



DISCUSSION PAPER

Report on 2014 T3010 Users Research Day

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ABSTRACT

The 2014 T3010 Users Research Day event organized by the Sprott Centre for Social Enterprises / Centre Sprott pour les entreprises sociales (SCSE/CSES) was held at Carleton University on May 26, 2014. The objective of the discussion paper is to summarize some comments from the event. 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 (T3010 Users Research Day) organisée par le Sprott Centre for Social Enterprises / Centre Sprott pour les entreprises sociales (SCSE/CSES) à l'Université Carleton le 26 mai 2014. L'objectif est de résumer certains commentaires durant cette journée. 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 was 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 was attended by academics, government representatives (CRA, Finance Canada, Statistics Canada), practitioners and professionals.

Two Discussion papers were prepared by François Brouard for the event:

- *T3010 Challenges for Research*, Sprott Centre for Social Enterprises / Centre Sprott pour les entreprises sociales (SCSE/CSES), May 2014, 51p.
- *Suggestions to Improve the T3010 for Research*, Sprott Centre for Social Enterprises / Centre Sprott pour les entreprises sociales (SCSE/CSES), May 2014, 12p.

The objective of the present discussion paper is to summarize some comments from the 2014 T3010 Users Research Day. The expectations for the T3010 Users Research Day were:

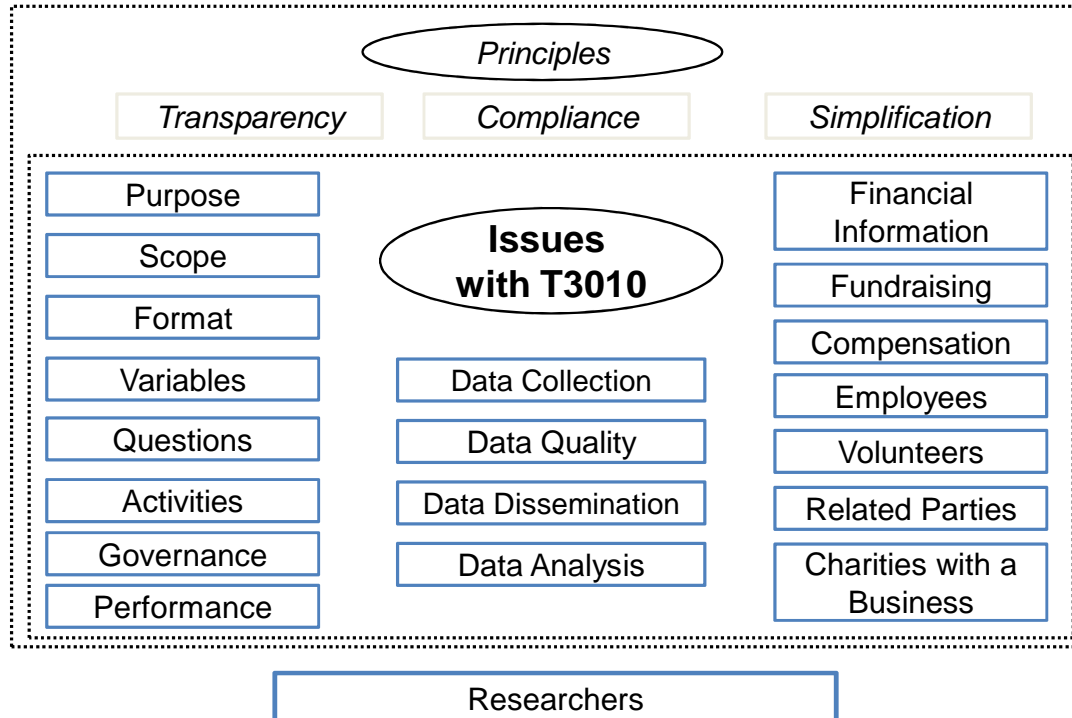
- to bring together different persons interested by T3010 data
- to discuss a number of issues that will be useful for researchers
- to collect information from various T3010 users
- to prioritize the issues
- to prepare a report summarizing the discussion, after the event

A framework was used to organize the challenges in redesigning the T3010 and to frame the discussion (see Figure A) during the day (see Table 1). From the framework, a series of questions were provided as a starting point for the discussion (see Appendix A).

Table 1 – Agenda of the day

<u>Time</u>	<u>Theme</u>	<u>Details</u>
8h00-8h45	<i>Registration and Breakfast</i>	
8h45-9h00	Introduction	
9h00-10h15	Research role and benefits of T3010	(small presentation and panel)
10h15-10h30	<i>Break</i>	
10h30-12h00	Data issues	(roundtable on data issues)
12h00-13h00	<i>Lunch and Networking</i>	
13h00-14h30	T3010 re-design issues: Research needs and questions	(roundtable on minor and major revisions)
14h30-14h45	<i>Break</i>	
14h45-16h00	T3010 re-design issues: Research needs and questions	(roundtable on minor and major revisions)
16h00-16h30	Conclusion	

Figure A – T3010 Challenges for Redesign



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An exercise using dots was performed to identify the most important challenges from items in both sides of the framework in Figure A (excluding the four data items in the center) by participants. The results are shown in Table 2 in descending order.

Table 2 – Rankings of Challenges during the Dot Exercise

Number of dots	Challenges
14	Charities with a Business
13	Purpose
12	Financial Information
12	Governance
10	Activities
10	Volunteers
8	Compensation
7	Performance
5	Fundraising
5	Employees
5	Related Parties
2	Variables
1	Format
0	Scope
0	Questions

Using the clicker technology for reporting answers, a series of multiple choice questions were asked to participants. Main results are:

- A majority of participants agree with the principles proposed to redesign the T3010: transparency, compliance and simplification.
- Small balance toward broad (60%) vs narrow (40%) purpose for the T3010.
- A majority of participants agree that all charities should submit a T3010.
- Participants think that more definitions of variables should be provided.
- A majority of participants agree that T3010 e-filing only should be adopted. None think that it should be paper only.
- A majority of participants agree that there is a significant need to know about the process in validating T3010 information by CRA.
- A majority of participants agree that there is a significant need to know about the process in disseminating T3010 information by CRA.
- A majority of participants agree that details of T3010 financial information should be provided by all charities, except maybe for very small (less than \$30,000 in revenue).
- A majority of participants agree for more information on related parties, volunteers, performance, governance, social enterprises and foreign activities.
- A majority of participants wish to have about the same information about advocacy, fundraising, compensation and employees.

NOTES FROM DISCUSSION

The research day represents the first time that many of the T3010 Users Group members have had a chance to meet each other. Researchers and academics would like to continue to be consulted of the future of the T3010 and on methods to improve data quality. The notes are summarizing comments heard during the day. The notes don't represent a consensus from participants. The discussion will continue to build bridges between the different stakeholders.

Purpose

- The T3010 is one return with multiple uses.
- The purpose of the T3010 is twofold – first, the return is a tool to help ensure compliance with the *Income Tax Act* and second, it is a tool to help provide transparency to the public, allowing people to see into the sector.
- The CRA has a very solid basis to ask for information from a compliance perspective, but for public information and transparency reasons, it becomes slightly less clear.
- The quantitative data that is gathered isn't enough to show an accurate picture – qualitative data is also required in making a useful assessment.

Scope and Format

- All charities should submit a T3010 and more information should be provided by all nonprofit organizations.
- The CRA should not ask for less T3010 data from small charities – researchers need this information.
- Let the nature of activities guide the amount of information required.

Variables and Codes

- The category codes should be revisited and made available with explanations.
- Currently, there is no good data on the local community impact of charities because the T3010 doesn't collect useful geographic data.
- Head bodies are amalgamating local chapters of charities and researchers worry they are losing the little geographic information that is available.
- Researchers would like to know who is being serviced and where. Are there gaps?
 - Where is charitable service being provided?
 - Who is being served?
 - What are the main types of operations or services?
 - What is the scale of your operations – local, regional, national, international?

- Allow people to map what kind of services are offered in a particular community.
- For example, how to cope with a church that raises funds for Haiti in one year but supports flood relief measures in Alberta the next - both may appear as disaster relief on the T3010 but they are very different in the eyes of researchers?
- Should organizations be allowed to self-select their respective category codes?

Questions and Voluntary Information

- Researchers find optional data useless and would be unable to use it.
- Many registered charities would like the ability to explain their stories on their T3010.
- People might not necessarily draw accurate conclusions from just viewing the numbers.
- Charities worry about providing optional data because it might be used against them.
- Voluntary/ optional data should at least be collected to help inform donors.

Charity's Formal Purposes

- It was suggested that a charity's formal objectives and purposes should be included on the return. Information may not be readily available, especially for small charities.
- Consideration should be given to allowing charities a one time "pass" to submit their purposes without fear of revocation. CRA would evaluate purposes and then work with the charity should amendments be required.
- Only display purposes on the web site once the CRA has approved them – as over the years some organizations may have experienced mission drift.
- Information about application for registration and approval, change to designation and revocation, re-registration or annulment should be available on CRA website.
- A goal should be to have consistency between the stated purpose and the organization's activities.

Data Collection and E-filing

- Budget 2014 provided the CRA with funding to upgrade its systems in order to reduce administrative burden on the sector by introducing e-file and e-apply options. This is the second consultation with external stakeholders, the first being the Muttart Foundation conference earlier in May.
- The T3010 review project started in November 2013. Susan Groundwater is the project manager.

- Researchers and industry professionals would like a public consultation on the interface of the new e-file software.
- Researchers would like to make all charities file electronically as soon as possible (100% participation).
- Remove the option of filing paper return, if the charity is late.
- Validations should be built into the new return including one that would ensure that the individual activities of charities could not surpass 100% of their reported total activities, revenues, assets.
- Public Safety Canada puts together great five-page reports on grants – they proactively release data and provide regular updates.
- Researchers would like to see interoperability of the data provided to Government.
- In Australia, the Charity Commission (ACNC) is the contact point for all government departments seeking data from charities.
- Have open data principles built into the system from the planning stage, instead of as an afterthought.
- Asking the question – “Has your board approved and reviewed your T3010 filing?”, could help in addressing T3010 errors.

Data Collection and Allocation

- Allocation is a confusing subject to many in the nonprofit sector – even universities struggle with the concepts leading many to report professor’s salaries as administrative expenses as opposed to charitable expenses.
- Appendix B in the Registered Charities Fundraising Guidance is currently the only place to find information regarding how to allocate and many believe that standalone guidance on allocation might be useful.
- Rethink how allocation is determined and what it means to have administrative overhead.
- Think about direct and indirect costs and have specific carve outs for certain activities (i.e. political activities and fundraising).
- The current system is a relic from the 80% disbursement quota era.

Data Quality

- The Charities Listing is 4th most downloaded dataset on the Open Government data portal.
- The CRA did not anticipate the popularity of the data collected from the charities listings.
- There is now a keen focus on improving the data gathered from charities while remaining mindful of the burden that is placed on the charitable sector.
- The data is not checked for quality before it is posted to the website – processed not assessed (“heads-down keying”).
- Every year the CRA develops a detailed audit plan with multiple priorities – random audits, high risk audits, and new charity audits.

- Data quality could be improved by simplifying language used on the return.
- Should data that has been amended on the return be noted?
- Would monthly data validations be feasible? The sooner researchers can access the data, the faster they can notice trends, making their data more relevant
- Researchers would like to have a “flag this data” tool for when they discover errors in the CRA data (but there is the potential for abuse).
- Researchers find just as many errors on the returns of large charities as they do for small charities.

Data Dissemination

- Access to the data about Canadian charities is great, especially when compared to other countries.
- Prepare a guide for researchers describing all the variables.
- The recent decision to key all qualified donees (QDs) that a charity funds instead of just the top 10, has helped to make the dataset richer and more complete.
- The format that the data is available in is good and easy to work with - if the CRA uses a vendor in future, researchers would like to see that the data remains in an accessible format.
- New Zealand has an excellent model that Canada should emulate because it goes a step further in providing data about charities.
- It would be beneficial to have both aggregate and individual information.
- Researchers would like to have access to other related information that the CRA maintains including who has permission to accumulate and which charities are completing Section D vs Schedule 6.
- Researchers would like lists of data posted to the CRA website without having to request them, perhaps Top Ten Requests listing.
- If only fully validated data is released, will the CRA go back to previous yearly releases?
- What are the unintended consequences of such wide dissemination of the T3010 data
 - Discrimination based on size and revenues?
 - Are charities being exploited because of the free availability of such data?
- People have the impression that everything on the CRA web site is true.

Financial Information

- Financial literacy in the sector could be improved substantially.
- Researchers would like to have a complete balance sheet that actually balances (assets, liabilities, net assets).
- They would also like to see a larger breakdown of the categories to include net assets.

- The T3010 should reflect the financial statements, including the Statement of financial position, but excluding the Statements of cash flows.
- The sector would like the CRA and CPA Canada to communicate better and ensure consistency on financial statements (generally accepted accounting principles - GAAP).
- The CRA should ask if financial statements are standalone or consolidated statements from a head body.
- New accounting rules are moving towards consolidated financial statements.
- Examine potential use of General Index of Financial Information (GIFI) for charities.
- Charities may feel “when in doubt just cram it in because no one ever checks”.
- Ask if the organization has submitted audited financial statements with its return but don't required audited statements.
- Researchers need to invest substantial efforts to the make T3010 data “research ready”.
- When they make data “research ready” for their purposes, there is little interoperability with data from other researchers.
- Queries from one researcher yielded a report that found that last year over 400 charities reported negative revenues – how is this possible?

Fundraising

- The biggest issue is fundraising revenue is being reported, but with no corresponding expenses.
- Advertising and promotion should be part of fundraising.
- The list of fundraising activities on the T3010 has not changed to reflect new fundraising methods.
- Definitions are needed for fundraising methods.
- There appears to be a blind spot in the area of charities receiving unreceipted gifts.
- Researchers would like to see questions about how charities collect unreceipted gift, did they use a collection plate? For example, Tim Horton's Camp Day type fundraising.

Compensation and Employees

- Salaries are too low in nonprofit sector and organizations should have to disclose how many full time employees are being paid at or near the poverty line.
- Researchers would have liked to see the compensation data linked to T4 data and not having to report separately.

Volunteers

- The conversation about volunteers is worthy of deeper discussion.
- Should ask some simple yes or no questions:
 - Do you do the bulk of your fundraising with volunteers?
 - Do you use volunteers in day-to-day operations?
 - Are your operations being supported by individuals that aren't paid?
- Should also ask about the breakdown between full and part-time volunteers.
- Question whether it is better to ask for the number of volunteers or the number of volunteer hours? Or both?
- OISE has done work on capturing volunteers.
- If the CRA incentivizes the capture of volunteer data, charities will record it, and may welcome it.
- Similar to how political activities are captured on the current T3010, combination of free text and the structured fields.

Charities with a Business

- Capture information about social enterprise activities.
- Are charities going into revenue generating activities instead of fundraising?
- As government withdraws funding are charities forced into business?
- To what extent should the T3010 cover social enterprise?

Governance

- The T3010 should ask “nudge” questions that might spark a discussion within charities related to accountability. For example:
 - Who is your accountant?
 - Did you use an accounting firm?
 - What is the name of your bank?
 - Have you participated in a tax shelter?

Performance

- Performance and outcome data should be collected but no consensus on how to format this data – free text or structured fields.
- Allow charities to declare work done towards the purpose.
- Allow charities to declare “we did no work towards our purpose this year”.
- Consider a public benefit statement like in UK.

Activities

- Researchers would like more information on foreign activities – restore the questions that the CRA used to ask on the previous iteration of the T3010.
- Include a listing of all countries in the T3010 foreign activities section.
- Use standard list for variables from international standards, for example for foreign countries code.
- Remove the limit on the number of projects the charities can report on their T3010.

Outreach

- The Charities Directorate had previously visited communities to talk about the T3010; researchers and charities would like to see this reintroduced.
- The CRA should continue to strengthen its relationship with the academic community.
- Universities and colleges (for example, Carleton University and Algonquin College) have new nonprofit programs and courses that the Charities Directorate should reach out to.
- Attending more research presentations about the uses of data by faculty and students in the programs studying nonprofits would be beneficial to all.

Nonprofit and Other Organizations Reporting

- CRA recently concluded a risk identification project of NPOs and the Department of Finance will soon begin consultations on an NPO discussion paper – no timeline given.
- The government should consider adopting the T3010 for use with nonprofits.
- The T1044 should be released to the public.
- Registered Canadian Amateur Athletic Associations (RCAAA) and Registered National Arts Service Organizations (RNASO) now have very similar reporting requirements as registered charities.
- Researchers argue that the NPOs have no transparency in Canada and note that such a large sector of the economy has no requirement to report on their activities.
- As NPOs are exempt from taxes they should be subject to similar oversight to that of registered charities and be made to use similar, if not identical returns.

APPENDIX A QUESTIONS FOR DISCUSSION

Purpose

1. What is the purpose of the T3010 form?
2. Who should have access to the T3010 information?

Scope

3. Which organizations should submit a T3010?
4. Should all organizations submit the same form (T3010) or different forms?

Format: Length, Versions and Structure

5. What should be the format of T3010 form regarding length?
6. What should be the format of T3010 form regarding versions?
7. How user friendly the T3010 form need to be?
8. What should be the structure of T3010?

Variables

9. What should be the chosen variables of T3010?
10. How should the variables of interest be defined?

Questions

11. Which questions should be included in the T3010?
12. What type of information should be privileged in the T3010?

Data Collection

13. How the data collection should be done?
14. How timely is the data collection?
15. Which coding scheme should be used in the T3010?
16. What is the process in collecting information by CRA?

Data Quality

17. What measures are employed to assure data quality of T3010 data?
18. What is the process in validating information by CRA?

Data Dissemination

19. Which information should be available beside the T3010?
20. What is the process in disseminating T3010 information by CRA?
21. How the public and researchers may access the T3010 data?
22. What is the support provided by CRA in disseminating T3010 data?

Data Analysis

23. What are the problems associated with data analysis?
24. What are the needs for data analysis?

Financial Information

25. How reliable are the financial information in the T3010?
26. What is the accounting basis of the financial information in the T3010?
27. Which financial information should be provided in the T3010?
28. What is the level of details of financial information?

Fundraising

29. Which information should be included in the T3010 about fundraising?

Compensation and Employees

30. Which information should be included in the T3010 about compensation?
31. Which information should be included in the T3010 about employees?

Volunteers

32. Which information should be included in the T3010 about volunteers?

Related Parties

33. Which information should be included in the T3010 about related parties?

Charities with a Business

34. Which information should be included in the T3010 about social enterprise?

Governance

35. Which information should be included in the T3010 about governance structure?
36. Which information should be included in the T3010 about governance information?
37. Which information should be included in the T3010 about governance and operations policies?

Performance

38. Which information should be included in the T3010 about performance?

Activities

39. What should be the activities in the T3010?
40. Which information should be included in the T3010 about political activities?
41. Which information should be included in the T3010 about foreign activities?
42. Which information should be included in the T3010 about advocacy?