

ASSOCIATION OF DISASTER RELIEF  
AND EMPLOYEE HARDSHIP FUNDS

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# An Environmental Scan of Disaster Relief and Employee Hardship Funds



Emergency  
Assistance  
Foundation Inc.  
charity begins at work

Disclaimer

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## Executive Summary

Employers have long tried to assist their employees who may be facing either a disaster or personal emergency hardship. This assistance may be informal and organic, like “passing the hat” or may necessitate a more formal, legal structure such as a charitable fund or foundation. To date, no data has been collected on the scale and scope of employer-provided emergency assistance programs or their characteristics and best practices. This paper captures 73 responses (53 from web-based survey and 20 verbal responses) within an estimated universe of 100-125 known funds or foundations. The key findings are:

- Over 60% of existing employee relief funds have been created since 2001.
- Most funds are disaster-relief only, since 60% were created immediately after a disaster and many employer groups do not wish to comply with IRS requirements for personal hardship grants.
- Assistance funds, for both disaster relief and personal hardship, typically give out one disaster grant for every three personal hardship grants.
- Most grants, 80%, are made to vendors rather than to employees directly.
- Over 60% of assistance funds are administered by corporate foundations and 70% have less than two FTEs managing the program.
- Overall, 20-30% of employees donate and 70% of programs offer a matching plan.
- Over 80% of programs have tax-deductible donations with 73% of programs reporting tax-free grants.
- Only 38% of programs offer on-line donations.
- Every program offers qualified disaster relief, yet only 48% offer personal-hardship grants.
- Nearly 60% of application-review decisions are made within one week.
- Average grants are 25-50% of the program’s maximum grant amount.
- Advisory/Oversight Committees have 4-5 members on average and 57% meet weekly or as needed.

## Introduction

In 2009, the IRS released Publication 3833 – *Disaster Relief: Providing Assistance Through Charitable Organizations*. Prior to this guidance, employer groups internally created funds for only disaster relief, only for personal hardships or for both. Most of these funds were a simple bank account, but some were structured as a qualified 501(c)3 public charity or private foundation. Some employers chose, instead, to use a third-party public charity provider to administer employer-specific funds. For each of these permutations, the tax and legal ramifications to the donor, the grant recipient and the employer are different.

The critical questions this paper attempts to answer are:

1. How many of these kinds of funds exist in the United States?
2. How are these funds structured from a tax and legal perspective?
3. What are the key benefits to employers and employees?
4. What are the key challenges to employers and employees?

An important goal of this research is to widely disseminate the results in an effort to improve existing and future programs. This information will identify best practices in fund structure, communications, risk management, program design, fundraising, administration and grant making. To gather information, a 30-question survey was used. The methodology and results follow.

## Survey Methodology and Results

### Methodology

The Association of Disaster Relief and Emergency Assistance Fund designed the survey and emailed a hyperlink via Survey Monkey to 433 corporate foundation contacts, though we are only aware of 100-125 assistance funds. The first email request was sent on January 10, 2013 with two additional reminders and the final on July 23, 2013. In addition, more than 20 program contacts were asked some of the survey questions directly (over the phone). Their responses were added to the survey findings.

This survey methodology had four distinct flaws. First, combining verbal and web-based responses may have created some duplication, though there was no direct or indirect evidence of this. The verbal survey, however, did tend to be much shorter and would differ based on the specific employer-designed fund. Second, many of the web-based responses were incomplete. This could have been because the questions simply did not apply. Third, the assumption was that the survey respondent was in the best position to answer the questions when that may not have been the case. For example, a grant administrator may be involved with the fund at the grant level, but not in a position to discuss the legal framework or fundraising approaches. Finally, the response rate for both the web-based and verbal data collection was slightly more than 70 and, therefore, would not provide the statistical significance necessary for low error-rate conclusions. These four design and collection challenges impact both the validity and reliability of the information.

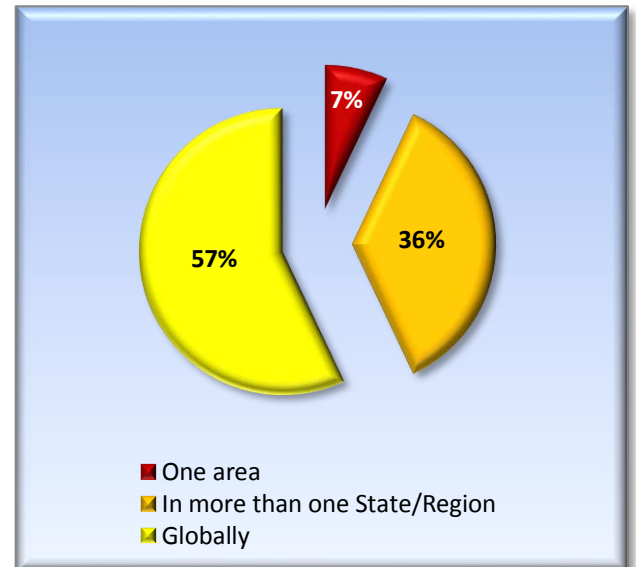
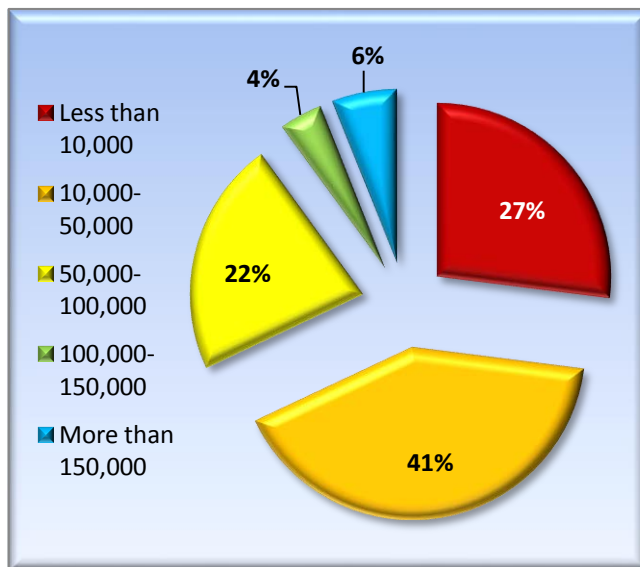
Even with these issues, the survey is the first attempt to collect market information in this narrow field, yet still gathers information from over half of the known participants. The survey participants tended to be among the largest employer groups and represent an estimated 15-20 million total employees with access to some kind of employee assistance fund.

## Results

The survey was organized into five sections; Organization, Fundraising, Applications, Grants and Oversight Committee.

### Section 1 – Organization: General Information

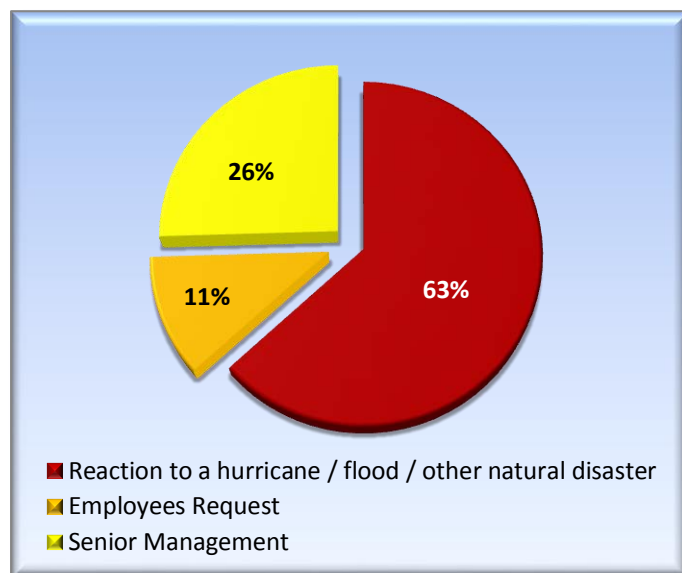
- 1) How many employees are in the organization?
- 2) Geographical Diversity –Where are the company's employees located?



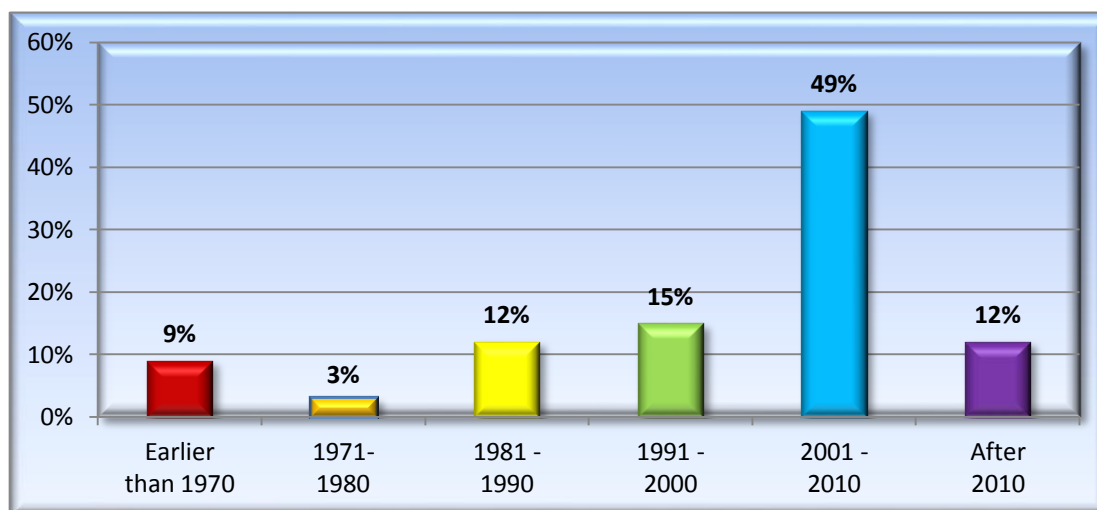
**Observations:** With 73% of employer-sponsored funds covering more than 10,000+ employees, this confirms that employee assistance fund adoption tends to occur with larger employee groups. Funds less than this employee population may be administratively burdensome and costly. The larger employer programs, however, tend to have distinct issues. In particular, complexity is added for global programs from a legal and tax standpoint. Some examples of this complexity are that programs may have to accept foreign currency donations, make grants to foreign vendors (both from a language and tax perspective) and engage translation services for grant applications and other communications. From our verbal interviews in particular, multi-national employer groups place a very high value on covering both domestic and international employees with equivalent emergency assistance programs.

3) What was the catalyst to start the fund?

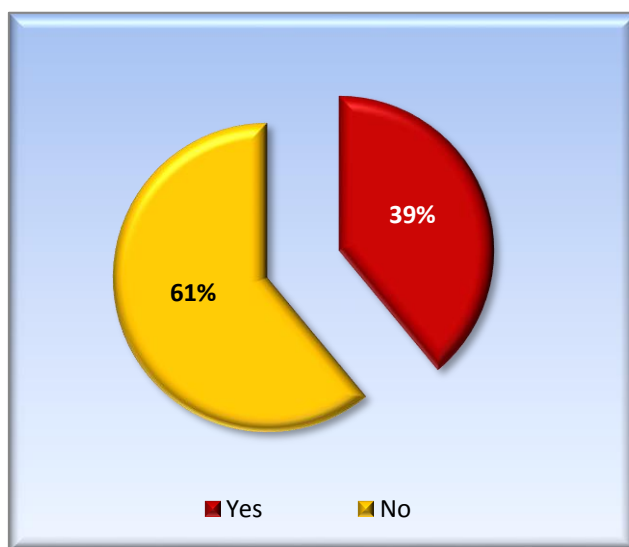
**Observations:** The vast majority of employers created programs to immediately respond to a natural disaster. The design is generally very simple because they have to be created so quickly. Interestingly, senior management was the second largest fund catalyst and we surmise that they wished to have a fund ready rather than to be caught “flat-footed” by a disaster.



4) What year did your program begin?



5) Did you create a separate independent public charity?



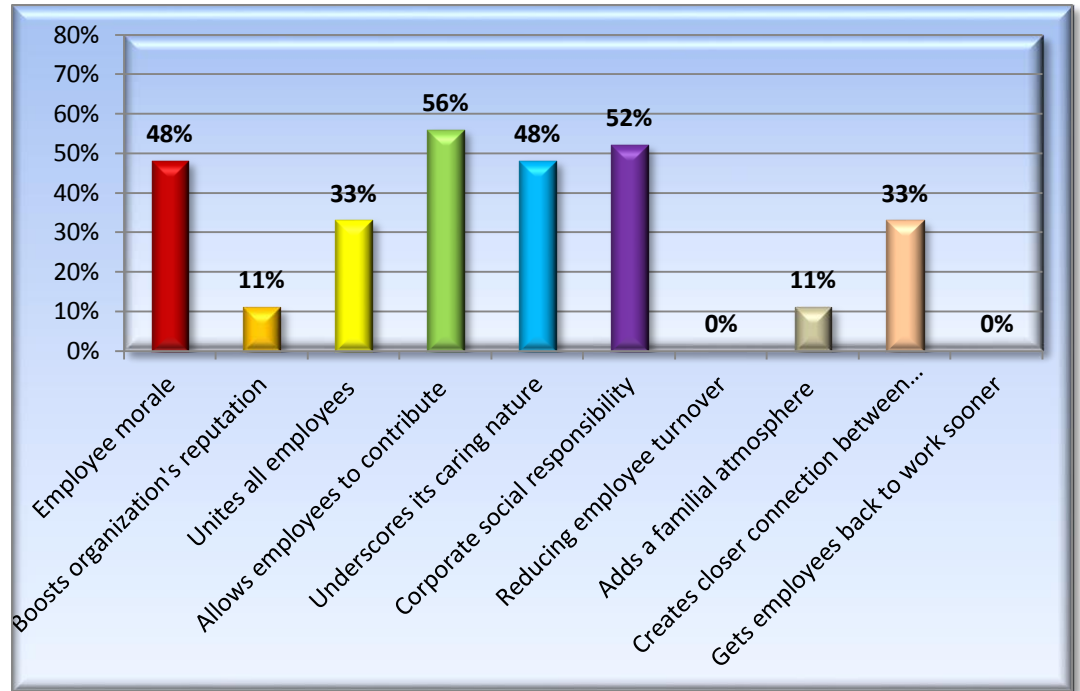
**Observations:** The timing of the employer-sponsored emergency funds nearly always coincided with the natural disaster as indicated. More than 60% of existing funds have been created since 2001.

Regarding whether the employer created a separate public charity, those that answered “no” typically use an existing corporate foundation. This is generally because they did not want to invest time and money to establish a separate public charity or they were unsure of additional options. These funds may be used to respond to qualified disasters, but may not work well if the company wishes to address personal hardships.

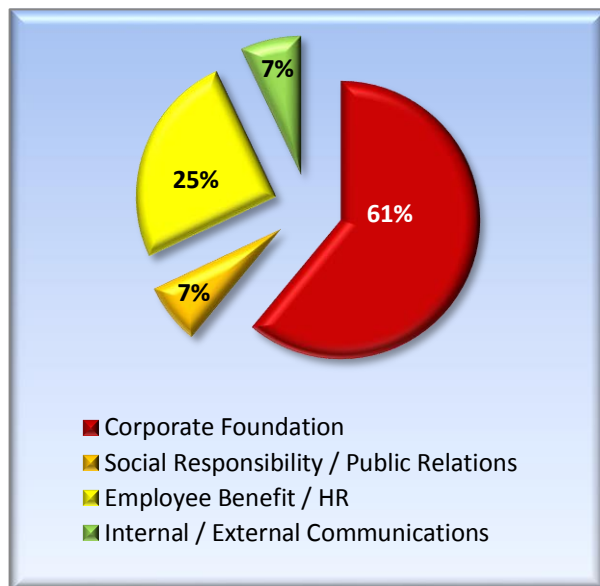


6) Check the three (3) primary benefits of your fund.

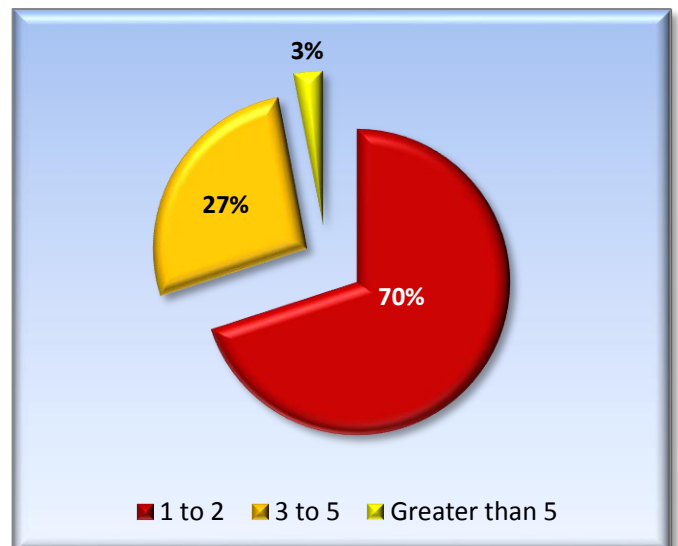
**Observations:** The top four benefits for these funds are “allows employees to contribute,” “corporate social responsibility,” “underscore employer’s caring nature,” and “employee morale.” Note that participants were asked to name the top 3 benefits.



7) What department oversees the fund?



8) How many staff operate the fund (including direct responsibility, communications, payroll/HR/benefits, legal, others)

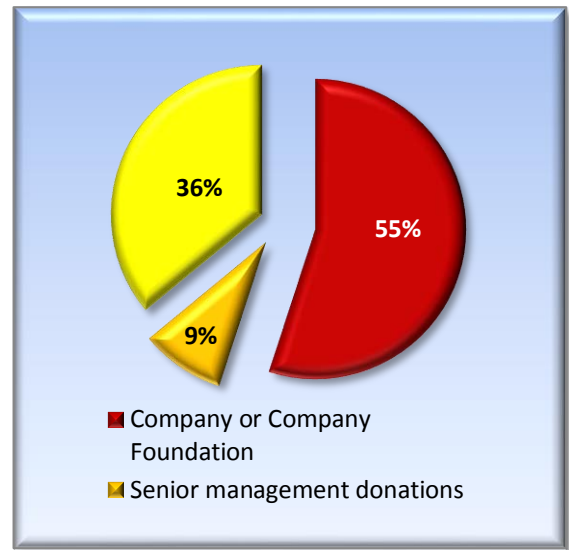


**Observations:** The vast majority of funds were overseen by the corporate foundation. This is likely because this staff has oversight of all charitable funds. The total FTEs currently operating the fund is one or two. This may not accurate, however, as most do not count indirect support for legal, accounting, payroll, employee benefits, internal communications, public relations and other ancillary functions typically involved with these funds.

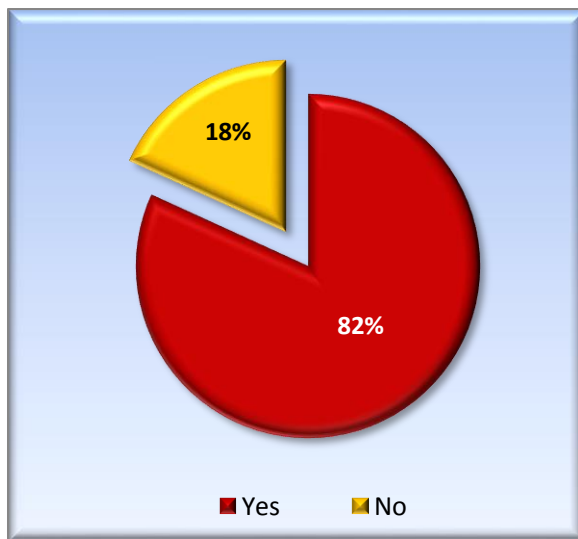
## Section 2 – Fundraising

9) Start-up funding: What were the sources of the initial funds?

**Observations:** Typically, the Foundation and the employer contributed the initial start-up funding, though employee campaign was much higher than anticipated.

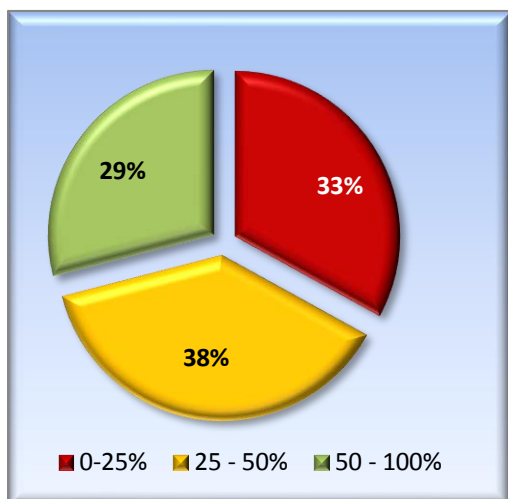


10) Are employee and other donations considered tax deductible?



**Observations:** The surprising fact is that 18% of programs do not qualify for tax-deductible donations. The main three reasons are: 1) Employers are concerned about complying with IRS regulations and state registration, 2) the Board is legally controlled by employees, and/or 3) part of the grant assessment includes supervisory signoff which is not allowed under IRS guidelines.

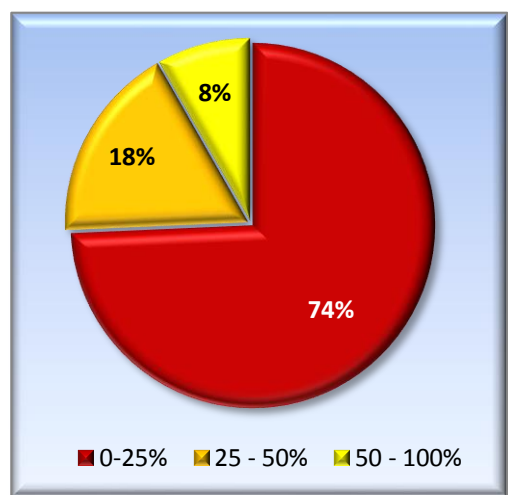
11) What percentage of funds were donated by employees?



**Observations:** Typically, more than 50% of total donations come from employees in a well-marketed program. Additionally, 67% of funds receive between 25-100% of the donations directly from employees. This is one of the critical program success factors because employee ownership causes program awareness, which leads to more grants, which leads to more communications, which leads to more donations. This is the first step in creating a virtuous cycle or positive feedback loop.

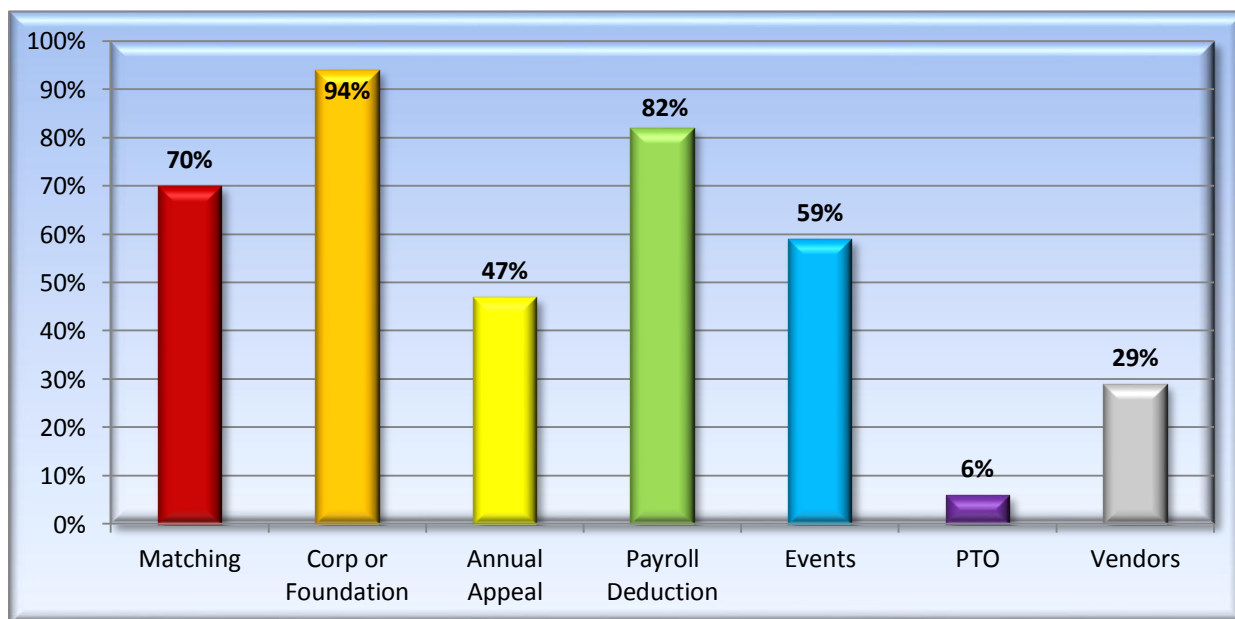
In our verbal interviews, the most successful programs tended to have between 20-40 % of their employees contributing.

12) What percentage of employees donate?



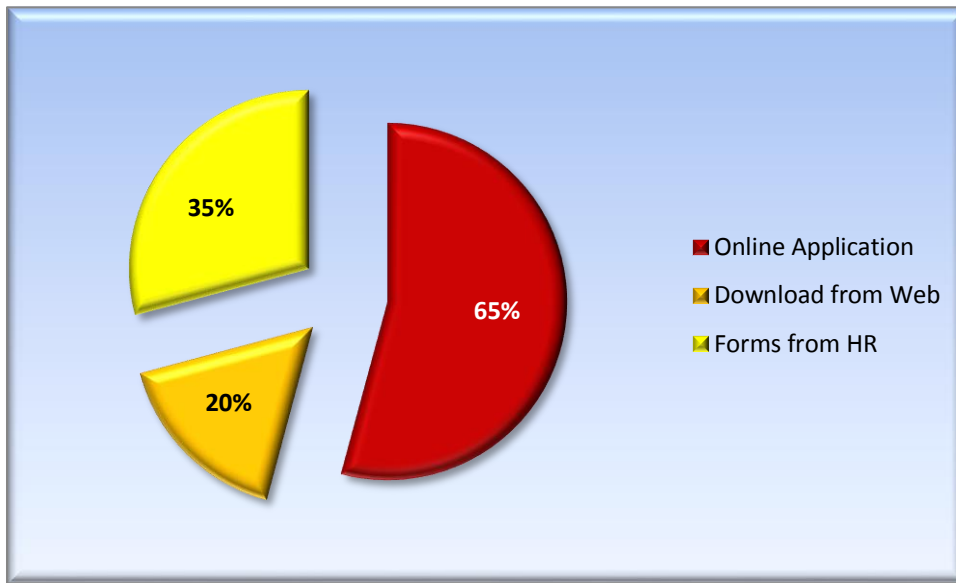
Ongoing funding most always has the corporate or foundation as the lead source, usually providing matching for employee contributions through an annual appeal or payroll deduction. One interesting funding source are vendors. These funds are provided as charitable donations to assist client employees impacted by a disaster. Finally, a rapidly-growing area of funding is donating paid-time-off (PTOs) either as actual time or monetizing the time for a donation to the fund.

13) Ongoing funding methods (Check all that apply):

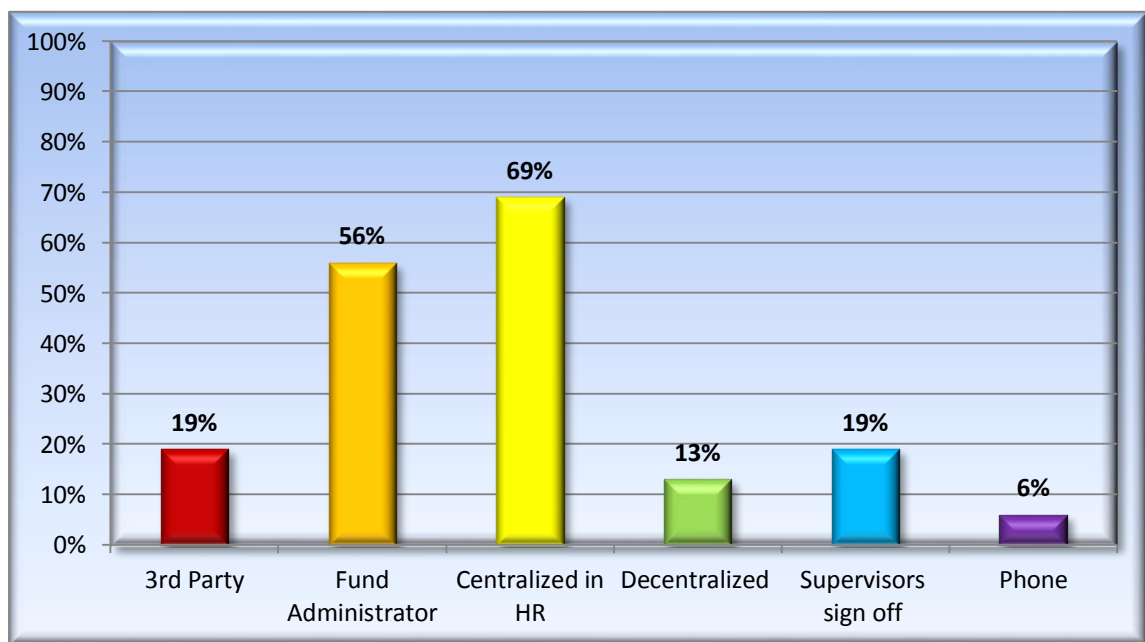


## Section 3 – Applications

14) Applications accessed by: (Check all that apply)



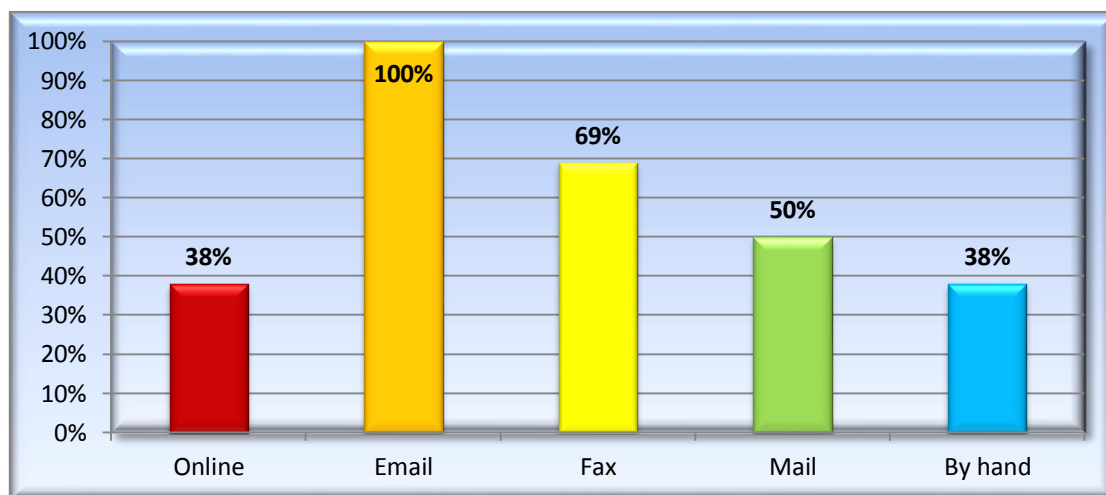
15) Is the application collection administration centralized or decentralized? (check all that apply)



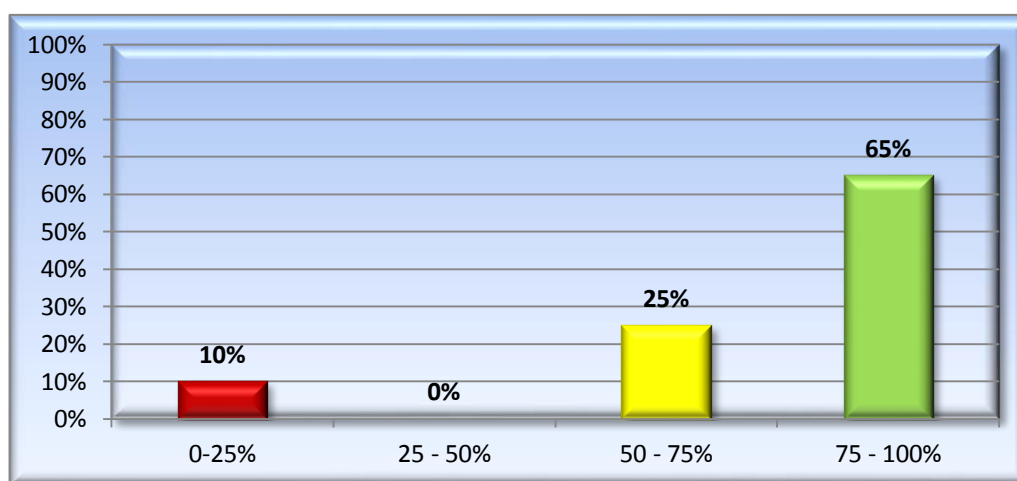
### Observations:

Responses show that the human resource department plays the central role in collecting and administering applications. It is important to note that supervisory approval may potentially cause IRS compliance issues thereby making grants taxable. However, if the supervisor simply ensures the application is complete; the person is an employee at the time of application; or uses some other verification, this may be acceptable.

16) How are grant applications submitted? (check all that apply)

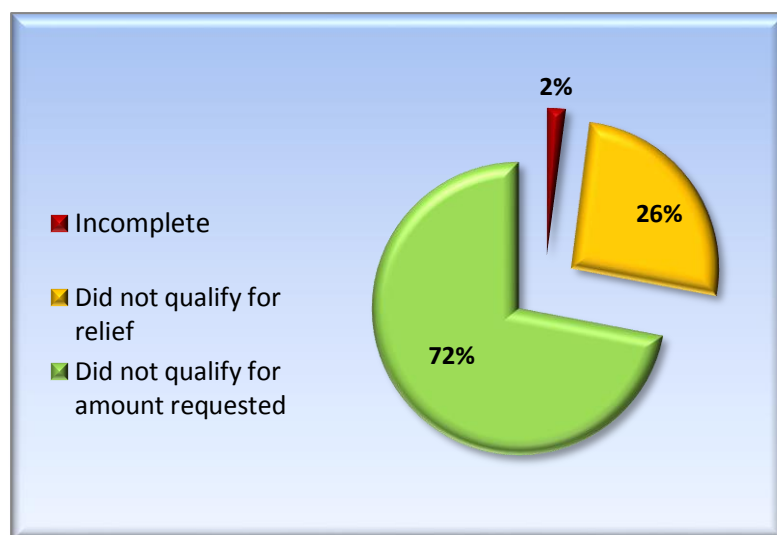


17) Percentage of applications that are accepted (approximately)?

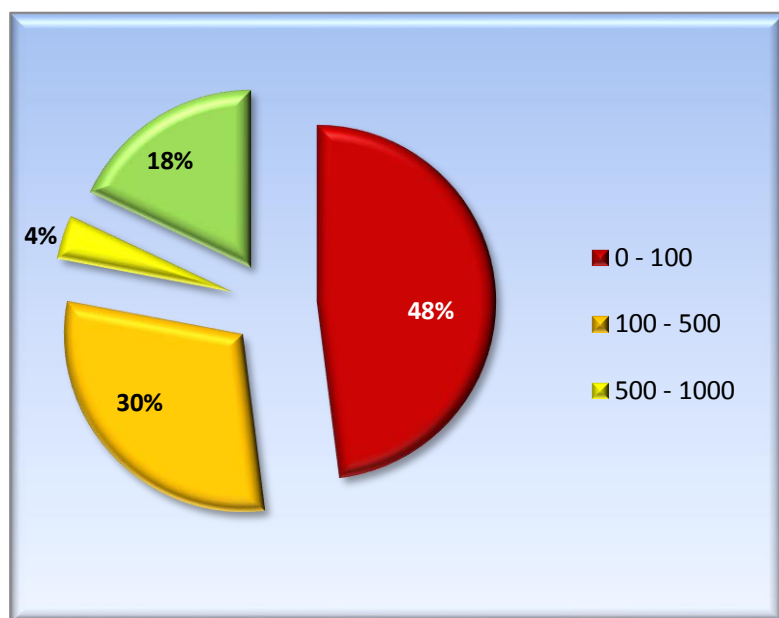


18) What is the most common reason requests are declined?

**Observations:** This chart shows that the vast majority of applications are approved. Surprisingly, however, 35% of programs had an approval rating under 75%. The denial reasons may be because the application process or guidelines were not clear or perhaps limited financial resources required a more competitive process. Note that the most successful funds have a 95% or better acceptance rate for completed applications.



#### 19) Number of applications annually?

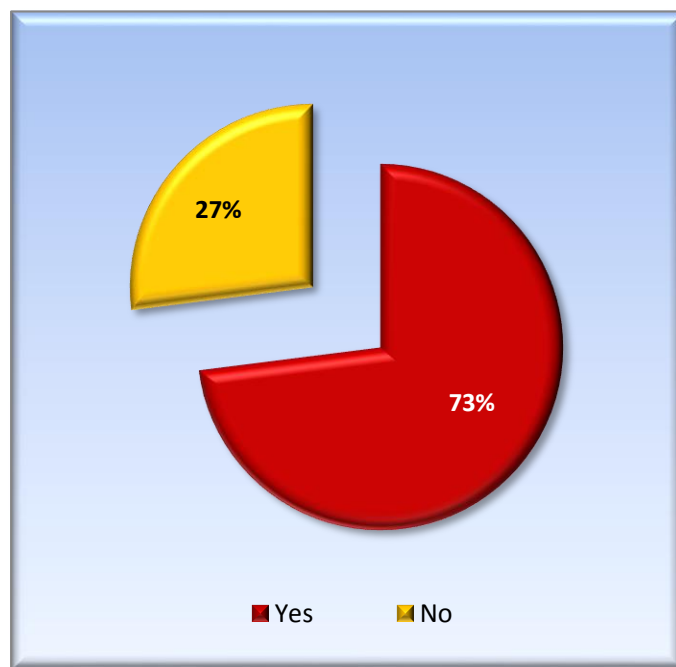


**Observations:** The annual number of applications generally correlates to the employee population. Information derived directly from programs show between 1/2-1% of employees apply annually. The biggest application driver is the breadth of the program (i.e., those that offer personal emergency hardship in addition to disaster-relief grants have more applicants). The second biggest driver is how well the program is communicated and the ease of the application process.

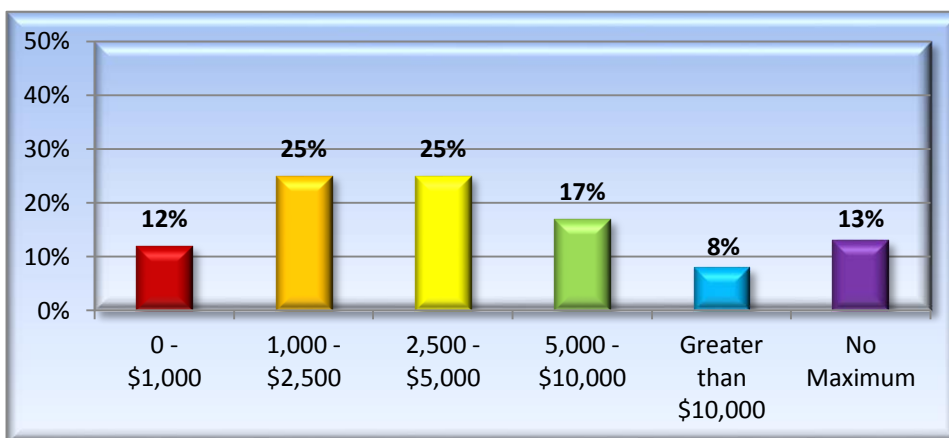
## Section 4 – Grants

#### 20) Are grants to employees considered tax free?

**Observations:** The largest majority of grants are tax free to recipients which means the employer is only providing disaster relief grants; has created a separate public charity; or uses a third-party public charity. There are a number of programs that have been designed in which the grant rewards are taxable, and in most cases, the employer grosses up any tax payments for grantees.



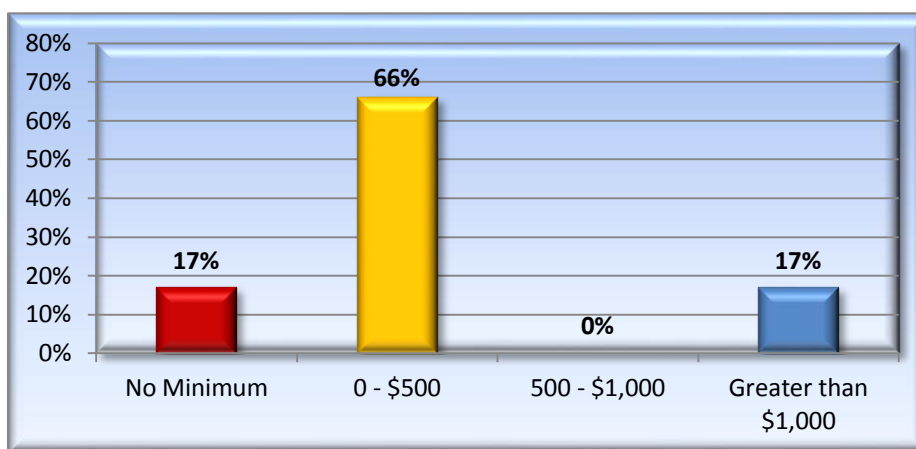
21) Maximum grant value for disaster relief?



**Observations:**

The most common minimum grants are between \$250-1,000 and the most common maximum grants are between \$1,000-5,000.

22) Minimum grant value for disaster relief?

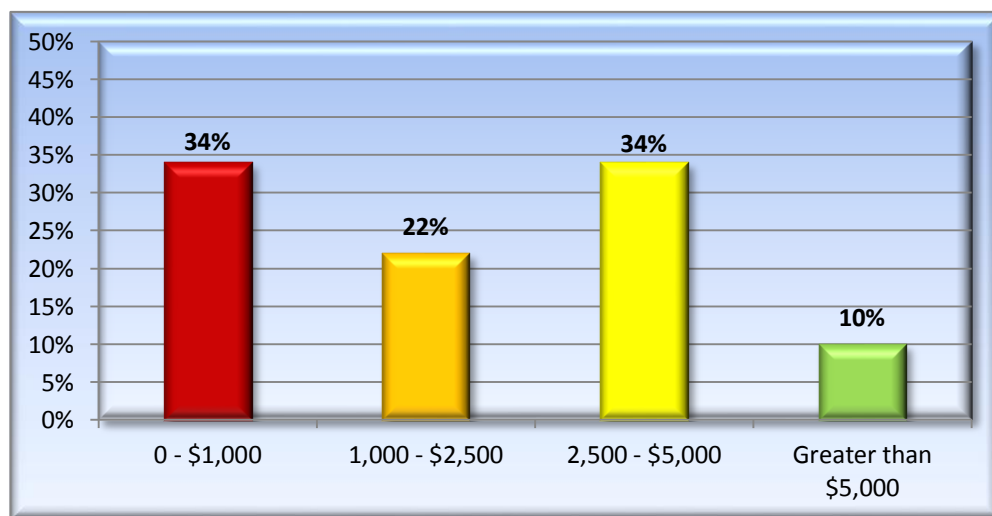


23) What are the average emergency grants?

**Observations:**

Nearly 84% of respondents said they had a low or no minimum. Yet, 33% said the average grant was less than \$1,000. This supports that establishing a minimum helps focus the fund's efforts on those whose needs cannot be met by

borrowing from friends and family. Meeting the IRS' requirements acts as a small deterrent to many applicants and only those with pressing needs will decide to make the effort to apply. Additionally, an industry-wide benchmark is that the average grants generally are 25-50% of the maximum grants for funds designed for both qualified disasters and personal hardships. This survey confirms this range.

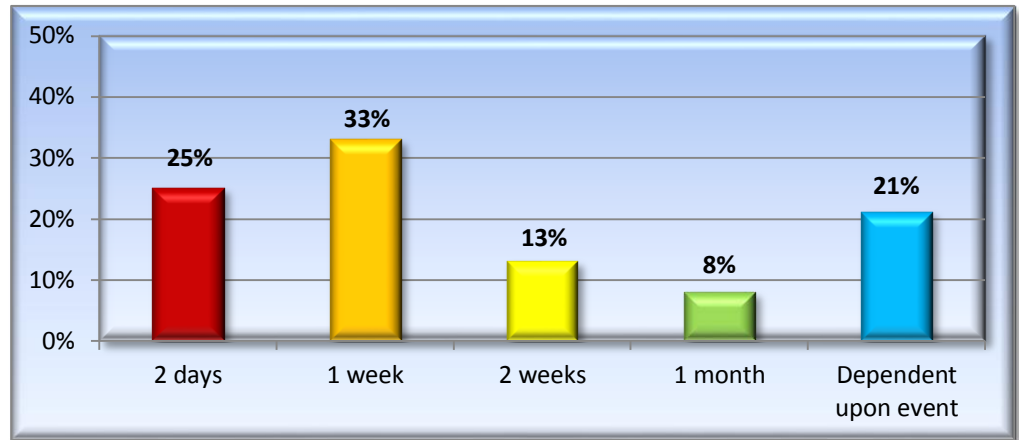


24) What is the approval time frame?

**Observations:**

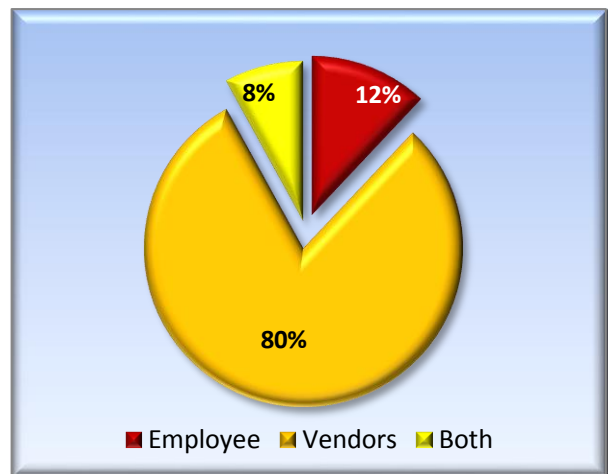
Since assistance grants are for emergency purposes, a quick process is critically important. Programs are accepting or denying 58% of applications within 1 week.

The grant approval process is usually very dependent on the event, as disasters have a quicker decision than personal hardships.



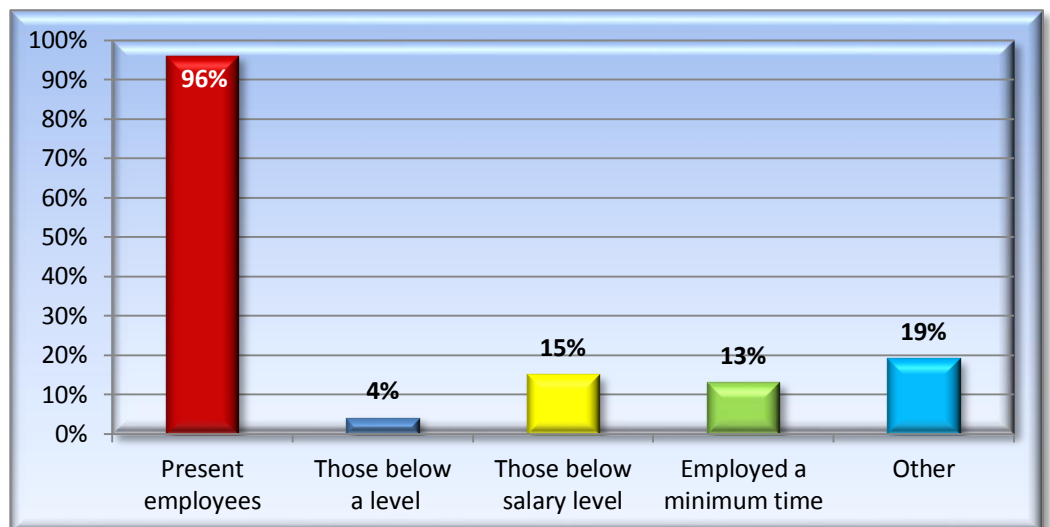
25) Who receives the grants?

**Observations:** More than 80% of grants are paid to vendors. IRS requires prudent and reasonable efforts to ensure that the grants are used for their intended charitable purpose. A best practice is to make grants to vendors rather than individuals.



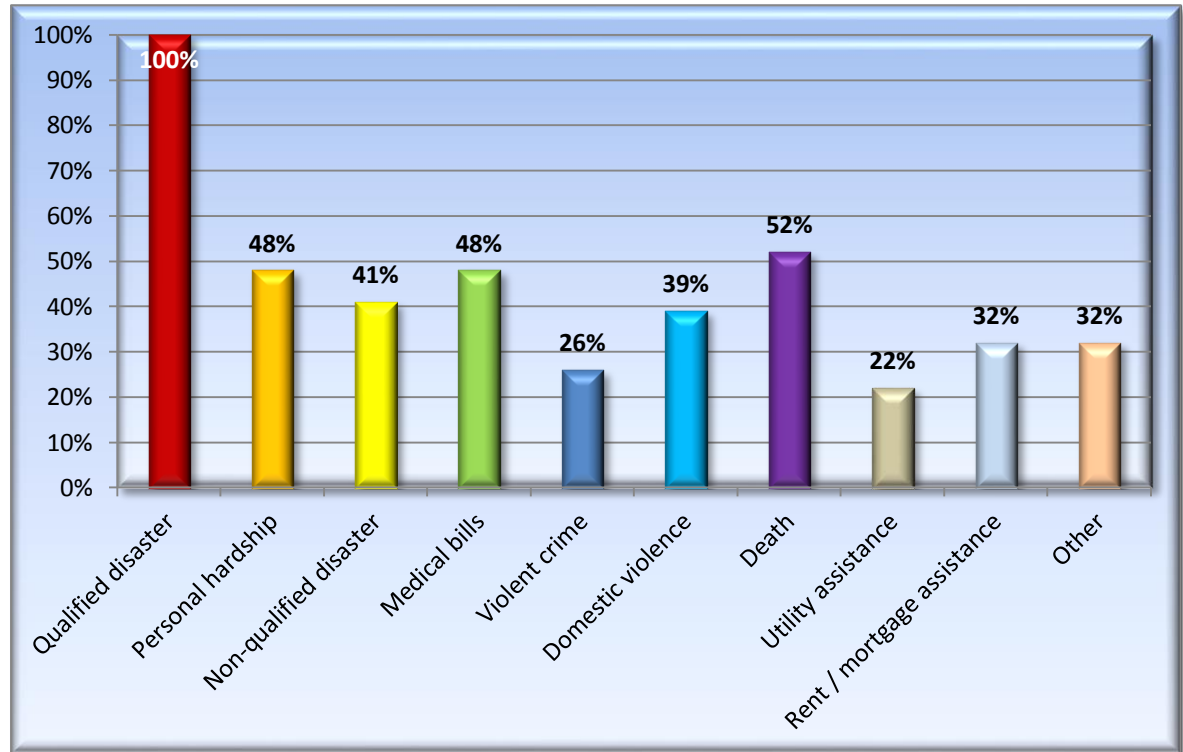
26) Who may apply for grants (the defined “charitable class”)?

**Observations:** All funds are required to establish a charitable class that is sufficiently large and indefinite so as to avoid issue of directing a grant to a specific individual or small group. Nearly all plans in this survey include their current and future employees.





27) Do you offer grants in the following areas? (check all that apply)

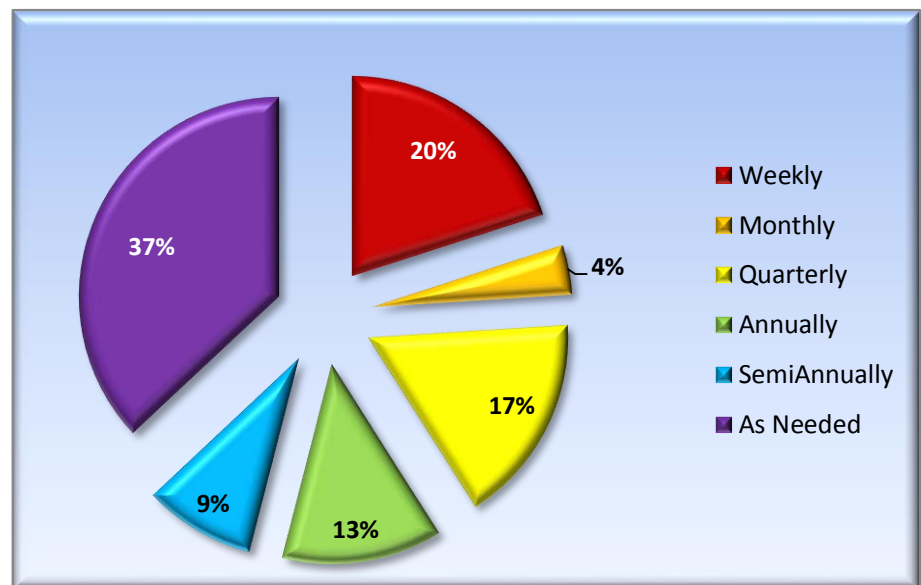


**Observation:** There is a wide variety of grant criteria, in particular if the employer has created its own public charity or if it is using an outsourced third-party charity. This is why many employers, using a corporate private foundation, are limited to only qualified disasters.

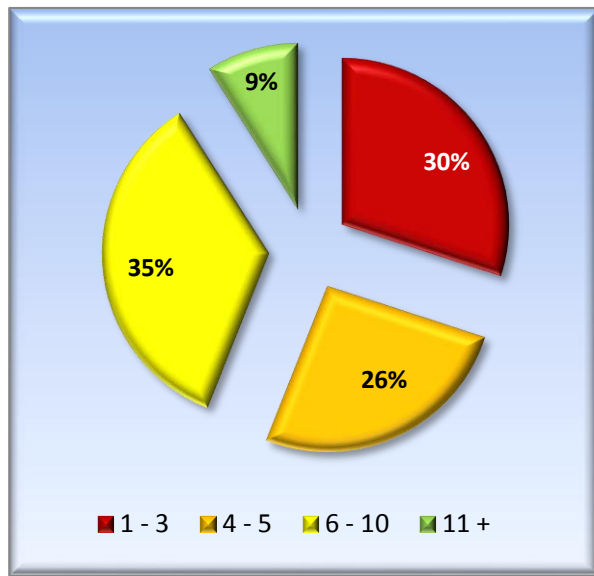
## Section 5 – Relief program oversight advisory review committee

28) How frequent are your meetings?

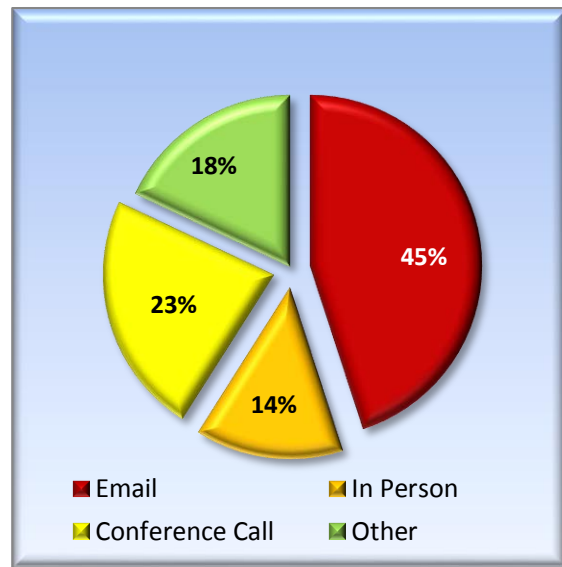
**Observations:** Most respondents, 57%, meet weekly or as needed. Meeting too often may become costly and burdensome, yet meeting too infrequently means that a program is unlikely to be responsive.



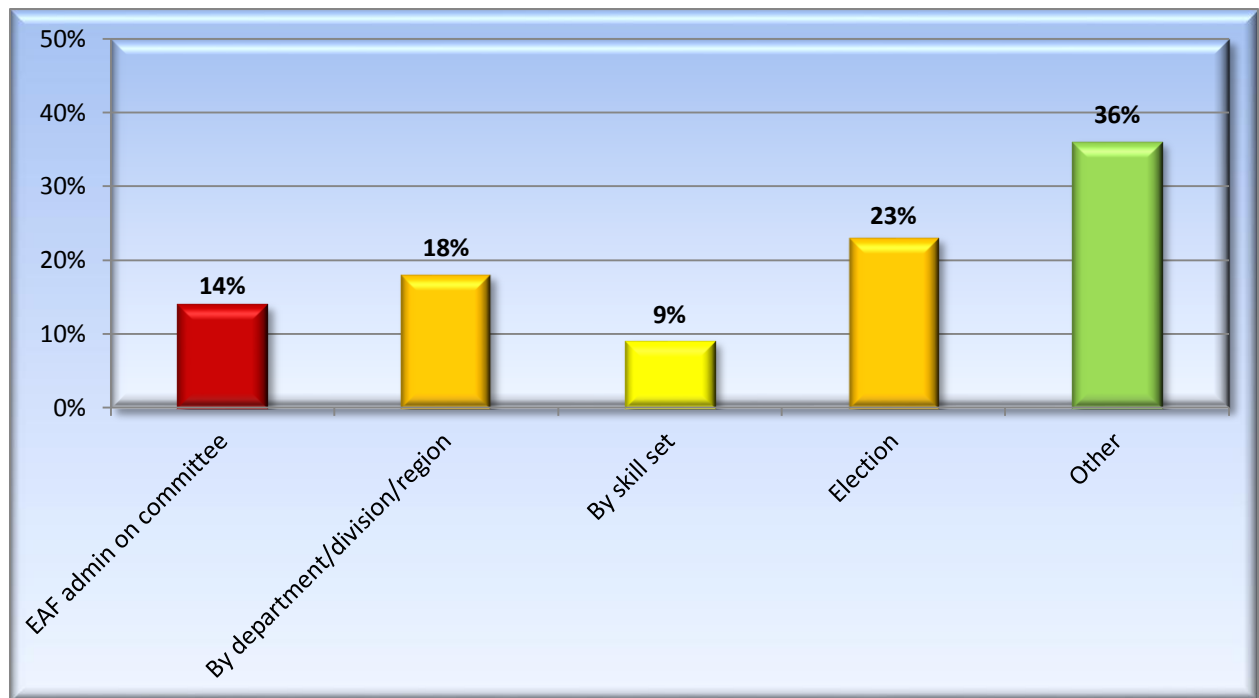
29) How many people are on the committee?



30) How are applications reviewed?  
(most common way)



31) How are committee members chosen?



**Observations:** More than half of oversight committees have less than five members and nearly half review applications via email. The most common way of selecting members is by election, though multiple processes are used.

## Conclusion

This white paper represents the first step in identifying the landscape, trends, strengths, weaknesses and best practices among the emerging disaster relief and employee hardship sector. With approximately half of the known funds participating, there is clearly a desire to share information to maximize each employer's unique goals.

Additional questions for future research:

1. Are there specific practices to improve employee participation in donations? For example, do matching programs work, and if so, what is the optimal level?
2. What is the ideal content, timing and frequency of internal employee communications to increase donations and grant applications?
3. What is the industry ratio for personal-hardship grants compared with disaster-relief grants?

## Appendix A: Sponsors Overview – Association of Disaster Relief and Emergency Assistance Funds, Emergency Assistance Foundation, Inc. and Charitable Solutions, LLC

### Association of Disaster Relief and Emergency Hardship Funds (ADREHF)

Our mission is to educate employers, consumers, and governments about the benefits of employee hardship and disaster relief. We do this by sponsoring an online forum (<http://adrehf.org>), releasing white papers, sponsoring research, speaking and publishing industry-related articles.

#### Article

Emergency Assistance Funds (EAFs) for Employee Hardship and Disaster Relief: Legal, Tax and Design Considerations

<http://www.pgdc.com/pgdc/emergency-assistance-funds-eafs-employee-hardship-and-disaster-relief-legal-tax-and-design-cons>

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### Emergency Assistance Foundation, Inc.

The Emergency Assistance Foundation Inc. (EAF) is an employer-sponsored emergency fund, providing assistance in creating and maintaining financial assistance funds for qualified employees. As a 501(c)3 public foundation, it was designed solely to create multiple funds for multiple employer groups for both domestic and international grants. As a non-employer controlled public charity, all donations are tax deductible and grants are tax-free (with some exceptions for international grants).

These charitable funds allow employees and employers to help their co-workers in times of need. EAF maintains legal and tax compliance, has dedicated and sophisticated staff as well as low costs and high efficiencies so that the total overhead is minimized and the grants are maximized.

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P: 561.301.2267  
[doug@emergencyassistancefdn.org](mailto:doug@emergencyassistancefdn.org)  
[www.emergencyassistancefdn.org](http://www.emergencyassistancefdn.org)



### **Charitable Solutions, LLC**

Since 2003, the firm has provided hundreds charities with risk-optimized ways of receiving donations, managing assets, administering funds and making grants. To date, more than \$175 million in donations have been processed.

In 2010, Charitable Solutions, LLC, developed the following suite of services for disaster relief and employee hardship funds:

- Outsourced Processing – An existing emergency assistance fund can outsource the entire application (design, receipt and vetting process), while using our on-line processing system. Our staff then can deliver grant reports to the internal Oversight/Advisory Committee for final approvals.
- Program Audits – Our senior team has reviewed more than 75 emergency assistance programs. We assess program design, communication, processing, and legal and tax compliance. In particular, our reports provide industry-specific best practices and program target benchmarks for “best-in-class” programs.
- Program Consulting – Our senior team can assist with every step of fund start-up to make the launch successful. We are also adept at trouble-shooting finite challenges for existing programs. This engagement may either be project specific or can be a retained relationship as appropriate.

Contact:

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## **Appendix B: Organizational Comments on Current Program Strengths**

The vast majority of strength responses fell into the following three, broad categories.

### **A. Clear Parameters**

“We spent time defining the program very clearly so it could be understandable by everyone in our organization.”

“We have infrastructure in place to deliver quick response. Clear guidelines for grant recommendations are established, and there is an audit/review process in place. We have the ability to go over the allotted grant limit with permission from the Board for special cases. All this gives us flexible, but consistent oversight. We employ a call center and have a web-based application tool to manage the application and call volume.”

### **B. Flexibility**

“It is anonymous and it is flexible in that we have lowered the grant amount...but would like to increase as we grow.”

“...our connection with global employees and business partners to collaborate on support.”

### **C. Employee Connections and Program Goals**

“Assistance programs are essential in maintaining the rich culture and commitment of our employees.”

“It allows partners and employees to make contributions that they know will be used to either help fellow employees/partners or agencies positioned to respond to the disaster.”

“...the employee connections - both for employee donating as well as employee receiving.”

## Appendix C: Organizational Comments on Current Program Weaknesses

The vast majority of weakness responses fell into the following three, broad categories.

### **A. Increase Technology to Move Donations and Grants Online**

“...better organized and efficient with system communicating to our HR system.”

“Now it is a manual process. We are looking to team with a third-party host to manage an online giving tool.”

“...find a way to make the applications online versus hard copy/e-mail formats.”

### **B. Increase Donations and Applications**

“...increase grants and donations (ability to donate time).”

“...donations could qualify for tax deduction and grants to be tax-free.”

“...greater awareness and comprehension of the program across the organization and the retiree population.”

### **C. Expanded Programs to More Employees, Cover More Hardships**

“Our current program is directed toward FT employees with occasional consideration for PT employees who are victims of natural disasters. We are receiving more requests to include a broader population, regardless of status.”

“...be more proactive than reactive to disasters.”