



## DISCUSSION PAPER

# Suggestions to Improve the T3010 for Research

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## ABSTRACT

In preparation for a May 2014 T3010 Users Research Day event, the objective of the discussion paper is to present some suggestions in redesigning the T3010. The paper will contribute to the discussion between academics, government representatives (CRA, Finance Canada, Statistics Canada), practitioners and professionals.

## RÉSUMÉ

Le document de travail s'insère dans le cadre d'une journée de recherche, qui aura lieu en mai 2014, orientée vers la reformulation du formulaire T3010. L'objectif est de présenter des suggestions dans la reformulation de la T3010. Le document contribuera à la discussion entre les universitaires, des représentants gouvernementaux (ARC, Finances Canada, Statistiques Canada), praticiens et professionnels.

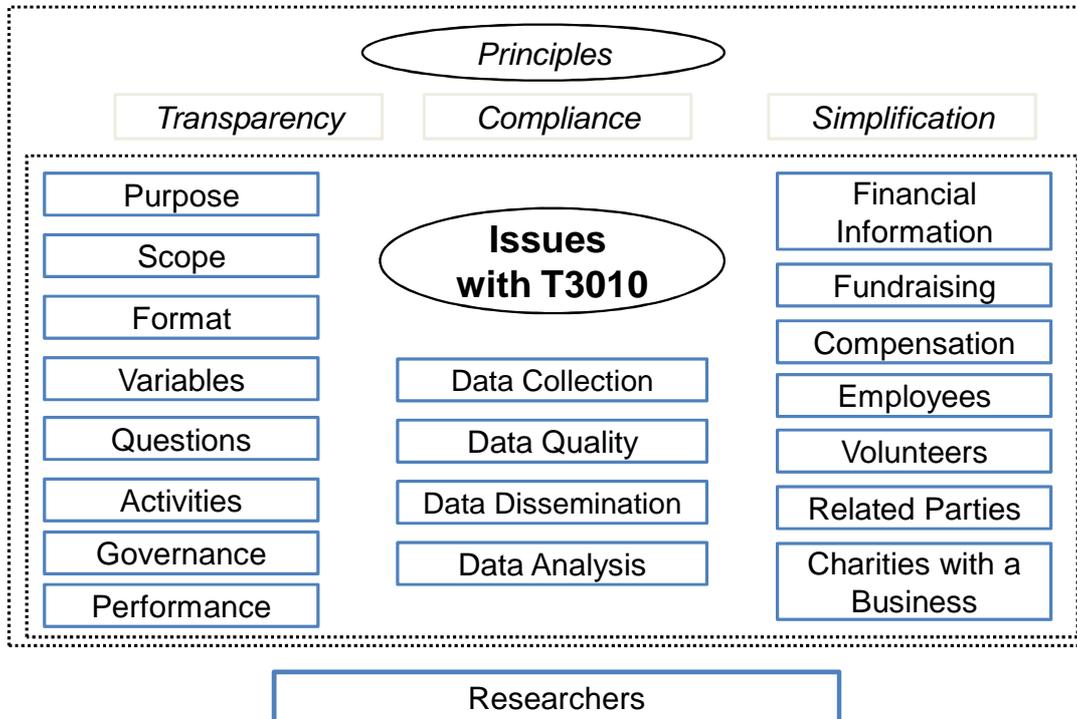
## INTRODUCTION

Members of the T3010 Users Group organized the T3010 Users Research Day on May 26, 2014. The objective of the event is to offer an opportunity to discuss different issues and challenges regarding the data collected and improvement of research using the Registered Charity Information Returns (T3010) filed by charities with the Canada Revenue Agency (CRA). This one day think tank will be attended by academics, government representatives (CRA, Finance Canada, Statistics Canada), practitioners and professionals.

The objective of the present discussion paper is to present some suggestions in redesigning the T3010. The paper will serve as a basis to help researchers and to provide a framework for the discussion. The discussion will help in generating a list of priorities of the different issues.

All references and appendices are included in the companion Discussion paper by François Brouard on the *T3010 Challenges for Research*, Spratt Centre for Social Enterprises / Centre Spratt pour les entreprises sociales (SCSE/CSES), May 2014. Figure A provides a framework to organized challenges for redesigning the T3010.

**Figure A – T3010 Challenges for Redesign**



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## **SUGGESTIONS FOR DISCUSSION**

A number of suggestions could be proposed to help researchers. The changes and requirements should take into account the size and complexity of organizations (Blumberg, 2012b).

### **Purpose**

- Adopt a broad perspective for the purpose of the T3010. The form should serve for compliance and tax reporting but also as a general accountability tool.
- All information collected should be public information. If some information is needed to remain confidential, this should be kept to a minimum. Questions on relevancy for the need of social insurance number and personal address of directors.
- Accessibility of information should adopt an open data philosophy (see Noveck and Goroff (2013)).
- Examine the open data options (see Noveck and Goroff (2013)).
- An analysis of information collected should be prepared to distinguish between public information ("public information return") and private / confidential information ("information return"), the rationale for collection, and the potential consequences of information provided.

### **Scope**

- All organizations should submit a T3010.
- All organizations should not submit the same T3010 form, but a different version of the form. However, codes should be comparable between all the different versions.
- An analysis of the different types of organizations, such as Registered Charity (T3010), Registered Canadian Amateur Athletic Associations (RCAAA) (T2052), Registered National Arts Service Organizations (RNASO), Registered political party or Registered Association (T2092), Nonprofit organizations (NPO) (T1044) and Labour organizations (ITA 149.01 – Bill 377) should be undertaken to compare the common characteristics and analyze the possibility of combining different forms.

### **Format: Length, Versions and Structure**

- The length of the T3010 form should have an optimal number of pages, with additional T3010 schedules, if necessary.
- Each T3010 schedule should be a separate CRA form (ex: T3010sc1).
- The T3010 should have enough space for each question to be able to include the entire content needed.
- The possibility of attachments should be allowed, for example financial statements, annual reports.
- The number of versions should be kept at the minimum, with only a very limited number of specialized forms.
- There is a need for highlighting that not all part and schedules need to be filled (Canadian Bar Association, 2014).
- Revise the T3010 structure regarding the number of sections / parts and schedules.
- Revise the T3010 structure regarding the logical sequence of questions and make sure that all questions on the same themes are together.
- Revise the T3010 form to include explanations and examples in the T3010 guide (T4033), not in the form itself.

### **Variables**

- Include a number of demographics variables (example: designation, sector, activities, geographical location, object of charity, religious vs. secular, first nations group).
- Revise and publish all CRA codes for classification regarding sector, activities, programs (see Appendices D and E in Brouard (2014))
- Revise the classification system to have one system for all different types of organizations, such as Registered Charity, Registered Canadian Amateur Athletic Associations (RCAAA), Registered National Arts Service Organizations (RNASO), Registered political party or Registered Association, Nonprofit organizations (NPO) and Labour organizations.
- Adopt a classification of nonprofit organizations to describe the variety of fields of activities that will also allow international comparison. For example: the International Classification of Nonprofit Organizations (ICNPO) (see Appendix F) and the National Taxonomy of Exempt Entities (NTEE) (see Appendix G), the North American Industry Classification System (NAICS) Canada (used in CRA form T2125).
- Revise the different existing taxonomies as standards for data collection (for example Foundation Center – <http://taxonomy.foundationcenter.org/tools-and-resources/draft-review>).
- Revise the definition of variables (for example, fundraising expenses (CSCNL, 2011); fundraising methods Neilson, Brouard and Armenakyan (2012)).
- Define concepts and variables.

## Questions

- Adopt and publish a protocol for the various types of information, such as yes/no, numerical, alphanumerical for description, list of options provided.
- Provide enough space to be able to answer properly (for example, questions 2, 3 and 7 in Schedule 2).
- Revise all questions included in the T3010 and related forms: see Canadian Bar Association (2014), Blumberg (2012b) for specific examples of changes.
- Use consistent terminology for concepts and in the questions (Canadian Bar Association, 2011, 2014).
- Consider styles of questions included in the T2 and/or T3 CRA forms.

## Data Collection

- Adopt an electronic version (E-filing) approach.
- Facilitate the use of software.
- Consider the use of bar code technology for summary of information.
- Give priority to specific information instead of aggregate information.
- Allow the submission of attachments (ex: PDF file), such as financial statements, accountant's comments, annual reports. However, the use of image of T3010 should be avoided. For example, financial information should be data in the form, not PDF files, because it could be difficult to sort (Grauer, 2013).
- Combine the information TF725 (Registered Charity Basic Information Sheet) and T3010 forms in one form.
- Provide annually to each organization the information included in the application, the TF725 and the T3010.
- Adopt a principle that each code will be used for the unique concept and variable, i.e. a change of concept or variable brings a different code. For example, avoid the use of the same code for different variables over time (ex: code 1800), avoid the collection of information using the same code for detailed information and summary (ex: code 4920 - use of other category with the same code).
- Revise the coding scheme to be used in the T3010, so that each code will have a unique meaning.
- Renumber all codes in the T3010 using a 5 digit code for each variable to have a better coherence and to avoid confusion with the previous form and give a fresh start in data collection.
- Revise the different list of codes and consider using recognized standards for data collection by organizations such as the International Organization for Standardization (ISO) (for example, ISO3166-1 numeric-3 or alpha-3 codes for country codes in Schedule 2 to capture all countries).
- Disclose the process used by CRA to collect data, integrate updates provided by the organization, request for additional information and integrate updates provided following a request by CRA.

- Revise the guide with comprehensive explanations and links to CRA publications for more specific interpretations.
- Add a question to know if there is more than one reporting period in the same year.
- Ask for contact information of the organization: address, postal code, website, email, phone, fax.
- Ask for contact information of the contact person: email, phone, position.
- Add a question to know if the contact person is paid staff or not.
- Provide clear definitions and guidelines for interpretation.
- Adopt uniform standards for the whole nonprofit sector organizations to be able to obtain comprehensive information about all types nonprofit organizations. For example: Registered Charity, Registered Canadian Amateur Athletic Associations (RCAAA), Registered National Arts Service Organizations (RNASO), Registered political party or Registered Association, Nonprofit organizations (NPO) and Labour organizations.

### **Data Quality**

- Prepare and publish a guide explaining the validation process. For example, level of verification by CRA before releasing T3010 data, data clean-up by CRA before release and after release, examination of outliers by CRA, treatment of missing data and no-answers responses, secrecy and uncertainty of audit process (Harvie, 2002).
- Consider implementing internal controls to eliminate or reduce errors by using electronic filling and software.

### **Data Dissemination**

- Prepare a guide for researchers describing all the variables.
- Prepare and publish the process about the release dates of data.
- Provide information available beside the T3010. Examples of content: TF725, application information, subsequent changes in T3010 and dates of changes, deregistration information (revocation, annulment), file for each organization with changes and correspondence, “to publicly disclose the names of all charities involved in abusive charity gifting tax schemes” (Blumberg, 2012b).
- Establish and publish a calendar of dissemination for release of data according to regular cycles and mention if more than one in the same year.
- Prepare a guide for researchers describing the reporting period (calendar year), standard format and timeline for dissemination to researchers, uniformity of information release, timeline of release (release per quarter, per year), subsequent updates and dates of updates (late filing, changes in T3010) by charity, any differences between data released and posted on CRA website.

- Analyze options for accessing and distributing T3010 files, such as website, summary prepared by CRA, getting copies of a CD of all T3010 information, special website for researchers.
- Provide limitations and cautions about the T3010 data.
- Set up or finance a website to help researchers interested by T3010 data. Examples of content: explanations of data for researchers, technical issues, interpretation issues, research guide (ex: list of variables, operational definition, purposes), T3010 previous forms for all years (in PDF format and English and French), CRA reports about T3010 data, reports using T3010 data, research guides.

### Data Analysis

- Continue to adopt a common number to link all information on a specific organization in the data provided, such as the Business number.
- Include a number of demographics variables (for example: designation, sector, activities, categories (CRA (see Appendices D and E), ICNPO (see Appendix F), NTEE (see Appendix G), NAICS), geographical information, object of charity, religious vs. secular, first nations group).
- Analyze the link with other existing databases by using the same variables or structure (Ludlum, 2003). For examples, data on nonprofits reported on CRA T1044 form, data from Statistics Canada, data from Industry Canada, political organizations (data by Elections Canada).

### Financial Information

- Adopt a principle of collecting financial information as close as possible to the financial statements
- For financial information, adopt a structure which is close to financial reporting and generally accepted accounting principles (GAAP), such as IFRS (Part I), Not-for-profit organizations (NPO) (Part III).
- Request the generally accepted accounting principles (GAAP) used each year based on possible choices, such as IFRS (Part I), Not-for-profit organizations (NPO) (Part III).
- Consider the possibility of adopting a standard chart of accounts for charities and nonprofit.
- For financial information, adopt a standard structure of Financial statements (see Brouard, 2014a):
  - Financial information – Statement of operations
    - Change the list of revenues
    - Change the list of expenses
  - Financial information – Statement of financial position
    - Change the list of assets
    - Change the list of liabilities
    - Change the list of net assets

## Suggestions to Improve the T3010 for Research

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- Provide more detail for net assets / funds (unrestricted, restricted – temporarily, restricted - permanently, invested in capital assets)
- Request financial information for the current period only.
- Request information for all charities and summary and more detailed information for larger charities instead of having to two sets of numbers.
- Provide information about accuracy from audits and reviews (see Laing, Skelton and Torrance (2002)).
- Revise the non cash gifts types.
- Revise the level of details needed, for functional expenses.
- Provide definitions for functional expenses.
- Replace some questions to add a table to collect the information regarding expenses under functional expenses and purpose (grouping in 5000 series – fundraising, charitable, management),

	<b>Purpose</b>				<i>Total</i>
	<i>Charitable</i>	<i>Fundraising</i>	<i>Management</i>	<i>Political / Advocacy</i>	
<b>Functional expenses</b>					
Compensation					
Benefits					
Occupancy costs					
Legal fees					
Training of employees					
Training of volunteers					
...					
Total					

### Fundraising

- Revise the types of fundraising methods and activities.
- Provide definitions of fundraising methods and activities (see Neilson, Brouard and Armenakyan (2012),
- Revise the types of use of external fundraisers.
- Revise the methods of payment to fundraisers,
- Request the revenues collected per fundraising methods or activities
- Request the costs per fundraising methods or activities.
- Request a description of the performance achieved against fundraising objectives (Blumberg, 2012b).
- Analyze the request to a list of the main donors.

### **Compensation and Employees**

- Revise who should be included under compensation disclosure, for examples: officers, directors, trustees, key employees, highest compensated employees, independent contractors,
- Determine the appropriate level of disclosure (example: \$100,000 like in the US Form 990 or Ontario Public Sector Salary Disclosure Act),
- Consider requesting information about the process for determining compensation (Blumberg, 2012b).
- Revise information about employees. For examples, number of employees (full-time, part-time), total salaries paid, total salaries paid for full-time employees, total salaries paid for part-time employees.
- Compensation information should be the same as the calendar year information in the T4/T4A falling in the filing year

### **Volunteers**

- Revise information about volunteers. For examples, number of volunteers (full-time, part-time), role and contribution of volunteers (activities, contribution in number of hours).
- Consider estimated monetary value of voluntary contribution (Blumberg, 2012b).

### **Related Parties**

- Revise information regarding related parties, such as identification of related parties, transaction with related parties, gifts received from other qualified donees, associated charities designation. names and coordinates of all relevant organizations / persons (bankers, solicitors, auditor, investment advisors), risks of conflicts of interest (Blumberg, 2012b; BoardSource, 2009).
- Analyze disclosure of relationships between the charity and all related parties (including subsidiaries), family and business relationship of officers, directors /trustees, key employees,

### **Charities with a Business**

- Revise information about social enterprise activities.
- Revise information about business activities (related business rules).
- Revise information about social finance activities.

## Governance

- Request mission statement.
- Revise information about governance structure. For examples,
  - legal structure,
  - corporate structure (ex: subsidiaries),
  - organization structure (organizational chart),
  - governing documents (constitution, by-laws),
  - structure,
  - size,
  - composition,
  - independence of governing board.
- Analyze disclosure of a Public benefit statement (UK).
- Request governance mechanisms and decision-making process.
- Analyze disclosure of explanations about risks exposition.
- Revise information about governance indicators. For examples
  - number of administrators,
  - number of independent administrators,
  - explanations of voting rights, if unequal
  - number of new Board members to Board of Directors,
  - number of executive committee members
  - number of independent executive committee members
  - number of executive committee members, not on Board of Directors
  - compensation of directors,
  - presence of an audit committee, and other types of committees
  - family relationships,
  - review and approval of T3010 by Board of Directors,
  - material diversion of the organization assets,
  - information on donor advised funds, where donors have the right to provide advice on the distribution or investment of amounts in such funds,
  - sharing of information governing documents (constitution, by-laws),
  - sharing of information minutes of Board of Directors meetings.
- Revise information about governance and operations policies. For examples (Policy on ... yes/no):
  - explanations on operating policies and practices of a wider network (umbrella organization),
  - reserves policy statement or reason why no policy in place,
  - need to disclose conflicts of interest policy,
  - policies available on website,
  - requirement by employees to disclose potential interest that could lead to a conflict,
  - whistleblower policy,
  - treatment of archives,
  - document retention and destruction policy, including electronic documents,

- level of reserves and why they are held,
- methods of recruitment for directors/trustees,
- ways of appointment of directors/trustees,
- training of directors/trustees.

### **Performance**

- Analyze disclosure of performance information to assess how charities carry out their mission. For examples Statement of programs evaluation, performance measures, assessment of the various dimension of an organization performance
- Consider financial performance.
- Consider social performance.
- Consider environmental performance.

### **Activities**

- Revise the description of activities and how to disclose multiple activities.
- Revise the classification of activities.
- Revise the information about political activities. For examples, description of activities, range and types of activities, resources involved, methods, amount spent on political activities, amount received from outside Canada.
- Revise the information about foreign activities. For examples, description of activities, range and types of activities, resources involved, methods, international transactions, amount spent on foreign activities, contractual agreement, description of projects, countries involved.
- Revise the information about advocacy. For examples, description of activities, range and types of activities, resources involved, methods. Harvie (2002) mention need for more research on advocacy.