

Sample Grant Agreement Letter (without IRS language)



The following is a sample grant agreement letter from a private foundation to a Section 501(c)(3) public charity.¹⁸ Many foundations mistakenly believe that they are legally required to state IRS lobbying and political activity restrictions. In doing so, foundations can inadvertently confuse, intimidate or even legally restrict grantees from engaging in lawful and important advocacy for their constituents and causes. This is not necessary. See 2004 IRS Letter to CLPI, Appendix B.

The below sample grant agreement letter does not include IRS language on advocacy-related restrictions, just the basic requirements for a general support grant.¹⁹ [Specific language for a project or restricted grant is in brackets.] As with any sample or template, this is designed to serve as a starting place. Foundations should work with their advisers to tailor the template to meet their particular needs.

Dear Ms. Grantee:

I am pleased to inform you that the ABC Foundation approved a grant of \$60,000 to the XYZ charity designated as a contribution to general support [or for the purpose of the project as described in your attached proposal and budget]. The grant period will be 12 months, and the award will be made in a single payment upon the execution of this agreement. By signing this letter, the grantee agrees to the following terms:

- That all grant funds will be used solely for charitable, religious, scientific or educational purposes as described in Section 170(c)(2)(B) of the Internal Revenue Code.
- To continue to qualify as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code – and not as a private foundation as defined in section 509(a) of the Code – and that it will notify the Foundation immediately if the Internal Revenue Service proposes to revoke or change the grantees exempt status.
- [For a project specifically for voter registration, the activities must be nonpartisan and the charitable grantee must conduct registration in five or more states and over more than one election cycle, along with other conditions on the sources of funds and ensuring impartiality in any targeting of registration.]
- (Any other desired conditions, such as reporting requirements; repayment of funds not used in compliance with either of the first two conditions; or access to financial records)

Please return the signed letter to the Foundation in order to indicate your acceptance of the terms of this agreement.

Best Wishes,

18 This letter would not be sufficient in the case of a grant to a supporting organization which requires expenditure responsibility. See www.cof.org/ppa for more information.

19 This letter was adapted with permission from sample letters by Lloyd H. Mayer, Esq., in *Power in Policy: A Funder's Guide to Advocacy and Civic Participation*, Appendix A at pp. 228-231.



Additional Resources

Mayer, Esq., Lloyd H. in Arons, David F. (Ed.). *Power in Policy: A Funder's Guide to Advocacy and Civic Participation* (Appendix A, pp.228-231). St. Paul, Minn.: Fieldstone Alliance, 2007.

Setterberg, Fred and Colburn S. Wilbur. *The Complete Guide to Grantmaking Basics: A Field Guide for Funders*. Arlington, VA.: Council on Foundations and The David and Lucile Packard Foundation, 2008.

Legal Disclaimer

This toolkit provides helpful legal information and guidance, but should not be construed as providing specific legal advice. You should consult with your foundation's legal counsel about specific activities or questions.

Sample Grant Agreement Letter (with IRS language)



The following is a sample grant agreement letter from a private foundation to a Section 501(c)(3) public charity. Some foundation executives, boards or counsel may feel more comfortable with grant agreements that state specific IRS lobbying and political activity restrictions. At the same time, these foundations may not want to inadvertently prohibit or discourage lawful advocacy and civic engagement by their grantees.

The following is a sample general support grant agreement letter that includes IRS language on lobbying and political activity restrictions while at the same time minimizing confusion and encouraging permissible advocacy and civic engagement.²⁰ [Specific language for a project or restricted grant is in brackets.]²¹

Dear Ms. Grantee:

I am pleased to inform you that the ABC Foundation approved a grant of \$60,000 to the XYZ public charity designated as a contribution to general support [or for the purpose of the project as described in your attached proposal and budget]. The grant period will be 12 months, and the award will be made in a single payment upon the execution of this agreement. By signing this letter, the grantee agrees to the following terms:

- That all grant funds will be used solely for charitable, religious, scientific or educational purposes as described in Section 170(c)(2)(B) of the Internal Revenue Code.
- To continue to qualify as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code -- and not as a private foundation as defined in section 509(a) of the Code -- and that it will notify the Foundation immediately if the Internal Revenue Service (IRS) proposes to revoke or change the grantees exempt status.
- There is no agreement, oral or written, that directs that the grant funds be used for lobbying activities. The grantee has the right to engage in lobbying that does not exceed limits imposed by Internal Revenue Code Section 501(c)(3) or, if applicable, Sections 501(h) and 4911. Grantee also may engage in unlimited, nonpartisan policy activities that are not lobbying or that constitute an exception to lobbying as defined by Section 501(c)(3).
- No funds may be used for partisan political activities, which are prohibited under Section 501(c)(3). However, grantee may engage in unlimited nonpartisan voter education and engagement activities consistent with the law.
- [For a project specifically for voter registration, the activities must be nonpartisan and the charitable grantee must conduct registration in five or more states and over more than one election cycle, along with other conditions on the sources of funds and ensuring impartiality in any targeting of registration.]
- (Any other desired conditions, such as reporting requirements; repayment of funds not used in compliance with any of the previous conditions or the project; or access to financial records)

Please return the signed letter to the Foundation in order to indicate your acceptance of the terms of this agreement.

Best wishes,

²⁰ Grants made to certain supporting organizations may require the foundation to exercise expenditure responsibility. For any such grant, a foundation should consult its counsel concerning the grant agreement language.

²¹ This letter was adapted with permission from sample letters by Lloyd H. Mayer, Esq., in *Power in Policy: A Funder's Guide to Advocacy and Civic Participation*, Appendix A at pp. 228-231.

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