

Welcome Address by Trust Secretary of the Cultural Matching Fund

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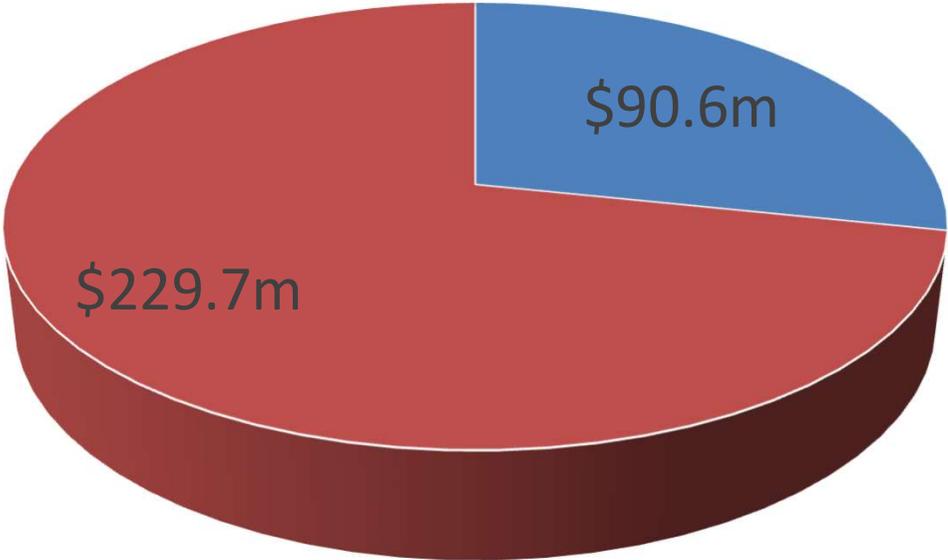


Minister (CCY) Edwin Tong, Committee of Supply Debate, 10 March 2022:

1. Arts and heritage charities have received over \$300 million in CMF grants, reflecting donations catalysed by CMF since its inception.
2. To date, a total of 111 arts and heritage charities applied to CMF at least once, over two-thirds of the total number of these charities.
3. Many charities have also fundraised for the first time to diversify their revenue streams.
4. MOF will top-up another \$150 million into the CMF. This would be the 2nd injection to the Fund which started with \$200 million and received its first top up of \$150 million in 2017.

Key Statistics

Total CMF Grants approved in 2014-2021 breakdown by application category

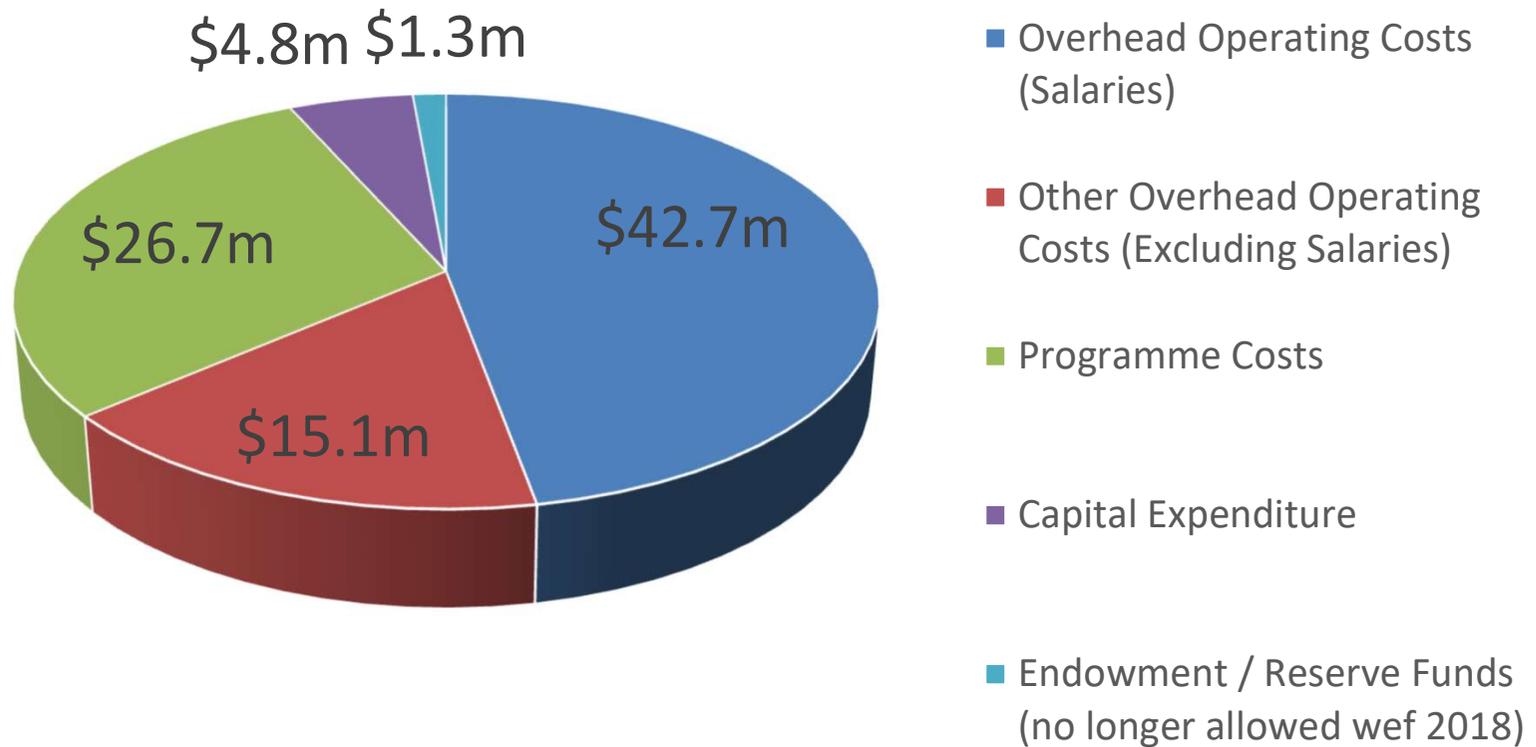


■ First \$300K ■ Above the First \$300K

Key Statistics and usage of CMF grants



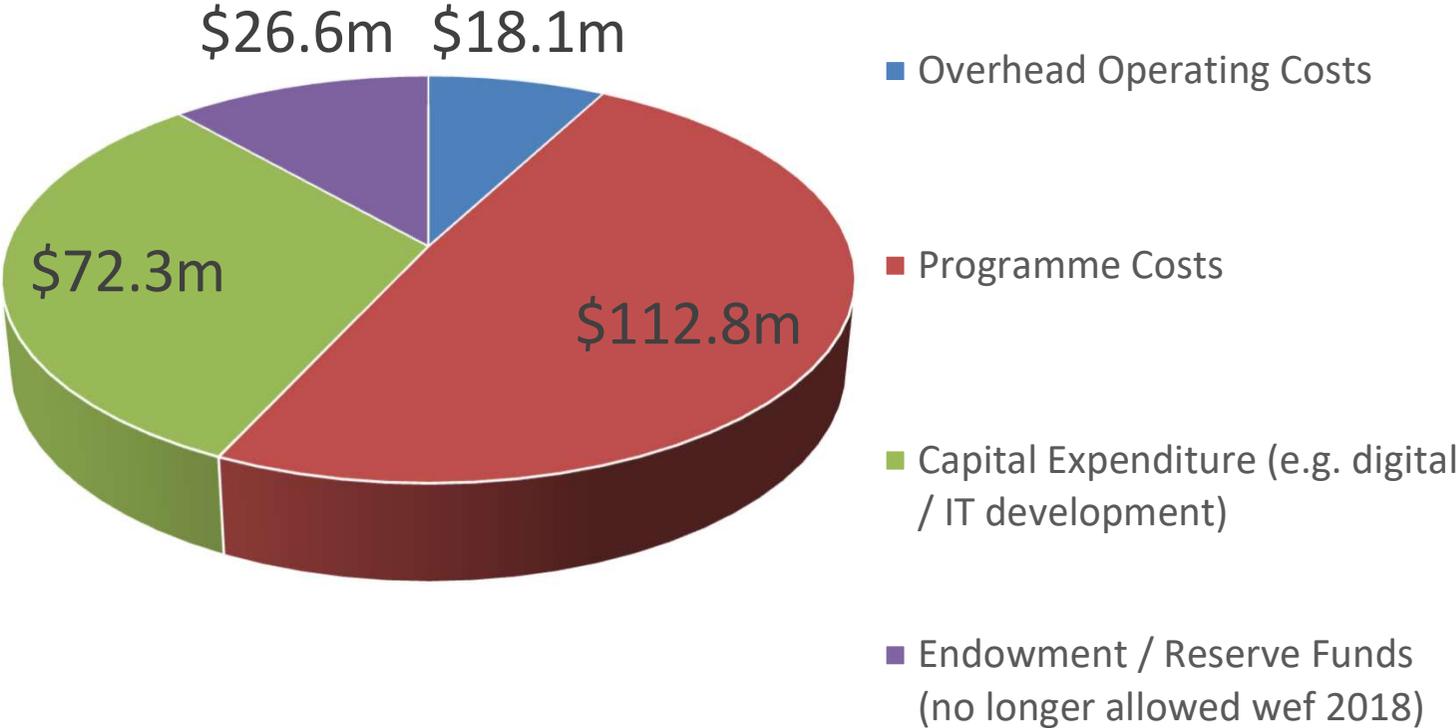
In the First \$300K, total CMF Grants approved in 2014-2021 breakdown by Expenditure type



Key Statistics and usage of CMF grants



In the Above First \$300K, total CMF Grants approved in 2014-2021 breakdown by Expenditure type



Presentation on CMF Special Purpose Audit 2021

Presentation by CMF Secretariat



CMF special purpose audit 2021

Scope of Audit:

- Application window 2020
- Expenditure of CMF grants in the period 1 April 2020 to 31 March 2021

A total of 42 groups are selected for the audit based on CMF risk assessment framework

- 2 groups have no audit finding:
 - ✓ T.H.E. Dance Company Ltd
 - ✓ The Theatre Practice Ltd

CMF special purpose audit 2020

Scope of Audit:

- Application window 2019
- Expenditure of CMF grants in the period 1 April 2019 to 31 March 2020

A total of 57 groups are selected for the audit based on CMF risk assessment framework

- 19 groups have no audit finding:
 - ✓ Arts Theatre of Singapore Ltd
 - ✓ ArtsWok Collaborative Limited
 - ✓ Design Society, The
 - ✓ Lasalle College of the Arts Limited
 - ✓ Nanyang Academy of Fine Arts
 - ✓ National Gallery Singapore
 - ✓ NUS Centre For the Arts
 - ✓ Objectifs Centre Ltd
 - ✓ Pangdemonium Theatre Company Ltd
 - ✓ Playeum Ltd
 - ✓ SCCC Chinese Entrepreneurial Culture Foundation
 - ✓ Singapore Chinese Music Federation
 - ✓ Singapore Heritage Society
 - ✓ STPI
 - ✓ The Finger Players Ltd
 - ✓ The Necessary Stage Ltd
 - ✓ The Very Quiet Studio Limited
 - ✓ Yong Siew Toh Conservatory of Music NUS

Presentation by CMF Secretariat

The CMF Secretariat will present some common audit finding from the CMF special purpose audit 2021 and earlier audits:

1. Application

Using non-eligible contribution to apply for CMF

- a) Sponsorship
- b) Grant

2. Milestone reporting - Usage of CMF grant

CMF matching grant was used for non-qualifying cost item

- a) Government Tax (e.g. GST, Withholding Tax, Stamp duties)
- b) Expenditure covered by COVID subsidies (e.g. Job Support Scheme, Rental Rebates)

Sponsorships / Contributions



Broad principle to determine whether a contribution is a Donation:

- It must be an act of **unconditional and freewill giving**. It is essential that contributor had **intended** to confer a benefaction on the recipient.
- If the contributor is motivated to make the contribution, not to confer a benefaction, but **to acquire pecuniary or proprietary benefit for himself**, the contribution **does not** have the essential characteristics of a donation.
- CMF Secretariat strongly encourages charities to utilise the Donation Agreement Template available on National Arts Council website when an Agreement is needed. **<https://www.nac.gov.sg/whatwedo/championing-the-arts/arts-philanthropy/overview.html>**

Grants

- It has also come to CMF Secretariat's attention that some charities receive contributions from Foreign Embassies, Foreign cultural or other institutions (e.g. Goethe Institute Singapore), Local Private Grant Makers (e.g. Temasek Foundation Nurtures CLG Limited)
- The agreements concluded for such contributions typically include clauses & requirements reflecting these contributions as grants – provided for a specific purpose that must be fulfilled by the recipient – rather than unconditional and freewill donations:
 - Requirement to provide utilisation report such as Income and Expenditure Statement of the Programme their contributions had supported
 - Fulfil certain KPI or objective in order to receive the money or subjected to claw back if non-performance.

Use of CMF for GST

All CMF Matching Grants, regardless of the quantum of the grant, cannot be used for items such as:

- a) entertainment expenses;
- b) staff bonuses and welfare benefits (including overseas travel costs);
- c) internal charges within an charity;
- d) legal expenses
- e) debt/loan repayment; and
- f) government fine and taxes.

With regards to f), in the use of the Grant and any Fund Income for the Permitted Purposes:

- If the Recipient is a **Taxable Person (ie. GST registered)**, the Recipient **shall not be allowed** to use the Grant and any Fund Income to pay for any GST charged on expenditure made with reference to the Permitted Purposes. This avoids double-dipping as GST registered organisations are able to claim GST paid from IRAS.
- However, if the Recipient is **not a Taxable Person (ie. not GST registered)**, the Recipient shall be **allowed to use** the Grant and any Fund Income to pay for any GST charged on expenditure made with reference to the Permitted Purposes. This is to support CMF recipients' use of the matching grants without additional administrative requirements e.g. tracking GST spending.

Accounting for CMF matching grants & other Government subsidies



- During the expenditure period 1 April 2020 to 31 March 2021, the Singapore Government has provided broad-based COVID-19 relief measures to support our enterprises and charities (including arts organisations) e.g.
 1. Job Support Scheme (JSS)
 2. Rental Relief
 3. Others such as venue-hire subsidies

- Some CMF recipients have used multiple sources of revenue, such as the broad-based Government relief schemes, and CMF matching grants, for costs such as salaries.
 - In some instances, these CMF recipients did not reflect the separate amounts used from these multiple sources which ought to have been done.
 - E.g. salaries of \$100,000 may have been reflected as being paid from a combination of \$50,000 JSS and \$100,000 CMF (based on the amount of CMF matching grant earlier been approved for salaries), rather than \$50,000 JSS and the remaining \$50,000 from CMF.

- **When CMF-approved uses are claimed out of / charged into the CMF grant, it should be net of these subsidies, where applicable.**

Case Study 1

Eligibility of donation

Foundation Y agreed to provide a sum to Charity X to support a programme organized by the Charity. The letter of offer by Foundation was accompanied by Grant Guidelines for administration and management of funding provided by the Foundation.

The Grant Guidelines states:

- Any funds that is unutilised by the programme shall be returned to the Foundation
- Charity shall provide an utilisation report such as Income and Expenditure Statement of the programme, and the KPIs achieved

Question: Would the contribution qualify as a donation for CMF matching?

- a) Yes
- b) No

Case Study 1

Eligibility of donation



Answer: b) No, the contribution will not qualify as a donation for CMF matching.

Explanation:

Looking at the guideline of using the contribution, the contribution is given out in the form of Grant and would not be considered as a Donation

Case Study 2

Eligibility of donation

Company Y gave a sum to Charity X and in return, Charity X acknowledged the contribution from Company Y.

The acknowledgment has the following features only:

- The acknowledgement is a display of the donor's logo and/or name on the IPCs' or charities' collaterals
- Accompanied with the words such as “with compliments from”/ “in acknowledgement of”/ “special thanks to”/ “with appreciation to”, or the equivalent, regardless of the size of the display;
- There are no comparative or qualitative descriptions, slogans, locations, contact details, or a description (including displays or visual depictions) of donor's products or services; and
- There are no links or tags to donor's website and social media platform e.g. Instagram/ Facebook/ Twitter/ LinkedIn.

Would this contribution qualify as a donation for CMF matching?

- a) Yes
- b) No

Case Study 2

Eligibility of donation



Answer: a) Yes, the contribution qualifies as a donation for CMF matching.

Explanation:

The features of the acknowledgement falls within the guidelines for distinguishing acknowledgement from advertisement per latest IRAS e-tax guide released in March 2021. Therefore, the contribution would qualify as a donation.

Note: If the charity goes beyond the scope of mere acknowledgement, but stop short of tipping the contribution into a Sponsorship, it would be considered as providing an advertising space for the donor. In such a scenario, only the difference between the amount donated and the price of the advertising space is eligible for CMF.

Case Study 3

Eligibility of donation

Company Y donated a sum to Charity X for a programme and both parties entered into an agreement for the donation.

Under the terms in the signed *Donation Agreement*, there is a clause which requires the Charity to refund all monies paid to the Charity in full within 6 months if the programme that the donation is supporting is cancelled, for any reason whatsoever.

Would the contribution qualify as a donation for CMF matching?

- a) *Yes*
- b) *No*

Case Study 3

Eligibility of donation



Answer: b) No, the contribution will **not** qualify as a donation for CMF matching.

Explanation:

Looking at the terms of the *Donation Agreement*, there is a refund clause. A refund clause stipulates conditions under which a donation should be refunded or returned to a donor, under a contribution agreement. In this particular agreement, the donor stipulates the timing by which the contribution must be returned as well as the conditions that would trigger the return of said contribution. Therefore, the contribution would not qualify as a donation.

- We note that some IPCs are under the impression that Regulation (“Reg”) 11(7) of the Charities (Institutions of a Public Character) Regulations mandates the inclusion of a refund clause, i.e., a clause that stipulates conditions under which a donation should be refunded or returned to a donor, under a contribution agreement. **We clarify that Reg 11(7) does not mandate IPCs to include a refund clause within a contribution agreement.** Instead, where a donation cannot be used for the purposes specified in Regs 11(2) to (5), Reg 11(7) imposes a statutory obligation on an IPC to return the donation to its donor within 4 years of receipt of the donation^[1], or use the donation for such other purpose as may be approved by the Sector Administrator^[2]. In accordance with Reg 11(8), an IPC which refunds in whole or in part any tax-deductible donation under Reg 11(7)(a) must **immediately** inform IRAS of such refund.
- We would like to remind IPCs that for a contribution to enjoy a S 37(3) enhanced deduction, the requirements under section 37(3C) of the ITA (“**S 37(3C) requirements**”) must be satisfied. In this regard, a contribution made under a contribution agreement that contains a refund clause would not satisfy the requirement under section 37(3C)(c) of the ITA^[3]. If a contribution fails to satisfy the S 37(3C) requirements, the contribution will not be treated as a “donation” and accordingly, will not be eligible for a S 37(3) enhanced deduction.



<https://go.gov.sg/irasclarification>

Case Study 4

Milestone Reporting



On 31 March 2022, Charity X is preparing to reimburse, from its CMF bank account, its operating bank account that has paid out \$50,000 salaries incurred for the period Oct 2021 to March 2022. In the same period, the Charity also received a sum of \$15,000 from the COVID Job Support Scheme grant for these staffs.

Question: How much can the Charity claim from its CMF grant and report as utilised in its milestone report ending 31 March 2022?

- a) \$0
- b) \$35,000
- c) \$50,000

Case Study 4

Milestone Reporting



Answer: b) \$35,000

Explanation:

When CMF approved expenditure are claimed out of the CMF grant, it should be net of these Covid subsidies. This is because these subsidies have already subsidised the CMF approved expenses, with a net effect of reduced cash outflow by Charity.

Case Study 5

Milestone Reporting



On 31 March 2022, Charity X who is a GST registered organisation, is preparing to reimburse its operating bank account that has paid out \$107,000 (inclusive of GST) for expenditure that were incurred for carrying out its Core Programmes.

Question: How much can the Charity claim from its CMF grant and report as utilised in its milestone report ending 31 March 2022?

- a) \$100,000*
- b) \$107,000*

Case Study 5

Milestone Reporting



Answer: a) \$100,000

Explanation:

As the organisation is GST registered, it shall not be allowed to use the Grant to pay for any GST charged on expenditure made with reference to the Permitted Purposes.

Note: If the charity is not GST registered, it can claim the full \$107,000 from the CMF grant.

Gentle Reminder: Submission of Milestone Reports



Application Window	Expenditure Period	Deadline
2017 and before	1 Oct 2021 to 31 March 2022	30 April 2022
2018, 2019 and 2020	1 April 2021 to 31 March 2022	
2021	1 June 2021 to 31 March 2022	

Please take note for grant from the Application window 2018:

- All CMF approved grants from 2018 onwards are subjected to the 3-year utilisation period as per clause 3.7 of the Deed of Acceptance.
- In practice, CMF has streamlined the utilisation deadline of the CMF 2018 grants to the end of the Financial Year ie. **31 March 2022**. You may refer to Para 12 of Annex D filed under Schedule 2 in the Deed of Acceptance of Conditions of Grant.
- If you are unable to fully utilise the CMF2018 grants, please write in to us and we will advise you accordingly.

Contact CMF Secretariat cmf@nac.gov.sg if you require any clarifications

Getting ready for CMF 2022

- ✓ The application window for CMF 2022 will be opening on 1st April 2022 and ends on 31 May 2022.
- ✓ The Application form and OSG user guide will be available on CMF website.

Contact CMF Secretariat cmf@nac.gov.sg if you require any clarifications

Thank you

Phishing Scams

- Between Dec 2021 and Jan 2022, numerous members of public fell prey to phishing scams that impersonated the OCBC bank, leading them to provide their login credential via a fake OCBC website.
- In light of the phishing scam, Government has stepped up on the measures to secure Government services.
- To align with Government measures, CMF will cease the use of clickable links in our emails.
- This include our routine reminder email to all arts & heritage groups regarding the opening of CMF application and Milestone Report submission.
- We encourage arts & heritage groups to directly visit CMF website or OSG grant portal website for application details.
- **CMF will not send you any email with clickable link with immediate effect.**