

OPEN DATA'S IMPACT

OPENING CANADA'S T3010 CHARITY INFORMATION RETURN DATA

Accountability of Charities through Open Data



By Juliet McMurren, Stefaan Verhulst and Andrew Young*

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Special thanks to Akash Kapur who provided crucial editorial support for this case study, and to the peer reviewers [odimpact.org/about] who provided input on a pre-published draft.

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OPENING CANADA'S T3010 CHARITY INFORMATION RETURN DATA

Accountability of Charities through Open Data

Dimension of Impact

- ✓ Improving Government
- ✓ Improving Services

Summary

Charitable data from the Canada Revenue Agency's information return has been available to the public since 1975. In 2000, the Charities Directorate of the Canada Revenue Agency (CRA) began making information from the T3010 Registered Charity Information Return from organizations with charitable status available online and by CD-ROM on request, and, in 2013, all data sets since 2000 were transcribed and made available online via the government's data

portal under a commercial open data license. The resulting data set has been used on its own and in combination with other data by sector groups and academic researchers to explore the state of the nonprofit sector, improve advocacy by creating a common understanding between regulators and charities, and create intelligence products for donors, fundraisers and grant-makers.

Key Takeaways

- Government is not the only sector about which open data can create broad impacts related to transparency and accountability. There is broad interest in and appetite for giving the public a greater understanding of the traditionally obscured financial dealings of nonprofits.
- Open data – even in situations that are largely focused on transparency and accountability – could stand to provide benefits to organizations

releasing the data. In the nonprofit sector, for example, actors whose financial activities place them in higher standing in the public eye – particularly in comparison to demonstrated bad actors – stand to benefit from increased citizen trust and, likely, more donations and volunteerism as a result.

- Bringing more people to the table in tracking the activities of large organizations

– particularly when that tracking can be done through large-scale data analysis – can uncover major instances of corruption or fraud. Not only can openness lead to *more* eyes on relevant data, but it can also lead to the *right* eyes on the data – i.e., making the data accessible to the people with the specific knowledge needed to recognize troubling discrepancies.

I. CONTEXT AND BACKGROUND

Canada is a developed, high-income North American nation with a population of 35.8 million in July 2015.¹ It is a federal parliamentary democracy and a constitutional monarchy, and is officially bilingual (English and French). Canada had the world's 15th highest nominal per capita income in 2014, according to the World Bank² and International Monetary Fund.³ Canada was ranked eighth globally in the 2014 UN Human Development Index.⁴ Its economy is the 11th largest in the world.⁵

Canada is ranked highly on measures of government openness and transparency, civil liberties and press freedom. It is ranked eighth on the 2015 World Press Freedom Index by Reporters without Borders,⁶ and its press was considered free in 2015.⁷ In 2014, it was ranked 10th worldwide in the Corruption Perception Index by Transparency International.⁸

Canada signed the Open Government Partnership in 2011, and is now implementing its second action plan, which envisages advances in three streams of activity: open data, open information, and open dialogue.⁹ As part of its April 2012 action plan, the Government of Canada committed itself to the development of an Open Government Licence to replace existing licenses on open government data and remove restrictions on the reuse of Government of Canada data. The Open Government Licence has been adopted by the governments of Alberta, British Columbia and Ontario, as well as by the federal government.¹⁰ Canada is also a signatory to the G8

1 <http://www.statcan.gc.ca/daily-quotidien/150929/dq150929b-eng.htm>

2 <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

3 <http://www.imf.org/external/pubs/ft/weo/2015/01/weodata/weorept>

4 <http://hdr.undp.org/en/content/table-1-human-development-index-and-its-components>

5 <http://databank.worldbank.org/data/download/GDP.pdf>

6 <http://index.rsf.org/#/>

7 <https://freedomhouse.org/report/freedom-press/freedom-press-2015#.VgwwTflViko>

8 <http://www.transparency.org/cpi2014/results>

9 <http://www.opengovpartnership.org/country/canada>

10 "Canada: Open Government License." Open Government Partnership. <http://www.opengovpartnership.org/sites/default/files/Inspiring%20Story%20-%20Canada.pdf>

Open Data Charter, which commits countries to a policy of open by default.¹¹ The government of Canada releases data sets on its data portal, open.canada.ca, which had 244,640 data sets available for download in September 2015.¹²

Recent Canadian federal budgets have also contained commitments to advancing open data. The 2014 Canadian federal budget pledged CDN\$3 million over three years for the creation of an Open Data Institute to be based in Waterloo, Ontario. Once established, the Institute will be charged with aggregating large data sets, helping with the development of standards for interoperability and encouraging the development of new data-driven apps. This initiative is being driven by the Canadian Digital Media Network, a federally funded Centre of Excellence for Commercialization and Research responsible for supporting Canadian ICT companies and entrepreneurs, and encouraging their collaboration with research institutes, governments and other organizations.¹³

Canada has the second-largest nonprofit sector per capita in the world after the Netherlands.¹⁴ The 2014 Canadian federal budget states that there are over 86,000 registered charities in Canada.¹⁵ As of 2009, core nonprofits (those other than hospitals, colleges and universities) accounted for 2.5 percent of Canada's annual GDP, and growth in this sector outpaced the Canadian economy for six of the 11 years between 1997 and 2007. The nonprofit sector generated nearly six times more value than the automotive industry, and employed 1.3 million people.¹⁶

II. PROJECT DESCRIPTION AND INCEPTION

Section 149.1(15) of Canada's Income Tax Act obliges the government to make information contained in a public information return available to the public, although the form in which this information is released is left to the discretion of the Minister.¹⁷ Organizations with registered charitable status in Canada are currently required to file an annual T3010, or Registered Charity Information Return, within six months of the end of the fiscal year. The 10-page form, which is similar in content to the US 990 tax return, asks the charity to disclose its domestic and international charitable activities, revenue totals per type of source (e.g. government, foundations, donors), expenditures, charitable gifts, and non-partisan political activities.¹⁸

11 "G8 Open Data Charter." Global Affairs Canada. September 19, 2009. http://www.international.gc.ca/g8/open_data_charter-charte_du_g8_sur_les_donnees_ouvertes.aspx?lang=eng&_ga=1.182752998.1958574156.1442858339

12 <http://open.canada.ca/data/en/dataset>

13 "Chapter 3.2: Fostering Job Creation, Innovation and Trade." Canadian Budget 2014. <http://www.budget.gc.ca/2014/docs/plan/ch3-2-eng.html>

14 "Key Facts About Canada's Charities." Imagine Canada. <http://www.imaginecanada.ca/resources-and-tools/research-and-facts/key-facts-about-canada%E2%80%99s-charities>

15 "Chapter 3.4: Supporting Families and Communities." Canadian Budget 2014. <http://www.budget.gc.ca/2014/docs/plan/ch3-4-eng.html>

16 "Satellite Account of Non-profit Institutions and Volunteering." Statistics Canada. 2007. <http://www.statcan.gc.ca/pub/13-015-x/13-015-x2009000-eng.pdf>

17 <http://www.ifrc.org/docs/idrl/635EN.pdf>

18 <http://www.cra-arc.gc.ca/E/pbg/tf/t3010/t3010-15e.pdf>

Since 1967, Canadian charities have been required to make application to a central registry and file annual financial and operational reports with CRA.¹⁹ The T3010 itself was introduced to replace earlier returns in 1997, and substantially revised in 1999, and again in 2009,²⁰ after consultation with the third sector through the Voluntary Sector Initiative.²¹ Another revision in 2012 increased reporting requirements for charities involved in political activities.²²

Most of the data collected have been made public since 1976, when an amendment to the Income Tax Act required all registered charities to file an annual public information return outlining their income, donations received, gifts made, costs of fundraising, overhead expenses, and salaries.²³ According to David Lasby, Director of Research at Imagine Canada, an umbrella group that supports and advocates for Canada's charities, as the form has been expanded over time, more information has become open, thanks to an implicit "open by default" position. "Back all those many years ago when they wrote the legislation, they built in the public information return component. The initial return was not terribly detailed, but as the return has become more and more detailed, [the additional material] has in the main been considered to be part of the information return and is publicly available. This was open data before open data ever existed."²⁴ The minority of data not made public touches on personal confidentiality: Lasby notes, for example, that the open data set includes the total amount of cross-border funding received by an organization, but that names of individuals and organizations providing that funding are withheld.²⁵

The information was originally made available upon request on paper,²⁶ and then on data tape during the 1990s.²⁷ In 2000, the Canada Revenue Agency (CRA) began making data from T3010 available to the public online through the Charities Internet Display System (CIDS), and by CD-ROM upon request, in comma-separated value (CSV) format. Those requesting the data were able to reuse it with CRA permission, but the data available online was only updated twice annually, limiting its commercial usefulness.²⁸

In 2013, T3010 data for 2012 was transcribed into machine-readable format and released with a commercially friendly license on the government's open data portal, open.canada.ca. The 2013 data were released the following year, and 2014 data are expected to be

19 "Report on the Law of Charities." Ontario Law Reform Commission. 1996. http://www.mtroyal.ca/cs/groups/public/documents/pdf/npr03_lawcharities.pdf

20 Brouard, François. "T3010 Challenges for Research." Sprott School of Business Discussion Paper. May 16, 2014. <http://http-server.carleton.ca/~fbrouard/documents/PaperT3010ChallengesFB201405.pdf>

21 "Satellite Account of Nonprofit Institutions and Volunteering Final Report." Voluntary Sector Initiative. January 2003. http://www.vsi-isbc.org/eng/knowledge/pdf/satellite_final_report.pdf

22 Broder, Pete. "2012 Federal Budget Features Tighter Reporting on Charities' Political Activities." LawNow. May 1, 2012. <http://www.lawnow.org/2012-federal-budget-features-tighter-reporting-on-charities-political-activities/>

23 "Report on the Law of Charities." Ontario Law Reform Commission. 1996. http://www.mtroyal.ca/cs/groups/public/documents/pdf/npr03_lawcharities.pdf

24 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

25 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

26 GovLab interview with Peter Elson, Community Development Researcher, Mount Royal University and University of Victoria, October 21, 2015.

27 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

28 GovLab interview with Michael Lenczner, Chief Executive Officer, Ajah, September 23, 2015.

released in early 2016. In addition, the released data included digitized records of all gifts from charities and foundations, instead of only the first 10 such gifts on each T3010, as had previously been the case.²⁹ More frequent updates, issued about once a month, are still available on CD-ROM by request from CRA.³⁰

Although Canada's T3010 resembles the US 990 in many respects, the digitization of the Canadian dataset renders it much more commercially useful than the US dataset, which is only available in image PDF format. The T3010 data set contains a digitized, machine-readable record of all gifts from charities and foundations, something no other country provides.³¹

III. IMPACT

Benefits to Charities

Outside of government, probably the heaviest users of the T3010 data set have been charities themselves. One of the earliest nonprofit users of the data set, Imagine Canada, has been working with the data since the early 1990s.³² In the beginning, the data was used as a population count of charitable organizations, and an indicator of the key areas covered by the T3010, such as the charitable activities, revenues, expenditure, size, location and distribution – enabling a macro-level view of the philanthropic sector that still provides value today. Over time, Imagine Canada's use of the data has become both heavier and more complex. "I use [the T3010 data] for everything from a sampling frame for survey work, to ... a data source for answering policy-relevant questions, to being able to tell people what's going on in the charitable sector in a given province. It looms large in every data-driven thing we do. You're essentially talking about the vital statistics of every organization that's in our key stakeholder area. ... We use it in our business processes; we use it to understand what's going on in organizations we don't have direct contact with, but are actually responsible for ... as a charity that seeks to serve the interests of other charities. Basically, almost every person in the organization on a daily basis touches the data, [although] a lot of the time they don't realize it. ... I have the T3010 database open probably nine days out of 10."³³

A typical research project involving the data set for Imagine Canada was an examination of charity financing and its variability according to the size, subsector and activity type, and region. The project provided a benchmark for the organizations themselves, and allowed them to describe their particular situation to stakeholders and policymakers.

29 GovLab interview with Michael Lenczner, Chief Executive Officer, Ajah, September 23, 2015.

30 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

31 GovLab interview with Michael Lenczner, Chief Executive Officer, Ajah, September 23, 2015.

32 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

33 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

“Policymakers look at the charitable sector and they see the data in the aggregate: where all of the money comes from and where it goes to. Organization leaders see it more from the perspective of where their specific organization gets its funding, and what the norms are. So policymakers look at the sector and say, wow, government funding plays a huge role. Charitable leaders look at the sector and say ... well, most of that funding actually goes to a relatively small number of organizations: most of us are highly dependent on earned income and gifts and donations.”³⁴

Imagine Canada has also combined the T3010 data set with other data, including IRS 990s, foundation annual reports, social media and data mined from websites, to create a by-subscription Canadian directory to foundations and corporations, now called Grant Connect.³⁵

Grant Connect offers searchable information on grant prospects available to Canadian organizations, with detailed descriptions, giving histories and biographies of decision-makers. The data is verified by Imagine Canada with the grant-makers to ensure accuracy. According to Imagine Canada, the service had over 1,000 subscribers in October 2015.³⁶

Philanthropic Foundations of Canada (PFC) is also a heavy user of the data set. A member association of nearly 130 charitable grant-makers, almost of all of whom are charities themselves, PFC has two mandates: to support the growth of effective grant-making philanthropy through services such as professional development, publications and conferences for members and nonmembers; and to advocate for the field, and for the growth of philanthropy in Canada. In support of these aims, PFC carries out research and collects data, both independently and in collaboration with organizations like Imagine Canada, with whom it recently produced a report on the top 150 grant-making bodies in Canada.³⁷ PFC also relies on the basic biographical data from the T3010 – dates of establishment and registration, membership of the board of directors, and

34 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

35 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

36 <http://www.imaginecanada.ca/grant-connect>

37 GovLab interview with Hilary Pearson, President, Philanthropic Foundations Canada, October 20, 2015.

financials – in its business processes, using it to develop an overview of organization applying for membership, ascertain the eligibility of applicants for membership, and verify members' reported assets and grants in fee calculations.³⁸

Lasby notes that one of the benefits of the T3010 data set has been the creation of a common set of facts in discussions between the charitable sector and government. "Because so much of the [T3010] data is public, when we're having policy discussions with government, we are, in the main ... talking about the same data that we can both have access to and both parties can see. ... What this [data set] is tremendously useful for is getting all of the stakeholders on the same page ... without multiple competing realities."³⁹ The data set also allows advocates to demonstrate the impact of the charitable sector to legislators, through the number of employees and revenues.⁴⁰ The data also allows the presence of the sector to be represented spatially: StepUpBC has used the data, for example, to map nonprofit organizations in British Columbia.⁴¹

Both Imagine Canada and CRA have employed the T3010 data to assist the public in finding, researching and giving to charities. CRA encourages potential donors to search for and investigate charities before donating through its Charities Listing search tool,^{42,43} which uses the T3010 data set. Working in partnership with CRA, Imagine Canada has built on the data set to offer Charity Focus, a tool that provides in-depth, year-to-year financial information about charities for potential givers. Charities can also augment the information available on Charity Focus by uploading their annual reports, program information, and mission and financial statements.⁴⁴

Enabling New Streams of Research

Despite the relatively small number of Canadian researchers engaged in studying the charitable sector, the academic community has also made use of the data to examine charity financing and other econometric questions.

Peter Elson, a researcher in community development at Mount Royal University and the University of Victoria, has used the data to map the location of charities and compare it to socioeconomic data on prevalence and extent of poverty in those areas. He has also examined the ways in which T3010 data captures policy implementation and charities' engagement in public policy, and the changes in patterns of giving brought about by the introduction of donations of shares. Elson has also used the data set to examine the rate and patterns of voluntary deregistration, largely among faith-based charities as churchgoing declines.⁴⁵ He

38 GovLab interview with Hilary Pearson, President, Philanthropic Foundations Canada, October 20, 2015.

39 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

40 GovLab interview with Michael Lenczner, Chief Executive Officer, Ajah, September 23, 2015.

41 <http://stepupbc.ca/discover-stepup-bc-sector-information/stepup-open-data#.VgwEqPIViko>

42 GovLab interview with Peter Elson, Community Development Researcher, Mount Royal University and University of Victoria, October 21, 2015.

43 <http://www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html>

44 <http://www.charityfocus.ca/EN/Pages/Home.aspx>

45 GovLab interview with Peter Elson, Community Development Researcher, Mount Royal University and University of Victoria, October 21, 2015.

was also the founding coordinator of the T3010 user group, a group of academic and other users who consult with the CRA on changes and improvements to the form.⁴⁶ François Brouard of Carleton University is the current T3010 user group coordinator and has used the data to conduct research on the fundraising activities of small charities⁴⁷ and on changes in fundraising behavior over time.⁴⁸ Other academics have used the archival data from the T3010 data set to depict the changing demographic of Canadian charities.⁴⁹

Creating a New Business Asset

The open availability of the data set has encouraged startups interested in developing intelligence products for charities. Ajah, a Montreal-based data company used T3010 data to develop Fundtracker, an online research tool that assists nonprofits to identify, research and approach potential funders. Ajah began scraping the data from the CRA website in 2010. “The CRA didn’t know what to make of it,” Ajah CEO Michael Lenczner reports. “Initially they had a statement on the website saying they didn’t support scraping instead of accessing the data by CD-ROM.”⁵⁰

Emboldened by Treasury Board support for open data projects like theirs, Ajah continued. In 2011, it launched Fundtracker. In addition to the T3010, Fundtracker drew on multiple open sources of government and charitable data – federal and provincial government spending; charity financial and grant records and annual reports; and corporate social responsibility reports⁵¹ – to provide a comprehensive and searchable database of potential funders.⁵² By cross-referencing the T3010 with other data, Ajah has been able to amass an unparalleled database on the nonprofit sector,⁵³ which it used to build Fundtracker, but also as a survey frame for other inquiry through its nonprofit consultancy arm, PoweredByData.⁵⁴

Within Canada, the availability of the data set has resulted in more companies competing to help the nonprofit sector use the information than in the US. “In the US, there are two companies,” says Lenczner, “In Canada there are five.”⁵⁵ Experience gained working with the T3010 data set has enabled some of these Canadian companies to enter and compete in markets where the data has not been opened, and is not as easy to access. A British Columbia

46 <http://http-server.carleton.ca/~fbrouard/T3010group>

47 Brouard, François. “Small Charities: An analysis of change in fundraising activities.” Sprott School of Business. <http://www.mtroyal.ca/cs/groups/public/documents/pdf/brouardpro.pdf>

48 Neilson, Leighann, François Brouard and Anahit Armenakyan. “Fundraising Methods: Past, Present, Future.” SCSE-CSES Research Report. October 2012. <http://www.mtroyal.ca/cs/groups/public/documents/pdf/ins-brouardrpt2.pdf>

49 Spyker, Clifford L. “There Is No Accounting for Landscape: Capturing the Demographics of Canadian Registered Charities (2000 – 2008).” Institute for Nonprofit Studies Working Paper # 3. 2011. <http://www.mtroyal.ca/cs/groups/public/documents/pdf/wkgpaper3.pdf>

50 GovLab interview with Michael Lenczner, Chief Executive Officer, Ajah, September 23, 2015.

51 Lenczner, Michael. “Canada – a World Leader in Non-profit Data.” Government of Canada. July 4, 2014. <http://open.canada.ca/en/blog/ajah-and-fundtracker>

52 <http://ajah.ca/>

53 Lenczner, Michael and Susan Phillips. “From Stories to Evidence: How Mining Data Can Promote Innovation in the Non-profit Sector.” Technology Innovation Management Review. July 2012. <http://timreview.ca/article/575>

54 <http://poweredbydata.org/>

55 GovLab interview with Michael Lenczner, Chief Executive Officer, Ajah, September 23, 2015.

company, Metasoft, has entered the U.S. market and competes with the Foundation Center to provide fundraising intelligence to the nonprofit market there. According to Lenczner, the opportunity to hone their skills, and their software, on a freely accessible and reusable data set gives Canadian companies a competitive advantage. Having developed the software and an understanding of what is possible using this data, they are able to go into markets where the data is not open, and scrape the data from annual reports and other sources to provide the same service. Lenczner notes, “There’s not a lot of ... little plucky startups [in the US] doing this, because there’s a lot of upfront costs. I would not be doing this in the U.S. at all.”⁵⁶

Financial Benefits for Government and Identification of Tax Evasion

Although the intended benefits to government of the T3010 were administrative, the opening of the data has yielded some unexpected financial benefits. A contractor using T3010 data from 2005 to analyze charitable foundations in greater Toronto uncovered evidence of massive tax fraud, in which illegally operating charities in the Toronto area sheltered CAN\$500 million in 2005 alone. A later newspaper investigation suggested that the fraudulent donations amounted to almost CAN\$1 billion per year, with \$3.2 billion illegally sheltered, a sum equivalent to 12 percent of annual charitable giving in Canada. The exposure of the fraud led to systematic closure of charity tax shelters.⁵⁷ Writing about the impact of open data on the tax evasion scandal, nonprofit researcher and open data advocate David Eaves comments, “When data is made readily available in machine readable formats, more eyes can look at it. This means that someone on the ground, in the community ... who knows the sector, is more likely to spot something a public servant in another city might not see because they don’t have the right context or bandwidth.”⁵⁸

Lasby notes that the experience has enabled those working with the data to develop signatures for potential tax evasion, but at the time the tax evasion was missed because those overseeing the data simply were not looking for it. In addition, the community of T3010 data users was too small and technologically unsophisticated at the time to provide additional oversight or analysis. “This data is so variable that it’s hard to spot behavior that looks aberrant. It looked completely aberrant in the rear view mirror, once you know to look for it [but] at the time, I wasn’t constructing a lot of longitudinal data sets. Now it’s completely the norm for me to put together a ten-year slice. [We] didn’t have the capability back then, [or] the statistical or informational horsepower.”⁵⁹ He notes that those working with the data would be more likely to pick up anomalies now, but that the pool of analysts is still small, and not well integrated. Comparing it to the massed debugging capacity of the open source movement, Lasby notes,

56 GovLab interview with Michael Lenczner, Chief Executive Officer, Ajah, September 23, 2015.

57 Eaves, David. “Case Study: How Open data saved Canada \$3.2 Billion.” Eaves.ca. April 14, 2010. <http://eaves.ca/2010/04/14/case-study-open-data-and-the-public-purse/>

58 Eaves, David. “Case Study: How Open data saved Canada \$3.2 Billion.” Eaves.ca. April 14, 2010. <http://eaves.ca/2010/04/14/case-study-open-data-and-the-public-purse/>

59 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

“What we have right now ... is a lot of parallel play. We all build data sets, we all work with it in our isolated rural splendor. We do talk to each other, and share information both formally and informally, but it's not systematic. We tend not to share data sets.”⁶⁰

More controversially, information from the T3010 was also used by the former Conservative Government to target certain organizations, notably environmental and human rights charities and left-leaning think tanks,⁶¹ for lengthy and costly tax audits of their political activities. Regulations since 2003 prohibit charitable organizations from spending more than 10 percent of all expenses on political activities.^{62,63} The 2012 revision of the T3010 added a new question and schedule requiring charities to disclose whether they had participated in political activities, including making gifts intended for use for political activities, and whether they had received funds from outside Canada for political activities. It also asked them to describe their political activities and how these related to their charitable purpose.⁶⁴

Between 2012 and 2016, the CRA, with \$13.4 million in special funding, was charged with reviewing political activities of charitable organizations that reported that they engaged in political activities or recorded expenses for political activities on their T3010.⁶⁵ In 2014 the CRA was auditing the political activities of 52 groups, many of whom had been critical of the Conservative Government's environmental and aid policies.⁶⁶ As of March 31, 2015, 21 audits had been completed, another 28 were in process, and a further 11 were expected to be carried out before the end of the review in 2016. These audits had resulted in six education letters, eight compliance agreements, five notices of intention to revoke charitable status, one voluntary revocation and one annulment.⁶⁷ Revocation of charitable status carried crippling consequences for organizations, stripping them of their power to issue tax receipts, and therefore cutting them off from an important source of funding. Charities complained that those audited were being drained of resources through the demands of compliance with the audit, while the threat of audits had created an “advocacy chill,” where charities self-censored in order to avoid being audited.^{68,69} Furthermore, organizations making grants to other charities for political activity were required to report that as political activity on their own T3010, leading to a pronounced reluctance to make grants for political activity.⁷⁰

60 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

61 Beeby, Dean. “Academics call for moratorium on CRA political audit of think-tank.” *The Globe and Mail*. September 14, 2014. <http://www.theglobeandmail.com/news/politics/academics-calls-for-moratorium-on-cra-political-audit-of-think-tank/article20593498/>

62 <http://cponline.thecanadianpress.com/graphics/2014/cra-audit-charities/index.html>

63 <http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cps/cps-022-eng.html#N1039E>

64 http://www.cba.org/CBA/sections_charities/newsletters2013/cra.aspx

65 Blumberg, Mark. “Political Activity Audits and the CRA Program Update 2015.” *GlobalPhilanthropy.ca*. April 24, 2015. http://www.globalphilanthropy.ca/blog/cra_program_update_2015_and_political_activity_audits

66 Beeby, Dean. “Timeline | Canada Revenue Agency's political activity audits of charities.” *CBC News*. August 5, 2014. <http://www.cbc.ca/news/politics/canada-revenue-agency-s-political-activity-audits-of-charities-1.2728023>

67 http://www.cra-arc.gc.ca/chrts-gvng/chrts/bt/chrtsprgrm_pdt-2015-eng.html

68 “‘Preventing poverty’ not a valid goal for tax purposes, CRA tells Oxfam Canada.” *CBC News*. July 25, 2014. <http://www.cbc.ca/news/politics/preventing-poverty-not-a-valid-goal-for-tax-purposes-cra-tells-oxfam-canada-1.2717774>

69 “Study cites ‘chill’ from tax agency audits of charities’ political activities.” *CBC News*. July 10, 2014. <http://www.cbc.ca/news/politics/study-cites-chill-from-tax-agency-audits-of-charities-political-activities-1.2703182>

70 GovLab interview with Hilary Pearson, President, Philanthropic Foundations Canada, October 20, 2015.

Lasby acknowledges that opening the data does make it available to people wanting to use it for political capital.⁷¹ Those responsible for instigating the audit process would, however, have had access to the data whether it was open or not. “I don’t know how you avoid [the political use of the data], and frankly I don’t know that you want to avoid that. You would hope that people are informed ... and that they make fair points, and that there are lots of voices out there. The challenge there is not, I think, about the data being open or closed, because all that it means is that that contradiction gets played out in a somewhat more public way.”⁷² As other commentators have also noted, the audits illustrate that the definitions of political activity may not be clear in practice, or even in law.⁷³

IV. CHALLENGES

Mismatch Between Expectations and Reality

Without exception, those interviewed about their work with the T3010 data set describe a gap between the apparent promise of the data and what it can actually deliver. Because the T3010 is intended primarily for compliance and administration rather than research, it does not provide all of the information that users would like. It can help give a better high-level view of the financial and human resources of the sector, but has little to say about the clients, networks and funders of charities.⁷⁴ Hilary Pearson, President of PFC, notes, in addition, that the T3010 shows where grants came from, but not what they were used for.⁷⁵

Significantly, the T3010 also says nothing at all about nonprofits without charitable status, which make up nearly half of the sector. Because nonprofit organizations without charitable status are covered by different legislation and legal requirements, they are not required to file an annual return.⁷⁶ As a result, relatively little is known about Canadian nonprofits, although they make up at least 44 percent of the nonprofit sector, according to the National Survey of Non-profit and Voluntary Organisations (NSNVO).⁷⁷ Brouard notes the absence of a directorate devoted to nonprofits without charitable status: “CRA isn’t interested in nonprofits [without charitable status] because they don’t pay tax.”⁷⁸

Noting that many of those using the T3010 data set tend to fall in love with its possibilities, and

71 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

72 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

73 Tsao, Dora, et al. “Tax Audits of Environmental Groups: The Pressing Need for Law Reform.” Environmental Law Centre, University of Victoria. March 2015. http://www.elc.uvic.ca/wordpress/wp-content/uploads/2015/03/Tax-Audits-of-Environmental-Groups_2015Mar25.pdf

74 Lenczner, Michael and Susan Phillips. “From Stories to Evidence: How Mining Data Can Promote Innovation in the Non-profit Sector.” Technology Innovation Management Review. July 2012. <http://timreview.ca/article/575>

75 GovLab interview with Hilary Pearson, President, Philanthropic Foundations Canada, October 20, 2015.

76 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

77 “Cornerstones of Community: Highlights of the National Survey of Nonprofit and Voluntary Organisations 2003 Revised.” Statistics Canada. 2005. http://www.imaginecanada.ca/sites/default/files/www/en/library/nsnvo/nsnvo_report_english.pdf

78 GovLab interview with François Brouard, Founding Director, Sprott Centre for Social Enterprises, Carleton University, October 15, 2015.

then out of love with it as they encounter its limitations, Lasby cautions that it needs to be treated as a foundation, rather than as a complete source. “If you treat it as a found, high-quality data set you’re pretty much inevitably going to be disappointed. The number of research questions you can answer [without gathering more data] is actually pretty limited. People [think], ‘Oh, there’s this tremendously rich source of data that’s going to answer all my questions!’ Well, no: You’ve got a tremendously rich source of data that can provide you with a framework to work from in going out and gathering more data to answer your questions.”⁷⁹

Data Quality: Transcription and Reporting Errors

One of the common complaints about the T3010 data is that it is currently manually entered from paper returns without double-keying, increasing the likelihood that transcription errors will occur and not be caught.^{80,81,82} Because data is submitted and keyed de novo each year, rather than being prepopulated, consistency of even the most basic data, such as an organization’s name, is limited, according to Brouard.⁸³ The 2014 Canadian federal budget committed the government to reducing the administrative burden on charities by introducing electronic filing of T3010s and online applications for registrations for charitable status, at a cost of \$1 million in 2014–15 and \$0.5 million in 2015–16.⁸⁴ Users hope that this will increase the speed and accuracy of the data release.

Lasby believes reporting errors are a far more significant problem than transcription errors.⁸⁵ During the 1990s, it was discovered that some organizations were reporting their financials in thousands of dollars, without indicating the last three zeroes, rather than submitting exact figures. As a result, financial reporting on the T3010 for these organizations was out by three orders of magnitude.⁸⁶ Returns from 30 percent of universities studied were affected, resulting in a significant understatement of the size and wealth of the sector. The mistake was able to be identified by comparing the T3010 data against data published by the Association of Universities and Colleges of Canada, but similar mistakes in reporting by other charities may well have gone uncorrected.⁸⁷

Furthermore, little is done by CRA to verify the data supplied by charities, making it hard for users to assess data quality.⁸⁸ Brouard questions whether some of the data collected is used, or even monitored, by government. “As a charity, you will be penalized if you don’t file your T3010 – but

79 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

80 GovLab interview with Hilary Pearson, President, Philanthropic Foundations Canada, October 20, 2015.

81 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

82 GovLab interview with François Brouard, Founding Director, Sprott Centre for Social Enterprises, Carleton University, October 15, 2015.

83 GovLab interview with François Brouard, Founding Director, Sprott Centre for Social Enterprises, Carleton University, October 15, 2015.

84 “Chapter 3.4: Supporting Families and Communities.” Canadian Budget 2014. <http://www.budget.gc.ca/2014/docs/plan/ch3-4-eng.html>

85 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

86 GovLab interview with François Brouard, Founding Director, Sprott Centre for Social Enterprises, Carleton University, October 15, 2015.

87 “Working Together: A Government of Canada/Voluntary Sector Joint Initiative—Report of the Joint Tables.” Voluntary Sector Initiative. July 28, 1999. http://www.vsi-isbc.org/eng/knowledge/working_together/reports_wt_suppdcfm

88 GovLab interview with Hilary Pearson, President, Philanthropic Foundations Canada, October 20, 2015.

if you file it with garbage, no one seems to really care.”⁸⁹ Lasby points out that the T3010 does not have to be audited before filing. “You’ve got something that looks like a financial statement [based on] generally accepted accounting principles ... but’s that’s not what it is. It’s not a balance sheet, it’s a self-reported compliance document.”⁹⁰

The quality of the data set is also affected by the fact that the data is reported by the executive directors and board members of the organizations themselves, who may not have financial or legal expertise. Lasby reports that there have been considerable efforts to train those responsible for completing T3010s – “you name it, it’s been done” – and the form comes with a general guide and accompanying resources on the CRA website, but that ensuring the accuracy of data collection nonetheless remains a challenge. “The stark reality for the sector is that half of the organizations out there are 100 percent volunteer run. In a lot of cases, you’re asking someone who doesn’t necessarily have financial training to fill out a document that looks a lot like a financial document, and a lot of the time they don’t have legal training ... and they don’t fully understand ... the legal framework around charities.”⁹¹ This is complicated by what Phillips and Lenczner refer to as the lack of a “capacity for numeracy”⁹² within the sector. Brouard reports that research units at Carleton had been contracted for projects to help improve compliance among smaller charities, whom CRA had recognized had particular difficulty filling in the T3010 correctly, and who lacked the financial resources to retain accountants to help them.⁹³

Definitional Challenges

Definitional problems are also common, creating confusion for charities and data users alike. Users note that terms used in the form – for fundraising methods⁹⁴ and categories of revenue sources,⁹⁵ to give two examples – are often different from those in common or academic use, and are not well understood by even the largest and most sophisticated of charitable organizations completing the document, or indeed by government departments. This leads to organizations with similar funding mixes having radically different T3010 reporting, according to Lasby.⁹⁶

Sometimes the problem is not the definition, but the absence of a definition. Pearson notes that the T3010 does not specify whether assets reported should be book or market value. “For us, that matters a lot. Market value ... can be much higher than book, and if we calculate our membership

89 GovLab interview with François Brouard, Founding Director, Sprott Centre for Social Enterprises, Carleton University, October 15, 2015.

90 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

91 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

92 Lenczner, Michael and Susan Phillips. “From Stories to Evidence: How Mining Data Can Promote Innovation in the Non-profit Sector.” *Technology Innovation Management Review*. July 2012. <http://timreview.ca/article/575>

93 GovLab interview with François Brouard, Founding Director, Sprott Centre for Social Enterprises, Carleton University, October 15, 2015; See also Brouard, Francois, Leighann Neilson and Anahit Armenakyan. “Small Charities: An Analysis of Change in Fundraising Activities.” SCSE-CSES Research Report. October 2012. <http://sprott.carleton.ca/research/wp-content/files/Paper2charitiesfundraisinganalysisFBLNAA20121031.pdf>

94 GovLab interview with François Brouard, Founding Director, Sprott Centre for Social Enterprises, Carleton University, October 15, 2015.

95 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

96 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

fee as a percentage of assets, if it's book value then it's going to be a lot less. But it's also misleading in reporting in aggregate ways on the value of foundations. Are we underreporting the whole field?"⁹⁷ These technical issues have made Pearson wary about depending on T3010 data in making statements about or assessments of the grant-making sector. "The only number that I can say, yes, I am certain that this is a correct number is the number of registered foundations, public and private, because CRA counts them and reports them. [But] even that misses how many of them are active and how many are just sitting on the books."⁹⁸

Definitional confusion has implications not just for the quality of data collection, but also for organizational behavior. "The T3010 attempts to ask every charity what percentage of your budget, itemized, goes into administration [and] what percent goes into charitable activity, and an awful lot of charities out there are confused about that. In spite of CRA's attempts to explain what is administrative and what is charitable, it's not clear. Just about the only thing that does seem to be clear is that the fee you pay to your auditor for auditing your financial statements is an administrative expense. An awful lot of foundations still think that they have to put all their salaries into the administrative expense box, and therefore they don't hire people ... because they don't want to have any overhead."⁹⁹

Shifting Government Priorities

The T3010 has also changed over time in response to changes in government priorities. Having requested archival data since 2000, Brouard found himself frustrated by the frequent changes in the form to reflect changes in tax policy, which made it difficult, and in some cases impossible, to compare data over time. Some of the changes seem arbitrary and designed to confuse rather than enlighten. Brouard cites a change in the wording of a question that asked one year whether an organization was active, and whether the organization was inactive in the following year's form. "So a yes one year means a no in another year."¹⁰⁰ Changes to the form are also accompanied by a temporary drop in data quality, according to Lasby: "Every single time we change the form, data quality suffers, and then as that section of the form becomes more and more familiar ... data quality gets better."¹⁰¹ Brouard suggests that assistance from Statistics Canada could help to improve the design of the T3010, but that communication between Statistics Canada and the Canada Revenue Agency is poor, although efforts have been made to improve them.¹⁰²

Those seeking to use the data must therefore either accept its imperfections or find ways to eliminate erroneous or questionable data. Lasby notes that academic and research use requires substantial time and effort to clean the data and ensure data from the subset of

97 GovLab interview with Hilary Pearson, President, Philanthropic Foundations Canada, October 20, 2015.

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100 GovLab interview with François Brouard, Founding Director, Sprott Centre for Social Enterprises, Carleton University, October 15, 2015.

101 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

102 GovLab interview with François Brouard, Founding Director, Sprott Centre for Social Enterprises, Carleton University, October 15, 2015.

charities under study is coherent, free from obvious error, and meets necessary criteria.¹⁰³ Imagine Canada and Ajah have found ways to circumvent these problems, at least in part, by combining the T3010 data set with data from other sources. According to Lasby, however, there are few tools to assist those attempting to work with the T3010 data, and becoming conversant with it and skilled in its use is a time- and labor-intensive exercise in self-teaching. “The principal [question is], whether you have the systems in place to work with the data? Do you have the technological infrastructure to make use of it? ... Only a minority of people have the skills required to work with it directly, and the technology does not yet exist, or is not yet widespread, to allow folks who lack those technical skills to work with it.”¹⁰⁴ Brouard puts it more succinctly: “It’s one thing to have the data; it’s another to be able to work with it easily.”¹⁰⁵

V. LOOKING FORWARD

Improving the Usability of the Data

Users are equivocal about the usefulness of the current T3010 data release on the government’s open data portal. Lasby says that some of the ways the data has been processed for release on the open data portal do not make sense to him, and make the data harder to work with. He prefers to get data updates on CD-ROM, which are more frequent, with disc releases taking place roughly once a month, and containing a couple of years’ worth of both newly released data and updates and corrections to previously released data.¹⁰⁶ CRA has expressed interest in creating an official research database, which Elson believes would be a boon for the comparability of research,¹⁰⁷ but Lasby is concerned that accuracy would suffer without the continual updating of the CD-ROM releases.¹⁰⁸

Some parts of the data set remain largely unexplored territory. Lenczner notes that no one has made much use of the newly complete records of charitable gifts, since the entire list of gifts has only been made available since 2013. Overall, he believes that there is still a lot of value to be extracted from the entire data set. “It takes time for innovation to happen. It takes the market knowing what’s available and people knowing how to exploit what’s available.”¹⁰⁹ Lasby believes the use of the data is increasing as its availability has become better known. “One of

103 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

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105 GovLab interview with François Brouard, Founding Director, Sprott Centre for Social Enterprises, Carleton University, October 15, 2015.

106 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

107 GovLab interview with Peter Elson, Community Development Researcher, Mount Royal University and University of Victoria, October 21, 2015.

108 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

109 GovLab interview with Michael Lenczner, Chief Executive Officer, Ajah, September 23, 2015.

the changes I've observed over the past couple of years is more and more journalists working with it, as a completely standard thing ... and they work with it as a data set, not [by] going in and looking at a single organization.”¹¹⁰

Both Pearson and Brouard believe that separating the regulation of charities from tax collection would improve data quality and coverage. Pearson suggests that the solution may ultimately lie in separating the collection of charities data from CRA. “I think the fundamental issue ... is one that the U.K. tackled some time ago: Should the regulation of the sector be handled out of the [tax] department? The U.K. created the Charities Commission for very good reason. An independent organization is able to regulate and collect data on charities outside of the requirements of revenue collection. I think that's really fundamental, but that's not an issue for CRA: It's a political issue, and a policy issue.”

IT Support for Nonprofits

There are several indications that Canada will be furthering its leadership in this space.¹¹¹ The already launched Non-Profit Organization Risk Identification Project Report should increase public knowledge about the significant number of nonprofits that do not have charitable status.¹¹² Additionally, the announced IT Modernization Charities project – which is aimed at modernizing the CRA's IT systems so that it can provide new electronic service options for charities – contains several measures to improve the quality and availability of that data. Those initiatives, as well as civil initiatives such as the Community Knowledge Exchange and Ajah's own PoweredbyData, give Canada the opportunity to continue to develop its expertise in this area.¹¹³

110 GovLab interview with David Lasby, Director of Research, Imagine Canada, October 14, 2015.

111 Lenczner, Michael. “Canada – a World Leader in Non-profit Data.” Government of Canada. July 4, 2014. <http://open.canada.ca/en/blog/ajah-and-fundtracker>

112 <http://www.cra-arc.gc.ca/tx/nnprft/nprp-eng.html>

113 Lenczner, Michael. “Canada – a World Leader in Non-profit Data.” Government of Canada. July 4, 2014. <http://open.canada.ca/en/blog/ajah-and-fundtracker>

Nonprofit Data Collaboratives

As openness in the Canadian nonprofit sector continues to take hold, actors in the field should look to not only move toward compliance and transparency, but consider how data can enable greater collaboration among organizations. As David Eaves argued prior to the release of nonprofit data in 2013:

“[T]here is a tremendous opportunity in the nonprofit space around not just using data, but also sharing data, to better understand some of the world’s toughest challenges. I’m also left acknowledging that even where data usage is strong – such as in the environmental community – few stakeholders in these sectors see open data as something relevant or meaningful to their organizations and their strategies. I’m not sure how to change that, but it seems like a huge opportunity.”¹¹⁴

The Community Knowledge Exchange Summit, for instance, demonstrates the interest in and potential impacts of greater coordination between actors in the Canadian nonprofit space. One of the key aspects of the summit was field building: “Creating and holding a space for community organizations, academic and research institutions, governments, funders and grant-makers, and engaged citizens to come together in the spirit of collaboration and openness.”¹¹⁵

It has been evident in many cases in this selection of case studies that data collaboratives bringing together actors within and across sectors can amplify the impacts of open data. Now that the proverbial cat is out of the bag, and open data is the default in the nonprofit sector, organizations can start to consider how they can turn this openness into new ways to solve problems together.

114 Eaves, David. “Nonprofits Should Share Their Data, Too.” TechPresident. January 24, 2013. <http://techpresident.com/news/23412/nonprofits-should-share-their-data-too>

115 Rose, Lee. “Reflections on CKX – The Community Knowledge Exchange Summit.” Toronto Foundation. December 2, 2014. <https://torontofoundation.ca/news/reflections-ckx-%E2%80%93-community-knowledge-exchange-summit>