and role models, promoting inspirational stories and making giving opportunities accessible and flexible.

4.2.4 Centre for Non-Profit Leadership (CNPL)

The Centre for Non-Profit Leadership (CNPL) is the only non-profit organisation (NPO) in Singapore that builds leadership capability for the NPO sector (Centre for Non-Profit Leadership, 2015). Its development programmes help the sector create a leadership pipeline and build effective boards to run charities with good governance and best practices. This in turn ensures sustainable and high quality services for their beneficiaries which include children/youth at risk, the elderly, the disabled, families at risk, animal welfare, environment, education, health, sports, arts and heritage.

4.2.5 Community Foundation of Singapore (CFS)

The Community Foundation of Singapore (CFS) is an independent, philanthropic organisation that seeks to inspire giving in Singapore through bridging donors to meet community needs (Community Foundation of Singapore, 2015). In cultivating a pool of active and committed donors, it provides donor-centric services, make grants, and work with the people, public and private sectors to address a wide variety of social concerns. Their vision is to grow a sustainable culture of giving and a more connected community. CFS is a registered charity with Institution of a Public Character status.

4.3 Social Service Agencies

4.3.1 Voluntary Welfare Organisations (VWOs)

The main role of VWOs is to engage in a wide range of personal social services and provide basic welfare provision in Singapore (Jones, 2002). As of 30th April 2015, there are 449 VWOs in Singapore registered with NCSS.

4.3.2 Family Service Centres (FSCs)

Family Service Centres are the key community-based focal point and social service provider for families in need (Ministry of Social and Family Development, 2014). They promote and improve the social well-being of every individual in the family. Currently, there are 43 FSCs in Singapore and they are all run by VWOs and supported by MSF, NCSS, Community Chest and/or Tote Board. Services provided by FSCs are casework and counseling, information and referral, and community support programmes.

4.3.3 Social Service Offices (SSOs)

SSOs build on the existing network of help touch points and enable MSF to meet future needs of individuals and families. Their establishment strengthens service delivery as social assistance and services will be more accessible and coordinated in each locality (Ministry of Social and Family Development, 2013). SSOs are responsible for administering ComCare assistance to needy Singaporeans and participating in the planning of social services in their neighbourhoods through partnerships with other stakeholders such as CDCs and FSCs (Ministry of Social and Family Development, 2013). There are currently 24 SSOs in Singapore.

4.3.4 Community Development Councils (CDCs)

CDCs were established to build a tightly knit, compassionate and self-reliant community in Singapore. The establishment of the CDCs in 1997 was mooted by then PM Goh Chok Tong as a way to close the gaps between the different classes in society, encouraging the more able and successful to come forward to help the less successful (Community Development Council, 2014). Donations given to the CDCs are used to support social service programmes. There are currently 5 CDCs in Singapore.

The three main functions of CDCs are:

- Aggregator – CDCs support government agencies and community partners to aggregate services, resources and expertise;
- Builder – CDCs help to build the capabilities of grassroots and community partners; and
- Connector – CDCs strengthen, grow and develop local community networks.

4.4 Grants and Grantmakers

In Singapore, there are 4 common types of grantmakers, namely private/family foundations, corporate foundations, government-related/-affiliated organisations and special interest/affinity groups (Teo et al., 2011). The main focuses of grants are on education, healthcare and eldercare. Grants from private foundations are strongly emphasized on education since most are deeply influenced by different ethnic groups. For other grantmakers, it is mainly needs-based. In 2010, the Government contributed 74% of the total grant amount, followed by Family Foundations at 19% (Teo et al., 2011).

4.4.1 Government Grants

Government grants are funding provided by the Government. They include funding administered by The Ministry of Social and Family Development (MSF) and the Ministry of Health (MOH).

Ministry of Social and Family Development (MSF) provides funding for the social service sector. Two key areas are social assistance for low-income individuals and families and funding for social service agencies.



ComCare provides social assistance for low-income individuals and families. ComCare assistance is available at the Social Service Offices (SSOs). ComCare programmes are funded by the Community Care Endowment Fund (ComCare Fund). The ComCare Fund was established in 2005 and it provides sustainable funding for assistance programmes for low-income Singaporeans. The ComCare Fund stands at \$1.5 billion today. See MSF website (<http://app.msf.gov.sg/ComCare/Learn-More-About-ComCare>).

There are various schemes which provides funding for social service agencies. They include VWOs-Charities Capability Fund (VCF), MSF Recurrent and Capital Funds as well as Comcare Enterprise Fund (CEF). Voluntary Welfare Organisations (VWOs), Charities and Institutions of Public Character (IPCs) can tap on VCF to improve their capabilities and services in the social service sector. MSF Recurrent and Capital Funds for Social Organisations fund the operations and facilities of community-based and residential services for the elderly, people with disabilities, families in need and youth. ComCare Enterprise Fund (CEF) for Social Organisations supports new and existing social enterprises in training and/or hiring those who might need help in becoming self-reliant. Details on various other schemes are available on MSF's website.

4.4.2 Other Grants

Other than government grants, there are also grants from the community, one example is from Tote Board.

Tote Board was established as a statutory board on 1st January 1988 to operate gaming operations. It channels surpluses generated from its gaming operations to benefit the community in a wide range of areas including social and welfare. Examples of Tote Board grants include the Tote Board Community Healthcare Fund, Tote Board Social Service Fund and Tote Board-Enabling Lives Initiative Grant.

Table 2: Examples of Funding Schemes Available to the Social Service Sector

Voluntary Welfare Organisations Charities Capability Fund (VCF)
<ul style="list-style-type: none">• Administered by National Council of Social Service since FY 2002.• Supported by Ministry of Social and Family Development and the Charity Council.• Funding by Ministry of Social and Family Development and Ministry of Culture, Community and Youth.• Launched to enhance the professional, organisational and service capabilities of Voluntary Welfare Organisations providing social services in Singapore.• Registered charities and IPCs can also tap on VCF to improve their governance capabilities.
Ministry of Education (MOE) Special Education Grant
<ul style="list-style-type: none">• Administered by National Council of Social Service since FY 2005.• Co-funded by Ministry of Education and National Council of Social Service and covers operating expenditure and curriculum development of special schools.• Provides special schools with the resources to help students with special needs achieve a well-rounded education.• Not open for application by VWOs. The Ministry will approve funding for VWOs appointed to deliver the programme(s).
Ministry of Health (MOH) Health Manpower Development Plan-Intermediate and Long-Term Care Funding (HMDP-ILTC)
<p>HMDP-ILTC provides the following two funding schemes:</p> <ul style="list-style-type: none">• Fellowship: Provides funding support for medical, nursing, allied healthcare professional and administrator/care support staff to pursue ILTC-relevant training or skills upgrading at local or overseas institution.• Visiting Expert: Provides funding support for ILTC institution to invite overseas or local experts specialising in relevant fields to impart their skills and share their knowledge with the local audience.
Healthcare Productivity Fund-ILTC Funding (HPF-ILTC)
<p>Co-ordinated by Agency for Integrated Care (AIC). There are 4 aspects of HPF-ILTC Funding:</p> <ul style="list-style-type: none">• Community Health Improvement & Productivity Scheme (CHIPS): Supports Community Care institutions that wish to test out new ideas that lead to more effective use of manpower and resources.• Shared Procurement Services (SPS): Drive cost savings for service providers through competitive pricing from vendors.• Business Process Redesign / Job Redesign: Offers service providers the opportunity to relook their current system and structure to bring about a better work environment.• Manpower Development: The ILTC-Upgrading Programme offers employees an opportunity to upgrade their skills and knowledge through Degree programmes in Nursing or Allied Health disciplines.

4.5 Donors and Donations

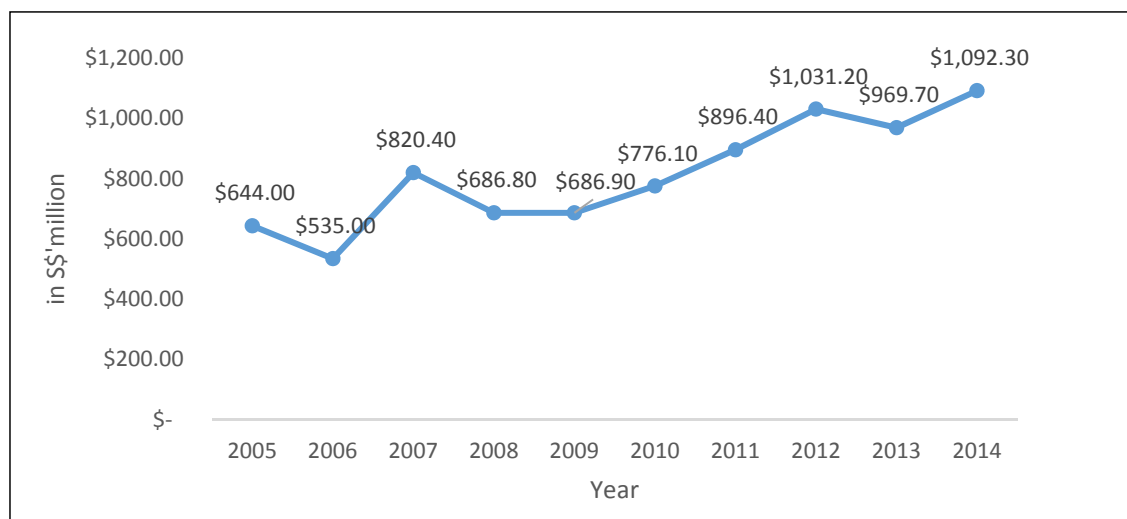
Donations supplement the Government's contribution from the national budget (Jones, 2002). There are two main types of donors – corporate and individual. The Government desires for Singapore to be a Giving Nation where every Singaporean participates, either by volunteering or donating (Wong, 2015). MCCY is working with partners like NVPC and corporations that have a strong corporate giving culture to build a spirit of giving in Singapore. SG Gives, an initiative by NVPC, is currently the largest online donation portal since its launch in 2010. The portal aims to make donating and giving decisions easy and informed. It has since raised SGD 50m donations over the past five years (SG Gives, 2015).

Donations can be classified into two types, cash or donations-in-kind. Donations have been a traditional source of income for charities, and fluctuations can affect the delivery of social service



programmes and services. Hence, it is important to track the trends for tax-deductible, as a decrease in donations may affect programmes of charities. The data on tax-deductible donations⁹, from 2005 to 2014, retrieved from Commissioner of Charities Annual Report for 2014 displayed the trend of donations for charities.

Figure 2: Tax Deductible Donations (2005 to 2014)



Source: Commissioner of Charities Annual Report 2014.¹⁰

Table 3: Total Donations by Charity Sector (2009 to 2013)

Charity Sector / Year	2009	2010	2011	2012	2013	5-year Average
Arts & Heritage	2.09%	1.75%	2.05%	1.63%	5.32%	2.57%
Social & Welfare	12.69%	13.03%	13.76%	18.84%	15.48%	14.76%
Health	11.54%	18.19%	11.87%	10.62%	10.05%	12.45%
Education	14.00%	12.51%	12.14%	15.41%	16.56%	14.12%
Community	0.62%	0.64%	1.78%	0.83%	1.01%	0.97%
Sports	5.92%	5.94%	4.18%	4.43%	4.61%	5.02%
Religious & Others	53.14%	47.94%	54.24%	48.24%	46.97%	50.11%

Source: Commissioner of Charities Annual Report 2014.¹⁰

As seen from Figure 2, there is an overall upward trend of tax-deductible donations from 2005 to 2014, from SGD 644m to SGD 1092.30m. Despite a slight fall of donations from SGD 1031.20m in 2012 to SGD 969.70m in 2013, the amount of tax-deductible donations rose by more than 12% the coming year. This reflects the public's continued and increasing support for local charitable causes over the years (Commissioner of Charities, 2014). With donations provided by the public and supported by the government, this source of income is key to supporting VWOs in their social objectives.



4.6 Volunteers

There are two main types of volunteers – corporate and individual. NVPC and CNPL have two initiatives that provide volunteering opportunities. These two initiatives are SG Cares and Board Match.

SG Cares, an initiative by NVPC, was launched in 2009 as an online volunteering portal. The portal was designed to make volunteering easy and flexible. It aims to make volunteering a way of life where individuals can sign up for a diverse range of volunteering activities.

Board Match is CNPL's flagship service to bring diversity and rejuvenation to Boards of non-profit organisations (NPOs) by matching senior executives with at least five years of management and leadership experiences from both the public and private sectors to the Boards of NPOs. Board Match is designed to address and build leadership capacity, diversity, continuity and renewal at the Board level of NPOs. By partnering large corporations, professional associations, governmental organisations and highly qualified individuals, it has built an extensive database of volunteers. These volunteers may be successful entrepreneurs, senior civil servants and corporate professionals with diverse backgrounds and expertise ranging from accountancy to marketing and from fundraising to strategic planning, who are committed to serving on NPO Boards and committees.

5. Challenges of MHH Approach in the Social Service Sector

Currently, the few support structures within the MHH network could contribute to frontline staff facing dilemmas in assisting needy individuals leading to staff burnout. Also, the lack of coordination among stakeholders could pose challenges in providing effective help. In order to receive aid, beneficiaries may end up repeating their stories many times to different agencies, hence unnecessarily extending processing time. In some situations, services available are also insufficient, as seen from the long waitlist of special education schools (Mathi and Mohamed, 2011).

Confusion may also arise over the web of schemes under the MHH approach. An example is the confusion between Special CPF Housing Grant (SHG) and Additional CPF Housing Grant (AHG). Both are designed to provide additional help for low and middle income Singaporeans purchasing their first homes, and the only visible difference between both schemes is the income ceiling.

Also, there is a lack of clarity in terms of how the system coheres. While the government is a dominant player in terms of funding, regulation, and shaping of the sector, it has not taken an assertive stance on sector direction because of the guiding philosophy that this should not be centrally led (Skilling, 2011). However, since 2011, the Ministry of Social and Family Development (MSF) has made deliberate efforts to play a stronger leadership role to articulate and obtain buy in for the direction of the sector in general, and to services for vulnerable groups in particular¹¹.



In 2014, MSF held the first Social Service Partners Conference. This is a new platform to bring together the different stakeholders in the sector, to put forward and discuss on the key directions for the sector, and provide an opportunity for partners to interact with one another, including with MSF officers.

MSF has also taken a stronger leadership role to centrally drive the direction of the sector in the following key areas:

- Coordinating service delivery on the ground: Through Social Service Offices (SSOs) and the Social Service Net (SSNet)
- Raising service standards of funded services: For example, the Code of Social Work Practice (CSWP) sets out standards, common tools and processes for Family Service Centres (FSCs) in their work.
- Strengthening Voluntary Welfare Organisations (VWOs) together with National Council of Social Service (NCSS): Includes professional and manpower development through Social Service Institute (SSI), supporting larger VWOs' corporate functions, and providing grants to help VWOs develop stronger professional and organisation capabilities and capacity (through the VWOs-Charities Capability Fund and the Care & Share Matching Grant).
- Investing in VWO's corporate governance to better professionalise front-end services and systematise back-end functions together with NCSS: MSF recently launched a Corporate Development Funding Scheme (CDFFS) which provides funding to VWOs that can scale up to help support their back-end functions in areas such as Human Resources, Information Technology and Finance. NCSS also rolled out shared services and centralized consultancy projects to support other VWOs, such as the Compensation and Benefits consultancy in June 2013 to help VWOs on remuneration matters.

Another area of concern relates to VWO's capacity to deliver quality services. There exists a tradeoff between efficient delivery of services and community participation. While centralised integrated support tends to provide more efficient service delivery, there is less community participation as compared to a less organized and uneven system that tends to involve wider community participation (Chan, 2015). The MHH approach is also being stressed by structural changes of the population, such as an ageing population and increased economic volatility. Moreover, there is a challenge faced in creating incentives for effectiveness and innovation (Skilling, 2011).

“ It would be useful to find out the financial profiles of VWOs in the social service sector as it helps us put together the sector's overall financial well-being. ”

In spite of all these challenges, the MHH approach still works to ensure that no one is left behind in our society, even as we progress towards economic success. Having understood the operating environment of charities in Singapore, we now move on to better understand the financial management practices of Voluntary Welfare Organisations (VWOs). Among all the various stakeholders, VWOs play a very important role in delivering help to the poor, vulnerable and disadvantaged in our society. It would be useful to find out the financial profiles of VWOs in the

social service sector as it help us put together the sector’s overall financial well-being. We begin by carrying out an exploratory research to establish the financial characteristics of VWOs with IPC status in the social service sector from FY 2011 to FY 2013. Our findings are presented in the second part of this report.

6. Exploratory Research on Financial Characteristics of VWOs with IPC status in the Social Service Sector

“ The research’s initial findings may be useful for the sector’s strategic planning and can benefit the individual organisations in managing their organization’s funding and financial sustainability. ”

In this section, we present our exploratory study on the Financial Characteristics of VWOs with IPC status in the social service sector (referred as charities hereafter). The research findings will cover the profile, income, expenses, assets, liabilities, surplus and reserves of the charities. It is based on a sample of 202 VWOs in the social service sector with IPC status from FY 2011 to FY 2013. We hope the findings and discussions can provide a better understanding on the financial landscape of the social service sector.

The research’s initial findings may be useful for the sector’s strategic planning and can benefit the individual organisations in managing their organization’s funding and financial sustainability.

The second part of this report has been organized in the following sections:

- Background on VWOs with IPC status in the social service sector
- Research Sample
- Research Findings based on the charities covered in the research sample:
 - o Sources of Income
 - o Types of Expenses
 - o Asset, Liabilities, Surpluses and Reserves
- Discussion, Limitations and Future Research

6.1 Background on VWOs with IPC status in the Social Service Sector

VWOs are not profit-making entities. As one of the major provider of social services, VWOs are dependent on public funding for their operations. To boost their fund-raising effort, VWOs can apply for Institution of a Public Character (IPC) status with the Commissioner of Charities, which will allow them to issue tax-deductible receipts to donors.

An IPC status allows organisations to receive tax-deductible donations from members of the public, and is valid for a fixed period of up to five years (Ministry of Culture, Community and Youth, 2014a). IPCs are required by the Code of Governance for Charities and Institutions of a Public Character to comply with relevant guidelines and to account for any failure to do so (Charity Council, 2011). This enhances VWOs’ accountability and transparency to stakeholders and the



public. A government evaluation checklist is also provided for IPCs to evaluate themselves on their governance and disclosure of information to its stakeholders.

The Code of Governance for Charities and Institutions of a Public Character was introduced in 2007 and revised in 2011 (Charity Council, 2011). It serves as a comprehensive guide to improve governance in the charity sector. The Code provides recommended practices on governing and managing charities effectively, provides guidance to board members and sets standards for good governance in order to boost public confidence in the charity sector.

The Governance Evaluation Checklist for Disclosure and Transparency spells out the Charity's disclosure requirements based on the size of the Charity as defined by their annual receipts. Charities are categorized into three main categories with different disclosure requirements on its programmes, activities, audited financial statements, board members and executive management (Charity Council, 2011). The three categories are:

- the Basic II Tier (IPCs with gross annual receipts of less than SGD 200k),
- Enhanced Tier (IPCs with gross annual receipts of between SGD 200k and SGD 10m), and
- Advanced Tier (IPCs with gross annual receipts of larger than SGD 10m).

To be registered as an IPC, an organisation has to first be a registered charity, an exempt charity or other charity that is not required to be registered by virtue of section 5(4) of the Charities Act. A registered charity must have a legal entity set-up as either a Society, Public Company Limited by Guarantee (CLG) or a Charitable Trust (Ministry of Social and Family Development, 2014). The type of legal entity set-up depends on the members who started the registered charity and also when they were started, bearing in mind that some of the charities have been around for a long time.

For Society, this refers to a club, company, partnership or association of 10 or more persons, whatever its nature or objective, and not already registered under any other law. This type of registration is suitable for membership or volunteer-based groups, especially smaller groups not heavily dependent on donations and external funding (RIKVIN, 2015).

For CLG, this refers to companies that carry out non-profit-making activities tied to national or public interests. A CLG consists of members rather than shareholders, where the members of the company guarantee to contribute a predetermined sum to the liabilities of the company in the event of the company being wound up (RIKVIN, 2015).

Lastly, to be registered as a Charitable Trust, an arrangement in a written document (the trust deed), where the owner donates property and/or funds to a Board of Trustees who administers the assets for the benefits of other people (beneficiaries) for a stated objective will be required (RIKVIN, 2015).



The following table provides more information regarding the differences in organization types

Table 4: Key Differences across Organisation Types

Organisation Type	Public Company Limited by Guarantee (CLG)	Society	Charitable Trust	Charity
Reporting/ Regulatory Body	Accounting & Corporate Regulatory Authority (ACRA).	Registry of Societies (ROS).	Monetary Authority of Singapore (MAS).	Commissioner of Charities (COC).
Annual Returns	Yes, audited accounts submitted to ACRA.	Yes, annual returns to be filed with ROS.	No, unless required by trust deeds.	Yes, submit annual report and statement of account to COC. IPCs of S\$>250k in income must submit audited financials.
Entitled to Tax-free Donations	No.	No.	No.	Yes for IPCs.
Governed by	Companies Act.	Societies Act.	Trust Companies' Act.	Charities Act.

Source: Adpated from Anand and Hayling, 2014.

Notes: A legal entity can be registered as either a Society, Public Company Limited by Guarantee (CLG), Charitable Trust or Charity. A society refers to a club, company, partnership or association of 10 persons or more. A CLG refers to companies carrying out non-profit making activities tied to national or public interests. Charitable Trusts are property and/or funds donated to a Board of Trustees who administers the assets for the beneficiaries with a stated objective. A charitable trust requires formal written documentation in the form of a trust deed. Charities are institutions or companies established for charitable purpose.

All companies in Singapore are required to follow the Financial Reporting Standards (FRS) as a framework for financial reporting. While FRS continues to be a set of relevant and applicable standards for larger charities with significant public interests considerations, development of a new set of accounting standards for the smaller charities was required, given the sector's organizational profile. The Charities Accounting Standards (CAS) has been introduced in July 2011 to provide simpler and more relevant accounting standards. Charities and IPCs without significant investees may choose to adopt the CAS instead of FRS (Accounting Standards Council Singapore, 2009). Table 5 explains the key differences between FRS and CAS in greater detail.



Table 5: Differences between Financial Reporting Standards (FRS) and Charities Accounting Standards (CAS)

Charities Accounting Standards (CAS)	Financial Reporting Standards (FRS)
Presentation	
Statement of Financial Activities (SOFA) replaces Statement of Comprehensive Income and Statement of Changes in Equity.	Includes 4 Financial Statements, namely Statement of Financial Position (balance sheet), Statement of Cash Flows, Income Statement and Statement of Changes in Equity.
Income Recognition	
Donations and grants received are recognised in the SOFA when entitlement is established under the CAS. It is probable that income will be received and the amount of income can be measured with sufficient reliability.	Donations and grants are recognised when there is a reasonable assurance that conditions will be met and amounts will be received. They are then typically recognised in the profit or loss on a systematic basis over the period in which the underlying expenditure is expensed.
Revaluation of property, plant and equipment, investment properties and intangible assets	
Property, plant and equipment, investment properties and intangible assets are measured using the cost model. Revaluation of these assets is prohibited under the CAS.	Permits property, plant and equipment and intangible assets to be measured using the revaluation model. FRS 40 requires investment properties to be either measured at fair value, with changes in fair value recognised in the profit or loss.
Capitalisation of R&D and borrowing costs	
All R&D and borrowing costs are required to be recognised as expenditure when they are incurred.	Costs incurred on internally generated intangible assets during the development phase are capitalised if certain conditions are met. FRS 23 sets out a framework of capitalising borrowing costs associated with the production of qualifying assets.

Source: Adapted from Charities Accounting Standard: Moore Stephens LLP. Available at http://moorestephens.com.sg/docs/Others/Charities_Accounting_Standard.pdf

Notes: All companies in Singapore are required to follow the Financial Reporting Standards (FRS) as a framework for financial reporting. However, taking into account differences and unique characteristics of charities and IPCs, the Charities Accounting Standards (CAS) was introduced to provide simpler and more relevant accounting standards. Hence, charities and IPCs can have the choice between following FRS or the CAS.

7. Research Sample

The exploratory study covers only VWOs with NCSS full membership and IPC status from FY 2011 to FY 2013. The data for our research sample has been derived from the source documents provided by the National Council of Social Service (NCSS) and Charity Council.

The National Council of Social Service (NCSS) is the coordinating body for member VWOs in Singapore. It is a statutory board under the Ministry of Social and Family Development (Ministry of Social and Family Development, 2015). NCSS membership types can be categorized into full and associate membership (National Council of Social Service, 2015). Organisations whose primary function is to provide a bona fide direct social service to meet existing needs of the community will be entitled to a full membership. Associate membership is granted to organisations that have an active interest in social service but do not provide a direct social service as its primary function.

We obtained a list 449 VWOs (as of 30th April 2015) from the NCSS membership database. Out of the sample of 449 VWOs, 73% of VWOs have full NCSS membership while the remaining 27% of VWOs have associate NCSS member. Charities Unit provided the annual reports and financial

“ We coded the financial information of the 202 VWOs for 3 years using Financial Statements and Annual Reports from FY 2011 to FY 2013. ”



statements of charities in the social welfare and health sector from FY 2011 to FY 2013. The final number of VWOs with NCSS full membership, IPC status from FY 2011 to FY 2013 and complete financial statements for the three financial years was 202. We coded the financial information of the 202 charities for three years using Financial Statements and Annual Reports from FY 2011 to FY 2013.

The 202 charities are made up of 153 societies (75.7%), 38 CLGs (18.8%) and 11 Charitable Trusts (5.5%). None of the charities changed their registration status in the 3-year period (FY 2011 to FY 2013). We followed NCSS's guidelines where charities are generally classified into six categories based on their annual Total Operating Expenditure (TOE). The six categories of TOE size are: SGD 0 - 250k, SGD 250k - 500k, SGD 500k - 1m, SGD 1m - 5m, SGD 5m - 10m, and SGD 10m and above. Most charities have TOE size of SGD 1m - 5m across FY 2011 to FY 2013 period. They form about 40% of the sample (range between 80 to 84 charities).

**Table 6: VWOs with IPC status (FY 2013) –
Distribution based on Registration Types & Total Operating Expenditure (TOE) Size**

Size by (TOE) in FY 2013	Charitable Trust	Public Company Limited by Guarantee (CLG)	Society
SGD 0 - 250k	1	1	11
SGD 250k - 500k	0	5	12
SGD 500k - 1m	0	9	21
SGD 1m - 5m	5	10	69
SGD 5m - 10m	2	5	21
SGD > 10m	3	8	19
Total	11	38	153

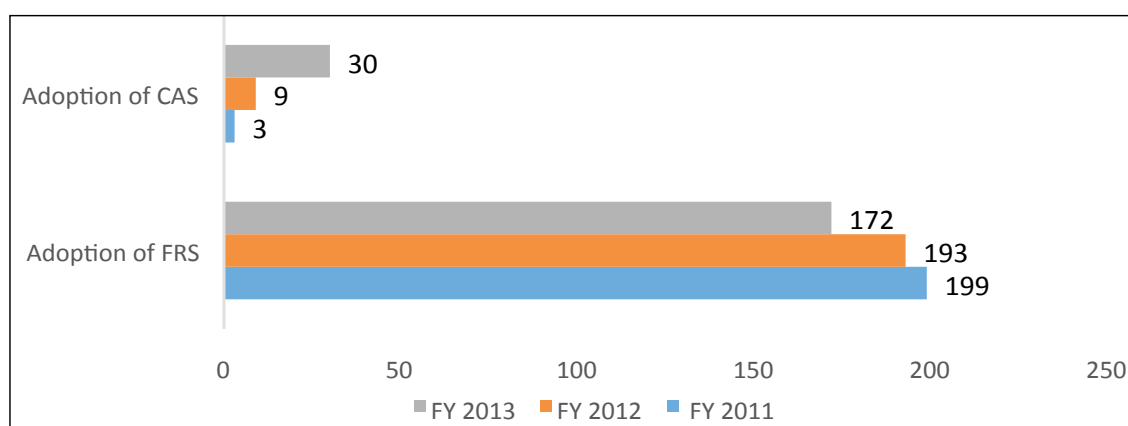
Notes: The distribution based on registration types shows the number of societies, trusts and Public Companies Limited by Guarantee (CLGs) of Institutions of a Public Character (IPCs). VWOs with IPC status are categorized by their Total Operating Expenses (TOE), ranging from SGD 0 - 250k, SGD 250k - 500k, SGD 500k - 1m, SGD 1m - 5m, SGD 5m - 10m and > SGD 10m.

The distribution of the charities based on their registration type is presented in Table 6 and the distribution of the charities based on their TOE size from FY 2011 to FY 2013 is presented in Table 7.

**Table 7: VWOs with IPC status (FY 2011 to FY 2013) –
Distribution based on Total Operating Expenditure (TOE) Size**

Size by (TOE)	FY 2011	FY 2012	FY 2013
SGD 0 - 250k	16	14	13
SGD 250k - 500k	25	21	17
SGD 500k - 1m	30	32	30
SGD 1m - 5m	82	80	84
SGD 5m - 10m	23	28	28
> SGD 10m	26	27	30
Total	202	202	202

**Figure 3: VWOs with IPC Status (FY 2011 to FY 2013)
- Adoption of Accounting Standards across Years**



Notes: Charities and IPCs can have the choice between following Financial Reporting Standards or the Charities Accounting Standards for financial reporting purposes. The FRS refers to the accounting framework for companies operating in Singapore. CAS is customized to suit the unique characteristic and needs of the charity sector. The figure shows the changes in the number of Institutions of a Public Character (IPCs) adopting FRS and CAS over the three-year period from FY 2011 to FY 2013.

**Table 8: VWOs with IPC status (FY 2011 to FY 2013) -
Adoption of Charities Accounting Standards (CAS) by Total Operating Expenditure (TOE) size**

Size by (TOE)	Number of Charities adopting CAS		
	FY 2011	FY 2012	FY 2013
SGD 0 - 250k	1	1	1
SGD 250k - 500k	1	0	0
SGD 500k - 1m	0	1	4
SGD 1m - 5m	1	4	13
SGD 5m - 10m	0	1	5
SGD > 10m	0	2	7
Total	3	9	30

Notes: An Institutions of a Public Character (IPC) status allows organisations to receive tax-deductible donations from members of the public, and is valid for a fixed period of up to five years. IPCs can be categorized based on their Total Operating expenses (TOE), ranging from SGD 0 - 250k, SGD 250k - 500k, SGD 500k - 1m, SGD 1m - 5m, SGD 5m - 10m, and > SGD 10m.

Majority of the charities continue to adopt the FRS in their financial statements. However, our analysis shows that more charities are adopting CAS over time. In FY 2011, the number of charities that adopted CAS was 3 in FY 2011, 9 in FY 2012 and 30 in FY 2013. See Table 8 for detailed breakdown of adoption of Accounting Standards. Although the use of CAS is encouraged in the Charity Sector, the costs involved in the transition from FRS to CAS may deter conversion. Many charities could have continued with FRS to be in line with their parent organisations or social enterprise and business arms, which specifically require the use of FRS. Furthermore, charities' relationship with international charities could be another reason behind the non-adoption.

Next, we provide the financial analysis of 202 charities in our research sample. We present the findings on the sources of income, types of expenses, asset, liabilities, surpluses and reserves based on the charities' TOE size over the three years' period.



8. Research Findings

8.1 Findings on Sources of Income

We classified the sources of income for charities into 2 main categories – Internal Sources of Income and External Sources of Income.

The Internal Sources of Income refer to income generated by the charities' operations. The Internal Sources of Income include: 1) Income from programmes, 2) Income from social enterprise, 3) Investment gains and income and 4) Other income.

The External Sources of Income refer to income that the charities received from their charitable activities. The External Sources of Income include 1) Donation and Fundraising Activities, 2) Sponsorships, 3) Government Grants, and 4) Other Grants.

The definitions for all the eight income items have been adapted from the Accounting Glossary for Charity and IPCs. This is available on the Charity Portal at (https://www.charities.gov.sg/Documents/Accounting_Glossary.pdf). Details can be found in this report's appendix.

Table 9 provides the detailed breakdown of the sources of income by TOE size across the three financial years. The figures have been calculated based on the following method. Internal Income is a sum of Income from Programme, Social Enterprise, Investment gains and other income. External income is a sum of Donations and Fundraising Activities, Sponsorships, Government grants and Other grants.

We tabulated the relative percentage of income for each of the eight income components using the following formula.

Example:

Relative Percentage of Income from Programme

$$= \frac{[(\text{Income from Programme}) / (\text{Total Income})] \times 100\%}{}$$

Where Total Income is a sum of Internal and External Sources of Income.

We analysed the data provided in the table in the following manner. Firstly, we looked at the distribution between Internal and External Sources of Income. Secondly, we conducted trend analysis for Programme Income, Social Enterprise Income, Investment Gains and Income, Donations and Fund-raising Activities, Sponsorships and Government Grants.

Internal Versus External Sources of Income

In general, the charities received more income from External Sources (especially, Donations & Fund-raising Income and Government Grants) than Internal Sources (such as Programme Income and Income from Social Enterprise). This relationship is true for charities across all TOE sizes.



Specifically, we use charities with TOE size of SGD 1m - 5m as a reference point since they make up approximately 40% of the sample. External Sources of Income of these charities constituted 67.86% of the overall income in FY 2011, compared to 74.36% in FY 2012 and 75.16% in FY 2013.

Trend analysis – Programme Income

Charities with TOE size > SGD 10m received the highest portion of income from Programme (21.6% in FY 2011, 22.65% in FY 2012 and 20.62% in FY 2013) compared to charities with TOE size of SGD 0 - 250k which received the lowest portion of income from Programme (5.94% in FY 2011, 10.18% in FY 2012 and 12.24% in FY 2013).

Trend analysis – Income from Social Enterprise

Charities with TOE size > SGD 10m received the highest portion of income from Social Enterprise (4.61% in FY 2011, 4.55% in FY 2012 and 3.73% in FY 2013) compared to charities with TOE size of SGD 0 - 250k which do not have any income generated from Social Enterprise. Results indicate that income from Social Enterprises contributes only marginally to these charities' overall income.

Trend analysis – Investment Gains and Income

In general, Investment Gains and Income constitute less than 6% of their overall income for charities across all TOE sizes. In FY 2011, Investment Gains and Income is approximately 0.23% to 8.07% of all charities' overall income. In FY 2012, the range is from 0.37% to 3.42% and in FY 2013, the range is from 0.37% to 5.45%.

Trend analysis – Income from Donations and Fund-raising activities

Income from Donations and Fund-raising activities constitutes around 20% to 60% of the charities' overall income.

Charities with TOE size of SGD 0 - 250k are most dependent on income from Donations and Fund-raising activities. It constitutes 43.49% in FY 2011, 60.10% in FY 2012 and 64.62% in FY 2013 of their overall income. On the other hand, charities with TOE > SGD 10m have a well-diversified portfolio of income sources with approximately only 20% of their overall income received from Donations and Fund-raising activities.

Trend analysis – Income from Sponsorship

Sponsorships amount to a relatively low proportion of income generated by Charities. Charities with TOE size of above SGD 0 - 250k have the highest proportion of Sponsorship income of 1.03% in FY 2012, although this is still relatively insignificant. The proportion of Sponsorships for the remaining charities hovers around 0 to 0.64%.



Trend analysis – Income from Government Grants

Across the three-year period, Government Grants contribute to a high percentage of income generated across charities of all TOE sizes. In general, income from Government Grants constitutes about 11% to 45% of their overall income for charities across all TOE sizes.

“ In summary, the results indicate that VWOs with IPC status in the social service sector are dependent on external sources such as donations, fund-raising income and government grants to sustain financially. Income from donations and fundraising remain the most important source of income with government grants being the next most important source of funding. ”

With the exception of charities with TOE size of SGD 0 - 250k, there is a general increase in income from Government Grants across TOE sizes. In particular, charities with TOE size of SGD 1 m – 5 m and > SGD 10m received the largest proportion of Government Grants relative to their total income generated, at 39.72% and 45.14% respectively in FY 2013. For organisations with TOE size of SGD 0 - 250k, the results show a decline in income from Government Grants from 34.05% in FY 2011 to 24.67% in FY 2012 to 19.73% in FY 2013.

In summary, the results indicate that charities are dependent on External Sources such as Donations, Fund-raising Income and Government Grants to sustain financially. Income from Donations and Fund-raising remain the most important source of income with Government Grants being the next most important source of funding.

The results also indicate that charities with different TOE sizes have different sources of income.

For small charities, that is charities with TOE size of SGD 0 – 250k, it is also important to note:

- Donation and Fund-raising Income forms the bulk of their income (40% to 60% of overall income).
- Programme Income is relatively low (5% to 12%).
- Income from Government Grants has been declining from about 34% in FY 2011 to 20% in FY 2013.
- They do not have any income from Social Enterprise.

In the case of large charities, that is charities with TOE size of > SGD 10m, they have a different income profile:

- Government Grants forms the bulk of their income (40% to 45% of overall income).
- Programme Income is an important source of income (about 22% across three years).
- Donation and Fund-raising Income contributes to about 23% of their income.
- Income from Social Enterprise contributes to about 4% of their income.

Table 9
Breakdown by Percentage of Income by Total Operating Expenditure (TOE) Size
(FY 2011 to FY 2013)

FY2011						
Internal Income	SGD 0 – 250k	SGD 250k – 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Income from Programme	5.94%	12.55%	17.65%	18.55%	25.70%	21.60%
Income from Social Enterprise	0.00%	0.58%	0.57%	2.25%	0.00%	4.61%
Investment Gains and Income	1.16%	0.23%	0.45%	8.07%	2.05%	2.34%
Other Income	0.22%	1.71%	6.48%	3.27%	2.82%	5.78%
Subtotal	7.33%	15.07%	25.16%	32.14%	30.56%	34.33%
External Income	SGD 0 – 250k	SGD 250k – 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Donations and Fundraising Activities	43.49%	53.55%	48.73%	30.31%	35.64%	23.91%
Sponsorships	0.07%	0.64%	0.61%	0.01%	0.00%	0.50%
Government Grants	34.05%	26.90%	18.14%	34.04%	31.84%	40.90%
Other Grants	15.06%	3.84%	7.36%	3.50%	1.96%	0.36%
Subtotal	92.67%	84.93%	74.84%	67.86%	69.44%	65.67%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
FY2012						
Internal Income	SGD 0 – 250k	SGD 250k – 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Income from Programme	10.18%	13.82%	15.92%	18.03%	21.88%	22.65%
Income from Social Enterprise	0.00%	0.68%	0.51%	2.41%	0.00%	4.55%
Investment Gains and Income	1.39%	0.37%	0.43%	1.20%	2.98%	3.42%
Other Income	1.21%	0.84%	2.79%	4.01%	1.73%	3.76%
Subtotal	12.78%	15.72%	19.65%	25.64%	26.60%	34.39%
External Income	SGD 0 – 250k	SGD 250k – 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Donations and Fundraising Activities	60.10%	53.35%	51.91%	34.65%	37.63%	22.97%
Sponsorships	1.03%	0.00%	0.63%	0.02%	0.07%	0.27%
Government Grants	24.67%	26.54%	22.63%	35.86%	33.80%	42.01%
Other Grants	1.42%	4.39%	5.17%	3.84%	1.91%	0.36%
Subtotal	87.22%	84.28%	80.35%	74.36%	73.40%	65.61%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
FY2013						
Internal Income	SGD 0 – 250k	SGD 250k – 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Income from Programme	12.24%	28.31%	15.99%	17.24%	20.24%	20.62%
Income from Social Enterprise	0.00%	0.96%	0.74%	2.27%	0.00%	3.73%
Investment Gains and Income	1.88%	0.37%	0.48%	1.00%	5.45%	3.39%
Other Income	0.74%	0.98%	2.28%	4.32%	2.01%	3.73%
Subtotal	14.86%	30.61%	19.49%	24.84%	27.69%	31.46%
External Income	SGD 0 – 250k	SGD 250k – 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Donations and Fundraising Activities	64.62%	56.93%	44.93%	30.47%	31.37%	22.67%
Sponsorships	0.62%	0.39%	0.01%	0.12%	0.09%	0.32%
Government Grants	19.73%	11.52%	25.54%	39.72%	37.42%	45.14%
Other Grants	0.16%	0.55%	10.02%	4.85%	3.43%	0.41%
Subtotal	85.14%	69.39%	80.51%	75.16%	72.31%	68.54%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Distribution of No. Of VWOs with IPC status in Social Service Sector by (TOE) Size (FY 2011 to FY 2013)

	SGD 0 - 250k	SGD 250k - 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m	Total
FY 2011	16	25	30	82	23	26	202
FY 2012	14	21	32	80	28	27	202
FY 2013	13	17	30	84	28	30	202

Notes: The sample consists of 202 Institutions of a Public Character (IPCs). An IPC status allows organisations to receive tax-deductible donations from members of the public, and is valid for a fixed period of up to five years. IPCs can be categorized based on Total Operating Expenses (TOE), ranging from SGD 0 - 250k, SGD 250k - 500k, SGD 500k - 1m, SGD 1m - 5m, SGD 5m - 10m and > SGD 10m. The table organizes the fixed and variable expenses incurred by IPCs over the 3-year period examined.



8.2. Findings on Types of Expenses

We classified the charities' types of expenses into 2 categories – Fixed Cost and Variable Cost. Fixed Cost include 1) Manpower Expense and 2) Administrative Expense. Variable Cost include 1) Programme Expense, 2) Fund-raising Expense, 3) Social Enterprise Expense and 4) Investment Expense.

“ In FY 2013, manpower expenses comprise the bulk of total expenses across all categories of IPCs, ranging from 46.39% to 57.62% in FY 2013. This is consistent with the previous financial years. ”

The definitions for the 6 expense items have been adapted from the Accounting Glossary for Charity and IPCs. This is available on the Charity Portal (https://www.charities.gov.sg/Documents/Accounting_Glossary.pdf). Details can be found in this report's appendix.

Table 10 provides the detailed breakdown of the Sources of Expense by TOE size across the 3 financial years. The figures have been calculated based on the following method. Fixed Cost is a sum of Manpower Expense, Administrative Expense. Variable Cost is a sum of Programme Expense, Social Enterprise Expense, Fundraising Expense as well as Investment Expense.

We tabulated the relative percentage of expense for each of the six expense components using the following formula.

Example:

Relative Percentage of expense from Programme

$$= \frac{[(\text{Expense from Programme}) / (\text{Total Expense})] \times 100\%}{}$$

Where Total Expense is a sum of Fixed Cost and Variable Cost.

We analysed the data provided in the Table 10 in the following manner. Firstly, we looked at the distribution between Fixed Cost and Variable Cost. Secondly, we conducted trend analysis for Manpower Expense, Programme Expense, Social Enterprise Expense, Fundraising Expense as well as Investment Expense.

In general, the charities have very high Fixed Cost (Manpower Expense and Administrative Expense) compared to Variable Cost (Programme Expense, Fundraising Expense, Social Enterprise Expense and Investment Expense). This relationship is true for charities across all TOE sizes.

Specifically, we use charities with TOE size of SGD 1m – 5m as a reference point since they make up approximately 40% of the sample. Manpower Expense and Administrative Expense constituted 75.36% of the overall expenses in FY 2011, compared to 73.72% in FY 2012 and 75.32% in FY 2013.



Trend analysis – Manpower Expense

For FY 2011, Manpower Expense accounts for 42.88% to 63.82% of Total Expense incurred across all TOE sizes. The social service sector is made up of human service organisations, hence it is not surprising that manpower is their highest expense. In FY 2013, Manpower Expense comprises the bulk of Total Expenses across all TOE sizes of charities, ranging from 46.39% to 57.62% in FY 2013. This is consistent with the previous financial years.

Trend analysis -Programme Expense

Programme Expense refer to expenses incurred when charities carry out their various programmes that contribute to their service objectives. The Programme Expense, which ranges from 17.79% to 34.90%, is the second highest cost after Manpower Expense. It is noted that the proportion of Programme Expense increased across TOE sizes, reflecting that larger charities spend more on implementing various programmes for their cause.

“ In general, Investment and Social Enterprise expenses account for only 0% to about 1.5% of the total costs for smaller charities with TOE below SGD 10m. ”

Trend analysis - Fundraising Expense

With exception of charities with TOE size of SGD 0 - 250k and TOE size of SGD 250k - 500k in FY 2011, Fundraising Expense for all charities has maintained below 5%.

Trend analysis – Social Enterprise and Investment Expenses

In general, for charities with TOE size of below SGD 10m, their Investment Expense is below 1% and their Social Enterprise Expense is below 1.5%. For large charities above SGD 10m, their Investment Expense is about 1% to 2.5% and Social Enterprise Expenses is about 2% to 2.5%.

“ It is important to note that the income from donation and fund-raising activities constitute of 20% to 60% of the overall income, fund-raising expenses are generally kept below 5% for organisations across all TOE. ”

In summary, the results indicate that Manpower Expense is the highest cost for charities. This is followed by Programme Expense. When we matched Programme Income to the sum of Programme Expense and Manpower Expense, it is clear that charities do not generate their profits from the services that they operate. Instead, charities are subsidising these services through income received from Donations, Fund-raising and Government

Grants. It is important to note that Fundraising Expense are generally kept below 5% for charities across all TOE sizes. The Donations and Fundraising Income constitutes 20% to 60% of the overall income received by charities.



Table 10
Breakdown by Percentage of Expenses by Total Operating Expenditure (TOE) Size
(FY 2011 to FY 2013)

FY2011						
Fixed Costs	SGD 0 – 250k	SGD 250k – 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Manpower Expenses	63.82%	50.49%	51.96%	56.40%	42.88%	49.57%
Administrative Expenses	7.30%	23.56%	22.77%	18.96%	16.90%	15.05%
Subtotal	71.12%	74.05%	74.73%	75.36%	59.78%	64.62%
Variable Costs	SGD 0 – 250k	SGD 250k – 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Programme Expenses	17.79%	20.25%	21.02%	20.56%	34.90%	29.64%
Fundraising Expenses	11.07%	5.26%	3.59%	2.30%	4.88%	2.05%
Social Enterprise Expenses	0.00%	0.41%	0.65%	1.32%	0.00%	2.28%
Investment Expenses	0.01%	0.02%	0.02%	0.46%	0.45%	1.40%
Subtotal	28.88%	25.95%	25.27%	24.64%	40.22%	35.38%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
FY2012						
Fixed Costs	SGD 0 – 250k	SGD 250k – 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Manpower Expenses	52.62%	49.68%	50.97%	56.42%	45.80%	49.66%
Administrative Expenses	32.23%	23.70%	25.08%	17.30%	16.00%	13.47%
Subtotal	84.86%	73.38%	76.04%	73.72%	61.80%	63.13%
Variable Costs	SGD 0 – 250k	SGD 250k – 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Programme Expenses	11.57%	21.34%	19.59%	21.92%	33.32%	30.28%
Fundraising Expenses	3.57%	4.99%	3.65%	2.88%	4.16%	1.87%
Social Enterprise Expenses	0.00%	0.29%	0.65%	1.44%	0.00%	2.43%
Investment Expenses	0.00%	0.00%	0.07%	0.04%	0.71%	2.29%
Subtotal	15.14%	26.62%	23.96%	26.28%	38.20%	36.87%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
FY2013						
Fixed Costs	SGD 0 – 250k	SGD 250k – 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Manpower Expenses	46.39%	55.08%	51.29%	57.62%	51.88%	51.71%
Administrative Expenses	34.83%	21.74%	24.95%	17.71%	15.82%	13.20%
Subtotal	81.22%	76.82%	76.23%	75.32%	67.70%	64.91%
Variable Costs	SGD 0 – 250k	SGD 250k – 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m
Programme Expenses	15.00%	18.22%	19.91%	20.37%	28.90%	30.09%
Fundraising Expenses	3.78%	4.36%	3.04%	2.96%	2.94%	2.22%
Social Enterprise Expenses	0.00%	0.59%	0.76%	1.19%	0.00%	2.09%
Investment Expenses	0.00%	0.01%	0.06%	0.16%	0.46%	0.69%
Subtotal	18.78%	23.18%	23.77%	24.68%	32.30%	35.09%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Distribution of No. Of VWOs with IPC status in Social Service Sector by (TOE) Size (FY 2011 to FY 2013)

	SGD 0 - 250k	SGD 250k - 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m	Total
FY 2011	16	25	30	82	23	26	202
FY 2012	14	21	32	80	28	27	202
FY 2013	13	17	30	84	28	30	202

Notes: The sample consists of 202 Institutions of a Public Character (IPCs). An IPC status allows organisations to receive tax-deductible donations from members of the public, and is valid for a fixed period of up to five years. IPCs can be categorized based on Total Operating Expenses (TOE), ranging from SGD 0 - 250k, SGD 250k - 500k, SGD 500k - 1m, SGD 1m - 5m, SGD 5m - 10m and > SGD 10m. The table organizes the fixed and variable expenses incurred by IPCs over the 3-year period examined.

8.3 Findings on Assets, Liabilities, Surpluses and Reserves

The following section will focus on the findings on the Assets, Liabilities, Surpluses and Reserves of VWOs with IPC status. The definitions for the Asset, Liabilities, Surpluses and Reserves have been adapted from the Accounting Glossary for Charity and IPCs available on the Charity Portal. (https://www.charities.gov.sg/Documents/Accounting_Glossary.pdf).

Data analysis will be presented as follows:

8.3.1 Breakdown of Total Assets by TOE Sizes for FY 2011 to FY 2013.

8.3.2 Breakdown of Total Liabilities by TOE Sizes for FY 2011 to FY 2013.

8.3.3 Breakdown of Surpluses by TOE Sizes for FY 2011 to FY 2013.

8.3.4 Breakdown of Reserves by TOE Sizes for FY 2011 to FY 2013.

8.3.5 Breakdown of Reserve Levels by TOE Sizes for FY 2011 to FY 2013

8.3.1 Breakdown of Total Assets by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)

Assets refer to resources controlled by the entity in the present due to a past event that will give rise to future benefits. In this report, total assets is given by the following equation:

$$\text{Total Assets} = \text{Cash and Cash Equivalents} + \text{Other Current Assets} + \text{Non-Current Assets}$$

We tabulated the relative percentage of Cash and Cash Equivalents to Total Asset, Other Current Assets to Total Asset and Non-Current Assets to Total Asset, using the following formula.

Example:

Relative Percentage of Cash and Cash Equivalents to Total Asset

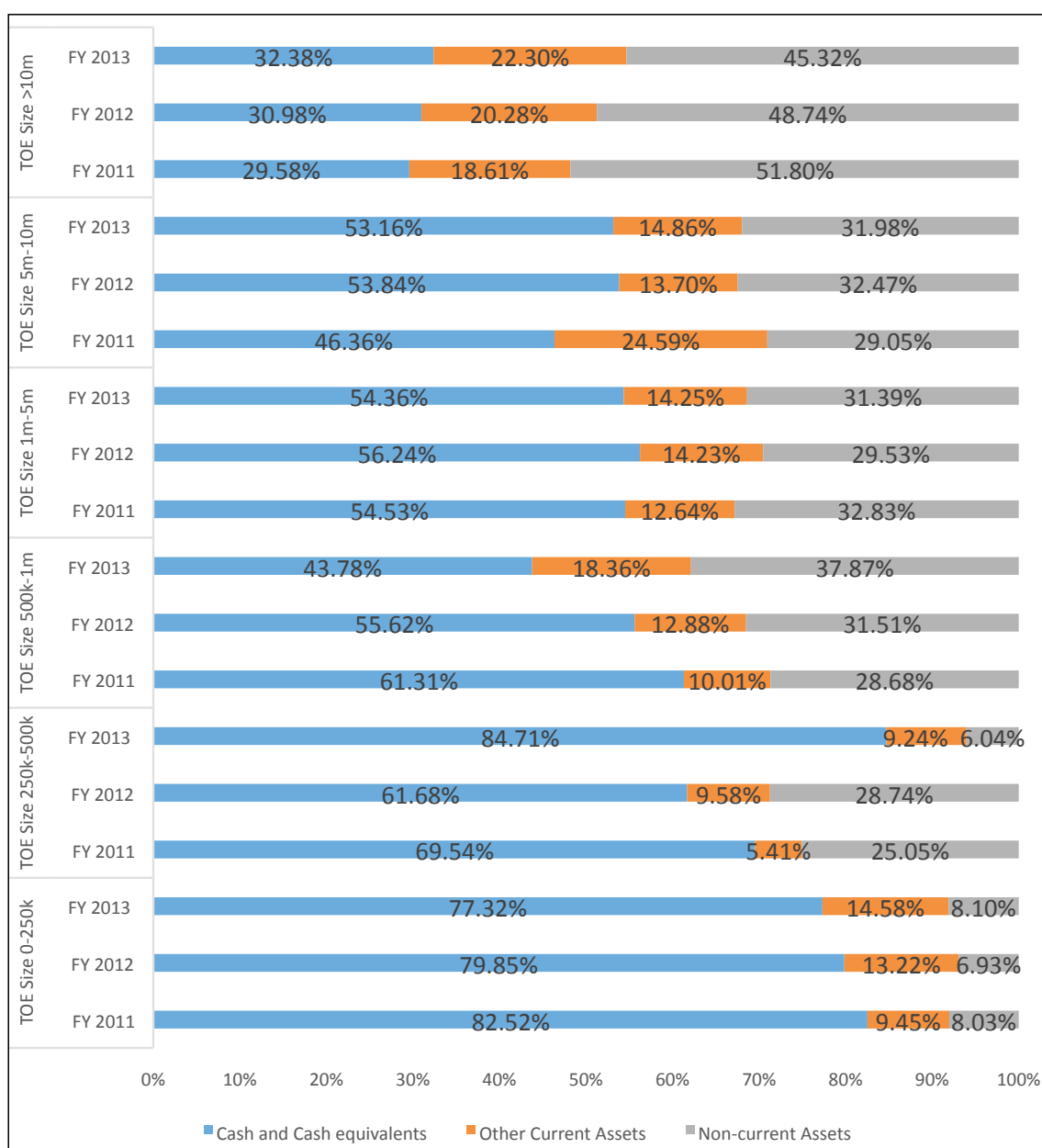
$$= \left[\frac{\text{Cash and Cash Equivalents}}{\text{Total Asset}} \right] \times 100\%$$

Where Total Asset is the sum of Cash and Cash Equivalents, Other Current Assets and Non-Current Assets.

Figure 4 shows the detailed breakdown of Total Assets by sizes for FY 2011 to FY 2013. The findings show that there are differences between the smaller and larger charities. For smaller charities with TOE size below SGD 500K, they have a higher percentage of their assets in Cash and Cash Equivalents, ranging from about 62% to 85% of their Total Asset. On the other hand, for larger charities with TOE size above SGD 10m, they hold about 45% to 52% of their Total Assets in Non-Current Assets.



**Figure 4:
Breakdown of Total Assets by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)**



No. of VWOs with IPC status in Social Service Sector by TOE (FY 2011 to FY 2013)

	SGD 0 - 250k	SGD 250k - 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m	Total
FY 2011	16	25	30	82	23	26	202
FY 2012	14	21	32	80	28	27	202
FY 2013	13	17	30	84	28	30	202

Notes: A sample of 202 VWOs with IPC status in the social service sector is used in the sample. An IPC status allows charities to receive tax-deductible donations from members of the public, and is valid for a fixed period of up to five years. This table examines the distribution of total liabilities in terms of its components: current liabilities (debts and obligations that are expected to be due within the operating cycle of the company, usually a year), and non-current liabilities (debts and obligations that are not due within the operating cycle of the company). Charities are categorized based on their Total Operating Expenses (TOE) size, ranging from SGD 0 - 250k, SGD 250k - 500k, SGD 500k - 1m, SGD 1m - 5m, SGD 5m - 10m and > SGD 10m.

8.3.2 Breakdown of Total Liabilities by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)

Liabilities include both Current and Non-Current Liabilities. Current Liabilities are present obligations of the charities arising from past events, the settlement of which is expected to result in an outflow from the resources embodying economic benefits. Non-Current Liabilities are liabilities that are expected to be settled more than twelve months after the balance sheet date or owed by charities that are due in more than a year (Ministry of Culture, Community and Youth, 2014b).

$$\text{Total Liabilities} = \text{Current Liabilities} + \text{Non-Current Liabilities}$$

We tabulated the relative percentage of Current Liabilities to Total Liabilities and Non-current liabilities to Total Liabilities using the following formula.

Example:

Relative Percentage of Current Liabilities to Total Liabilities

$$= \left[\frac{\text{Current Liabilities}}{\text{Total Liabilities}} \right] \times 100\%$$

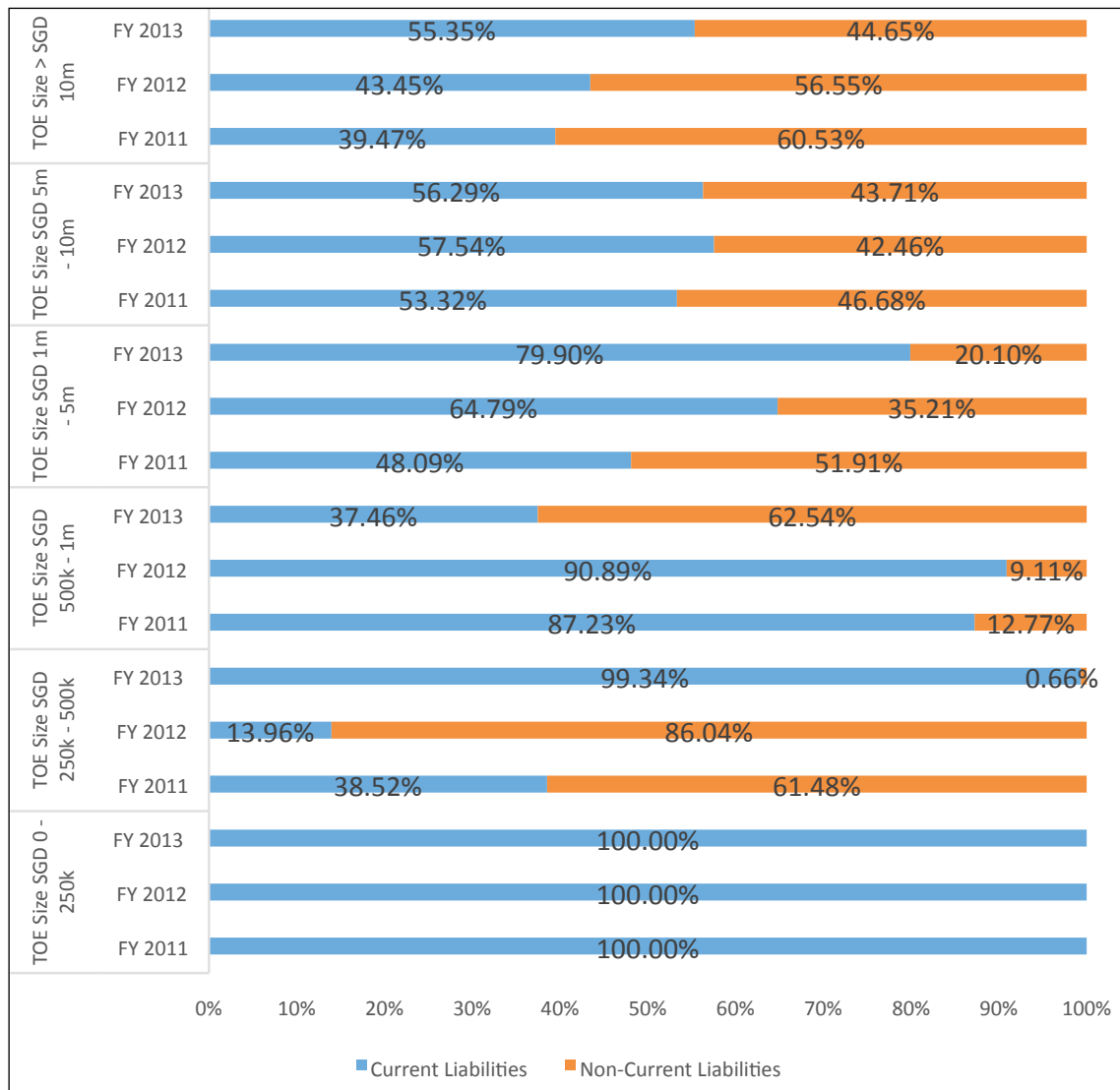
Where Total Liabilities is the sum of Current Liabilities and Non-Current Liabilities

Figure 5 shows the detailed breakdown of Total Liabilities by TOE sizes for FY 2011 to FY 2013. The findings show that there are differences between the smaller and large charities. Specifically, for small charities with TOE size below SGD 250K, they do not have any Non-Current Liabilities - instead they have 100% Current Liabilities. For charities with TOE size of SGD 1m to 5m, they hold about 39.47% to 57% in Current Liabilities and the rest in Non-Current Liabilities.



Figure 5:

Breakdown of Total Liabilities by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)



No. of VWOs with IPC status in Social Service Sector by TOE (FY 2011 to FY 2013)

	SGD 0 - 250k	SGD 250k - 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m	Total
FY 2011	16	25	30	82	23	26	202
FY 2012	14	21	32	80	28	27	202
FY 2013	13	17	30	84	28	30	202

Notes: A sample of 202 VWOs with IPC status in social service sector is used in the sample. An IPC status allows charities to receive tax-deductible donations from members of the public, and is valid for a fixed period of up to five years. This table examines the distribution of total liabilities in terms of its components (current liabilities (debts and obligations that are expected to be due within the operating cycle of the company, usually a year), and non-current liabilities (debts and obligations that are not due within the operating cycle of the company). Charities are categorized based on their Total Operating Expenses (TOE) size, ranging from SGD 0 - 250k, SGD 250k - 500k, SGD 500k - 1m, SGD 1m - 5m, SGD 5m - 10m and > SGD 10m.



8.3.3 Breakdown of Surpluses by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)

Surpluses refers to the amount of excess cash or resources that is left after paying the debts or other obligations owed by the charities¹². We calculated the average surplus for each TOE size for FY 2011 to FY 2013 as shown in Figure 6 below. Surplus can be obtained from the following equation:

$$\text{Surplus} = \text{Total Incoming Resources} - \text{Total Resources Expended}$$

The findings show that there are noticeable differences in Surpluses generated, across charities with varying sizes. Specifically, charities with TOE size below SGD 5m show a decrease in Surplus from FY 2011 to FY 2013. In contrast, larger charities with TOE above SGD 5m show a steady increase in Surplus.

Figure 6a:
Breakdown of Surpluses by Total Operating Expenditure (TOE) Size
SGD 0 - 1m (FY 2011 to FY 2013)

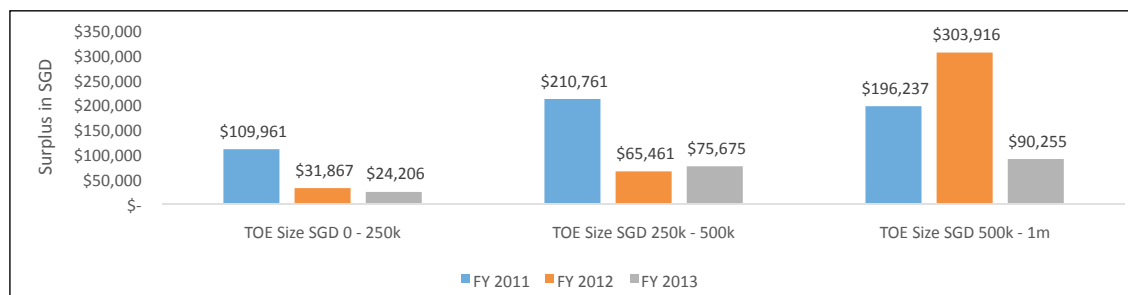
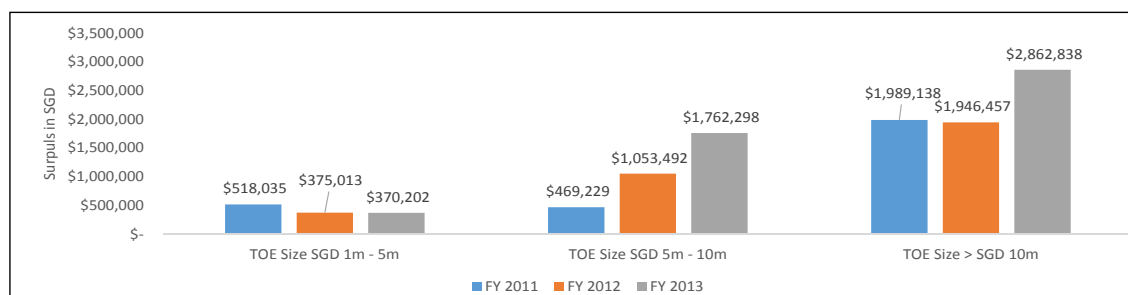


Figure 6b:
Breakdown of Surpluses by Total Operating Expenditure (TOE) Size
SGD 1m - >10m (FY 2011 to FY 2013)



No. of VWOs with IPC status in Social Service Sector by TOE (FY 2011 to FY 2013)

	SGD 0 - 250k	SGD 250k - 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m	Total
FY 2011	16	25	30	82	23	26	202
FY 2012	14	21	32	80	28	27	202
FY 2013	13	17	30	84	28	30	202

Notes: Using a total sample of 202 VWOs with IPC status in social service sector, the surplus/ (deficit) of these charities are reflected in the figure above. Surplus refers to profit generated by the charity, in excess of its expenses (RIKVIN, 2015). A deficit is thus reflected if a loss is made after deducting the expenses. Using a 3-year period from FY 2011 to FY 2013, the surplus amounts of charities are examined according to their Total Operating Expenditure (TOE) size.



8.3.4 Breakdown of Reserves by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)

Reserves refer to the stock or funds retained in the ownership of the organization, including Restricted Funds, Unrestricted Funds and Endowment Funds. Restricted Funds are defined as a reserve of money used for specific purposes. It serves to provide assurance to donors that their contributions will be used in a manner of their choice. Unrestricted Funds are funds given to a non-profit organization in which the organization is free to use these funds as they deem fit. Endowment Fund is another form of Restricted Fund, held in trust where the capital is required to be invested, or retained for actual use, rather than expended. Generally, only the interest income from Endowment Fund is used, and not the capital sum¹².

We calculate the relative percentage of Unrestricted Funds to Reserves, Restricted Funds to Reserves and Endowment Funds to Reserves using the following formula.

Example:

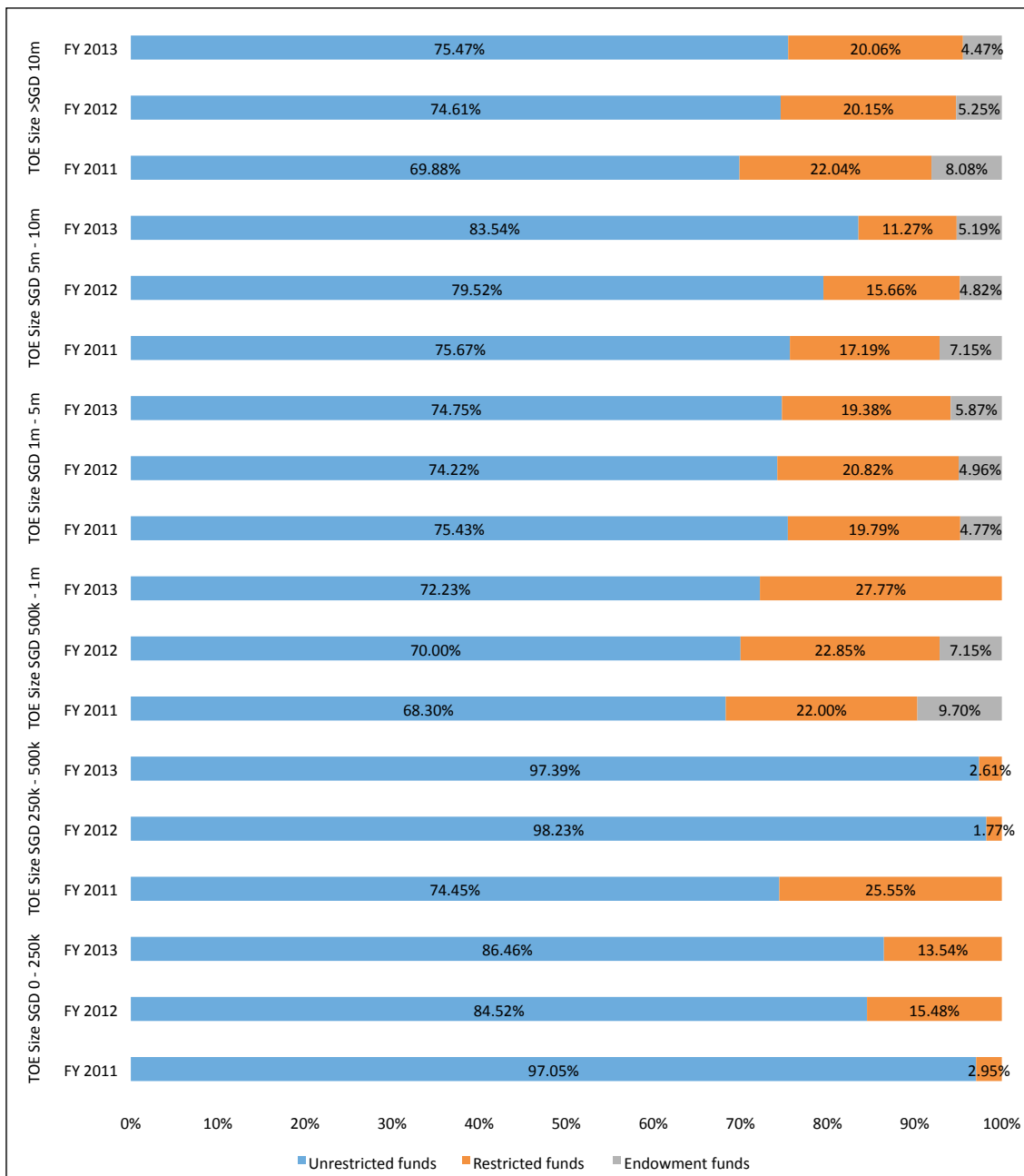
$$\text{Restricted Funds} = \left[\frac{\text{Restricted funds}}{\text{Reserves}} \right] \times 100\%$$

Where Reserves = Restricted Funds + Unrestricted Funds + Endowment Funds

Figure 7 shows the breakdown of reserves by TOE sizes for FY 2011 to FY 2013. The findings show the charities' Reserves vary with their TOE size. Smaller charities with TOE size below SGD 500k do not have any Endowment Funds in their reserves. Furthermore, these charities keep about 74.45% to 93.39% of their reserves in Unrestricted Funds.

In contrast, charities with TOE size above SGD 1m are generally observed to have Endowment Funds which make up of approximately 4.77% to 8.08% of their overall reserves. They also keep a lower proportion of reserves in Unrestricted Funds ranging from 68.30% to 83.54%.

**Figure 7:
Breakdown of Reserves by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)**



No. of VWOs with IPC status in Social Service Sector by TOE (FY 2011 to FY 2013)

	SGD 0 - 250k	SGD 250k - 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m	Total
FY 2011	16	25	30	82	23	26	202
FY 2012	14	21	32	80	28	27	202
FY 2013	13	17	30	84	28	30	202

Note: Using a sample of 202 VWOs with IPC status in social service sector, the size of reserves of these charities are examined in the figure above. Reserves (the stock or funds retained in the ownership of the organization) are divided into 3 components, namely unrestricted funds, restricted funds and endowment funds. Unrestricted funds refers to funds given to a non-profit organization to use as they deem fit, while restricted funds is defined as a reserve of money used for specific purposes. Endowment fund is another form of restricted fund, held in trust where the capital is required to be invested, or retained for actual use, rather than expected (as defined in the Accounting Glossary by the Ministry of Culture, Community and Youth). The figure examines the proportion of reserve components over a 3-year period, from FY 2011 – FY 2013.

8.3.5 Ratio of Unrestricted Funds to Annual Operating Expenditure by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)

Reserve Level provides an indication of the charities' ability to service its expense using only unrestricted funds. Other components in the reserves, such as Restricted Funds and Endowment Funds, may not be allowed to service some expense as suggested in the Reserve Policy Guide on Charity Portal (Charity Portal, 2015).

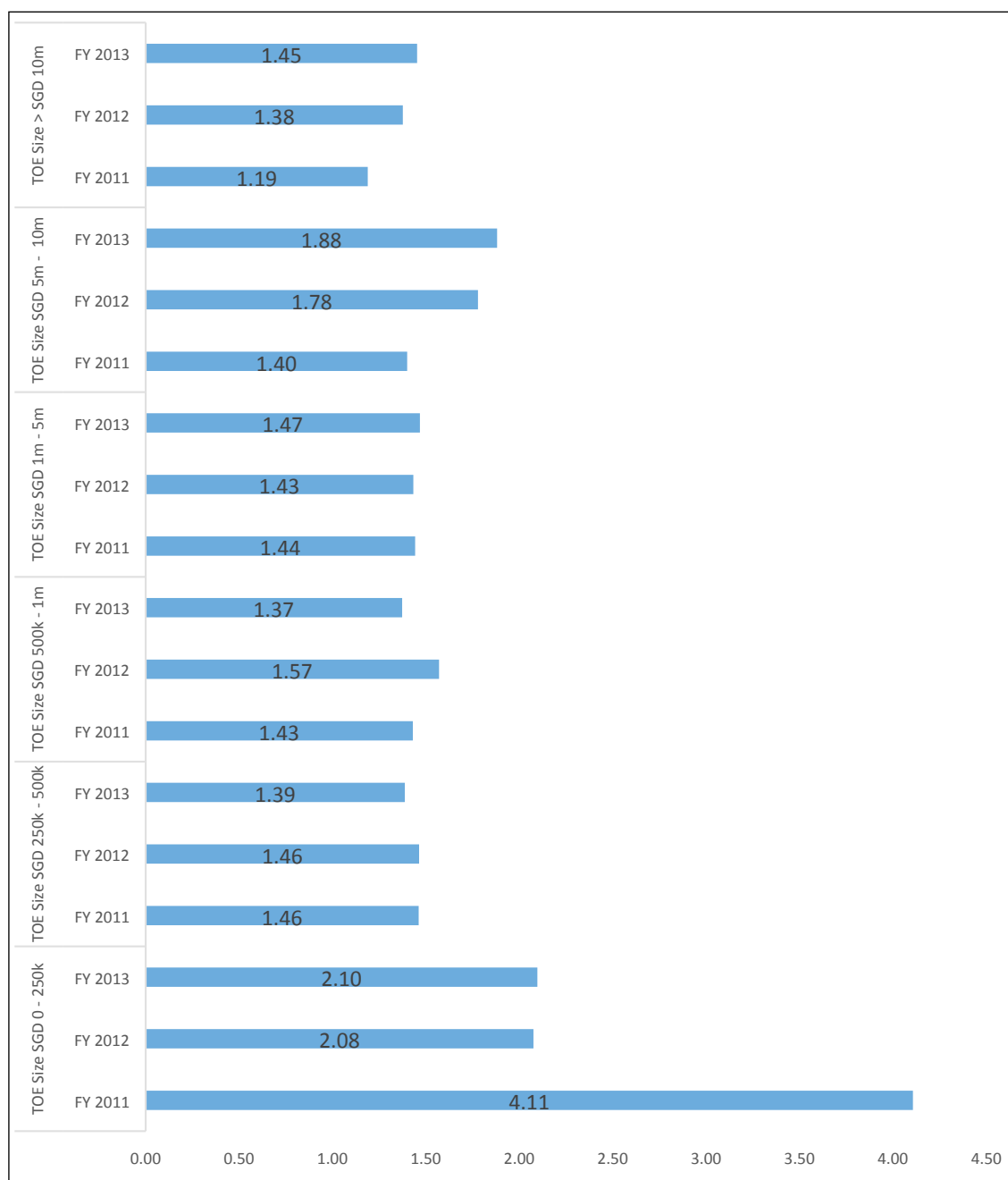
We calculate the Reserve Level by tabulating the ratio of Unrestricted Funds to Annual Operating Expenditure using the following formula.

$$\text{Reserve Level} = \text{Average Unrestricted Funds} / \text{Average Annual Total Expense in same Financial Year}$$

Figure 8 illustrates the Reserve Level for each TOE size across FY 2011 to FY 2013. The results shows that all charities only have sufficient Unrestricted Funds in its reserves to cover about 1.19 to 1.88 times of its annual operating expenses, with exception of the small charities with TOE size of SGD 0 – 250k. For small charities (TOE size SGD 0 - 250k), they maintain reserves in Unrestricted Funds to cover about two years of their annual operating expenses.



**Figure 8:
Ratio of Unrestricted Funds to Annual Operating Expenditure
by Total Operating Expenditure (TOE) Size (FY 2011 to FY 2013)**



Number of VWOs with IPC status in Social Service Sector by Total Operating Expenses (TOE) from FY 2011 to FY

2013

	SGD 0 - 250k	SGD 250k - 500k	SGD 500k - 1m	SGD 1m - 5m	SGD 5m - 10m	> SGD 10m	Total
FY 2011	16	25	30	82	23	26	202
FY 2012	14	21	32	80	28	27	202
FY 2013	13	17	30	84	28	30	202

Note: Using a sample of 202 VWOs with IPC status in social service sector, the average unrestricted funds to annual operating expense of these charities are examined in the figure above. Unrestricted funds make up part of the reserves, and refers to funds given to a non-profit organization to use as they deem fit (as defined in the Accounting Glossary by the Ministry of Culture, Community and Youth). The figure examines this ratio over a 3-year period, from FY 2011 to FY 2013.



9. Discussions, Limitations and Future Research

We have collected publicly available financial information of charities from their annual Financial Statements. Using financial statement analysis, we provided some initial findings on the financial characteristics of these charities. The study is exploratory in nature and there are several limitations to our research and its findings.

Firstly, the research covers only 202 charities with Financial Statements from FY 2011 to FY 2013. The sample is only a subset of the entire Charity sector. The findings are specific only to this sample of Social and Welfare charities for the given period. Hence, the findings may not be generalisable for charities in Arts & Heritage, Community, Education, Religious, Sports, and Others sectors as classified by the Commissioner of Charities in Singapore.

Longitudinal research can assist the sector in monitoring year on year trends. This may be useful in providing updated information for capacity building purposes. Sectorial analysis can also be conducted to understand the financial issues specific to selected Charity sectors.

Secondly, there are limitations in the research method used. Only historical financial data was used in the financial statement analysis. The results are based on past performance and may not be indicative of future performance. Furthermore, the financial statements may not be presenting the most accurate information. The accuracy of the financial information depends largely on how accurately the financial statements are prepared.

The current research is limited by publicly available data. Hence, it would be beneficial for future studies to employ other research methods such as survey research, case studies, and focus groups. In addition, qualitative studies can complement the findings of our current exploratory study, in establishing more in-depth understanding of the social service sector's financial management practices and the challenges they may be facing.

Thirdly, the charities come from different backgrounds, providing a diverse range of social services. The charities are not profit-making entities and they provide the bulk of social and welfare services that benefit the community and those in need. The types of social services provided by charities may differ and the scale of their operations varies. Some charities have specialisations in a specific area (E.g. Movement for the Intellectually Disabled of Singapore (MINDS)) while others provide multiple types of services (E.g. Asian Women's Welfare Association (AWWA)). Examples of social services provided by charities include preschool education, before and after school care, day care centres, homes for the elderly, schools for the disabled, counselling services, therapy and rehabilitation for drug addicts, or help for the destitute and low income families.

It is this diversity that makes meaningful interpretation of the results from financial statements analyses a real challenge. Going forward, it may be useful for the sector to develop some key



statistics or financial ratios or performance indicators for each of the sub-sectors, to help stakeholders have a clearer understanding of the financial issues and hence better financial management for the different services types.

Fourthly, the charities' diverse origins have bearings on the sector's administration and regulations. We begin by tracing back to the charities' origins. The charities comprise of charity organizations, community organizations, ethnic based self-help groups or religious bodies (Jones, 2002).

Depending on the charity's background, a charity can be registered as a Society, Public Company Limited by Guarantee (CLG) or as a Charitable Trust. Each charity reports to either the Registry of Societies (ROS), Accounting and Corporate Regulatory Authority (ACRA) or Monetary Authority of Singapore, depending on its organization type. Different types of charities are governed by different legislations – Singapore Societies Act for charities registered as Society, Singapore Companies Act for charities registered as CLG and Singapore Trust Companies' Act for charities registered as Charitable Trust.

This complicated mix of charities' origins, charities' organization types, charities' regulators and legislations ultimately result in the differences in the availability as well as quality of reporting amongst charities. For example, we were able to establish the age of charities if they are registered as Society. However, we do not have information on the age of charities if they are registered as a Public Company Limited by Guarantee or Charitable Trust.

During our data collection, we also observed the difference in availability of public information provided by large charities and small charities. We have better access to information on large charities than smaller charities, as large charities are mandated by regulations to disclose their annual reports and financial statements on their websites and Charity Portal. In sum, we can argue that legislations may have a direct impact on the quality and availability of public information of charities.

Fifthly, in our data collection process, we observed that there is no standardization in reporting and disclosure practices given the diversity of the sector. For example, some charities incorporate their financial statements in their annual reports, while others either release their annual report and financial statement separately or only their annual report without financial statements. The lack of a standardised format for annual reports by charities became a challenge as we attempted to collect, collate and standardise the data for analysis.

Lastly, in our process of data collection and analysis, we found that in FY 2013, only 50 out of 202 charities stated the number of beneficiaries they served in their Financial Statements or Annual Report. Furthermore, information on donation and sponsorship were not easily available. Many charities do not report the details of donations and sponsorships received in their Annual Report or Financial Statements.

According to the National Volunteer & Philanthropy Centre (NVPC), informed giving is a growing trend, but good information about charities and their work is still not widely available (National Volunteer & Philanthropy Centre, 2012). Overseas research shows that when charities receive higher contributions, their willingness to disclose their financial information increases (Behn, DeVries, & Lin, 2010). Given that our findings show that charities are highly dependent on donations, government and other grants, it is important that charities update their stakeholders about their activities through their Annual Report and Financial Statements. Going forward, it may be beneficial for the sector to develop the industry's best practice for informed giving.

10. Conclusion

In this report, we took stock of the current state of social service sector. We also examined the financial characteristics of VWOs with IPC status.

In 2015, Singapore celebrates 50 years of independence and nation building. It is a major milestone for this small island state. In the past 50 years, Singapore has attained admirable economic and social progress as a nation. This is achieved through the government's provision of a social safety net for everyone in the country and the community's Many Helping Hands (MHH) approach in providing social assistance to those in need.

Singapore's social service agencies operate in a landscape where VWOs are one of the major providers of social services. VWOs are not profit-making entities and they represent a very important group of stakeholders in the industry. Our exploratory study focused on the financial characteristics of VWOs with IPC status from FY 2011 to FY 2013.

VWOs with IPCs status have applied and been qualified by the Commissioner of Charities to issue tax-deductible receipts to donors. The data collected in our research are based on the publicly available information, which is obtained from the VWO's annual report and financial statements.

We categorized VWOs with IPC status into six groups of based on their annual total operating expenses (TOE) – SGD 0 - 250k, SGD 250k - 500k, SGD 500k - 1m, SGD 1m - 5m, SGD 5m - 10m and above SGD 10m. Financial statement analyses were carried out using a sample of 202 VWOs with IPC status. We analysed and presented findings on the charities income, expenses, asset, liabilities and reserves over the 3-year period.

Although the research is exploratory in nature, it is a first step in establishing the much needed applied research in understanding the sector's financial accounting issues. Most importantly, we hope that the initial findings can be the platform for stakeholders to come together for further dialogues on the sector's financial management and sustainability issues.



Endnotes

- ¹ For more information on the available housing schemes, please refer to <http://www.hdb.gov.sg/>
- ² For more information on the various priority schemes, please refer to <http://www.hdb.gov.sg/fi10/fi10321p.nsf/w/BuyingNewFlatPriority?OpenDocument>
- ³ In 1950, infant mortality rate was 82 per 1,000 live births whereas infant mortality rate fell substantially to 1.8 per 1,000 live births in 2014. In 1957, average life expectancy at birth was 62 years, while in 2013 average life expectancy at birth increased to 82.5 years.
- ⁴ For more information on the various healthcare schemes, please refer to https://www.moh.gov.sg/content/moh_web/home/costs_and_financing/schemes_subsidies.html
- ⁵ For more information on the Pioneer Generation Package (PGP), please refer to <https://www.pioneers.sg/en-sg/Pages/Home.aspx>
- ⁶ For more information on Singapore's unemployment rate, please access: [https://www.mti.gov.sg/mtiinsights/documents/mti occasional paper on population and economy.pdf](https://www.mti.gov.sg/mtiinsights/documents/mti%20occasional%20paper%20on%20population%20and%20economy.pdf)
- ⁷ The list of criteria for WIS is available at <https://www.workfare.gov.sg/Pages/WISEmployee.aspx>
- ⁸ This list of social legislations is not exhaustive. For the sake of discussion, only the more prominent social legislations are listed.
- ⁹ From Chart 12 of the Commissioner of Charities Annual Report 2014, corporate donations remains at 65.1% to 71.7% of total donations while individual donations made up 20.3% to 34.9% from FY 2005 to FY 2014.
- ¹⁰ Note that figures on total donations are compiled based on the annual returns submitted by charities for the financial years ending in FY 2013, and the data covers both tax deductible and non-tax deductible donations. Hence the data may depict a different trend from the TDD data due to different reporting periods and data coverage (COC Annual Report 2014).
- ¹¹ For more information, please refer to speech by Mr Chan Chun Sing at MSF Committee of Supply 2015: <http://app.msf.gov.sg/Press-Room/Speech-at-MSF-Committee-of-Supply-Debate-2015>
- ¹² Adapted from Accounting Glossary For Charities and IPCs (Charity Portal, 2014). Available on <https://www.charities.gov.sg/Publications/Pages/Publications.aspx>.



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APPENDIX

GLOSSARY OF ACCOUNTING TERMS

Definitions of Income Terms	
External Income	
Donations and Fundraising Activities	Donations are gifts to Charities/approved IPCs and comprise of donations in cash and in kind. Income from fundraising activities includes income generated by activities to raise funds for the Charities/IPC.
Sponsorships	Value of in-kind support received and which are used in fundraising exercise.
Government grants	Assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.
Other grants	Include grants that are not classified as government grants such as Foundation grants, Bursary grants and Benevolence grants.
Internal Income	
Income from Programme	Income that Charities/IPC may receive when they carry out their activities through direct service provision to undertake the work that contributes to the Charity's/IPC's objectives or programme of work.
Income from Social Enterprise	Revenue generated from businesses with primarily social objectives.
Investment gains and income	Investment gains refer to gains/profits earned from the sale/disposal of investment or any gain resulting from revaluation of investments to market value at the end of the year. Investment income includes incoming resources from incoming assets, including dividends, interest and rents, but excluding realised and unrealized gains and losses.
Other Income	This includes the receipt of any income, which does not fall within any of the earlier classifications.
Definitions of Expenses Terms	
Fixed Expenses	
Manpower Expenses	Costs of wages paid to employees during an accounting period on time or job basis, plus payroll and related taxes and benefits (if any).
Administrative Expenses	Expenses which relate to the general running of the Charities/IPC that provide the governance infrastructure which allows the Charities/IPC to operate, to generate the information required for public accountability, and the strategic planning processes that contribute to future development of the Charities/IPC.
Variable Expenses	
Programme Expenses	All resources applied by the Charities/IPC in undertaking its work to meet its charitable objectives in the delivery of goods and services.
Fundraising Expenses	Direct fundraising expenses refer to costs directly incurred and paid for in the fundraising, while indirect fundraising expenses refer to the costs of personnel and administrative/marketing overheads, which are used to support fundraising activities.
Social Enterprise Expenses	Expenses related to a revenue-generating business with primarily social objectives.
Investment Expenses	Any cost of investment realized aside from the principal investment itself.

Adapted from Accounting Glossary For Charities and IPCs (Charity Portal, 2014). Available on <https://www.charities.gov.sg/Publications/Pages/Publications.aspx>.



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ABOUT THIS REPORT

This report is an outcome of a three-year collaboration between the Chartered Institute of Management Accountants (CIMA) and the Centre for Social Development (Asia) (CSDA) at the Department of Social Work, Faculty of Arts and Social Sciences, National University of Singapore (NUS). The focus of this report is to contribute to applied research on financial administration in Singapore's social service sector. The report provides an overview of Singapore's social service sector and the findings from an exploratory study on the financial characteristics of Voluntary Welfare Organisations (VWOs) with the Institution of a Public Character (IPC) status from FY 2011 to FY 2013. The report aims to engage stakeholders in understanding the sector's financial management and financial sustainability issues.

About CSDA

The Centre for Social Development (Asia) (CSDA) was launched in July 2007 by then Minister for Finance Mr Tharman Shanmugaratnam. It is under the purview of the Department of Social Work, Faculty of Arts and Social Sciences, National University of Singapore. The Centre was established in collaboration with the Centre for Social Development, George Warren Brown School of Social Work, Washington University in St Louis. The primary mission of CSDA is applied research and knowledge building to inform policies and programmes in social development, with a focus on Asia.

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