



SAMPLE GRANT AGREEMENT FOR A PRIVATE FOUNDATION

With Added 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 [*Specific language for a project or restricted grant is in brackets*].

Dear Grantee:

I am pleased to inform you that the ABC Foundation approved a grant of \$25,000 to the XYZ purposes as described in Section 170(c)(2)(B) of the Internal Revenue Code 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.
- Grantee continues 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 change or revoke the grantee’s 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. [*If a project grant that includes lobbying also add “Grantee has provided credible documentation that the amount of the grant does not exceed the amount of the project budget anticipated to be used for non-lobbying purposes.”*]
- No funds may be used for partisan political activities, which are prohibited under Section 501 (c)(3). However, the grantee may engage in any voter education and voter engagement activities conducted on a nonpartisan basis. [*If a project grant that is earmarked solely or primarily for a voter registration drive add: “Grantee is recognized by the IRS as meeting specific qualifications related to voter a registration drive to receive funds from a private foundation set forth in Section 4945(f) of the Code.”*]
- [*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.

Sincerely,

Updated from templates developed by Center for Lobbying in the Public Interest (a program of the National Council of Nonprofits) and the Council on Foundations in “Foundations for Civic Impact: Advocacy and Civic Engagement toolkit”, 2010.



SAMPLE GRANT AGREEMENT FOR A PRIVATE FOUNDATION

Without Added IRS Language

This is sample letter for a grant from a private foundation to a Section 501(c)(3) charitable organization. Many foundations mistakenly believe that they are required to include language regarding the ban on partisan political activity by a 501(c)(3) nonprofit. It is not necessary.

Adding language on the partisan prohibition without making it clear that nonprofits may conduct nonpartisan election activity can confuse or intimidate grantees from engaging in a range of civic and policy activities. Private foundations, however, should note provisions in the template that do apply for project grants. As with any sample or template, this is designed to serve as a starting place. Foundations should consult with their advisers to tailor the template to their specific needs. *[Specific language for a project or restricted grant is in brackets].*

Dear Grantee:

I am pleased to inform you that the ABC Foundation approved a grant of \$25,000 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 (“Code”).
- Grantee shall continue to qualify as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and not 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 change or revoke the grantee’s exempt status.
- *[Added conditions if it is a project grant that:*
 - *Includes lobbying add: “Grantee has provided credible written documentation that the amount of the grant does not exceed the amount of the project budget anticipated to be used for non-lobbying purposes.”*
 - *Is earmarked solely or primarily for a voter registration drive add: “Grantee is recognized by the IRS as meeting specific qualifications to receive funds from a private foundation set forth in Section 4945(f) of the Code.”]*
- *[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.

Sincerely,

Updated from templates developed by Center for Lobbying in the Public Interest (a program of the National Council of Nonprofits) and the Council on Foundations in “Foundations for Civic Impact: Advocacy and Civic Engagement toolkit”, 2010.